



# ***City of Newport***

***Urban Renewal Agency***

***Lincoln County, Oregon***

***Annual Financial Statements***

***for the year ended***

***June 30, 2007***

**NEWPORT URBAN RENEWAL AGENCY**  
**Newport, Oregon**

**AUDIT REPORT**

**as of**

**JUNE 30, 2007**

Prepared By  
**SIGNE GRIMSTAD**  
Certified Public Accountant  
530 NW 3rd, Suite E  
P.O. Box 1930  
Newport, OR 97365

**NEWPORT URBAN RENEWAL AGENCY  
Newport, Oregon**

**LIST OF COMMISSIONERS**

<u>Title</u>	<u>Name</u>	<u>Address</u>
Chair	Patricia Patrick-Joling	547 SW 7 <sup>th</sup> Street Newport, Oregon 97365
Commissioner	Neal Henning	PO Box 726 Newport, Oregon 97365
Commissioner	Jeff Bertuleit	354 SE 2 <sup>nd</sup> Street Newport, Oregon 97365
Commissioner	Larry Henson	6090 NE Evergreen Ln. Newport, Oregon 97365
Commissioner	Terry Obteshka	105 NW Coast Street Newport, Oregon 97365
Commissioner	Peggy Sabanskas	1059 SE 1 <sup>st</sup> Street Newport, Oregon 97365
Commissioner	William Bain	PO Box 1047 Newport, Oregon 97365

**AGENCY ADMINISTRATION**

City Manager	Allen O'Neal	Newport, Oregon 97365
Agency Attorney	Gary Firestone	Newport, Oregon 97365

**REGISTERED AGENT**

None

**NEWPORT URBAN RENEWAL AGENCY**  
**Newport, Oregon**

**TABLE OF CONTENTS**

**INTRODUCTORY SECTION**

Title Page  
List of Commissioners  
Table of Contents

**FINANCIAL SECTION**

	<u>Page</u>
Independent Auditor's Report .....	1
Management's Discussion and Analysis (Unaudited) .....	2-7
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets .....	8
Statement of Activities .....	9
Fund Financial Statements	
Balance Sheet - Governmental Funds .....	10
Reconciliation of Balance Sheet to Statement of Net Assets .....	10
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds .....	11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	11
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	
Urban Renewal Construction Fund .....	12
South Beach Urban Renewal Construction Fund .....	13
Notes to Financial Statements .....	14 - 22

**SUPPLEMENTAL INFORMATION SECTION**

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Debt Service Funds	
Urban Renewal Bond Redemption Fund .....	23
South Beach Urban Renewal Bond Redemption Fund .....	24
Schedule of Property Tax Transactions .....	25

**COMPLIANCE SECTION**

Comments of the Independent Auditor Required by State of Oregon Minimum Standards for Audits of Oregon Municipal Corporations .....	26 - 27
--	---------

**GRIMSTAD & ASSOCIATES**  
Certified Public Accountants

November 7, 2007

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

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

**INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
Newport Urban Renewal Agency  
Newport, Oregon

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

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of Newport Urban Renewal Agency as of June 30, 2007, and the respective changes in financial position, where applicable, thereof and the respective budgetary comparisons for the Urban Renewal Construction Fund and South Beach Urban Renewal Construction Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

My audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Newport Urban Renewal Agency's basic financial statements. The Supplementary Information, schedule of property tax transactions and schedules of budget to actual debt service funds, are presented for purposes of additional analysis and are not a required part of the basic financial statements of Newport Urban Renewal Agency. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**SIGNE GRIMSTAD**  
Certified Public Accountant

Members:  
AICPA, OSCP & OAIA

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

The management of the Newport Urban Renewal Agency offers readers of the Newport Urban Renewal Agency's financial statements this narrative overview and analysis of the financial activities of the Newport Urban Renewal Agency for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with the additional information furnished in the financial statements that follow.

### **Financial Highlights**

**Net Assets** - The assets of the Newport Urban Renewal Agency exceeded its liabilities at the close of the most recent fiscal year by \$20,768,833. Of this amount, \$823,316 may be used to meet the government's ongoing obligations to citizens and creditors.

**Change in Net Assets** - The Agency's total net assets increased by \$852,875 due to an increase in cash and cash equivalents.

