

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2013



12700 SW 72nd Ave.
Tigard, OR 97223

**CITY OF NEWPORT
LINCOLN COUNTY, OREGON**

FINANCIAL REPORT

Year Ended June 30, 2013

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CITY OF NEWPORT
LINCOLN COUNTY, OREGON

ELECTED OFFICIALS

June 30, 2013

<u>NAME</u>	<u>TERM EXPIRES</u>
Sandra Roumagoux, Mayor	December 31, 2014
Dean Sawyer, Council President	December 31, 2016
David Allen	December 31, 2014
Richard Beemer	December 31, 2014
Laura Swanson	December 31, 2016
Ralph Busby	December 31, 2016
Mark Saelens	December 31, 2014

All council members receive mail at the address listed below.

CITY MANAGER

Spencer Nebel (as of December 16, 2013)

City of Newport
169 SW Coast Hwy
Newport, Oregon 97365

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CITY OF NEWPORT
LINCOLN COUNTY, OREGON

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LINCOLN COUNTY, OREGON

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January 29, 2014

INDEPENDENT AUDITORS' REPORT

To the City Council
City of Newport
Lincoln County, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newport, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newport, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The City adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, for the year ended June 30, 2013. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

The budgetary comparison schedules presented as Required Supplementary Information, as listed in the table of contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplementary information, as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Information

The listing of board members containing their term expiration dates, located before the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Reports on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our reports dated January 29, 2014 on our consideration of the internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance.

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated January 29, 2014, on our consideration of 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.



Roy R. Rogers, CPA
PAULY, ROGERS AND CO., P.C.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Newport ("City") offers its public a discussion of its basic financial statements for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with the additional information furnished in the basic financial statements that follow.

Financial Highlights

Net Position – At the close of the 2013 fiscal year, the assets of the City exceeded its liabilities by \$83.5 million up \$3.4 million (4.24%) from the previous year. Of this amount \$10.3 million may be used to meet the City's ongoing obligation to citizens and creditors.

Change in Net Position – While the City's total net position increased by \$3.4 million, long-term debt decreased by \$2.9 million (7.3%), while other liabilities increased by \$235,213.

Governmental Funds – As of June 30, 2013, the City's governmental funds reported combined Ending Fund Balances (EFBs) of \$11.16 million, up \$1.39 million from the previous year. The General Fund increased by \$347,117, primarily because property taxes were budgeted with a 3.2% decrease from previous year taxes, but property taxes actually increased by 2.5%. Another significant increase was to the Capital Project Fund (\$976,453) primarily because the Capital Improvement Surcharge was moved from the Wastewater Fund to Capital Project Fund. A significant decrease was to the Room Tax Fund (\$479,418) primarily due to the City awarding Community Involvement Grants.

Overview of the Basic Financial Statements

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

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

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

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods (for example, uncollected taxes and earned, but unused, vacation leave). The **governmental activities** of the City include general government, public safety, streets, economic development, culture and recreation, airport operations and interest paid on long-term debt. The **business-type** activities include those funds dealing with water treatment and distribution and wastewater treatment and collection.

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

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

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

The City maintains 16 governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances for the following "major" funds:

1. General Fund
2. Airport Fund
3. Agate Beach Closure Fund
4. Room Tax Fund
5. Capital Projects Fund
6. North Side Urban Renewal Fund
7. South Beach Urban Renewal Fund

Data from the other nine 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 schedules in the 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 cost of providing the services to the general public on a continuing basis be financed primarily through user charges. These funds represent two significant segments of the City's operations: Water and Wastewater, which includes the treatment plants, the collection and distribution systems.

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.

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of June 30, 2013, the City's assets exceeded liabilities by \$83.5 million.

The largest portion of the City's net position (59.5%) is its investment in capital assets (land, buildings, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital 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 position at the end of the fiscal year as compared to the end of last fiscal year:

	Governmental Activities		Business-type Activities		Total Government	
	2012	2013	2012	2013	2012	2013
Cash and investments	\$ 9,900,140	\$10,859,682	\$ 3,959,209	\$ 1,258,689	\$ 13,859,349	\$ 12,118,371
Other assets	2,934,074	2,152,122	331,945	1,691,032	3,266,019	3,843,154
Capital assets	46,301,408	47,461,617	58,076,354	58,857,913	104,377,762	106,319,530
Total Assets	\$59,135,622	\$60,473,421	\$62,367,508	\$61,807,634	\$ 121,503,130	\$ 122,281,055
Other liabilities	1,400,181	1,638,063	787,829	785,149	2,188,010	2,423,212
Long-term debt outstanding	11,823,071	10,637,646	27,367,719	25,696,013	39,190,790	36,333,659
Total Liabilities	\$13,223,252	\$12,275,709	\$28,155,548	\$26,481,162	\$ 41,378,800	\$ 38,756,871
Net investment in capital asset:	\$34,587,900	\$37,076,075	\$31,225,370	\$33,161,900	\$ 65,813,270	\$ 70,237,975
Restricted						
Debt service	1,053,223	1,216,336	1,101,568	1,068,652	2,154,791	2,284,988
System development	968,729	681,634	-	-	968,729	681,634
Unrestricted	9,302,518	9,223,667	1,885,022	1,095,920	11,187,540	10,319,587
Total Net Position	\$45,912,370	\$48,197,712	\$34,211,960	\$35,326,472	\$ 80,124,330	\$ 83,524,184

The City's net position represents resources that are invested in capital assets, net of related debt. Of the remaining balance in net position, \$2.28 million is restricted for future debt service, \$681,634 is restricted for projects paid for by System Development Charges (SDC's), and \$10.32 million is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

Governmental activities. Governmental net position increased by about \$2.3 million in FY 2013.

Business-type activities. Net position for Business-type activities increased by about \$1.1 million.

A portion of the year-end net position 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	
	2012	2013	2012	2013	2012	2013
REVENUES :						
Program Services						
Charges for Services	\$ 1,626,599	\$ 1,503,429	\$ 5,529,194	\$ 6,040,120	\$ 7,155,793	\$ 7,543,549
Grants & Contributions	90,658	2,057,293	37,223	1,266	127,881	2,058,559
General Revenues						
Taxes	11,152,262	11,260,673	1,745,566	1,633,558	12,897,828	12,894,231
Licenses, Permits and Fees	1,036,047	1,358,095	-	-	1,036,047	1,358,095
Intergovernmental	650,245	658,707	-	-	650,245	658,707
Investment Earnings	45,753	58,573	30,347	20,056	76,100	78,629
Other Revenue	819,759	1,059,536	-	-	819,759	1,059,536
Capital Grants/Contributions	501,285	-	-	-	501,285	-
Transfers	(82,709)	687,411	82,709	(687,411)	-	-
Total Revenues	15,839,899	18,643,717	7,425,039	7,007,589	23,264,938	25,651,306
EXPENSES :						
Programs	15,970,958	16,344,848	5,275,281	5,893,077	21,246,239	22,237,925
Change in Net Position	(131,059)	2,298,869	2,149,758	1,114,512	2,018,699	3,413,381
Beginning Net Position	46,058,453	45,912,370	32,619,098	34,211,960	78,677,551	80,124,330
Prior Period Adjustment	(15,024)	(13,527)	(556,896)	-	(571,920)	(13,527)
Ending Net Position	\$ 45,912,370	\$ 48,197,712	\$ 34,211,960	\$ 35,326,472	\$ 80,124,330	\$ 83,524,184

Financial Analysis of the City's Funds

Governmental funds. The City's governmental funds provide information on near term inflows, outflows and balance of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as 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 City's governmental funds reported combined ending fund balances of \$11.16 million, which consists of nonspendable, restricted, committed, and unassigned funds.

A summary of all fund balances is shown below.

TABLE 3				
ENDING FUND BALANCES				
GOVERNMENTAL FUNDS	FY 2011	FY 2012	FY 2013	FY12 TO 13 Change
	General Fund	\$ 1,199,958	\$ 1,855,542	\$ 2,202,659
Airport Fund	22,744	358,039	384,785	26,746
Agate Beach Closure Fund	1,476,335	1,464,591	1,438,710	(25,881)
Room Tax Fund	1,213,552	1,122,041	642,623	(479,418)
Capital Project Fund	901,288	831,998	1,808,451	976,453
North Side Urban Renewal	327,368	229,497	272,324	42,827
South Beach Urban Renewal	1,572,387	1,352,623	1,677,967	325,344
General Debt Fund	570,626	3,836	7,241	3,405
Public Works Fund	-	-	90,206	90,206
Street Fund	(75,196)	54,533	148,676	94,143
Line Undergrounding Fund	385,561	481,080	560,695	79,615
SDC Fund (Combined all SDC funds in 2012)	-	968,729	681,634	(287,095)
Street SDC Fund	469,170	-	-	-
Parks SDC Fund	89,733	-	-	-
Storm Drain SDC Fund	65,783	-	-	-
Parks & Recreation Fund	318,926	154,803	219,002	64,199
Building Inspection Fund	714,063	637,328	572,698	(64,630)
Public Parking Fund	354,639	245,751	266,678	20,927
Housing Fund	-	4,251	181,686	177,435
Total Governmental funds	\$ 9,606,937	\$ 9,764,642	\$ 11,156,035	\$ 1,391,393
BUSINESS-TYPE FUNDS	FY 2011	FY 2012	FY 2013	FY12 TO 13 Change
Wastewater Fund	\$ 1,517,815	\$ 1,948,161	\$ 281,124	\$ (1,667,037)
Water Fund	6,754,326	1,408,341	548,244	(860,097)
Bonded Debt Fund	273,232	467,072	443,094	(23,978)
Proprietary Debt Fund	-	634,496	625,558	(8,938)
Water SDC Fund	464,724	-	-	-
Wastewater SDC Fund	92,172	-	-	-
Total Business-type Funds	\$ 9,102,269	\$ 4,458,070	\$ 1,272,462	\$ (2,560,050)

Capital assets. As of June 30, 2013 the City's investment in capital assets for its government and business-type activities was \$106.3 million, net of accumulated depreciation (see Table 4 below). This investment in capital assets includes land and improvements, buildings and structures, infrastructure and improvements, utility systems, equipment, vehicles and construction in progress.

TABLE 4						
CAPITAL ASSETS AT YEAR END - Net of depreciation						
	Governmental Activities		Business-type Activities		Total Government	
	2012	2013	2012	2013	2012	2013
Land	\$ 9,022,282	\$ 9,045,414	\$ 244,606	\$ 244,606	\$ 9,266,888	\$ 9,290,020
Building & structures	29,724,089	30,004,477	12,396,802	28,274,615	42,120,891	58,279,092
Equipment	3,827,935	3,835,270	1,269,744	1,607,454	5,097,679	5,442,724
Vehicles	4,633,336	4,436,926	805,763	829,678	5,439,099	5,266,604
Infrastructure	31,736,978	32,527,611	51,546,938	52,297,375	83,283,916	84,824,986
Construction in progress	355,745	1,988,743	15,077,888	583,203	15,433,633	2,571,946
Less accumulated depreciation	(32,998,957)	(34,376,824)	(23,265,387)	(24,979,018)	(56,264,344)	(59,355,842)
Total	\$ 46,301,408	\$ 47,461,617	\$ 58,076,354	\$ 58,857,913	\$ 104,377,762	\$ 106,319,530

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

- Highway 101 SE 40th – 50th Water & Wastewater Lines (In progress)
- Lakewood Hills Pump Station (In progress)
- Completion of Water Treatment Plant
- Completion of Big Creek Sewer Bursting Project
- 3rd & Avery Sewer Realignment
- Waterlin Drive to State Park Sidewalk
- NW 3rd & NW 6th Street Sidewalk & Bike Improvement
- Airport New Runway Project (In progress)

TABLE 5

	Changes in Capital Assets					
	Governmental Activities		Business-type Activities		Total Government	
	2012	2013	2012	2013	2012	2013
Beginning Balance	\$ 47,175,509	\$ 46,301,408	\$ 54,176,753	\$ 58,076,351	\$ 101,352,262	\$ 104,377,759
Additions	5,953,486	2,981,661	5,622,499	18,446,156	11,575,985	21,427,817
Depreciation	(1,970,999)	(1,600,310)	(1,693,072)	(15,950,963)	(3,664,071)	(17,551,273)
Deletions	(4,856,588)	(221,142)	(29,829)	(1,713,631)	(4,886,417)	(1,934,773)
Ending Balance	\$ 46,301,408	\$ 47,461,617	\$ 58,076,351	\$ 58,857,913	\$ 104,377,759	\$ 106,319,530

Long-term debt

The City has three major types of debt:

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

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

In November 2013, the citizens approved the sale of General Obligation Bonds in the amount of \$7.9 million for the design and construction of a new swimming pool.

