



2022-2023

Newport Urban Renewal Agency
Annual Financial Report
For Year Ended
June 30, 2023
(A Component Unit of the City of Newport)



Wastewater Collections



Off Road Wildland Brush Vehicle-



Coast Park



Lifeflight

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

NEWPORT URBAN RENEWAL AGENCY

Financial Statements

Year Ended June 30, 2023

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INTRODUCTORY SECTION

NEWPORT URBAN RENEWAL AGENCY

Agency Members, Administrative Staff and Principal Financial Staff

Year Ended June 30, 2023

City of Newport, Oregon

169 SW Coast Highway
Newport, Oregon 97365
www.newportoregon.gov

Agency Members, Administrative Staff and Principal Financial Staff as of June 30, 2023

Agency Member	Term Expires	Assumed Office
Dietmar Goebel, Chair	1/6/2025	1/3/2017
Beatriz Botello	1/6/2025	1/7/2019
Robert Emond	1/4/2027	10/16/2023
Jan Kaplan	1/3/2025	11/16/2021
CM Hall	1/4/2027	1/7/2019
Cynthia Jacobi	1/6/2025	1/7/2019
Ryan Parker	1/4/2027	1/7/2019

Administrative Staff

City Manager	Spencer Nebel
Assistant City Manager/City Recorder	Erik Glover
Finance Director	Steve Baugher
Assistant Finance Director	Eric Carpenter
City Attorney	David Allen
Judge	Jeffrey Pridgeon
Acting Public Works Director	Steven Stewart and Justn Scharbrough
City Engineer	Aaron Collett
Community Development Director	Derrick Tokos
Parks and Recreation Director	Michael Cavanaugh
Library Director	Laura Kimberly
Police Chief	Jason Malloy
Fire Chief	Rob Murphy
Acting Information Technology Director	Travis Reeves
Human Resource Director	Barbara James
Airport Director	Lance Vanderbeck

Principal Finance Staff

Steve Baugher, Finance Director

Eric Carpenter, Assistant Finance Director

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Agency Officials
Newport Urban Renewal Agency
Newport, Oregon

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and major fund of the Newport Urban Renewal Agency (the Agency), a component unit of the City of Newport, Oregon, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and major fund of the Agency, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows, thereof, and the respective budgetary comparison statement for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

INDEPENDENT AUDITOR'S REPORT, CONTINUED

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

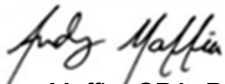
Reports on Other Legal and Regulatory Requirements

Other Reporting Required by Oregon State Regulations

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 7, 2023, on our consideration of the Agency's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance.

Aldrich CPAs + Advisors LLP

By:



Andrew Maffia, CPA, Partner
Salem, Oregon
December 7, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management of the Newport Urban Renewal Agency offers readers of the Agency's financial statements this discussion of the financial activities of the Newport Urban Renewal Agency for the fiscal year ended June 30, 2023. 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 Position – The total asset of the Newport Urban Renewal Agency exceeded its current liabilities at the close of the most recent fiscal year by \$6,948,366. Of this amount, \$4,419,970 may be used to meet the government's ongoing obligations to citizens and creditors. However, once the outstanding debt, \$1,960,000, (which will be paid over time) is subtracted from this \$6,948,366 the agency's total net position becomes \$4,988,366. As compared to last year's \$3,888,497 net position, there was an increase in net position of \$1,099,839.

Governmental Funds – As of the close of the fiscal year, the Newport Urban Renewal Agency's governmental funds reported combined ending fund balances of \$4,289,871.

During the fiscal year, the Newport Urban Renewal Agency's total debt decreased by \$1,273,023 in principal payments.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Newport Urban Renewal Agency's basic financial statements. The statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the basic financial statements. The report also contains other supplementary information, in addition to the basic financial statements.

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

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

The Statement of Activities presents information showing how the Agency's net position changed during the most recent fiscal year. All changes in net positions are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods (for example, uncollected taxes). The governmental activities of the Newport Urban Renewal Agency include activities in three Urban Renewal Funds and the Urban Renewal Debt Service Fund. The Urban Renewal Fund is engaged in funding capital project construction while the Urban Renewal Debt Service Fund is responsible for debt payment activities.

