

2016-2017

ANNUAL FINANCE STATEMENT

JUNE 30, 2017



City Recorder, Peggy Hawker administering Oath of Office to Officer Sam Clark



Newport Parks and Recreation
Buccaneer Rampage



Newport Fire Department



Newport Public Library
Summer Reading Project

For the City of Newport
and
Newport Urban Renewal
Agency

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

You have BRAINS in your HEAD.
You have FEET in your SHOES
You can STEER yourself any
DIRECTION you CHOOSE.

Dr. Seuss

City of Newport Oregon

Annual Financial Report

For the Fiscal Year Ended

June 30, 2017

*** * * * ***

Spencer Nebel, City Manager

Mike Murzynsky, Finance Director

Virtually nothing is impossible in this world if you just put your mind to it and maintain a positive attitude.

- Lou Holtz

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

Council Members, Administrative Staff and Principal Financial Staff as of June 30, 2017:

<u>Council Members</u>	<u>Years of Service</u>	<u>Term Expires (d)</u>
Sandra Roumagoux, Mayor	4.5	December 31, 2020
Dean Sawyer	4.5	December 31, 2020
David Allen	6.5	December 31, 2018
Laura Swanson	4.5	December 31, 2020
Mark Saelens	4.5	December 31, 2018
Wendy Engler	2.5	December 31, 2018
Dietmar Goebel	0.5	December 31, 2020

<u>Administrative Staff</u>		<u>Years in this Position</u>	<u>Years of Service with the City of Newport</u>
City Manager	Spencer Nebel	3.5	3.5
Finance Director	Mike Murzynsky	3.0	3.0
City Attorney	Steve Rich	2.5	2.5
Public Works Director	Tim Gross	5.0	5.0
Community Development Director	Derrick Tokos	8.0	8.0
Parks and Recreation Director	Jim Protiva	12.0	12.0
Library Director	Ted Smith	8.0	8.0
Interim Police Chief	Jason Malloy	1.0	23.5
Fire Chief	Rob Murphy	3.0	10.0

Principal Finance Staff

Finance Director
 Mike Murzynsky

Asst. Finance Director
 Linda Brown

Life is ten percent what happens to you and ninety percent, how you respond to it.

- Lou Holtz

City of Newport, Oregon

Table of Contents
For the Fiscal Year Ended June 30, 2017

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	1 - 3
MANAGEMENT’S DISCUSSION AND ANALYSIS	4 - 11
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position.....	12
Statement of Activities.....	13 - 14
Fund Financial Statements	
Governmental Funds	
Balance Sheet.....	15
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	16
Statement of Revenues, Expenditures and Changes in Fund Balances.....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	18
Statements of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual General.....	19 - 20
Parks and Recreation.....	21
Agate Beach Closure.....	22
Urban Renewal.....	23
Proprietary Funds	
Statement of Net Position.....	24
Statement of Revenues, Expenses and Changes in Net Position.....	25
Statement of Cash Flows.....	26 - 27
Fiduciary Fund	
Statement of Net Position.....	28
Statement of Changes in Net Position.....	29
Notes to the Basic Financial Statements.....	30 - 85
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Proportionate share of Net Pension Liability.....	86
Schedule of Contributions.....	87
Schedule of Net Pension Liability and Changes in Net Pension Liability.....	88
Schedule of Employer Contributions.....	89
Schedule of Investment Rate of Return.....	90
SUPPLEMENTARY INFORMATION	
Major Governmental Fund	
Capital Projects Fund Schedule of Revenues and Expenditures – Budget and Actual.....	91

City of Newport, Oregon

**Table of Contents (continued)
For the Fiscal Year Ended June 30, 2017**

	<u>Page</u>
SUPPLEMENTARY INFORMATION (CONTINUED)	
Nonmajor Governmental Funds	
Combining Balance Sheet	92
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	93
Special Revenue Funds	
Combining Balance Sheet	94 - 95
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	96 - 97
Capital Projects Funds	
Combining Balance Sheet	98
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	99
Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	
Special Revenue	
Public Parking.....	100
Housing.....	101
Airport	102
Room Tax	103
Building Inspection.....	104
Streets	105
Line Undergrounding	106
SDC	107
Debt Service	108
Capital Projects	
Capital Projects Reserve	109
Capital Improvements.....	110
Major Enterprise Funds	
Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	
Water	111
Wastewater	112
Water Debt Service.....	113
Wastewater Debt Service.....	114
Capital Projects.....	115
Internal Service Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	
Public Works	116
 COMPLIANCE SECTION	
Independent Auditor’s Report Required by Oregon State Regulations	117 - 118
Government Auditing Standards and Uniform Guidance Reports	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Basic Financial Statements Performed in Accordance with Government Auditing Standards	119 - 120
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Controls Over Compliance in Accordance with the Uniform Guidance	121 - 122

City of Newport, Oregon

**Table of Contents (continued)
For the Fiscal Year Ended June 30, 2017**

	<u>Page</u>
COMPLIANCE SECTION (CONTINUED)	
Schedule of Findings and Questioned Costs	123 - 124
Summary Schedule of Prior Audit Findings	125
Schedule of Expenditures of Federal Awards	126
Notes to Schedule of Expenditures of Federal Awards	127

Better a diamond with flaw than a pebble without.

- Confucius



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **CITY OF NEWPORT**, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT (Continued)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **CITY OF NEWPORT**, as of June 30, 2017, the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparisons for the General, Parks and Recreation, Agate Beach Closure and Urban Renewal Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 and the required supplementary information on pages 86 through 90 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information 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 Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT (Continued)

Reports on Other Legal and Regulatory Requirements

Other Reporting Required by Government Auditing Standards

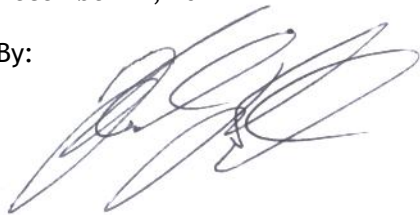
In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2017 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Other Reporting Required by Oregon State Regulations

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 27, 2017, on our consideration of the City's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Boldt Carlisle + Smith
Certified Public Accountants
Salem, Oregon
December 27, 2017

By:

A handwritten signature in black ink, appearing to read 'B. Bingenheimer', written over a light blue horizontal line.

Bradley G. Bingenheimer, Member

In order to succeed, we must first believe that we can.

- Nikow Kazantzakis

MANAGEMENT'S DISCUSSION AND ANALYSIS

A day without laughter is a day wasted.
Anonymous

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Newport ("City") offers its public a discussion of its financial statements for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the additional information furnished in the financial statement that follow.

Financial Highlights

Net Position – At the close of the most recent fiscal year, the assets of the City exceeded its liabilities by \$106.9 million up \$2.877 million (2.7%) from the previous year. Of this amount, \$1.530 million may be used to meet the City's ongoing obligation to citizens and creditors. For the Restricted category, Capital Projects decreased by 35.58% or \$2.829 million due to significant completion related to Bay/Moore sewer project. The Debt Service category decreased by \$3.013 million or 63.71% due to a transfer to the Urban Renewal Revitalization which increased a total of \$3.489 million.

Change in Net Position – The City's total net position for the 2015-16 Fiscal Year (FY) increased by \$2.877 million, total assets increased by \$6.549 million, total liabilities increased by \$5.525 million, Net Investment in Capital Assets increased by \$9.621 million while Total Deferred Inflows decreased by \$699,320, Capital Projects – Restricted decreased by \$3.898 million, and Unrestricted fund balances decreased by \$3.750 million.

Governmental Funds – As of the close of the fiscal year, the City's governmental funds reported combined Ending Fund Balances (EFBs) of \$16.912 million, down \$1.480 million from the previous year. The General Fund decreased by \$376,276, because planned expenditures exceeded the total revenue. Parks and Recreation also increased by \$71,143. Agate Beach Closure decrease was relatively flat as compared to the 2015-16 FY. The Urban Renewal Debt fund balance increased by \$493,615. The significant decrease in EFB's was in the Capital Projects, it decreased \$2.301 million due to construction on the new Bay Moore Sewer project.

Overview of the Financial Statements

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

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

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

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods (for example, uncollected taxes and earned but unused vacation leave). The **governmental activities** of the City include general government, public safety, streets, economic development, culture and recreation, airport operations and interest paid on long term debt. The **business type** activities include those funds dealing with water treatment and distribution, wastewater treatment and collection, the Public Works Internal Service fund.

Fund financial statements. A fund is a group of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. As do other state and local

governments, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City has two type of funds: Governmental and Proprietary Funds.

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

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

The City maintains 17 governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances for these “major” funds.

1. General Fund
2. Parks and Recreation
3. Agate Beach Closure Fund
4. Newport Urban Renewal Debt Service
5. Capital Projects Fund

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

Proprietary Funds. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent is that the cost of providing the services to the general public on a continuing basis be financed primarily through user charges. These funds represent two significant segments of the City’s operations: Water and Wastewater, which includes the treatment plants, the collection and distribution systems and the related Capital Projects, Debt Service, and the Public Works funds.

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

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

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

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. As of June 30, 2017, the City's assets exceeded liabilities by \$106.9 million.

The largest portion of the City's net position (86.6%) is its investment in capital assets (land, buildings, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses those capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets in reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Of the remaining balance in net assets over \$1.5 million, \$5.122 million is restricted for Capital projects paid for by System Development Charges (SDCs) and other restricted items, \$1.716 million are restricted for the City debt, namely bonds and loans, \$3.907 is restricted for the City Urban renewal projects which are funded by tax-increment financing and \$1.530 million is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

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

TABLE 1
SUMMARY OF NET POSITION

	Governmental Activities		Business-type Activities		Total Government	
	2016	2017	2016	2017	2016	2017
ASSETS						
Cash and investments	\$ 19,715,914	\$ 17,473,517	\$ 5,044,224	\$ 5,316,102	\$ 24,760,138	\$ 22,789,619
Other assets	903,434	1,172,979	2,791,621	3,080,895	3,695,055	4,253,874
Capital assets	68,062,055	73,643,725	62,301,602	64,681,527	130,363,657	138,325,252
Total Assets	88,681,403	92,290,221	70,137,447	73,078,524	158,818,850	165,368,745
DEFERRED OUTFLOWS OF RESOURCES						
Pension related items	755,022	3,115,173	147,690	342,044	902,712	3,457,217
LIABILITIES						
Other liabilities	2,575,377	2,053,244	1,149,039	6,500,151	3,724,416	8,553,395
Long-term debt outstanding	23,533,776	24,124,557	27,881,228	28,009,569	51,415,004	52,134,126
Total Liabilities	26,109,153	26,177,801	29,030,267	34,509,720	55,139,420	60,687,521
DEFERRED INFLOWS OF RESOURCES						
Pension related items	488,439	895,537	15,791	353,916	504,230	1,249,453
Unearned revenues	45,903	-	-	-	45,903	-
Total Deferred Inflows	534,342	895,537	15,791	353,916	550,133	1,249,453
NET POSITION						
Net investment in capital assets	47,957,375	55,462,857	35,038,648	37,154,863	82,996,023	92,617,720
Restricted						
Capital projects	6,255,437	3,898,688	1,695,745	1,223,473	7,951,182	5,122,161
Debt service	3,226,183	17,483	1,503,517	1,698,804	4,729,700	1,716,287
Agate Beach closure	1,372,665	1,339,564	-	-	1,372,665	1,339,564
Tourism	499,109	227,989	-	-	499,109	227,989
Streets	765,078	428,054	-	-	765,078	428,054
Urban renewal revitalization	417,744	3,907,063	-	-	417,744	3,907,063
Unrestricted	2,279,339	3,050,358	3,001,169	(1,520,208)	5,280,508	1,530,150
Total Net Position	\$ 62,772,930	\$ 68,332,056	\$ 41,239,079	\$ 38,556,932	\$ 104,012,009	\$ 106,888,988

Governmental activities. Governmental net assets increased from \$62.773 million 2015-16 Fiscal Year to \$ 68.332 million in FY 2016-17.

Business-type activities. Net assets for Business-type activities decreased by about \$2.7 million from \$41.239 million.

TABLE 2
GOVERNMENTAL AND PROPRIETARY ACTIVITIES

	Governmental Activities		Business-type Activities		Total Government	
	2016	2017	2016	2017	2016	2017
REVENUES:						
Program Revenues						
Charges for Services	\$ 4,153,866	\$ 4,415,120	\$ 7,351,924	\$ 7,822,165	\$ 11,505,790	\$ 12,237,285
Grants and Contributions	1,932,200	3,496,513	16,540	263,616	1,948,740	3,760,129
General Revenues						
Taxes	12,305,014	12,903,659	1,783,433	1,902,502	14,088,447	14,806,161
Licenses, Permits and Fees	1,421,518	1,350,193	-	-	1,421,518	1,350,193
Intergovernmental	1,036,624	1,121,061	-	-	1,036,624	1,121,061
Investment Earnings	148,909	201,725	49,845	82,773	198,754	284,498
Other Revenue	505,102	391,231	-	-	505,102	391,231
Gain on sale of capital assets	-	1,650,272	-	-	-	1,650,272
Transfers	(782,845)	(1,509,294)	782,845	1,509,294	-	-
Total Revenues	20,720,388	24,020,480	9,984,587	11,580,350	30,704,975	35,600,830
EXPENSES:						
General Government	6,271,284	6,708,369	-	-	6,271,284	6,708,369
Public Safety	7,122,338	6,475,521	-	-	7,122,338	6,475,521
Highways and Streets	1,391,446	1,694,645	-	-	1,391,446	1,694,645
Culture and Recreation	2,680,451	2,941,138	-	-	2,680,451	2,941,138
Interest on Long-term Obligation	716,647	641,681	-	-	716,647	641,681
Water	-	-	5,016,453	6,094,409	5,016,453	6,094,409
Sewer	-	-	3,383,671	3,456,552	3,383,671	3,456,552
Total Expenses	18,182,166	18,461,354	8,400,124	9,550,961	26,582,290	28,012,315
Changes in Net Position	2,538,222	5,559,126	1,584,463	2,029,389	4,122,685	7,588,515
Beginning Net Position	60,234,708	62,772,930	39,439,830	41,239,079	99,674,538	104,012,009
Prior Period Adjustment	-	-	214,786	(4,711,536)	214,786	(4,711,536)
Ending Net Position	\$ 62,772,930	\$ 68,332,056	\$ 41,239,079	\$ 38,556,932	\$ 104,012,009	\$ 106,888,988

Financial Analysis of the City's Funds

Governmental funds. The City's governmental funds provide information on near term inflows, outflows and balance of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year, the City's governmental funds reported combined ending fund balances of \$16.912 million, of which \$13.555 million is either non-spendable, restricted, or committed fund balance. \$3.348 million is unassigned fund balance and, if appropriated, is available for new spending.

A summary of all fund balances is shown below.

TABLE 3
ENDING FUND BUDGETARY BALANCES

GOVERNMENTAL FUNDS	FY 2015	FY 2016	FY 2017	FY16 to FY17 Change
General Fund	\$ 2,995,163	\$ 3,733,611	\$ 3,357,335	\$ (376,276)
Airport Fund	312,147	231,798	255,295	23,497
Room Tax Fund	850,362	504,109	227,989	(276,120)
Agate Beach Closure Fund	1,397,838	1,372,665	1,339,564	(33,101)
Capital Project Fund	11,944,792	4,642,994	2,341,685	(2,301,309)
Urban Renewal Agency Fund	739,805	417,744	3,907,063	3,489,319
General Debt Fund	53,838	47,210	4,103	(43,107)
Newport Urban Renewal Debt Fund	2,577,495	2,995,704	-	(2,995,704)
Street Fund	670,591	765,078	428,054	(337,024)
Line Underground Fund	758,129	674,570	761,010	86,440
SDC Fund	1,151,936	1,291,147	1,391,244	100,097
Parks and Recreation Fund	417,004	447,082	518,225	71,143
Building Inspection Fund	475,694	563,897	633,127	69,230
Public Parking Fund	318,536	285,365	287,374	2,009
Reserve Fund	502,138	285,000	714,012	429,012
Capital Improvements Fund	-	-	633,423	633,423
Housing Fund	156,334	134,414	112,742	(21,672)
Total Governmental Funds	\$ 25,321,802	\$ 18,392,388	\$ 16,912,245	\$ (1,480,143)
				FY16 to FY17 Change
PROPRIETARY FUNDS	FY 2015	FY 2016	FY 2017	
Water Fund	\$ 1,634,175	\$ 939,208	\$ 1,356,789	\$ 417,581
Sewer Fund	968,152	992,495	1,325,502	333,007
Debt Fund - Water	137,510	92,511	177,418	84,907
Debt Fund - Sewer	1,158,135	1,259,933	1,377,713	117,780
Capital Projects	3,122,889	1,695,745	1,223,473	(472,272)
Public Works Fund	183,477	63,678	52,816	(10,862)
Total Proprietary Funds	\$ 7,204,338	\$ 5,043,570	\$ 5,513,711	\$ 470,141

The City's governmental funds reported combined Ending Fund Balances (EFBs) of \$16.912 million, down \$1.480 million from the previous year. The General Fund EFB decreased by \$376,276 to \$3.357 million. In the General Fund, the ratio of EFB to total expenditures less non-departmental and transfers is 26.38%. Other substantial increases/decreases were in the Newport Urban Renewal debt which decreased by \$2.995 million to \$0, the Capital Project Fund by \$2.301 million to \$2.342 million while the Urban Renewal Agency increased by \$3.489 million to \$3.907 million.

The primary reason for the decrease in governmental fund balances was within the Capital Project Fund. The actual beginning balance began the 2016-17 FY at \$4.642 million and finished the FY at \$2.342 million. Thus, the fund decreased \$2.301 million due to significant completion of the Bay/Moore Sewage project and various other capital projects.

Capital assets. As of June 30, 2017 the City’s investment in capital assets for its governmental and business type activities was \$138.3 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	
	2016	2017	2016	2017	2016	2017
Land	\$ 10,140,220	\$ 12,225,530	\$ 858,652	\$ 858,652	\$ 10,998,872	\$ 13,084,182
Buildings and structures	30,611,160	31,118,425	28,746,625	28,831,082	59,357,785	59,949,507
Equipment	3,923,649	4,054,671	1,965,674	1,986,700	5,889,323	6,041,371
Vehicles	5,506,961	5,701,031	1,533,165	1,594,948	7,040,126	7,295,979
Infrastructure	39,904,928	43,733,135	55,400,513	57,736,067	95,305,441	101,469,202
Construction in progress	17,267,695	18,052,520	6,027,933	8,397,459	23,295,628	26,449,979
Less accumulated depreciation	(39,292,558)	(41,251,338)	(32,250,960)	(34,723,381)	(71,543,518)	(75,974,719)
Total	\$ 68,062,055	\$ 73,633,974	\$ 62,281,602	\$ 64,681,527	\$ 130,343,657	\$ 138,315,501

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

- Bay/Moore Sewage Improvement
- Big Creek Lift Station
- Agate Beach Storage Tank
- Aquatic Center Construction completion

TABLE 5
Change in Capital Assets

	Governmental Activities		Business-type Activities		Total Government	
	2016	2017	2016	2017	2016	2017
Beginning Balance	\$ 58,587,194	\$ 68,062,055	\$ 59,865,980	\$ 62,301,602	\$ 118,453,174	\$ 130,363,657
Additions	17,158,424	7,611,178	6,929,262	4,873,210	24,087,686	12,484,388
Depreciation	(1,767,627)	(2,032,031)	(2,715,107)	(2,493,285)	(4,482,734)	(4,525,316)
Deletions	(5,915,936)	(7,228)	(1,778,533)	-	(7,694,469)	(7,228)
Ending Balance	\$ 68,062,055	\$ 73,633,974	\$ 62,301,602	\$ 64,681,527	\$ 130,363,657	\$ 138,315,501

Further information and discussion on the Capital Assets may be found in the Notes to the Financial Statements, Section 3 Detailed Notes.

Long-term debt

The City has three major types of debt:

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

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

In fiscal year 2017, the City added no debt yet continued to pay down the debt, \$1.670 million as planned.

GOVERNMENTAL ACTIVITIES	FY 2015	FY 2016	FY 2017
2014 Series GO for Pool	\$ 7,850,000	\$ 7,655,000	\$ 7,440,000
2007 Certificate of Participation (LoCap)	185,000	170,000	155,000
2009 Certificate of Participation (LoCap)	1,085,000	825,000	560,000
2012 North Side Fire Station	226,776	213,132	-
2010B Series, Full Faith and Refunding	5,270,000	4,675,000	4,015,000
2007 Series, Bank of America	219,000	112,000	-
2008 Series, Bank of America	875,000	595,000	305,000
2015 A and B Urban Renewal	5,456,000	5,339,000	5,239,000
Dell Finance - Capital Leases	57,778	24,694	-
City Bond Premium	494,405	460,690	426,978
URA Bond Premium	40,185	35,160	30,139
Total Governmental Debt	21,759,144	20,104,676	18,171,117
BUSINESS-TYPE ACTIVITIES	FY 2015	FY 2016	FY 2017
2009 GO Water Improvement Bonds (WTP)	13,845,541	13,120,541	12,310,541
2008 GO Refunding Bonds (Wastewater)	3,455,000	2,640,000	1,795,000
2010A Series, Full Faith and Refunding	3,560,000	3,135,000	2,695,000
Clean Water SRF Draw	1,858,187	2,876,587	5,455,971
2007 Seal Rock Water District Agreement	794,505	767,888	739,941
2015 Water Borrowing	4,554,800	4,423,626	4,264,224
Bond Premium	332,637	299,312	265,987
Total Business-type Debt	28,400,670	27,262,954	27,526,664
TOTALS:	\$ 50,159,814	\$ 47,367,630	\$ 45,697,781

Further discussion and information on the City's Long-term debt may be found in the Notes to the Financial Statements, Section 3 Detailed Notes.

Economic factors and next Year's Budget

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

Another indicator of economic trends is the unemployment rate for a particular area. In reviewing the Lincoln County unemployment statistics over the past ten years for the month of February, it shows that 2016 (6.4%) had the second lowest unemployment rate during this ten-year window, with only 2008 having a lower rate (6.2%). While Lincoln County is lagging both the State and Federal unemployment rates Lincoln County has seen a significant reduction since the highest February rate of 12.3% in 2010.