TABLE 6

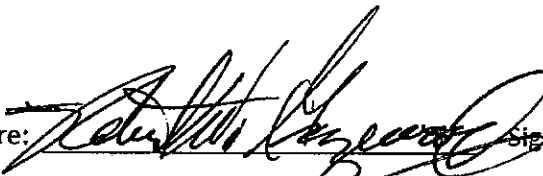
OUTSTANDING DEBT AT YEAR END

GOVERNMENTAL FUNDS	Governmental Activities		
	FY 2011	FY 2012	FY 2013
2010B Series, Full Faith & Refunding	\$ 7,850,000	\$ 7,205,000	\$ 6,555,000
2007 Series, Bank of America	596,000	509,000	417,000
2008 Series, Bank of America	1,880,000	1,645,000	1,400,000
2007 Certification of Participation (LoCap)	555,000	390,000	215,000
2009 Certification of Participation (LoCap)	2,070,000	1,830,000	1,585,000
2012 North Side Fire Station	-	-	252,104
Various Capital Leases (Copiers & Computers)	21,601	10,192	926
City Bond Premium	194,862	178,623	162,384
URA Bond Premium	60,280	55,256	50,232
Total Governmental Debt	\$ 13,227,743	\$ 11,823,071	\$ 10,637,646
BUSINESS-TYPE FUNDS	FY 2011	FY 2012	FY 2013
1998 GO Refunding Bonds (Water)	\$ 135,000	\$ -	\$ -
2008 GO Refunding Bonds (Wastewater)	6,410,000	5,715,000	4,990,000
2009 GO Water Improvement Bonds (WTP)	15,810,541	15,560,541	15,060,541
2010A Series, Full Faith & Refunding	5,160,000	4,775,000	4,380,000
2007 Seal Rock Water District Agreement	902,094	884,565	866,185
Bond Premium	465,938	432,613	399,288
Total Business-type Debt	\$ 28,883,573	\$ 27,367,719	\$ 25,696,014
TOTALS :	\$ 42,111,316	\$ 39,190,790	\$ 36,333,660

The State of Oregon imposes a constitutional limit on property taxes for school and non-school government operations. The limitation provides that property taxes for non-school operations are limited to \$10 for each \$1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt.

The State further reduced property taxes by replacing the previous constitutional limits on tax bases with a rate and value limit in 1997. This reduction was accomplished by rolling property values back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions.

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

Signature:  Signature: Linda M. Brown
 Title: INTERIM FINANCE DIRECTOR Title: ASST. FINANCE DIRECTOR

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CITY OF NEWPORT
LINCOLN COUNTY, OREGON

BASIC FINANCIAL STATEMENTS

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CITY OF NEWPORT
LINCOLN COUNTY, OREGON

STATEMENT OF NET POSITION
June 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 10,859,682	\$ 1,258,689	\$ 12,118,371
Receivables	2,120,791	1,228,712	3,349,503
Internal Service Charges	(118,246)	118,246	-
Land Held for Resale	9,751	-	9,751
Bond Issue Costs	99,603	343,394	442,997
Prepays	40,223	680	40,903
Capital Assets:			
Depreciable, Net	36,427,460	58,030,104	94,457,564
Non Depreciable	11,034,157	827,809	11,861,966
Total Assets	60,473,421	61,807,634	122,281,055
LIABILITIES			
Accounts Payable	809,508	152,833	962,341
Payroll and Payroll Taxes Payable	166,855	29,816	196,671
Interest Payable	12,756	117,709	130,465
Deposits Payable	2,868	223,486	226,354
Unearned Revenue	157,997	183,926	341,923
Accrued Vacation	388,280	77,379	465,659
OPEB Liability	99,799	-	99,799
Noncurrent Liabilities:			
Due within One Year	1,360,537	1,782,597	3,143,134
Due in More Than One Year	9,277,109	23,913,416	33,190,525
Total Liabilities	12,275,709	26,481,162	38,756,871
NET POSITION			
Net Investment in Capital Assets	37,076,075	33,161,900	70,237,975
Restricted for:			
System Development	681,634	-	681,634
Debt Service	1,216,336	1,068,652	2,284,988
Unrestricted	9,223,667	1,095,920	10,319,587
Total Net Position	\$ 48,197,712	\$ 35,326,472	\$ 83,524,184

See accompanying notes to the basic financials

**CITY OF NEWPORT
LINCOLN COUNTY, OREGON**

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013**

	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Functions/Programs			
Primary Government			
Governmental Activities			
General government	\$ 2,524,975	\$ 377,993	\$ 152,706
Public safety	5,409,033	-	159
Streets	1,398,550	85,367	-
Economic development	2,022,285	123,842	-
Culture and recreation	2,162,587	572,929	1,000
Airport operations	2,398,097	343,298	1,903,428
Interest on long-term debt	442,850	-	-
Total Governmental Activities	16,358,377	1,503,429	2,057,293
Business-Type Activities			
Water	2,204,937	2,824,860	1,266
Sewer	3,688,140	3,215,260	-
Total Business-Type Activities	5,893,077	6,040,120	1,266
Total Primary Government	\$ 22,251,454	\$ 7,543,549	\$ 2,058,559

See accompanying notes to the basic financials

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

Net Revenue (Expenses) and Changes in Net Position			
<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
\$ (1,994,276)	\$ -	\$ (1,994,276)	
(5,408,874)	-	(5,408,874)	
(1,313,183)	-	(1,313,183)	
(1,898,443)	-	(1,898,443)	
(1,588,658)	-	(1,588,658)	
(151,371)	-	(151,371)	
(442,850)	-	(442,850)	
<u>(12,797,655)</u>	<u>-</u>	<u>(12,797,655)</u>	
-	621,189	621,189	
-	<u>(472,880)</u>	<u>(472,880)</u>	
-	148,309	148,309	
<u>(12,797,655)</u>	<u>148,309</u>	<u>(12,649,346)</u>	
General Revenues			
Taxes:			
Property	7,778,988	1,633,558	9,412,546
Transient Occupancy	2,419,699	-	2,419,699
Other Taxes	1,061,986	-	1,061,986
Licenses, Permits & Fees	1,358,095	-	1,358,095
Intergovernmental	658,707	-	658,707
Fines and Forfeitures	179,432	-	179,432
Investment Earnings	58,573	20,056	78,629
Loss on Disposal	(129,986)	-	(129,986)
Miscellaneous	1,010,092	-	1,010,092
Transfers	687,411	(687,411)	-
Total General Revenues and Transfers	<u>15,082,997</u>	<u>966,203</u>	<u>16,049,200</u>
Change in Net Position	2,285,342	1,114,512	3,399,854
Net Position - Beginning	45,912,370	34,211,960	80,124,330
Prior Period Adjustment	-	-	-
Net Position - Ending	<u>\$ 48,197,712</u>	<u>\$ 35,326,472</u>	<u>\$ 83,524,184</u>

See accompanying notes to the basic financials

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	GENERAL FUND	AIRPORT FUND	AGATE BEACH CLOSURE FUND	ROOM TAX FUND
ASSETS:				
Cash & Cash Equivalents	\$ 2,173,794	\$ 337,177	\$ 1,437,811	\$ 355,124
Receivables, net:				
Taxes	572,736	-	-	-
Accounts	283,444	250,844	899	299,579
Interfund Receivables	101,458	-	-	-
Prepays	6,404	10,242	-	23,000
Investment in Foreclosed Property	-	-	-	-
Total Assets	\$ 3,137,836	\$ 598,263	\$ 1,438,710	\$ 677,703
LIABILITIES AND FUND EQUITY:				
Liabilities:				
Accounts Payable	\$ 276,937	\$ 201,221	\$ -	\$ 35,080
Payroll and Payroll Taxes Payable	130,070	4,461	-	-
Interfund Payable	-	-	-	-
Deferred Revenues	526,942	6,156	-	-
Customer Deposits	1,228	1,640	-	-
Total Liabilities	935,177	213,478	-	35,080
Fund Balances:				
Nonspendable	6,404	-	-	23,000
Restricted:				
Debt Service	-	-	-	-
System Development	-	-	-	-
Committed:				
Airport	-	384,785	-	-
Agate Beach Site Closure	-	-	1,438,710	-
Room Tax	-	-	-	619,623
Building Inspections	-	-	-	-
Street	-	-	-	-
Underground Lines	-	-	-	-
Public Parking	-	-	-	-
Parks & Recreation	-	-	-	-
Housing	-	-	-	-
Assigned:				
Capital Projects	-	-	-	-
Unassigned	2,196,255	-	-	-
Total Fund Balances	2,202,659	384,785	1,438,710	642,623
Total Liabilities and Fund Balances	\$ 3,137,836	\$ 598,263	\$ 1,438,710	\$ 677,703

See accompanying notes to the basic financials

CAPITAL PROJECTS FUND	NORTH SIDE URBAN RENEWAL FUND	SOUTH BEACH URBAN RENEWAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 1,847,343	\$ 260,361	\$ 1,647,519	\$ 2,800,553	\$ 10,859,682
-	44,736	190,205	-	807,677
106,358	6,184	17,200	348,606	1,313,114
-	-	-	-	101,458
-	-	-	577	40,223
-	-	-	9,751	9,751
<u>\$ 1,953,701</u>	<u>\$ 311,281</u>	<u>\$ 1,854,924</u>	<u>\$ 3,159,487</u>	<u>\$ 13,131,905</u>
\$ 145,250	\$ -	\$ 3,120	\$ 147,900	\$ 809,508
-	-	-	32,324	166,855
-	-	-	101,458	101,458
-	38,957	173,837	149,289	895,181
-	-	-	-	2,868
<u>145,250</u>	<u>38,957</u>	<u>176,957</u>	<u>430,971</u>	<u>1,975,870</u>
-	-	-	10,328	39,732
-	272,324	944,012	-	1,216,336
-	-	-	681,634	681,634
-	-	-	-	384,785
-	-	-	-	1,438,710
-	-	-	-	619,623
-	-	-	572,448	572,448
-	-	-	148,676	148,676
-	-	-	560,695	560,695
-	-	-	356,884	356,884
-	-	-	218,675	218,675
-	-	-	181,686	181,686
1,808,451	-	733,955	-	2,542,406
-	-	-	(2,510)	2,193,745
<u>1,808,451</u>	<u>272,324</u>	<u>1,677,967</u>	<u>2,728,516</u>	<u>11,156,035</u>
<u>\$ 1,953,701</u>	<u>\$ 311,281</u>	<u>\$ 1,854,924</u>	<u>\$ 3,159,487</u>	<u>\$ 13,131,905</u>

See accompanying notes to the basic financials

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CITY OF NEWPORT
LINCOLN COUNTY, OREGON

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION
June 30, 2013

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

Fund Balances	\$ 11,156,035
<p>The cost of capital assets (land, buildings, improvements, machinery and equipment, infrastructure, and construction in progress) is reported as an expenditure in governmental funds. The statement of net position includes those capital assets among the assets of the City as a whole.</p>	
Net Capital Assets	47,461,617
<p>Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. Bond issue costs are expensed in the funds, but are capitalized and expensed over the life of the bonds on the government-wide statements.</p>	
GO Bonds, Notes and Contracts Payable	(10,637,646)
Bond Interest Payable	(12,756)
Bond Issue Costs	99,603
<p>Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds.</p>	
Accrued Vacation	(388,280)
<p>Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.</p>	
Unearned Revenue	737,184
OPEB Liability	(99,799)
Internal Service Charges Balance Due From Business-Type Activities	<u>(118,246)</u>
Total Net Position	<u>\$ 48,197,712</u>

See accompanying notes to the basic financials

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

**STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013**

	GENERAL FUND	AIRPORT FUND	AGATE BEACH CLOSURE FUND	ROOM TAX FUND
REVENUES				
Property Taxes	\$ 5,904,522	\$ -	\$ -	\$ -
Transient Room Tax	-	-	-	2,419,699
Other Taxes	172,202	-	-	-
Licenses, Permits, and Fees	1,273,287	-	11,908	-
Intergovernmental	658,707	-	-	-
Interfund Services	841,908	30,704	-	-
Leases & Rents	118,581	52,585	-	-
Investment Earnings	12,313	1,471	6,849	3,810
Fines and Forfeitures	179,432	-	-	-
Grants	216,273	1,613,875	-	-
Miscellaneous	108,733	291,598	-	9,252
Total Revenues	9,485,958	1,990,233	18,757	2,432,761
EXPENDITURES				
Current:				
General Government	2,487,057	-	-	-
Public Safety	5,327,804	-	-	-
Streets	-	-	-	-
Economic Development	339,007	-	-	1,468,462
Culture and Recreation	952,061	-	-	-
Airport Operations	-	2,446,628	-	-
Materials & Services	-	-	44,638	-
Capital Outlay	-	-	-	-
Debt Service	-	-	-	-
Total Expenditures	9,105,929	2,446,628	44,638	1,468,462
Excess of Revenues Over (Under) Expenditures	380,029	(456,395)	(25,881)	964,299
Other Financing Sources, (Uses)				
Bond/loan Proceeds	260,000	-	-	-
Transfers In	567,000	534,460	-	-
Transfers Out	(859,912)	(51,319)	-	(1,443,717)
Total Other Financing Sources, (Uses)	(32,912)	483,141	-	(1,443,717)
Net Change in Fund Balance	347,117	26,746	(25,881)	(479,418)
FUND BALANCE - BEGINNING OF YEAR	1,855,542	358,039	1,464,591	1,122,041
FUND BALANCE - END OF YEAR	\$ 2,202,659	\$ 384,785	\$ 1,438,710	\$ 642,623