Fund Financial Statements. A fund is a group of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Newport Urban Renewal Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with legal requirements. All of the funds of the Newport Urban Renewal Agency are governmental funds.

MANAGEMENT’S DISCUSSION AND ANALYSIS (continued)

Governmental Funds. Governmental funds are used to account for the same functions reported as governmental activities in the government-wide statements. However, unlike the government-wide financial statement, governmental fund financials statements focus on near term inflows and outflows of spendable resources, as well as on balance 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 are narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Agency’s near-term financial decisions. Both the Governmental Fund Balance Sheet and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance reconcile this comparison between governmental funds and governmental activities.

The Newport Urban Renewal Agency maintains four individual governmental funds. The governmental activities of the Newport Urban Renewal Agency include activities in three Urban Renewal Funds and the Urban Renewal Debt Service Fund.

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

Government wide Financial Analysis

As noted earlier, the net position may serve over time as a useful indicator of a government’s financial position. In the case of Newport Urban Renewal Agency, total assets exceeded liabilities by \$4,988,336 as of June 30, 2023. The following summary is a comparison between the Agency’s net position at the end of this fiscal year as compared to the end of the last fiscal year.

Table 1
Summary of Net Position

	Governmental Activities	
	2022	2023
Cash and investments	\$5,444,721	\$4,259,670
Other assets	152,610	170,525
Capital Assets	1,535,015	2,528,366
Total Assets	7,132,346	6,958,561
Other liabilities	10,826	10,225
Non-current liabilities	3,233,023	1,960,000
Total Liabilities	3,243,849	1,970,225
Net position in capital assets	1,535,015	2,528,366
Unrestricted	2,353,482	2,459,970
Total Net Position	\$3,888,497	\$4,988,336

MANAGEMENT’S DISCUSSION AND ANALYSIS (continued)

Changes in the net position of the Agency for the current and prior year are summarized as follows:

Table 2
Statement of Activities

	Governmental Activities	
	2022	2023
REVENUES:		
Program Revenues/Contributions	\$0	\$993,351
General Revenues		
Taxes	3,585,141	3,853,127
Investment earnings	26,690	153,975
Other	44,750	42,000
Total Revenues	<u>3,656,581</u>	<u>5,042,453</u>
EXPENSES:		
General Government	120,805	132,666
Interest on long-term debt	115,198	78,456
Total expenses	<u>236,003</u>	<u>211,122</u>
Transfer out	522,246	3,731,492
Changes in Net Position	2,898,332	1,099,839
Beginning Net Position	991,243	\$3,888,497
Prior period adjustment	(1,078)	-
Ending New Position	<u><u>\$3,888,497</u></u>	<u><u>\$4,988,336</u></u>

Financial Analysis of the Agency’s funds

Government funds. The purpose of the Newport Urban Renewal Agency’s governmental funds is to provide information on near term inflow, outflows and balance of spendable resources. Such information is useful in assessing the Newport Urban Renewal Agency’s financing requirements. In particular, the unreserved fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

At the end of the fiscal year, the Newport Urban Renewal Agency’s governmental funds reported combined ending fund balances of \$4,289,871.

Budgetary Highlights

For the 2022-23 Fiscal Year, the Agency Board completed two resolutions which changed the adopted budget during the year. Resolutions were necessary to adjust beginning fund balances to match the 2021-22 audited financial statements and to transfer funds for capital projects such as purchase of properties for future development.

Capital Asset and Debt Administration

Capital Assets. The Agency is holding land for redevelopment which cost \$2,528,366 as a capital asset separate from the City of Newport. Additional information on the capital assets of the Agency may be found in note 3 to the financial statements.

MANAGEMENT’S DISCUSSION AND ANALYSIS (continued)

Long-Term Debt. At the end of the fiscal year, the Newport Renewal Agency had total long-term debt outstanding of \$1,960,000. In 2010, the Agency borrowed and refunded several prior debts and borrowed an additional \$2,000,000 to help finance transportation improvements. The 2010B debt has been paid off as of June 30, 2023. In the 2014-15 Fiscal Year the Agency borrowed \$5,456,000 to help finance current South Beach Construction project and as of June 30, 2023, the outstanding balance is \$1,960,000.