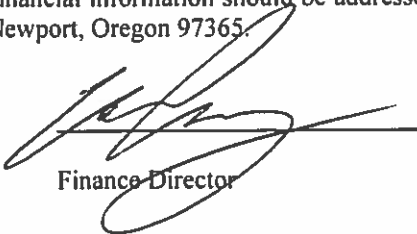
The city's single largest source of revenue for the operation of the City of Newport comes from property taxes. The city has seen a steady growth in this revenue over the past years, which is used to fund the major operations of the city, including police, fire, and general government. The State of Oregon has passed a number of initiatives that impact the amount of property taxes paid to local governments, including Measure 5 which passed in 1990, and Measure 50, which passed in 1996. Measure 5 imposes a limit of \$10 per \$1,000 of real market value for the overall payments of general government taxes.

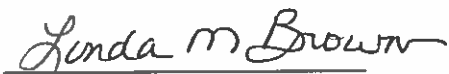
The City of Newport has not been significantly impacted by compression, which results when the rate limits enacted by Measure 50 are exceeded on individual properties. Compression applies to the real market value of properties rather than the assessed valuation. The city should continue seeing a modest growth in property tax revenues for the foreseeable future.

Other significant sources of revenues for the City of Newport include the transient room tax and local gas tax, state shared revenues, state gas tax and franchise fees, and line undergrounding fees from various utilities utilizing the city's right-of-way or being granted an exclusive franchise within the city. Also, because the City provides for Water and Sewer services there are related fees and charges for these and are a significant source for our Proprietary funds.

In assembling the City-wide budget for the 2017-18 Budget, the City Finance Department assembled assumptions for the budget as follows; assessed value of property would increase by 2.0 percent and the same for interest income. Medical insurance coverage was scheduled to increase by an average 8 percent, and an average Cost of Living Adjustment of 2.0% for budgeted wages.

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

Signature: 
Title: Finance Director

Signature 
Title: Asst. Finance Director

BASIC FINANCIAL STATEMENTS

Everyone wants some magical solution for their problem and everyone refuses to believe in magic.

- The Mad Hatter

CITY OF NEWPORT, OREGON
STATEMENT OF NET POSITION

June 30, 2017

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 17,473,517	\$ 5,316,102	\$ 22,789,619
Internal balances	(1,142,374)	1,142,374	-
Receivables			
Property taxes	802,510	166,715	969,225
Accounts	1,496,452	1,249,547	2,745,999
Inventories	-	516,466	516,466
Prepaid items	16,391	5,793	22,184
Land held for resale	9,751	-	9,751
Capital assets			
Land and construction in progress	30,278,050	9,256,111	39,534,161
Other capital assets, net of depreciation	<u>43,355,924</u>	<u>55,425,416</u>	<u>98,781,340</u>
Total assets	<u>92,290,221</u>	<u>73,078,524</u>	<u>165,368,745</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	<u>3,115,173</u>	<u>342,044</u>	<u>3,457,217</u>
Total deferred outflows of resources	<u>3,115,173</u>	<u>342,044</u>	<u>3,457,217</u>
LIABILITIES			
Accounts payable	1,929,714	561,904	2,491,618
Payroll and related liabilities	78,280	17,716	95,996
Accrued interest payable	42,382	5,440,326	5,482,708
Refundable deposits and advances	2,868	480,205	483,073
Long-term obligations			
Due within one year			
Compensated absences	463,725	89,226	552,951
All other debt	1,783,737	2,463,302	4,247,039
Due in more than one year			
Other post employment benefits	323,351	82,141	405,492
Net pension liability	5,166,364	311,538	5,477,902
All other debt	<u>16,387,380</u>	<u>25,063,362</u>	<u>41,450,742</u>
Total liabilities	<u>26,177,801</u>	<u>34,509,720</u>	<u>60,687,521</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related items	<u>895,537</u>	<u>353,916</u>	<u>1,249,453</u>
Total deferred inflow of resources	<u>895,537</u>	<u>353,916</u>	<u>1,249,453</u>
NET POSITION			
Net investment in capital assets	55,462,857	37,154,863	92,617,720
Restricted for:			
Capital projects	3,898,688	1,223,473	5,122,161
Debt service	17,483	1,698,804	1,716,287
Agate beach disposal site closure	1,339,564	-	1,339,564
Tourism	227,989	-	227,989
Streets	428,054	-	428,054
Urban renewal revitalization	3,907,063	-	3,907,063
Unrestricted	<u>3,050,358</u>	<u>(1,520,208)</u>	<u>1,530,150</u>
Total net position	<u>\$ 68,332,056</u>	<u>\$ 38,556,932</u>	<u>\$ 106,888,988</u>

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

CITY OF NEWPORT, OREGON
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
FUNCTIONS/PROGRAMS				
Governmental activities				
General government	\$ 6,708,369	\$ 2,774,718	\$ 39,003	\$ 2,810,235
Public safety	6,475,521	388,197	14,809	-
Highways and streets	1,694,645	452,828	-	30,746
Culture and recreation	2,941,138	799,377	1,152	600,568
Interest on long-term obligations	641,681	-	-	-
Total governmental activities	<u>18,461,354</u>	<u>4,415,120</u>	<u>54,964</u>	<u>3,441,549</u>
Business-type activities				
Water	6,094,409	3,792,486	1,235	262,381
Wastewater	3,456,552	4,029,679	-	-
Total business-type activities	<u>9,550,961</u>	<u>7,822,165</u>	<u>1,235</u>	<u>262,381</u>
Totals	<u>\$ 28,012,315</u>	<u>\$ 12,237,285</u>	<u>\$ 56,199</u>	<u>\$ 3,703,930</u>

General revenues

- Property taxes used for general purposes
- Property taxes used for debt service
- Transient room taxes used for general purposes
- Franchise fees
- Motor fuel taxes
- Cigarette and alcoholic beverage taxes
- Unrestricted investment earnings
- Miscellaneous

Special item - gain on sale of capital assets

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

Prior period adjustments

Net position - ending

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

Net (Expense) Revenue and
Change in Net Position

Governmental Activities	Business- type Activities	Totals	
			Governmental activities
\$ (1,084,413)		\$ (1,084,413)	General government
(6,072,515)		(6,072,515)	Public safety
(1,211,071)		(1,211,071)	Highways and streets
(1,540,041)		(1,540,041)	Culture and recreation
<u>(641,681)</u>		<u>(641,681)</u>	Interest on long-term obligations
<u>(10,549,721)</u>		<u>(10,549,721)</u>	Total governmental activities
			Business-type activities
	\$ (2,038,307)	(2,038,307)	Water
	<u>573,127</u>	<u>573,127</u>	Sewer
	<u>(1,465,180)</u>	<u>(1,465,180)</u>	Total business-type activities
<u>(10,549,721)</u>	<u>(1,465,180)</u>	<u>(12,014,901)</u>	Totals
			General revenues
6,482,576	-	6,482,576	Property taxes used for general purposes
2,677,775	1,902,502	4,580,277	Property taxes used for debt service
3,743,308	-	3,743,308	Transient room taxes used for general purposes
1,350,193	-	1,350,193	Franchise fees
817,131	-	817,131	Motor fuel taxes
303,930	-	303,930	Cigarette and alcoholic beverage taxes
201,725	82,773	284,498	Unrestricted investment earnings
391,231	-	391,231	Miscellaneous
1,650,272	-	1,650,272	Special item - gain on sale of capital assets
<u>(1,509,294)</u>	<u>1,509,294</u>	<u>-</u>	Transfers
<u>16,108,847</u>	<u>3,494,569</u>	<u>19,603,416</u>	Total general revenues and transfers
5,559,126	2,029,389	7,588,515	Change in net position
62,772,930	41,239,079	104,012,009	Net position - beginning
<u>-</u>	<u>(4,711,536)</u>	<u>(4,711,536)</u>	Prior period adjustments
<u>\$ 68,332,056</u>	<u>\$ 38,556,932</u>	<u>\$ 106,888,988</u>	Net position - ending

CITY OF NEWPORT, OREGON
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	General	Parks and Recreation	Agate Beach Closure	Urban Renewal	Capital Projects	Total Nonmajor Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 3,345,448	\$ 576,219	\$ 1,073,035	\$ 3,885,755	\$ 3,522,124	\$ 5,070,936	\$ 17,473,517
Receivables							
Property taxes	585,116	-	-	186,782	-	30,612	802,510
Accounts	355,125	2,924	-	45	357,511	780,847	1,496,452
Land held for resale	-	-	-	-	-	9,751	9,751
Prepaid items	-	3,271	-	-	-	13,120	16,391
Due from other funds	-	-	275,000	-	-	-	275,000
Total assets	\$ 4,285,689	\$ 582,414	\$ 1,348,035	\$ 4,072,582	\$ 3,879,635	\$ 5,905,266	\$ 20,073,621
LIABILITIES							
Accounts payable	\$ 353,610	\$ 58,036	\$ 8,471	\$ 3,604	\$ 1,262,950	\$ 243,043	\$ 1,929,714
Payroll and related liabilities	63,850	6,153	-	442	-	7,835	78,280
Due to other funds	-	-	-	-	275,000	-	275,000
Deposits	1,228	-	-	-	-	1,640	2,868
Total liabilities	418,688	64,189	8,471	4,046	1,537,950	252,518	2,285,862
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue	509,666	-	-	161,473	-	204,375	875,514
Total deferred inflows of resources	509,666	-	-	161,473	-	204,375	875,514
FUND BALANCES							
Nonspendable	-	3,271	-	-	-	13,120	16,391
Restricted	-	-	1,339,564	3,907,063	2,341,685	2,047,287	9,635,599
Committed	-	514,954	-	-	-	2,049,548	2,564,502
Assigned	-	-	-	-	-	1,347,435	1,347,435
Unassigned	3,357,335	-	-	-	-	(9,017)	3,348,318
Total fund balances	3,357,335	518,225	1,339,564	3,907,063	2,341,685	5,448,373	16,912,245
Total liabilities, deferred inflows of resources and fund balances	\$ 4,285,689	\$ 582,414	\$ 1,348,035	\$ 4,072,582	\$ 3,879,635	\$ 5,905,266	\$ 20,073,621

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

CITY OF NEWPORT, OREGON
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2017

Total fund balances per governmental funds balance sheet		\$ 16,912,245
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land and construction in progress	\$ 30,278,050	
Other capital assets, net of depreciation	<u>43,355,924</u>	
Total capital asset adjustments		73,633,974
Other long-term assets are not available to pay current-period expenditures and, therefore, are reported as unavailable revenue in the funds.		
		875,514
Governmental activities report as deferred outflows of resources, the difference between expected and actual experience, the changes in proportionate share, and contributions to the public employees retirement system and the City of Newport retirement plan.		
		3,115,173
Internal service funds are used by management to charge the costs of information systems services, central services, and geographic information system services to individual funds. A portion of the assets and liabilities of the internal service funds is included in governmental activities in the statement of net position.		
		(1,142,374)
Long-term liabilities, including bonds payable, notes payable, accrued interest, deferred inflows of resources, compensated absences, net pension liability and other postemployment benefits are not due and payable in the current period and, therefore, are not reported in the funds.		
Long-term obligations	\$ (18,171,117)	
Interest payable on long-term debt	(42,382)	
Deferred inflow - pension related	(895,537)	
Compensated absences	(463,725)	
Net pension liability	(5,166,364)	
Other postemployment benefits	<u>(323,351)</u>	
Total long-term obligations adjustments		<u>(25,062,476)</u>
Net position of the governmental activities		<u>\$ 68,332,056</u>

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

CITY OF NEWPORT, OREGON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	General	Parks and Recreation	Agate Beach Closure	Urban Renewal	Capital Projects	Total Nonmajor Funds	Total Governmental Funds
REVENUES							
Taxes:							
Property	\$ 6,493,991	\$ -	\$ -	\$ 2,224,470	\$ -	\$ 448,601	\$ 9,167,062
Transient room	2,010,860	-	-	-	-	1,732,448	3,743,308
Marijuana	17,225	-	-	-	-	-	17,225
Franchise fees, privilege taxes, licenses, and permits	1,395,770	-	-	-	-	164,964	1,560,734
Intergovernmental	1,910,886	-	-	-	1,964,311	604,950	4,480,147
Charges for services	1,122,275	810,896	-	-	627,942	1,367,814	3,928,927
Fines and forfeitures	128,048	-	-	-	-	-	128,048
Interest on investments	42,665	5,477	-	55,161	56,217	42,205	201,725
Miscellaneous	248,017	70,132	-	71,000	29,315	143,906	562,370
Total revenues	13,369,737	886,505	-	2,350,631	2,677,785	4,504,888	23,789,546
EXPENDITURES							
Current:							
General government	3,466,137	-	33,101	90,057	833,376	2,077,121	6,499,792
Public safety	5,616,027	-	-	-	-	-	5,616,027
Highways and streets	-	-	-	-	-	1,038,748	1,038,748
Culture and recreation	1,017,600	1,609,993	-	-	-	-	2,627,593
Debt service:							
Principal	-	-	-	1,162,000	-	1,822,432	2,984,432
Interest	-	-	-	355,049	-	324,460	679,509
Capital outlay	2,622,816	19,735	-	6,010	6,043,236	292,857	8,984,654
Total expenditures	12,722,580	1,629,728	33,101	1,613,116	6,876,612	5,555,618	28,430,755
Excess (deficiency) of revenues over expenditures	647,157	(743,223)	(33,101)	737,515	(4,198,827)	(1,050,730)	(4,641,209)
OTHER FINANCING SOURCES (USES)							
Proceeds from issuance of long-term debt	1,114,300	-	-	-	434,104	-	1,548,404
Proceeds from sale of capital assets	1,657,500	-	-	-	-	-	1,657,500
Transfers in	53,500	1,030,666	-	-	1,463,414	3,455,954	6,003,534
Transfers out	(3,848,733)	(216,300)	-	(243,900)	-	(1,739,439)	(6,048,372)
Total other financing sources (uses)	(1,023,433)	814,366	-	(243,900)	1,897,518	1,716,515	3,161,066
Net change in fund balances	(376,276)	71,143	(33,101)	493,615	(2,301,309)	665,785	(1,480,143)
Fund balance - beginning	3,733,611	447,082	1,372,665	3,413,448	4,642,994	4,782,588	18,392,388
Fund balance - ending	\$ 3,357,335	\$ 518,225	\$ 1,339,564	\$ 3,907,063	\$ 2,341,685	\$ 5,448,373	\$ 16,912,245

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

CITY OF NEWPORT, OREGON
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

Net change in fund balances - total governmental funds \$ (1,480,143)

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

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

Capital outlay	\$ 9,509,738	
Depreciation for the current fiscal year	(2,032,031)	
Disposal of capital assets	<u>(7,228)</u>	
 Total capital outlay/depreciation adjustment		 7,470,479

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

Property taxes	(6,711)	
Charges for services	(39,268)	
System development charges	<u>135,935</u>	
 Total revenue adjustments		 89,956

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

Issuance of long-term debt	(1,548,404)	
Amortization of bond premium	38,737	
Accrued interest	1,244	
Principal payments	<u>3,009,126</u>	
 Total long-term debt adjustments		 1,500,703

The amount contributed to defined benefit plans is reported as an expenditure in the funds, while governmental activities reports pension expense as the change in net pension asset or liability, pension related deferred outflows of resources and deferred inflows of resources

Change in deferred outflows of resources - pension related	2,360,151	
Change in net pension asset or liability	(2,432,420)	
Change in deferred inflows of resources - pension related	<u>(407,098)</u>	
 Total pension expense adjustment		 (479,367)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences	(20,677)	
Other postemployment benefits	<u>(51,247)</u>	
 Total other expense adjustment		 (71,924)

The transfer of debt proceeds and capital assets to the business-type activities is reported as an additional transfer in the governmental activities (1,464,456)

The net expense of certain activities of internal service funds is reported with governmental activities. (6,122)

Change in net position of governmental activities \$ 5,559,126

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

CITY OF NEWPORT, OREGON
GENERAL FUND
BUDGETARY COMPARISON STATEMENT
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Over (Under)
Revenues				
Property taxes:				
Current	\$ 6,102,000	\$ 6,102,000	\$ 6,255,695	\$ 153,695
Delinquent	267,000	267,000	238,296	(28,704)
Transient room tax	1,850,000	1,850,000	2,010,860	160,860
Fees in lieu of franchise	229,950	229,950	231,725	1,775
Vacation rental and bed and breakfast endorsement tax	3,000	3,000	5,492	2,492
State cigarette tax	12,700	12,700	12,932	232
State liquor proration	151,052	151,052	146,551	(4,501)
State marijuana tax proration	5,000	5,000	-	(5,000)
Local marijuana tax proration	-	-	17,225	17,225
Franchise tax - Georgia Pacific	69,700	69,700	71,848	2,148
Franchise tax - Century Link	23,000	23,000	20,782	(2,218)
Franchise tax - Charter	249,820	249,820	156,691	(93,129)
Franchise tax - Coast Communications	19,455	19,455	22,903	3,448
Franchise tax - NW Natural	142,940	142,940	137,383	(5,557)
Franchise tax - Central Lincoln Public Utility District	372,405	372,405	440,709	68,304
Franchise tax - Thompson sanitary service	122,012	122,012	118,039	(3,973)
Franchise tax - miscellaneous	3,000	3,000	5,461	2,461
Homeland fire grant	49,000	49,000	14,809	(34,191)
FEMA HMGP grant	925,000	2,025,000	1,021,016	(1,003,984)
Federal emergency ops plan	-	-	16,869	16,869
Federal grant - police overtime	1,000	1,000	-	(1,000)
State revenue sharing	140,000	140,000	127,222	(12,778)
Department of Land Conservation and Development planning grant	9,000	9,000	-	(9,000)
Ready to read grant	1,100	1,100	1,152	52
Newport rural fire protection	235,731	235,731	236,744	1,013
CIS return to work grant	15,000	15,000	2,292	(12,708)
Lincoln County School District	42,000	42,000	-	(42,000)
Lincoln County Library District	330,000	330,000	307,808	(22,192)
Siletz tribal CC grant	-	-	5,500	5,500
Service provided parks and recreation	94,877	94,877	94,877	-
Service provided public parking	3,800	3,800	3,800	-
Service provided housing	6,008	6,008	6,008	-
Service provided airport	69,264	69,264	69,264	-
Service provided room tax	102,574	102,574	102,574	-
Service provided building inspection	31,734	31,734	31,734	-
Service provided street	79,686	79,686	79,686	-
Service provided agate beach	450	450	450	-
Service provided Newport Urban Renewal Agency	35,680	35,680	35,680	-
Service provided water	293,484	293,484	293,484	-
Service provided sewer	349,869	349,869	349,869	-
Service provided public works	54,849	54,849	54,849	-
Rents and leases	186,845	186,845	153,358	(33,487)
Land use fees	15,000	15,000	23,025	8,025
Municipal court fines	100,000	100,000	106,633	6,633
State/county court fines	5,000	5,000	17,991	12,991
Library fines	11,000	11,000	13,345	2,345
Training court cost	3,000	3,000	1,653	(1,347)
Court restitution payments	1,580	1,580	3,191	1,611
Business licenses	180,000	180,000	144,606	(35,394)
Oregon Liquor Control Commission licenses	1,200	1,200	17,106	15,906
Police reports	5,300	5,300	4,879	(421)
Interest on investments	12,610	12,610	42,665	30,055
Miscellaneous sales and services	14,000	14,000	88,989	74,989
Gifts and donations	1,000	1,000	3,257	2,257
Special events and fundraising	300	300	85	(215)
Fiber optic conduct	-	-	848	848
Tower optic	1,000	1,000	(173)	(1,173)
Total revenues	<u>13,033,975</u>	<u>14,133,975</u>	<u>13,369,737</u>	<u>(764,238)</u>

Continued on next page

CITY OF NEWPORT, OREGON
GENERAL FUND
BUDGETARY COMPARISON STATEMENT
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Over (Under)
Other financing sources				
Proceeds from long-term debt	\$ -	\$ 1,115,000	\$ 1,114,300	\$ (700)
Proceeds from sale of capital assets	-	1,654,000	1,657,500	3,500
Transfer from room tax fund	21,822	21,822	21,822	-
Transfer from street fund	5,578	5,578	5,578	-
Transfer from water fund	13,050	13,050	13,050	-
Transfer from sewer fund	13,050	13,050	13,050	-
Total other financing sources	<u>53,500</u>	<u>2,822,500</u>	<u>2,825,300</u>	<u>2,800</u>
Fund balance, beginning				
Unassigned	3,524,708	3,733,611	3,733,611	-
Amount available for appropriation	<u>16,612,183</u>	<u>20,690,086</u>	<u>19,928,648</u>	<u>(761,438)</u>
	Original Budget	Final Budget	Actual	(Over) Under
Expenditures				
City administration	2,374,511	2,374,511	1,993,319	381,192
Police	4,102,860	4,102,860	3,777,482	325,378
Fire	2,058,564	2,058,564	2,047,035	11,529
Emergency coordinator	113,285	113,285	26,678	86,607
Library	1,077,462	1,077,462	1,058,953	18,509
Community development	305,384	355,384	301,034	54,350
Facilities and parks	833,981	833,981	824,710	9,271
Non-departmental	1,452,375	3,672,675	2,693,369	979,306
Contingency	594,764	565,867	-	565,867
Total expenditures	<u>12,913,186</u>	<u>15,154,589</u>	<u>12,722,580</u>	<u>2,432,009</u>
Other financing uses				
Transfers to other funds	<u>2,012,230</u>	<u>3,848,730</u>	<u>3,848,733</u>	<u>(3)</u>
Total expenditures and other financing uses	<u>14,925,416</u>	<u>19,003,319</u>	<u>16,571,313</u>	<u>2,432,006</u>
Fund balance, ending	<u>\$ 1,686,767</u>	<u>\$ 1,686,767</u>	<u>\$ 3,357,335</u>	<u>\$ 1,670,568</u>