**Governmental Funds** - As of the close of the fiscal year, the Newport Urban Renewal Agency's governmental funds reported combined ending fund balances of \$10,452,890.

The Newport Urban Renewal Agency's total debt increased by \$867,588 during the fiscal year. The increase is attributable to a \$900,000 debt issue in May of 2007.

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

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

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Newport Urban Renewal Agency's finances in a manner similar to a private-sector business.

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

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

District. Each district undertakes capital project construction and debt payment activities.

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

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

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

The Newport Urban Renewal Agency maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the Urban Renewal Construction fund, the South Beach Urban Renewal Construction fund, the Urban Renewal Debt fund, and the South Beach Urban Renewal Debt fund. All of these funds are considered to be major 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.

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

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Newport Urban Renewal Agency, assets exceeded liabilities by \$20,768,833 at the close of the most recent fiscal year.

The largest portion of the Newport Urban Renewal Agency's net assets (53% percent) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The Newport Urban Renewal Agency uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Newport Urban Renewal Agency's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be

provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

<b>Table 1</b>		
<b>SUMMARY OF NET ASSETS</b>		
	<b>Governmental Activities</b>	
	<b>2006</b>	<b>2007</b>
Cash and investments	\$ 8,445,097	\$ 10,802,681
Other assets	440,228	342,714
Capital assets	11,188,333	11,054,210
Total Assets	20,073,658	22,199,605
Other liabilities	3,524	409,008
Long term debt outstanding	154,176	1,021,764
Total liabilities	157,700	1,430,772
Net assets:		
Invested in capital assets, net of debt	11,188,333	11,054,210
Restricted:		
Debt service	8,093,505	8,891,307
Unrestricted	634,120	823,316
Total net assets	\$ 19,915,958	\$ 20,768,833

Newport Urban Renewal Agency’s net assets represent resources that are invested in capital assets, net of related debt. Of the remaining balance, \$8,891,307 is restricted for future debt service and \$823,316 is unrestricted and may be used to meet the Agency’s ongoing obligations to citizens and creditors.

**Governmental activities.** The largest change in governmental activities was the issuance of \$900,000 in new debt to construct projects for the South Beach Urban Renewal District. This addition significantly increased the governmental activities’ net assets.

<b>Table 2</b>	
<b>Governmental Activities</b>	
<b>REVENUES</b>	
Program revenues	
Charges for services	56,086
General revenues	
Taxes	3,730,635
Interest and investment earnings	451,682
Transfers	(2,505,026)

Total revenues	1,733,377
<b>EXPENSES</b>	
Programs	880,502
Change in net assets	852,875
Beginning net assets	19,915,958
Ending net assets	20,768,833

A portion of the year-end net assets is restricted for specific purposes. The restrictions represent legal or contractual limitations on how the assets may be expended.

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

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

At the end of the fiscal year, the Newport Urban Renewal Agency's governmental funds reported combined ending fund balances of \$10,452,890. Approximately 7% percent of this total amount (\$714,579) constitutes unreserved fund balance. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed. The Urban Renewal Construction fund, South Beach Urban Renewal Construction fund, Urban Renewal Debt fund, and the South Beach Urban Renewal Debt fund changed by \$9,425, \$279,782, \$1,115,588, and \$537,771 respectively.

### **Budgetary Highlights**

The Agency Board approved several changes to the adopted budget during the year. The Urban Renewal Construction Fund increased its materials and services category by \$25,000 and reduced its appropriation for transfers to other funds by the same amount. The South Beach Urban Renewal Construction Fund increased the personal services category of its budget by \$10,000, its materials and services category by \$130,000, its capital outlay category by \$11,000, and reduced contingency by \$26,000.

### **Capital Asset and Debt Administration**

**Capital assets.** The Newport Urban Renewal Agency's investment in capital assets for its governmental activities as of June 30, 2007 amounts to \$11,054,210 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and structures, equipment, and construction in process.