Table 3
Outstanding Debt at Year-End

Governmental Funds	2022	2023
2010B Series, Full Faith & Credit Refunding	\$550,000	\$0
2015 A & B Urban Renewal Financing	2,678,000	1,960,000
Unamortized Premium	5,023	0
Total Governmental Debt	\$3,233,023	\$1,960,000

Additional information on the Agency's long-term obligations can be found in note 5 to the financial statements.

Economic Factors and Next Year's Budget

The City of Newport is fortunate that its economy is relatively diverse and not dependent upon the success or failure of any specific component. Furthermore, with the continued growth and opportunities in the Marine Science sector, this promises to play a greater role in generating personal income in the years to come.

Another indicator of economic trends is the unemployment rate for a particular area. In reviewing the Lincoln County unemployment statistics over the past ten years for the month of June, it shows that 2019 was at 4.4%. Prior to the COVID pandemic, the February 2020 unemployment rate was at 4.6%. The rate rose to a high point of 25.9% in April and once the economy opened the rate dropped to 15.4% as of June 30, 2020. In the current fiscal year, the unemployment rate has dropped to 3.8% at June 30, 2023.

The City Council of Newport acts as the Urban Renewal Agency for the City of Newport on all matters of business. As part of the budget process, the Budget Committee will also review the Urban Renewal budget for the fiscal year beginning July 1. The Urban Renewal Agency consists of three distinct districts.

The first activity center within the Urban Renewal Agency Fund is the South Beach Urban Renewal District. This District is actively capturing taxes for various improvements through tax increment financing. Under tax increment financing, any operating taxes levied within the district continue going to each of the taxing entities for the property value when that district was originally established. Any taxes generated from within the established district from growth in assessed value through appreciation or new investment becomes the increment that can be utilized to fund debt for various improvements within the district. These improvements are part of the plan that has been previously adopted for completion of various projects within a fixed time period.

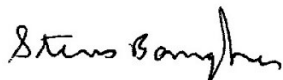
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

For the fiscal year beginning July 1, 2022, City Council appropriated funding for a full-time staff position to manage projects in the City's three Urban Renewal District. On January 18, 2022, the City Council adopted amendments to the South Beach Urban Renewal Plan. The amendments prioritize the remaining projects to be completed by the Urban Renewal Agency prior to the District closing in 2027.

In addition to the South Beach Urban Renewal District there are two other districts included in the budget. The first is the Northside Urban Renewal District Fund and the second is McLean Point Urban Renewal District Fund. Both districts received their increment of taxes beginning in fiscal year 2017-18. For fiscal year 2022-23, properties were purchased for future redevelopment in the Northside Urban Renewal District. The McLean Point District began seeing increment increases when the Port cancelled its leases of private property on the point and the property was added to the tax rolls. Private development of property is necessary to generate sufficient increment increases to address projects including infrastructure in order to connect McLean Point with the rest of the city utility systems.

In assembling the City-wide budget for the 2023-24 fiscal year, which includes the Urban Renewal Agency, the City Finance Department utilized various five-year projections based on historic trends. This included assumptions that assessed value of property would increase by 3.0%. Medical insurance coverage would increase by an average 5.5%, and an average Cost of Living Adjustment of 5.5% would be used for budgeted wages. Other expenses and revenue percentages were adjusted based on history factored in with expected higher than normal inflation.

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



Steve Baugher, Finance Director

BASIC FINANCIAL STATEMENTS

NEWPORT URBAN RENEWAL AGENCY

Statement of Net Position

June 30, 2023

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 4,259,670
Receivables:	
Taxes	170,525
Capital Assets:	
Land and construction in progress	<u>2,528,366</u>
Total Assets	<u>6,958,561</u>
LIABILITIES	
Accounts Payable	371
Payroll and Related Liabilities	5,786
Accrued Interest	4,068
Long-Term Liabilities:	
Due within one year	968,000
Due in more than one year	<u>92,000</u>
Total Liabilities	<u>1,970,225</u>
NET POSITION	
Net Investment in Capital Assets	2,528,366
Unrestricted	<u>2,459,970</u>
Total Net Position	<u>\$ 4,988,336</u>

