

City of Newport

Lincoln County, Oregon

***Annual Financial Statements
for the year ended
June 30, 2007***

**CITY OF NEWPORT
Lincoln County, Oregon**

AUDIT REPORT

as of

JUNE 30, 2007

Prepared By
SIGNE GRIMSTAD
Certified Public Accountant
530 N.W. 3rd, Suite E
P.O. Box 1930
Newport, Oregon

CITY OF NEWPORT, OREGON

LIST OF OFFICIALS

CITY COUNCIL

Mayor	William Bain	PO Box 1047 Newport, Oregon 97365
President	Peggy Sabanskas	245 NE 3 rd Newport, Oregon 97365
Councilmember	Neal Henning	PO Box 726 Newport, Oregon 97365
Councilmember	Jeff Bertuleit	354 SE 2 nd St. Newport, Oregon 97365
Councilmember	Larry Henson	6090 NE Evergreen Ln. Newport, Oregon 97365
Councilmember	Patricia Patrick-Joling	547 SW 7 th Street Newport, Oregon 97365
Councilmember	Terry Obteshka	105 NW Coast Street Newport, Oregon 97365

CITY ADMINISTRATION

City Manager	Allen O'Neal	Newport, Oregon 97365
Interim Finance Director	Robert Gazewood	Newport, Oregon 97365
City Recorder	Margaret M. Hawker	Newport, Oregon 97365
City Attorney	Gary Firestone	Newport, Oregon 97365

REGISTERED AGENT

None at this time

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CITY OF NEWPORT, OREGON

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GRIMSTAD & ASSOCIATES
Certified Public Accountants

November 7, 2007

Newport Office:
P.O. Box 1930
530 N.W. 3rd St. Ste E
Newport, OR 97365
(541) 265-5411
Fax (541) 265-9255

INDEPENDENT AUDITOR'S REPORT

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

Lincoln City Office:
1349 N.W. 15th Street
Lincoln City, OR 97367
(541) 994-5252
Fax (541) 994-2105

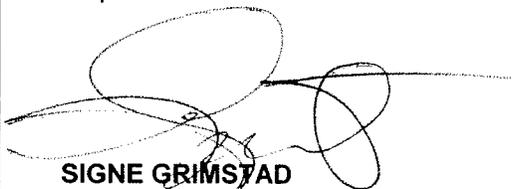
I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Newport, Oregon, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the 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, 2007, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund, State Tax Street Fund, Capital Facilities Construction Fund, Economic Development Fund, Urban Renewal Construction Fund, and South Beach Urban Renewal Construction Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Newport's basic financial statements. The supplementary information combining financial statements, schedules of budget to actual comparisons with reconciliations, and schedule of property tax transactions are presented for purposes of additional analysis and are 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 my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



SIGNE GRIMSTAD
Certified Public Accountant

Members:
AICPA, OSCP & OAIA

Management's Discussion and Analysis

The management of the City of Newport offers readers of the City of Newport's financial statements this narrative overview and analysis of the financial activities of the City of Newport for the fiscal year ended June 30, 2007. 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 City of Newport exceeded its liabilities at the close of the most recent fiscal year by \$67,571,943. Of this amount, \$6,811,928 may be used to meet the government's ongoing obligations to citizens and creditors.

Change in Net Assets - The City's total net assets increased by \$2,549,493 due to an increase in capital assets and an increase in cash and cash equivalents.

Governmental Funds - As of the close of the fiscal year, the City of Newport's governmental funds reported combined ending fund balances of \$17,067,431.

At the end of the fiscal year, unreserved fund balance for the general fund was \$504,384 or 7.5% percent of total general fund expenditures.

The City of Newport's total debt decreased by \$1,266,785, net of new borrowing, during the fiscal year. The decrease is attributable to scheduled payments of principal during the year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Newport'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. 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 broad overview of the City of Newport's finances in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave). The governmental activities of the City of Newport include general government, public safety, streets, economic

development, culture and recreation, and interest paid on long term debt. The business type activities include water, sewer, airport, and the operation of the Recreation Center.

Fund Financial statements. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Newport, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Newport can be divided into two categories: governmental funds and proprietary funds.

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

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

The City of Newport maintains twenty-four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, State Tax Street Fund, Capital Facilities Construction Fund, Economic Development Fund, Urban Renewal Construction Fund, South Beach Urban Renewal Construction Fund, Urban Renewal Debt Fund, and South Beach Urban Renewal Debt Fund. All of these funds are considered to be major funds.

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

Proprietary Funds. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent is that the costs of providing the services to the general public on a continuing basis be financed primarily through user charges. These funds represent four segments of operations: Water, Sewer, Airport and Recreation.

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

Other Supplementary Information. The combining statements for the non-major governmental funds and budgetary comparison schedules for both the non-major governmental funds and the

proprietary funds are presented immediately following the notes to the basic financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the City of Newport, assets exceeded liabilities by \$67,571,943 at the close of the most recent fiscal year.

By far the largest portion of the City of Newport’s net assets (80% percent) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Newport uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Newport’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

	Governmental Activities		Business-type Activities		Total Government	
	2006	2007	2006	2007	2006	2007
Cash and investments	\$ 6,322,886	\$ 7,346,019	\$ 277,387	\$ 680,458	\$ 6,600,273	\$ 8,026,477
Other assets (including restricted cash and investments)						
	9,512,845	11,934,019	2,519,036	1,812,373	12,031,881	13,746,392
Capital assets	22,025,510	33,017,021	57,086,816	56,097,038	79,112,326	89,114,059
Total Assets	37,861,241	52,297,059	59,883,239	58,589,869	97,744,480	110,886,928
Other liabilities	1,350,626	1,735,855	3,172,357	3,368,774	4,522,983	5,104,629
Long term debt outstanding	4,405,559	4,876,496	35,185,031	33,333,861	39,590,590	38,210,357
Total liabilities	5,756,185	6,612,351	38,357,388	36,702,635	44,113,573	43,314,986
Net assets:						
Invested in capital assets, net of debt	17,240,557	27,819,632	19,184,833	20,646,070	36,425,390	48,465,702
Restricted:						
Debt service	8,130,832	9,810,668	1,321,877	1,368,836	9,452,709	11,179,504
Systems development	592,219	566,552	762,607	548,257	1,354,826	1,114,809
Unrestricted	6,141,452	7,487,856	256,534	(675,928)	6,397,986	6,811,928
Total net assets	\$ 32,105,060	\$ 45,684,708	\$ 21,525,851	\$ 21,887,235	\$ 53,630,911	\$ 67,571,943

Newport's net assets represent resources that are invested in capital assets, net of related debt. Of the remaining balance, \$11,179,504 is restricted for future debt service, \$1,114,809 is restricted for systems development projects, and \$6,811,928 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

Governmental activities. The largest change in governmental activities was the inclusion of general government infrastructure (road and sidewalk improvements, parks, etc.) in capital assets. These additions significantly increase the governmental activities' net assets.

Business-type activities. Business-type activities increased the City of Newport's net assets by \$283,316.

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

Table 2
Governmental and Proprietary activities

	Governmental Activities	Business-type Activities	Total Government
REVENUES			
Program revenues			
Charges for services	1,000,831	4,452,486	5,453,317
Grants and contributions	46,906	241,463	288,369
General revenues			
Taxes	10,050,903	1,673,071	11,723,974
Franchise fees	980,900	-	980,900
Unrestricted Grants and contributions	769,295	-	769,295
Interest and investment earnings	761,738	121,876	883,614
Miscellaneous revenues	205,546	-	205,546
Capital contributions	(643,223)	1,117,583	474,360
Transfers	(487,108)	487,108	-
Total revenues	12,685,788	9,141,324	20,796,209
EXPENSES			
Programs	10,419,611	7,810,271	18,229,882
Change in net assets	2,266,177	283,316	2,549,493
Beginning net assets	43,418,531	21,603,919	65,022,450
Ending net assets	45,684,708	21,887,235	67,571,943

Financial Analysis of the City's funds

Governmental funds. The focus of the City of Newport's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Newport'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 of Newport's governmental funds reported combined ending fund balances of \$17,067,431. Approximately 39% percent of this total amount (\$6,690,211) constitutes unreserved fund balance. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed. The general fund increased by \$265,661 in 2007. The State Tax Street fund, Capital Facilities Construction fund, Economic Development fund, Urban Renewal Construction fund, South Beach Urban Renewal Construction fund, Urban Renewal Debt fund, and the South Beach Urban Renewal Debt fund changed by \$63,448, \$12,032, and \$504,782, \$9,425, \$279,782, \$1,115,588, and \$537,771 respectively. All other governmental funds experienced a net change in their fund balances of \$351,850.

Proprietary funds. The Sewer fund and Water fund had net increases in fund balances of \$589,346 and \$178,820, respectively. The net balance in Airport operations decreased by \$395,295, and the Recreation Center fund balance decreased by \$4,717. These decreases reflect the ongoing cost of improvements and their related debt.

Budgetary Highlights

The City Council approved numerous changes to the adopted budget during the year. The Airport Fund increased its appropriations during the year by a total of \$1,068,563. The changes included a grant award of \$250,000 for hangar improvements, the purchase of a fixed base operation center including pilot services and a fuel farm which initiated the creation of a new activity program department in the Airport fund with appropriations of \$676,063 including debt service on the loan (\$274,000) for procurement of the facility for \$27,435. An addition grant of \$47,500 was appropriated in the Airport Operations department.

The Equipment Reserve Fund increased by \$112,139. \$107,139 was a lease purchase agreement to acquire three new Police patrol vehicles. The remaining \$5,000 was a contingency transfer to cover expenditures in the materials and services category of the fund. The Fire Trust and Reserve Fund received a grant of \$41,068 during the year which increased expenditures for the materials and services category of the fund. The Friends of the Aquatic Center fund increased materials and services appropriations by \$13,068 through a contingency transfer and a corrected statement of beginning fund balance to facilitate architectural development of plans for a new Aquatic Center.

The General Fund received \$100,000 in revenue and the Public Works Fund received \$50,000 in revenue from charges for services to the Urban Renewal Agency. The General Fund amount went to fund balance; the Public Works Fund was appropriated \$25,000 to the Shop and Operations Department and \$25,000 to contingency. Numerous activity departments within the General

Fund increased their budgets \$281,500 through appropriations transfers from other General Fund departments, including a \$51,370 contingency transfer.

\$15,000 was transferred from the contingency of the Electrical and Plumbing Permit Fund to the materials and services category of the fund. This move was made to allow for increased construction activity that initiated a need for more contracted inspection services. The Public Parking Reserve Fund increased its capital outlay category by \$10,500 with a transfer from its contingency to allow for expenditures for parking lot overlays in the City.

The Recreation Fund increased by \$122,000, including a Lincoln County grant for \$10,200 and a contingency transfer of \$18,100. The increase went to the Recreation Center Operations (\$40,000), Recreation Center Programs (\$30,000), and the Swimming Pool Operations (\$52,000). The School of the Arts Fund increased its materials and services budget by \$35,000 through a contingency transfer.

The Sewer Fund recognized \$674,600 in increased revenue. \$300,000 of that revenue was in the form of a capital loan to the fund from the Tourism Facilities Fund. The loan was made to overcome a fund balance deficit and was not appropriated for expenditure. Of the remaining \$374,600 of revenue, \$290,000 was a restatement of Sewer System Development Charges (SDC) beginning balance. Combined with a \$20,000 transfer from contingency, \$310,000 was appropriated for Sewer SDC projects. \$64,600 was appropriated to the Sewer Fund Repair and Operations Department, with \$25,200 coming from the fund's contingency and \$39,400 transferred from other Sewer Fund program departments. In the Water Fund \$36,500 was transferred to the Water Storage Department (\$16,000) and to the Water Treatment Plant Department (\$20,500) from other Water Fund departments.

The Senior Center Reserve Fund increased its materials and services category by \$14,506 through a contingency transfer. The Workers' Compensation/General Insurance Fund increased its materials and services appropriation by \$2,000 with a transfer from contingency. Last, the Assessment Debt Fund increased its debt service appropriation by \$575 with an increase in interest revenue.

Capital Asset and Debt Administration

Capital assets. The City of Newport's investment in capital assets for its governmental and business type activities as of June 30, 2007 amounts to \$89,114,060 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and structures, infrastructure and improvements, utility systems, equipment and vehicles, and construction in process.

	Governmental Activities	Business-type Activities	Total
Land and improvements	8,796,155	15,050,069	23,846,224
Buildings and structures	19,082,884	41,316,823	60,399,707
Infrastructure	17,160,763	18,184,003	35,344,766
Equipment	2,922,451	1,402,990	4,325,441
Vehicles	2,483,513	503,443	2,986,956
Construction in process	1,586,456	236,049	1,822,505
Less accumulated depreciation	(19,015,201)	(20,596,338)	(39,611,539)
Total	33,017,021	56,097,039	89,114,060

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

- The rehabilitation of the Elizabeth Street sewer system
- Construction of a sewer pump station at Neolha Point
- Purchase of the Airport FBO facility
- Purchase of eight vehicles for various City departments

	Governmental Activities	Business-type Activities	Total
Beginning balance	33,500,243	57,086,816	90,587,059
Additions	880,176	1,033,883	1,914,059
Depreciation	(1,304,734)	(2,023,660)	(3,328,394)
Deletions	(58,664)	-	(58,664)
Ending balance	33,017,021	56,097,039	89,114,060

Long-term debt. At the end of the fiscal year, the City of Newport had total long-term debt outstanding of \$40,691,548. In governmental activity, \$4,150,000 is the balance of a 2000 loan to make improvements in the Nye Beach, Uptown, and Bay front areas of the City as well as financing the renovation of City Hall. 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 entire amount is currently outstanding. In 1991, the Urban Renewal Agency received a loan of \$500,000 to help finance the Oregon Coast Aquarium. The balance due on that loan is \$121,764. A capital lease for the purchase of three Police department vehicles with a balance of \$68,816 completes the debt outstanding for governmental activities. For the City business-type activities, \$29,754,691 comprises the outstanding balance of loans to construct the Sewer Treatment Plant, including a 1999 general obligation bond with a balance of \$8,435,000.

\$4,055,437 is the remaining balance of loans to construct the Recreation Center. The Water Treatment Plant improvements were funded by a general obligation bond in 1998 that have a balance of \$1,375,000. A loan from West Coast Bank in 2006 to purchase the Airport FBO facility has a balance of \$265,840.

Table 5
Outstanding Debt at Year-end

Governmental	
Oregon Coast Aquarium loan 1991	121,764
Bank of America, Series 2000	4,150,000
Bank of America, Series 2007	900,000
Capital lease - Police Vehicles	68,816
Sub-total	5,240,580
Business-type	
General Obligation Bonds, WTP (1998)	1,375,000
General Obligation Bonds, Sewer (1999)	8,435,000
Wastewater facilities construction (1996)	6,719,294
Wastewater facilities construction (1996)	10,350,841
Wastewater facilities construction (2000)	2,124,778
Wastewater facilities construction (2000)	2,124,778
Recreation Center Construction (1999)	330,869
Recreation Center Construction (2000)	3,724,568
Airport FBO facility (2006)	265,840
Sub-total	35,450,968
Total	40,691,548

State statutes limit the amount of general obligation debt an Oregon city may issue to 3% of total real market value of all taxable property within its boundary. The current debt limitation for the City of Newport is \$45,367,239. Only \$9,810,000 of the outstanding debt is counted within the statutory limitation as the remaining debt is either wholly or partially financed by revenues other than a general tax levy.

Economic Factors and next year's Budgets and Rates. The City of Newport's unemployment rate ended the fiscal year at 5.4%. 45 building permits were issued for new residential development in fiscal 2007. In addition, permits were issued for 22 new commercial developments, and 76 building permits were issued for residential and commercial repairs and improvements to existing structures.

Requests for information. This financial report is designed to provide a general overview of the City of Newport'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.