<b>Table 3</b>	
<b>Capital Assets at year-end (net of depreciation)</b>	
<b>Governmental Activities</b>	
Land and improvements	6,200,036
Buildings and structures	8,242,540
Equipment	492,229
Construction in process	1,483,371
Less accumulated depreciation	(5,363,966)
<b>Total</b>	<b>11,054,210</b>

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

- Construction of the 4B Storm Drainage project

<b>Table 4</b>	
<b>Change in Capital Assets</b>	
<b>Governmental Activities</b>	
Beginning balance	11,188,333
Additions	488,725
Depreciation	(5,363,966)
Deletions	(101,914)
<b>Ending balance</b>	<b>11,054,210</b>

**Long-term debt.** At the end of the fiscal year, the Newport Urban Renewal Agency had total long-term debt outstanding of \$1,021,764. In governmental activity, a 1991 loan of \$500,000 to help finance the Oregon Coast Aquarium has a balance due of \$121,764. In 2007, Bank of America loaned the Urban Renewal Agency \$900,000 to construct the 4B Storm Drain project in the South Beach Urban Renewal District. The entire amount is currently outstanding.

<b>Table 5</b>	
<b>Outstanding Debt at Year-end</b>	
<b>Governmental</b>	
Oregon Coast Aquarium loan 1991	121,764
Bank of America, Series 2007	900,000
<b>Total</b>	<b>1,021,764</b>

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

developments, and 76 City building permits were issued for residential and commercial repairs and improvements to existing structures.

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

**NEWPORT URBAN RENEWAL AGENCY**  
**Newport, Oregon**

STATEMENT OF NET ASSETS  
June 30, 2007

	<u>Governmental</u> <u>Activities</u>
<b>ASSETS</b>	
Cash & cash equivalents	\$ 9,706,580
Investments	1,096,101
Receivables, net	234,381
Note receivable	108,333
Capital assets, net	<u>11,054,210</u>
 Total assets	 <u>22,199,605</u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	409,008
Noncurrent liabilities	
Due within one year	101,033
Due in more than one year	<u>920,731</u>
 Total liabilities	 <u>1,430,772</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	11,054,210
Restricted - Debt service	8,891,307
Unrestricted	<u>823,316</u>
 Total net assets	 <u>\$ 20,768,833</u>

The accompanying notes are an integral part of this statement.

**NEWPORT URBAN RENEWAL AGENCY**  
**Newport, Oregon**

STATEMENT OF ACTIVITIES  
for the Year Ended June 30, 2007

	<u>Program Revenues</u>	<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
<b>FUNCTIONS/PROGRAMS</b>	<u>Expenses</u>	<u>Governmental Activities</u>	<u>Governmental Activities</u>
Governmental activities			
General government	\$ 829,543	\$ 56,086	\$ (773,457)
Public improvement	43,250	0	(43,250)
Interest on long-term debt	<u>7,709</u>	<u>0</u>	<u>(7,709)</u>
 Total governmental activities	 <u>\$ 880,502</u>	 <u>\$ 56,086</u>	 <u>(824,416)</u>

**General revenues**

Property taxes	3,730,635
Investment earnings	451,682
Transfers - debt service	(2,403,112)
Transfers - capital assets	<u>(101,914)</u>
 Total general revenues & transfers	 <u>1,677,291</u>
 Change in net assets	 852,875
 Net assets - beginning of year	 <u>19,915,958</u>
 Net assets - ending of year	 <u>\$ 20,768,833</u>

The accompanying notes are an integral part of this statement.

**NEWPORT URBAN RENEWAL AGENCY**  
Newport, Oregon

BALANCE SHEET - GOVERNMENTAL FUNDS as of June 30, 2007

	Urban Renewal Construction	SB Urban Re- newal Const.	Urban Renewal Debt	SB Urban Re- newal Debt Srv.	Total Governmental Funds
<b>ASSETS</b>					
Cash & cash equivalents	\$ 371,067	\$ 561,427	\$ 7,651,171	\$ 1,122,915	\$ 9,706,580
Investments	32,883	153,454	734,388	175,376	1,096,101
Interest receivable	149	233	5,524	830	6,736
Accounts receivable	4,777	108,333	143,894	78,974	335,978
 Total assets	\$ 408,876	\$ 823,447	\$ 8,534,977	\$ 1,378,095	\$ 11,145,395
 <b>LIABILITIES</b>					
Accounts payable	\$ 733	\$ 408,275	0	0	\$ 409,008
Deferred revenue	403	108,333	113,062	61,699	283,497
 Total liabilities	1,136	516,608	113,062	61,699	692,505
 <b>FUND BALANCES</b>					
Reserved					
Debt service	0	0	8,421,915	1,316,396	9,738,311
Unreserved & undesignated					
Capital project fund	407,740	306,839	0	0	714,579
 Total fund balances	407,740	306,839	8,421,915	1,316,396	10,452,890
 Total liabilities & fund balances	\$ 408,876	\$ 823,447	\$ 8,534,977	\$ 1,378,095	