NEWPORT URBAN RENEWAL AGENCY

Statement of Activities

Year Ended June 30, 2023

	<u>Expenses</u>	<u>Program Revenues Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
Governmental Activities:			
General government	\$ 132,666	\$ 993,351	\$ 860,685
Interest on long-term debt	<u>78,456</u>	<u>-</u>	<u>(78,456)</u>
Totals	<u>\$ 211,122</u>	<u>\$ 993,351</u>	<u>\$ 782,229</u>

General Revenues:

Property taxes, levied for debt service	\$ 3,853,127
Interest earnings	153,975
Other revenue	42,000
Transfers to City of Newport	<u>(3,731,492)</u>
Total General Revenues and Transfers	<u>317,610</u>
 Change in Net Position	 1,099,839
 Net Position, beginning	 <u>3,888,497</u>
 Net Position, ending	 <u>\$ 4,988,336</u>

NEWPORT URBAN RENEWAL AGENCY

Governmental Fund

Balance Sheet

June 30, 2023

	<u>General</u>
ASSETS	
Cash and Cash Equivalents	\$ 4,259,670
Receivables:	
Taxes	<u>170,525</u>
Total Assets	<u>\$ 4,430,195</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 371
Payroll and related liabilities	<u>5,786</u>
Total Liabilities	<u>6,157</u>
Deferred Inflows of Resources:	
Unavailable revenues	<u>134,167</u>
Total Deferred Inflows of Resources	<u>134,167</u>
Fund Balances:	
Unassigned	<u>4,289,871</u>
Total Fund Balances	<u>4,289,871</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 4,430,195</u>

NEWPORT URBAN RENEWAL AGENCY

Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position

June 30, 2023

Total Fund Balances for Governmental Funds		\$	4,289,871
Total Net Position Reported for the Governmental Activities in the Statement of Net Position is Different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets and related accumulated depreciation are reported as follows:			
Land and construction in progress			2,528,366
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds			
			134,167
Long-term liabilities are not due and payable in the current period and therefore are not reported as fund liabilities:			
Long-term debt	\$	(1,960,000)	
Interest payable on long-term debt		<u>(4,068)</u>	
Total Long-Term Liabilities			<u>(1,964,068)</u>
Total Net Position of Governmental Activities		\$	<u><u>4,988,336</u></u>

NEWPORT URBAN RENEWAL AGENCY

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended June 30, 2023

	<u>General</u>
Revenues:	
Taxes:	
Property	\$ 3,837,754
Interest earnings	153,975
Other revenue	<u>42,000</u>
Total Revenues	<u>4,033,729</u>
Expenditures:	
Current:	
General government	132,666
Debt service:	
Principal	1,268,000
Interest	<u>85,772</u>
Total Expenditures	<u>1,486,438</u>
Excess (Deficiency) of Revenues over Expenditures	<u>2,547,291</u>
Other Financing Sources (Uses):	
Transfers in from City of Newport	1,351,508
Transfers out to City of Newport	<u>(5,083,000)</u>
Total Other Financing Sources (Uses)	<u>(3,731,492)</u>
Net Change in Fund Balances	(1,184,201)
Fund Balances, Beginning	<u>5,474,072</u>
Fund Balances, Ending	<u>\$ 4,289,871</u>

NEWPORT URBAN RENEWAL AGENCY

Reconciliation of Change in Fund Balance of Governmental Funds to the Statement of Activities

Year Ended June 30, 2023

Net Change in Fund Balances - Total Governmental Funds \$ (1,184,201)

The Change in Net Position Reported for Governmental Activities in the Statement of Activities is Different because:

The net effect of transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position. 993,351

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds and other revenues reported in the funds are not revenues reported in the statement of activities

Property taxes 15,373

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position

Amortization of bond premium	\$ 5,023	
Accrued interest	2,293	
Principal payments	<u>1,268,000</u>	
		<u>1,275,316</u>