CITY OF NEWPORT, OREGON

STATEMENT OF NET ASSETS

June 30, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash & cash equivalents	\$ 6,524,267	\$ 607,649	\$ 7,131,916
Investments	821,752	72,809	894,561
Receivables, net	987,782	625,400	1,613,182
Internal balance	619,837	(619,837)	0
Inventory	43,191	0	43,191
Restricted assets			
Cash & cash equivalents	9,352,098	1,631,424	10,983,522
Investments	931,111	175,386	1,106,497
Capital assets, net	<u>33,017,021</u>	<u>56,097,038</u>	<u>89,114,059</u>
 Total assets	 <u>52,297,059</u>	 <u>58,589,869</u>	 <u>110,886,928</u>
LIABILITIES			
Accounts payable	1,117,295	455,330	1,572,625
Accrued interest payable	0	572,261	572,261
Unearned revenue	0	158,265	158,265
Noncurrent liabilities			
Due within one year	618,560	2,182,917	2,801,477
Due in more than one year	<u>4,876,496</u>	<u>33,333,861</u>	<u>38,210,357</u>
 Total liabilities	 <u>6,612,351</u>	 <u>36,702,634</u>	 <u>43,314,985</u>
NET ASSETS			
Invested in capital assets, net of related debt	27,819,632	20,646,070	48,465,702
Restricted			
System development	566,552	548,257	1,114,809
Debt service	9,810,668	1,368,836	11,179,504
Unrestricted	<u>7,487,856</u>	<u>(675,928)</u>	<u>6,811,928</u>
 Total net assets	 <u>\$ 45,684,708</u>	 <u>\$ 21,887,235</u>	 <u>\$ 67,571,943</u>

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

CITY OF NEWPORT, OREGON

STATEMENT OF ACTIVITIES
for the Fiscal Year Ended June 30, 2007

Net (Expense) Revenue and
Changes in Net Assets

Program Revenues

Changes in Net Assets

FUNCTIONS/PROGRAMS	Program Revenues			Changes in Net Assets			Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
FUNCTIONS/PROGRAMS							
Governmental activities							
General government	\$ 2,811,964	\$ 447,104	\$ 0	\$ 0	\$ (2,364,860)	\$ 0	\$ (2,364,860)
Public safety	3,484,381	170,947	0	46,906	(3,266,528)	0	(3,266,528)
Streets	614,111	154,777	0	0	(459,334)	0	(459,334)
Economic development	1,919,842	172,631	0	0	(1,747,211)	0	(1,747,211)
Culture and recreation	1,334,546	55,372	0	0	(1,279,174)	0	(1,279,174)
Interest on long-term debt, exclusive of direct	254,767	0	0	0	(254,767)	0	(254,767)
Total governmental activities	10,419,611	1,000,831	0	46,906	(9,371,874)	0	(9,371,874)
Business-type activities							
Water	1,546,415	1,503,161	0	0	0	(43,254)	(43,254)
Sewer	3,840,373	2,132,769	0	0	0	(1,707,604)	(1,707,604)
Airport	1,179,798	335,504	0	241,463	0	(602,831)	(602,831)
Recreation	1,243,685	481,052	0	0	0	(762,633)	(762,633)
Total business-type activities	7,810,271	4,452,486	0	241,463	0	(3,116,322)	(3,116,322)
Total government	\$ 18,229,882	\$ 5,453,317	\$ 0	\$ 288,369	(9,371,874)	(3,116,322)	(12,488,196)
General revenues							
Property taxes					8,204,725	1,247,628	9,452,353
Transient taxes					1,846,178	425,443	2,271,621
Gas, state liquor, state revenue taxes					769,295	0	769,295
Franchise taxes					980,900	0	980,900
Miscellaneous income					205,546	0	205,546
Investment earnings					761,738	121,876	883,614
Capital contributions					(643,223)	1,117,583	474,360
Transfers					(487,108)	487,108	0
Total general revenues and transfers					11,638,051	3,399,638	15,037,689
Change in net assets					2,266,177	283,316	2,549,493
Net assets - beginning of year					32,105,060	21,587,085	53,692,145
Prior period - infrastructure					11,313,471	16,834	11,330,305
Net assets - end of year					\$ 45,684,708	\$ 21,887,235	\$ 67,571,943

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

CITY OF NEWPORT, OREGON

COMBINING BALANCE SHEET - GOVERNMENTAL FUNDS as of June 30, 2007

	General Fund	State Tax Street Funds	Cap. Facilities Construction Fund	Economic Development Fund	Urban Renewal Construction Fund	SB Urban Renewal Const. Fund	Urban Renewal Debt Fund	SB Urban Renewal Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS										
Cash & cash equivalents	\$ 911,886	\$ 652,797	\$ 164,432	\$ 637,008	\$ 371,067	\$ 561,427	\$ 7,651,171	\$ 1,122,915	\$ 3,662,209	\$ 15,734,912
Investments	102,089	39,006	18,412	71,357	32,883	153,454	734,388	175,376	410,060	1,737,025
Receivables, net	267,532	8,907	116	520	4,926	108,566	149,418	79,804	367,635	987,424
Interfund receivables	0	0	0	535,000	0	0	0	0	0	535,000
Investment in foreclosed property	0	0	0	0	0	0	0	0	43,191	43,191
Total assets	\$ 1,281,507	\$ 700,710	\$ 182,960	\$ 1,243,885	\$ 408,876	\$ 823,447	\$ 8,534,977	\$ 1,378,095	\$ 4,483,095	\$ 19,037,552
LIABILITIES AND FUND BALANCES										
Liabilities										
Accounts payable	\$ 511,855	\$ 61,938	\$ 3,999	\$ 27,680	\$ 733	\$ 408,275	\$ 0	\$ 0	\$ 40,632	\$ 1,055,112
Compensated absences	78,404	11,176	0	0	0	0	0	0	360	89,940
Deferred revenue	186,864	8,477	0	0	403	108,333	113,062	61,699	346,231	825,069
Total liabilities	777,123	81,591	3,999	27,680	1,136	516,608	113,062	61,699	387,223	1,970,121
Fund balances										
Reserved										
Debt service	0	0	0	0	0	0	8,421,915	1,316,396	72,357	9,810,668
System development	0	387,591	178,961	0	0	0	0	0	0	566,552
Unreserved										
General fund	504,384	0	0	0	0	0	0	0	0	504,384
Special revenue funds	0	231,528	0	0	0	0	0	0	4,023,515	4,255,043
Economic development fund	0	0	0	1,216,205	0	0	0	0	0	1,216,205
Capital project fund	0	0	0	0	407,740	306,839	0	0	0	714,579
Total fund balances	504,384	619,119	178,961	1,216,205	407,740	306,839	8,421,915	1,316,396	4,095,872	17,067,431
Total liabilities and fund balances	\$ 1,281,507	\$ 700,710	\$ 182,960	\$ 1,243,885	\$ 408,876	\$ 823,447	\$ 8,534,977	\$ 1,378,095	\$ 4,483,095	\$ 19,037,552

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

CITY OF NEWPORT, OREGON

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO STATEMENT OF NET ASSETS for the Fiscal Year Ended June 30, 2007

	Total Governmental Funds
GOVERNMENTAL FUND BALANCES	\$ 17,067,431
GOVERNMENTAL FUNDS	
Deferred prior property taxes	362,028
Deferred note receivable	395,363
Deferred special assessments	67,678
Internal balance due from business-type activities	84,837
Non-current portion of compensated absences liability	(140,113)
Capital assets (net of accumulated depreciation)	32,753,320
Public Works - assets and liabilities	334,744
General government debt obligations	<u>(5,240,580)</u>
NET ASSETS	<u>\$ 45,684,708</u>

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

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CITY OF NEWPORT, OREGON

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS for the Fiscal Year Ended June 30, 2007

	General Fund	State Tax		Capital Facilities		Economic		Urban Renewal		SB Urban Re-		Urban Renewal		SB Urban Re-		Other		Total	
		Street	Fund	Construction	Fund	Development	Fund	Construction	Fund	newal Const.	Fund	Debt	Fund	Service Fund	Governmental	Funds	Governmental		Funds
REVENUES																			
Taxes	\$ 5,469,789	\$ 0	\$ 0	\$ 0	\$ 1,233,165	\$ 375	\$ 0	\$ 0	\$ 2,363,236	\$ 1,355,005	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 348,058	\$ 0	\$ 10,769,628	
Licenses, permits & fees	106,631	0	0	45	0	0	0	0	0	0	0	0	0	0	420,359	0	0	527,035	
Intergovernmental	571,711	554,277	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,125,988	
Fines & forfeitures	170,947	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	170,947	
Leases & rents	72,277	0	0	0	0	56,086	0	0	0	0	0	0	0	0	0	0	0	128,363	
Interfund services	100,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	100,000	
Special assessments	0	113,295	41,482	0	0	0	0	0	0	0	0	0	0	0	37,278	0	0	192,055	
Investment earnings	53,925	27,805	8,375	37,478	6,911	12,260	382,884	49,627	0	0	0	0	0	0	182,473	0	0	761,738	
Grants	0	0	0	0	0	0	0	0	0	0	0	0	0	0	46,906	0	0	46,906	
Other revenue	68,971	2,182	0	769	0	100,000	0	0	0	0	0	0	0	33,623	0	0	0	205,545	
Total revenues	6,614,252	697,559	49,857	1,271,457	63,372	112,260	2,746,120	1,404,632	1,068,697	14,028,206									

EXPENDITURES

	Current		Capital outlay		Other		Total	
	General	Public	Streets	Other	Capital	Other	Capital	Other
General government	1,152,555	0	0	0	53,947	4,998	0	0
Public safety	3,397,536	0	0	0	0	0	0	0
Streets	0	589,900	0	0	0	0	0	0
Economic development	238,555	0	0	0	766,675	318,856	0	0
Culture and recreation	1,263,433	0	0	0	0	0	0	0
Debt service	0	0	0	0	0	0	1,224,254	866,861
Capital outlay	291,782	0	8,725	0	0	0	0	191,493
Other expenditures	0	0	0	0	0	43,250	0	0
Community development	0	0	0	0	0	0	0	0
Streets/parking lots	0	24,211	0	0	0	0	0	0
Storm drain construction	0	0	0	0	0	365,374	0	0
Total expenditures	6,343,861	614,111	8,725	766,675	53,947	732,478	1,224,254	866,861

Excess (def) of revenues
from expenditures

270,391	83,448	41,132	504,782	9,425	(620,218)	1,521,866	537,771	271,711	2,620,308
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CITY OF NEWPORT, OREGON

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS for the Fiscal Year Ended June 30, 2007

	State Tax		Capital Facilities		Economic		Urban Renewal		SB Urban Re-		Urban Renewal		SB Urban Re-		Other		Total
	General Fund	Street Fund	Construction Fund	Construction Fund	Development Fund	Construction Fund	Debt Fund	newal Const. Fund	newal Debt Service Fund	Debt Fund	Debt Fund	Governmental Funds					
OTHER FINANCING SOURCES (USES)																	
Bond /loan proceeds	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,007,139
Transfer in/out	(4,730)	(20,000)	(29,100)									(406,278)				(27,000)	(487,108)
Net change in fund balances	265,661	63,448	12,032	12,032	504,782	9,425	279,782	1,115,588	537,771	537,771	351,850	3,140,339					
FUND BALANCE - Beg. of year	238,723	555,671	166,929	166,929	711,423	398,315	27,057	7,306,327	778,625	778,625	3,744,022	13,927,092					
FUND BALANCE - End of year	\$ 504,384	\$ 619,119	\$ 178,961	\$ 178,961	\$ 1,216,205	\$ 407,740	\$ 306,839	\$ 8,421,915	\$ 1,316,396	\$ 1,316,396	\$ 4,095,872	\$ 17,067,431					

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

EXCESS OF REVENUES OVER EXPENDITURES	\$ 3,140,339
GOVERNMENTAL FUNDS	
Acquisition of capital assets	836,951
Depreciation expense	(1,291,806)
Debt payments	1,888,950
Transfers	(2,146,637)
Accrual of compensated absences	(22,004)
Receivables	(186,540)
Property taxes deferred	25,547
Change in net assets	2,244,800
INTERNAL SERVICE FUNDS	
Governmental activities	21,377
CHANGE IN NET ASSETS	\$ 2,266,177

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

CITY OF NEWPORT, OREGON

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL for the Fiscal Year Ended June 30, 2007**

GENERAL FUND

	Budget Amounts		Actual	Variance with
	Original	Final		Final Budget
REVENUES				
Taxes	\$ 5,311,950	\$ 5,311,950	\$ 5,469,789	\$ 157,839
Intergovernmental	479,000	539,375	571,711	32,336
Leases & rentals	50,000	50,000	72,277	22,277
Business licenses	100,000	100,000	106,631	6,631
Fines & forfeitures	123,500	123,500	170,947	47,447
Services provided to other funds	0	100,000	100,000	0
Interest on investments	18,000	18,000	53,925	35,925
Miscellaneous	46,000	46,000	68,971	22,971
Total revenues	<u>6,128,450</u>	<u>6,288,825</u>	<u>6,614,252</u>	<u>325,427</u>
EXPENDITURES				
City Council & Mayor	18,500	22,000	21,682	318
City Manager	478,900	436,900	430,264	6,636
Municipal Court	28,550	38,550	36,182	2,368
City Attorney	60,000	88,000	83,389	4,611
Finance	325,900	325,900	314,349	11,551
Police	2,291,900	2,232,145	2,146,128	86,017
Central Dispatch	453,800	488,800	478,183	10,617
Fire Department	815,100	805,100	773,225	31,875
Library	888,000	838,000	814,008	23,992
City Hall Operations	64,000	89,000	81,596	7,404
General services	225,500	255,500	244,609	10,891
Community Development	249,600	241,600	238,555	3,045
Parks & Recreation	449,700	459,700	449,425	10,275
Special expenditures	165,900	305,900	291,782	14,118
Contingency	51,370	0	0	0
Total Expenditures	<u>6,566,720</u>	<u>6,627,095</u>	<u>6,403,377</u>	<u>223,718</u>
Excess (def) of revenues over expenditures	<u>(438,270)</u>	<u>(338,270)</u>	<u>210,875</u>	<u>549,145</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	392,000	292,000	292,000	0
Transfers to other funds	<u>(296,730)</u>	<u>(296,730)</u>	<u>(296,730)</u>	<u>0</u>
Total other financing sources (uses)	<u>95,270</u>	<u>(4,730)</u>	<u>(4,730)</u>	<u>0</u>
Excess (def) of revenues over expenditures	<u>(343,000)</u>	<u>(343,000)</u>	<u>206,145</u>	<u>549,145</u>
GAAP ADJUSTMENT				
Pension payable	0	0	59,516	59,516
FUND BALANCE - Beginning of year	<u>343,000</u>	<u>343,000</u>	<u>238,723</u>	<u>581,723</u>
FUND BALANCE - End of year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 504,384</u>	<u>\$ 504,384</u>

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

CITY OF NEWPORT, OREGON

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL for the Fiscal Year Ended June 30, 2007**

STATE TAX STREET FUND

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
State gas tax proration	\$ 440,000	\$ 471,704	\$ 31,704
State ISTEPA entitlement	87,000	82,573	(4,427)
Misc. sales & services	3,500	2,182	(1,318)
SDC charges	50,000	109,993	59,993
Street cut fees	2,000	0	(2,000)
OTIA funds	75,900	0	(75,900)
Interest from SDC	2,800	3,302	502
Grants	95,000	0	(95,000)
Interest on investments	<u>5,900</u>	<u>27,805</u>	<u>21,905</u>
 Total revenues	 <u>762,100</u>	 <u>697,559</u>	 <u>(64,541)</u>
EXPENDITURES			
Operations	687,500	600,602	86,898
Capital projects	150,170	13,993	136,177
SDC projects	100,000	10,218	89,782
Contingency	<u>284,700</u>	<u>0</u>	<u>284,700</u>
 Total expenditures	 <u>1,222,370</u>	 <u>624,813</u>	 <u>597,557</u>
 Excess (def) of revenues over expenditures	 <u>(460,270)</u>	 <u>72,746</u>	 <u>533,016</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	40,000	40,000	0
Transfers to other funds	<u>(60,000)</u>	<u>(60,000)</u>	<u>0</u>
 Total other financing sources (uses)	 <u>(20,000)</u>	 <u>(20,000)</u>	 <u>0</u>
 Excess (def) of revenues over expenditures	 <u>(480,270)</u>	 <u>52,746</u>	 <u>533,016</u>
GAAP ADJUSTMENT			
Pension payable	0	10,702	10,702
 FUND BALANCE - Beginning of year	 <u>480,270</u>	 <u>555,671</u>	 <u>75,401</u>
 FUND BALANCE - End of year	 <u>\$ 0</u>	 <u>\$ 619,119</u>	 <u>\$ 619,119</u>

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

CITY OF NEWPORT, OREGON

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL for the Fiscal Year Ended June 30, 2007**

CAPITAL FACILITIES CONSTRUCTION FUND

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interest on investments	\$ 3,500	\$ 8,375	\$ 4,875
Parks & Recreation SDC	12,000	22,407	10,407
Storm Drain SDC	<u>21,000</u>	<u>19,075</u>	<u>(1,925)</u>
 Total revenues	 <u>36,500</u>	 <u>49,857</u>	 <u>13,357</u>
 EXPENDITURES			
Parks SDC			
Capital outlay	25,000	3,999	21,001
Contingency	75,800	0	75,800
Storm Drain SDC			
Capital outlay	<u>50,000</u>	<u>4,726</u>	<u>45,274</u>
 Total expenditures	 <u>150,800</u>	 <u>8,725</u>	 <u>142,075</u>
 Excess (def) of revenues over expenditures	 (114,300)	 41,132	 155,432
 OTHER FINANCING SOURCES (USES)			
Transfers to other funds	<u>(29,100)</u>	<u>(29,100)</u>	<u>0</u>
 Excess (def) of revenues over expenditures	 (143,400)	 12,032	 155,432
 FUND BALANCE - Beginning of year	 <u>143,400</u>	 <u>166,929</u>	 <u>23,529</u>
 FUND BALANCE - End of year	 <u>\$ 0</u>	 <u>\$ 178,961</u>	 <u>\$ 178,961</u>