**Reconciliation to Urban Renewal Statement of Net Assets**

Capital assets not reported in funds	11,054,210
Long-term liabilities not reported in the funds	(1,021,764)
Revenues not deferred in the statement of net assets	283,497
 <b>Net Assets of Governmental Activities</b>	<b>\$ 20,768,833</b>

The accompanying notes are an integral part of this statement.

**NEWPORT URBAN RENEWAL AGENCY**  
Newport, Oregon

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

	Urban Renewal Construction	SB Urban Re- newal Const.	Urban Renewal Debt	SB Urban Re- newal Debt Srv.	Total
<b>REVENUE</b>					
Taxes	\$ 375	\$ 0	\$ 2,363,236	\$ 1,355,005	\$ 3,718,616
Leases & rents	56,086	0	0	0	56,086
Investment earnings	6,911	12,260	382,884	49,627	451,682
Other revenues	0	100,000	0	0	100,000
<b>Total revenues</b>	<u>63,372</u>	<u>112,260</u>	<u>2,746,120</u>	<u>1,404,632</u>	<u>4,326,384</u>
<b>EXPENDITURES</b>					
Current					
General government	53,947	4,998	0	0	58,945
Community development	0	318,856	0	0	318,856
Debt service	0	0	1,224,254	866,861	2,091,115
Capital outlay					
Storm drain construction	0	365,374	0	0	365,374
Community development	0	43,250	0	0	43,250
<b>Total expenditures</b>	<u>53,947</u>	<u>732,478</u>	<u>1,224,254</u>	<u>866,861</u>	<u>2,877,540</u>
Excess (def) of revenues over expenditures	<u>9,425</u>	<u>(620,218)</u>	<u>1,521,866</u>	<u>537,771</u>	<u>1,448,844</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Bond proceeds	0	900,000	0	0	900,000
Transfers in/out	0	0	(406,278)	0	(406,278)
<b>Total other financing sources (uses)</b>	<u>0</u>	<u>900,000</u>	<u>(406,278)</u>	<u>0</u>	<u>493,722</u>
Excess (deficiency) of revenues over expenditures	9,425	279,782	1,115,588	537,771	1,942,566
FUND BALANCES - Beginning of year	<u>398,315</u>	<u>27,057</u>	<u>7,306,327</u>	<u>778,625</u>	<u>8,510,324</u>
FUND BALANCES - Ending of year	<u>\$ 407,740</u>	<u>\$ 306,839</u>	<u>\$ 8,421,915</u>	<u>\$ 1,316,396</u>	<u>\$ 10,452,890</u>

The accompanying notes are an integral part of this statement.

**NEWPORT URBAN RENEWAL AGENCY**  
**Newport, Oregon**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES for the Year Ended June 30, 2007

<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>\$ 1,942,566</b>
<b>GOVERNMENTAL FUNDS</b>	
Acquisition of capital assets	488,725
Note receivable	(100,000)
Depreciation expense	(520,934)
Urban Renewal principal payments	32,412
Bond proceeds	(900,000)
Debt service	2,403,113
Transfers to City of Newport	(2,505,026)
Property taxes deferred	<u>12,019</u>
<b>CHANGE IN NET ASSETS</b>	<b><u>\$ 852,875</u></b>

The accompanying notes are an integral part of this statement.