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

CITY OF NEWPORT, OREGON
PARKS AND RECREATION FUND
BUDGETARY COMPARISON STATEMENT
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Over (Under)
Revenues				
Interest on investments	\$ 1,500	\$ 1,500	\$ 5,477	\$ 3,977
Special event	30,000	30,000	18,048	(11,952)
Rents and leases	36,900	36,900	39,489	2,589
Senior center	7,100	7,100	11,666	4,566
Miscellaneous sales and services	200	200	10,866	10,666
Gifts and donations	9,200	9,200	7,081	(2,119)
Swimming pool passes	65,000	65,000	22,658	(42,342)
Swimming pool daily fees	20,000	20,000	12,811	(7,189)
Swimming pool lessons	20,000	20,000	16,650	(3,350)
Swimming pool merchandise	3,000	3,000	511	(2,489)
Swimming pool rentals	15,000	15,000	13,979	(1,021)
Swimming pool special events	5,000	5,000	1,206	(3,794)
Recreation center	285,000	285,000	500,996	215,996
Concessions	12,000	12,000	12,185	185
Activity programs - youth	130,000	130,000	150,518	20,518
Activity programs - seniors	2,000	2,000	2,198	198
Activity programs - adults	14,500	14,500	8,353	(6,147)
Sports programs - adults	12,500	12,500	13,126	626
Sports programs - youth	32,000	32,000	38,687	6,687
Total revenues	<u>700,900</u>	<u>700,900</u>	<u>886,505</u>	<u>185,605</u>
Other financing sources				
Transfer from General Fund	680,666	680,666	680,666	-
Transfer from Room Tax Fund	350,000	350,000	350,000	-
Total other financing sources	<u>1,030,666</u>	<u>1,030,666</u>	<u>1,030,666</u>	<u>-</u>
Fund balance, beginning	<u>301,734</u>	<u>447,082</u>	<u>447,082</u>	<u>-</u>
Amount available for appropriation	<u>2,033,300</u>	<u>2,178,648</u>	<u>2,364,253</u>	<u>185,605</u>
	Original Budget	Final Budget	Actual	(Over) Under
Expenditures				
Parks administration	194,708	194,708	196,662	(1,954)
Senior center	163,568	163,568	159,018	4,550
Swimming pool	460,170	475,170	490,752	(15,582)
Recreation center	483,406	483,406	469,181	14,225
Recreation programs	205,878	205,878	159,128	46,750
Sports programs	147,410	162,410	154,987	7,423
Contingency	191,990	183,038	-	183,038
Total expenditures	<u>1,847,130</u>	<u>1,868,178</u>	<u>1,629,728</u>	<u>238,450</u>
Other financing uses				
Transfers to other funds	92,000	216,300	216,300	-
Total other financing uses	<u>92,000</u>	<u>216,300</u>	<u>216,300</u>	<u>-</u>
Total expenditures and other financing uses	<u>1,939,130</u>	<u>2,084,478</u>	<u>1,846,028</u>	<u>238,450</u>
Fund balance, ending	<u>\$ 94,170</u>	<u>\$ 94,170</u>	<u>\$ 518,225</u>	<u>\$ 424,055</u>

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

CITY OF NEWPORT, OREGON
AGATE BEACH CLOSURE FUND
BUDGETARY COMPARISON STATEMENT
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Over (Under)
Fund balance, beginning	\$ 1,376,776	\$ 1,372,665	\$ 1,372,665	\$ -
Amount available for appropriation	1,376,776	1,372,665	1,372,665	-
	Original Budget	Final Budget	Actual	(Over) Under
Expenditures				
Materials and services	33,200	33,200	33,101	99
Contingency	1,068,076	1,063,965	-	1,063,965
Total expenditures	1,101,276	1,097,165	33,101	1,064,064
Other financing uses				
Advances to other funds	275,500	275,500	275,000	500
Total other financing uses	275,500	275,500	275,000	500
Total expenditures	1,376,776	1,372,665	308,101	1,064,064
Fund balance, ending	\$ -	\$ -	1,064,564	\$ 1,064,064
Reconciliation to generally accepted accounting principles				
Due from other funds			275,000	
Fund balances at end of year			\$ 1,339,564	

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

CITY OF NEWPORT, OREGON
URBAN RENEWAL FUND
BUDGETARY COMPARISON STATEMENT
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Over (Under)
Revenues				
Property taxes:				
Current	\$ 1,570,710	\$ 1,570,710	\$ 2,151,301	\$ 580,591
Delinquent	55,000	55,000	73,169	18,169
Rents and leases	51,000	51,000	71,000	20,000
Interest on investments	30,305	30,305	55,161	24,856
Total revenues	<u>1,707,015</u>	<u>1,707,015</u>	<u>2,350,631</u>	<u>643,616</u>
Fund balance, beginning	<u>4,211,823</u>	<u>4,211,823</u>	<u>3,413,448</u>	<u>(798,375)</u>
Amount available for appropriation	<u>5,918,838</u>	<u>5,918,838</u>	<u>5,764,079</u>	<u>(154,759)</u>
	Original Budget	Final Budget	Actual	(Over) Under
Expenditures				
Newport south beach operations	393,271	149,371	96,067	53,304
Newport northside operations	1,100	1,100	-	1,100
McLean point operations	100	100	-	100
Debt service	1,517,950	1,517,950	1,517,049	901
Contingency	381,750	381,750	-	381,750
Total expenditures	<u>2,294,171</u>	<u>2,050,271</u>	<u>1,613,116</u>	<u>437,155</u>
Other financing uses				
Transfers to other funds	-	243,900	243,900	-
Total other financing uses	<u>-</u>	<u>243,900</u>	<u>243,900</u>	<u>-</u>
Total expenditures and other financing uses	<u>2,294,171</u>	<u>2,294,171</u>	<u>1,857,016</u>	<u>437,155</u>
Fund balance, ending	<u>\$ 3,624,667</u>	<u>\$ 3,624,667</u>	<u>\$ 3,907,063</u>	<u>\$ 282,396</u>

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

CITY OF NEWPORT, OREGON
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2017

	Business-type Activities							
	Water	Wastewater	Water Debt Service	Wastewater Debt Service	Capital Projects	Total Enterprise Funds	Internal Service Fund	
ASSETS								
Current assets:								
Cash and cash equivalents	\$ 1,344,523	\$ 729,128	\$ 160,395	\$ 1,365,901	\$ 1,646,218	\$ 5,246,165	\$ 69,937	
Receivables								
Property taxes	-	-	83,247	83,468	-	166,715	-	
Accounts	562,250	684,696	-	-	-	1,246,946	2,601	
Inventories	516,466	-	-	-	-	516,466	-	
Prepaid items	-	-	5,793	-	-	5,793	-	
Total current assets	<u>2,423,239</u>	<u>1,413,824</u>	<u>249,435</u>	<u>1,449,369</u>	<u>1,646,218</u>	<u>7,182,085</u>	<u>72,538</u>	
Noncurrent assets								
Land and construction in progress	2,788,969	5,867,802	-	-	-	8,656,771	599,340	
Other capital assets, net of depreciation	21,478,355	33,647,297	-	-	-	55,125,652	299,764	
Total noncurrent assets	<u>24,267,324</u>	<u>39,515,099</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,782,423</u>	<u>899,104</u>	
Total assets	<u>26,690,563</u>	<u>40,928,923</u>	<u>249,435</u>	<u>1,449,369</u>	<u>1,646,218</u>	<u>70,964,508</u>	<u>971,642</u>	
DEFERRED OUTFLOWS OF RESOURCES								
Pension related items	136,708	102,104	-	-	-	238,812	103,232	
Total deferred outflows of resources	<u>136,708</u>	<u>102,104</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>238,812</u>	<u>103,232</u>	
LIABILITIES								
Current liabilities								
Accounts payable	62,431	62,187	-	-	422,745	547,363	14,541	
Payroll and related liabilities	7,228	5,307	-	-	-	12,535	5,181	
Compensated absences	36,352	26,384	-	-	-	62,736	26,490	
Interest payable	5,407,354	32,972	-	-	-	5,440,326	-	
Refundable deposits	480,205	-	-	-	-	480,205	-	
Current portion long-term debt	1,105,982	1,357,320	-	-	-	2,463,302	-	
Total current liabilities	<u>7,099,552</u>	<u>1,484,170</u>	<u>-</u>	<u>-</u>	<u>422,745</u>	<u>9,006,467</u>	<u>46,212</u>	
Long-term obligations								
Net pension liability	124,513	93,000	-	-	-	217,513	94,025	
Other postemployment benefits	34,099	26,327	-	-	-	60,426	21,715	
Long-term debt, net	21,362,656	3,700,706	-	-	-	25,063,362	-	
Total long-term obligations	<u>21,521,268</u>	<u>3,820,033</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,341,301</u>	<u>115,740</u>	
Total liabilities	<u>28,620,820</u>	<u>5,304,203</u>	<u>-</u>	<u>-</u>	<u>422,745</u>	<u>34,347,768</u>	<u>161,952</u>	
DEFERRED INFLOWS OF RESOURCES								
Pension related items	141,453	105,648	-	-	-	247,101	106,815	
Total deferred inflows of resources	<u>141,453</u>	<u>105,648</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>247,101</u>	<u>106,815</u>	
NET POSITION								
Net investment in capital assets	1,798,686	34,457,073	-	-	-	36,255,759	899,104	
Restricted for capital construction	-	-	-	-	1,223,473	1,223,473	-	
Restricted for debt service	-	-	249,435	1,449,369	-	1,698,804	-	
Unrestricted	(3,733,688)	1,164,103	-	-	-	(2,569,585)	(92,997)	
Total net position	<u>\$ (1,935,002)</u>	<u>\$ 35,621,176</u>	<u>\$ 249,435</u>	<u>\$ 1,449,369</u>	<u>\$ 1,223,473</u>	<u>36,608,451</u>	<u>\$ 806,107</u>	
						Adjustment to reflect the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time.		
						<u>1,948,481</u>		
						Net position of the business-type activities		
						<u>\$ 38,556,932</u>		

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

CITY OF NEWPORT, OREGON
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2017

	Business-type Activities						
	Water	Wastewater	Water Debt Service	Wastewater Debt Service	Capital Projects	Total	
						Enterprise Funds	Internal Service Fund
OPERATING REVENUES							
Service charges and fees	\$ 3,731,885	\$ 4,029,679	\$ -	\$ -	\$ -	\$ 7,761,564	\$ 800,448
Miscellaneous	60,601	-	-	-	-	60,601	13,363
Total operating revenues	<u>3,792,486</u>	<u>4,029,679</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,822,165</u>	<u>813,811</u>
OPERATING EXPENSES							
Salaries and wages	912,490	737,962	-	-	241	1,650,693	640,929
Contracted services	49,897	102,463	-	-	550,415	702,775	34,068
Property services	140,444	228,369	-	-	-	368,813	1,283
Operating supplies	203,511	186,384	-	-	-	389,895	20,311
Utilities	239,964	356,079	-	-	-	596,043	4,722
Depreciation	978,969	1,475,004	-	-	-	2,453,973	39,312
Repairs and maintenance	198,106	308,653	-	-	-	506,759	6,232
Charges for services	615,268	702,947	-	-	-	1,318,215	54,849
Miscellaneous	67,225	71,294	-	-	-	138,519	30,096
Total operating expenses	<u>3,405,874</u>	<u>4,169,155</u>	<u>-</u>	<u>-</u>	<u>550,656</u>	<u>8,125,685</u>	<u>831,802</u>
Operating income (loss)	<u>386,612</u>	<u>(139,476)</u>	<u>-</u>	<u>-</u>	<u>(550,656)</u>	<u>(303,520)</u>	<u>(17,991)</u>
NONOPERATING REVENUES (EXPENSES)							
Grants	-	-	-	-	263,616	263,616	-
Property taxes	-	-	953,272	949,230	-	1,902,502	-
Interest on investments	9,495	6,750	5,629	12,171	33,412	67,457	1,953
Interest	(1,211,775)	(188,269)	-	-	-	(1,400,044)	-
Total nonoperating revenues (expenses)	<u>(1,202,280)</u>	<u>(181,519)</u>	<u>958,901</u>	<u>961,401</u>	<u>297,028</u>	<u>833,531</u>	<u>1,953</u>
Income (loss) before capital contributions and transfers	(815,668)	(320,995)	958,901	961,401	(253,628)	530,011	(16,038)
Transfers in	2,950,149	4,776,361	487,891	658,035	2,738,365	11,610,801	-
Transfers out	(2,776,256)	(1,497,301)	(1,364,978)	(1,505,963)	(2,957,009)	(10,101,507)	-
Change in net position	(641,775)	2,958,065	81,814	113,473	(472,272)	2,039,305	(16,038)
Prior period restatement	(4,778,335)	66,799	-	-	-	(4,711,536)	-
Net position - beginning	<u>3,485,108</u>	<u>32,596,312</u>	<u>167,621</u>	<u>1,335,896</u>	<u>1,695,745</u>	<u>39,280,682</u>	<u>822,145</u>
Net position - ending	<u>\$ (1,935,002)</u>	<u>\$ 35,621,176</u>	<u>\$ 249,435</u>	<u>\$ 1,449,369</u>	<u>\$ 1,223,473</u>	<u>\$ 36,608,451</u>	<u>\$ 806,107</u>
						Change in net position	\$ 2,039,305
						Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds	(9,916)
						Change in net position of the business-type activities	<u>\$ 2,029,389</u>

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

CITY OF NEWPORT, OREGON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2017

Business-type activities

	Water	Wastewater	Water Debt Service	Wastewater Debt Service	Capital Projects	Total Enterprise Funds	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash received from customers	\$ 3,768,759	\$ 4,026,912	\$ -	\$ -	\$ -	\$ 7,795,671	\$ -
Service provided to other funds	-	-	-	-	-	-	798,013
Cash payments to suppliers of goods and services	(1,464,394)	(2,101,741)	-	-	(616,447)	(4,182,582)	(156,028)
Cash payments to employees for services	(926,293)	(775,064)	-	-	(241)	(1,701,598)	(648,534)
Other revenues	60,601	-	-	-	-	60,601	13,363
Net cash provided by (used in) operating activities	<u>1,438,673</u>	<u>1,150,107</u>	<u>-</u>	<u>-</u>	<u>(616,688)</u>	<u>1,972,092</u>	<u>6,814</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Property taxes	-	-	957,033	954,208	-	1,911,241	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Purchase of capital assets	(37,160)	-	-	-	(2,890,186)	(2,927,346)	(46,513)
Proceeds from issuance of debt	-	-	-	-	1,848,665	1,848,665	-
Grants	-	-	-	-	263,616	263,616	-
Transfers in	-	-	487,891	658,035	889,700	2,035,626	-
Transfers out	(927,591)	(1,063,197)	-	-	-	(1,990,788)	-
Principal payments	-	-	(999,968)	(1,285,000)	-	(2,284,968)	-
Interest payments	-	-	(365,008)	(220,963)	-	(585,971)	-
Net cash (used in) capital and related financing activities	<u>(964,751)</u>	<u>(1,063,197)</u>	<u>(877,085)</u>	<u>(847,928)</u>	<u>111,795</u>	<u>(3,641,166)</u>	<u>(46,513)</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest on investments	9,495	6,750	5,629	12,171	33,412	67,457	1,953
Net increase (decrease) in cash and cash equivalents	483,417	93,660	85,577	118,451	(471,481)	309,624	(37,746)
Cash and cash equivalents, July 1, 2016	<u>861,106</u>	<u>635,468</u>	<u>74,818</u>	<u>1,247,450</u>	<u>2,117,699</u>	<u>4,936,541</u>	<u>107,683</u>
Cash and cash equivalents, June 30, 2017	<u>\$ 1,344,523</u>	<u>\$ 729,128</u>	<u>\$ 160,395</u>	<u>\$ 1,365,901</u>	<u>\$ 1,646,218</u>	<u>\$ 5,246,165</u>	<u>\$ 69,937</u>

Continued on next page

CITY OF NEWPORT, OREGON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2017

Business-type activities

	Water	Wastewater	Water Debt Service	Wastewater Debt Service	Capital Projects	Totals Enterprise Funds	Internal Service Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES							
Operating income (loss)	\$ 386,612	\$ (139,476)	\$ -	\$ -	\$ (550,656)	\$ (303,520)	\$ (17,991)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation	978,969	1,475,004	-	-	-	2,453,973	39,312
Inventory purchased for other funds	-	-	-	-	(66,032)	(66,032)	-
Changes in assets, deferred outflows, liabilities and deferred inflows:							
Receivables	(32,572)	(2,767)	-	-	-	(35,339)	(2,435)
Deferred outflows of resources	(77,805)	(53,995)	-	-	-	(131,800)	(62,554)
Accounts payable	50,021	(145,552)	-	-	-	(95,531)	(4,467)
Payroll and related liabilities	(22,701)	(24,229)	-	-	-	(46,930)	(19,982)
Compensated absences	7,740	(4,756)	-	-	-	2,984	3,313
Other postemployment benefits	5,222	4,233	-	-	-	9,455	3,528
Refundable deposits	69,446	-	-	-	-	69,446	-
Net pension liability	(61,414)	(58,859)	-	-	-	(120,273)	(34,376)
Deferred inflows of resources	135,155	100,504	-	-	-	235,659	102,466
							-
Total adjustments	1,052,061	1,289,583	-	-	(66,032)	2,275,612	24,805
Net cash provided by (used in) operating activities	<u>\$ 1,438,673</u>	<u>\$ 1,150,107</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (616,688)</u>	<u>\$ 1,972,092</u>	<u>\$ 6,814</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:							
Transfers in	\$ 2,950,149	\$ 4,776,361	\$ -	\$ -	\$ 1,848,665	\$ 9,575,175	\$ -
Transfers out	(1,848,665)	(434,104)	(1,364,978)	(1,505,963)	(2,957,009)	(8,110,719)	-
	<u>\$ 1,101,484</u>	<u>\$ 4,342,257</u>	<u>\$ (1,364,978)</u>	<u>\$ (1,505,963)</u>	<u>\$ (1,108,344)</u>	<u>\$ 1,464,456</u>	<u>\$ -</u>

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

CITY OF NEWPORT, OREGON

**STATEMENT OF NET POSITION
FIDUCIARY FUND**

June 30, 2017

	City of Newport Employees Retirement Plan Pension Trust Fund
ASSETS	
Cash and cash equivalents	\$ 557,075
Investments	10,132,859
Receivable	<u>55,008</u>
TOTAL ASSETS	<u>10,744,942</u>
NET POSITION	
Held in trust for defined benefit pension	6,896,034
Held in trust for defined contribution pension	<u>3,848,908</u>
TOTAL NET POSITION	<u><u>\$ 10,744,942</u></u>

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

CITY OF NEWPORT, OREGON

**STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS**

For the Year Ended June 30, 2017

	<u>City of Newport Employees Retirement Plan Pension Trust Fund</u>
ADDITIONS	
Employer contributions	\$ 711,903
Investment earnings, net	<u>1,160,753</u>
Total additions	<u>1,872,656</u>
DEDUCTIONS	
Benefits	1,370,943
Administrative expenses	<u>47,135</u>
Total deductions	<u>1,418,078</u>
Change in net position	454,578
Net position - beginning	<u>10,290,364</u>
Net position - ending	<u><u>\$ 10,744,942</u></u>

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

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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.

Blended Component Unit

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

Basic Financial Statements

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

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

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basic Financial Statements (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges 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 included among program revenues are reported as general revenues.

Fund financial statements display information at the individual fund level. Each fund is considered to be a separate entity. Funds are classified and summarized as governmental, proprietary, or fiduciary. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated into a single column in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

Since the governmental fund financial statements are presented on a different measurement focus and basis of accounting than the governmental activities in the government-wide financial statements, a reconciliation is necessary to explain the adjustments from one to the other. This reconciliation is part of the basic financial statements.

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

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

The City reports the following major governmental funds:

General

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

Parks and Recreation

This fund accounts for the activities related to the parks and recreation operations. Major sources of revenue are customer sales and fees and charges related to activities. Transfers from the General and Room Tax Funds provide other financing sources to supplement revenues. Expenditures are for the operations related to the parks and recreation operations and activities.

Agate Beach Closure

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

Urban Renewal

This fund implements projects identified in the South Beach Urban Renewal Plan. Project implementation is schedule to run through 2020. This fund also accounts for the debt service related to the construction/operations of the Newport Urban Renewal Agency. For more detail please see the separately created financial report.

Capital Projects

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

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The City reports the following major proprietary funds:

Water

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

Wastewater

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

Debt Service – Water and Wastewater

The debt related to the Water and Wastewater Funds is reported in two separate funds. The City utilizes these two funds to account for debt service expense for bonds and other borrowings related to the Water and Wastewater Funds. Both the Water and Wastewater Funds have bond issues funded by property taxes. Other sources of revenue include property taxes, financed assessments, SDC charges, and transfers from the Water and Wastewater Funds.

Capital Projects – Proprietary

The proprietary funds use this separate fund to account for the acquisition or construction of major capital facilities. Sources of revenue include local, state and federal support (grants), bank borrowings and transfers from the Water and Wastewater Funds.

Additionally, the City reports the following nonmajor fund types:

Special revenue

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

Debt service

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

Capital projects

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

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Enterprise

Accounts for the operations of predominately self-supporting activities. Enterprise funds account for services provided to the public on a user charge basis.

Internal Service

Accounts for the cost of providing services to other funds of the City which are charged a fee on a cost reimbursement basis for those services.

Fiduciary

The fiduciary fund presented in the financial statements accounts for the City of Newport's pension plan to provide retirement benefits to its employees.

Cash and Cash Equivalents

The City's cash on hand, deposits with financial institutions and investments in the Oregon State Treasurer's Local Government Investment Pool (LGIP) are considered to be cash and cash equivalents. The LGIP policies are governed by state 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.

Investments

State statutes authorize the City to invest in obligations of the U. S. Treasury, commercial paper and repurchase agreements. Additionally, the Employees Retirement Plan Pension Trust Fund invests in equity securities and mutual funds. Investments are stated at fair value.

Restricted Assets

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

Inventories

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

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

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables

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

Assessments receivable represent the uncollected amounts levied against benefited properties for the costs of local improvements. Since the assessments are liens against 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 monthly or become due upon the sale or transfer of the benefitting properties. The loans are recorded in capital projects or special revenue funds. The additional small loans originating from the sale of properties are recorded in various funds.

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

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

Federal and state grants and state, county, and local shared revenues are recorded in all fund types as earned.

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

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are charged to expenditures as purchased in the governmental funds, and capitalized in the proprietary funds. Capital assets purchased are recorded at historical cost. Donated assets are recorded at estimated fair market value at the date of donation.

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

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

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

Compensated Absences

Employees earn vacation and sick leave. No liability is reported for accumulated sick leave, as it does not vest when earned. Vacation leave is accrued as it is earned and is reported as a fund liability. All vacation leave is accrued when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured; for example, as a result of employee resignations and retirements.