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

CITY OF NEWPORT, OREGON

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL for the Fiscal Year Ended June 30, 2007**

ECONOMIC DEVELOPMENT FUND

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interest on investments	\$ 29,100	\$ 37,478	\$ 8,378
Business licenses	0	45	45
Miscellaneous sales & services	0	769	769
Transient room tax	<u>1,229,300</u>	<u>1,233,165</u>	<u>3,865</u>
 Total revenues	 <u>1,258,400</u>	 <u>1,271,457</u>	 <u>13,057</u>
EXPENDITURES			
Materials & services	796,567	766,675	29,892
Contingency	<u>945,333</u>	<u>0</u>	<u>945,333</u>
 Total expenditures	 <u>1,741,900</u>	 <u>766,675</u>	 <u>975,225</u>
 Excess (def) of revenues over expenditures	 (483,500)	 504,782	 988,282
OTHER FINANCING SOURCES (USES)			
Interfund loan	<u>(235,000)</u>	<u>(235,000)</u>	<u>0</u>
 Excess (def) of revenues over expenditures	 (718,500)	 269,782	 988,282
GAAP ADJUSTMENT			
Interfund loans	0	235,000	(235,000)
 FUND BALANCE - Beginning of year	 <u>718,500</u>	 <u>711,423</u>	 <u>(7,077)</u>
 FUND BALANCE - End of year	 <u>\$ 0</u>	 <u>\$ 1,216,205</u>	 <u>\$ 1,216,205</u>

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

CITY OF NEWPORT, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL for the Fiscal Year Ended June 30, 2007

URBAN RENEWAL CONSTRUCTION FUND

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Leases & rents	\$ 55,000	\$ 55,000	\$ 56,086	\$ 1,086
Interest on investments	10,000	10,000	6,911	(3,089)
Property taxes	1,200	1,200	375	(825)
Total revenues	<u>66,200</u>	<u>66,200</u>	<u>63,372</u>	<u>(2,828)</u>
EXPENDITURES				
Materials & services	91,203	116,203	53,947	62,256
Contingency	<u>500,000</u>	<u>500,000</u>	<u>0</u>	<u>500,000</u>
Total expenditures	<u>591,203</u>	<u>616,203</u>	<u>53,947</u>	<u>562,256</u>
Excess (def) of revenues over expenditures	(525,003)	(550,003)	9,425	559,428
OTHER FINANCING SOURCES (USES)				
Transfer to other funds	<u>(25,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (def) of revenues over expenditures	(550,003)	(550,003)	9,425	559,428
FUND BALANCE - Beginning of year	<u>550,003</u>	<u>550,003</u>	<u>398,315</u>	<u>(151,688)</u>
FUND BALANCE - End of year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 407,740</u>	<u>\$ 407,740</u>

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

CITY OF NEWPORT, OREGON

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL for the Fiscal Year Ended June 30, 2007**

SOUTH BEACH URBAN RENEWAL CONSTRUCTION FUND

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Interest on investments	\$ 22,800	\$ 22,800	\$ 12,260	\$ (10,540)
Aquarium loan repayment	100,000	100,000	100,000	0
Total revenues	122,800	122,800	112,260	(10,540)
EXPENDITURES				
Personal services	0	10,000	4,998	5,002
Materials & services	376,300	506,300	318,856	187,444
Capital outlay	2,557,000	2,568,000	408,624	2,159,376
Contingency	420,740	394,740	0	394,740
Total expenditures	3,354,040	3,479,040	732,478	2,746,562
Excess (def) of revenues over expenditures	(3,231,240)	(3,356,240)	(620,218)	2,736,022
OTHER FINANCING SOURCES (USES)				
Bond proceeds	3,268,000	3,268,000	900,000	(2,368,000)
Transfers to other funds	(125,000)	0	0	0
Total other financing sources (uses)	3,143,000	3,268,000	900,000	(2,368,000)
Excess (def) of revenues over expenditures	(88,240)	(88,240)	279,782	368,022
FUND BALANCE - Beginning of year	88,240	88,240	27,057	(61,183)
FUND BALANCE - End of year	\$ 0	\$ 0	\$ 306,839	\$ 306,839

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

CITY OF NEWPORT, OREGON
STATEMENT OF NET ASSETS -
PROPRIETARY FUNDS
as of June 30, 2007

	Sewer Fund	Water Fund	Airport Fund	Recreation Fund	Totals Current Year	Governmental Activities -	
						Public Works	Works
ASSETS							
Current assets							
Cash & cash equivalents	\$ 251,591	\$ 206,697	\$ 51,192	\$ 98,169	\$ 607,649	\$ 141,452	
Investments	28,141	23,133	5,797	15,738	72,809	15,839	
Receivable, net	368,623	214,524	42,155	98	625,400	359	
Total current assets	648,355	444,354	99,144	114,005	1,305,858	157,650	
Noncurrent assets							
Cash, restricted	1,210,767	412,908	0	1,196	1,624,871	0	
Investments, restricted	135,571	46,234	0	134	181,939	0	
Capital assets, net	42,778,977	4,762,532	3,759,057	4,796,472	56,097,038	263,701	
Total noncurrent assets	44,125,315	5,221,674	3,759,057	4,797,802	57,903,848	263,701	
Total assets	44,773,670	5,666,028	3,858,201	4,911,807	59,209,706	421,351	
LIABILITIES							
Current liabilities							
Accounts payable	84,513	135,223	176,346	59,249	455,331	62,184	
Interfund loan	400,000	135,000	0	0	535,000	0	
Accrued interest payable	438,035	15,618		118,608	572,261	0	
Deposits	0	107,876	1,640	0	109,516	0	
Compensated absences	18,723	21,475	12,511	13,101	65,810	24,423	
Deferred revenue	0	461	0	48,288	48,749	0	
Notes/loans/bonds, current portion	1,584,131	290,000	6,274	236,702	2,117,107	0	
Total current liabilities	2,525,402	705,653	196,771	475,948	3,903,774	86,607	
Noncurrent liabilities							
General obligation bonds payable, net	7,905,000	1,085,000	0	0	8,990,000	0	
Loans & notes, net	20,265,560	0	259,566	3,818,735	24,343,861	0	
Total noncurrent liabilities	28,170,560	1,085,000	259,566	3,818,735	33,333,861	0	
Total liabilities	30,695,962	1,790,653	456,337	4,294,683	37,237,635	86,607	

CITY OF NEWPORT, OREGON
STATEMENT OF NET ASSETS -
PROPRIETARY FUNDS
as of June 30, 2007

	Sewer Fund	Water Fund	Airport Fund	Recreation Fund	Totals Current Year	Governmental Activities - Public Works
NET ASSETS						
Invested in capital assets, net of related debt	13,024,286	3,387,532	3,493,217	741,035	20,646,070	263,701
Restricted - debt service	1,279,799	87,707	0	1,330	1,368,836	0
- system development	130,256	418,001	0	0	548,257	0
Unrestricted	(356,633)	(17,864)	(91,353)	(125,241)	(591,091)	71,043
Total net assets	\$ 14,077,708	\$ 3,875,376	\$ 3,401,864	\$ 617,124	\$ 21,972,072	\$ 334,744

Adjustment to reflect consolidation of public works fund

activity related to enterprise funds

Prior year

Current year

Net assets - business type

(61,233)

(23,604)

\$ 21,887,235

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

CITY OF NEWPORT, OREGON

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
 PROPRIETARY FUNDS for the Fiscal Year Ended June 30, 2007

Business-type Activities - Enterprise Funds

	Sewer Fund	Water Fund	Airport Fund	Recreation Fund	Totals Current Year	Governmental Activities - Public Works
Operating revenues						
Charges for sales and services	\$ 2,127,046	\$ 1,475,276	\$ 326,716	\$ 480,953	\$ 4,409,991	\$ 6,936
Other services	5,723	27,885	8,788	99	42,495	50,000
Total operating revenues	<u>2,132,769</u>	<u>1,503,161</u>	<u>335,504</u>	<u>481,052</u>	<u>4,452,486</u>	<u>56,936</u>
Operating expenses						
Costs of sales and services	1,020,772	1,136,227	946,679	828,160	3,931,838	508,207
Administration	164,802	103,960	0	0	268,762	0
Depreciation	1,353,908	234,176	233,119	202,457	2,023,660	12,928
Total operating expenses	<u>2,539,482</u>	<u>1,474,363</u>	<u>1,179,798</u>	<u>1,030,617</u>	<u>6,224,260</u>	<u>521,135</u>
Net Operating income (loss)	<u>(406,713)</u>	<u>28,798</u>	<u>(844,294)</u>	<u>(549,565)</u>	<u>(1,771,774)</u>	<u>(464,199)</u>
Nonoperating revenues (expenses)						
Property taxes	901,861	345,767	0	0	1,247,628	0
Transient room tax	231,219	0	194,224	0	425,443	0
Investment earnings	73,736	31,684	8,312	8,244	121,976	4,105
Interest expense	(1,300,891)	(72,052)	0	(213,068)	(1,586,011)	0
Systems development fees	221,601	99,623	0	0	321,224	0
Grants	0	0	241,463	0	241,463	0
Total nonoperating revenues (expenses)	<u>127,526</u>	<u>405,022</u>	<u>443,999</u>	<u>(204,824)</u>	<u>771,723</u>	<u>4,105</u>
Income before contributions and transfers	(279,187)	433,820	(400,295)	(754,389)	(1,000,051)	(460,094)
Transfers in/out	(485,000)	(255,000)	5,000	703,008	(31,992)	519,100
Capital contributions	1,353,534	0	0	46,664	1,400,198	0
Change in net assets	589,346	178,820	(395,295)	(4,717)	368,155	59,006
Net assets - Beginning of year	13,488,362	3,679,722	3,797,159	621,841	21,587,085	275,738
Prior period adjustment	0	16,834	0	0	16,834	0
Net assets - End of year	<u>\$ 14,077,708</u>	<u>\$ 3,875,376</u>	<u>\$ 3,401,864</u>	<u>\$ 617,124</u>	<u>\$ 21,972,072</u>	<u>\$ 334,744</u>
Adjustment to reflect consolidation of public works fund activity related to enterprise funds - prior year						(61,233)
- current year						(23,604)
Net assets - business type						<u>\$ 21,887,235</u>

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

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CITY OF NEWPORT, OREGON

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
for the Fiscal Year Ended June 30, 2007

Business-type Activities - Enterprise Funds

	Sewer Fund	Water Fund	Airport Fund	Recreation Fund	Totals Current Year	Governmental Activities - Public Works
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 2,103,713	\$ 1,493,660	\$ 546,557	\$ 502,412	\$ 4,646,342	\$ 56,902
Payments to suppliers	(927,761)	(878,798)	(848,070)	(667,963)	(3,322,592)	(268,097)
Payments to employees	(224,741)	(316,484)	(98,737)	(144,301)	(784,263)	(243,615)
Net cash provided by operating activities	951,211	298,378	(400,250)	(309,852)	539,487	(454,810)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfer to/from other funds	(485,000)	(255,000)	5,000	703,008	(31,992)	519,100
Interfund loans	100,000	135,000	0	0	235,000	0
SDC fees	221,601	99,623	0	0	321,224	0
Grants	0	0	241,463	0	241,463	0
Transient room tax	231,219	0	194,224	0	425,443	0
Property taxes	901,861	362,601	0	0	1,264,462	0
Net cash provided (used) from noncapital and related financing activities	969,681	342,224	440,687	703,008	2,455,600	519,100
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Capital contributions	1,353,534	0	0	46,664	1,400,198	0
Loan proceeds	173,743	0	274,000	0	447,743	0
Purchases of capital assets	(588,523)	(87,790)	(335,630)	(21,939)	(1,033,882)	(5,472)
Principal paid on debt	(1,516,375)	(280,000)	(8,160)	(223,121)	(2,027,656)	0
Interest expense	(1,325,451)	(72,052)	0	(229,822)	(1,627,325)	0
Net cash provided (used) from capital and related financing activities	(1,903,072)	(439,842)	(69,790)	(428,218)	(2,840,922)	(5,472)
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from investments	399,385	0	16,436	25,783	441,604	10,969
Purchase of investments	0	(53,252)	0	0	(53,252)	0
Interest and dividends received	73,736	31,684	8,312	8,244	121,976	4,105
Net cash provided (used) by investing activities	473,121	(21,568)	24,748	34,027	510,328	15,074
Net increase in cash and cash equivalents	490,941	179,192	(4,605)	(1,035)	664,493	73,892

CITY OF NEWPORT, OREGON

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
for the Fiscal Year Ended June 30, 2007

Business-type Activities - Enterprise Funds

	Sewer Fund	Water Fund	Airport Fund	Recreation Fund	Totals Current Year	Governmental Activities - Public Works
Cash and cash equivalents-beginning of year	971,417	440,413	55,797	100,400	1,568,027	67,560
Cash and cash equivalents-end of year	<u>\$ 1,462,358</u>	<u>\$ 619,605</u>	<u>\$ 51,192</u>	<u>\$ 99,365</u>	<u>\$ 2,232,520</u>	<u>\$ 141,452</u>
Reconciliation of operating income to net cash provided (used) by operating activities						
Operating income (loss)	(406,713)	28,798	(844,294)	(549,565)	(1,771,774)	(464,199)
Adjustments to reconcile operating income to net cash provided (used) by operating activities						
Depreciation expense	1,353,908	234,176	233,119	202,457	2,023,660	12,928
(Increase) decrease assets	(29,056)	(33,863)	209,613	691	147,385	(34)
Accounts receivable	(4,967)	(6,196)	2,233	1,152	(7,778)	(4,139)
Increase (decrease) liabilities	38,039	51,101	(2,361)	14,744	101,523	634
Compensated absences	0	271	0	20,669	20,940	0
Accounts payable	0	24,091	1,440	0	25,531	0
Deferred revenue	0	269,580	444,044	239,713	2,311,261	9,389
Customer deposits	0	298,378	(400,250)	(309,852)	539,487	(454,810)
Total adjustments	<u>1,357,924</u>	<u>269,580</u>	<u>444,044</u>	<u>239,713</u>	<u>2,311,261</u>	<u>9,389</u>
Net cash from operating activities	<u>\$ 951,211</u>	<u>\$ 298,378</u>	<u>\$ (400,250)</u>	<u>\$ (309,852)</u>	<u>\$ 539,487</u>	<u>\$ (454,810)</u>

Cash and cash equivalents-beginning of year

Cash and cash equivalents-end of year

Reconciliation of operating income to net cash provided (used) by operating activities

Operating income (loss)

Adjustments to reconcile operating income to net cash provided (used) by operating activities

Depreciation expense

(Increase) decrease assets

Accounts receivable

Increase (decrease) liabilities

Compensated absences

Accounts payable

Deferred revenue

Customer deposits

Total adjustments

Net cash from operating activities

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CITY OF NEWPORT, OREGON

NOTES TO FINANCIAL STATEMENTS as of June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Newport are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds and similar component units apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Reporting Entity

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

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

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

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are financed primarily through property and other taxes, fees and proceeds from borrowings, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

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

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

CITY OF NEWPORT, OREGON
NOTES TO FINANCIAL STATEMENTS
as of June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary funds. Revenues are recorded when earned and expenses are reported when a liability is incurred, regardless of the timing of 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 reporting using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collected within sixty 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 judgements, are recorded only when the payment is due.

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

The City reports the following four major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

The State Tax Street Fund accounts for the maintenance, operation and construction of the City's streets. The primary source of revenues is state shared highway funds.

Capital Facilities Construction Fund tracks the cost of various jobs to complete a major project.

The Economic Development Fund is for monitoring the marketing, advertising, community membership and economic development.

Blended Unit

The City reports the Newport Urban Renewal Agency's four funds as major governmental funds. Below is a description of these funds:

North Urban Renewal District

The Urban Renewal Construction Fund accounts for the cost of major projects in the North Side Urban Renewal District while the Urban Renewal Debt Fund pays for the principal and interest on outstanding debt utilized to finance the projects. The major source for debt service comes from property taxes.

South Beach Urban Renewal District

The South Beach Urban Renewal Construction Fund tracks the capital projects being built in the South Beach Urban Renewal District. South Beach Urban Renewal Debt Fund accounts for the payment on the debt obligations arising from the projects.

CITY OF NEWPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Government-Wide and Fund Financial Statements - continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued

Proprietary Funds

The government reports the following major proprietary funds:

The Sewer Fund accounts for the resources and expense related to collection and treatment of wastewater. The primary source of revenue is user fees.

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

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

The Recreation Fund reports revenues generated from the swimming pool, recreational programs and user fees of the recreational center.

Internal Service

Additionally, the government reports the following fund type:

Public Works Fund accounts for general and public works administration primarily provided to the other departments of the City.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

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

CITY OF NEWPORT, OREGON

NOTES TO FINANCIAL STATEMENTS as of June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Government-Wide and Fund Financial Statements - continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expense generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds, and the government's public works fund are charges to customers for sales and services. The City also recognizes as operating revenue, fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and the public works fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash, Cash Equivalents and Investments

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

Cash equivalents represent demand deposits as well as short-term investments with a maturity date within three months of the date acquired. Investments are stated at cost which approximates fair value. See Note 4(A) - Deposits and Investments.