**NEWPORT URBAN RENEWAL AGENCY**  
**Newport, Oregon**

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

**URBAN RENEWAL CONSTRUCTION FUND**

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Leases & rents	\$ 55,000	\$ 55,000	\$ 56,086	\$ 1,086
Interest on investments	10,000	10,000	6,911	(3,089)
Property taxes	1,200	1,200	375	(825)
Total revenues	66,200	66,200	63,372	(2,828)
<b>EXPENDITURES</b>				
Materials & services	91,203	116,203	53,947	62,256
Contingency	500,000	500,000	0	500,000
Total expenditures	591,203	616,203	53,947	562,256
Excess (def) of revenues over expenditures	(525,003)	(550,003)	9,425	559,429
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers to other funds	(25,000)	0	0	0
Excess (def) of revenues over expenditures	(550,003)	(550,003)	9,425	559,428
FUND BALANCE - Beginning of year	550,003	550,003	398,315	(151,688)
FUND BALANCE - End of year	\$ 0	\$ 0	\$ 407,740	\$ 407,740

The accompanying notes are an integral part of this statement.

**NEWPORT URBAN RENEWAL AGENCY**  
**Newport, Oregon**

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

**SOUTH BEACH URBAN RENEWAL CONSTRUCTION FUND**

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

The accompanying notes are an integral part of this statement.

**NEWPORT URBAN RENEWAL AGENCY**  
**Newport, Oregon**

NOTES TO FINANCIAL STATEMENTS  
as of June 30, 2007

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Newport Urban Renewal Agency (Agency) are prepared in accordance with Generally Accepted Accounting Principles (GAAP) as applied to government units. These statements apply all relevant Governmental Accounting Standards Board (GASB) pronouncements.

In June, 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. As of July 1, 2003, Newport Urban Renewal Agency implemented the requirements of Statement 34 (GASB 34). The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations, including required disclosures of the Agency's financial activities.

**Reporting Entity**

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

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

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on the nonfiduciary activities of the Agency. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are financed primarily through property taxes and proceeds from borrowings.

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

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

**NEWPORT URBAN RENEWAL AGENCY**  
**Newport, Oregon**

NOTES TO FINANCIAL STATEMENTS  
as of June 30, 2007

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgements, are recorded only when the payment is due.

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

The Agency reports the following major governmental funds:

**North Side Urban Renewal District**

The Urban Renewal Construction Fund accounts for the cost of major projects on the north side of the City while the Urban Renewal Debt Fund pays for the principal and interest on outstanding debt utilized to finance these projects. The major source of funding for the debt service comes from property taxes.

**South Beach Urban Renewal District**

The South Beach Urban Renewal Construction Fund tracks the capital projects being built on the south side of the City. The South Beach Urban Renewal Debt Fund accounts for the payments on the debt obligations arising from the projects.

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

**Cash, Cash Equivalents and Investments**

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

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

**NEWPORT URBAN RENEWAL AGENCY**  
**Newport, Oregon**

**NOTES TO FINANCIAL STATEMENTS**  
as of June 30, 2007

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Receivable and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

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

**Restricted Assets**

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

**Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure (e.g. streets, roads, sidewalks and similar public domain items) are reported in the applicable governmental activities columns in the government-wide financial statements. The Agency's capitalization policy recognizes capital assets valued in excess of \$5,000. Such assets are recorded at historical cost or estimated historical cost. Donated assets are valued at their estimated fair market value at the date of the donation. Costs of normal maintenance and repairs that do not add to the value of an asset or materially extend its life are expensed.

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

<u>Asset</u>	<u>Years</u>
Buildings & improvements	10-40
Infrastructure	20-50
Machinery & equipment	5-20
Vehicles	5-10

GASB No. 34 requires the Agency to report and depreciate infrastructure assets. Such assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. Neither their historical cost nor related depreciation has historically been reported in the financial statements. Retroactive reporting of infrastructure was subject to an extended implementation period ending in June 30, 2007. The Agency has implemented the general provisions of GASB No. 34.

**NEWPORT URBAN RENEWAL AGENCY**  
**Newport, Oregon**

NOTES TO FINANCIAL STATEMENTS  
as of June 30, 2007

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Long-Term Obligations**

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

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

**Fund Equity**

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

**Use of Estimates**

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

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

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

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

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

Prior years' property tax levies are part of beginning net assets.

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

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

Acquisition of capital assets is recorded as capital outlay in governmental funds, however the statement of activities does not reflect the expense.

Depreciation expense which amortizes the cost of acquired capital assets over the life of the asset is not an expenditure in governmental funds.