Long-term Obligations

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

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

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity Classifications

In the government-wide and proprietary fund financial statements, equity is classified as net position and displayed in three components:

Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted net position – Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law, through constitutional provisions or enabling legislation.

Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

In the governmental fund financial statements equity is reported using the five categories listed below:

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

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

Committed – Amounts are those constrained by City Council through resolution or ordinance before the end of the fiscal year. The State of Oregon recognizes resolutions and ordinances as being equally binding, and the process for establishing, modifying, and rescinding resolutions and ordinances are substantively the same. Therefore, the City uses both to commit funds.

Assigned – Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The City Council has granted authority to the Finance Director to assign fund balance amounts.

Unassigned – The residual classification for the government’s General Fund and includes all spendable amounts not contained in the other classifications. Additionally, other funds may report negative unassigned fund balance in certain circumstances.

The City uses resources in the following order: restricted, committed, assigned, and unassigned, unless the City Council has provided otherwise in its commitment or assignment actions.

The City of Newport has adopted this order of categories in Resolution 3642 on June 17, 2013 and has classified equity in the proper category.

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Special Items

Significant transactions which are unusual or infrequent, but within the control of management are reported as special items.

Budgetary Information

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

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

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

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

An election must be held to approve general obligation debt pledging the full faith and credit of the City. As a result of Ballot Measure 50 and subsequent legislation, the City's permanent tax rate was set at \$5.5938 per \$1,000 of assessed value. The assessed value (not including the urban renewal district) for 2016-17 was \$1,180,917,228. Assessed value is calculated on a property-by-property basis and is limited to a three percent increase annually. Compression of tax revenues comes into play when the real market value of an individual residential property is not sufficient to allow for an annual three percent increase in the assessed value.

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

Budgetary Information (continued)

The City budgets at the program level with the exception of contingency and transfers out.

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

During the fiscal year ended June 30, 2017, the City adopted supplemental budgets which totaled \$6,294,602, an 8.87% increase over the original budget. The following table outlines the budget changes:

Fund	2016-17 Original Budget	2016-17 Final Budget	Change
General	\$ 14,925,416	\$ 19,003,319	\$ 4,077,903
Parks and Recreation	1,939,130	2,084,478	145,348
Public Parking	340,571	318,276	(22,295)
Housing	147,771	147,553	(218)
Airport	767,064	851,880	84,816
Room Tax	2,102,121	2,110,788	8,667
Building Inspection	448,894	448,894	-
Streets	1,530,230	1,744,206	213,976
Line Undergrounding	758,782	806,770	47,988
SDC	1,545,418	1,634,387	88,969
Agate Beach Closure	1,376,776	1,372,665	(4,111)
Newport Urban Renewal Agency	2,294,171	2,294,171	-
Water Debt Service	1,364,974	1,364,974	-
Wastewater Debt Service	1,505,963	1,505,963	-
General Debt Service	828,454	2,153,454	1,325,000
Capital Projects	17,008,989	16,617,726	(391,263)
Proprietary Capital Projects	12,658,344	12,782,477	124,133
Reserve	105,000	105,000	-
Capital Improvement	804,475	804,475	-
Water	4,049,225	4,250,995	201,770
Wastewater	4,253,976	4,629,494	375,518
Public Works	1,030,383	1,048,784	18,401
	<u>\$ 71,786,127</u>	<u>\$ 78,080,729</u>	<u>\$ 6,294,602</u>

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

3. DETAILED NOTES

Cash, Cash Equivalents and Investments

The City’s cash, cash equivalents and investments at June 30, 2017 are as follows:

Cash and cash equivalents	
Deposits with financial institutions	\$ (276,381)
Cash on hand	1,599
State of Oregon Treasurer's short-term investment pool	23,064,401
Money market	<u>557,075</u>
Total cash and cash equivalents	<u>\$ 23,346,694</u>
Investments	
Bonds	\$ 1,193,569
Equities	6,596,072
Mutual funds	<u>2,343,218</u>
Total investments	<u>\$ 10,132,859</u>

The City maintains a pool of cash and investments that are available for use by all funds. Each fund’s portion of this pool is displayed on the financial statements as cash and cash equivalents. Interest earned on pooled cash and cash equivalents is allocated to participating funds based upon their combined cash and cash equivalent balances.

Deposits with financial institutions

Custodial Credit Risk – Deposits: This is the risk that in the event of a bank failure, the City’s deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the District’s deposits with financial institutions up to \$250,000 each for the aggregate of all non-interest bearing accounts and the aggregate of all interest bearing accounts at each institution. Deposits in excess of FDIC coverage with institutions participating in the Oregon Public Funds Collateralization Program are collateralized with securities held by the Federal Home Loan Bank of Seattle in the name of the institution. As of June 30, 2017, \$337,702 of the City’s bank balances were exposed to custodial credit risk.

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

3. DETAILED NOTES (continued)

Cash, Cash Equivalents, and Cash Investments (continued)

State of Oregon Local Government Investment Pool

Balances in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value. Fair value is determined at the quoted market price, if available; otherwise the fair value is estimated based on the amount at which the balance could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. The Oregon State Treasury administers the LGIP. The LGIP is an unrated, 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. To provide regulatory oversight, the Oregon Legislature established the Oregon Short-Term Fund Board and LGIP investments are approved by the Oregon Investment Council. The fair value of the City's position in the LGIP is the same as the value of the pool shares.

Investments

As of June 30, 2017, the City had the following investments:

<u>Investment Type</u>	<u>Rating</u>	<u>Fair Value</u>	<u>Risk Concentration</u>	<u>Weighted Average Maturity (in months)</u>
<i>Pension Trust Investments:</i>				
Bonds	AAA	\$ 1,193,569	11.78%	22.61
Equities	Not Rated	6,596,072	65.10%	N/A
Mutual Funds	Not Rated	<u>2,343,218</u>	23.12%	N/A
		<u>\$ 10,132,859</u>		

Credit Risk. Oregon statutes authorize the County to invest in obligations of the U. S. Treasury and U. S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the state treasurer's investment pool. Additionally, the City's pension trust may invest in equity securities and mutual funds.

Concentration of Credit Risk: The City does not have a formal policy that places a limit on the amount that may be invested in any one insurer.

Interest Rate Risk: The City does not have a formal policy that limits investment maturities as a means of managing its exposure to fair-value losses arising from increases in interest rates.

Portfolio Credit Rating: The City does not have a formal policy that establishes a minimum average credit rating for its investment portfolio.

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

3. DETAILED NOTES (continued)

Cash, Cash Equivalents and Investments (continued)

Custodial Credit Risk – Investments: This is the risk that, in the event of the failure of a counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City does not have a policy which limits the amount of investments that can be held by counterparties.

Fair Value Measurements

The City categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City's investment in equities and mutual funds are measured using level 1 inputs and bonds are measured using level 2 inputs.

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

3. DETAILED NOTES (continued)

Capital Assets

Governmental Activities

Capital asset activity for the year ended June 30, 2017 was as follows:

	July 1, 2016	Additions and	Deletions and	June 30, 2017
	<u>Balance</u>	<u>Transfers</u>	<u>Transfers</u>	<u>Balance</u>
Non-depreciable capital assets				
Land	\$ 10,140,220	\$ 2,085,310	\$ -	\$ 12,225,530
Construction in progress	<u>17,267,695</u>	<u>6,908,644</u>	<u>(6,123,819)</u>	<u>18,052,520</u>
Total non-depreciable capital assets	<u>27,407,915</u>	<u>8,993,954</u>	<u>(6,123,819)</u>	<u>30,278,050</u>
Depreciable capital assets				
Buildings and structures	30,611,160	507,265	-	31,118,425
Equipment	3,923,649	131,022	-	4,054,671
Vehicles	5,506,961	274,549	(80,479)	5,701,031
Infrastructure	<u>39,904,928</u>	<u>3,828,207</u>	<u>-</u>	<u>43,733,135</u>
Total depreciable capital assets	<u>79,946,698</u>	<u>4,741,043</u>	<u>(80,479)</u>	<u>84,607,262</u>
Accumulated depreciation				
Buildings and structures	19,565,628	833,418	-	20,399,046
Equipment	3,493,446	59,321	-	3,552,767
Vehicles	3,789,761	345,683	(73,251)	4,062,193
Infrastructure	<u>12,443,723</u>	<u>793,609</u>	<u>-</u>	<u>13,237,332</u>
Total accumulated depreciation	<u>39,292,558</u>	<u>2,032,031</u>	<u>(73,251)</u>	<u>41,251,338</u>
Depreciable capital assets, net	<u>40,654,140</u>	<u>2,709,012</u>	<u>(7,228)</u>	<u>43,355,924</u>
Governmental activities, capital assets, net	<u>\$ 68,062,055</u>	<u>\$ 11,702,966</u>	<u>\$ (6,131,047)</u>	<u>\$ 73,633,974</u>

Depreciation expense for governmental activities has been charged as follows:

General government	\$ 754,351
Public safety	330,133
Highways and streets	632,303
Culture and recreation	<u>315,244</u>

Total governmental activities depreciation expense \$ 2,032,031

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

3. DETAILED NOTES (continued)

Capital Assets (continued)

Business-type Activities

Capital asset activity for the year ended June 30, 2017 was as follows:

	July 1, 2016 Balance	Additions and Transfers	Deletions and Transfers	June 30, 2017 Balance
Non-depreciable capital assets				
Land	\$ 858,652	\$ -	\$ -	\$ 858,652
Construction in progress	6,027,933	4,264,338	(1,894,812)	8,397,459
Total non-depreciable capital assets	<u>6,886,585</u>	<u>4,264,338</u>	<u>(1,894,812)</u>	<u>9,256,111</u>
Depreciable capital assets				
Buildings and structures	28,746,625	84,457	-	28,831,082
Equipment	1,965,674	21,026	-	1,986,700
Vehicles	1,553,165	62,647	(20,864)	1,594,948
Infrastructure	55,400,513	2,335,554	-	57,736,067
Total depreciable capital assets	<u>87,665,977</u>	<u>2,503,684</u>	<u>(20,864)</u>	<u>90,148,797</u>
Accumulated depreciation				
Buildings and structures	12,285,928	853,448	-	13,139,376
Equipment	1,445,350	79,304	-	1,524,654
Vehicles	714,948	114,749	(20,864)	808,833
Infrastructure	17,804,734	1,445,784	-	19,250,518
Total accumulated depreciation	<u>32,250,960</u>	<u>2,493,285</u>	<u>(20,864)</u>	<u>34,723,381</u>
Depreciable capital assets, net	<u>55,415,017</u>	<u>10,399</u>	<u>-</u>	<u>55,425,416</u>
Business-type activities, capital assets, net	<u>\$ 62,301,602</u>	<u>\$ 4,274,737</u>	<u>\$ (1,894,812)</u>	<u>\$ 64,681,527</u>

Depreciation expense for business-type activities has been charged as follows:

Water	\$ 998,625
Wastewater	<u>1,494,660</u>
Total business-type activities depreciation expense	<u>\$ 2,493,285</u>

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

3. DETAILED NOTES (continued)

Interfund Transactions

Transfers between funds to provide financial resources were as follows:

Transfers out	Transfers in							Total
	Governmental funds				Proprietary funds			
	General	Parks and Recreation	Capital Projects	Nonmajor Governmental	Water Debt Service	Wastewater Debt Service	Capital Projects	
Governmental funds								
General	\$ -	\$ 680,666	\$ 177,000	\$ 2,985,567	\$ -	\$ -	\$ 5,500	\$ 3,848,733
Parks and recreation	-	-	124,300	92,000	-	-	-	216,300
Urban renewal	-	-	243,900	-	-	-	-	243,900
Nonmajor funds	<u>27,400</u>	<u>350,000</u>	<u>918,214</u>	<u>266,500</u>	<u>-</u>	<u>128,325</u>	<u>49,000</u>	<u>1,739,439</u>
Total governmental funds	<u>27,400</u>	<u>1,030,666</u>	<u>1,463,414</u>	<u>3,344,067</u>	<u>-</u>	<u>128,325</u>	<u>54,500</u>	<u>6,048,372</u>
Proprietary funds								
Water	13,050	-	-	45,550	487,891	-	381,100	927,591
Wastewater	<u>13,050</u>	<u>-</u>	<u>-</u>	<u>66,337</u>	<u>-</u>	<u>529,710</u>	<u>454,100</u>	<u>1,063,197</u>
Total proprietary funds	<u>26,100</u>	<u>-</u>	<u>-</u>	<u>111,887</u>	<u>487,891</u>	<u>529,710</u>	<u>835,200</u>	<u>1,990,788</u>
Total transfers	<u>\$ 53,500</u>	<u>\$ 1,030,666</u>	<u>\$ 1,463,414</u>	<u>\$ 3,455,954</u>	<u>\$ 487,891</u>	<u>\$ 658,035</u>	<u>\$ 889,700</u>	<u>\$ 8,039,160</u>

Non-cash transfers related to the acquisition of capital assets, issuance of debt and repayment of long-term obligations were as follows:

Transfers out	Transfers in				
	Governmental activities	Water	Wastewater	Capital projects	Total
Governmental activities	\$ -	\$ 458,771	\$ 1,439,789	\$ -	\$ 1,898,560
Proprietary funds					
Water	-	-	-	1,848,665	1,848,665
Wastewater	434,104	-	-	-	434,104
Water debt service	-	1,364,978	-	-	1,364,978
Wastewater debt service	-	-	1,505,963	-	1,505,963
Capital projects	<u>-</u>	<u>1,126,400</u>	<u>1,830,609</u>	<u>-</u>	<u>2,957,009</u>
Total non-cash transfers	<u>\$ 434,104</u>	<u>\$ 2,950,149</u>	<u>\$ 4,776,361</u>	<u>\$ 1,848,665</u>	<u>\$ 10,009,279</u>

The Agate Beach Foreclosure Fund lent \$275,000 to the Governmental Capital Projects Fund in 2016-17. The loan is being repaid in annual installments of \$27,500. At June 30, 2017, the balance is \$275,000.

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

3. DETAILED NOTES (continued)

Unavailable Revenues

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

Delinquent property taxes receivable:	
General	\$ 507,025
General bond debt	26,500
Urban renewal debt	161,473
Assessments receivable:	
System development charges	172,231
Charges for services	<u>8,285</u>
 Total unavailable revenue	 <u><u>\$ 875,514</u></u>

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

3. DETAILED NOTES (continued)

Construction Commitments

The City has active construction projects as of June 30, 2017 as follows:

<u>Capital Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Agate Beach Improvements	\$ 203,840	\$ 4,168,880
Grove Street Sewer Extension	3,295	220,000
Big Creek Dam	1,717,124	956,110
Bay/Moore Storm Sewer	1,257,560	3,365,896
AMI - Fixed Base Metering System	678,520	2,480,050
AIP 22RW 16-34 Final Construction	1,735,815	130,790
Wastewater System Master Plan	56,956	15,906
Sanitary Sewer Televising Program	224,402	132,000
Agate Beach Recreation & Wayside Improvement	326,263	41,386
Aquatic Center	9,937,512	248,384
Sam Moore Creek Water Quality Improvement	182,229	138,665
Main Fire Station Seismic Rehabilitation	713,989	1,069,991
Old WTP Demolition/Construction	11,905	283,500
Candletree Pump Station	122,108	463,693
Emergency generator replacement	47,942	302,723
Nye Beach PS Screen & Grinder	74,461	507,000
FBO & T Hanger repairs	-	90,000
Airport Master Plan AIP 23	448,749	138,250
Hwy 101 & Gold Course Improvement	112,230	980,384
Nye Creek Storm Sewer	41,850	19,689
Storm Sewer Repair SE 4th	115,551	600,000
City HVAC Replacement	46,306	5,000
	<u>\$ 18,058,607</u>	<u>\$ 16,358,297</u>

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

3. DETAILED NOTES (continued)

Long-term Obligations

Governmental Activities

Transactions for the year ended June 30, 2017 were as follows:

	Balance July 1, 2016	Increase	Decrease	Balance June 30, 2017	Due within one year
<u>Governmental activities</u>					
Long-term debt obligations:					
General obligation bonds:					
Series 2013, Swimming pool	\$ 7,655,000	\$ -	\$ 215,000	\$ 7,440,000	\$ 240,000
Other loans and bonds:					
League of Oregon Cities Cooperative Asset Financing Program, Series 2007B	170,000	-	15,000	155,000	20,000
League of Oregon Cities Cooperative Asset Financing Program, Series 2009B	825,000	-	265,000	560,000	275,000
2013 North Side Fire Hall	213,132	-	213,132	-	-
2016 City Hall Parking Lot	-	1,114,300	1,114,300	-	-
Urban Renewal Bonds:					
2007 Urban Renewal Bond, Tax-exempt	112,000	-	112,000	-	-
2008 Urban Renewal Bond, Tax-exempt	595,000	-	290,000	305,000	305,000
2015A & 2015B Tax Exemp UR Bonds	5,339,000	-	100,000	5,239,000	130,000
Full Faith & Credit Refunding Series 2010B	4,675,000	-	660,000	4,015,000	775,000
Total long-term debt obligations	<u>19,584,132</u>	<u>1,114,300</u>	<u>2,984,432</u>	<u>17,714,000</u>	<u>1,745,000</u>
Other long-term obligations:					
Other postemployment benefits	272,104	51,247	-	323,351	-
Net pension liability	2,733,944	2,812,561	380,141	5,166,364	-
Unamortized bond premium	495,854	-	38,737	457,117	38,737
Compensated absences	443,048	463,725	443,048	463,725	463,725
Capital leases	24,694	-	24,694	-	-
Total other long-term obligations	<u>3,969,644</u>	<u>3,327,533</u>	<u>886,620</u>	<u>6,410,557</u>	<u>502,462</u>
Total long-term obligations	<u>\$ 23,553,776</u>	<u>\$ 4,441,833</u>	<u>\$ 3,871,052</u>	<u>\$ 24,124,557</u>	<u>\$ 2,247,462</u>

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

3. DETAILED NOTES (continued)

Long-term Obligations (continued)

Business-type Activities

Transactions for the year ended June 30, 2017 were as follows:

	Balance July 1, 2016	Increase	Decrease	Balance June 30, 2017	Due within one year
<u>Business-type activities</u>					
Long-term debt obligations:					
General obligation bonds:					
Water Series 2009A	\$ 3,490,000	\$ -	\$ 810,000	\$ 2,680,000	\$ 900,000
Water Series 2009B	9,630,541	-	-	9,630,541	-
Wastewater Series 2008	2,640,000	-	845,000	1,795,000	880,000
Other loans and bonds:					
Full Faith & Credit Refunding Obligation Ser:	3,135,000	-	440,000	2,695,000	455,000
DEQ Note R68933 (Deferred)	3,173,202	1,848,665	-	5,021,867	-
DEQ Note R68935 (Deferred)	-	434,104	-	434,104	-
2007 Seal Rock Water District	767,888	-	27,947	739,941	29,152
2015 Water Borrowing	4,423,626	-	159,402	4,264,224	165,825
Total long-term debt obligations	<u>27,260,257</u>	<u>2,282,769</u>	<u>2,282,349</u>	<u>27,260,677</u>	<u>2,429,977</u>
Other long-term obligations					
Other postemployment benefits	69,158	12,983	-	82,141	-
Net pension liability	466,187	-	154,649	311,538	-
Unamortized bond premium	299,312	-	33,325	265,987	33,325
Compensated absences	82,929	89,226	82,929	89,226	89,226
Total other long-term obligations	<u>917,586</u>	<u>102,209</u>	<u>270,903</u>	<u>748,892</u>	<u>122,551</u>
Total long-term obligations	<u>\$ 28,177,843</u>	<u>\$ 2,384,978</u>	<u>\$ 2,553,252</u>	<u>\$ 28,009,569</u>	<u>\$ 2,552,528</u>

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

3. DETAILED NOTES (continued)

Long-term Obligations (continued)

Governmental Activities

General Obligation Bonds

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

The City issued \$7,900,000 in general obligation bonds in December 2013, to finance the costs of a new indoor municipal swimming pool and related systems, facilities and improvements. Interest rates range from 2 to 4 percent. Final maturity is June 1, 2033. The balance outstanding at June 30, 2017 is \$7,440,000. Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 240,000	\$ 283,069	\$ 523,069
2019	270,000	275,869	545,869
2020	295,000	265,069	560,069
2021	320,000	253,269	573,269
2022	345,000	240,469	585,469
2023-2027	2,175,000	984,113	3,159,113
2027-2032	3,055,000	531,000	3,586,000
2033	740,000	29,600	769,600
	<u>\$ 7,440,000</u>	<u>\$ 2,862,458</u>	<u>\$ 10,302,458</u>

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

3. DETAILED NOTES (continued)

Long-term Obligations (continued)

Other Loans/Bonds

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

In October 2007, the City issued \$1,015,000 debt from the League of Oregon Cities, Cooperative Assets Finance Program. This loan was issued to provide funds for various City purchases of vehicles, equipment and pay off the Municipal Airport Debt. Interest rate ranges from 3.90 percent to 5.00 percent. Final maturity is July 1, 2024. As of June 30, 2017, the balance outstanding is \$155,000.

Year Ending June 30	Principal	Interest	Total
2018	\$ 20,000	\$ 7,250	\$ 27,250
2019	20,000	6,250	26,250
2020	20,000	5,250	25,250
2021	20,000	4,250	24,250
2022	25,000	3,750	28,750
2023-24	50,000	3,750	53,750
	<u>\$ 155,000</u>	<u>\$ 30,500</u>	<u>\$ 185,500</u>

In September 2009, the City issued \$ 2,580,000 debt from the League of Oregon Cities, Cooperative Assets Finance Program. This loan was issued to provide funds for the Bay Boulevard project and large equipment for Fire, Water and Wastewater. Interest rate ranges from 1.00 percent to 3.50 percent. Final maturity is January 1, 2019. As of June 30, 2017, the balance outstanding is \$560,000.

Year Ending June 30,	Principal	Interest	Total
2018	\$ 275,000	\$ 14,090	\$ 289,090
2019	285,000	4,845	289,845
	<u>\$ 560,000</u>	<u>\$ 18,935</u>	<u>\$ 578,935</u>

In October 2012, the City entered into a loan agreement to finance the new North Side Fire Station. Interest rate is 5.00 percent and final maturity is October 2017. The loan was paid off in fiscal year 2016-17.