Change in Net Position of Governmental Activities \$ 1,099,839

NEWPORT URBAN RENEWAL AGENCY

General Fund

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

Year Ended June 30, 2023

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes				
Property	\$ 3,718,399	\$ 3,718,399	\$ 3,837,754	\$ 119,355
Interest earnings	22,060	22,060	153,975	131,915
Other revenue	45,000	45,000	42,000	(3,000)
Total Revenues	<u>3,785,459</u>	<u>3,785,459</u>	<u>4,033,729</u>	<u>248,270</u>
Expenditures:				
Newport south beach operations	140,079	140,079	95,637	44,442
Newport northside operations	93,576	93,576	36,948	56,628
McLean point operations	100	100	81	19
Debt service	1,354,772	1,354,772	1,353,772	1,000
Contingency	4,726,962	3,786,759	-	3,786,759
Total Expenditures	<u>6,315,489</u>	<u>5,375,286</u>	<u>1,486,438</u>	<u>3,888,848</u>
Excess of Revenues Over Expenditures	<u>(2,530,030)</u>	<u>(1,589,827)</u>	<u>2,547,291</u>	<u>4,137,118</u>
Other Financing Sources (Uses):				
Transfers in*	1,350,000	1,351,508	1,351,508	-
Transfers out*	<u>(4,063,000)</u>	<u>(5,083,000)</u>	<u>(5,083,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(2,713,000)</u>	<u>(3,731,492)</u>	<u>(3,731,492)</u>	<u>-</u>
Net Change in Fund Balance	(5,243,030)	(5,321,319)	(1,184,201)	4,137,118
Fund Balance, beginning	<u>5,395,647</u>	<u>5,474,075</u>	<u>5,474,072</u>	<u>(3)</u>
Fund Balance, ending	\$ <u><u>152,617</u></u>	\$ <u><u>152,756</u></u>	\$ <u><u>4,289,871</u></u>	\$ <u><u>4,137,115</u></u>

* As a blended component unit of the City of Newport, the Agency budgets amounts paid to and received from other City funds as transfers in and transfers out.

NEWPORT URBAN RENEWAL AGENCY

Notes to the Basic Financial Statements

Year Ended June 30, 2023

Note 1 - Summary of Significant Accounting Policies

The Newport Urban Renewal Agency of Newport, Oregon (Agency) financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates. The more significant accounting policies are described below.

Description of the Reporting Entity

The Agency was established by the City of Newport by Resolution #1647. The Agency Council consists of six members appointed by the Mayor with the approval of the majority of the City Council. In April of 2007, Resolution #1910 was adopted whereby full authority of the Agency was transferred to the Mayor and City Council and the appointed board was named as an advisory committee. Although the Agency Board and the City Council are made up of the same members, each is a legally separate entity and conducts all business as such. Based on standards set forth in GASB Statement 61, the Agency is considered a component unit of the City. Accordingly, the financial statements of the Agency are included in the City's basic financial statements.

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

Basis of Presentation

Government-Wide Financial Statements

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

General revenues are from property taxes and interest. All expenses are categorized as general government and interest on long-term obligations.

Fund Financial Statements

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

NEWPORT URBAN RENEWAL AGENCY

Notes to the Basic Financial Statements

Year Ended June 30, 2023

Note 1 - Summary of Significant Accounting Policies, continued

Fund Financial Statements, continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the agency considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

General Fund

As the Agency's only fund, the General Fund accounts for general administration of the Agency's urban renewal areas, for principal and interest payments on outstanding debt utilized to finance projects, and for acquisition of property within the urban renewal areas. The major source of revenue comes from property taxes.

Budgets

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

While financial position, results of operations, and changes in fund balance/net position are reported on the basis of accounting GAAP, the budgetary basis of accounting differs from generally accepted accounting principles. The budgetary statements provided in the basic financial statements are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The budgetary basis of accounting differs in that capital outlay expenditures, including items below the capitalization level, are expensed when purchased, debt, including debt issuance costs, are expensed when paid, property taxes are recorded when received instead of when levied, and depreciation is not recorded.

Taxes receivable are not recorded as revenue until collected and inventories are budgeted as expenditures when purchased.

The expenditure budgets are appropriated at the following levels:

- Newport south beach operations
- Newport northside operations
- Mclean point operations
- Debt service
- Operating contingency

NEWPORT URBAN RENEWAL AGENCY

Notes to the Basic Financial Statements

Year Ended June 30, 2023

Note 1 - Summary of Significant Accounting Policies, continued

Budgets, continued

Expenditures cannot legally exceed the above appropriation levels except in the case of grants which could not be estimated at the time of budget adoption. Appropriations lapse at the fiscal year end. Management may amend line items in the budget without Council approval as long as appropriation levels (the legal level of control) are not changed. If additional budgetary needs arise after the original budget adoption, Council can approve a supplemental budget.