See accompanying notes to the basic financials

CAPITAL PROJECTS FUND	NORTH SIDE URBAN RENEWAL FUND	SOUTH BEACH URBAN RENEWAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ -	\$ 59,340	\$ 1,860,545	\$ -	\$ 7,824,407
-	-	-	-	2,419,699
191,114	-	-	698,670	1,061,986
-	-	-	1,287,803	2,572,998
-	-	-	-	658,707
-	-	-	887,933	1,760,545
-	-	-	-	171,166
2,376	1,159	16,443	14,152	58,573
-	-	-	-	179,432
168,152	-	-	58,993	2,057,293
513,425	-	-	204,443	1,127,451
<u>875,067</u>	<u>60,499</u>	<u>1,876,988</u>	<u>3,151,994</u>	<u>19,892,257</u>
-	-	-	-	2,487,057
-	-	-	-	5,327,804
-	-	-	1,569,827	1,569,827
-	-	-	207,171	2,014,640
-	-	-	1,179,084	2,131,145
-	-	-	-	2,446,628
141,001	17,672	42,498	-	245,809
1,353,952	-	-	2,973	1,356,925
-	-	1,332,146	536,294	1,868,440
<u>1,494,953</u>	<u>17,672</u>	<u>1,374,644</u>	<u>3,495,349</u>	<u>19,448,275</u>
(619,886)	42,827	502,344	(343,355)	443,982
-	-	-	-	260,000
1,719,339	-	123,000	1,192,650	4,136,449
(123,000)	-	(300,000)	(671,090)	(3,449,038)
<u>1,596,339</u>	<u>-</u>	<u>(177,000)</u>	<u>521,560</u>	<u>947,411</u>
976,453	42,827	325,344	178,205	1,391,393
831,998	229,497	1,352,623	2,550,311	9,764,642
<u>\$ 1,808,451</u>	<u>\$ 272,324</u>	<u>\$ 1,677,967</u>	<u>\$ 2,728,516</u>	<u>\$ 11,156,035</u>

See accompanying notes to the basic financials

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS - TO
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013**

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

Excess of Revenues over Expenditures	\$	1,391,393
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capitalized Additions, net of deletions	\$	2,538,076	
Depreciation Expense, net of adjustments		(1,377,867)	
Net Adjustment			1,160,209

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

GO Bonds & Notes Payable		1,185,425	
Bond Issue Costs		(9,960)	
Bond Interest Payable		1,428	
Accrued Vacation		(51,062)	
Net Adjustment			1,125,831

OPEB Liability		(99,799)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Property Taxes		(45,419)
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Internal Service Charges Balances Due From Business-Type Activities		(1,246,873)
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Change in Net Position	\$	2,285,342
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See accompanying notes to the basic financials

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2013

	WASTEWATER FUND	WATER FUND	BONDED DEBT FUND	PROPRIETARY DEBT FUND	TOTALS CURRENT YEAR
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ -	\$ 421,646	\$ 211,485	\$ 625,558	\$ 1,258,689
Interfund Receivables	-	-	203,835	-	203,835
Prepays	160	520	-	-	680
Receivables:					
Taxes	-	-	166,222	-	166,222
Accounts	615,062	433,192	14,236	-	1,062,490
Capital Assets:					
Depreciable, Net	37,244,127	20,785,976	-	-	58,030,103
Non Depreciable	125,775	702,035	-	-	827,810
Bond Issuance Costs	79,308	264,086	-	-	343,394
Total Assets	38,064,432	22,607,455	595,778	625,558	61,893,223
LIABILITIES					
Current Liabilities:					
Accounts Payable	87,175	65,658	-	-	152,833
Payroll Liabilities	11,846	17,970	-	-	29,816
Deposits	-	223,486	-	-	223,486
Unearned Revenue	31,242	-	152,684	-	183,926
Interfund Payable	203,835	-	-	-	203,835
Accrued Interest Payable	86,625	31,084	-	-	117,709
Compensated Absences	36,236	41,143	-	-	77,379
Bonds Payable, Current Portion	1,155,000	575,000	-	-	1,730,000
Loans & Notes, Current Portion	-	19,272	-	-	19,272
Total Current Liabilities	1,611,959	973,613	152,684	-	2,738,256
Noncurrent Liabilities:					
Bonds Payable, Net	8,215,000	14,485,541	-	-	22,700,541
Loans & Notes, Net	-	846,913	-	-	846,913
Bond Premium	223,202	176,085	-	-	399,287
Total Noncurrent Liabilities	8,438,202	15,508,539	-	-	23,946,741
Total Liabilities	10,050,161	16,482,152	152,684	-	26,684,997
Net Position:					
Net Investment in Capital Assets	27,776,700	5,385,200	-	-	33,161,900
Restricted for					
Debt Service	-	-	443,094	625,558	1,068,652
Unrestricted	237,571	740,103	-	-	977,674
Total Net Position	\$ 28,014,271	\$ 6,125,303	\$ 443,094	\$ 625,558	35,208,226
					Due from Governmental Activities
					118,246
					Net Position - Business Type
					<u>\$ 35,326,472</u>

See accompanying notes to the basic financials

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2013

	WASTEWATER FUND	WATER FUND	BONDED DEBT FUND	PROPRIETARY DEBT FUND	TOTALS CURRENT YEAR
OPERATING REVENUES					
Charges for Sales and Services	\$ 3,213,265	\$ 2,776,762	\$ -	\$ -	\$ 5,990,027
Other Services	1,995	48,098	-	-	50,093
Total Operating Revenues	<u>3,215,260</u>	<u>2,824,860</u>	<u>-</u>	<u>-</u>	<u>6,040,120</u>
OPERATING EXPENSES					
Costs of Sales and Services	1,752,709	1,399,339	-	-	3,152,048
Administration	874,174	760,932	-	-	1,635,106
Depreciation	1,404,666	308,965	-	-	1,713,631
Total Operating Expenses	<u>4,031,549</u>	<u>2,469,236</u>	<u>-</u>	<u>-</u>	<u>6,500,785</u>
Net Operating Income (Loss)	(816,289)	355,624	-	-	(460,665)
NONOPERATING REVENUES (EXPENSES)					
Property Taxes	-	-	1,633,558	-	1,633,558
Interest Income	7,001	6,429	3,714	2,912	20,056
Grants	-	1,266	-	-	1,266
Debt Service	25,937	(6,826)	(658,276)	-	(639,165)
Total Nonoperating Revenues (Expenses)	<u>32,938</u>	<u>869</u>	<u>978,996</u>	<u>2,912</u>	<u>1,015,715</u>
Income Before Contributions and Transfers	(783,351)	356,493	978,996	2,912	555,050
Transfer In/Out	(126,411)	453,824	(1,002,974)	(11,850)	(687,411)
Change In Net Position	(909,762)	810,317	(23,978)	(8,938)	(132,361)
Net Position - Beginning of Year	<u>28,924,033</u>	<u>5,314,986</u>	<u>467,072</u>	<u>634,496</u>	<u>35,340,587</u>
Net Position - End of Year	<u>\$ 28,014,271</u>	<u>\$ 6,125,303</u>	<u>\$ 443,094</u>	<u>\$ 625,558</u>	<u>35,208,226</u>
					<u>118,246</u>
					<u>\$ 35,326,472</u>

See accompanying notes to the basic financials

**CITY OF NEWPORT
LINCOLN COUNTY, OREGON**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2013**

	WASTEWATER FUND	WATER FUND	BONDED DEBT FUND	PROPRIETARY DEBT FUND	TOTALS CURRENT YEAR
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers and Users	\$ 3,151,788	\$ 2,756,034	\$ -	\$ -	\$ 5,907,822
Payments to Suppliers	(3,181,568)	(2,923,013)	-	-	(6,104,581)
Payments to Employees	571,253	745,109	-	-	1,316,362
Net Cash Provided by Operating Activities	<u>541,473</u>	<u>578,130</u>	<u>-</u>	<u>-</u>	<u>1,119,603</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfer To/From Other Funds	(126,411)	453,824	(1,002,974)	(11,850)	(687,411)
Interfund Loans	203,835	20,000	(223,835)	-	-
Property Taxes	-	-	1,637,812	-	1,637,812
Net Cash Provided (used) from Noncapital and Related Financing Activities	<u>77,424</u>	<u>473,824</u>	<u>411,003</u>	<u>(11,850)</u>	<u>950,401</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Bond Premium	(22,320)	(11,006)	-	-	(33,326)
Bond Issuance Costs	7,930	16,506	-	-	24,436
Purchases of Capital Assets	(1,022,871)	(1,472,319)	-	-	(2,495,190)
Principal Paid on Debt	(1,120,000)	(518,380)	-	-	(1,638,380)
Debt Service	14,390	(4,234)	(658,276)	-	(648,120)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(2,142,871)</u>	<u>(1,989,433)</u>	<u>(658,276)</u>	<u>-</u>	<u>(4,790,580)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and Dividends Received	7,001	6,429	3,714	2,912	20,056
Net Cash Provided (used) by Investing Activities	<u>7,001</u>	<u>6,429</u>	<u>3,714</u>	<u>2,912</u>	<u>20,056</u>
Net Increase, (Decrease) in Cash and Cash Equivalents	(1,516,973)	(931,050)	(243,559)	(8,938)	(2,700,520)
CASH AND CASH EQUIVALENTS - BEGINNING	<u>1,516,973</u>	<u>1,352,696</u>	<u>455,044</u>	<u>634,496</u>	<u>3,959,209</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ -</u>	<u>\$ 421,646</u>	<u>\$ 211,485</u>	<u>\$ 625,558</u>	<u>\$ 1,258,689</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating Income	\$ (816,289)	\$ 355,624	\$ -	\$ -	\$ (460,665)
Adjustments					
Depreciation/Amortization	1,404,666	308,965	-	-	1,713,631
(Increase), Decrease in Accounts Receivable	(63,472)	(84,462)	-	-	(147,934)
Increase, (Decrease) in Deferred Revenue	-	(671)	-	-	(671)
Increase, (Decrease) in Accounts Payable	7,652	(24,804)	-	-	(17,152)
Increase, (Decrease) in Prepaid Expenses	138	(222)	-	-	(84)
Increase, (Decrease) in Customer Deposits	-	16,307	-	-	16,307
Increase, (Decrease) in Compensated Absences	6,867	4,494	-	-	11,361
Increase, (Decrease) in Payroll Liabilities	1,911	2,899	-	-	4,810
Net Cash From Operations	<u>\$ 541,473</u>	<u>\$ 578,130</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,119,603</u>

See accompanying notes to the basic financials

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**CITY OF NEWPORT
LINCOLN COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

THE FINANCIAL REPORTING ENTITY

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

The basic financial statements present the City and its blended component unit, the Newport Urban Renewal Agency (Agency), an entity for which the City is financially accountable, in accordance with GASB 61. The Agency, although a legally separate entity, is a part of the City's operations. It was organized to construct and administer capital improvements as outlined in the City's Urban Renewal Plan. The city council serves as its governing board. All activities of the Agency are recorded in capital construction funds and debt service funds. Complete financial statements for the Agency can be obtained at City Hall, Newport, Oregon 97365.

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

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

**CITY OF NEWPORT
LINCOLN COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

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

There are the following major governmental funds:

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

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

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

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

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

Blended Component Unit

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

North Side Urban Renewal District

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

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Blended Component Unit (Continued)

South Beach Urban Renewal District

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

There are the following major proprietary funds:

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

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

Bonded Debt Fund – This fund accounts for the resources and expenses related to Proprietary Fund Bonded Debt.

Proprietary Debt Fund – This fund accounts for the resources and expenses related to all Proprietary Fund Debt aside from Bonded Debt.

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

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

**CITY OF NEWPORT
LINCOLN COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

BUDGETS

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

Unexpected additional resources may be added to the budget through the use of a supplemental budget. The supplemental budget process requires public notice, publication of supplemental budget, public hearing and approval by the City Council. Original and supplemental budgets may be modified by the City Council by the use of appropriation transfers between the levels of control. In addition, Oregon Budget Law provides certain specific exceptions to the supplemental budget process to increase appropriations. Such transfers and increases require approval by the City Council by adoption of a resolution. Budget appropriation amounts shown in the financial statements include the original and revised budget appropriations as approved by the City Council. Appropriations are limited to a single fiscal year; therefore, all spending authority lapses at year end. During the 2012-13 fiscal year, several appropriation transfers were made.

Expenditures of the various funds were within authorized appropriations for the year ended June 30, 2013, except for the following:

<u>Fund</u>	<u>Expenditure</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Unappropriated Expenditure</u>
Room Tax Fund	Materials and Services	\$ 1,129,605	\$1,468,462	\$ (338,857)
Line Undergrounding Fund	Materials and Services	4,000	4,032	(32)

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**CITY OF NEWPORT
LINCOLN COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

RECEIVABLES

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

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

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

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

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

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

SUPPLY INVENTORY

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

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

CAPITAL ASSETS

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

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

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

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

COMPENSATED ABSENCES

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

LONG-TERM OBLIGATIONS

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

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

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

FUND BALANCE

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

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

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, nonoperating 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 the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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

**CITY OF NEWPORT
LINCOLN COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

NET POSITION (CONTINUED)

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

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position 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 future periods and so will not be recognized as an inflow of resources (revenue) until that time.