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

3. DETAILED NOTES (continued)

Long-term Obligations (continued)

In November 2016, the City entered into a loan agreement to finance the purchase of a new city hall parking lot. The interest rate is 1.76 percent and final maturity is November 2019. The loan was paid off in May 2017.

Urban Renewal Bonds

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

In May 2007, the South Beach Urban Renewal District issued bonds totaling \$900,000 to finance the 4B storm drain project in the South Beach urban growth area. The interest rate is 5.25 percent. Final maturity is June 15, 2017. The loan was paid off in June 2017

In May 2008, the South Beach Urban Renewal District issued bonds totaling \$2,530,000 to finance infrastructure projects in the South Beach urban growth area. The interest rate is 4.25 percent. Final maturity is June 15, 2018. As of June 30, 2017, the outstanding balance is \$305,000. Annual debt service requirements to maturity for this bond is as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 305,000	\$ 12,963	\$ 317,963

In March 2015, the South Beach Urban Renewal District completed a bank borrowing, Series 2015A & 2015B, totaling \$5,456,000 to finance property acquisitions, infrastructure projects, and a trail project in the South Beach urban growth area. The interest rate ranges from 2.45 percent to 3.45 percent. Final maturity is June 1, 2025. As of June 30, 2017, the outstanding balance is \$5,239,000. Annual debt service requirements to maturity for this bond is as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 130,000	\$ 143,309	\$ 273,309
2019	280,000	138,762	418,762
2020	624,000	129,321	753,321
2021	865,000	107,140	972,140
2022	662,000	82,967	744,967
2023-2026	2,678,000	139,982	2,817,982
	<u>\$ 5,239,000</u>	<u>\$ 741,481</u>	<u>\$ 5,980,481</u>

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

3. DETAILED NOTES (continued)

Long-term Obligations (continued)

In July 2010, Full Faith & Credit Refunding Obligations, Series 2010B was issued in the amount of \$8,465,000 to refinance one loan agreement with the Oregon DEQ (loan #68931) and two loan agreements with the Oregon Business Development Department (OBDD), formerly the Oregon Economic and Community Development Department (OECDD), which were issued to help finance a portion of the City's wastewater treatment plant. An additional \$2,000,000 was borrowed as part of the refunding to help finance transportation infrastructure improvements, which has enhance access to the Pacific Marine Operation Center. The DEQ loan was considered a current refunding and was called July 14, 2010. The OBDD loans advanced refunded, whereby \$3,711,619 was used to purchase United States Government obligations, which were deposited into an escrow account. These funds were sufficient to call the bonds on January 1, 2011. The new bonds were issued at a premium of \$276,407 with bond issue cost totaling \$129,484. Interest range from 2.0 percent to 4.5 percent, with a final maturity of June 15, 2023. As of June 30, 2017, the outstanding balance is \$4,015,000. Annual debt service requirements to maturity for this bond is as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 775,000	\$ 150,675	\$ 925,675
2019	975,000	122,800	1,097,800
2020	670,000	93,550	763,550
2021	480,000	65,075	545,075
2022	565,000	44,675	609,675
2023	550,000	19,250	569,250
	<u>\$ 4,015,000</u>	<u>\$ 496,025</u>	<u>\$ 4,511,025</u>

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

3. DETAILED NOTES (continued)

Long-term Obligations (continued)

Business-type Activities

General Obligation Bonds

The City issued \$6,265,000 (Series 2009A) and \$9,630,541 (Series 2009B) in general obligation bonds in March 2009, to finance the costs of capital construction and capital improvement for the City's water system. Series 2009A interest rates ranges from 3.5 percent to 5.0 percent and Series 2009B interest rate is 5.0 percent, with a final maturity of June 30, 2029. As of June 30, 2017, the outstanding balance is \$2,680,000 (Series 2009A) and \$9,630,541 (Series 2009B). Annual debt service requirements to maturity for this bond is as follows:

General Obligation Bonds, Series 2009A - Water

Year Ending June 30,	Principal	Interest	Total
2018	\$ 900,000	\$ 122,050	\$ 1,022,050
2019	1,010,000	78,900	1,088,900
2020	770,000	38,500	808,500
	<u>\$ 2,680,000</u>	<u>\$ 239,450</u>	<u>\$ 2,919,450</u>

General Obligation Bonds, Series 2009B - Wastewater

Year Ending June 30,	Principal	Interest	Total
2020	\$ 706,407	\$ 498,593	\$ 1,205,000
2021	1,137,806	937,194	2,075,000
2022	1,100,080	1,034,920	2,135,000
2023	1,070,476	1,129,524	2,200,000
2024	1,033,610	1,231,390	2,265,000
2025-2029	4,582,162	7,807,838	12,390,000
	<u>\$ 9,630,541</u>	<u>\$ 12,639,459</u>	<u>\$ 22,270,000</u>

The City issued \$7,470,000 in general obligation refunding bonds in April 2008, to refinance a portion of the City's outstanding General Obligation Bonds, Series 1999 that financed improvements to the City's sewer system. Interest rates is 3.5 percent. The bonds final maturity is February 1, 2019. As of June 30, 2017 the outstanding balance is \$1,795,000. Annual debt service requirement to maturity is as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 880,000	\$ 62,825	\$ 942,825
2019	915,000	32,025	947,025
	<u>\$ 1,795,000</u>	<u>\$ 94,850</u>	<u>\$ 1,889,850</u>

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

3. DETAILED NOTES (continued)

Long-term Obligations (continued)

Full Faith & Credit Bonds and Loans Payable

In July 2010, Full Faith & Credit Refunding Obligations, Series 2010A was issued in the amount of \$5,560,000 to refinance a loan agreement with the Oregon DEQ to help finance a portion of the City's wastewater treatment plant. Interest range from 2.0 percent to 4.5 percent, with a final maturity of June 15, 2023. As of June 30, 2017, the outstanding balance is \$2,695,000. Annual debt service requirements to maturity for this bond is as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 455,000	\$ 110,963	\$ 565,963
2019	470,000	92,763	562,763
2020	485,000	73,963	558,963
2021	505,000	53,350	558,350
2022	525,000	33,150	558,150
2023	255,000	10,837	265,837
	<u>\$ 2,695,000</u>	<u>\$ 375,026</u>	<u>\$ 3,070,026</u>

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

3. DETAILED NOTES (continued)

Long-term Obligations (continued)

Loans Payable

The City entered into an agreement with Seal Rock Water District to assume responsibility to provided water services for an area of property. In return, the City agreed to pay the District \$958,502 as the rate of interest of 4.75 percent. The outstanding balance as of June 30, 2017 is \$739,941. Annual debt service requirements to maturity for this loan is as follows:

Year Ending June 30	Principal	Interest	Total
2018	\$ 29,152	\$ 40,360	\$ 69,512
2019	30,411	39,073	69,484
2020	31,826	37,650	69,476
2021	33,300	36,160	69,460
2022	34,835	34,601	69,436
2023-27	197,568	147,581	345,149
2028-32	231,455	98,792	330,247
2033-37	143,178	31,005	174,183
2038-42	8,216	947	9,163
	<u>\$ 739,941</u>	<u>\$ 466,169</u>	<u>\$ 1,206,110</u>

In December 2014, the City entered into a 2014 Loan Agreement, in the amount of \$4,554,800 to finance costs of water infrastructure projects. Interest for the loan is 3.95 percent, with a final maturity of June 15, 2034. As of June 30, 2017, the outstanding balance is \$4,264,224. Annual debt service requirements to maturity for this bond is as follows:

Year Ending June 30	Principal	Interest	Total
2018	\$ 165,825	\$ 165,162	\$ 330,987
2019	172,507	158,480	330,987
2020	179,459	151,528	330,987
2021	186,690	144,297	330,987
2022	194,213	136,774	330,987
2023-27	1,094,955	559,980	1,654,935
2028-32	1,334,075	320,860	1,654,935
2033-35	936,500	56,461	992,961
	<u>\$ 4,264,224</u>	<u>\$ 1,693,542</u>	<u>\$ 5,957,766</u>

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

3. DETAILED NOTES (continued)

Governmental Fund Balances

The fund balance amounts for governmental funds have been reported in the categories listed below with each specific purpose:

Categories	General	Parks and Recreation	Agate Beach Closure	Urban Renewal	Capital Projects	Nonmajor Govern- mental	Total
Nonspendable:							
Prepaid items	\$ -	\$ 3,271	\$ -	\$ -	\$ -	\$ 13,120	\$ 16,391
Restricted for:							
Capital projects	-	-	-	-	2,341,685	1,391,244	3,732,929
Agate Beach disposal site closure	-	-	1,339,564	-	-	-	1,339,564
Tourism	-	-	-	-	-	227,989	227,989
Streets	-	-	-	-	-	428,054	428,054
Urban renewal	-	-	-	3,907,063	-	-	3,907,063
Committed for:							
Parks and recreation	-	514,954	-	-	-	-	514,954
Public parking	-	-	-	-	-	287,374	287,374
Housing	-	-	-	-	-	112,742	112,742
Airport	-	-	-	-	-	255,295	255,295
Building inspection	-	-	-	-	-	633,127	633,127
Line undergrounding	-	-	-	-	-	761,010	761,010
Assigned for:							
Capital projects	-	-	-	-	-	1,347,435	1,347,435
Unassigned	<u>3,357,335</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,017)</u>	<u>3,348,318</u>
 Total Fund Balances	 <u>\$ 3,357,335</u>	 <u>\$ 518,225</u>	 <u>\$ 1,339,564</u>	 <u>\$ 3,907,063</u>	 <u>\$ 2,341,685</u>	 <u>\$ 5,448,373</u>	 <u>\$ 16,912,245</u>

Net Position Restricted Through Enabling Legislation

The amount of net position restricted by enabling legislation is as follows:

Governmental activities

Capital projects – Ordinances imposing System Development Charges (SDC) restrict the use to capital improvements which expand the capacity of the system for which the charge was made	1,563,475
Urban Renewal - Establishment of the urban renewal agency restricts the use to projects meeting the objectives for which it was formed	3,907,063

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

3. DETAILED NOTES (continued)

Segment Information for Enterprise Funds

The City has issued revenue bonds to finance water and wastewater systems. The two systems are accounted for in five enterprise funds.

Summary financial information for the water and wastewater systems for the year ended June 30, 2017 is as follows:

Condensed statement of net position	<u>Water</u>	<u>Wastewater</u>
Assets		
Current	\$ 2,813,496	\$ 4,368,589
Capital assets, net	<u>24,267,324</u>	<u>39,515,099</u>
Total assets	<u>27,080,820</u>	<u>43,883,688</u>
Deferred outflows of resources		
Pension related items	<u>136,708</u>	<u>102,104</u>
Liabilities		
Current	7,279,398	1,727,069
Noncurrent	<u>21,521,268</u>	<u>3,820,033</u>
Total liabilities	<u>28,800,666</u>	<u>5,547,102</u>
Deferred inflows of resources		
Pension related items	<u>141,453</u>	<u>105,648</u>
Net position		
Net investment in capital assets	1,798,686	34,457,073
Restricted	210,411	2,711,866
Unrestricted	<u>(3,733,688)</u>	<u>1,164,103</u>
Total net position	<u><u>\$(1,724,591)</u></u>	<u><u>\$ 38,333,042</u></u>

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

3. DETAILED NOTES (continued)

Segment Information for Enterprise Funds (continued)

	Water	Wastewater
Condensed statement of revenues, expenses and changes in net position		
Operating revenue	\$ 3,792,486	\$ 4,029,679
Depreciation expense	978,969	1,475,004
Other operating expenses	2,830,693	2,841,019
Operating income (loss)	(17,176)	(286,344)
Nonoperating revenues (expenses)	28,019	805,512
Income before transfers	10,843	519,168
Transfers in	3,873,640	7,737,161
Transfers (out)	(5,267,634)	(4,833,873)
Change in net position	(1,383,151)	3,422,456
Prior period adjustment	(4,778,335)	66,799
Net position - beginning	4,436,895	34,843,787
Net position - ending	\$ (1,724,591)	\$ 38,333,042
 Condensed statement of cash flows		
Net cash provided by (used in):		
Operating activities	\$ 968,853	\$ 1,003,239
Non-capital financing activities	957,033	954,208
Capital and related financing activities	(2,225,882)	(1,415,284)
Investing activities	22,906	44,551
Net increase (decrease) in cash	(277,090)	586,714
Cash and cash equivalents - beginning	1,922,830	3,013,711
Cash and cash equivalents - ending	\$ 1,645,740	\$ 3,600,425

Special Item

During the year, the City sold a building which resulted in a gain of \$1,650,272 in the governmental activities. The gain is reported as a special item in the statement of activities since the sale and resulting gain are unusual and infrequent in occurrence.

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

4. OTHER INFORMATION

Pension Plans

The City participates in a cost-sharing multiple-employer plan that covers all fire and police employees, and a combined single-employer defined contribution money-purchase and defined benefit for eligible employees. Below are details related to each plan.

Oregon Public Employees Retirement System (PERS)

Defined Benefit Pension Plan

A. Plan description

Employees of the District are provided with pensions through the Oregon Public Employee Retirement Systems (OPERS).

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

OPERS produces an independently audited comprehensive annual financial report which includes detailed information about the pension plan's fiduciary net position. The report can be found at: www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx

B. Description of benefit terms

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

Tier One/Tier Two retirement benefit (Chapter 238)

Tier One/Tier Two Retirement Benefit plan is closed to new members hired on or after August 29, 2003.

Pension benefits

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

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

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

4. OTHER INFORMATION (continued)

Death benefits

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

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

Disability benefits

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

Benefit changes after retirement

Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes.

Oregon Public Service Retirement Plan (Chapter 238A) (OPSRP)

Pension benefits

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

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

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

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

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

4. OTHER INFORMATION (continued)

Death benefits

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

Disability benefits

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

Benefit changes after retirement

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes.

C. Contributions

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

Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation.

Tier 1/tier 2 employer contribution rates are 14.57 percent and the OPSRP employer contribution rates are 4.99 percent for general service employees and 9.10 percent for police and fire. Employer contributions for the year ended June 30, 2017 were \$265,656.

D. Actuarial valuations – Tier One/Tier Two

The December 31, 2013 actuarial valuation used the following actuarial methods and valuation procedures in determining the Tier One/Tier Two contribution rates.

Actuarial cost method

The employer contribution rates effective July 1, 2015, through June 30, 2017, were set using the entry age normal actuarial cost method. Under this actuarial cost method, each active member's entry age present value of projected benefits is allocated over the member's service from the member's date of entry until their assumed date of exit, taking into consideration expected future compensation increases.

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

4. OTHER INFORMATION (continued)

Unfunded actuarial accrued liability amortization

The Tier 1/Tier 2 UAL amortization period is reset to 20 years as of December 31, 2013. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll (Tier 1/ Tier 2 plus OPSRP payroll) over a closed 20 year period from the valuation in which they are first recognized.

Retiree healthcare unfunded actuarial accrued liability amortization

The UAL for Retiree Health Care as of December 31, 2007 is amortized as a level percentage of combined valuation payroll (Tier 1/ Tier 2 plus OPSRP payroll) over a closed 10 year period. Gains and losses between subsequent odd-year valuations are amortized as a level percentage of combined valuation payroll over a closed 10 year period from the valuation in which they are first recognized.

Asset valuation method

The actuarial value of assets equals the market value of assets, excluding the Contingency and Capital Preservation Reserves, and the Rate Guarantee Reserve when it is in positive surplus status. Market values are reported to the actuary by PERS. Real estate and private equity investments are reported on a three-month lag basis.

Contribution rate stabilization method

Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) are confined to a collared range based on the prior contribution rate (prior to application of side accounts, pre-SLGRP liabilities, and 6 percent Independent Employer minimum). The new contribution rate will generally not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the prior contribution rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funded percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.

Allocation of liability for service segments

For active Tier 1/Tier 2 members who have worked for multiple PERS employers over their career, the calculated actuarial accrued liability is allocated among the employers based on a weighted average of the Money Match methodology, which uses account balance, and the Full Formula methodology, which uses service. The allocation is 30% based on account balance with each employer and 70% based on service with each employer. The entire normal cost is allocated to the current employer.

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

4. OTHER INFORMATION (continued)

Allocation of benefits-in-force reserve

The reserve is allocated to each rate pool in proportion to the retiree liability attributable to the rate pool.

Economic assumptions

Investment return	7.75% compounded annually
Pre-2014 interest crediting	8.00% compounded annually on regular account balances 8.25% compounded annually on variable account balances
Post 2013 interest crediting	7.75% compounded annually
Inflation	2.75% compounded annually
Payroll growth	3.75% compounded annually
Healthcare cost trends	Ranges from 6.1% in 2014 to 4.7% in 2083

Demographic assumptions

Mortality tables

Healthy retirees	RP 2000, Generational (Scale AA) Combined Active/Healthy Annuitant, Sex Distinct
Disabled retirees	RP 2000, Static, Combined Disabled, No Collar, Sex Distinct Male 65% and Female 90% of disabled table
Non-annuitants	Ranges from 55% to 70% of healthy retired mortality tables depending upon sex and employment type

Retirement assumptions

Probability tables based on age of member, years of service and employment type with all police and fire retired by age 65 and all others retired by age 70, election to receive a lump sum option at retirement, disability assumptions, termination assumptions and Oregon post-retirement residency assumptions.

Salary increase assumptions

Salary increase assumptions, in addition to general payroll growth, include merit increase, unused sick leave and vacation pay adjustments.

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

4. OTHER INFORMATION (continued)

E. Actuarial valuations – OPSRP

The December 31, 2013 actuarial valuation for OPSRP generally used the same actuarial methods and valuation procedures as Tier One/Tier Two contribution rates except as follows:

OPSRP unfunded actuarial accrued liability amortization

The UAL as of December 31, 2007 is amortized as a level percentage of combined valuation payroll (Tier 1/ Tier 2 plus OPSRP payroll) over a closed period 16 year period. Gains and losses between subsequent odd-year valuations are amortized as a level percentage of combined valuation payroll over 16 years from the valuation in which they are first recognized.

Economic assumptions

An additional amount for administrative expenses is added to the normal cost.

Retirement assumptions

Probability tables are different but still based on age of member, years of service and employment type with all police and fire retired by age 65 and all others retired by age 70, election to receive a lump sum option at retirement, disability assumptions, termination assumptions and Oregon post-retirement residency assumptions.

F. Net pension liability, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

Net pension liability

At June 30, 2017, the City reported a liability of \$4,469,447 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The League's proportion of the net pension liability was based on a projection of the League's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

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

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

4. OTHER INFORMATION (continued)

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

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

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

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

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

At June 30, 2016, the City's proportion was .02977186 percent, which was an increase of .00091359 percent from its proportion measured as of June 30, 2015.

Pension expense

For the year ended June 30, 2017, the City recognized pension expense of \$528,213.

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

4. OTHER INFORMATION (continued)

Deferred inflows of resources and deferred outflows of resources

Deferred inflows of resources and deferred outflows of resources are calculated at the plan level and are allocated to employers based on their proportionate share. For the measurement period ended June 30, 2016, employers will report the following deferred inflows or resources and/or deferred outflows of resources:

- Difference between expected and actual experience
- Changes in assumptions
- Changes in employer proportion since the prior measurement date
- Differences between projected and actual earnings

Differences between expected and actual experience, changes in assumptions and changes in employer proportionate are amortized over the average remaining service lives of all plan participants, including retirees, determined at the beginning of the respective measurement period.

At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 147,869	\$ --
Changes of assumptions	953,226	--
Net difference between projected and actual earnings on pension plan investments	882,975	--
Changes in proportionate share	100,284	--
Difference between contributions and proportionate share of system contributions	--	103,818
Contributions subsequent to the measurement date	265,656	--
Total	\$ 2,350,010	\$ 103,818

\$265,656 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ends June 30,	
2018	\$ 353,582
2019	353,582
2020	680,614
2021	519,125
2022	73,632
Total	\$ 1,980,536

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

4. OTHER INFORMATION (continued)

G. Actuarial methods and assumptions used in developing total pension liability

The total pension liability measured as of June 30, 2016 was based on an actuarial valuation as of December 31, 2014 using the following methods and assumptions:

Experience study report	2014, published September 2015
Inflation rate	2.5 percent
Long-term expected rate of return	7.5 percent
Discount rate	7.5 percent
Projected salary increases	3.5 percent
	Cost of living adjustments (COLA) blend of 2.00 percent COLA and graded COLA (1.25 percent/.015) in accordance with <i>Moro</i> decision; blend based on service
	<i>Healthy retirees and beneficiaries:</i>
	RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.
	<i>Active members:</i>
	Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.
	<i>Disabled retirees:</i>
	Mortality rates are a percentage (70 percent for males, 95 percent for females) of the RP-2000 Sex-distinct generational per Scale BB, disabled mortality table.
Mortality	

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2014 Experience Study which reviewed experience for the four-year period ending on December 31, 2014.

Discount rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

4. OTHER INFORMATION (continued)

Long-term expected rate of return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both the actuaries capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on forward-looking capital market economic model. For more information on the Plan's portfolio, assumed asset allocation and the long-term expected rate of return for each major asset class, calculated using both arithmetic and geometric means, see PERS audited financial statements.

Depletion date projection

GASB 68 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's fiduciary net position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the fiduciary net position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 68 will often require that the actuary perform complex projections of future benefit payments and asset values. GASB 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

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

- OPERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100 percent funded position by the end of the amortization period if future experience follows assumption.
- GASB 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

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

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

4. OTHER INFORMATION (continued)

H. Sensitivity of the proportionate share of the net pension liability to changes in the discount rate

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1 Percentage Point Lower	Current Discount Rate	1 Percentage Point Higher
Proportionate share of net pension liability	\$ 7,216,667	\$ 4,469,447	\$ 2,173,252

Defined Contribution Plan

A. Plan description

Individual account program (IAP) - Participants in OPERS defined benefit pension plan also participate in the defined contribution plan.

B. Pension benefits

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

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

C. Death benefits

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

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

4. OTHER INFORMATION (continued)

D. Contributions

The City makes the employee contributions of 6 percent of covered payroll to the plan. Contributions for the year ended June 30, 2017 were \$143,735.

E. Recordkeeping

PERS contracts with VOYA Financial to maintain IAP participant records.