Property Taxes and Property Taxes Receivable

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

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

Capital Assets

The Agency reports as capital assets real property that has been acquired for redevelopment which the Agency has legal title and responsibility for management and maintenance. Other capital assets acquired by the Agency are transferred to the City of Newport.

Long-Term Obligations

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

NEWPORT URBAN RENEWAL AGENCY

Notes to the Basic Financial Statements

Year Ended June 30, 2023

Note 1 - Summary of Significant Accounting Policies, continued

Fund Balance

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund-type Definitions, establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications are as follows:

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

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

Net Position

Net position is comprised of the various net earnings from operations, non-operating revenues, expenses and contributions of capital. Net position is classified in the following three categories:

- Net investment in capital assets - consists of all capital assets, net of accumulated depreciation and reduced by any outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted - consists of external constraints placed on asset use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted - consists of all other assets that are not included in the other categories previously mentioned.

NEWPORT URBAN RENEWAL AGENCY

Notes to the Basic Financial Statements

Year Ended June 30, 2023

Note 1 - Summary of Significant Accounting Policies, continued

Deferred Inflows of Resources

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Agency has only one type of item which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues for property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Note 2 - Cash and Cash Equivalents

As a component unit of the City of Newport, the Agency's cash, cash equivalents and investments are comingled with the City's pool of cash, cash equivalents and investments that are available for use by all funds.

The City's cash, cash equivalents and investments and the amount allocable to the Agency at June 30, 2023 were as follows:

	<u>City of Newport</u>	<u>Allocable to Newport Urban Renewal Agency</u>
Cash and cash equivalents:		
Deposits with financial institutions	\$ 258,702	\$ 24,876
Cash on hand	1,930	-
State of Oregon Treasurer's short-term investment pool	44,040,416	4,234,794
Money market	<u>1,444,033</u>	<u>-</u>
Total cash and cash equivalents	45,745,081	4,259,670
Investments	<u>11,015,432</u>	<u>-</u>
Total cash, cash equivalents and investments	<u>\$ 56,760,513</u>	<u>\$ 4,259,670</u>

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned. The Agency does not have a deposit policy for custodial credit risk. The Federal Depository Insurance Corporation (FDIC) provides insurance for the Agency's deposits up to \$250,000 for the combined total of all deposit accounts at each financial institution. The remaining deposits are covered by the Public Funds Collateralization program (PFCP) of the State of Oregon in accordance with ORS 295. Depositories qualified under this program are required to pledge collateral against any public funds deposits in excess of deposit insurance amounts. This provides additional protection for public funds in the event of a bank failure or loss. ORS 295 sets the specific value of the collateral, as well as the types of collateral that are acceptable. ORS 295 creates a shared liability structure for participating depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. As of June 30, 2023, none of the Agency's bank balances were exposed to custodial credit risk.

NEWPORT URBAN RENEWAL AGENCY

Notes to the Basic Financial Statements

Year Ended June 30, 2023

Note 2 - Cash and Cash Equivalents, continued

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

Amounts in the State Treasurer's Local Government Investment Pool (LGIP) are not required to be collateralized. There is no material difference between the fair value of the Agency's position in the LGIP and the value of the pool shares at June 30, 2023. There were no known violations of legal or contractual provisions for deposits and investments during the fiscal year.

Interest Rate Risk

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

Credit Risk - Investments

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

Concentration of Credit Risk

At June 30, 2023, investments were comingled with the City of Newport investments. The City's investments attributable to the Agency were all held in the State Treasurer's Investment Pool. State statutes do not limit the percentage of investments in this instrument.