2. CASH AND INVESTMENTS

Cash and Investments at June 30, 2013 (recorded at fair value) consisted of:

Deposit with Financial Institutions:	Government-wide Presentation		
Petty Cash	\$ 1,489	Governmental Activities	\$ 10,859,682
Demand Deposits	306,474	Business-type Activities	<u>1,258,689</u>
Money Market	625,348		
Investments - LGIP	<u>11,185,060</u>	Total	<u>\$ 12,118,371</u>
Total	<u>\$ 12,118,371</u>		

DEPOSITS

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

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, deposits will not be recovered. There is no formal deposit policy for custodial credit risk. The total bank balance per the bank statements is \$1,623,416 of which \$690,893 is covered by federal depository insurance. The remaining was collateralized in accordance with Oregon law.

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

INVESTMENTS

As of June 30, 2013, there were the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in months)</u>		
		<u>Less than 3</u>	<u>3-17</u>	<u>18-59</u>
State Treasurer's Investment Pool	\$ 11,185,060	\$ 11,185,060	\$ -	\$ -
Total	\$ 11,185,060	\$ 11,185,060	\$ -	\$ -

Interest Rate Risk

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

Custodial Credit Risk

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

Concentration of Credit Risk

At June 30, 2013, 100% of total investments were in the State Treasurer's Local Government Investment Pool (LGIP). State statutes do not limit the percentage of investments in the investment pool. Oregon Revised Statutes require no more than 25 percent of the moneys of a local government to be invested in bankers' acceptances of any qualified financial institution. At June 30, 2013, investments were in compliance with all percentage restrictions.

The LGIP is administered by the Oregon State Treasury. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision or public corporation of the state who by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short-Term Fund Board. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP.

Amounts in the LGIP are not required to be collateralized. There is no material difference between the fair value of the City's position in the LGIP and the value of the pool shares at June 30, 2013. There were no known violations of legal or contractual provisions for deposits and investments during the fiscal year.

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

3. RECEIVABLES

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

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

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

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

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

4. INTERFUND RECEIVABLE/ PAYABLE

The compositions of interfund balances as of June 30, 2013 are as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Governmental:		
General Fund	\$ 101,458	\$ -
General Debt Service Fund	-	2,510
Street Fund	-	98,948
Proprietary:		
Bonded Debt Fund	203,835	-
Wastewater Fund	-	203,835
	<u> </u>	<u> </u>
Total Funds	<u>\$ 305,293</u>	<u>\$ 305,293</u>

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

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

5. INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2013 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental:		
General Fund	\$ 567,000	\$ 859,912
Airport Fund	534,460	51,319
Room Tax Fund	-	1,443,717
Capital Projects Fund	1,719,339	123,000
South Beach Urban Renewal Fund	123,000	300,000
Nonmajor governmental Funds	1,192,650	671,090
Proprietary:		
Water Fund	453,824	-
Wastewater Fund	-	126,411
Bonded Debt Fund	-	1,002,974
Proprietary Debt Fund	-	11,850
	<u>\$ 4,590,273</u>	<u>\$ 4,590,273</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect and to the fund that statute or budget requires to expend them and use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

6. CAPITAL ASSETS

The changes in capital assets for the fiscal year ended June 30, 2013 are as follows:

	<u>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS</u>			
	<u>July 1, 2012</u>	<u>Additions & Adjustments</u>	<u>Disposals & Adjustments</u>	<u>June 30, 2013</u>
Capital Assets, not being depreciated				
Land	\$ 9,022,282	\$ 23,132	\$ -	\$ 9,045,414
Construction in Progress	355,745	1,724,154	(91,156)	1,988,743
Total, not being depreciated	<u>9,378,027</u>	<u>1,747,286</u>	<u>(91,156)</u>	<u>11,034,157</u>
Buildings & Structures	29,724,089	280,388	-	30,004,477
Equipment	3,827,935	7,335	-	3,835,270
Vehicles	4,633,336	156,019	(352,429)	4,436,926
Infrastructure	31,736,978	790,633	-	32,527,611
Total, being depreciated	<u>69,922,338</u>	<u>1,234,375</u>	<u>(352,429)</u>	<u>70,804,284</u>
Less Accumulated Depreciation				
Buildings & Structures	(16,491,416)	(734,762)	-	(17,226,178)
Equipment	(3,403,350)	(65,013)	-	(3,468,363)
Vehicles	(2,947,884)	(280,809)	222,443	(3,006,250)
Infrastructure	(10,156,307)	(519,726)	-	(10,676,033)
Total Accumulated Depreciation	<u>(32,998,957)</u>	<u>(1,600,310)</u>	<u>222,443</u>	<u>(34,376,824)</u>
Total Capital Assets being Depreciated, net	<u>36,923,381</u>	<u>(365,935)</u>	<u>(129,986)</u>	<u>36,427,460</u>
Governmental Activities Capital Assets, net	<u>\$ 46,301,408</u>	<u>\$ 1,381,351</u>	<u>\$ (221,142)</u>	<u>\$ 47,461,617</u>

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

6. CAPITAL ASSETS (CONTINUED)

	BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS			
	July 1, 2012	Additions & Adjustments	Disposals & Adjustments	June 30, 2013
Capital Assets, not being depreciated				
Land	\$ 244,606	\$ -	\$ -	\$ 244,606
Construction in Progress	15,077,888	1,456,278	(15,950,963)	583,203
Total, not being depreciated	<u>15,322,494</u>	<u>1,456,278</u>	<u>(15,950,963)</u>	<u>827,809</u>
Buildings & Structures	12,396,801	15,877,814	-	28,274,615
Equipment	1,269,744	337,710	-	1,607,454
Vehicles	805,763	23,915	-	829,678
Infrastructure	51,546,936	750,439	-	52,297,375
Total, being depreciated	<u>66,019,244</u>	<u>16,989,878</u>	<u>-</u>	<u>83,009,122</u>
Less Accumulated Depreciation				
Buildings & Structures	(9,236,930)	(313,032)	-	(9,549,962)
Equipment	(1,044,574)	(39,257)	-	(1,083,831)
Vehicles	(507,420)	(53,625)	-	(561,045)
Infrastructure	(12,476,463)	(1,307,717)	-	(13,784,180)
Total Accumulated Depreciation	<u>(23,265,387)</u>	<u>(1,713,631)</u>	<u>-</u>	<u>(24,979,018)</u>
Total Capital Assets being Depreciated, net	<u>42,753,857</u>	<u>15,276,247</u>	<u>-</u>	<u>58,030,104</u>
Business-Type Activities Capital Assets, net	<u>\$ 58,076,351</u>	<u>\$ 16,732,525</u>	<u>\$ (15,950,963)</u>	<u>\$ 58,857,913</u>

Depreciation expense was charged to the functions as follows:

Governmental Activities:

General Government	\$ 294,156
Public Safety	185,671
Streets	630,143
Economic Development	238,280
Culture and Recreation	252,060

 Total depreciation expense, governmental activities \$ 1,600,310

Business-type Activities:

Water Operations	\$ 308,965
Wastewater Operations	1,404,666

 Total depreciation expense, business-type activities \$ 1,713,631

7. LAND HELD FOR RESALE

Properties securing special assessments were foreclosed on. When the right of redemption expired, the properties were deeded to the City. These properties are recorded at the cost of the assessment, foreclosure costs and interest expense in the Debt Service Funds. These properties are being sold as a means of financing the related debt service costs. As these properties are sold, the proceeds will be recorded in the general fund. As of June 30, 2013 there was \$9,751 in land held for resale.

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

8. LONG-TERM DEBT

General obligation bonds are issued to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Current general obligation bonds outstanding are as follows:

	Business-type
2008 Sewer Bonds, April 2008, rate 3.5%, maturing 2019	\$ 4,990,000
2009 Water Improvement Bonds - Series A rate 3.5% - 5%, maturing 2020	5,430,000
2009 Water Improvement Bonds - Series B rate 3.5%, maturing 2029	9,630,541
Total Funds	\$ 20,050,541

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

YEAR	PRINCIPAL	INTEREST
2013-2014	\$ 1,325,000	\$ 395,875
2014-2015	1,425,000	2,170,625
2015-2016	1,540,000	300,750
2016-2017	1,655,000	246,850
2017-2018	1,780,000	184,875
2018-2023	6,709,769	3,730,406
2023-2028	4,774,040	7,255,960
2028-2033	841,732	1,783,268
	\$ 20,050,541	\$ 16,068,609

**CITY OF NEWPORT
LINCOLN COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

8. LONG-TERM DEBT (CONTINUED)

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

	Governmental	Business-type
<p>Full Faith & Credit Refunding Obligations, Series 2010A. Issued July 2010 in the amount of \$5,560,000 to refinance a loan agreement with the Oregon DEQ to help finance a portion of the City's wastewater treatment plant. Interest rates range from 2-4.25%, with maturity June 15, 2023. The old bonds were called on July 14, 2010. The new bonds were issued at a premium of \$290,162 with bond issue costs totaling \$103,100.</p>	\$ -	\$ 4,380,000
<p>Full Faith & Credit Refunding Obligations, Series 2010B. Issued July 2010 in the amount of \$8,465,000 to refinance one loan agreement with the Oregon DEQ (loan # 68931) and two loan agreements with the Oregon Business Development Department (OBDD), formerly the Oregon Economic and Community Development Department (OECDD), which were issued to help finance a portion of the City's wastewater treatment plant. An additional \$2,000,000 was borrowed as part of the refunding to help finance transportation infrastructure improvements, which will enhance access to the Pacific Marine Operation Center. Interest rates range from .02-4.5%, with maturity June 15, 2023. The DEQ loan was considered a current refunding and was called on July 14, 2010. The OBDD loans were advanced refunded, whereby \$3,711,619 was used to purchase United States Government obligations, which were deposited into an escrow account. These funds were sufficient to call the bonds on January 1, 2011. The new bonds were issued at a premium of \$276,407 with bond issue costs totaling \$129,484.</p>	6,555,000	-
Total City Allocation	5,006,270	-
Total URA Allocation	1,548,730	-
Total Business-type Activities	-	4,380,000
Total Bonds Under Cooperative Agreements	\$ 6,555,000	\$ 4,380,000

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. LONG-TERM DEBT (CONTINUED)

OTHER LOANS / BONDS

	Governmental	Business-type
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.	\$ 417,000	\$ -
Series "2008" Urban Renewal Bond from Bank of America, issued May 2008 for \$2,530,000 to finance projects in the South Beach urban growth area. The interest rate is 4.25%, maturing June 2018.	1,400,000	-
Certificates of Participation, Series 2007B from The League of Oregon Cities Cooperative Asset Financing Program, issued October 2007 for \$1,015,000 to finance various City purchases and to pay off the Municipal Airport Debt. The interest rate is 3.90% to 5.00%, maturing July 2024.	215,000	-
Certificates of Participation, Series 2009B from The League of Oregon Cities Cooperative Asset Financing Program, issued September 2009 for \$2,580,000 to finance the Bay Boulevard project. The interest rate is 3.90% to 5.00%, maturing 2019.	1,585,000	-
The City entered into an agreement with Seal Rock Water District to assume responsibility to provided services for an area of property. In return the City agreed to pay the District \$958,502. The interest rate is 4.75%, maturing November 2037.	-	866,185
The City entered into a loan agreement in order to finance the new fire station on October 25, 2012. The interest rate is 5.00%, maturing October 2017.	252,104	-
Total City Allocation	2,052,104	-
Total URA Allocation	1,817,000	-
Total Business-type Activities	-	866,185
Total Other Loans/Bonds	3,869,104	866,185
 Total Bonds Under Cooperative Agreements and Other Loans / Bonds	 \$ 10,424,104	 \$ 5,246,185

**CITY OF NEWPORT
LINCOLN COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

7. LONG-TERM DEBT (CONTINUED)

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

GOVERNMENTAL ACTIVITIES			BUSINESS-TYPE ACTIVITIES		
<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2013-2014	\$ 1,338,348	\$ 378,778	2013-2014	\$ 424,272	\$ 209,284
2014-2015	1,224,979	334,654	2014-2015	435,208	196,198
2015-2016	1,270,644	293,017	2015-2016	446,189	182,249
2016-2017	1,356,342	254,994	2016-2017	462,218	166,345
2017-2018	1,573,791	193,161	2017-2018	478,296	147,666
2018-2023	3,635,000	378,540	2018-2023	2,374,584	429,478
2023-2027	25,000	1,250	2023-2028	170,583	129,417
			2028-2033	216,211	83,789
			2033-2038	238,624	26,377
	<u>\$10,424,104</u>	<u>\$ 1,834,394</u>		<u>\$ 5,246,185</u>	<u>\$ 1,570,803</u>

Capital Leases

There is one lease purchase agreement:

	<u>Governmental</u>
Leaf Funding, Inc. – Airport Copier Lease Purchase	\$ 926
Total Capital Leases	<u>\$ 926</u>

Annual debt requirement to maturity are as follows:

<u>YEAR</u>	<u>AMOUNT</u>
2013-14	\$ 926
	<u>\$ 926</u>

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

8. LONG-TERM DEBT (CONTINUED)

Long-term debt activity for the year ended June 30, 2013 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
City					
Bonds Under Coop Agreements	\$ 5,502,696	\$ -	\$ 496,426	\$ 5,006,270	\$ 546,069
Other Loans/Bonds	2,220,000	260,000	427,896	2,052,104	272,348
Capital Leases	10,192	-	9,266	926	926
Bond Premium	178,623	-	16,239	162,384	16,239
Newport URA					
Bonds Under Coop Agreements	1,702,304	-	153,574	1,548,730	168,931
Other Loans/Bonds	2,154,000	-	337,000	1,817,000	351,000
Bond Premium	55,256	-	5,024	50,232	5,024
Governmental activities					
Long-Term Debt	<u>11,823,071</u>	<u>260,000</u>	<u>1,445,425</u>	<u>10,637,646</u>	<u>1,360,537</u>
Business-type Activities:					
General Obligation Bonds	21,275,541	-	1,225,000	20,050,541	1,325,000
Other Bonds	4,775,000	-	395,000	4,380,000	405,000
Notes Payable	884,565	-	18,380	866,185	19,272
Bond Premium	432,613	-	33,325	399,288	33,325
Business-type Activities					
Long-Term Debt	<u>27,367,719</u>	<u>-</u>	<u>1,671,705</u>	<u>25,696,014</u>	<u>1,782,597</u>
Total Long-Term Debt	<u>\$ 39,190,790</u>	<u>\$ 260,000</u>	<u>\$ 3,117,130</u>	<u>\$ 36,333,660</u>	<u>\$ 3,143,134</u>
Compensated Absences					
Governmental	\$ 337,218	\$ 51,062	\$ -	\$ 388,280	\$ 388,280
Business Type	66,018	11,361	-	77,379	77,379
Total Compensated Absences	<u>\$ 403,236</u>	<u>\$ 62,423</u>	<u>\$ -</u>	<u>\$ 465,659</u>	<u>\$ 465,659</u>

9. RISK MANAGEMENT

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

10. RETIREMENT PLANS

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

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

10. RETIREMENT PLANS (CONTINUED)

PENSION- FIRE & POLICE

Plan Description

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

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

Funding Policy

All regular fire and police employees participate in the Plan with the City contributing 6% for the employee share. ORS 238.225 requires contributions at an actuarially determined rate which is 13.87% for PERS, 4.48% for Oregon Public Service Retirement Plan (OPSRP) general services, and 7.19% for OPSRP police services for the current year. Contribution requirements for plan members and the City are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

Annual Pension Cost

For the fiscal years ending June 30, 2013, 2012, and 2011, the annual pension cost of \$331,948, \$265,480, and \$256,721 respectively, was equal to the required and actual contributions. The required contributions and liabilities were determined as part of the December 31, 2006 actuarial valuation using the entry age actuarial cost method. Because all OPERF employers are required by law to submit the contributions adopted by the Retirement Board, and the employer contributions are calculated in conformance with the standards of Statement No. 27, there is no net pension obligation shown in the financial statements. The contributions actually made are equivalent to the annual pension cost. Significant actuarial assumptions used in the valuation include (a) a rate of return of 8.0% per year, net of investment and administrative expenses (assumed earnings rate for purposes of Tier One guaranteed interest credit); (b) wage growth of 4.25% per year, excluding merit or longevity increases; (c) projected post-retirement benefit increases of 2.0% per year; (d) demographic assumptions that have been chosen to reflect the best estimate of emerging experience of the members of OPERF; (e) consumer price inflation of 3.5% per year; and (f) future interest credits of 8.5% for Tier One and 8.0% for Tier Two. Unfunded actuarial liability is amortized as a level percentage of covered payroll over a thirty-year period on an open basis.

**CITY OF NEWPORT
LINCOLN COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

9. RETIREMENT PLANS (CONTINUED)

EMPLOYEE'S RETIREMENT PLAN

Plan Description

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

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

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

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

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

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

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

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

Defined Contribution – Money Purchase

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

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

9. RETIREMENT PLANS (CONTINUED)

EMPLOYEE'S RETIREMENT PLAN (CONTINUED)

Four-Year Trend information
Defined Contribution – Money Purchase

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>% of Annual Pension Cost Contributed</u>
6/30/10	\$ 193,971	100%
6/30/11	188,958	100%
6/30/12	185,845	100%
6/30/13	191,525	100%

Defined Benefit

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

The funding policy of the defined portion provides for actuarially determined periodic contributions at rates that over time provide sufficient assets available to pay benefits when due. For the current fiscal year, \$416,372 was contributed to the plan. The plan's normal cost is \$405,982 with interest plus amortization (over 30 years) of the plans unfunded actuarial accrued liability with interest.

The annual required contribution to the defined benefit plan was computed as part of an actuarial valuation performed as of July 1, 2013. Significant actuarial assumptions used in the valuation include: (a) a rate of return on the investment of present and future assets of 6%, (b) projected salary increases of 3% per year in addition to salary increases due to promotions and longevity.

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

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

**CITY OF NEWPORT
LINCOLN COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

10. RETIREMENT PLANS (CONTINUED)

Four-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>
6/30/10	\$ 431,651	85.3%	\$ 63,305
6/30/11	390,397	100.0%	-
6/30/12	384,050	100.0%	-
6/30/13	405,982	100.0%	-

11. OTHER POST-EMPLOYMENT BENEFITS – OPEB

Post-Employment Benefits

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

Post-Employment Health Insurance Subsidy

Plan Description – The City operates a single-employer retiree benefit plan that provides post-employment health, dental, vision and life insurance benefits to eligible employees and their dependents. There are active and retired members in the plan.

The post-retirement healthcare plan was established in accordance with Oregon Revised Statutes (ORS) 243.303. ORS stipulated that for the purpose of establishing healthcare premiums, the rate must be based on all plan members, including both active employees and retirees. The difference between retiree claims cost, which because of the effect of age is generally higher in comparison to all plan members, and the amount of retiree healthcare premiums represents the implicit employer contribution.

An irrevocable trust (or equivalent arrangement) was not established to account for the plan.

Funding Policy – The benefits from this program are paid by the retired employees on a self-pay basis and the required contribution is based on projected pay-as-you-go financing requirements. There is no obligation on the part of the City to fund these benefits in advance.

Annual Pension Cost and Net Pension Obligation – The annual other post-employment benefit cost is calculated based on the annual required contribution of the employer (ARC), and amount actuarially determined in accordance within the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the projected OPEB obligation at the end of the year:

**CITY OF NEWPORT
LINCOLN COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

10. OTHER POST-EMPLOYMENT BENEFITS – OPEB (CONTINUED)

	2013
Annual required contribution	\$ 117,681
Interest on net pension obligation	-
Adjustment to annual required contribution	-
	<hr/>
Annual pension cost	117,681
Contributions made	(17,882)
	<hr/>
Increase in net pension obligation	99,799
Net OPEB Obligation - beginning of year	-
	<hr/>
Net OPEB Obligation - end of year	<u>\$ 99,799</u>

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of annual OPEB cost contributed</u>	<u>Net OPEB Obligation</u>
6/30/11	N/A	N/A	N/A
6/30/12	N/A	N/A	\$ -
6/30/13	\$ 117,681	15%	\$ 99,799

Actuarial Methods and Assumptions – The annual required contribution (ARC) for the current year was determined as part of the August 1, 2012 actuarial valuation using the projected unit credit cost method. The objective of this method is to fund each participant’s benefits under the plans as they accrue. The unfunded accrued liability is amortized over an open period of 10 years as a percentage of payroll. The actuarial assumptions included an interest rate for discounting future liabilities of 3.5% compounded annually. The demographic assumptions, such as mortality rates, disability incidence rates, retirement rates and withdrawal rates, are the same as those used by Oregon PERS.

Funding Status and Funding Progress – As of August 1, 2012, the plan was 0% funded. The actuarial accrued liability for benefits was \$527,083, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$527,083. The covered payroll was unavailable.

11. OPERATING LEASES

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

<u>Fiscal Year</u>	<u>Amount</u>
6/30/14	\$ 92,512
6/30/15	67,120
6/30/16	55,807
6/30/17	18,260
	<hr/>
Total	<u>\$ 233,699</u>

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

13. PROPERTY TAX LIMITATION

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

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

14. COMMITMENTS AND CONTINGENCIES

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

15. PRIOR PERIOD ADJUSTMENT

There was a prior period adjustment made to correct capital assets. Certain assets had not been shown in the prior year's additions and some assets were over depreciated. This adjustment corrects these misstatements and gives a more complete picture of capital assets in the current year.

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CITY OF NEWPORT
LINCOLN COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

Individual Major Governmental Fund Statements

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CITY OF NEWPORT
LINCOLN COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUND PROGRESS
TREND INFORMATION
For the Year Ended June 30, 2013

EMPLOYEE'S RETIREMENT PLAN

DEFINED BENEFIT - EXCLUSIVE OF MONEY PURCHASE

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Act. Liab.	Funded Percent	Covered Payroll	UAL/ Payroll
7/1/2010	\$ 3,769,937	\$ 6,136,594	\$ 2,366,657	61%	\$ 2,932,240	81%
7/1/2011	3,663,397	5,904,902	2,241,505	62%	2,887,270	78%
7/1/2012	4,020,930	6,244,588	2,223,658	64%	2,876,355	77%
7/1/2013	4,387,013	6,647,169	2,260,156	66%	2,925,079	77%

DEFINED CONTRIBUTION - MONEY PURCHASE

Actuarial Valuation Date	Actuarial Value of Assets	Vested Amount	Funded Percent
7/1/2010	\$ 3,184,262	N/A*	N/A*
7/1/2011	3,730,070	N/A*	N/A*
7/1/2012	3,716,790	N/A*	N/A*
7/1/2013	4,086,930	N/A*	N/A*

* Vested amount not available in the June 30, 2010, 2011, 2012 & 2013 Defined Contribution valuation.

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUND PROGRESS
TREND INFORMATION
For the Year Ended June 30, 2013

OTHER POST-EMPLOYMENT BENEFITS - MEDICAL INSURANCE

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL/ Payroll
8/1/2008	N/A	N/A	N/A	N/A	N/A	N/A
8/1/2010	N/A	N/A	N/A	N/A	N/A	N/A
8/1/2012	\$ -	\$ 527,083	\$ 527,083	0%	N/A	N/A

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2013

	<u>GENERAL FUND</u>			VARIANCE
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	TO FINAL BUDGET
REVENUES				
Property Taxes	\$ 5,580,000	\$ 5,580,000	\$ 5,904,522	\$ 324,522
Other Taxes	220,000	220,000	172,202	(47,798)
Fees	1,015,000	1,015,000	1,273,287	258,287
Intergovernmental	669,000	669,000	658,707	(10,293)
Grants	53,500	248,500	216,273	(32,227)
Gifts & Donations	-	-	2,150	2,150
Fines	155,000	155,000	179,432	24,432
Rents and Leases	105,000	105,000	118,581	13,581
Interest	5,000	5,000	12,313	7,313
Services Provided	918,394	918,394	841,908	(76,486)
Miscellaneous	116,830	121,830	106,583	(15,247)
Total Revenue	<u>8,837,724</u>	<u>9,037,724</u>	<u>9,485,958</u>	<u>448,234</u>
EXPENDITURES				
City Administration	2,001,810	2,071,810 (1)	2,071,709	101
Public Safety	5,170,337	5,543,588 (1)	5,327,804	215,784
Community Development	370,124	370,124 (1)	339,007	31,117
Library	981,320	981,320 (1)	952,061	29,259
Non-Departmental	380,000	420,000 (1)	415,348	4,652
Contingency	159,846	103,161 (1)	-	103,161
Total Expenditures	<u>9,063,437</u>	<u>9,490,003</u>	<u>9,105,929</u>	<u>384,074</u>
Excess of Revenues Over (Under) Expenditures	(225,713)	(452,279)	380,029	832,308
OTHER FINANCING SOURCES (USES)				
Loan Proceeds	-	260,000	260,000	-
Transfers In	567,000	567,000	567,000	-
Transfers Out	(805,227)	(895,384) (1)	(859,912)	35,472
Total Other Financing Sources (Uses)	<u>(238,227)</u>	<u>(68,384)</u>	<u>(32,912)</u>	<u>35,472</u>
Net Change in Fund Balance	(463,940)	(520,663)	347,117	867,780
FUND BALANCE - BEGINNING OF YEAR	<u>1,240,000</u>	<u>1,296,723</u>	<u>1,855,542</u>	<u>558,819</u>
FUND BALANCE - END OF YEAR	<u>\$ 776,060</u>	<u>\$ 776,060</u>	<u>\$ 2,202,659</u>	<u>\$ 1,426,599</u>

(1) Appropriation Level

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2013

AIRPORT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
Grants	\$ 108,000	\$ 1,970,000	\$ 1,613,875	\$ (356,125)
Leases and Rentals	40,000	40,000	52,585	12,585
Interest on Investments	-	-	1,471	1,471
Service Provided	30,704	30,704	30,704	-
Miscellaneous	11,000	11,000	7,989	(3,011)
Other - Fuel & Supplies	440,996	440,996	283,609	(157,387)
Total Revenues	630,700	2,492,700	1,990,233	(502,467)
EXPENDITURES				
Airport Operations	653,601	2,515,601 (1)	2,075,942	439,659
Fixed Base Operation	537,460	537,460 (1)	370,686	166,774
Contingency	9,840	9,840 (1)	-	9,840
Total Expenditures	1,200,901	3,062,901	2,446,628	616,273
Excess of Revenues Over (Under) Expenditures	(570,201)	(570,201)	(456,395)	113,806
OTHER FINANCING SOURCES (USES)				
Transfers In	534,460	534,460	534,460	-
Transfers Out	(51,319)	(51,319) (1)	(51,319)	-
Total Other Financing Sources (Uses)	483,141	483,141	483,141	-
Net Change in Fund Balance	(87,060)	(87,060)	26,746	113,806
FUND BALANCE - BEGINNING OF YEAR	234,491	234,491	358,039	123,548
FUND BALANCE - END OF YEAR	\$ 147,431	\$ 147,431	\$ 384,785	\$ 237,354