City of Newport Employee's Retirement Plans

Defined Benefit Pension Plan

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

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

Plan description

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

All the benefits of the Plan are established by the City Council of Newport.

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

The City does not issue a separate financial report available to the public for this plan.

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

4. OTHER INFORMATION (continued)

Plan membership

As of July 1, 2016, pension plan membership consisted of 19 inactive plan members (or beneficiaries) currently receiving benefits, 19 inactive plan members not yet receiving benefits and 44 active plan members.

Description of benefit terms

Plan benefits

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

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

Pension benefits

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

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

$$BY \times 1.2\% \times AME$$

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

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

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

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

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

The greatest early retirement benefit the participant could have received.

"Average Monthly Earnings" means the average of the participant's Monthly Earnings in the three consecutive plan years of highest Compensation as follows:

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

4. OTHER INFORMATION (continued)

“Monthly Earnings” for a plan year means one-twelfth of the participant’s Compensation for the plan year.

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

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

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

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

During periods of reduced Compensation because of such causes as illness, disability, leave of absence or layoff, Compensation shall be figured at the last regular rate before the start of the period. Conversion to annuities under the Plan shall be based on actuarial equivalency.

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

Pre-retirement death benefits

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

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

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

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

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

4. OTHER INFORMATION (continued)

Death benefits

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

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

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

- If a Participant dies on or after the date distribution begins, then the amount of a required minimum distribution will be determined as follows:
 - If the Participant dies on or after the date distributions begin and there is a Designated Beneficiary, then the minimum amount that will be distributed for each Distribution Calendar Year after the year of the Participant's death is the quotient obtained by dividing the Participant's Account Balance by the longer of the remaining Life Expectancy of the Participant or the remaining Life Expectancy of the Designated Beneficiary, determined in accordance with the following provisions:
 - The Participant's remaining Life Expectancy is calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.
 - If the Participant's surviving Spouse is the Participant's sole Designated Beneficiary, then the remaining Life Expectancy of the surviving Spouse is calculated for each Distribution Calendar Year after the year of the Participant's death using the surviving Spouse's age as of the Spouse's birthday in that Distribution Calendar Year. For Distribution Calendar Years after the year of the surviving Spouse's death, the remaining Life Expectancy of the surviving Spouse is calculated using the age of the surviving Spouse as of the Spouse's birthday in the calendar year of the Spouse's death, reduced by one for each subsequent calendar year.
 - If the Participant's surviving Spouse is not the Participant's sole Designated Beneficiary, then the Designated Beneficiary's remaining Life Expectancy is calculated using the age of the Beneficiary in the year following the year of the Participant's death, reduced by one for each subsequent calendar year.

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

4. OTHER INFORMATION (continued)

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

Disability benefits

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

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

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

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

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

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

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

4. OTHER INFORMATION (continued)

Funding policy

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

The funding policy of the defined portion provides for actuarially determined periodic contributions at rates that over time provide sufficient assets available to pay benefits when dues. For the current fiscal year, \$381,589 was contributed to the plan. The plan's normal cost is \$203,316 with interest plus amortization (over 30 years) of the plans unfunded actuarial accrued liability with interest.

The annual required contribution of the defined benefit plan was computed as of an actuarial valuation performed as of July 1, 2016. Significant actuarial assumptions used in the valuation include: (a) a rate of return on the investment of present and future assets of 6%, (b) projected salary increases of 3% per year in addition to salary increase due to promotions and longevity.

Contributions

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

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

Pension asset or liability, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

At June 30, 2017, the City of Newport reported a liability of \$1,008,455 for its net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

4. OTHER INFORMATION (continued)

For the year ended June 30, 2017, the City of Newport recognized pension expense (revenue) of \$(59,722). At June 30, 2017, the City of Newport reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 474,123	\$ 43,428
Changes of assumptions	306,835	--
Net difference between projected and actual earnings		
On pension plan investments	<u>326,249</u>	<u>1,102,207</u>
	<u>\$ 1,107,207</u>	<u>\$ 1,145,635</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (income) as follows:

Year ends June 30,	
2018	\$ 52,605
2019	52,605
2020	21,173
2021	(156,763)
2022	<u>(8,048)</u>
	<u>\$ 14,177</u>

Actuarial valuations

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

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

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

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

4. OTHER INFORMATION (continued)

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

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

Actuarial methods and assumptions used in developing total pension liability

Valuation Date	July 1, 2016 rolled forward to June 30, 2017.
Actuarial Cost Method	Entry Age Normal with normal cost as level percentage of salary
Amortization Method	Amortized as a level percentage of salary as layered amortization bases over a closed period
Asset Valuation Method	Market value of assets
Actuarial Assumptions:	
Inflation Rate	2.5 percent
Investment rate of return	6.75 percent
Projected Salary Increases	3.00 percent overall payroll growth
Mortality	RP-2000 Table, post-retirement only, without variation by subgroups

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

Discount rate

The discount rate used to measure the total pension liability was 6.75 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

4. OTHER INFORMATION (continued)

Assumed asset allocation:

Asset Class/Strategy	Low Range	High Range
Cash	0%	5%
Equity	60%	90%
Fixed Income	10%	40%

Long-term expected rate of return

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

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

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

	1 Percentage Point Lower	Current Discount Rate	1 Percentage Point Higher
City of Newport’s net pension asset or liability	\$ 1,801,084	\$ 1,008,455	\$ 329,946

Changes in actuarial methods and assumptions

There have been no changes in the actuarial methods and assumptions.

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

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

4. OTHER INFORMATION (continued)

Defined Contribution Plan– City Money Purchase

Participants in the City of Newport Employee’s Retirement Plans also participate in the defined contribution plan along with others added after March 5, 2012 and October 12, 2012.

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

Pension benefits

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

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

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

Death benefits

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

Contributions

The City makes the employee contributions of 6 percent of covered payroll to the plan. Contributions for the year ended June 30, 2017 were \$330,314.

Recordkeeping

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

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

4. OTHER INFORMATION (continued)

Other Post-employment Benefits

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

Plan Description and Benefits Provided

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

Membership

The City's membership in the plan at July 1, 2016 (the date of the last actuarial valuation), consisted of the following:

Active employees	106
Retirees, spouses, or dependents	<u>2</u>
	<u>108</u>

Funding Policy and Contributions

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

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

4. OTHER INFORMATION (continued)

Annual OPEB Cost and Net OPEB Obligation (NOPEBO)

The City had an actuarial valuation performed as of July 1, 2016, to determine the *unfunded accrued actuarial liability* (UAAL), *annual required contribution* (ARC), and NOPEBO as of that date. The ARC is equal to the normal cost plus an amount to amortize the UAAL as a level percent of payroll over 10 years. The annual OPEB cost, as of June 30, 2017 is equal to the ARC as follows:

Normal Cost	\$ 49,291
Amortization of UAAL	<u>58,743</u>
Annual required contribution (ARC)	<u>\$ 108,034</u>

The net OPEB obligation as of June 30, 2017, was calculated as follows:

Annual required contribution	\$ 108,034
Implicit benefit payments	(14,714)
Interest on prior year net OPEB obligation	11,944
Adjustment to ARC	<u>(41,034)</u>
Increase in net OPEB obligation	64,230
Net OPEB at beginning of the year	<u>341,262</u>
Net OPEB at end of the year	<u>\$ 405,492</u>

The City's annual OPEB cost, percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2017, are as follows:

Fiscal year ended	Annual OPEB cost	Percentage of annual OPEB cost contributed	Net OPEB obligation
June 30, 2017	\$ 78,944	19%	\$ 405,492
June 30, 2016	85,840	28%	341,262
June 30, 2015	115,896	23%	279,123

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

4. OTHER INFORMATION (continued)

Funding Status and Funding Progress

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

As of July 1, 2016, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$488,549, and the actuarial value of assets was zero, resulting in an unfunded accrued liability of \$488,549.

Actuarial Methods and Assumptions

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

In the July 1, 2016, actuarial valuation, the **Entry Age Normal Method** was used to determine contribution levels comprised of normal cost and amortized payments.

The **inflation rate** used for the 2016 valuation is an assumed rate of 2.5%.

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

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

4. OTHER INFORMATION (continued)

The **health cost trend** is 7 percent in the 2016 year and will vary from 5.00 percent to 7.5 depending on the timing of the excise tax scheduled to affect health care benefits beginning in the year 2018. Health cost trend affects both the projected health care costs and the projected health care premiums. Dental costs were segregated out and the projected increase will be 4.50 percent per year.

The **annual payroll increases** are 3.5 percent compounded annually for the purposes of amortizing the UAAL. These assumptions are based on the Oregon PERS valuation assumptions as of December 31, 2015.

It is assumed that 40 percent of active members will elect coverage upon retirement until age 65. 60 percent of male members and 35 percent of female members who elect coverage upon retirement are also assumed to elect spouse coverage until the spouse reaches age 65.

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

Risk Management

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

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

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

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

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

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

4. OTHER INFORMATION (continued)

Commitments and Contingent Liabilities

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

Tax Abatements

Lincoln County has established an enterprise zone under ORS 285C.050-250 that abates property taxes on new business development within the zone. As a result, the property taxes that the City will receive for the 2016-17 levy year have been reduced by \$30,180.

Prior Period Adjustment

The beginning net position of the Water fund has been adjusted to reflect additional long-term debt and accrued interest owed at June 30, 2016. Beginning net position was decreased by \$(4,776,813).

The beginning fund balance of the Water and Wastewater Funds has been adjusted to reflect unbilled accounts receivable which should have been recorded at June 30, 2016. Beginning fund balance was increased by \$121,288 and \$66,799, respectively.

The beginning fund balance of the Water Fund was also adjusted to reflect additional water deposits at June 30, 2016. Beginning fund balance was decreased by \$(122,810).

Expenditures in Excess of Appropriations

Expenditures in excess of appropriations occurred as follows:

<u>Fund/Department</u>	<u>Appropriation</u>	<u>Actual</u>	<u>Variance</u>
Parks and Recreation			
Parks administration	\$ 194,708	\$ 196,662	\$ (1,954)
Swimming pool	475,170	490,752	(15,582)

REQUIRED SUPPLEMENTARY INFORMATION

Perseverance is not a long race, it is many short races one after the other.

- Walter Elliot

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

Year Ended June 30,	City's proportion of the net pension liability (asset)	City's proportionate share of the net pension liability (asset)	City's covered payroll	City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	0.02977186%	\$ 4,469,447	\$ 2,877,270	155.34%	81%
2016	0.02885827%	1,656,886	2,444,013	67.79%	92%
2015	0.02500643%	(566,824)	2,193,182	-25.84%	104%

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

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

Year Ended June 30,	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	City's covered payroll	Contributions as a percent of covered payroll
2017	\$ 421,038	\$ 421,038	\$ -	\$ 2,877,270	14.63%
2016	404,425	404,425	-	2,444,013	16.55%
2015	344,174	348,895	(4,721)	2,193,182	15.91%

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

CITY OF NEWPORT, OREGON
SCHEDULE OF NET PENSION LIABILITY AND CHANGES IN NET PENSION LIABILITY
CITY OF NEWPORT EMPLOYEES RETIREMENT PLAN
Last 10 Plan Years*

	June 30, 2017	June 30, 2016	June 30, 2015
<u>Beginning of year</u>			
Total pension liability	\$ 7,246,065	\$ 6,860,012	\$ 6,525,032
Fiduciary net position	<u>5,702,821</u>	<u>5,681,108</u>	<u>5,328,828</u>
Net pension liability	<u>\$ 1,543,244</u>	<u>\$ 1,178,904</u>	<u>\$ 1,196,204</u>
<u>Changes in total pension liability</u>			
Service cost	\$ 134,359	\$ 141,340	\$ 166,928
Interest on total pension liability	473,831	461,564	440,163
Difference between expected and actual experience	563,229	53,539	(69,963)
Change of Assumptions	392,067	-	-
Benefit payments	<u>(937,034)</u>	<u>(270,390)</u>	<u>(202,148)</u>
Net change in total pension liability	<u>\$ 626,452</u>	<u>\$ 386,053</u>	<u>\$ 334,980</u>
<u>Changes in fiduciary net position</u>			
Employer contributions	\$ 381,589	\$ 362,578	\$ 372,150
Transfer from Money Purchase Plan	439,668	15,618	-
Investment income (loss) net of expenses	667,952	(60,573)	207,422
Benefit payments	(300,701)	(270,390)	(202,148)
Administrative expenses	<u>(27,267)</u>	<u>(25,520)</u>	<u>(25,144)</u>
Net change in fiduciary net position	<u>\$ 1,161,241</u>	<u>\$ 21,713</u>	<u>\$ 352,280</u>
<u>End of year</u>			
Total pension liability	\$ 7,872,517	\$ 7,246,065	\$ 6,860,012
Fiduciary net position	<u>6,864,062</u>	<u>5,702,821</u>	<u>5,681,108</u>
Net pension liability	<u>\$ 1,008,455</u>	<u>\$ 1,543,244</u>	<u>\$ 1,178,904</u>
Fiduciary net position as a percent of total pension liability	87.2%	78.7%	82.8%
Coverd payroll	\$ 2,391,031	\$ 2,583,588	\$ 2,592,985
Net pension liability as a percent of covered payroll	42.2%	59.7%	45.5%

*Information will be accumulated until 10 years are presented.

CITY OF NEWPORT, OREGON
SCHEDULE OF EMPLOYER CONTRIBUTIONS
CITY OF NEWPORT EMPLOYEES RETIREMENT PLAN
Last 10 Plan Years

	June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 302,158	\$ 273,120	\$ 358,599	\$ 405,982	\$ 384,050	\$ 390,397	\$ 431,651	\$ 399,465	\$ 371,735	\$ 335,938
Actual employer contribution	381,589	362,578	-	416,372	416,372	431,631	399,465	368,346	369,735	401,266
Contribution deficiency (excess)	(79,431)	(89,458)	358,599	(10,390)	(32,322)	(41,234)	32,186	31,119	2,000	(65,328)
Covered payroll	2,391,031	2,583,588	2,592,985	2,925,079	2,876,355	2,887,270	2,932,240	2,647,845	2,557,688	2,297,192
Contribution as a percent of covered payroll	15.96%	14.03%	0.00%	14.23%	14.48%	14.95%	13.62%	13.91%	14.46%	17.47%
Valuation date	7/1/2016	7/1/2015	7/1/2014	7/1/2013	7/1/2012	7/1/2011	7/1/2010	7/1/2009	7/1/2008	7/1/2007
Assumed investment rate of return	6.75%	6.75%	6.75%	6.75%	6.75%	6.75%	6.75%	6.75%	6.75%	6.75%

Notes to schedule

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual entry age normal, level percentage of pay												
Amortization method	Level percentage of salary over a closed period												
Asset valuation method	Market value												
Retirement age	<table border="1"> <thead> <tr> <th>Age</th> <th>Service</th> <th>Rate</th> </tr> </thead> <tbody> <tr> <td>55</td> <td>30+ years</td> <td>50%</td> </tr> <tr> <td>60</td> <td>25+ years</td> <td>50%</td> </tr> <tr> <td>62</td> <td>n/a</td> <td>100%</td> </tr> </tbody> </table>	Age	Service	Rate	55	30+ years	50%	60	25+ years	50%	62	n/a	100%
Age	Service	Rate											
55	30+ years	50%											
60	25+ years	50%											
62	n/a	100%											
Marriage	75% of both males and females with males 3 year older than spouses												
Healthy mortality	Healthy combined RP-2000 mortality												
Cost of living increases	1.5 percent per year												
Salary increases	3 percent per year												

CITY OF NEWPORT, OREGON
SCHEDULE OF INVESTMENT RATE OF RETURN
CITY OF NEWPORT EMPLOYEES RETIREMENT PLAN
Last 10 Plan Years

<u>Year Ended</u> <u>June 30,</u>	<u>Rate of</u> <u>Return</u>
2017	11.69%
2016	-1.06%
2015	3.84%
2014	18.52%
2013	10.73%
2012	3.60%
2011	16.92%
2010	7.55%
2009	-15.04%
2008	2.80%

Wherever you go, no matter what the weather, always bring your own sunshine.

- Anthony J. D'Angelo

SUPPLEMENTARY INFORMATION

Today is a good day for a good day!
-Joanna Gaines

CITY OF NEWPORT, OREGON
CAPITAL PROJECTS FUND (A MAJOR FUND)
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Over (Under)
Revenues				
State gas tax proration	\$ 15,000	\$ 15,000	\$ 15,000	\$ -
Newport gas tax proration	155,000	155,000	208,181	53,181
Seismic rehabilitation grant	1,461,223	1,461,223	335,125	(1,126,098)
FEMA grant	-	610,753	594,579	(16,174)
State traffic entitlement	109,232	109,232	-	(109,232)
Matching funds	300,000	300,000	280,094	(19,906)
Capital improvement surcharge	601,000	601,000	627,942	26,942
Aviation grant	1,261,496	1,261,496	506,650	(754,846)
Connect Oregon grant	25,000	25,000	24,682	(318)
HR 2075 grant from the ODA	37,500	37,500	-	(37,500)
Interest on investments	5,000	5,000	56,217	51,217
Miscellaneous sales and services	-	-	8,411	8,411
Gifts and donations	-	-	20,904	20,904
Total revenues	<u>3,970,451</u>	<u>4,581,204</u>	<u>2,677,785</u>	<u>(1,903,419)</u>
Other financing sources				
Bond and loan proceeds	4,030,000	4,030,000	434,104	(3,595,896)
Advances from other funds	275,500	275,500	275,000	(500)
Transfer from Room Tax Fund	276,003	336,003	336,003	-
Transfer from Street Fund	302,900	320,100	320,100	-
Transfer from SDC Fund	237,467	150,000	150,000	-
Transfer from Urban Renewal Agency Fund	-	243,900	243,900	-
Transfer from General Fund	-	177,000	177,000	-
Transfer from Parks and Recreation Fund	-	124,300	124,300	-
Transfer from Airport Fund	112,111	112,111	112,111	-
Total other financing sources	<u>5,233,981</u>	<u>5,768,914</u>	<u>2,172,518</u>	<u>(3,596,396)</u>
Fund balance, beginning	<u>7,804,557</u>	<u>6,267,608</u>	<u>4,642,994</u>	<u>(1,624,614)</u>
Amount available for appropriation	<u>17,008,989</u>	<u>16,617,726</u>	<u>9,493,297</u>	<u>(7,124,429)</u>

	Original Budget	Final Budget	Actual	(Over) Under
Expenditures				
Capital projects - general	9,663,777	10,432,602	1,951,197	8,481,405
Capital projects - swimming pool	5,453,384	4,293,296	3,923,791	369,505
Capital projects - airport improvement program	1,436,107	1,436,107	550,788	885,319
Capital projects - visual and performing art centers	455,721	455,721	450,836	4,885
Total expenditures	<u>17,008,989</u>	<u>16,617,726</u>	<u>6,876,612</u>	<u>9,741,114</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>2,616,685</u>	<u>\$ 2,616,685</u>

Reconciliation to generally accepted accounting principles

Due to other funds	<u>(275,000)</u>
Fund balances at end of year	<u>\$ 2,341,685</u>

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

June 30, 2017

	Special Revenue	General Debt Service	Capital Projects	Totals
ASSETS				
Cash and cash equivalents	\$ 3,698,060	\$ (22,880)	\$ 1,395,756	\$ 5,070,936
Receivables			-	
Property taxes	-	30,612	-	30,612
Accounts	780,847	-	-	780,847
Investment in property	-	9,751	-	9,751
Prepaid items	-	13,120	-	13,120
Total assets	<u>\$ 4,478,907</u>	<u>\$ 30,603</u>	<u>\$ 1,395,756</u>	<u>\$ 5,905,266</u>
LIABILITIES				
Accounts payable	\$ 194,722	\$ -	\$ 48,321	\$ 243,043
Payroll and related liabilities	7,835	-	-	7,835
Deposits	1,640	-	-	1,640
Total liabilities	<u>204,197</u>	<u>-</u>	<u>48,321</u>	<u>252,518</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	<u>177,875</u>	<u>26,500</u>	<u>-</u>	<u>204,375</u>
Total deferred inflows of resources	<u>177,875</u>	<u>26,500</u>	<u>-</u>	<u>204,375</u>
FUND BALANCES				
Nonspendable	-	13,120	-	13,120
Restricted	2,047,287	-	-	2,047,287
Committed	2,049,548	-	-	2,049,548
Assigned	-	-	1,347,435	1,347,435
Unassigned	-	(9,017)	-	(9,017)
Total fund balances	<u>4,096,835</u>	<u>4,103</u>	<u>1,347,435</u>	<u>5,448,373</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,478,907</u>	<u>\$ 30,603</u>	<u>\$ 1,395,756</u>	<u>\$ 5,905,266</u>

CITY OF NEWPORT, OREGON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	Special Revenue	General Debt Service	Capital Projects	Totals
REVENUES				
Property taxes	\$ -	\$ 448,601	\$ -	\$ 448,601
Transient room taxes	1,732,448	-	-	1,732,448
Franchise fees, privilege taxes, licenses, and permits	164,964	-	-	164,964
Intragovernmental	593,950	-	11,000	604,950
Charges for services	1,367,814	-	-	1,367,814
Interest on investments	33,725	1,480	7,000	42,205
Miscellaneous	143,906	-	-	143,906
Total revenues	<u>4,036,807</u>	<u>450,081</u>	<u>18,000</u>	<u>4,504,888</u>
EXPENDITURES				
Current:				
General government	2,074,968	2,153	-	2,077,121
Highway and streets	1,038,748	-	-	1,038,748
Debt service:				
Principal	-	1,822,432	-	1,822,432
Interest	-	324,460	-	324,460
Capital outlay	18,817	-	274,040	292,857
Total expenditures	<u>3,132,533</u>	<u>2,149,045</u>	<u>274,040</u>	<u>5,555,618</u>
Excess (deficiency) of revenues over expenditures	<u>904,274</u>	<u>(1,698,964)</u>	<u>(256,040)</u>	<u>(1,050,730)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	481,622	1,655,857	1,318,475	3,455,954
Transfers out	<u>(1,739,439)</u>	<u>-</u>	<u>-</u>	<u>(1,739,439)</u>
Total other financing sources (uses)	<u>(1,257,817)</u>	<u>1,655,857</u>	<u>1,318,475</u>	<u>1,716,515</u>
Net change in fund balances	(353,543)	(43,107)	1,062,435	665,785
Fund balance - beginning	<u>4,450,378</u>	<u>47,210</u>	<u>285,000</u>	<u>4,782,588</u>
Fund balance - ending	<u>\$ 4,096,835</u>	<u>\$ 4,103</u>	<u>\$ 1,347,435</u>	<u>\$ 5,448,373</u>