Receivable and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as "internal balances".

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

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

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

CITY OF NEWPORT, OREGON

NOTES TO FINANCIAL STATEMENTS as of June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Inventories

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

Restricted Assets

Resources set aside for repayment of debt obligations are classified as restricted assets on the balance sheet as their use is limited by applicable covenants. Restricted resources are expended first to fund appropriations for which those restrictions are to be utilized.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure (e.g. streets, roads, sidewalks and similar public domain items) are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined in the City's capitalization policy as having a historic cost or market value in excess of \$5,000 and a useful life of over one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are valued at their estimated fair market value at the date of the donation.

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

Restatement of General Capital Assets

GASB No. 34 requires small cities to report and depreciate new infrastructure assets effective July 1, 2002. Retroactive reporting of infrastructure was subject to an extended implementation period ending June 30, 2007. The opening balance of governmental capital assets has been increased by a net value of \$11,474,733 representing estimated historical depreciated cost of roads, bridges and right of ways not formerly recognized.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

CITY OF NEWPORT, OREGON

NOTES TO FINANCIAL STATEMENTS as of June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the debt. Bonds payable are reported net of the applicable bond premium or discount. Debt issuance costs are treated as period costs in the year of issue and are shown as other financing uses.

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

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts and disclosures reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental fund balance sheet includes a reconciliation of differences between fund balances and net assets. The elements are as follows:

Capital assets, net of accumulated depreciation, are not reported in the governmental funds.

Long term assets are not available to pay current period expenditures and therefore are deferred.

Receivables deferred under modified accrual basis are revenue under the accrual basis.

Prior years' property tax levies, previously not considered available, are included in beginning Net Assets.

The non-current portion of compensated absences is recognized as an expense.

Some liabilities, including debt, are not due and payable in the current period and therefore are not reported in the funds.

CITY OF NEWPORT, OREGON

NOTES TO FINANCIAL STATEMENTS

as of June 30, 2007

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS - Continued

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation of differences between fund balances and net assets. The elements are as follows:

Acquisition of Capital Assets are recorded as Capital Outlay in Governmental Funds, however the Statement of Activities does not reflect the expense.

Depreciation expense amortizes the cost of acquired Capital Assets over the life of the asset.

Revenue and expense activity in the Public Works Fund are attributed to governmental activities.

Current debt obligations principal payments are not treated as current expenditures of governmental activities.

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budget Law and Practice

A budget is prepared for each governmental fund type in accordance with the modified accrual basis of accounting and legal requirements set forth in the Oregon Local Budget Law. Expenditures cannot legally exceed appropriation levels.

In June, the City adopts the annual fiscal year appropriated budget. The legally adopted budget may be amended when unexpected modifications are required in estimated revenues and appropriations. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

Unexpected additional resources may be added to the budget through the use of a supplemental budget. The supplemental budget process requires hearings before the public, publications in newspapers, and approval by the City Council. Original and supplemental budgets may be modified by the City Council by the use of appropriation transfers between the levels of control. In addition, Oregon Local Budget Law provides certain specific exceptions to the supplemental budget process to increase appropriations. Such transfers and increases require approval by the City Council by adoption of a resolution. Budget appropriation amounts shown in the financial statements include the original and revised budget appropriations as approved by the City Council. Appropriations are limited to a single fiscal year; therefore, all spending authority of the City lapses at year end. During 2006-07, the City made several appropriation transfers, as well as adopting two supplemental budgets.

NOTE 4 - DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

Deposits

At year end, the carrying amount of the City's deposits were \$7,753,216 and the bank balance was \$7,874,497. Of the bank balance, \$7,874,497 was covered by federal depository insurance or by collateral held by the City's agent in the City's name.

CITY OF NEWPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2007

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

A. DEPOSITS AND INVESTMENTS- continued

Investments

During the year, the City invested in the LGIP, certificates of deposit, an LGIP rate-tied money fund, and a portfolio investment account managed by UBS Financial Services, Inc.

Investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments insured or registered, or securities held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered, with securities held by the trust department or agent in the City's name. Category 3 represents uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the City's name.

	Category			Carrying	Market
	1	2	3	Amount	Value
Certificates of Deposit	<u>\$ 2,029,817</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,029,817</u>	<u>\$2,029,817</u>

The City's deposits in the LGIP are not required to be categorized by level of risk. Collateral was insufficient during the year for investment with Oregon Coast Bank.

Under concentrations of credit risk, the time certificates of deposit at West Coast Bank represent 70% of total investments in one institution. Investments issued by or explicitly guaranteed by the US Government, investments in mutual funds, external investment pools, and other pooled investments are exempt in this disclosure.

The City's deposits and investments at June 30:

	Govt. Type Balance	Bus. Type Balance	Total
Cash	\$ 6,873,893	\$ 880,149	\$ 7,754,042
LGIP	8,989,394	1,343,243	10,332,637
Investments	<u>1,765,941</u>	<u>263,876</u>	<u>2,029,817</u>
Total	<u>\$17,629,228</u>	<u>\$2,487,268</u>	<u>\$20,116,496</u>
Cash/Investments - Restricted			
Debt Service	\$ 9,713,002	\$1,329,901	
System Development	570,208	476,910	
Customer Deposits	0	108,337	
Cash/Investments - Unrestricted	<u>7,346,018</u>	<u>572,120</u>	
Total	<u>\$17,629,228</u>	<u>\$2,487,268</u>	

CITY OF NEWPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2007

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

B. RECEIVABLES

Receivables at June 30 consist of the following:

	<u>Interest</u>	<u>Property Taxes</u>	<u>Accounts Receivable</u>	<u>(Restricted) SDC</u>	<u>Special Assessments</u>	<u>Notes & Loans Receivable</u>	<u>Total</u>
Governmental							
General Fund	\$ 850	\$238,235	\$ 28,447	\$ 0	\$ 0	\$ 0	\$ 267,532
Street Fund	430	0	0	8,477	0	0	8,907
Capital Facilities Fund	116	0	0	0	0	0	116
UR Construction Fund	149	0	4,777	0	0	0	4,926
SB UR Construction Fund	233	0	0	0	0	108,333	108,566
UR Debt Fund	5,524	143,894	0	0	0	0	149,418
SB UR Debt Fund	830	78,974	0	0	0	0	79,804
Other Government	<u>4,068</u>	<u>0</u>	<u>25,880</u>	<u>0</u>	<u>51,535</u>	<u>287,030</u>	<u>368,513</u>
Total Governmental	<u>12,200</u>	<u>461,103</u>	<u>59,104</u>	<u>8,477</u>	<u>51,535</u>	<u>395,363</u>	<u>987,782</u>
Business-Type							
Sewer Fund	929	61,196	259,121	47,377	0	0	368,623
Water Fund	471	22,546	167,818	23,689	0	0	214,524
Airport Fund	121	0	42,034	0	0	0	42,155
Recreation Center Fund	<u>98</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>98</u>
Total Business-Type	<u>1,619</u>	<u>83,742</u>	<u>468,973</u>	<u>71,066</u>	<u>0</u>	<u>0</u>	<u>625,400</u>
Total	<u>\$13,819</u>	<u>\$544,845</u>	<u>\$528,077</u>	<u>\$ 79,543</u>	<u>\$ 51,535</u>	<u>\$ 395,363</u>	<u>\$1,613,182</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. 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 deferred revenue and unearned revenue reported in governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Property Taxes		
General Fund	\$ 186,864	
UR Debt Fund	113,062	
SB UR Debt Fund	61,698	
UR Construction	403	
System Development Charges		
State Tax Street Fund	8,477	
Special Assessments		
Accounting & Debt Service Fund	51,535	
Accounts Receivable		
Public Parking	7,668	

CITY OF NEWPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2007

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

B. RECEIVABLES - continued

	<u>Unavailable</u>	<u>Unearned</u>
Notes & Loans		
HUD Fund	287,030	
SB UR Construction Fund	108,333	
Customer Deposits		
Water Fund		\$ 107,876
Prepaid Fees		
Water Fund		461
Recreation Center Fund		48,288
Airport Fund		1,640
Total	\$ 825,069	\$ 158,265

Accounts Receivable

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

Special Assessment Receivable

Special assessments receivable represent the uncollected amounts levied against benefitted property for the cost of local improvements. Because the assessments are liens against the benefitted property, an allowance for uncollectible amounts is not deemed necessary. Substantially all assessments are payable over a period of ten years and bear interest at 6.467% to 10.1%.

Notes Receivable

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

Property Taxes Receivable

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

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

CITY OF NEWPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2007

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

C. CAPITAL ASSETS

The following is a summary of changes in capital assets:

	<u>Restated 7/01 Balance</u>	<u>Additions & Transfers</u>	<u>Deletions & Transfers</u>	<u>6/30 Balance</u>
Governmental Activities				
Assets not being depreciated				
Land & Improvements	\$ 8,796,155	\$ 0	\$ 0	\$ 8,796,155
Construction in Progress	<u>1,127,290</u>	<u>517,830</u>	<u>58,664</u>	<u>1,586,456</u>
Total Capital Assets, not depreciated	<u>9,923,445</u>	<u>517,830</u>	<u>58,664</u>	<u>10,382,611</u>
Assets being depreciated				
Buildings & Structures	19,082,884	0	0	19,082,884
Equipment	2,911,507	10,944	0	2,922,451
Vehicles	2,298,958	184,555	0	2,483,513
Infrastructure	<u>16,993,916</u>	<u>166,847</u>	<u>0</u>	<u>17,160,763</u>
Total Capital Assets, being depreciated	<u>41,287,265</u>	<u>362,346</u>	<u>0</u>	<u>41,649,611</u>
Less - Accum. Depreciation				
Building & Structures	(9,622,164)	(881,787)	0	(10,503,951)
Equipment	(2,383,407)	(116,885)	0	(2,500,292)
Vehicles	(1,699,382)	(100,543)	0	(1,799,925)
Infrastructure	<u>(4,005,514)</u>	<u>(205,519)</u>	<u>0</u>	<u>(4,211,033)</u>
Total Accum. Depreciation	<u>(17,710,467)</u>	<u>(1,304,734)</u>	<u>0</u>	<u>(19,015,201)</u>
Total Capital Assets, net of depreciation	<u>23,576,798</u>	<u>(942,388)</u>	<u>0</u>	<u>22,634,410</u>
Governmental Activities Capital Assets, net	<u>\$ 33,500,243</u>	<u>\$ (424,558)</u>	<u>\$ 58,664</u>	<u>\$33,017,021</u>

In governmental funds, the following estimated useful lives used to compute depreciation:

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

Depreciation expense is \$1,291,806 for Governmental funds and \$12,928 for Public Works.

CITY OF NEWPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2007

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

C. CAPITAL ASSETS - continued

	<u>7/01 Balance</u>	<u>Additions & Transfers</u>	<u>Deletions & Transfers</u>	<u>6/30 Balance</u>
Business-type Activities				
Assets not being depreciated				
Land & Improvements	\$15,050,069	\$ 0	\$ 0	\$15,050,069
Construction in Progress	<u>236,049</u>	<u>0</u>	<u>0</u>	<u>236,049</u>
Total Capital Assets, not depreciated	<u>15,286,118</u>	<u>0</u>	<u>0</u>	<u>15,286,118</u>
Assets being depreciated				
Buildings & Structures	40,778,685	538,138	0	41,316,823
Equipment	1,310,075	92,915	0	1,402,990
Vehicles	443,667	59,776	0	503,443
Infrastructure	<u>17,840,949</u>	<u>343,054</u>	<u>0</u>	<u>18,184,003</u>
Total Capital Assets, being depreciated	<u>60,373,376</u>	<u>1,033,883</u>	<u>0</u>	<u>61,407,259</u>
Less - Accum. Depreciation				
Building & Structures	(8,539,224)	(535,218)	0	(9,074,442)
Equipment	(1,099,176)	(47,140)	0	(1,146,316)
Vehicles	(370,178)	(43,056)	0	(413,234)
Infrastructure	<u>(8,564,100)</u>	<u>(1,398,246)</u>	<u>0</u>	<u>(9,962,346)</u>
Total Accum. Depreciation	<u>(18,572,678)</u>	<u>(2,023,660)</u>	<u>0</u>	<u>(20,596,338)</u>
Total Capital Assets, net of depreciation	<u>41,800,698</u>	<u>(989,777)</u>	<u>0</u>	<u>40,810,921</u>
Business-type Activities Capital Assets, net	<u>\$ 57,086,816</u>	<u>\$ (989,777)</u>	<u>\$ 0</u>	<u>\$ 56,097,038</u>

In business-type funds, the following estimated useful lives used to compute depreciation:

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

Depreciation expense is \$2,023,660.

D. LAND HELD FOR RESALE

The City foreclosed on properties securing special assessments. When the right of redemption expired, the properties were deeded to the City. These properties are recorded at the cost of the assessment, foreclosure costs and interest expense in the Debt Service Funds. The City is marketing these properties as a means of financing the related debt service costs.

CITY OF NEWPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2007

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

E. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Transfers from Blended Component Unit

Transfers from Newport Urban Renewal Agency are three-fold: the Agency pays principal and interest on debt for various capital debts for the City of Newport; the Agency typically transfers assets from construction projects to the City after those projects are completed; the Agency transfers funds to reimburse the City for administrative costs of required Agency functions such as management, accounting and engineering. The following is a breakdown of the transfers:

	<u>Balance</u>		<u>Balance</u>
North Side		Transfers to City of Newport	
UR Debt	\$ 1,344,794	Capital Assets	\$ 101,914
South Beach		Debt Service	2,403,112
UR Construction	101,914		
UR Debt	<u>1,058,318</u>	Total	<u>\$ 2,505,026</u>
Total	<u>\$ 2,505,026</u>		

Cash Transfers

	<u>Transfers In</u>				
	<u>General Fund</u>	<u>Street Fund</u>	<u>Enterprise Funds</u>	<u>Internal Service</u>	<u>Total Out</u>
Transfer Out					
General Fund	\$ 0	\$ 0	\$ 296,730	\$ 0	\$ 296,730
Street Fund	0	0	0	50,000	50,000
Nonmajor Govn't Funds	27,000	0	406,278	29,100	462,378
Enterprise Funds	<u>265,000</u>	<u>30,000</u>	<u>70,000</u>	<u>440,000</u>	<u>805,000</u>
Total transfers in	<u>\$ 292,000</u>	<u>\$ 30,000</u>	<u>\$ 773,008</u>	<u>\$ 519,100</u>	<u>\$ 1,614,108</u>

Interfund Loans

Capital loan at year end is as follows:

	<u>Receivable</u>	<u>Payable</u>
Economic Dev. Fund	\$ 300,000	
Sewer Fund		\$ 300,000
	<u>\$ 300,000</u>	<u>\$ 300,000</u>

The capital loan was established to cover a cash short-fall in the Sewer Fund due to an emergency major repair to infrastructure. The repayment period is five years bearing an annual interest rate of 5.2%.

CITY OF NEWPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2007

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

E. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS - continued

Interfund Loans - continued

Interfund loans at year end are as follows:

	<u>Receivable</u>	<u>Payable</u>
Economic Dev. Fund	\$ 235,000	
Sewer Fund		\$ 100,000
Water Fund		135,000
	<u>\$ 235,000</u>	<u>\$ 235,000</u>

The purpose of the inter-fund loans was to cover deficit cash positions in the receiving funds at the end of the fiscal year.