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

**NEWPORT URBAN RENEWAL AGENCY**  
**Newport, Oregon**

**NOTES TO FINANCIAL STATEMENTS**  
as of June 30, 2007

**NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budget Law and Practice**

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

Unexpended additional resources may be added to the budget through the use of a supplemental budget. The supplemental budget process requires hearing before the public, publications in newspapers, and approval by the Urban Renewal Agency.

Original and supplemental budgets may also be modified by the Agency through the use of transfers between the levels of control. Budget appropriation amounts shown in the financial statements include the original and revised budget. Appropriations are limited to a single fiscal year; therefore all spending authority of the Agency lapse at year end.

The Agency adopted a supplemental budget for the North Side Construction Fund and the North Side Debt Fund to reclassify appropriations. The South Beach Construction Fund also reclassified some appropriations. Overall, there was no increase in appropriations.

**NOTE 4 - DETAILED NOTES ON ALL FUNDS**

**A. DEPOSITS AND INVESTMENTS**

**Deposits**

Newport Urban Renewal Agency combines its funds with the City of Newport. At year end, the carrying amount of the Agency's deposit was \$4,186,737 and the bank balance was \$4,252,228. Of the bank balance, \$4,252,228 was covered by federal depository insurance or by collateral held by the Agency's agent in the City of Newport's name.

**Investments**

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

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

**NEWPORT URBAN RENEWAL AGENCY**  
**Newport, Oregon**

NOTES TO FINANCIAL STATEMENTS  
as of June 30, 2007

**NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued**

**A. DEPOSITS AND INVESTMENTS - continued**

**Investments - continued**

	<u>Category</u>			<u>Carrying Amount</u>	<u>Market Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Certificates of Deposit	<u>\$ 1,096,101</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,096,101</u>	<u>\$ 1,096,101</u>

Under concentrations of credit risk, the time certificates of deposit at West Coast Bank represent 69% or \$756,310 of total investments in one institution. Investments issued by or explicitly guaranteed by the US Government, investments in mutual funds, external investment pools, and other pooled investments are exempt in this disclosure.

The Agency's deposits and investments at June 30:

	<u>Balance</u>		<u>Balance</u>
Cash in Bank	\$ 4,126,956	Restricted	\$ 9,683,850
LGIP	5,579,624	Unrestricted	<u>1,118,831</u>
Investments	<u>1,096,101</u>		
<b>Total</b>	<b><u>\$10,802,681</u></b>	<b>Total</b>	<b><u>\$10,802,681</u></b>

**B. RECEIVABLES**

Receivables at year end consist of the following:

	<u>UR Const.</u>	<u>SBUR Const.</u>	<u>UR Bond Redemption</u>	<u>SB UR Bond Redp.</u>	<u>Total</u>
Property Taxes	\$ 403	\$ 0	\$ 143,894	\$ 78,974	\$ 223,271
Accounts Receivable	4,374	0	0	0	4,374
Interest Receivable	149	233	5,524	830	6,736
	<u>\$ 4,926</u>	<u>\$ 233</u>	<u>\$ 149,418</u>	<u>\$ 79,804</u>	<u>\$ 234,381</u>

**Property Taxes**

Uncollected property taxes are deemed to be substantially collectible through liens: therefore, no allowance for uncollectible has been established.

**Note Receivable**

The Agency holds a non-interest bearing note with Oregon Coast Aquarium arising in 2002. The note is being paid back over a five year period. Payments are current, with the receivable balance at June 30 being \$108,333.

**NEWPORT URBAN RENEWAL AGENCY**  
Newport, Oregon

NOTES TO FINANCIAL STATEMENTS  
as of June 30, 2007

**NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued**

**C. DEFERRED REVENUE**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition with resources that have been received, but not yet earned. At the end of the current fiscal year, the deferred revenue consisted of the following:

	<u>Balance</u>
Property Taxes	
UR Construction Fund	\$ 403
UR Debt Service Fund	113,062
SB UR Debt Service Fund	61,698
Note Receivable	
SB UR Construction Fund	<u>108,334</u>
Total	<u>\$ 283,497</u>

**D. CAPITAL ASSETS**

The following is a summary of changes in fixed assets:

	<u>7/01 Balance</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>6/30 Balance</u>
<b>Governmental Activities</b>				
Assets, not being depreciated				
Land & Improvements	\$ 6,200,036	\$ 43,250	\$ 43,250	\$ 6,200,036
Construction in Progress	<u>1,096,560</u>	<u>445,475</u>	<u>58,664</u>	<u>1,483,371</u>
Total Capital Assets, not depreciated	<u>7,296,596</u>	<u>\$ 488,725</u>	<u>\$ 101,914</u>	<u>7,683,407</u>
Assets, being depreciated				
Buildings & Structures	8,242,540	\$ 0	\$ 0	8,242,540
Equipment	<u>492,229</u>	<u>0</u>	<u>0</u>	<u>492,229</u>
Total Capital Assets, being depreciated	8,734,769	<u>\$ 0</u>	<u>\$ 0</u>	8,734,769
Accumulated Depreciation	<u>(4,843,032)</u>			<u>(5,363,966)</u>
Total Capital Assets, net of depreciation	<u>3,891,737</u>			<u>3,370,803</u>
Governmental Activities Capital Assets, net	<u>\$11,188,333</u>			<u>\$11,054,210</u>

Capital asset deletions represent completed work in progress transferred to the City of Newport.

Current year depreciation expense is \$520,934 reported under general government expense.

**NEWPORT URBAN RENEWAL AGENCY**  
**Newport, Oregon**

NOTES TO FINANCIAL STATEMENTS  
as of June 30, 2007

**NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued**

**E. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Transfers in the Statement of Activities do not net to zero as these transfers were made to the City of Newport. The purpose of the transfers are three-fold: the Agency pays principal and interest on debt for various capital debts for the City of Newport; the Agency typically transfers assets from construction projects to the City after those projects are completed; the Agency transfers funds to reimburse the City for administrative costs of required Agency functions such as management, accounting and engineering. The following is a breakdown of the transfers:

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

**F. LONG TERM DEBT**

**Tax Exempt Series 2007 Bond**

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

Annual debt repayment at maturity:

<u>Fiscal Year</u> <u>Ended</u>	<u>Principal</u>	<u>Interest</u> <u>Payment</u>	<u>Total</u>
2008	\$ 67,000	\$ 51,188	\$ 118,188
2009	75,000	43,733	118,733
2010	79,000	39,795	118,795
2011	83,000	35,647	118,647
2012	87,000	31,290	118,290
2013-17	<u>509,000</u>	<u>82,846</u>	<u>591,846</u>
Total	<u>\$ 900,000</u>	<u>\$ 284,499</u>	<u>\$1,184,499</u>

**Loan Payable**

A special public works loan was obtained from the Oregon Economic Development Department in 1990 for \$500,000 to help finance the Oregon Coast Aquarium. This loan has an interest rate of 5%, maturing July 2010. Current balance owing is \$121,764.

Annual debt requirements to maturity:

<u>Year</u>	<u>Principal</u>	<u>Interest</u> <u>Payment</u>	<u>Total</u>
2008	\$ 34,033	\$ 6,088	\$ 40,121
2009	35,735	4,386	40,121
2010	37,522	2,600	40,122
2011	14,474	724	15,198
Total	<u>\$ 121,764</u>	<u>\$ 13,798</u>	<u>\$ 135,562</u>

**NEWPORT URBAN RENEWAL AGENCY**  
**Newport, Oregon**

NOTES TO FINANCIAL STATEMENTS  
as of June 30, 2007

**NOTE 4 - DETAILED NOTES ON ALL FUNDS - Continued**

**F. LONG TERM DEBT - continued**

**Changes in Long-Term Liability**

During the current year, the following changes occurred in long-term liabilities:

	<u>7/01</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>	<u>Paid</u> <u>Interest</u>
Loan Payable	\$ 154,176	\$ 0	\$ 32,412	\$ 121,764	\$ 34,033	\$ 7,709
Bond Payable	<u>0</u>	<u>900,000</u>	<u>0</u>	<u>900,000</u>	<u>67,000</u>	<u>0</u>
Total	<u>\$ 154,176</u>	<u>\$ 900,000</u>	<u>\$ 32,412</u>	<u>\$ 1,021,764</u>	<u>\$ 101,033</u>	<u>\$ 7,709</u>

**NOTE 5 - OTHER INFORMATION**

**Risk Management**

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

**Commitments and Contingencies**

Newport Urban Renewal Agency from time to time receives notices of possible claims. Any such claims would be defended and indemnified by the Agency's insurance carrier that is provided by the City of Newport.