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

June 30, 2017

	Public Parking	Housing	Airport	Room Tax	Building Inspection
ASSETS					
Cash and cash equivalents	\$ 282,940	\$ 112,742	\$ 276,227	\$ (162,534)	\$ 708,345
Receivables					
Accounts	<u>4,434</u>	<u>-</u>	<u>1,565</u>	<u>478,669</u>	<u>385</u>
Total assets	<u>\$ 287,374</u>	<u>\$ 112,742</u>	<u>\$ 277,792</u>	<u>\$ 316,135</u>	<u>\$ 708,730</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ 13,914	\$ 88,146	\$ 74,060
Payroll and related liabilities	-	-	1,311	-	1,531
Deposits	<u>-</u>	<u>-</u>	<u>1,640</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>16,865</u>	<u>88,146</u>	<u>75,591</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	<u>-</u>	<u>-</u>	<u>5,632</u>	<u>-</u>	<u>12</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>5,632</u>	<u>-</u>	<u>12</u>
FUND BALANCES					
Restricted	-	-	-	227,989	-
Committed	<u>287,374</u>	<u>112,742</u>	<u>255,295</u>	<u>-</u>	<u>633,127</u>
Total fund balances	<u>287,374</u>	<u>112,742</u>	<u>255,295</u>	<u>227,989</u>	<u>633,127</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 287,374</u>	<u>\$ 112,742</u>	<u>\$ 277,792</u>	<u>\$ 316,135</u>	<u>\$ 708,730</u>

Streets	Line Under- grounding	SDC	Totals
\$ 328,086	\$ 761,010	\$ 1,391,244	\$ 3,698,060
<u>123,563</u>	<u>-</u>	<u>172,231</u>	<u>780,847</u>
<u>\$ 451,649</u>	<u>\$ 761,010</u>	<u>\$ 1,563,475</u>	<u>\$ 4,478,907</u>
\$ 18,602	\$ -	\$ -	\$ 194,722
4,993	-	-	7,835
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,640</u>
<u>23,595</u>	<u>-</u>	<u>-</u>	<u>204,197</u>
-	-	172,231	177,875
<u>-</u>	<u>-</u>	<u>172,231</u>	<u>177,875</u>
428,054	-	1,391,244	2,047,287
<u>-</u>	<u>761,010</u>	<u>-</u>	<u>2,049,548</u>
<u>428,054</u>	<u>761,010</u>	<u>1,391,244</u>	<u>4,096,835</u>
<u>\$ 451,649</u>	<u>\$ 761,010</u>	<u>\$ 1,563,475</u>	<u>\$ 4,478,907</u>

ASSETS

Cash and cash equivalents
Receivables
Accounts
Total assets

LIABILITIES

Accounts payable
Payroll and related liabilities
Deposits
Total liabilities

DEFERRED INFLOWS OF RESOURCES

Unavailable revenue
Total deferred inflows of resources

FUND BALANCES

Restricted
Committed
Total fund balances
Total liabilities, deferred inflows of resources
and fund balances

CITY OF NEWPORT, OREGON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2017

	Public Parking	Housing	Airport	Room Tax
REVENUES				
Transient room taxes	\$ -	\$ -	\$ -	\$ 1,732,448
Franchise fees, privilege taxes, licenses and permits	25,804	-	-	-
Intragovernmental	-	-	-	-
Charges for services	-	-	251,659	-
Interest on investments	2,722	1,258	1,904	1,842
Miscellaneous	-	-	74,327	22,764
Total revenues	<u>28,526</u>	<u>1,258</u>	<u>327,890</u>	<u>1,757,054</u>
EXPENDITURES				
Current:				
General government	26,517	36,130	571,554	1,055,857
Highways and streets	-	-	-	-
Capital outlay	-	-	10,150	8,667
Total expenditures	<u>26,517</u>	<u>36,130</u>	<u>581,704</u>	<u>1,064,524</u>
Excess (deficiency) of revenues over expenditures	<u>2,009</u>	<u>(34,872)</u>	<u>(253,814)</u>	<u>692,530</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	13,200	395,422	-
Transfers out	-	-	(118,111)	(968,650)
Total other financing sources (uses)	<u>-</u>	<u>13,200</u>	<u>277,311</u>	<u>(968,650)</u>
Net change in fund balances	2,009	(21,672)	23,497	(276,120)
Fund balances - beginning	285,365	134,414	231,798	504,109
Fund balances - ending	<u>\$ 287,374</u>	<u>\$ 112,742</u>	<u>\$ 255,295</u>	<u>\$ 227,989</u>

Building Inspection	Streets	Line Under- grounding	SDC	Totals	
\$ -	\$ -	\$ -	\$ -	\$ 1,732,448	REVENUES
-	-	139,160	-	164,964	Transient room taxes
-	593,950	-	-	593,950	Franchise fees, privilege taxes, licenses and permits
415,338	452,713	-	248,104	1,367,814	Intragovernmental
5,254	3,240	6,649	10,856	33,725	Charges for services
179	24,499	-	22,137	143,906	Interest on investments
<u>420,771</u>	<u>1,074,402</u>	<u>145,809</u>	<u>281,097</u>	<u>4,036,807</u>	Miscellaneous
					Total revenues
					EXPENDITURES
354,541	-	369	30,000	2,074,968	Current:
-	1,038,748	-	-	1,038,748	General government
-	-	-	-	18,817	Highways and streets
<u>354,541</u>	<u>1,038,748</u>	<u>369</u>	<u>30,000</u>	<u>3,132,533</u>	Capital outlay
					Total expenditures
<u>66,230</u>	<u>35,654</u>	<u>145,440</u>	<u>251,097</u>	<u>904,274</u>	Excess (deficiency) of revenues over expenditures
					OTHER FINANCING SOURCES (USES)
3,000	70,000	-	-	481,622	Transfers in
-	(442,678)	(59,000)	(151,000)	(1,739,439)	Transfers out
<u>3,000</u>	<u>(372,678)</u>	<u>(59,000)</u>	<u>(151,000)</u>	<u>(1,257,817)</u>	Total other financing sources (uses)
69,230	(337,024)	86,440	100,097	(353,543)	Net change in fund balances
<u>563,897</u>	<u>765,078</u>	<u>674,570</u>	<u>1,291,147</u>	<u>4,450,378</u>	Fund balances - beginning
<u>\$ 633,127</u>	<u>\$ 428,054</u>	<u>\$ 761,010</u>	<u>\$ 1,391,244</u>	<u>\$ 4,096,835</u>	Fund balances - ending

**CITY OF NEWPORT, OREGON
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS**

June 30, 2017

	Capital Projects Reserve	Capital Improvements	Totals
ASSETS			
Cash and cash equivalents	<u>\$ 714,012</u>	<u>\$ 681,744</u>	<u>\$ 1,395,756</u>
LIABILITIES			
Accounts payable	<u>\$ -</u>	<u>\$ 48,321</u>	<u>\$ 48,321</u>
Total liabilities	<u>-</u>	<u>48,321</u>	<u>48,321</u>
FUND BALANCES			
Assigned	<u>714,012</u>	<u>633,423</u>	<u>1,347,435</u>
Total fund balances	<u>714,012</u>	<u>633,423</u>	<u>1,347,435</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 714,012</u>	<u>\$ 681,744</u>	<u>\$ 1,395,756</u>

CITY OF NEWPORT, OREGON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
For the Year Ended June 30, 2017

	Capital Projects Reserve	Capital Improvements	Totals
REVENUES			
Intragovernmental	\$ 11,000	\$ -	\$ 11,000
Interest on investments	3,807	3,193	7,000
Total revenues	<u>14,807</u>	<u>3,193</u>	<u>18,000</u>
EXPENDITURES			
Capital outlay	<u>99,795</u>	<u>174,245</u>	<u>274,040</u>
Total expenditures	<u>99,795</u>	<u>174,245</u>	<u>274,040</u>
Excess (deficiency) of revenues over expenditures	<u>(84,988)</u>	<u>(171,052)</u>	<u>(256,040)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>514,000</u>	<u>804,475</u>	<u>1,318,475</u>
Total other financing sources (uses)	<u>514,000</u>	<u>804,475</u>	<u>1,318,475</u>
Net change in fund balances	429,012	633,423	1,062,435
Fund balances - beginning	<u>285,000</u>	<u>-</u>	<u>285,000</u>
Fund balances - ending	<u>\$ 714,012</u>	<u>\$ 633,423</u>	<u>\$ 1,347,435</u>

Combining Statements and Budgetary Comparison Schedules

Nonmajor Special Revenue Funds

Special revenue funds account for revenues derived from specific taxes or other earmarked revenue sources, which are restricted to finance particular functions or activities.

Public Parking – receives proceeds from payment in lieu of parking fees paid in association with new development in the Bay Front, Nye Beach, and City Center areas. Expenditures are for parking and related improvements that benefit businesses in these areas

Housing – provides support for affordable housing to Newport residents at all wage levels consistent with the goals and policies outlined in the Newport Comprehensive Plan.

Airport – operates and maintains the Newport Municipal Airport in accordance with Part 139 regulations and the Airport Certification Manual, which also includes operation of the fixed base operations.

Room Tax – receives the City’s hotel/motel tax to enhance the tourism and tourism facilities for the City of Newport. This fund also transfers funds to the Airport and Parks and Recreation Funds in order to help their operations of their facilities.

Building Inspection – administers and develops the City’s building program, consisting of serving the public on building code questions, updating ordinances to comply with state and city building codes, collect and update system development charges and related building fees, review construction plans, and conduct inspections for construction projects.

Streets – receives the State Gas Tax, Storm Drain Fee and services provided for the Water and Wastewater Funds. Expenditures are for the maintenance, repair and operations of City streets, storm drain system and sidewalks.

Line Undergrounding – receives the Central Lincoln PUD 1.5% franchise fee. Expenditures are for projects in which utility lines are placed underground.

SDC (System Development Charges) – receives SDCs and administers city-wide SDC programs.

CITY OF NEWPORT, OREGON
PUBLIC PARKING FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Over (Under)
Revenues				
Interest on investments	\$ 1,370	\$ 1,370	\$ 2,722	\$ 1,352
Fees in lieu of parking	<u>31,540</u>	<u>31,540</u>	<u>25,804</u>	<u>(5,736)</u>
Total revenues	32,910	32,910	28,526	(4,384)
Fund balance, beginning	<u>307,661</u>	<u>285,366</u>	<u>285,365</u>	<u>(1)</u>
Amount available for appropriation	<u>340,571</u>	<u>318,276</u>	<u>313,891</u>	<u>(4,385)</u>
	Original Budget	Final Budget	Actual	(Over) Under
Expenditures				
Nye Beach parking district	12,718	12,718	8,668	4,050
City center parking district	6,914	6,914	4,281	2,633
Bay front parking district	22,318	22,318	13,568	8,750
Contingency	<u>298,621</u>	<u>276,326</u>	<u>-</u>	<u>276,326</u>
Total expenditures	<u>340,571</u>	<u>318,276</u>	<u>26,517</u>	<u>291,759</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 287,374</u>	<u>\$ 287,374</u>

CITY OF NEWPORT, OREGON
HOUSING FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Over (Under)
Revenues				
Interest on investments	\$ 375	\$ 375	\$ 1,258	\$ 883
Total revenues	<u>375</u>	<u>375</u>	<u>1,258</u>	<u>883</u>
Other financing sources				
Transfer from General Fund	<u>13,200</u>	<u>13,200</u>	<u>13,200</u>	<u>-</u>
Total other financing sources	<u>13,200</u>	<u>13,200</u>	<u>13,200</u>	<u>-</u>
Fund balance, beginning	<u>134,196</u>	<u>133,978</u>	<u>134,414</u>	<u>436</u>
Amount available for appropriation	<u>147,771</u>	<u>147,553</u>	<u>148,872</u>	<u>1,319</u>
	Original Budget	Final Budget	Actual	(Over) Under
Expenditures				
Materials and services	136,108	136,108	36,130	99,978
Contingency	<u>11,663</u>	<u>11,445</u>	<u>-</u>	<u>11,445</u>
Total expenditures	<u>147,771</u>	<u>147,553</u>	<u>36,130</u>	<u>111,423</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 112,742</u>	<u>\$ 112,742</u>

CITY OF NEWPORT, OREGON
AIRPORT FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Over (Under)
Revenues				
Jet fuel	\$ 120,000	\$ 120,000	\$ 136,366	\$ 16,366
Aviation gas	45,000	45,000	81,790	36,790
Oil	1,000	1,000	393	(607)
Pilot supplies	10,000	10,000	1,265	(8,735)
Food catering	1,000	1,000	991	(9)
Tie down	200	200	150	(50)
Service provided for Wastewater Fund	30,704	30,704	30,704	-
Rents and leases	57,000	57,000	72,015	15,015
Concessions	1,000	1,000	1,429	429
Interest on investments	600	600	1,904	1,304
Miscellaneous sales and services	500	500	883	383
Total revenues	<u>267,004</u>	<u>267,004</u>	<u>327,890</u>	<u>60,886</u>
Other financing sources				
Transfer from General Fund	370,422	370,422	370,422	-
Transfer from Room Tax Fund	25,000	25,000	25,000	-
Total other financing sources	<u>395,422</u>	<u>395,422</u>	<u>395,422</u>	<u>-</u>
Fund balance, beginning	<u>146,983</u>	<u>231,799</u>	<u>231,798</u>	<u>(1)</u>
Amount available for appropriation	<u>809,409</u>	<u>894,225</u>	<u>955,110</u>	<u>60,885</u>
	Original Budget	Final Budget	Actual	(Over) Under
Expenditures				
Airport operations	588,121	588,121	581,704	6,417
Contingency	60,832	145,648	-	145,648
Total expenditures	<u>648,953</u>	<u>733,769</u>	<u>581,704</u>	<u>152,065</u>
Other financing uses				
Transfers to other funds	118,111	118,111	118,111	-
Total other financing uses	<u>118,111</u>	<u>118,111</u>	<u>118,111</u>	<u>-</u>
Total expenditures and other financing uses	<u>767,064</u>	<u>851,880</u>	<u>699,815</u>	<u>152,065</u>
Fund balance, ending	<u>\$ 42,345</u>	<u>\$ 42,345</u>	<u>\$ 255,295</u>	<u>\$ 212,950</u>

CITY OF NEWPORT, OREGON
ROOM TAX FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Over (Under)
Revenues				
Transient room tax	\$ 1,750,000	\$ 1,750,000	\$ 1,732,448	\$ (17,552)
Visual arts center	9,000	9,000	22,764	13,764
Interest on investments	2,100	2,100	1,842	(258)
Total revenues	<u>1,761,100</u>	<u>1,761,100</u>	<u>1,757,054</u>	<u>(4,046)</u>
Fund balance, beginning	<u>577,878</u>	<u>504,109</u>	<u>504,109</u>	<u>-</u>
Amount available for appropriation	<u>2,338,978</u>	<u>2,265,209</u>	<u>2,261,163</u>	<u>(4,046)</u>
	Original Budget	Final Budget	Actual	(Over) Under
Expenditures				
Room tax	1,084,974	1,093,641	1,064,524	29,117
Contingency	108,497	48,497	-	48,497
Total expenditures	<u>1,193,471</u>	<u>1,142,138</u>	<u>1,064,524</u>	<u>77,614</u>
Other financing uses				
Transfers to other funds	908,650	968,650	968,650	-
Total other financing uses	<u>908,650</u>	<u>968,650</u>	<u>968,650</u>	<u>-</u>
Total expenditures and other financing uses	<u>2,102,121</u>	<u>2,110,788</u>	<u>2,033,174</u>	<u>77,614</u>
Fund balance, ending	<u>\$ 236,857</u>	<u>\$ 154,421</u>	<u>\$ 227,989</u>	<u>\$ 73,568</u>

CITY OF NEWPORT, OREGON
BUILDING INSPECTION FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Over (Under)
Revenues				
Building permits	\$ 91,200	\$ 91,200	\$ 152,168	\$ 60,968
Electrical permits	28,900	28,900	38,853	9,953
Plumbing permits	8,500	8,500	10,874	2,374
Mechanical permits	11,390	11,390	24,932	13,542
Sign permits	-	-	4,208	4,208
Building plan review	76,000	76,000	118,902	42,902
Building state surcharge	23,300	23,300	19,522	(3,778)
Construction excise tax Lincoln County School District	80,640	80,640	33,902	(46,738)
Construction excise tax Lincoln County School District - Admin	3,360	3,360	1,424	(1,936)
Electrical plan review	1,020	1,020	1,192	172
Electrical state surcharge	4,080	4,080	4,861	781
Plumbing plan review	300	300	643	343
Plumbing state surcharge	1,200	1,200	1,192	(8)
Mechanical plan review	402	402	-	(402)
Mechanical state surcharge	1,608	1,608	2,665	1,057
MFD and RV parks	1,600	1,600	-	(1,600)
Interest on investments	2,000	2,000	5,254	3,254
Miscellaneous sales and services	-	-	179	179
Total revenues	<u>335,500</u>	<u>335,500</u>	<u>420,771</u>	<u>85,271</u>
Other financing sources				
Transfer from General Fund	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>-</u>
Total other financing sources	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>-</u>
Fund balance, beginning	<u>463,605</u>	<u>563,897</u>	<u>563,897</u>	<u>-</u>
Amount available for appropriation	<u>802,105</u>	<u>902,397</u>	<u>987,668</u>	<u>85,271</u>
	Original Budget	Final Budget	Actual	(Over) Under
Expenditures				
Building inspection services	403,819	403,819	354,541	49,278
Contingency	<u>45,075</u>	<u>45,075</u>	<u>-</u>	<u>45,075</u>
Total expenditures	<u>448,894</u>	<u>448,894</u>	<u>354,541</u>	<u>94,353</u>
Fund balance, ending	<u>\$ 353,211</u>	<u>\$ 453,503</u>	<u>\$ 633,127</u>	<u>\$ 179,624</u>

CITY OF NEWPORT, OREGON
STREETS FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Over (Under)
Revenues				
State gas tax proration	\$ 574,687	\$ 574,687	\$ 593,950	\$ 19,263
Storm drain utility fees	410,000	410,000	452,713	42,713
Interest on investments	2,100	2,100	3,240	1,140
Miscellaneous sales and services	-	-	24,499	24,499
Total revenues	<u>986,787</u>	<u>986,787</u>	<u>1,074,402</u>	<u>87,615</u>
Other financing sources				
Transfer from Water Fund	35,000	35,000	35,000	-
Transfer from Wastewater Fund	35,000	35,000	35,000	-
Total other financing sources	<u>70,000</u>	<u>70,000</u>	<u>70,000</u>	<u>-</u>
Fund balance, beginning	<u>643,102</u>	<u>765,078</u>	<u>765,078</u>	<u>-</u>
Amount available for appropriation	<u>1,699,889</u>	<u>1,821,865</u>	<u>1,909,480</u>	<u>87,615</u>
	Original Budget	Final Budget	Actual	(Over) Under
Expenditures				
Street maintenance	580,545	579,165	567,021	12,144
Storm drain maintenance	453,939	536,939	471,727	65,212
Contingency	119,268	185,424	-	185,424
Total expenditures	<u>1,153,752</u>	<u>1,301,528</u>	<u>1,038,748</u>	<u>262,780</u>
Other financing uses				
Transfers to other funds	376,478	442,678	442,678	-
Total other financing uses	<u>376,478</u>	<u>442,678</u>	<u>442,678</u>	<u>-</u>
Total expenditures and other financing uses	<u>1,530,230</u>	<u>1,744,206</u>	<u>1,481,426</u>	<u>262,780</u>
Fund balance, ending	<u>\$ 169,659</u>	<u>\$ 77,659</u>	<u>\$ 428,054</u>	<u>\$ 350,395</u>

CITY OF NEWPORT, OREGON
LINE UNDERGROUNDING FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Over (Under)
Revenues				
Franchise tax - Central Lincoln PUD	\$ 130,000	\$ 130,000	\$ 139,160	\$ 9,160
Interest on investments	2,200	2,200	6,649	4,449
Total revenues	<u>132,200</u>	<u>132,200</u>	<u>145,809</u>	<u>13,609</u>
Fund balance, beginning	<u>626,582</u>	<u>674,570</u>	<u>674,570</u>	<u>-</u>
Amount available for appropriation	<u>758,782</u>	<u>806,770</u>	<u>820,379</u>	<u>13,609</u>
	Original Budget	Final Budget	Actual	(Over) Under
Expenditures				
Line undergrounding	392	392	369	23
Contingency	<u>699,390</u>	<u>747,378</u>	<u>-</u>	<u>747,378</u>
Total expenditures	<u>699,782</u>	<u>747,770</u>	<u>369</u>	<u>747,401</u>
Other financing uses				
Transfers to other funds	<u>59,000</u>	<u>59,000</u>	<u>59,000</u>	<u>-</u>
Total other financing uses	<u>59,000</u>	<u>59,000</u>	<u>59,000</u>	<u>-</u>
Total expenditures and other financing uses	<u>758,782</u>	<u>806,770</u>	<u>59,369</u>	<u>747,401</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 761,010</u>	<u>\$ 761,010</u>

CITY OF NEWPORT, OREGON
SDC FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Over (Under)
Revenues				
System development charges	\$ 340,000	\$ 340,000	\$ 247,275	\$ (92,725)
Interest from system development charges	-	-	829	829
Interest on investments	3,240	3,240	10,856	7,616
Miscellaneous sales and services	-	-	22,137	22,137
Total revenues	<u>343,240</u>	<u>343,240</u>	<u>281,097</u>	<u>(62,143)</u>
Fund balance, beginning	<u>1,202,178</u>	<u>1,291,147</u>	<u>1,291,147</u>	<u>-</u>
Amount available for appropriation	<u>1,545,418</u>	<u>1,634,387</u>	<u>1,572,244</u>	<u>(62,143)</u>
	Original Budget	Final Budget	Actual	(Over) Under
Expenditures				
SDC - streets	50,000	-	-	-
SDC - administration	30,000	30,000	30,000	-
Contingency	<u>1,226,951</u>	<u>1,453,387</u>	<u>-</u>	<u>1,453,387</u>
Total expenditures	<u>1,306,951</u>	<u>1,483,387</u>	<u>30,000</u>	<u>1,453,387</u>
Other financing uses				
Transfers to other funds	<u>238,467</u>	<u>151,000</u>	<u>151,000</u>	<u>-</u>
Total other financing uses	<u>238,467</u>	<u>151,000</u>	<u>151,000</u>	<u>-</u>
Total expenditures and other financing uses	<u>1,545,418</u>	<u>1,634,387</u>	<u>181,000</u>	<u>1,453,387</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,391,244</u>	<u>\$ 1,391,244</u>

Budgetary Comparison Schedule

Nonmajor Debt Service Fund

Debt Service Funds accumulate resources for payment of long-term debt principal and interest associated with governmental activities.