F. LONG TERM DEBT

GENERAL OBLIGATION BONDS

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. They have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. The original amount of bonds issued in prior years was \$14,475,000. Current bonds outstanding:

	<u>Business-type</u>
1998 Water System Imp., issued January 1998, rates 4%-4.55%, maturing 2012	\$ 1,375,000
1999 Sewer Bonds, issued February 1999, rates 4.2% - 4.9%, maturing 2019	<u>8,435,000</u>
Total GO Bonds	<u>\$ 9,810,000</u>

Annual debt requirements to maturity:

<u>Fiscal Year Ending</u>	<u>Total Future Requirement</u>	<u>Requirements</u>	
		<u>Principal</u>	<u>Interest</u>
2008	\$ 1,262,857	\$ 820,000	\$ 442,857
2009	1,268,006	860,000	408,006
2010	1,266,303	895,000	371,303
2011	1,272,794	940,000	332,794
2012	1,067,018	775,000	292,018
2013-17	4,705,006	3,735,000	970,006
2018-19	<u>1,914,600</u>	<u>1,785,000</u>	<u>129,600</u>
Total	<u>\$12,756,584</u>	<u>\$ 9,810,000</u>	<u>\$ 2,946,584</u>

CITY OF NEWPORT, OREGON
NOTES TO FINANCIAL STATEMENTS
as of June 30, 2007

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

F. LONG TERM DEBT - continued

LOANS PAYABLE

Cooperative Agreements

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

	<u>Governmental</u>	<u>Business-type</u>
Governmental		
Series "2000" Bond from the Bank of America, issued December 2000 for \$6,000,000 to finance improvements in Nye Beach, renovate city hall, uptown and the bayfront board walk. Interest rates range from 5.2% to 5.9%, with maturity in 2016.	\$ 4,150,000	
Recreation Fund		
Oregon Dept. Of Energy loan of \$500,000, issued November 1999 went for the Recreation Center. The interest rate is 5.7%, with maturity October 2015.		\$ 330,869
The City of Newport was granted a Special Public Works fund loan, issued April 2000 of \$4,900,000 from the Oregon Economic Development Department to build the Recreation Center. Interest rates are 5.25% to 5.5%, maturing December 2019.		3,724,568
Sewer Fund		
Oregon Economic & Community Development Department loan of \$2,800,000, issued March 2000 was for helping finance the Wastewater Treatment Plant. Interest rates range from 5.25% to 5.75%, with maturity December 2019.		2,124,778
Oregon Economic & Community Development Department loan of \$2,800,000 through the Water/Wastewater Fund issued March 2000, was for helping finance the Wastewater Treatment Plant. Interest rates range from 5.25% to 5.75%, with maturity December 2019.		2,124,778
The City has a loan with the Oregon Department of Environmental Quality, issued December 1996 for \$7,900,000. Interest is at 3.84%, payable in forty semi-annual payments with the loan maturing in July 2027. Payments begin as interest only for six months after the project is completed. This is a revenue secured loan, whereby net operating revenues are pledged to pay the amounts due under the loan agreement.		6,719,294
The City has an agreement with Oregon Department of Environmental Quality, issued December 1996 for funds totaling up to \$12,169,671, payable in forty semi-annual payments beginning with an interest only payment six months after project completion. Interest is 3.84%, with the loan maturing in July 2027.		10,350,841
Total Bonds and Loans Under Cooperative Agreements	4,150,000	25,375,128

CITY OF NEWPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2007

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

F. LONG TERM DEBT - continued

LOANS PAYABLE - continued

	<u>Governmental</u>	<u>Business-type</u>
Other Loans/Bonds		
Newport Urban Renewal Agency		
Series "2007" Urban Renewal Bond from Bank of America, issued May 2007 for \$900,000 to finance the 4B storm drain project in the South Beach urban growth area. The interest rate is 5.25% maturing June 2017.	900,000	
Newport Urban Renewal Agency has a loan issued June 1991, with Oregon Economic Development Department for \$500,000 to help finance the Oregon Coast Aquarium. The interest rate is 5%, maturing in July 2010.	<u>121,764</u>	
Total Other Loans/Bonds	<u>1,021,764</u>	
Airport Fund		
The City has a loan with Oregon Coast Bank, issued July 2006 for \$274,000 to purchase the Airport FBO building, fuel facility and related personal property. Interest rate is 7.875%, maturing June 2026.		<u>265,840</u>
Total Loans	<u>\$ 5,171,764</u>	<u>\$ 25,640,968</u>

Annual debt requirements to maturity are as follows:

Year End June 30	Governmental		Fees	Business-type	
	Principal	Interest		Principal	Interest
2007-08	\$ 471,033	\$ 281,723	\$ 85,350	\$ 1,297,107	\$ 1,100,072
2008-09	500,735	252,139	81,231	1,355,445	1,043,405
2009-10	526,522	224,610	76,951	1,415,288	984,166
2010-11	532,474	195,240	72,506	1,486,813	922,246
2011-12	542,000	165,348	67,889	1,550,126	856,421
2012-17	2,599,000	335,430	263,663	8,760,177	3,180,425
2017-22	0	0	118,206	8,961,711	1,110,739
2022-26	<u>0</u>	<u>0</u>	<u>3,610</u>	<u>814,301</u>	<u>24,254</u>
Totals	<u>\$ 5,171,764</u>	<u>\$ 1,454,490</u>	<u>\$ 769,406</u>	<u>\$25,640,968</u>	<u>\$ 9,221,728</u>

CITY OF NEWPORT, OREGON
NOTES TO FINANCIAL STATEMENTS
as of June 30, 2007

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

F. LONG TERM DEBT - continued

Capital Leases

The City has two lease purchase agreements to finance police patrol vehicles:

	<u>Governmental</u>
Municipal lease 1001 is for \$71,434. The interest rate is 7.5% and matures October 2008.	\$ 45,882
Municipal lease 1002 is for \$35,706. The interest rate is 7.5% and matures October 2008.	22,934
Total Capital Leases	<u>\$ 68,816</u>

Annual debt requirements to maturity:

Fiscal Year Ending	Principal	Interest
2008	\$ 33,164	\$ 5,160
2009	35,652	2,673
Total	<u>\$ 68,816</u>	<u>\$ 7,833</u>

Changes in General Long-Term Liabilities

Long-term liability activity for the year was as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Due in One Year</u>
GOVERNMENTAL					
City					
Bonds - Special Assessments	\$ 65,000	\$ 0	\$ 65,000	\$ 0	\$ 0
Bonds Payable	4,550,159	0	400,159	4,150,000	437,197
Capital Leases	0	107,140	38,324	68,816	0
Compensated Absences	248,556	120,681	114,761	254,476	80,330
Newport URA					
Loans & Bonds Payable	154,176	900,000	32,412	1,021,764	101,033
Governmental long-term liabilities	5,017,891	1,127,821	650,656	5,495,056	618,560
BUSINESS-TYPE					
Bonds					
General Obligation	10,595,000	0	785,000	9,810,000	820,000
Loans Payable	26,609,624	274,000	1,242,656	25,640,968	1,297,107
Compensated Absences	73,586	65,810	73,586	65,810	65,810
Business-type long-term liabilities	37,278,210	339,810	2,101,242	35,516,778	2,182,917
Total long-term liabilities	<u>\$42,296,101</u>	<u>\$ 1,467,631</u>	<u>\$ 2,751,898</u>	<u>\$ 41,011,834</u>	<u>\$2,801,477</u>

CITY OF NEWPORT, OREGON

NOTES TO FINANCIAL STATEMENTS as of June 30, 2007

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

G. RETIREMENT PLANS

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

PENSION - FIRE & POLICE

Plan Description

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

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

Fund Policy

All regular fire and police employees participate in the Plan with the City contributing 6% for the employee share. The City is required by ORS 238.225 to contribute at an actuarially determined rate, which is 13.34% for PERS and 7.39% for Oregon Public Service Retirement Plan (OPSRP) for the current year. Contribution requirements for plan members and the City are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

Annual Pension Cost

The City's annual pension cost for PERS is equal to its required and actual contributions. Employer contributions for the current and prior years: \$260,794, \$279,607, and \$137,096. The required contribution was determined as part of the December 31, 2006 actuarial valuation. The actuarial assumptions included (a) 8.00% investment rate of return (net of administrative expenses), (b) projected salary increases was 3.75% per year, and (c) 2.00% per year post-retirement cost-of-living increases. The underlying long-term assumed rate of inflation is 2.75% per year. The actuarial value of PERS assets are valued on the Expected Value Method.

CITY OF NEWPORT, OREGON
NOTES TO FINANCIAL STATEMENTS
as of June 30, 2007

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

G. RETIREMENT PLANS - continued

EMPLOYEE'S RETIREMENT PLAN

Plan Description

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

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

- A Money Purchase benefit, which is an annuity equal in value to the combined balances of employee and employer money purchase accounts,
- A Defined Benefit, which is equal to the benefit years times 1.2% of the average monthly earnings, and
- A voluntary contribution benefit, which is an annuity equal in value to the balance of the voluntary contribution account.

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

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

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

Defined Contribution - Money Purchase

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

Three-year Trend Information

Defined Contribution - Money Purchase

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>% of Annual Pension Cost Contributed</u>
6/30/05	\$ 138,742	100%
6/30/06	126,862	100%
6/30/07	146,620	100%

CITY OF NEWPORT, OREGON

NOTES TO FINANCIAL STATEMENTS
as of June 30, 2007

NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued

G. RETIREMENT PLANS - continued

Defined Benefit

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

The funding policy of the defined benefit portion provides for actuarially determined periodic contributions at rates that over time provide sufficient assets available to pay benefits when due. For the current fiscal year, \$318,796 was contributed to the plan. The plan's normal cost is \$337,031, with interest plus amortization (over 30 years) of the plans unfunded actuarial accrued liability with interest. At June 30, 2007 the net pension obligation is \$18,236.

The annual required contribution to the defined benefit plan was computed as part of an actuarial valuation performed as of July 1, 2006. Significant actuarial assumptions used in the valuation include: (a) a rate of return on the investment of present and future assets of 6%, (b) projected salary increases of 3% per year in addition to salary increases due to promotions and longevity.

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

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

Three-year Trend Information

Defined Benefit

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>% of Annual Pension Cost Contributed</u>	<u>Net Provider Obligation</u>
6/30/05	\$ 572,030	26%	\$ 420,874
6/30/06	319,291	64%	223,861
6/30/07	337,031	94.6%	18,236

CITY OF NEWPORT, OREGON

NOTES TO FINANCIAL STATEMENTS as of June 30, 2007

NOTE 5 - OTHER INFORMATION

Post Employment Benefits

The City provides post retirement health care benefits for retirees, with the cost of the premium 100% borne by the retiree. In the current year, there were nine employees retired paying in \$78,985 on premiums.

Prior Period Adjustments

Governmental Activities

The City elected to retroactively report its infrastructure per GASB No. 34. The opening balance of the governmental capital assets has been increased by the net value \$11,474,733 representing estimated historical depreciated cost of roads, bridges and right of ways not formerly recognized.

Business Type Activities

In the water debt fund, deferred property taxes of \$16,834 was recognized on a budget basis as a deferred liability but when combined with the enterprise fund it should be recognized as current revenue. Accordingly, property tax revenue was understated in a previous year.

Risk Management

The City is exposed to various risks of loss related to theft of, damage to and destruction of assets; torts; errors and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance for such risks. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Commitments and Contingencies

The City is aware of several matters of litigation claims. Although the outcomes cannot be determined, it is the opinion that settlement of these matters will not have a material effect on the combined financial position and results of operations of the City.

The Oregon Department of Environmental Quality has initiated an enforcement action against the City related to a discharge of water from its water treatment plant to Anderson Creek. DEQ has imposed a \$54,333 penalty on the City. Under DEQ rules, the City can satisfy up to 80% of the penalty by undertaking a Supplemental Environmental Project, and the City intends to do that. The City is working with DEQ to reach agreement on the details of the Supplemental Environmental Project.

The City has outstanding construction commitments at June 30, 2007 amounting to approximately \$611,578 for the 4B Storm Drain and Bay Boulevard projects.

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CITY OF NEWPORT, OREGON

REQUIRED SUPPLEMENTAL INFORMATION SECTION

CITY OF NEWPORT, OREGON

REQUIRED SUPPLEMENTAL INFORMATION
as of June 30, 2007

SCHEDULE OF FUNDING PROGRESS

Trend Information

PERS

<u>Valuation Date</u>	<u>Value of Assets</u>	<u>Actuarial Liability</u>	<u>Unfunded Act. Liab.</u>	<u>Funded Percent</u>	<u>Covered Payroll</u>	<u>Net UAL/ Payroll</u>
12/31/04	\$ Pooled	\$ Pooled	\$ (339,601)	106%	\$1,558,392	-22%
12/31/05	Pooled	Pooled	(1,057,729)	%	1,446,139	-73%
12/31/06	Pooled	Pooled	(1,671,111)	%	1,377,682	-1.21%

Employee's Retirement Plan

Defined Benefit - Exclusive of Money Purchase

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Act. Liab.</u>	<u>Funded Percent</u>	<u>Covered Payroll</u>	<u>UAL/ Payroll</u>
7/01/05	3,361,588	4,762,760	1,401,172	70.58%	2,292,508	61.12%
7/01/06	2,897,816	4,407,811	1,509,995	65.74%	2,111,658	71.51%
7/01/07	3,035,725	4,548,819	1,513,094	66.74%	2,426,997	62.34%

Defined Contribution - Money Purchase

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Vested Amount</u>	<u>Funded Percentage</u>
7/01/05	\$3,393,740	\$3,318,761	102.25%
7/01/06	3,084,927	3,005,420	102.64%
7/01/07	3,103,321	2,989,686	103.80%

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CITY OF NEWPORT, OREGON

SUPPLEMENTAL INFORMATION SECTION

CITY OF NEWPORT, OREGON

Other Governmental Funds

CITY OF NEWPORT, OREGON

COMBINING BALANCE SHEET -
ALL NONMAJOR FUNDS
as of June 30, 2007

Governmental Funds

	Special Revenue Funds	Accounting & Debt Service Fund	Total Other Governmental
ASSETS			
Cash & cash equivalents	\$ 3,635,993	\$ 26,216	\$ 3,662,209
Investments	407,125	2,935	410,060
Receivable	316,087	51,548	367,635
Investment in foreclosed property	0	43,191	43,191
Total assets	<u>\$ 4,359,205</u>	<u>\$ 123,890</u>	<u>\$ 4,483,095</u>
LIABILITIES			
Accounts payable	\$ 40,632	\$ 0	\$ 40,632
Compensated absences	360	0	360
Deferred revenues	294,698	51,533	346,231
Total liabilities	<u>335,690</u>	<u>51,533</u>	<u>387,223</u>
FUND BALANCES			
Reserved			
Foreclosed property	0	43,191	43,191
Debt service	0	29,166	29,166
Unreserved special revenue funds	4,023,515	0	4,023,515
Total equity	<u>4,023,515</u>	<u>72,357</u>	<u>4,095,872</u>
Total liabilities & fund balances	<u>\$ 4,359,205</u>	<u>\$ 123,890</u>	<u>\$ 4,483,095</u>

CITY OF NEWPORT, OREGON

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN -
FUND BALANCES - ALL NONMAJOR FUNDS for the Fiscal Year Ended June 30, 2007

Governmental Funds

	Special Revenue Funds	Accounting & Debt Service Fund	Total Other Governmental
REVENUES			
Taxes	\$ 348,058	\$ 0	\$ 348,058
Interest	181,502	971	182,473
Licenses & fees	420,359	0	420,359
Assessments	0	37,278	37,278
Grants/donations	46,906	0	46,906
Other revenue	33,623	0	33,623
Total revenues	<u>1,030,448</u>	<u>38,249</u>	<u>1,068,697</u>
EXPENDITURES			
Current operations			
General government	154,527	0	154,527
Culture & recreation	71,113	0	71,113
Public safety	86,845	0	86,845
Economic development	187,132	0	187,132
Capital outlay, debt service & other	191,493	0	191,493
Debt service	39,024	66,852	105,876
Total expenditures	<u>730,134</u>	<u>66,852</u>	<u>796,986</u>
Excess (def) of revenues over expenditures	<u>300,314</u>	<u>(28,603)</u>	<u>271,711</u>
OTHER FINANCING SOURCES (USES)			
Loan proceeds	107,139	0	107,139
Transfer from other funds	0	55,081	55,081
Transfer to other funds	(82,081)	0	(82,081)
Total other financing sources (uses)	<u>25,058</u>	<u>55,081</u>	<u>80,139</u>
Excess (def) of revenues over expenditures	325,372	26,478	351,850
FUND BALANCES - Beginning of year	<u>3,698,143</u>	<u>45,879</u>	<u>3,744,022</u>
FUND BALANCES - End of year	<u>\$ 4,023,515</u>	<u>\$ 72,357</u>	<u>\$ 4,095,872</u>

CITY OF NEWPORT, OREGON

Special Revenue Funds

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CITY OF NEWPORT, OREGON

COMBINING BALANCE SHEET as of June 30, 2007

SPECIAL REVENUE FUNDS

	Elec., Plumb. & Building Fund	Equipment Reserve Fund	Fire Dept. Reserve Fund	Police Reserve Fund	Library Reserve Fund	Parks & Recreation Reserve Fund	Senior Ctr. Trust & Res. Fund	DLCD Grant Fund	Wkrs. Comp/ Ins. Reserve Fund
ASSETS									
Cash & cash equivalents	\$ 414,145	\$ 238,069	\$ 280,489	\$ 42,933	\$ 3,664	\$ 32,446	\$ 1,757	\$ 542	\$ 30,502
Investments	46,372	26,657	31,407	4,807	410	3,633	196	61	3,416
Receivables	2,772	161	186	8	1,017	28	0	263	22
Total assets	<u>\$ 463,289</u>	<u>\$ 264,887</u>	<u>\$ 312,082</u>	<u>\$ 47,748</u>	<u>\$ 5,091</u>	<u>\$ 36,107</u>	<u>\$ 1,953</u>	<u>\$ 866</u>	<u>\$ 33,940</u>
LIABILITIES & FUND BALANCE									
LIABILITIES									
Accounts payable	\$ 18,348	\$ 0	\$ 6,412	\$ 0	\$ 48	\$ 0	\$ 1,953	\$ 0	\$ 80
Compensated absences	360	0	0	0	0	0	0	0	0
Deferred revenue	0	0	0	0	0	0	0	0	0
Total liabilities	18,708	0	6,412	0	48	0	1,953	0	80
FUND BALANCE									
Unreserved & undesignated	444,581	264,887	305,670	47,748	5,043	36,107	0	866	33,860
Total liabilities & fund balance	<u>\$ 463,289</u>	<u>\$ 264,887</u>	<u>\$ 312,082</u>	<u>\$ 47,748</u>	<u>\$ 5,091</u>	<u>\$ 36,107</u>	<u>\$ 1,953</u>	<u>\$ 866</u>	<u>\$ 33,940</u>