(1) Appropriation Level

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2013

AGATE BEACH CLOSURE FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
Agate Beach Closure Fees	\$ 12,000	\$ 12,000	\$ 11,908	\$ (92)
Interest on Investments	-	-	6,849	6,849
Total Revenues	12,000	12,000	18,757	6,757
EXPENDITURES				
Materials & Services	50,000	50,000 (1)	44,638	5,362
Contingency	1,437,000	1,437,000 (1)	-	1,437,000
Total Expenditures	1,487,000	1,487,000	44,638	1,442,362
Net Change in Fund Balance	(1,475,000)	(1,475,000)	(25,881)	1,449,119
FUND BALANCE - BEGINNING OF YEAR	1,475,000	1,475,000	1,464,591	(10,409)
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ 1,438,710	\$ 1,438,710

(1) Appropriation Level

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2013

ROOM TAX FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
Transient Room Tax	\$ 2,300,000	\$ 2,300,000	\$ 2,419,699	\$ 119,699
Fees	-	-	9,252	9,252
Interest on Investments	5,000	5,000	3,810	(1,190)
Total Revenues	<u>2,305,000</u>	<u>2,305,000</u>	<u>2,432,761</u>	<u>127,761</u>
EXPENDITURES				
Materials and Services	1,129,605	1,129,605 (1)	1,468,462	(338,857)
Contingency	1,063,435	1,009,678 (1)	-	1,009,678
Total Expenditures	<u>2,193,040</u>	<u>2,139,283</u>	<u>1,468,462</u>	<u>670,821</u>
Excess of Revenues Over (Under) Expenditures	111,960	165,717	964,299	798,582
OTHER FINANCING SOURCES (USES)				
Transfers Out	(1,389,960)	(1,443,717) (1)	(1,443,717)	-
Total Other Financing Sources (Uses)	<u>(1,389,960)</u>	<u>(1,443,717)</u>	<u>(1,443,717)</u>	<u>-</u>
Net Change in Fund Balance	(1,278,000)	(1,278,000)	(479,418)	798,582
FUND BALANCE - BEGINNING OF YEAR	<u>1,278,000</u>	<u>1,278,000</u>	<u>1,122,041</u>	<u>(155,959)</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 642,623</u>	<u>\$ 642,623</u>

(1) Appropriation Level

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SUPPLEMENTARY INFORMATION

Combining, Individual Fund, and
Other Financial Schedules

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CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2013

CAPITAL PROJECTS FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
Taxes	\$ 61,389	\$ 61,389	\$ 191,114	\$ 129,725
Grants	1,207,277	1,207,277	168,152	(1,039,125)
Interest on Investments	-	-	2,376	2,376
Miscellaneous	-	-	513,425	513,425
Total Revenues	<u>1,268,666</u>	<u>1,268,666</u>	<u>875,067</u>	<u>(393,599)</u>
EXPENDITURES				
Materials and Services	-	150,000 (1)	141,001	8,999
Capital Outlay	3,840,605	3,567,605 (1)	1,353,952	2,213,653
Total Expenditures	<u>3,840,605</u>	<u>3,717,605</u>	<u>1,494,953</u>	<u>2,222,652</u>
Excess of Revenues Over (Under) Expenditures	(2,571,939)	(2,448,939)	(619,886)	1,829,053
OTHER FINANCING SOURCES (USES)				
Transfers In	821,467	821,467	1,719,339	897,872
Transfers Out	-	(123,000) (1)	(123,000)	-
Total Other Financing Sources (Uses)	<u>821,467</u>	<u>698,467</u>	<u>1,596,339</u>	<u>897,872</u>
Net Change in Fund Balance	(1,750,472)	(1,750,472)	976,453	2,726,925
FUND BALANCE - BEGINNING OF YEAR	<u>1,750,472</u>	<u>1,750,472</u>	<u>831,998</u>	<u>(918,474)</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,808,451</u>	<u>\$ 1,808,451</u>

(1) Appropriation Level

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2013

NORTH SIDE URBAN RENEWAL DISTRICT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
Property Taxes	\$ -	\$ -	\$ 59,340	\$ 59,340
Interest on Investments	-	-	1,159	1,159
	-	-	60,499	60,499
EXPENDITURES				
Materials and Services	-	20,000 (1)	17,672	2,328
Capital Outlay	120,900	100,900 (1)	-	100,900
	120,900	120,900	17,672	103,228
Net Change in Fund Balance	(120,900)	(120,900)	42,827	163,727
FUND BALANCE - BEGINNING OF YEAR	120,900	120,900	229,497	108,597
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ 272,324	\$ 272,324

(1) Appropriation Level

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2013

SOUTH BEACH URBAN RENEWAL DISTRICT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
Property Taxes	\$ 2,750,964	\$ 2,750,964	\$ 1,860,545	\$ (890,419)
Interest on Investments	5,000	5,000	16,443	11,443
Total Revenues	<u>2,755,964</u>	<u>2,755,964</u>	<u>1,876,988</u>	<u>(878,976)</u>
EXPENDITURES				
Materials and Services	38,108	43,108 (1)	42,498	610
Capital Outlay	140,000	135,000 (1)	-	135,000
Debt Service	1,332,146	1,332,146 (1)	1,332,146	-
Contingency	780,388	780,388 (1)	-	780,388
Total Expenditures	<u>2,290,642</u>	<u>2,290,642</u>	<u>1,374,644</u>	<u>915,998</u>
Excess of Revenues Over (Under) Expenditures	465,322	465,322	502,344	37,022
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	123,000	123,000
Transfers Out	(300,000)	(300,000) (1)	(300,000)	-
Total Other Financing Sources (Uses)	<u>(300,000)</u>	<u>(300,000)</u>	<u>(177,000)</u>	<u>123,000</u>
Net Change in Fund Balance	165,322	165,322	325,344	160,022
FUND BALANCE - BEGINNING OF YEAR	<u>778,690</u>	<u>778,690</u>	<u>1,352,623</u>	<u>573,933</u>
FUND BALANCE - END OF YEAR	<u>\$ 944,012</u>	<u>\$ 944,012</u>	<u>\$ 1,677,967</u>	<u>\$ 733,955</u>

(1) Appropriation Level

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2013

	BUILDING INSPECTION FUND	STREET FUND	PUBLIC WORKS FUND	LINE UNDERGROUND FUND	PUBLIC PARKING FUND
ASSETS					
Cash and Cash Equivalents	\$ 676,627	\$ -	\$ 107,200	\$ 560,695	\$ 266,678
Receivables	2,452	269,638	-	-	-
Prepays	250	-	-	-	-
Investment in Foreclosed Property	-	-	-	-	-
Total Assets	\$ 679,329	\$ 269,638	\$ 107,200	\$ 560,695	\$ 266,678
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 106,575	\$ 12,356	\$ 4,732	\$ -	\$ -
Payroll and Payroll Taxes Payable	56	9,658	12,262	-	-
Deferred Revenue	-	-	-	-	-
Interfund Payable	-	98,948	-	-	-
Total Liabilities	106,631	120,962	16,994	-	-
FUND BALANCES					
Nonspendable	250	-	-	-	-
Restricted:					
System Development	-	-	-	-	-
Committed:					
Building Inspections	572,448	-	-	-	-
Street	-	148,676	-	-	-
Underground Lines	-	-	-	560,695	-
Public Parking	-	-	90,206	-	266,678
Parks & Recreation	-	-	-	-	-
Housing	-	-	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balances	572,698	148,676	90,206	560,695	266,678
Total Liabilities and Fund Balances	\$ 679,329	\$ 269,638	\$ 107,200	\$ 560,695	\$ 266,678

PARKS & RECREATION FUND	SDC FUND	HOUSING FUND	GENERAL DEBT FUND	TOTAL
\$ 326,033	\$ 681,634	\$ 181,686	\$ -	\$ 2,800,553
8,813	67,703	-	-	348,606
327	-	-	-	577
-	-	-	9,751	9,751
<u>\$ 335,173</u>	<u>\$ 749,337</u>	<u>\$ 181,686</u>	<u>\$ 9,751</u>	<u>\$ 3,159,487</u>
\$ 24,237	\$ -	\$ -	\$ -	\$ 147,900
10,348	-	-	-	32,324
81,586	67,703	-	-	149,289
-	-	-	2,510	101,458
<u>116,171</u>	<u>67,703</u>	<u>-</u>	<u>2,510</u>	<u>430,971</u>
327	-	-	9,751	10,328
-	681,634	-	-	681,634
-	-	-	-	572,448
-	-	-	-	148,676
-	-	-	-	560,695
-	-	-	-	356,884
218,675	-	-	-	218,675
-	-	181,686	-	181,686
-	-	-	(2,510)	(2,510)
<u>219,002</u>	<u>681,634</u>	<u>181,686</u>	<u>7,241</u>	<u>2,728,516</u>
<u>\$ 335,173</u>	<u>\$ 749,337</u>	<u>\$ 181,686</u>	<u>\$ 9,751</u>	<u>\$ 3,159,487</u>

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

	BUILDING INSPECTION FUND	STREET FUND	PUBLIC WORKS FUND	LINE UNDER GROUNDING FUND	PUBLIC PARKING FUND
REVENUES					
Other Taxes	\$ -	\$ 538,094	\$ -	\$ 160,576	\$ -
Interest	3,330	159	40	2,540	1,271
License & Fees	116,235	514,373	-	-	26,603
Grants/Donations	-	2,548	329	-	-
Interfund Services	-	160,000	727,933	-	-
Other Revenue	10,029	2,495	131	-	-
Total Revenues	129,594	1,217,669	728,433	163,116	27,874
EXPENDITURES					
Current Operation:					
Streets	-	926,517	638,227	4,032	-
Culture and Recreation	-	-	-	-	-
Economic Development	200,224	-	-	-	6,947
Debt Service	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Total Expenditures	200,224	926,517	638,227	4,032	6,947
Excess of Revenues Over (Under) Expenditures	(70,630)	291,152	90,206	159,084	20,927
OTHER FINANCING SOURCES (USES)					
Transfer In	6,000	45,217	-	-	-
Transfer Out	-	(242,226)	-	(79,469)	-
Total Other Financing Sources (Uses)	6,000	(197,009)	-	(79,469)	-
Net Change in Fund Balance	(64,630)	94,143	90,206	79,615	20,927
FUND BALANCES - BEGINNING OF YEAR	637,328	54,533	-	481,080	245,751
FUND BALANCES - END OF YEAR	\$ 572,698	\$ 148,676	\$ 90,206	\$ 560,695	\$ 266,678

<u>PARKS & RECREATION FUND</u>	<u>SDC FUND</u>	<u>HOUSING FUND</u>	<u>GENERAL DEBT FUND</u>	<u>TOTAL</u>
\$ -	\$ -	\$ -	\$ -	\$ 698,670
448	4,576	762	1,026	14,152
543,575	87,017	-	-	1,287,803
56,116	-	-	-	58,993
-	-	-	-	887,933
18,115	200	173,473	-	204,443
<u>618,254</u>	<u>91,793</u>	<u>174,235</u>	<u>1,026</u>	<u>3,151,994</u>
-	1,051	-	-	1,569,827
1,151,815	25,469	1,800	-	1,179,084
-	-	-	-	207,171
-	-	-	536,294	536,294
-	2,973	-	-	2,973
<u>1,151,815</u>	<u>29,493</u>	<u>1,800</u>	<u>536,294</u>	<u>3,495,349</u>
(533,561)	62,300	172,435	(535,268)	(343,355)
597,760	-	5,000	538,673	1,192,650
-	(349,395)	-	-	(671,090)
<u>597,760</u>	<u>(349,395)</u>	<u>5,000</u>	<u>538,673</u>	<u>521,560</u>
64,199	(287,095)	177,435	3,405	178,205
154,803	968,729	4,251	3,836	2,550,311
<u>\$ 219,002</u>	<u>\$ 681,634</u>	<u>\$ 181,686</u>	<u>\$ 7,241</u>	<u>\$ 2,728,516</u>

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2013

BUILDING PERMIT & INSPECTION FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
Permits	\$ 177,200	\$ 177,200	\$ 116,235	\$ (60,965)
State Permit Surcharges	20,000	20,000	9,415	(10,585)
Misc. Sales & Services	200	200	614	414
Interest on Investments	-	-	3,330	3,330
Total Revenues	197,400	197,400	129,594	(67,806)
EXPENDITURES				
Personal Services	107,291	107,291 (1)	100,910	6,381
Materials and Services	147,928	147,928 (1)	99,314	48,614
Contingency	586,481	586,481 (1)	-	586,481
Total Expenditures	841,700	841,700	200,224	635,095
Excess of Revenues Over (Under) Expenditures	(644,300)	(644,300)	(70,630)	573,670
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	6,000	6,000
Transfers Out	(6,000)	(6,000) (1)	-	6,000
Total Other Financing Sources (Uses)	(6,000)	(6,000)	6,000	12,000
Net Change in Fund Balance	(650,300)	(650,300)	(64,630)	585,670
FUND BALANCE - BEGINNING OF YEAR	650,300	650,300	637,328	(12,972)
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ 572,698	\$ 572,698