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

CITY OF NEWPORT, OREGON
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Over (Under)
Revenues				
Property taxes				
Current	\$ 407,919	\$ 407,919	\$ 436,908	\$ 28,989
Delinquent	8,000	8,000	11,693	3,693
Interest on investments	800	800	1,480	680
Total revenues	<u>416,719</u>	<u>416,719</u>	<u>450,081</u>	<u>33,362</u>
Other financing sources				
Transfer from General Fund	154,470	1,479,470	1,479,470	-
Transfer from Airport Fund	6,000	6,000	6,000	-
Transfer from Room Tax Fund	13,500	13,500	13,500	-
Transfer from Streets Fund	62,000	62,000	62,000	-
Transfer from Line Undergrounding Fund	59,000	59,000	59,000	-
Transfer from Water Fund	4,550	4,550	4,550	-
Transfer from Wastewater Fund	31,337	31,337	31,337	-
Total other financing sources	<u>330,857</u>	<u>1,655,857</u>	<u>1,655,857</u>	<u>-</u>
Fund balance, beginning	<u>118,785</u>	<u>118,785</u>	<u>47,210</u>	<u>(71,575)</u>
Amount available for appropriation	<u>866,361</u>	<u>2,191,361</u>	<u>2,153,148</u>	<u>(38,213)</u>
	Original Budget	Final Budget	Actual	(Over) Under
Expenditures				
Swimming pool bond	504,519	504,519	504,519	-
General debt	323,935	1,648,935	1,644,526	4,409
Total expenditures	<u>828,454</u>	<u>2,153,454</u>	<u>2,149,045</u>	<u>4,409</u>
Fund balance, ending	<u>\$ 37,907</u>	<u>\$ 37,907</u>	<u>\$ 4,103</u>	<u>\$ (33,804)</u>

Budgetary Comparison Schedule

Nonmajor Capital Projects Fund

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

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

Capital improvements – accounts for monies accumulated for building maintenance and replacement.

CITY OF NEWPORT, OREGON
CAPITAL PROJECTS RESERVE FUND
BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Over (Under)
Revenues				
PEG grant	\$ -	\$ -	\$ 11,000	\$ 11,000
Interest on investments	1,550	1,550	3,807	2,257
Total revenues	<u>1,550</u>	<u>1,550</u>	<u>14,807</u>	<u>13,257</u>
Other financing sources				
Transfer from General Fund	185,000	514,000	514,000	-
Total other financing sources	<u>185,000</u>	<u>514,000</u>	<u>514,000</u>	<u>-</u>
Fund balance, beginning	250,126	285,000	285,000	-
Amount available for appropriation	<u>436,676</u>	<u>800,550</u>	<u>813,807</u>	<u>13,257</u>
	Original Budget	Final Budget	Actual	(Over) Under
Expenditures				
Capital outlay	105,000	105,000	99,795	5,205
Total expenditures	<u>105,000</u>	<u>105,000</u>	<u>99,795</u>	<u>5,205</u>
Fund balance, ending	<u>\$ 331,676</u>	<u>\$ 695,550</u>	<u>\$ 714,012</u>	<u>\$ 18,462</u>

CITY OF NEWPORT, OREGON
CAPITAL IMPROVEMENTS FUND
BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Over (Under)
Revenues				
Interest on investments	\$ -	\$ -	\$ 3,193	\$ 3,193
Total revenues	-	-	3,193	3,193
Other financing sources				
Transfer from General Fund	605,475	605,475	605,475	-
Transfer from Parks and Recreation Fund	92,000	92,000	92,000	-
Transfer from Room Tax Fund	95,000	95,000	95,000	-
Transfer from Street Fund	6,000	6,000	6,000	-
Transfer from Water Fund	6,000	6,000	6,000	-
Total other financing sources	804,475	804,475	804,475	-
Amount available for appropriation	804,475	804,475	807,668	3,193
	Original Budget	Final Budget	Actual	(Over) Under
Expenditures				
City Hall/general capital improvements	443,475	443,475	54,651	388,824
City Hall/police capital improvements	45,000	45,000	29,421	15,579
Fire buildings capital improvements	100,000	100,000	-	100,000
60+ activity center capital improvements	17,000	17,000	11,875	5,125
Recreation center capital improvements	92,000	92,000	-	92,000
Public works shops capital improvements	12,000	12,000	9,608	2,392
Parks and grounds capital improvements	95,000	95,000	68,690	26,310
Total expenditures	804,475	804,475	174,245	630,230
Total expenditures	804,475	804,475	174,245	630,230
Fund balance, ending	\$ -	\$ -	\$ 633,423	\$ 633,423

Every time you think of the future, you are creating a possible direction.
Anonymous

Combining Statements and Budgetary Comparison Schedules

Enterprise Funds

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

Water – accounts for all programs associated with the provision of water to the citizenry of the City of Newport. Activities include treatment distribution, source (dams) maintenance and improvements to the water system.

Wastewater – accounts for all programs associated with the collection and treatment of wastewater in the City of Newport. Activities include collection and treatment to the wastewater system.

Water Debt Service – accounts for repayment of debt incurred for the new water treatment plant and improvements to the water system. These debts were financed by property taxes, revenue bonds and utility service charges.

Wastewater Debt Service – accounts for repayment of debt incurred for the wastewater treatment plant and improvements to the wastewater system. These debts were financed by property taxes, Clean Water State Revolving Fund loans and utility service charges.

Capital Projects – Proprietary – accounts for various projects for improvement of the water and wastewater systems for the City of Newport.

CITY OF NEWPORT, OREGON
WATER FUND (A MAJOR FUND)
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Over (Under)
Revenues				
Water user charges	\$ 3,862,500	\$ 3,862,500	\$ 3,724,254	\$ (138,246)
Miscellaneous sales and services	50,500	50,500	60,481	9,981
New services and meters	40,000	40,000	7,631	(32,369)
Interest on investments	3,900	3,900	9,495	5,595
Total revenues	3,956,900	3,956,900	3,801,861	(155,039)
Fund balance, beginning				
Unassigned	762,438	939,208	939,208	-
Prior period adjustments	-	-	(1,522)	(1,522)
Total fund balance, beginning	762,438	939,208	937,686	(1,522)
Amount available for appropriation	4,719,338	4,896,108	4,739,547	(156,561)
	Original Budget	Final Budget	Actual	(Over) Under
Expenditures				
Water plant	960,588	1,004,845	944,754	60,091
Water distribution	923,148	942,026	743,759	198,267
Non-departmental	925,897	930,897	766,654	164,243
Contingency	311,998	445,633	-	445,633
Total expenditures	3,121,631	3,323,401	2,455,167	868,234
Other financing uses				
Transfers to other funds	927,594	927,594	927,591	3
Total other financing uses	927,594	927,594	927,591	3
Total expenditures and other financing uses	4,049,225	4,250,995	3,382,758	868,237
Budgetary fund balance	\$ 670,113	\$ 645,113	1,356,789	\$ 711,676
RECONCILIATION TO NET POSITION				
Capital asset, net			24,267,324	
Inventories			516,466	
Deferred outflows of resources			136,708	
Compensated absences			(36,352)	
Long-term debt			(22,336,573)	
Bond premium			(132,065)	
Interest payable			(5,407,354)	
Net pension liability			(124,513)	
Net other post employment benefit obligation			(34,099)	
Deferred inflows of resources			(141,333)	
Net position at end of year			\$ (1,935,002)	

CITY OF NEWPORT, OREGON
WASTEWATER FUND (A MAJOR FUND)
BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Over (Under)
Revenues				
Sewer user charges	\$ 3,929,600	\$ 3,929,600	\$ 3,983,040	\$ 53,440
Septage	20,000	20,000	46,639	26,639
Interest on investments	2,400	2,400	6,750	4,350
Miscellaneous sales and services	2,100	2,100	-	(2,100)
Total revenues	3,954,100	3,954,100	4,036,429	82,329
Fund balance, beginning				
Unassigned	616,977	992,495	992,495	-
Prior period adjustments	-	-	66,799	66,799
Total fund balance, beginning	616,977	992,495	1,059,294	66,799
Amount available for appropriation	4,571,077	4,946,595	5,095,723	149,128
	Original Budget	Final Budget	Actual	(Over) Under
Expenditures				
Wastewater plant	1,256,025	1,219,975	1,206,544	13,431
Wastewater collection	639,155	748,037	636,354	111,683
Non-departmental	1,040,942	1,040,942	864,126	176,816
Contingency	303,657	557,343	-	557,343
Total expenditures	3,239,779	3,566,297	2,707,024	859,273
Other financing uses				
Transfers to other funds	1,014,197	1,063,197	1,063,197	-
Total other financing uses	1,014,197	1,063,197	1,063,197	-
Total expenditures and other financing uses	4,253,976	4,629,494	3,770,221	859,273
Budgetary fund balance	\$ 317,101	\$ 317,101	1,325,502	\$ 1,008,401

RECONCILIATION TO NET POSITION

Capital asset, net	39,515,099
Deferred outflows of resources	102,104
Compensated absences	(26,384)
Long-term debt	(4,924,104)
Bond premium	(133,922)
Interest payable	(32,972)
Net pension liability	(93,000)
Net other post employment benefit obligation	(26,327)
Unavailable revenues	20,828
Deferred inflows of resources	(105,648)
Net position at end of year	\$ 35,621,176

CITY OF NEWPORT, OREGON
WATER DEBT SERVICE FUND (A MAJOR FUND)
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under)</u>
Revenues				
Property taxes				
Current	\$ 899,113	\$ 899,113	\$ 923,580	\$ 24,467
Delinquent	34,000	34,000	32,785	(1,215)
Interest on investments	<u>1,371</u>	<u>1,371</u>	<u>5,629</u>	<u>4,258</u>
Total revenues	<u>934,484</u>	<u>934,484</u>	<u>961,994</u>	<u>27,510</u>
Other financing sources				
Transfer from Water Fund	<u>487,891</u>	<u>487,891</u>	<u>487,891</u>	<u>-</u>
Total other financing sources	<u>487,891</u>	<u>487,891</u>	<u>487,891</u>	<u>-</u>
Fund balance, beginning	<u>130,675</u>	<u>130,675</u>	<u>92,511</u>	<u>(38,164)</u>
Amount available for appropriation	<u>1,553,050</u>	<u>1,553,050</u>	<u>1,542,396</u>	<u>(10,654)</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>(Over) Under</u>
Expenditures				
Water Treatment GO Bond	964,450	964,450	964,450	-
Water General Debt	69,537	69,537	69,541	(4)
Water Revenue Bond	<u>330,987</u>	<u>330,987</u>	<u>330,987</u>	<u>-</u>
Total expenditures	<u>1,364,974</u>	<u>1,364,974</u>	<u>1,364,978</u>	<u>(4)</u>
Budgetary fund balance	<u>\$ 188,076</u>	<u>\$ 188,076</u>	177,418	<u>\$ (10,658)</u>
RECONCILIATION TO NET POSITION				
Unavailable revenues			<u>72,017</u>	
Net position at end of year			<u>\$ 249,435</u>	

CITY OF NEWPORT, OREGON
WASTEWATER DEBT SERVICE FUND (A MAJOR FUND)
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under)</u>
Revenues				
Property taxes				
Current	\$ 892,700	\$ 892,700	\$ 917,968	\$ 25,268
Delinquent	43,000	43,000	35,569	(7,431)
Interest on investments	<u>4,500</u>	<u>4,500</u>	<u>12,171</u>	<u>7,671</u>
Total revenues	<u>940,200</u>	<u>940,200</u>	<u>965,708</u>	<u>25,508</u>
Other financing sources				
Transfer from Room Tax Fund	127,325	127,325	127,325	-
Transfer from SDC Fund	1,000	1,000	1,000	-
Transfer from Wastewater Fund	<u>529,710</u>	<u>529,710</u>	<u>529,710</u>	<u>-</u>
Total other financing sources	<u>658,035</u>	<u>658,035</u>	<u>658,035</u>	<u>-</u>
Fund balance, beginning	<u>1,415,832</u>	<u>1,415,832</u>	<u>1,259,933</u>	<u>(155,899)</u>
Amount available for appropriation	<u>3,014,067</u>	<u>3,014,067</u>	<u>2,883,676</u>	<u>(130,391)</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>(Over) Under</u>
Expenditures				
Wastewater GO Bond	937,400	937,400	937,400	-
Wastewater General Debt	<u>568,563</u>	<u>568,563</u>	<u>568,563</u>	<u>-</u>
Total expenditures	<u>1,505,963</u>	<u>1,505,963</u>	<u>1,505,963</u>	<u>-</u>
Budgetary fund balance	<u>\$ 1,508,104</u>	<u>\$ 1,508,104</u>	1,377,713	<u>\$ (130,391)</u>
RECONCILIATION TO NET POSITION				
Unavailable revenues			<u>71,656</u>	
Net position at end of year			<u>\$ 1,449,369</u>	

CITY OF NEWPORT, OREGON
CAPITAL PROJECTS - PROPRIETARY FUND (A MAJOR FUND)
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Over (Under)
Revenues				
State grants	\$ 380,000	\$ 380,000	\$ -	\$ (380,000)
Water smart grant	800,295	800,295	37,381	(762,914)
Federal grant	60,000	60,000	1,235	(58,765)
OWRD water supply grant	-	-	225,000	225,000
Local improvement district revenue	200,000	200,000	-	(200,000)
Interest on investments	-	-	33,412	33,412
Total revenues	<u>1,440,295</u>	<u>1,440,295</u>	<u>297,028</u>	<u>(1,143,267)</u>
Other financing sources				
Bond and loan proceeds	8,935,937	8,935,937	1,848,665	(7,087,272)
Transfer from General Fund	-	5,500	5,500	-
Transfer from Street Fund	-	49,000	49,000	-
Transfer from Water Fund	381,100	381,100	381,100	-
Transfer from Wastewater Fund	405,100	454,100	454,100	-
Total other financing sources	<u>9,722,137</u>	<u>9,825,637</u>	<u>2,738,365</u>	<u>(7,087,272)</u>
Fund balance, beginning	<u>1,495,912</u>	<u>1,516,545</u>	<u>1,695,745</u>	<u>179,200</u>
Amount available for appropriation	<u>12,658,344</u>	<u>12,782,477</u>	<u>4,731,138</u>	<u>(8,051,339)</u>
	Original Budget	Final Budget	Actual	(Over) Under
Expenditures				
Water capital projects	4,522,228	4,524,861	1,530,188	2,994,673
Wastewater capital projects	<u>8,136,116</u>	<u>8,257,616</u>	<u>1,977,477</u>	<u>6,280,139</u>
Total expenditures	<u>12,658,344</u>	<u>12,782,477</u>	<u>3,507,665</u>	<u>9,274,812</u>
Budgetary fund balance / net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,223,473</u>	<u>\$ 1,223,473</u>

Budgetary Comparison Schedule

Internal Service Fund

The Internal Service Fund was established to account for the cost of providing services to other funds of the City which are charged a fee on a cost reimbursement basis for those services.

Public Works – provides engineering and administration for water, wastewater, street, and storm sewer improvements and operations.

CITY OF NEWPORT, OREGON
PUBLIC WORKS FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Over (Under)
Revenues				
Service provided for Street Fund	\$ 234,435	\$ 234,435	\$ 156,290	\$ (78,145)
Service provided for Water Fund	482,676	482,676	321,784	(160,892)
Service provided for Wastewater Fund	483,561	483,561	322,374	(161,187)
Interest on investments	1,000	1,000	1,953	953
Miscellaneous sales and services	450	12,492	13,363	871
Total revenues	1,202,122	1,214,164	815,764	(398,400)
Fund balance, beginning	57,319	63,678	63,678	-
Amount available for appropriation	1,259,441	1,277,842	879,442	(398,400)
Expenditures				
Public works administration	316,362	316,362	304,599	11,763
Engineering services	507,937	524,002	522,027	1,975
Fleet maintenance	95,304	95,304	-	95,304
Contingency	110,780	113,116	-	113,116
Total expenditures	1,030,383	1,048,784	826,626	222,158
Budgetary fund balance	\$ 229,058	\$ 229,058	52,816	\$ (176,242)
RECONCILIATION TO NET POSITION				
Capital asset, net			899,104	
Deferred outflows of resources			103,232	
Compensated absences			(26,490)	
Net pension liability			(94,025)	
Net other post employment benefit obligation			(21,715)	
Deferred inflows of resources			(106,815)	
Net position at end of year			\$ 806,107	

COMPLIANCE SECTION

Spend time thinking of what you want rather than what you do not want.

Anonymous



INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the **CITY OF NEWPORT** as of and for the year ended June 30, 2017, and have issued our report thereon dated December 27, 2017.

Compliance

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

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

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

**INDEPENDENT AUDITOR’S REPORT REQUIRED BY
OREGON STATE REGULATIONS (Continued)**

Compliance (continued)

In connection with our testing nothing came to our attention, except as noted below, that caused us to believe the City was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-240 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations except as follows:

Expenditures in excess of appropriations (which is prohibited by ORS 294.435) occurred as follows:

<u>Fund/Category</u>	<u>Appropriation</u>	<u>Actual</u>	<u>Variance</u>
Parks and Recreation			
Parks administration	\$ 194,708	\$ 196,662	\$ (1,954)
Swimming pool	475,170	490,752	(15,582)
Water Debt Service			
Water general debt	69,537	69,541	(4)

OAR 162-10-0230 Internal Control

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

Restriction on Use

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

Boldt Carlisle + Smith
 Certified Public Accountants
 Salem, Oregon
 December 27, 2017

By: 

Bradley G. Bingenheimer, Member

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

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

We have audited, in accordance with auditing 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 **CITY OF NEWPORT** as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 27, 2017.

Internal Control over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Boldt Carlisle & Smith

Boldt Carlisle + Smith
Certified Public Accountants
Salem, Oregon
December 27, 2017



INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the **CITY OF NEWPORT**’s compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City’s major federal programs for the year ended June 30, 2017. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the City’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, **CITY OF NEWPORT** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE (Continued)

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2017-001. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the City 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 the City's 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Boldt Carlisle & Smith

Boldt Carlisle + Smith
Certified Public Accountants
Salem, Oregon
December 27, 2017

CITY OF NEWPORT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

Section I Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: *Unmodified*

Internal controls over financial reporting:

 Material weakness(es) identified? No

 Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

Federal awards

Internal control over major federal programs:

 Material weakness(es) identified? No

 Significant deficiency(ies) identified? None reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes

Identification of major federal programs:

CFDA	
<u>Number(s)</u>	<u>Name of Federal Program or Cluster</u>
97.039	Hazard Mitigation Grant

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as a low-risk auditee: No

Section II - Financial Statement Findings

None reported

Section III - Federal Award Findings and Questioned Costs

FEDERAL EMERGENCY MANAGEMENT AGENCY

Finding 2017-001

Criteria:

2 CFR Part 200.302(b)(7) requires the financial management system to include written procedures for determining the allowability of costs.

Condition:

City of Newport has not developed written procedures for determining the allowability of costs.

Cause:

Administration did not have written procedures for determining the allowability of costs.

Effect:

Unallowable costs could be charged to the program.

Questioned Costs:

None

Perspective:

Written procedures for determining the allowability of costs is integral to the proper design of internal controls. However, the results of audit procedures did not detect any costs which are not allowable charged to the program.

Recommendations:

Management should develop written procedures as required by 2 CFR Part 200.302(b)(7).

Management's Response:

Management agrees and will develop written procedures over the determination of allowable costs.

CITY OF NEWPORT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2017

Finding 2016-001

Status: The City has taken corrective action to remedy the material weakness in internal controls by removing the administrator rights to the accounting software from the assistant finance director and moving that function to the IT department.

Finding 2016-002

Status: The City has taken corrective action to remedy the significant deficiency in internal controls by relocating blank check stock to a secure location.

Finding 2016-003

Status: The City has taken corrective action to remedy the significant deficiency in internal controls by removing the rights to create new vendors in the accounting system from the accounts payable clerk.

Finding 2016-004

Status: The City has not taken corrective action and this finding is repeated in the current year as finding 2017-001.

CITY OF NEWPORT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2017**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<i>Department of the Interior</i>		
Bureau of Reclamation		
Water SMART (Sustaining and Managing America's Resources for Tomorrow)	15.507	\$ <u>61,238</u>
<i>Department of Transportation</i>		
Federal Aviation Administration		
Airport Improvement Program	20.106	<u>461,818</u>
<i>Environmental Protection Agency</i>		
Office of Water		
Passed through Oregon Business Development Capitalization Grants for Drinking Water State Revolving Funds - ARRA	66.468	<u>1,235</u>
<i>Department of Homeland Security</i>		
Federal Emergency Management Agency		
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	14,809
Passed through Oregon Office of Emergency Management		
Homeland Security Grant	97.067	16,000
Hazard Mitigation Grant	97.039	<u>820,051</u>
Total Department of Homeland Security		<u>850,860</u>
Total Expenditures of Federal Awards		\$ <u>1,375,151</u>

CITY OF NEWPORT, OREGON

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2017

1 - Basis of presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

2 - Summary of significant accounting policies

- a. Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- b. The City has not elected to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.
- c. The loan listed below is administered directly by the City. Balances and transactions relating to this loan are included in the City's basic financial statements. Loans made during the year are included in the federal expenditures presented in the schedule. Detail of the loans outstanding at June 30, 2017 are as follows:

CFDA Number	Program name	Outstanding Balance at June 30, 2017
66.458	Capitalization Grants for Clean Water State Revolving Funds - ARRA	\$ <u>5,455,971</u>