CITY OF NEWPORT, OREGON
COMBINING BALANCE SHEET as of June 30, 2007

SPECIAL REVENUE FUNDS

		Retirement Reserve	Combined Arts Reserve	Capital Imp. Replacemer	Public Parking	Line Underground Reserve	HUD	Agate Beach Closure	Total
	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund
ASSETS									
Cash & cash equivalents	\$ 49	\$ 192,897	\$ 94,330	\$ 261,233	\$ 257,248	\$ 419,853	\$ 1,365,836	\$ 3,635,993	
Investments	5	21,599	10,562	29,251	28,804	47,011	152,934	407,125	
Receivables	3	178	70	22,911	171	287,327	970	316,087	
Total assets	<u>57</u>	<u>\$ 214,674</u>	<u>\$ 104,962</u>	<u>\$ 313,395</u>	<u>\$ 286,223</u>	<u>\$ 754,191</u>	<u>\$ 1,519,740</u>	<u>\$ 4,359,205</u>	
LIABILITIES & FUND BALANCE									
LIABILITIES									
Accounts payable	\$ 0	\$ 0	\$ 0	\$ 5,387	\$ 0	\$ 0	\$ 8,411	\$ 40,632	
Compensated absences	0	0	0	0	0	0	0	360	
Deferred revenue	0	0	0	7,668	0	287,030	0	294,698	
Total liabilities	0	0	0	13,055	0	287,030	8,411	335,690	
FUND BALANCE									
Unreserved & undesignated	57	214,674	104,962	300,340	286,223	467,161	1,511,329	4,023,515	
Total liabilities & fund balance	<u>57</u>	<u>\$ 214,674</u>	<u>\$ 104,962</u>	<u>\$ 313,395</u>	<u>\$ 286,223</u>	<u>\$ 754,191</u>	<u>\$ 1,519,740</u>	<u>\$ 4,359,205</u>	

CITY OF NEWPORT, OREGON

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES for the Fiscal Year Ended June 30, 2007

SPECIAL REVENUE FUNDS

	Elec., Plumb. & Building Fund	Equipment Reserve Fund	Fire Dept. Reserve Fund	Police Reserve Fund	Library Reserve Fund	Parks & Recreation Reserve Fund	Senior Center Fund	DLCD Grant Fund	Wkrs. Comp/ Ins. Reserve Fund	Friends of Newport Aquatic Ctr
REVENUES										
Taxes	\$ 0	\$ 221,969	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Interest	18,546	12,972	11,714	2,649	286	1,602	13	0	1,770	187
License & fees	294,084	0	35,203	0	0	0	17,989	0	0	0
Grants/donations	0	0	37,671	0	1,093	7,722	0	0	0	420
Other revenue	1,963	0	0	0	0	0	0	0	4,660	0
Total revenues	314,593	234,941	84,588	2,649	1,379	9,324	18,002	0	6,430	607
EXPENDITURES										
Current operations										
General government	0	48,085	0	0	0	0	0	0	16,977	0
Culture & recreation	0	0	0	0	0	5,018	18,046	0	0	13,064
Public safety	0	0	73,098	13,747	0	0	0	0	0	0
Economic development	155,903	0	0	0	0	0	0	0	0	0
Capital outlay	0	180,999	0	0	0	0	0	0	0	0
Debt service	0	39,024	0	0	0	0	0	0	0	0
Total expenditures	155,903	268,107	73,098	13,747	0	5,018	18,046	0	16,977	13,064
Excess (def) of revenues over expenditures	158,690	(33,166)	11,490	(11,098)	1,379	4,306	(44)	0	(10,547)	(12,457)
OTHER FINANCING SOURCES (USES)										
Loan proceeds	0	107,139	0	0	0	0	0	0	0	0
Transfer from (to) other funds	(27,000)	(100,000)	100,000	0	0	0	0	0	0	0
Transfer - fund closeout	0	0	0	0	0	0	0	0	0	0
Total other fin. sources (uses)	(27,000)	7,139	100,000	0	0	0	0	0	0	0
Excess (def) of revenues over expenditures	131,690	(26,027)	111,490	(11,098)	1,379	4,306	(44)	0	(10,547)	(12,457)
FUND BALANCE - Beg. of year	312,891	290,914	194,180	58,846	3,664	31,805	44	866	44,407	12,457
FUND BALANCE - End of Year	\$ 444,581	\$ 264,887	\$ 305,670	\$ 47,748	\$ 5,043	\$ 36,107	\$ 0	\$ 866	\$ 33,860	\$ 0

CITY OF NEWPORT, OREGON

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES for the Fiscal Year Ended June 30, 2007

SPECIAL REVENUE FUNDS

	Retirement Reserve Fund	Combined Art Reserve Fund	Capital Imp. Replacement Fund	Public Parking Fund	Line Underground Reserve	HUD Fund	Agate Beach Closure Fund	Total
REVENUES								
Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 126,089	\$ 0	\$ 0	\$ 348,058
Interest	0	11,070	7,348	12,959	10,144	20,911	69,331	181,502
License & fees	0	0	0	24,952	0	0	48,131	420,359
Grants/donations	0	0	0	0	0	0	0	46,906
Other revenue	0	0	0	0	0	27,000	0	33,623
Total revenues	0	11,070	7,348	37,911	136,233	47,911	117,462	1,030,448
EXPENDITURES								
Current operations								
General government	0	0	81,040	8,425	0	0	0	154,527
Culture & recreation	0	34,985	0	0	0	0	0	71,113
Public safety	0	0	0	0	0	0	0	86,845
Economic development	0	0	0	0	0	360	30,869	187,132
Capital outlay	0	0	0	10,495	0	0	0	191,493
Debt service	0	0	0	0	0	0	0	39,024
Total expenditures	0	34,985	81,040	18,920	0	360	30,869	730,135
Excess (def) of revenues over expenditures	0	(23,915)	(73,692)	18,991	136,233	47,551	86,593	300,313
OTHER FINANCING SOURCES (USES)								
Loan proceeds	0	0	0	0	0	0	0	107,139
Transfer to other funds	0	0	(55,081)	0	0	0	0	(82,081)
Transfer - fund closeout	0	0	0	0	0	0	0	0
Total other fin. sources	0	0	(55,081)	0	0	0	0	25,058
Excess (def) of revenues over expenditures	0	(23,915)	(128,773)	18,991	136,233	47,551	86,593	325,372
FUND BALANCE - Beg. of year	57	238,589	233,735	281,349	149,990	419,610	1,424,736	3,698,143
FUND BALANCE - End of year	\$ 57	\$ 214,674	\$ 104,962	\$ 300,340	\$ 286,223	\$ 467,161	\$ 1,511,329	\$ 4,023,515

CITY OF NEWPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL for the Fiscal Year Ended June 30, 2007

ELECTRICAL, PLUMBING & BUILDING FUND

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Permits	\$ 200,000	\$ 200,000	\$ 280,883	\$ 80,883
State permit surcharges	13,600	13,600	13,201	(399)
Misc. sales & services	700	700	1,963	1,263
Interest on investments	1,700	1,700	18,546	16,846
	216,000	216,000	314,593	98,593
EXPENDITURES				
Personal services	74,210	74,210	55,491	18,719
Materials & services	103,900	118,900	107,858	11,042
Contingency	180,390	165,390	0	165,390
	358,500	358,500	163,349	195,151
Excess (def) of revenues over expenditures	(142,500)	(142,500)	151,243	293,743
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	(27,000)	(27,000)	(27,000)	0
Excess (def) of revenues over expenditures	(169,500)	(169,500)	124,243	293,743
GAAP ADJUSTMENT				
Pension payable	0	0	7,447	7,447
FUND BALANCE - Beginning of year	169,500	169,500	312,891	143,391
FUND BALANCE - End of year	\$ 0	\$ 0	\$ 444,581	\$ 444,581

CITY OF NEWPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL for the Fiscal Year Ended June 30, 2007**

EQUIPMENT RESERVE FUND

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Transient room tax	\$ 214,600	\$ 214,600	\$ 221,969	\$ 7,369
Interest on investments	4,000	4,000	12,972	8,972
 Total revenues	 218,600	 218,600	 234,941	 16,341
EXPENDITURES				
Materials & services	20,200	50,578	48,085	2,493
Capital outlay	154,000	196,737	180,999	15,738
Debt service	0	39,024	39,024	0
Contingency	145,100	140,100	0	140,100
 Total expenditures	 319,300	 426,439	 268,107	 158,332
 Excess (def) of revenues over expenditures	 (100,700)	 (207,839)	 (33,166)	 174,673
OTHER FINANCING SOURCES (USES)				
Loan proceeds	0	107,139	107,139	0
Transfer to other funds	(100,000)	(100,000)	(100,000)	0
 Total other financing sources (uses)	 (100,000)	 7,139	 7,139	 0
 Excess (def) of revenues over expenditures	 (200,700)	 (200,700)	 (26,027)	 174,673
 FUND BALANCE - Beginning of year	 200,700	 200,700	 290,914	 90,214
 FUND BALANCE - End of year	 \$ 0	 \$ 0	 \$ 264,887	 \$ 264,887

CITY OF NEWPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL for the Fiscal Year Ended June 30, 2007**

FIRE DEPARTMENT EQUIPMENT RESERVE FUND

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
NRFPD payment for future equipment	\$ 35,200	\$ 35,200	\$ 35,203	\$ 3
Grants	0	41,068	37,671	(3,397)
Interest on investments	3,000	3,000	11,714	8,714
 Total revenues	 38,200	 79,268	 84,588	 5,320
EXPENDITURES				
Materials & services	41,300	82,368	73,098	9,270
Contingency	260,300	260,300	0	260,300
 Total expenditures	 301,600	 342,668	 73,098	 269,570
 Excess (def) of revenues over expenditures	 (263,400)	 (263,400)	 11,490	 274,890
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	100,000	100,000	100,000	0
 Excess (def) of revenues over expenditures	 (163,400)	 (163,400)	 111,490	 274,890
 FUND BALANCE - Beginning of year	 163,400	 163,400	 194,180	 30,780
 FUND BALANCE - End of year	 \$ 0	 \$ 0	 \$ 305,670	 \$ 305,670

CITY OF NEWPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL for the Fiscal Year Ended June 30, 2007**

POLICE RESERVE FUND

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUE			
Local law enforcement grants & gifts	\$ 20,000	\$ 0	\$ (20,000)
Interest on investments	<u>0</u>	<u>2,649</u>	<u>2,649</u>
 Total revenues	 20,000	 2,649	 (17,351)
EXPENDITURES			
Materials & services	<u>20,000</u>	<u>13,747</u>	<u>6,253</u>
 Excess (def) of revenues over expenditures	 0	 (11,098)	 (11,098)
 FUND BALANCE - Beginning of year	 <u>0</u>	 <u>58,846</u>	 <u>58,846</u>
 FUND BALANCE - End of year	 <u>\$ 0</u>	 <u>\$ 47,748</u>	 <u>\$ 47,748</u>

CITY OF NEWPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL for the Fiscal Year Ended June 30, 2007

LIBRARY RESERVE FUND

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
State Library Grant	\$ 0	\$ 1,093	\$ 1,093
Interest on investments	0	286	286
Total revenues	0	1,379	1,379
EXPENDITURES	0	0	0
Excess (def) of revenues over expenditures	0	1,379	1,379
FUND BALANCE - Beginning of year	0	3,664	3,664
FUND BALANCE - End of year	\$ 0	\$ 5,043	\$ 5,043

CITY OF NEWPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL for the Fiscal Year Ended June 30, 2007

FRIENDS OF NEWPORT AQUATIC CENTER FUND

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Donations	\$ 0	\$ 420	\$ 420	\$ 0
Interest on investments	0	192	187	(5)
Total revenues	0	612	607	1,219
EXPENDITURES				
Materials & services	0	13,068	13,063	5
Contingency	12,200	0	0	0
Total expenditures	12,200	13,068	13,063	5
Excess (def) of revenues over expenditures	(12,200)	(12,456)	(12,457)	(1)
FUND BALANCE - Beginning of year	12,200	12,456	12,457	1
FUND BALANCE - End of year	\$ 0	\$ 0	\$ 0	\$ 0

CITY OF NEWPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL for the Fiscal Year Ended June 30, 2007**

SENIOR CENTER TRUST FUND

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Senior center revenue	\$ 17,000	\$ 17,000	\$ 17,989	\$ 989
Interest on investments	0	0	13	13
Total revenues	<u>17,000</u>	<u>17,000</u>	<u>18,002</u>	<u>1,002</u>
EXPENDITURES				
Personal services	9,894	9,894	6,869	3,025
Materials & services	4,600	19,106	11,176	7,930
Contingency	<u>14,506</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total expenditures	<u>29,000</u>	<u>29,000</u>	<u>18,046</u>	<u>10,954</u>
Excess (def) of revenues over expenditures	(12,000)	(12,000)	(44)	11,956
FUND BALANCE - Beginning of year	<u>12,000</u>	<u>12,000</u>	<u>44</u>	<u>(11,956)</u>
FUND BALANCE - End of year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

CITY OF NEWPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL for the Fiscal Year Ended June 30, 2007**

DLCD GRANT FUND

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
DLCD planning grant	\$ 10,000	\$ 0	\$ (10,000)
EXPENDITURES			
Materials & services	<u>10,000</u>	<u>0</u>	<u>10,000</u>
Excess (def) of revenues over expenditures	0	0	0
FUND BALANCE - Beginning of year	<u>0</u>	<u>866</u>	<u>866</u>
FUND BALANCE - End of year	<u>\$ 0</u>	<u>\$ 866</u>	<u>\$ 866</u>

CITY OF NEWPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL for the Fiscal Year Ended June 30, 2007**

WORKERS' COMPENSATION & GENERAL INSURANCE RESERVE FUND

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Misc. sales & services	\$ 0	\$ 0	\$ 4,660	\$ 4,660
Worker's comp transfers in	108,000	108,000	0	(108,000)
Interest on investments	0	0	1,770	1,770
Total revenues	108,000	108,000	6,430	(101,570)
EXPENDITURES				
Materials & services	105,000	107,000	16,977	90,023
Contingency	74,300	72,300	0	72,300
Total expenditures	179,300	179,300	16,977	162,323
Excess (def) of revenue over expenditures	(71,300)	(71,300)	(10,547)	60,753
FUND BALANCE - Beginning of year	71,300	71,300	44,407	(26,893)
FUND BALANCE - End of year	\$ 0	\$ 0	\$ 33,860	\$ 33,860

CITY OF NEWPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL for the Fiscal Year Ended June 30, 2007**

PARKS & RECREATION TRUST & RESERVE FUND

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Grants, gifts & donations	\$ 4,000	\$ 4,000	\$ 7,722	\$ 3,722
Interest on investments	100	100	1,602	1,702
Total revenues	4,100	4,100	9,324	5,224
EXPENDITURES				
Materials & services	2,000	12,000	5,018	6,982
Capital outlay	2,000	2,000	0	2,000
Contingency	2,000	0	0	0
Total expenditures	6,000	14,000	5,018	8,982
Excess (def) of revenues over expenditures	(1,900)	(9,900)	4,306	14,206
FUND BALANCE - Beginning of year	1,900	9,900	31,801	21,901
FUND BALANCE - End of year	\$ 0	\$ 0	\$ 36,107	\$ 36,107

CITY OF NEWPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL for the Fiscal Year Ended June 30, 2007**

RETIREMENT TRUST & RESERVE FUND

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES	\$ 0	\$ 0	\$ 0
EXPENDITURES	<u>0</u>	<u>0</u>	<u>0</u>
Excess (def) of revenues over expenditures	0	0	0
FUND BALANCE - Beginning of year	<u>0</u>	<u>57</u>	<u>57</u>
FUND BALANCE - End of year	<u>\$ 0</u>	<u>\$ 57</u>	<u>\$ 57</u>

CITY OF NEWPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL -COMBINED ART RESERVE for the Fiscal Year Ended June 30, 2007

SCHOOL OF THE ARTS FUND

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
REVENUES				
Interest on investments	\$ 3,000	\$ 3,000	\$ 11,055	\$ 8,055
EXPENDITURES				
Materials & services	0	35,000	34,985	15
Contingency	235,900	200,900	0	200,900
Total expenditures	235,900	235,900	34,985	200,915
Excess (def) of revenues over expenditures	(232,900)	(232,900)	(23,930)	208,970
FUND BALANCE - Beginning of year	232,900	232,900	238,173	5,273
FUND BALANCE - End of year	\$ 0	\$ 0	\$ 214,243	\$ 214,243