(1) Appropriation Level

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET- BUDGETARY BASIS
For the Year Ended June 30, 2013

STREET FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
State Gas Tax Proration	\$ 559,000	\$ 559,000	\$ 538,094	\$ (20,906)
Newport Gas Tax Proration	103,610	103,610	-	(103,610)
State ISTEPA Entitlement	-	-	158,268	158,268
Misc. Sales & Services	-	-	2,495	2,495
Fees	354,961	354,961	356,105	1,144
State Grants	-	-	2,548	2,548
LID - Sidewalks	1,000	1,000	-	(1,000)
Services Provided for Sewer Fund	160,000	160,000	160,000	-
Interest on Investments	-	-	159	159
	<u>1,178,571</u>	<u>1,178,571</u>	<u>1,217,669</u>	<u>39,098</u>
Total Revenues				
EXPENDITURES				
Street Maintenance	651,208	721,208 (1)	635,957	85,251
Storm Drain Maintenance	492,370	312,364 (1)	290,560	21,804
Contingency	115,984	45,984 (1)	-	45,984
	<u>1,259,562</u>	<u>1,079,556</u>	<u>926,517</u>	<u>153,039</u>
Total Expenditures				
Excess of Revenues Over (Under) Expenditures	(80,991)	99,015	291,152	192,137
OTHER FINANCING SOURCES (USES)				
Transfers In	45,217	45,217	45,217	-
Transfers Out	(62,226)	(242,232) (1)	(242,226)	6
	<u>(17,009)</u>	<u>(197,015)</u>	<u>(197,009)</u>	<u>6</u>
Total Other Financing Sources (Uses)				
Net Change in Fund Balance	(98,000)	(98,000)	94,143	192,143
FUND BALANCE - BEGINNING OF YEAR	<u>119,000</u>	<u>119,000</u>	<u>54,533</u>	<u>(64,467)</u>
FUND BALANCE - END OF YEAR	<u>\$ 21,000</u>	<u>\$ 21,000</u>	<u>\$ 148,676</u>	<u>\$ 127,676</u>

(1) Appropriation Level

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2013

<u>PUBLIC WORKS FUND</u>				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
Miscellaneous Sales & Services	\$ -	\$ -	\$ 131	\$ 131
Grants	-	-	329	329
Services Provided for Sewer Fund	700,880	700,880	727,933	27,053
Interest on Investments	-	-	40	40
Total Revenues	700,880	700,880	728,433	27,553
EXPENDITURES				
Personal Services	589,012	544,012 (1)	508,828	35,184
Material & Services	84,640	129,640 (1)	126,203	3,437
Capital Outlay	6,705	6,705 (1)	3,196	3,509
Contingency	20,523	20,523 (1)	-	20,523
Total Expenditures	700,880	700,880	638,227	62,653
Net Change in Fund Balance	-	-	90,206	90,206
FUND BALANCE - BEGINNING OF YEAR	-	-	-	-
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ 90,206	\$ 90,206

(1) Appropriation Level

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2013

LINE UNDERGROUNDING FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
Interest on Investments	\$ 250	\$ 250	\$ 2,540	\$ 2,290
Franchise Taxes	100,000	100,000	160,576	60,576
Total Revenues	100,250	100,250	163,116	62,866
EXPENDITURES				
Materials and Services	4,000	4,000 (1)	4,032	(32)
Capital Outlay	10,000	10,000 (1)	-	10,000
Contingency	412,341	392,341 (1)	-	392,341
Total Expenditures	426,341	406,341	4,032	402,309
Excess of Revenues Over (Under) Expenditures	(326,091)	(306,091)	159,084	465,175
OTHER FINANCING SOURCES (USES)				
Transfer Out	(59,469)	(79,469) (1)	(79,469)	-
Total Other Financing Sources (Uses)	(59,469)	(79,469)	(79,469)	-
Net Change in Fund Balance	(385,560)	(385,560)	79,615	465,175
FUND BALANCE - BEGINNING OF YEAR	385,560	385,560	481,080	95,520
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 560,695</u>	<u>\$ 560,695</u>

(1) Appropriation Level

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2013

<u>PUBLIC PARKING FUND</u>				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
Fees	\$ 12,100	\$ 12,100	\$ 26,603	\$ 14,503
Interest on Investments	-	-	1,271	1,271
Total Revenues	<u>12,100</u>	<u>12,100</u>	<u>27,874</u>	<u>15,774</u>
EXPENDITURES				
Public Parking General	43,900	43,900 (1)	6,947	36,953
Contingency	253,300	253,300 (1)	-	253,300
Total Expenditures	<u>297,200</u>	<u>297,200</u>	<u>6,947</u>	<u>290,253</u>
Excess of Revenues Over (Under) Expenditures	(285,100)	(285,100)	20,927	306,027
OTHER FINANCING SOURCES (USES)				
Transfers Out	(4,000)	(4,000) (1)	-	4,000
Total Other Financing Sources (Uses)	<u>(4,000)</u>	<u>(4,000)</u>	<u>-</u>	<u>4,000</u>
Net Change in Fund Balance	(289,100)	(289,100)	20,927	310,027
FUND BALANCE - BEGINNING OF YEAR	<u>289,100</u>	<u>289,100</u>	<u>245,751</u>	<u>(43,349)</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 266,678</u>	<u>\$ 266,678</u>

(1) Appropriation Level

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2013

PARKS & RECREATION FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
Programs	\$ 139,001	\$ 139,001	\$ 182,752	\$ 43,751
Fees	345,000	345,000	360,823	15,823
Rents & Leases	5,000	5,000	6,538	1,538
Concession Stand	9,000	9,000	9,268	268
Miscellaneous Income	15,000	15,000	2,309	(12,691)
Grants	-	-	53,843	53,843
Gifts & Donations	500	500	2,273	1,773
Interest on Investments	-	-	448	448
Total Revenues	<u>513,501</u>	<u>513,501</u>	<u>618,254</u>	<u>104,753</u>
EXPENDITURES				
Parks Administration	125,731	125,731 (1)	116,596	9,135
Senior Center	165,297	165,297 (1)	138,540	26,757
Swimming Pool	337,551	337,551 (1)	309,308	28,243
Recreation Center	420,507	420,507 (1)	398,871	21,636
Recreation Programs	188,975	188,975 (1)	188,500	475
Contingency	53,587	53,587 (1)	-	53,587
Total Expenditures	<u>1,291,648</u>	<u>1,291,648</u>	<u>1,151,815</u>	<u>139,833</u>
Excess of Revenues Over (Under) Expenditures	(778,147)	(778,147)	(533,561)	244,586
OTHER FINANCING SOURCES (USES)				
Transfers In	597,759	597,759	597,760	1
Total Other Financing Sources (Uses)	<u>597,759</u>	<u>597,759</u>	<u>597,760</u>	<u>1</u>
Net Change in Fund Balance	(180,388)	(180,388)	64,199	244,587
FUND BALANCE - BEGINNING OF YEAR	<u>236,000</u>	<u>236,000</u>	<u>154,803</u>	<u>(81,197)</u>
FUND BALANCE - END OF YEAR	<u>\$ 55,612</u>	<u>\$ 55,612</u>	<u>\$ 219,002</u>	<u>\$ 163,390</u>

(1) Appropriation Level

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2013

SDC FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
SDC Charges	\$ 289,000	\$ 289,000	\$ 82,872	\$ (206,128)
Interest from SDC's	7,000	7,000	4,145	(2,855)
Interest on Investments	18,100	18,100	200	(17,900)
Miscellaneous	5,800	5,800	4,576	(1,224)
Total Revenues	<u>319,900</u>	<u>319,900</u>	<u>91,793</u>	<u>(228,107)</u>
EXPENDITURES				
SDC Streets	50,491	50,491 (1)	1,051	49,440
SDC Water	35,428	35,428 (1)	1,051	34,377
SDC Wastewater	976	976 (1)	871	105
SDC Parks	4,659	28,890 (1)	25,469	3,421
SDC Storm Drain	1,412	1,412 (1)	1,051	361
Contingency	754,296	730,065 (1)	-	730,065
Total Expenditures	<u>847,262</u>	<u>847,262</u>	<u>29,493</u>	<u>817,769</u>
Excess of Revenues Over (Under) Expenditures	(527,362)	(527,362)	62,300	589,662
OTHER FINANCING SOURCES (USES)				
Transfer Out	(410,395)	(410,395) (1)	(349,395)	61,000
Total Other Financing Sources, (Uses)	<u>(410,395)</u>	<u>(410,395)</u>	<u>(349,395)</u>	<u>61,000</u>
Net Change in Fund Balance	(937,757)	(937,757)	(287,095)	650,662
FUND BALANCE - BEGINNING OF YEAR	<u>937,757</u>	<u>937,757</u>	<u>968,729</u>	<u>30,972</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 681,634</u>	<u>\$ 681,634</u>

(1) Appropriation Level

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2013

HOUSING FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 173,473	\$ 173,473
Interest on Investments	-	-	762	762
Total Revenues	-	-	174,235	174,235
EXPENDITURES				
Material and Services	180,000	180,000 (1)	1,800	178,200
Contingency	1,000	1,000 (1)	-	1,000
Total Expenditures	181,000	181,000	1,800	179,200
Excess of Revenues Over (Under) Expenditures	(181,000)	(181,000)	172,435	353,435
OTHER FINANCING SOURCES (USES)				
Transfer In	6,000	6,000	5,000	(1,000)
Total Other Financing Sources, (Uses)	6,000	6,000	5,000	(1,000)
Net Change in Fund Balance	(175,000)	(175,000)	177,435	352,435
FUND BALANCE - BEGINNING OF YEAR	175,000	175,000	4,251	(170,749)
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ 181,686	\$ 181,686

(1) Appropriation Level

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2013

<u>DEBT SERVICE FUNDS</u>			
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>GENERAL DEBT SERVICE</u>
REVENUES			
Property Taxes	\$ 1,730,000	\$ 1,730,000	\$ -
Interest on Investments	5,500	5,500	1,026
Total Revenues	<u>1,735,500</u>	<u>1,735,500</u>	<u>1,026</u>
EXPENDITURES			
Bonded Debt Service	1,661,250	1,661,250 (1)	-
General Proprietary Debt Service	635,406	635,406 (1)	-
General Debt Service	522,174	574,144 (1)	536,294
Contingency	314,345	314,345 (1)	-
Total Expenditures	<u>3,133,175</u>	<u>3,185,145</u>	<u>536,294</u>
Excess of Revenues Over (Under) Expenditures	(1,397,675)	(1,449,645)	(535,268)
OTHER FINANCING SOURCES (USES)			
Transfers In	1,155,731	1,207,701	538,673
Total Other Financing Sources (Uses)	<u>1,155,731</u>	<u>1,207,701</u>	<u>538,673</u>
Net Change in Fund Balance	(241,944)	(241,944)	3,405
FUND BALANCE - BEGINNING OF YEAR	<u>815,500</u>	<u>815,500</u>	<u>3,836</u>
FUND BALANCE - END OF YEAR	<u>\$ 573,556</u>	<u>\$ 573,556</u>	<u>\$ 7,241</u>

(1) Appropriation Level

BONDED DEBT FUND	PROPRIETARY DEBT FUND	TOTAL	VARIANCE TO FINAL BUDGET
\$ 1,633,558	\$ -	\$ 1,633,558	\$ (96,442)
3,714	2,912	7,652	2,152
<u>1,637,272</u>	<u>2,912</u>	<u>1,641,210</u>	<u>(94,290)</u>
1,661,250	-	1,661,250	-
-	635,406	635,406	-
-	-	536,294	37,850
-	-	-	314,345
<u>1,661,250</u>	<u>635,406</u>	<u>2,832,950</u>	<u>352,195</u>
(23,978)	(632,494)	(1,191,740)	257,905
-	623,556	1,162,229	(45,472)
-	623,556	1,162,229	(45,472)
(23,978)	(8,938)	(29,511)	212,433
<u>467,072</u>	<u>634,496</u>	<u>1,105,404</u>	<u>289,904</u>
<u>\$ 443,094</u>	<u>\$ 625,558</u>	<u>\$ 1,075,893</u>	<u>\$ 502,337</u>

Note: The Bonded Debt Fund and Proprietary Debt Fund are Proprietary Funds and are included in the Business Type Activities and not the Governmental Activities