Note 3 - Capital Assets

Activity in the Agency's capital assets are as follows for the year ended June 30, 2023:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Land	\$ 1,535,015	\$ 993,351	\$ -	\$ 2,528,366

NEWPORT URBAN RENEWAL AGENCY

Notes to the Basic Financial Statements

Year Ended June 30, 2023

Note 4 - Unavailable Revenues

Resources owned by the Agency, which were measurable but unavailable in the governmental fund as of June 30, 2023, consisted of the following:

Property taxes	\$ <u>134,167</u>
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Note 5 - Long-Term Debt

Changes in long-term obligations for the year ended June 30, 2023 were as follows:

	<u>Balances</u> <u>July 1, 2022</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balances</u> <u>June 30, 2023</u>	<u>Due within</u> <u>one year</u>
Long-term debt obligations					
Urban renewal bonds:					
2015A & 2015B Tax Exempt URA Bonds	\$ 2,678,000	\$ -	\$ 718,000	\$ 1,960,000	\$ 968,000
Full Faith & Credit Refunding Series 2010B	550,000	-	550,000	-	-
Total long-term debt obligations	3,228,000	-	1,268,000	1,960,000	968,000
Other long-term obligations:					
Unamortized premium	5,023	-	5,023	-	-
Total long-term obligations	<u>\$ 3,233,023</u>	<u>\$ -</u>	<u>\$ 1,273,023</u>	<u>\$ 1,960,000</u>	<u>\$ 968,000</u>

Full Faith & Credit Refunding Obligations, Series 2015 A and B

In March 2015, the South Beach Urban Renewal District completed a bank borrowing, Series 2015A & 2015B, totaling \$5,456,000 to finance property acquisitions, infrastructure projects, and a trail project in the South Beach urban growth area. The interest rate ranges from 2.45 percent to 3.45 percent. In the event of a default, the interest rate may be increased an additional 5 percent over the then existing rate. Final maturity is June 1, 2025. As of June 30, 2023, the outstanding balance was \$1,960,000. Annual debt service requirements to maturity for this bond is as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 968,000	\$ 48,820	\$ 1,016,820
2025	992,000	24,641	1,016,641
	<u>\$ 1,960,000</u>	<u>\$ 73,461</u>	<u>\$ 2,033,461</u>

NEWPORT URBAN RENEWAL AGENCY

Notes to the Basic Financial Statements

Year Ended June 30, 2023

Note 5 - Long-Term Debt, continued

Full Faith & Credit Refunding Obligations, Series 2010B

In July 2010, Full Faith & Credit Refunding Obligations, Series 2010B was issued in the amount of \$8,465,000 to refinance one loan agreement with the Oregon DEQ (loan #68931) and two loan agreements with the Oregon Business Development Department (OBDD), formerly the Oregon Economic and Community Development Department (OECDD), which were issued to help finance a portion of the City's sewer treatment plant. An additional \$2,000,000 was borrowed as part of the refunding to help finance transportation infrastructure improvements, which has enhanced access to the Pacific Marine Operation Center. The DEQ loan was considered a current refunding and was called July 14, 2010. The OBDD loans advanced refunded, whereby \$3,711,619 was used to purchase United States Government obligations, which were deposited into an escrow account. These funds were sufficient to call the bonds on January 1, 2011. The new bonds were issued at a premium of \$276,407 with bond issue cost totaling \$129,484. Interest ranges from 2.0 percent to 4.5 percent, with a final maturity of June 15, 2023.

Note 6 - Risk Management

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

Note 7 - Property Tax Limitation

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

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

Note 8 - Tax Abatements

Lincoln County has established an enterprise zone under ORS 285C.050-250 that abates property taxes on new business development within the zone. As a result, the property taxes that the Agency will receive for the 2022-2023 levy year has been reduced by \$26,999.

AUDIT COMMENTS AND DISCLOSURES

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Agency Officials
Newport Urban Renewal Agency
Newport, Oregon

We have audited the basic financial statements of the Newport Urban Renewal Agency (the Agency) as of and for the year ended June 30, 2023, and have issued our report thereon dated December 7, 2023. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

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

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

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

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

OAR 162-10-0230 Internal Control

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

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS,
CONTINUED

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

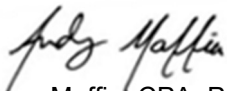
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Restriction on Use

This report is intended solely for the information and use of the Agency Officials and management of the Newport Urban Renewal Agency and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

Aldrich CPAs + Advisors LLP

By:



Andrew Maffia, CPA, Partner
Salem, Oregon
December 7, 2023