CITY OF NEWPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - COMBINED ART RESERVE for the Fiscal Year Ended June 30, 2007**

ART IN PUBLIC PLACES FUND

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES	\$ 0	\$ 0	0
EXPENDITURES	<u>12</u>	<u>0</u>	<u>12</u>
Excess (def) of revenues over expenditures	(12)	0	12
FUND BALANCE - Beginning of year	<u>12</u>	<u>12</u>	<u>0</u>
FUND BALANCE - End of year	<u>\$ 0</u>	<u>\$ 12</u>	<u>\$ 12</u>

CITY OF NEWPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - COMBINED ART RESERVE for the Fiscal Year Ended June 30, 2007**

COUNCIL FOR THE ARTS FUND

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interest on investments	\$ 8	\$ 15	\$ 7
EXPENDITURES			
Materials & services	<u>408</u>	<u>0</u>	<u>408</u>
Excess (def) of revenues over expenditures	(400)	15	415
FUND BALANCE - Beginning of year	<u>400</u>	<u>404</u>	<u>4</u>
FUND BALANCE - End of year	<u>\$ 0</u>	<u>\$ 419</u>	<u>\$ 419</u>

CITY OF NEWPORT, OREGON

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL for the Fiscal Year Ended June 30, 2007**

CAPITAL IMPROVEMENT/REPLACEMENT FUND

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interest on investments	\$ 10,000	\$ 7,349	\$ (2,652)
EXPENDITURES			
Materials & services	115,000	81,040	33,960
Contingency	<u>238,100</u>	<u>0</u>	<u>238,100</u>
 Total expenditures	 <u>353,100</u>	 <u>81,040</u>	 <u>272,060</u>
 Excess (def) of revenues over expenditures	 (343,100)	 (73,691)	 269,409
OTHER FINANCING SOURCES (USES)			
Transfers to other funds	<u>(60,000)</u>	<u>(55,081)</u>	<u>4,919</u>
 Excess (def) of revenues over expenditures	 (403,100)	 (128,773)	 274,327
 FUND BALANCE - Beginning of year	 <u>403,100</u>	 <u>233,735</u>	 <u>(169,365)</u>
 FUND BALANCE - End of year	 <u>\$ 0</u>	 <u>\$ 104,962</u>	 <u>\$ 104,962</u>

CITY OF NEWPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL for the Fiscal Year Ended June 30, 2007**

PUBLIC PARKING FUND

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Interest on investments	\$ 3,000	\$ 3,000	\$ 12,959	\$ 9,959
Fees	20,000	20,000	24,952	4,952
Total revenues	23,000	23,000	37,911	14,911
EXPENDITURES				
Materials & services	15,000	15,000	8,425	6,575
Capital outlay	0	10,500	10,495	5
Contingency	278,000	267,500	0	267,500
Total expenditures	293,000	293,000	18,920	274,080
Excess (def) of revenues over expenditures	(270,000)	(270,000)	18,991	288,991
FUND BALANCE - Beginning of year	270,000	270,000	281,349	11,349
FUND BALANCE - End of year	\$ 0	\$ 0	\$ 300,340	\$ 300,340

CITY OF NEWPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL for the Fiscal Year Ended June 30, 2007**

LINE UNDERGROUND RESERVE FUND

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Franchise tax	\$ 95,000	\$ 126,089	\$ 31,089
Interest on investments	<u>2,500</u>	<u>10,144</u>	<u>7,644</u>
 Total revenues	97,500	136,233	38,733
 EXPENDITURES			
Contingency	<u>209,900</u>	<u>0</u>	<u>209,900</u>
 Excess (def) of revenues over expenditures	(112,400)	136,233	248,633
 FUND BALANCE - Beginning of year	<u>112,400</u>	<u>149,990</u>	<u>37,590</u>
 FUND BALANCE - End of year	<u>\$ 0</u>	<u>\$ 286,223</u>	<u>\$ 286,223</u>

CITY OF NEWPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL for the Fiscal Year Ended June 30, 2007**

HOUSING & URBAN DEVELOPMENT FUND

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interest on investments	\$ 7,000	\$ 20,911	\$ 13,911
Grant	75,000	0	(75,000)
C.D.B.G. Program Repayments	<u>20,000</u>	<u>27,000</u>	<u>7,000</u>
 Total revenues	 <u>102,000</u>	 <u>47,911</u>	 <u>(54,089)</u>
EXPENDITURES			
Materials & services	75,250	360	74,890
Contingencies	<u>412,070</u>	<u>0</u>	<u>412,070</u>
 Total expenditures	 <u>487,320</u>	 <u>360</u>	 <u>486,960</u>
 Excess (def) of revenues over expenditures	 (385,320)	 47,551	 432,871
 FUND BALANCE - Beginning of year	 <u>385,320</u>	 <u>419,610</u>	 <u>34,290</u>
 FUND BALANCE - End of year	 <u>\$ 0</u>	 <u>\$ 467,161</u>	 <u>\$ 467,161</u>

CITY OF NEWPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL for the Fiscal Year Ended June 30, 2007**

AGATE BEACH CLOSURE FUND

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Agate Beach closure fees	\$ 50,000	\$ 48,131	\$ (1,869)
Interest on investments	<u>22,000</u>	<u>69,331</u>	<u>47,331</u>
 Total revenues	 <u>72,000</u>	 <u>117,462</u>	 <u>45,462</u>
EXPENDITURES			
Materials & services	51,000	30,869	20,131
Contingency	<u>1,415,600</u>	<u>0</u>	<u>1,415,600</u>
 Total expenditures	 <u>1,466,600</u>	 <u>30,869</u>	 <u>1,435,731</u>
 Excess (def) of revenues over expenditures	 (1,394,600)	 86,593	 1,481,193
 FUND BALANCE - Beginning of year	 <u>1,394,600</u>	 <u>1,424,736</u>	 <u>30,136</u>
 FUND BALANCE - End of year	 <u>\$ 0</u>	 <u>\$ 1,511,329</u>	 <u>\$ 1,511,329</u>

CITY OF NEWPORT, OREGON

Debt Service Funds

CITY OF NEWPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL for the Fiscal Year Ended June 30, 2007**

ACCOUNTING & DEBT SERVICE FUND

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Bonded Assessment - Principal	\$ 300	\$ 300	\$ 7,552	\$ 7,252
Bonded Assessment - Interest	25	600	29,726	29,126
Interest on investments	100	100	971	871
Total revenues	425	1,000	38,249	37,249
EXPENDITURES				
Materials & services	45	45	0	45
Debt service	66,235	66,810	66,852	(42)
Total expenditures	66,280	66,855	66,852	3
Excess (def) of revenues over expenditures	(65,855)	(65,855)	(28,602)	37,252
OTHER FINANCING SOURCES (USES)				
Transfer from other funds	62,846	62,846	55,081	(7,765)
Excess (def) of revenues over expenditures	(3,009)	(3,009)	26,478	29,487
FUND BALANCE - Beginning of year	3,009	3,009	45,879	42,870
FUND BALANCE - End of year	\$ 0	\$ 0	\$ 72,357	\$ 72,357

CITY OF NEWPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL for the Fiscal Year Ended June 30, 2007

URBAN RENEWAL BOND REDEMPTION FUND

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Property taxes	\$ 2,380,474	\$ 2,363,237	\$ (17,237)
Interest on investments	<u>144,833</u>	<u>382,882</u>	<u>238,049</u>
 Total revenues	 <u>2,525,307</u>	 <u>2,746,119</u>	 <u>220,812</u>
EXPENDITURES			
Materials & services	33,242	33,242	0
Debt service	<u>1,191,012</u>	<u>1,191,012</u>	<u>0</u>
 Total expenditures	 <u>1,224,254</u>	 <u>1,224,254</u>	 <u>0</u>
 Excess (def) of revenues over expenditures	 1,301,053	 1,521,865	 220,812
OTHER FINANCING SOURCES (USES)			
Transfers to other funds	<u>(406,278)</u>	<u>(406,278)</u>	<u>0</u>
 Excess (def) of revenues over expenditures	 894,775	 1,115,587	 220,812
 Unappropriated fund balance	 (8,136,404)	 0	 8,136,404
 FUND BALANCE - Beginning of year	 <u>7,241,629</u>	 <u>7,306,327</u>	 <u>64,698</u>
 FUND BALANCE - End of year	 <u>\$ 0</u>	 <u>\$ 8,421,915</u>	 <u>\$ 8,421,915</u>

CITY OF NEWPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL for the Fiscal Year Ended June 30, 2007

SOUTH BEACH URBAN RENEWAL BOND REDEMPTION FUND

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Property taxes	\$ 1,304,585	\$ 1,355,005	\$ 50,420
Interest on investments	<u>15,245</u>	<u>49,627</u>	<u>34,382</u>
 Total revenues	 <u>1,319,830</u>	 <u>1,404,632</u>	 <u>84,802</u>
EXPENDITURES			
Materials & services	20,917	20,917	0
Debt service	<u>1,225,944</u>	<u>845,944</u>	<u>380,000</u>
 Total expenditures	 <u>1,246,861</u>	 <u>866,861</u>	 <u>380,000</u>
 Excess (def) of revenues over expenditures	 72,969	 537,771	 610,740
 Unappropriated fund balance	 (835,242)	 0	 835,242
 FUND BALANCE - Beginning of year	 <u>762,273</u>	 <u>778,625</u>	 <u>16,352</u>
 FUND BALANCE - End of year	 <u>\$ 0</u>	 <u>\$ 1,316,396</u>	 <u>\$ 1,316,396</u>

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CITY OF NEWPORT, OREGON

Proprietary Funds

CITY OF NEWPORT, OREGON

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND/EQUITY BALANCE -
BUDGET AND ACTUAL for the Fiscal Year Ended June 30, 2007**

SEWER FUND

	Budget Amounts		Actual	Variance with
	Original	Final		Final Budget
REVENUES				
Service charges	\$ 2,132,300	\$ 2,132,300	\$ 2,127,046	\$ (5,254)
Sewer SDC	62,000	62,000	125,220	63,220
Miscellaneous income	1,000	1,000	5,723	4,723
Interest on investments	3,000	3,000	15,085	12,085
Total revenues	2,198,300	2,198,300	2,273,074	74,774
EXPENDITURES				
Sewer plant pump station	680,600	641,200	608,204	32,996
Sewer repair & operation	517,700	582,300	553,238	29,062
SDC charges	110,000	420,000	342,257	77,743
Customer service	19,100	19,100	17,180	1,920
Administrative & general	116,500	116,500	112,464	4,036
Fees pd in lieu of franchise taxes	106,300	106,300	105,596	704
Contingency	45,200	0	0	0
Total expenditures	1,595,400	1,885,400	1,738,939	146,461
Excess (def) of revenues over expenditures	602,900	312,900	534,136	221,236
OTHER FINANCING SOURCES (USES)				
Interfund loan	100,000	100,000	100,000	0
Transfer to other funds	(810,000)	(810,000)	(810,000)	0
Total other financing sources (uses)	(710,000)	(710,000)	(710,000)	0
Excess (def) of revenues over expenditures	(107,100)	(397,100)	(175,864)	221,236
GAAP ADJUSTMENT				
Depreciation	0	0	(1,353,908)	(1,353,908)
Capital contribution	0	0	1,353,534	1,353,534
Fixed assets	0	0	588,523	588,523
Transfer	0	0	817,225	817,225
Interest expense	0	0	(629,824)	(629,824)
Interfund loan	0	0	(100,000)	(100,000)
FUND/EQUITY BALANCE - Beg. of year	107,100	397,100	12,252,552	12,649,652
FUND/EQUITY BALANCE - End of year	\$ 0	\$ 0	\$ 12,752,238	\$ 12,752,238

CITY OF NEWPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND/EQUITY BALANCE -
BUDGET AND ACTUAL for the Fiscal Year Ended June 30, 2007

WASTEWATER TREATMENT PLANT LOAN DEBT FUND

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Transient room tax	\$ 224,000	\$ 231,219	\$ 7,219
SDC charges	50,000	96,381	46,381
Interest on investments	<u>15,000</u>	<u>42,928</u>	<u>27,928</u>
 Total revenues	 <u>289,000</u>	 <u>370,528</u>	 <u>659,528</u>
EXPENDITURES			
Professional services	36,693	35,158	1,535
2000 WWTP DEQ loan interest	267,041	267,041	0
2000 WWTP DEQ loan principal	<u>312,225</u>	<u>312,225</u>	<u>0</u>
 Total expenditures	 <u>615,959</u>	 <u>614,424</u>	 <u>1,535</u>
 Excess (def) of revenues over expenditures	 (326,959)	 (243,896)	 83,063
OTHER FINANCING SOURCES (USES)			
Transfer from other funds	<u>325,000</u>	<u>325,000</u>	<u>0</u>
 Excess (def) of revenues over expenditures	 (1,959)	 81,104	 83,063
 DEQ required loan reserve and unappropriated	 (782,172)	 0	 782,172
GAAP ADJUSTMENT			
Debt service	0	312,225	312,225
Transfers	0	(312,225)	(312,225)
 FUND/EQUITY BALANCE - Beg. of year	 <u>784,131</u>	 <u>838,069</u>	 <u>53,938</u>
 FUND/EQUITY BALANCE - End of year	 <u>\$ 0</u>	 <u>\$ 919,173</u>	 <u>\$ 919,173</u>

CITY OF NEWPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND/EQUITY BALANCE -
BUDGET AND ACTUAL for the Fiscal Year Ended June 30, 2007**

SEWER BONDED DEBT FUND

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Property taxes	\$ 876,978	\$ 901,861	\$ 24,883
Interest on investments	<u>7,000</u>	<u>15,722</u>	<u>8,722</u>
 Total revenues	 <u>883,978</u>	 <u>917,583</u>	 <u>33,605</u>
EXPENDITURES			
1999 G.O. Bonds principal	505,000	505,000	0
1999 G.O. Bonds interest	<u>404,026</u>	<u>404,026</u>	<u>0</u>
 Total expenditures	 <u>909,026</u>	 <u>909,026</u>	 <u>0</u>
 Excess (def) of revenues over expenditures	 (25,048)	 8,557	 33,605
 Unappropriated fund balance	 (202,013)	 0	 202,013
GAAP ADJUSTMENT			
Debt service	0	505,000	505,000
Transfer	0	(505,000)	(505,000)
 FUND/EQUITY BALANCE - Beg. of year	 <u>227,061</u>	 <u>397,741</u>	 <u>170,680</u>
 FUND/EQUITY BALANCE - End of year	 <u>\$ 0</u>	 <u>\$ 406,298</u>	 <u>\$ 406,298</u>

CITY OF NEWPORT, OREGON

RECONCILIATION OF REVENUES AND EXPENDITURES (BUDGETARY BASIS) TO THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS for the Fiscal Year Ended June 30, 2007

SEWER FUND

	<u>Total</u>	<u>Total</u>	<u>Net</u>
	<u>Revenues</u>	<u>Expenditures</u>	
Budgetary Basis			
Sewer Fund	\$ 2,373,074	\$ 2,548,939	\$ (175,865)
Wastewater Treatment Plant Debt Fund	695,528	614,424	81,104
Sewer Bonded Debt Fund	<u>917,583</u>	<u>909,026</u>	<u>8,557</u>
 Total budgetary basis	 <u>\$ 3,986,185</u>	 <u>\$ 4,072,389</u>	 (86,204)
 Add (Deduct) Items to Reconcile to Net Income on a Financial Reporting Basis			
Payment of long-term debt			817,225
Capital outlay, net			588,523
Depreciation			(1,353,908)
Interest expense			(629,824)
Interfund loan			(100,000)
Contributed capital			<u>1,353,534</u>
Change in net assets			589,346
 Net Assets - Beginning of year			 <u>13,488,362</u>
 Net Assets - End of year			 <u>\$ 14,077,708</u>

CITY OF NEWPORT, OREGON

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND/EQUITY BALANCE -
BUDGET AND ACTUAL for the Fiscal Year Ended June 30, 2007**