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2013

<u>WASTEWATER FUND</u>				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
Service Charges	\$ 2,950,000	\$ 2,950,000	\$ 3,208,925	\$ 258,925
Capital Improvement Surcharge	467,500	467,500	-	(467,500)
Septage Revenue	50,000	50,000	4,340	(45,660)
Miscellaneous Income	70,000	70,000	1,995	(68,005)
Interest on Investments	5,000	5,000	7,001	2,001
Total Revenues	<u>3,542,500</u>	<u>3,542,500</u>	<u>3,222,261</u>	<u>(320,239)</u>
EXPENDITURES				
Wastewater Treatment Plant	957,684	1,027,684 (1)	1,026,062	1,622
Wastewater Collection	944,743	874,743 (1)	576,414	298,329
Wastewater Capital Projects	1,635,906	1,635,906 (1)	1,173,104	462,802
Non-Departmental	727,307	867,307 (1)	867,307	-
Contingency	1,010,295	92,295 (1)	-	92,295
Total Expenditures	<u>5,275,935</u>	<u>4,497,935</u>	<u>3,642,887</u>	<u>855,048</u>
Excess of Revenues Over (Under) Expenditures	(1,733,435)	(955,435)	(420,626)	534,809
OTHER FINANCING SOURCES (USES)				
Transfers Out	(468,411)	(1,246,411) (1)	(1,246,411)	-
Total Other Financing Sources (Uses)	<u>(468,411)</u>	<u>(1,246,411)</u>	<u>(1,246,411)</u>	<u>-</u>
Net Change in Fund Balance	(2,201,846)	(2,201,846)	(1,667,037)	534,809
FUND BALANCE - BEGINNING OF YEAR	<u>2,593,407</u>	<u>2,593,407</u>	<u>1,948,161</u>	<u>(645,246)</u>
FUND BALANCE - END OF YEAR	<u>\$ 391,561</u>	<u>\$ 391,561</u>	<u>281,124</u>	<u>\$ (110,437)</u>
RECONCILIATION TO NET POSITION				
Capital Assets, Net			37,369,902	
Compensated Absences			(36,236)	
Debt Payable			(9,370,000)	
Bond Premium			(223,202)	
Bond Issuance Costs			79,308	
Interest Payable			(86,625)	
TOTAL NET POSITION			<u>\$ 28,014,271</u>	

(1) Appropriation Level

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2013

<u>WATER FUND</u>				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
Service Charges	\$ 2,655,000	\$ 2,655,000	\$ 2,768,149	\$ 113,149
New Services, Meters	45,000	45,000	8,613	(36,387)
Grant	-	-	1,266	1,266
Miscellaneous Income	25,000	25,000	48,098	23,098
Interest on Investments	5,000	5,000	6,429	1,429
Total Revenues	<u>2,730,000</u>	<u>2,730,000</u>	<u>2,832,555</u>	<u>102,555</u>
EXPENDITURES				
Water Treatment	827,785	827,785 (1)	728,616	99,169
Water Distribution	723,795	723,795 (1)	663,056	60,739
Water Capital Projects	2,345,169	2,345,169 (1)	1,479,986	1,588,731
Water Non-Departmental	664,005	729,005 (1)	756,438	729,005
Contingency	525,517	460,517 (1)	-	460,517
Total Expenditures	<u>5,086,271</u>	<u>5,086,271</u>	<u>3,628,096</u>	<u>1,458,175</u>
Excess of Revenues Over (Under) Expenditures	(2,356,271)	(2,356,271)	(795,541)	1,560,730
OTHER FINANCING SOURCES (USES)				
Transfers Out	(64,556)	(64,556) (1)	(64,556)	-
Total Other Financing Sources (Uses)	<u>(64,556)</u>	<u>(64,556)</u>	<u>(64,556)</u>	<u>-</u>
Net Change in Fund Balance	(2,420,827)	(2,420,827)	(860,097)	1,560,730
FUND BALANCE - BEGINNING OF YEAR	<u>3,480,295</u>	<u>3,480,295</u>	<u>1,408,341</u>	<u>(2,071,954)</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,059,468</u>	<u>\$ 1,059,468</u>	<u>548,244</u>	<u>\$ (511,224)</u>
RECONCILIATION TO NET POSITION				
Capital Assets, Net			21,488,011	
Compensated Absences			(41,143)	
Bond Payable			(15,060,541)	
Loan Payable			(866,185)	
Bond Issuance Costs			264,086	
Bond Premium			(176,085)	
Interest Payable			(31,084)	
TOTAL NET POSITION			<u>\$ 6,125,303</u>	

(1) Appropriation Level

CITY OF NEWPORT, OREGON
LINCOLN COUNTY, OREGON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013

	<u>CFDA NUMBER</u>		<u>CURRENT YEAR EXPENDITURES</u>
FEDERAL AGENCY/PASS-THROUGH AGENCY			
U.S. DEPARTMENT OF TRANSPORTATION FEDERAL AVIATION ADMINISTRATION (FAA):			
US-DOT - Airport Improvement Projects AIP-18	20.106	\$	59,656 (1)
US-DOT - Airport Improvement Projects AIP-19	20.106		42,851 (1)
US-DOT - Airport Improvement Projects AIP-20	20.106		334,545 (1)
US-DOT - Airport Improvement Projects AIP-21	20.106		1,713,395 (1)
U.S. DEPARTMENT OF HOMELAND SECURITY:			
Staffing for Adequate Fire & Emergency Response (SAFER)	97.083		158,412
TOTAL FEDERAL EXPENDITURES		\$	2,308,859

(1) Major Program

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES
OF TAXES UNCOLLECTED
For the Year Ended June 30, 2013

General Fund and Sewer Bonded Debt Fund

TAX YEAR	IMPOSED LEVY OR OR BALANCE UNCOLLECTED AT 7/1/12	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT 6/30/13
Current:						
2012-13	\$ 7,672,612	\$ 187,105	\$ (15,824)	\$ 5,582	\$ 7,114,865	\$ 360,400
Prior Years:						
2011-12	397,168	(16)	(16,267)	15,035	193,528	202,424
2010-11	200,868	-	(15,666)	15,027	77,536	122,693
2009-10	98,665	(2)	(19,635)	19,066	60,766	37,332
2008-09	34,418	(1)	(11,570)	11,012	29,237	4,624
2007-08& prior	18,338	(1)	(5,294)	3,192	4,640	11,597
Total Prior	<u>749,457</u>	<u>(20)</u>	<u>(68,432)</u>	<u>63,332</u>	<u>365,707</u>	<u>378,670</u>
Total All Funds	<u>\$ 8,422,069</u>	<u>\$ 187,085</u>	<u>\$ (84,256)</u>	<u>\$ 68,914</u>	<u>\$ 7,480,572</u>	<u>\$ 739,070</u>

RECONCILIATION TO REVENUE:

Cash Collections by County Treasurer Above	\$ 7,480,572	
Accrual of Receivables:		
June 30, 2012	(65,268)	
June 30, 2013	62,007	
Other Taxes	<u>60,770</u>	
Total Revenue	<u>\$ 7,538,081</u>	
		<u>REVENUE</u>
Fund Allocation:		<u>RECEIVABLE</u>
General Fund	\$ 5,904,522	\$ 572,736
Sewer Bonded Debt Fund	<u>1,633,558</u>	<u>166,222</u>
Total	<u>\$ 7,538,080</u>	<u>\$ 738,958</u>

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES
OF TAXES UNCOLLECTED
For the Year Ended June 30, 2013

TAX YEAR	IMPOSED LEVY OR OR BALANCE UNCOLLECTED AT 7/1/12	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT 6/30/13
Urban Renewal - North Side						
Current:						
2012-13	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Prior Years:						
2011-12	15,303	(1)	(627)	579	7,457	7,799
2010-11	43,820	-	(3,417)	3,278	16,915	26,766
2009-10	16,108	-	(3,205)	3,113	9,921	6,095
2008-09	2,137	-	(719)	684	1,815	287
2007-08& prior	5,991	-	(1,730)	1,043	1,515	3,789
Total Prior	<u>83,359</u>	<u>(1)</u>	<u>(9,698)</u>	<u>8,697</u>	<u>37,623</u>	<u>44,736</u>
Total All Funds	<u>\$ 83,359</u>	<u>\$ (1)</u>	<u>\$ (9,698)</u>	<u>\$ 8,697</u>	<u>\$ 37,623</u>	<u>\$ 44,736</u>

RECONCILIATION TO REVENUE:

Cash Collections by County Treasurer Above	\$ 37,623
Accrual of Receivables:	
June 30, 2012	(10,520)
June 30, 2013	5,779
Other Taxes	<u>26,458</u>
Total Revenue	<u>\$ 59,340</u>

Urban Renewal - South Side

Current:						
2012-13	\$ 1,883,485	\$ 45,931	\$ (3,884)	\$ 1,370	\$ 1,746,568	\$ 88,472
Prior Years:						
2011-12	100,422	(4)	(4,113)	3,802	48,933	51,182
2010-11	56,035	-	(4,370)	4,192	21,630	34,227
2009-10	31,409	-	(6,250)	6,069	19,344	11,884
2008-09	10,822	-	(3,638)	3,463	9,193	1,454
2007-08& prior	4,722	-	(1,363)	822	1,195	2,986
Total Prior	<u>203,410</u>	<u>(4)</u>	<u>(19,734)</u>	<u>18,348</u>	<u>100,295</u>	<u>101,733</u>
Total All Funds	<u>\$ 2,086,895</u>	<u>\$ 45,927</u>	<u>\$ (23,618)</u>	<u>\$ 19,718</u>	<u>\$ 1,846,863</u>	<u>\$ 190,205</u>

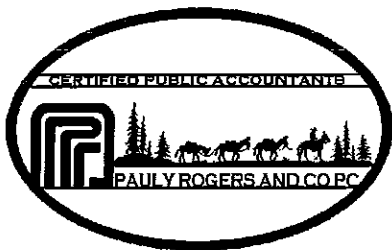
RECONCILIATION TO REVENUE:

Cash Collections by County Treasurer Above	\$ 1,846,863
Accrual of Receivables:	
June 30, 2012	(18,035)
June 30, 2013	16,368
Other Taxes	<u>15,349</u>
Total Revenue	<u>\$ 1,860,545</u>

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

INDEPENDENT AUDITORS' REPORT REQUIRED
BY OREGON STATE REGULATIONS

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January 29, 2014

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the City of Newport, Oregon as of and for the year ended June 30, 2013, and have issued our report thereon dated January 29, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards.

Compliance

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

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

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

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

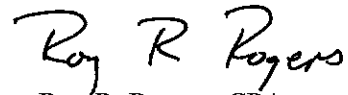
1. We found expenditures of various funds were within authorized appropriations, except as noted on page 17.

OAR 162-10-0230 Internal Control

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

We noted matters involving the internal control structure and its operation that we consider to be significant deficiencies under standards established by the American Institute of Certified Public Accountants, which are noted in the schedule of findings and questioned costs on page 69.

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

A handwritten signature in black ink that reads "Roy R. Rogers". The signature is written in a cursive style with a large, prominent "R" at the beginning.

Roy R. Rogers, CPA
PAULY, ROGERS AND CO., P.C.

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

GRANT COMPLIANCE REVIEW

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January 29, 2014

To the City Council
City of Newport
Lincoln County, Oregon

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newport as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated January 29, 2014.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies.

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 may exist that have not been identified.


Compliance and Other Matters

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

We noted certain matters that we reported to management of on the Schedule of Findings and Questioned Costs on page 69. Management's responses to the findings identified in our audit were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Purpose of this Report

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



Roy R. Rogers, CPA
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January 29, 2014

To the City Council
City of Newport
Lincoln County, Oregon

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

Report on Compliance for Each Major Federal Program

We have audited the City of Newport's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the major federal programs for the year ended June 30, 2013. The major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Newport, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2013.

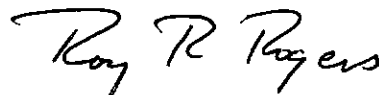
Report on Internal Control over Compliance

Management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of internal control over compliance.

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

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

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



Roy R. Rogers, CPA
PAULY, ROGERS AND CO., P.C.

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2013

SECTION I – SUMMARY OF AUDITORS’ RESULTS

FINANCIAL STATEMENTS

Type of auditors’ report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(s) identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

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

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? yes no

Significant deficiency(s) identified that are not considered to be material weaknesses? yes none reported

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

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

IDENTIFICATION OF MAJOR PROGRAMS

<u>CFDA NUMBER</u>	<u>NAME OF FEDERAL PROGRAM CLUSTER</u>
20.106	Airport Improvement Projects

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

Auditee qualified as low-risk auditee? yes no

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2013

SECTION II – FINANCIAL STATEMENT FINDINGS

2013-FS-1

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

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

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

Cause: Inadequate resources devoted towards these functions.

Recommendations: We recommend that bank reconciliations be completed within a few weeks of receiving the necessary information, and that a review by someone other than the preparer take place shortly thereafter.

Management's Response: This issue was because of being short staffed and a change in staff throughout the year. With a stable staff, bank reconciliations will be completed on a timely basis.

2013-FS-2

Condition: Journal entries are not being approved in a timely manner.

Criteria: Journal entries should be approved shortly after creation, by someone independent of the entry process.

Effect: Without timely approval of the journal entries by someone independent of the entry process, there exists an increased likelihood that a material misstatement could occur in the financial statements and go undetected.

Cause: Inadequate resources devoted towards these functions.

Recommendations: We recommend that journal entries be approved shortly after creation, by someone independent of the entry process.

Management's Response: This issue was because of being short staffed and a change in staff throughout the year. With a stable staff, journal entries will be approved in a timely manner.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. **BASIS OF PRESENTATION**

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