WATER FUND

	Budget Amounts		Actual	Variance with
	Original	Final		Final Budget
REVENUES				
Service charges	\$ 1,392,000	\$ 1,392,000	\$ 1,348,208	\$ (43,792)
New services, meters	55,000	55,000	127,068	72,068
Miscellaneous sales & service	20,000	20,000	27,885	7,885
System Development Charges	54,000	54,000	99,623	45,623
Interest on investments	4,500	4,500	23,752	19,252
Total revenue	<u>1,525,500</u>	<u>1,525,500</u>	<u>1,626,536</u>	<u>101,036</u>
EXPENDITURES				
Water treatment	637,000	657,500	621,065	36,435
Water distribution	501,300	470,000	458,137	11,863
Water storage	102,500	118,500	108,843	9,657
Customer service	21,400	19,900	19,311	589
Administrative & general	107,700	104,000	103,960	40
Systems Development	150,000	150,000	16,660	133,340
Contingency	60,000	60,000	0	60,000
Total expenditures	<u>1,579,900</u>	<u>1,579,900</u>	<u>1,327,976</u>	<u>251,924</u>
Excess (def) of revenues over expenditures	<u>(54,400)</u>	<u>(54,400)</u>	<u>298,561</u>	<u>352,961</u>
OTHER FINANCING SOURCES (USES)				
Interfund loan	135,000	135,000	135,000	0
Transfers from other funds	40,000	40,000	40,000	0
Transfers to other funds	<u>(295,000)</u>	<u>(295,000)</u>	<u>(295,000)</u>	<u>0</u>
Total other financing sources (uses)	<u>(120,000)</u>	<u>(120,000)</u>	<u>(120,000)</u>	<u>0</u>
Excess (def) of revenues over expenditures	<u>(174,400)</u>	<u>(174,400)</u>	<u>178,561</u>	<u>352,961</u>
GAAP ADJUSTMENTS				
Capitalized assets	0	0	87,790	87,790
Depreciation	0	0	(234,176)	(234,176)
Transfer	0	0	280,000	280,000
Interfund loan	0	0	(135,000)	(135,000)
FUND/EQUITY BALANCE - Beg. of year	<u>174,400</u>	<u>174,400</u>	<u>3,610,494</u>	<u>3,436,094</u>
FUND/EQUITY BALANCE - End of year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,787,668</u>	<u>\$ 3,787,668</u>

CITY OF NEWPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND/EQUITY BALANCE -
BUDGET AND ACTUAL for the Fiscal Year Ended June 30, 2007**

WATER BONDED DEBT FUND

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Property taxes	\$ 342,586	\$ 345,768	\$ 3,182
Interest on investments	<u>2,000</u>	<u>7,932</u>	<u>5,932</u>
 Total revenues	 <u>344,586</u>	 <u>353,700</u>	 <u>9,114</u>
EXPENDITURES			
1998 Water Bonds principal	280,000	280,000	0
1998 Water Bonds interest	<u>72,052</u>	<u>72,052</u>	<u>0</u>
 Total expenditures	 <u>352,052</u>	 <u>352,052</u>	 <u>0</u>
 Excess (def) of revenues over expenditures	 (7,466)	 1,648	 9,114
 Unappropriated fund balance	 (36,026)	 0	 36,026
GAAP ADJUSTMENT			
Debt service	0	280,000	280,000
Transfer	0	(280,000)	(280,000)
 FUND/EQUITY BALANCE - Beginning of year	 43,492	 69,227	 25,735
 Prior period adjustment	 <u>0</u>	 <u>16,834</u>	 <u>16,834</u>
 FUND/EQUITY BALANCE - End of year	 <u>\$ 0</u>	 <u>\$ 87,709</u>	 <u>\$ 87,709</u>

CITY OF NEWPORT, OREGON

RECONCILIATION OF REVENUES AND EXPENDITURES (BUDGETARY BASIS) TO THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS for the Fiscal Year Ended June 30, 2007

WATER FUND

	<u>Total</u>	<u>Total</u>	<u>Net</u>
	<u>Revenues</u>	<u>Expenditures</u>	
Budgetary Basis			
Water Fund	\$ 1,801,536	\$ 1,622,976	\$ 178,560
Water Bonded Debt Fund	<u>353,700</u>	<u>352,052</u>	<u>1,648</u>
 Total budgetary basis	 <u>\$ 2,155,236</u>	 <u>\$ 1,975,028</u>	 180,208
 Add (Deduct) Items to Reconcile to Net Income on a Financial Reporting Basis			
Payment of long-term debt			280,000
Capital outlay, net			87,790
Depreciation			(234,176)
Interfund loan			<u>(135,000)</u>
Change in net assets			178,820
 Net Assets - Beginning of year			 3,679,722
 Prior period adjustment			 <u>16,834</u>
 Net Assets - End of year			 <u>\$ 3,875,376</u>

CITY OF NEWPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND/EQUITY BALANCE -
BUDGET AND ACTUAL - for the Fiscal Year Ended June 30, 2007**

AIRPORT FUND

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
FBO sales & services	\$ 1,700	\$ 331,365	\$ 314,317	\$ (17,048)
Transient room tax	188,700	188,700	194,224	5,524
Leases & rentals	28,000	28,000	12,399	(15,601)
Interest on investments	3,000	3,000	8,312	5,312
Grants	0	297,000	241,463	(55,537)
Miscellaneous sales & service	2,800	2,800	8,788	5,988
Total revenue	224,200	850,865	779,503	(71,362)
EXPENDITURES				
Operations	301,400	1,346,065	1,290,469	55,596
Contingency	51,000	0	0	0
Total expenditures	352,400	1,346,065	1,290,469	55,596
Excess (def) of revenues over expenditures	(128,200)	(495,200)	(510,966)	(15,766)
OTHER FINANCING SOURCES (USES)				
Loan proceeds	0	274,000	274,000	0
Transfers from other funds	30,000	30,000	30,000	0
Transfers to other funds	(25,000)	(25,000)	(25,000)	0
Total other financing sources (uses)	5,000	279,000	279,000	0
Excess (def) of revenues over expenditures	(123,200)	(216,200)	(231,966)	(15,766)
GAAP ADJUSTMENT				
Loan proceeds	0	0	(274,000)	(274,000)
Debt principal	0	0	8,160	8,160
Fixed assets	0	0	335,630	335,630
Depreciation	0	0	(233,119)	(233,119)
FUND/EQUITY BALANCE - Beg. of year	123,200	216,200	3,797,159	3,580,959
FUND/EQUITY BALANCE - End of year	\$ 0	\$ 0	\$ 3,401,864	\$ 3,401,864

CITY OF NEWPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND/EQUITY BALANCE -
BUDGET AND ACTUAL for the Fiscal Year Ended June 30, 2007**

RECREATION FUND

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Programs	\$ 412,000	\$ 500,700	\$ 480,953	\$ (19,747)
Interest on investments	1,000	1,000	6,914	5,914
Miscellaneous	0	10,200	99	(10,101)
Total revenues	413,000	511,900	487,966	(23,934)
EXPENDITURES				
Swimming pool	207,400	259,400	256,911	2,489
Recreation center	430,800	465,800	443,658	22,142
Recreation program	126,200	156,200	149,530	6,670
Contingency	18,100	0	0	0
Total expenditures	782,500	881,400	850,099	31,301
Excess (def) of revenues over expenditures	(369,500)	(369,500)	(362,133)	7,367
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	344,800	344,800	344,730	(70)
Transfers to other funds	(48,000)	(48,000)	(48,000)	0
Total other financing sources (uses)	296,800	296,800	296,730	(70)
Excess (def) of revenues over expenditures	(72,700)	(72,700)	(65,403)	7,297
GAAP ADJUSTMENTS				
Depreciation	0	0	(202,457)	(202,457)
Capitalized assets	0	0	21,939	
Contributed capital	0	0	239,874	239,874
FUND/EQUITY BALANCE - Beg. of year	72,700	72,700	621,840	549,140
FUND/EQUITY BALANCE - End of year	\$ 0	\$ 0	\$ 615,793	\$ 615,793

CITY OF NEWPORT, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND/EQUITY BALANCE -
BUDGET AND ACTUAL for the Fiscal Year Ended June 30, 2007**

RECREATION CENTER DEBT FUND

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interest on investments	\$ 0	\$ 1,330	\$ 1,330
EXPENDITURES			
OEDD Rec. Ctr. Loan - Principal	193,210	193,210	0
OEDD Rec. Ctr. Loan - Interest	<u>213,068</u>	<u>213,068</u>	<u>0</u>
Total expenditures	<u>406,278</u>	<u>406,278</u>	<u>0</u>
Excess (def) of revenues over expenditures	(406,278)	(404,948)	1,330
OTHER FINANCING SOURCES (USES)			
Transfer special payment from Urban Renewal	<u>406,278</u>	<u>406,278</u>	<u>0</u>
Excess (def) of revenues over expenditures	0	1,330	1,330
GAAP ADJUSTMENT			
Debt service	0	193,210	193,210
Transfer	0	(193,210)	(193,210)
FUND/EQUITY BALANCE - Beg. of year	<u>0</u>	<u>0</u>	<u>0</u>
FUND/EQUITY BALANCE - End of year	<u>\$ 0</u>	<u>\$ 1,330</u>	<u>\$ 1,330</u>

CITY OF NEWPORT, OREGON

RECONCILIATION OF REVENUES AND EXPENDITURES (BUDGETARY BASIS) TO THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS for the Fiscal Year Ended June 30, 2007

RECREATION FUND

	<u>Total</u>	<u>Total</u>	<u>Net</u>
	Revenues	Expenditures	
Budgetary Basis			
Recreation Fund	\$ 832,696	\$ 898,099	\$ (65,403)
Recreation Center Debt Fund	<u>407,608</u>	<u>406,278</u>	<u>1,330</u>
 Total budgetary basis	 <u>\$ 1,240,304</u>	 <u>\$ 1,304,377</u>	 (64,073)
 Add (Deduct) Items to Reconcile to Net Income on a Financial Reporting Basis			
Payment of long-term debt			193,210
Depreciation			(202,457)
Capitalized assets			21,939
Contributed capital			<u>46,664</u>
Change in net assets			(4,717)
 Net Assets - Beginning of year			 <u>621,841</u>
 Net Assets - End of year			 <u>\$ 617,124</u>

CITY OF NEWPORT, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND/EQUITY BALANCE -
BUDGET AND ACTUAL - for the Fiscal Year Ended June 30, 2007

PUBLIC WORKS FUND

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Interest on investments	\$ 500	\$ 500	\$ 4,105	\$ 3,605
Street cut fees	1,800	1,800	4,680	2,880
Miscellaneous sales	500	500	2,256	1,756
Total revenues	<u>2,800</u>	<u>2,800</u>	<u>11,041</u>	<u>8,241</u>
EXPENDITURES				
Shop & operations	226,943	276,943	241,098	35,845
Engineer division	244,656	244,656	202,886	41,770
Building maintenance	89,933	99,933	76,627	23,306
Contingency	18,768	8,768	0	8,768
Total expenditures	<u>580,300</u>	<u>630,300</u>	<u>520,610</u>	<u>109,690</u>
Excess (def) of revenues over expenditures	<u>(577,500)</u>	<u>(627,500)</u>	<u>(509,569)</u>	<u>117,931</u>
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	(30,000)	(30,000)	(30,000)	0
Transfers from other funds	549,100	599,100	599,100	0
Total other financing sources (uses)	<u>519,100</u>	<u>569,100</u>	<u>569,100</u>	<u>0</u>
Excess (def) of revenues over expenditures	<u>(58,400)</u>	<u>(58,400)</u>	<u>59,531</u>	<u>117,931</u>
GAAP ADJUSTMENT				
Depreciation	0	0	(12,928)	(12,928)
Pension payable	0	0	6,931	6,931
Capitalized assets	0	0	5,472	5,472
FUND/EQUITY BALANCE - Beg. of year	<u>58,400</u>	<u>58,400</u>	<u>275,738</u>	<u>217,338</u>
FUND/EQUITY BALANCE - End of year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 334,744</u>	<u>\$ 334,744</u>

CITY OF NEWPORT, OREGON

**SCHEDULE OF PROPERTY TAX TRANSACTIONS
AND BALANCES for the Fiscal Year Ended June 30, 2007**

CITY OF NEWPORT

<u>Levy Year</u>	<u>Balance 7/1</u>	<u>Current Levy</u>	<u>Interest and Tax Roll Adjustments</u>	<u>Interest & Tax Collections</u>	<u>Balance 6/30</u>
2006-07	\$ 0	\$ 5,463,806	\$ (145,130)	\$ 5,134,669	\$ 184,007
2005-06	175,910	0	22,439	126,832	71,517
2004-05	75,650	0	7,604	43,841	39,413
2003-04	45,652	0	3,942	37,172	12,422
2002-03	13,717	0	10,085	20,392	3,410
2001-02	3,997	0	448	1,531	2,914
2000-01	3,017	0	373	1,076	2,314
1999-00	1,179		177	266	1,090
Prior Years	4,849	0	254	213	4,890
Totals	\$ 323,971	\$ 5,463,806	\$ (99,808)	\$ 5,365,992	\$ 321,977

URBAN RENEWAL - NORTH SIDE

<u>Levy Year</u>	<u>Balance 7/1</u>	<u>Current Levy</u>	<u>Interest and Tax Roll Adjustments</u>	<u>Interest & Tax Collections</u>	<u>Balance 6/30</u>
2006-07	\$ 0	\$ 2,417,112	\$ (69,881)	\$ 2,266,184	\$ 81,047
2005-06	77,570	0	9,128	55,162	31,536
2004-05	33,691	0	2,963	19,101	17,553
2003-04	20,589	0	1,250	16,237	5,602
2002-03	7,251	0	5,323	10,771	1,803
2001-02	2,077	0	222	785	1,514
2000-01	1,532	0	189	546	1,175
1999-00	599		90	135	554
Prior Years	3,191	0	1	82	3,110
Totals	\$ 146,500	\$ 2,417,112	\$ (50,715)	\$ 2,369,003	\$ 143,894

URBAN RENEWAL - SOUTH SIDE

<u>Levy Year</u>	<u>Balance 7/1</u>	<u>Current Levy</u>	<u>Interest and Tax Roll Adjustments</u>	<u>Interest & Tax Collections</u>	<u>Balance 6/30</u>
2006-07	\$ 0	\$ 1,376,634	\$ (31,263)	\$ 1,298,982	\$ 46,389
2005-06	43,362	0	6,297	32,030	17,629
2004-05	18,168	0	2,249	10,952	9,465
2003-04	11,047	0	1,482	9,523	3,006
2002-03	3,284	0	2,423	4,891	816
2001-02	914	0	112	360	666
2000-01	646	0	81	231	496
1999-00	220		34	50	204
Prior Years	319	0	(1)	15	303
Totals	\$ 77,960	\$ 1,376,634	\$ (18,586)	\$ 1,357,034	\$ 78,974

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CITY OF NEWPORT, OREGON

COMPLIANCE SECTION

CITY OF NEWPORT, OREGON

AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS

The Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments and disclosures required in audit reports. The required financial statements and schedules are included in the preceding section of this report. Required comments and disclosures related to my examination of such statements and schedules follow.

INTERNAL CONTROL

In planning and performing my audit, I considered the City's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operations that I consider to be material weaknesses.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. However, I have noted certain matters involving operations that I have reported to management in a separate letter dated November 7, 2007.

ACCOUNTING RECORDS

The accounting records of the City of Newport were found to be in good order.

ADEQUACY OF COLLATERAL SECURING DEPOSITORY BALANCES

ORS Chapter 295 provides that each depository throughout the period of its possession of public fund deposits shall maintain on deposit with its custodians, at its own expense, securities having a value not less than 25% of the certificates of participation issued by the pool manager for funds in excess of those issued by the Federal Deposit Insurance Corporation and the Federal Savings and Loan Insurance Corporation.

My review of the adequacy of the collateral securing depository balances indicated the collateral was insufficient at year end for investments.

INVESTMENTS

My review did not disclose any matters of noncompliance with legal requirements pertaining to the investment of public funds throughout the year.

COMPLIANCE WITH LEGAL REQUIREMENTS RELATING TO DEBT

My review did not disclose any matters of noncompliance with statutory and charter requirements relating to the City's indebtedness. The City is within its limitation in the amount of debt it may incur. Debt payments are being met within the prescribed period of time and the City is in compliance with bond indentures on the restriction of use of monies available to retire indebtedness.

CITY OF NEWPORT, OREGON

AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS - continued

BUDGET COMPLIANCE

City of Newport

The City of Newport is in compliance with legal requirements relating to the preparation, adoption and execution of the budget for the year 2006-07 and the preparation and adoption of the succeeding year of 2007-08.

Newport Urban Renewal Agency

The Agency is in compliance with legal requirements relating to the preparation, adoption and execution of the budget for the year 2006-07 and the preparation and adoption for the succeeding year of 2007-08.

INSURANCE AND FIDELITY BONDS

I have examined the City's insurance and fidelity bond coverage at June 30, 2007. I ascertained that such policies appeared to be in force and comply with requirements mandated by City Council and state statutes. However, I am not competent by training to comment on the adequacy of the insurance policies covering City owned property.

CAPITAL IMPROVEMENTS PROJECTS

My review did not disclose any matters of noncompliance with procedures of awarding public contracts and the construction of public improvements.

INDEPENDENT ELECTED OFFICIALS

The City does not have an elected official collecting or receiving funds on behalf of the City.

PROGRAMS FUNDED FROM OUTSIDE SOURCES

The City received funds from several outside sources. No instances of noncompliance with relevant regulations were noted.

FINANCIAL REPORTING REQUIREMENTS

Programs funded wholly or partially by other governmental agencies were reviewed. Nothing material came to my attention to indicate reports are not in agreement with, and supported by accounting records.

HIGHWAY FUNDS

My review did not disclose any matters of noncompliance with legal requirements pertaining to the use of revenue from taxes on motor vehicle fuel or use of road funds.