The Agency is obligated for repayment of loans and bonds from tax increment revenues on the following facilities and projects:

<u>Project</u>	<u>Balance</u>
Waste Water Treatment Plant	\$ 14,600,397
Recreation Center	4,055,437
Various City Renovations	<u>4,150,000</u>
Total	<u>\$ 22,805,834</u>

The long-term debt payable on these projects along with the accompanying assets are reflected in the financial statements of the City of Newport.

The Agency has outstanding construction commitments at year end amounting to approximately \$578,816.

**NEWPORT URBAN RENEWAL AGENCY  
Newport, Oregon**

**SUPPLEMENTAL INFORMATION SECTION**

**NEWPORT URBAN RENEWAL AGENCY**  
**Newport, Oregon**

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

**URBAN RENEWAL BOND REDEMPTION FUND**

	Budget	Actual	Variance
<b>REVENUES</b>			
Property taxes	\$ 2,380,474	\$ 2,363,236	\$ (17,238)
Interest on investments	144,833	382,884	238,051
Total revenues	2,525,307	2,746,120	220,813
<b>EXPENDITURES</b>			
Materials & services	33,242	33,242	0
Debt service	1,191,012	1,191,012	0
Total expenditures	1,224,254	1,224,254	0
Excess (def) of revenues over expenditures	1,301,053	1,521,866	220,813
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers to other funds	(406,278)	(406,278)	0
Excess (def) of revenues over expenditures	894,775	1,115,588	220,813
Unappropriated ending fund balance	(8,136,404)	0	8,136,404
FUND BALANCE - Beginning of year	7,241,629	7,306,327	64,698
FUND BALANCE - End of year	\$ 0	\$ 8,421,915	\$ 8,421,915

**NEWPORT URBAN RENEWAL AGENCY**  
**Newport, Oregon**

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

**SOUTH BEACH URBAN RENEWAL BOND REDEMPTION FUND**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Property taxes	\$ 1,304,585	\$ 1,355,005	\$ 50,420
Interest	<u>15,245</u>	<u>49,627</u>	<u>34,382</u>
 Total revenues	 <u>1,319,830</u>	 <u>1,404,632</u>	 <u>84,802</u>
<b>EXPENDITURES</b>			
Materials & services	20,917	20,917	0
Debt service	<u>1,225,944</u>	<u>845,944</u>	<u>380,000</u>
 Total expenditures	 <u>1,246,861</u>	 <u>866,861</u>	 <u>380,000</u>
 Excess (deficiency) of revenues over expenditures	 72,969	 537,771	 464,802
 Unappropriated ending fund balance	 (835,242)	 0	 835,242
 FUND BALANCE - Beginning of year	 <u>762,273</u>	 <u>778,625</u>	 <u>16,352</u>
 FUND BALANCE - End of year	 <u>\$ 0</u>	 <u>\$ 1,316,396</u>	 <u>\$ 1,316,396</u>

**NEWPORT URBAN RENEWAL AGENCY  
Newport, Oregon**

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

**URBAN RENEWAL - NORTH SIDE**

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

**URBAN RENEWAL - SOUTH BEACH**

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

**NEWPORT URBAN RENEWAL AGENCY**  
**Newport, Oregon**

**COMPLIANCE SECTION**

**NEWPORT URBAN RENEWAL AGENCY  
Newport, Oregon**

**AUDIT COMMENTS AND DISCLOSURES  
REQUIRED BY STATE REGULATIONS**

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

**INTERNAL CONTROL**

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

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

**ACCOUNTING RECORDS**

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

**ADEQUACY OF COLLATERAL SECURING DEPOSITORY BALANCES**

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

My review of the adequacy of collateral securing depository balances indicated the collateral was sufficient during the fiscal year ended June 30, 2007.

**INVESTMENTS**

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

**COMPLIANCE WITH LEGAL REQUIREMENTS RELATING TO DEBT**

My review did not disclose any matters of noncompliance with statutory and charter requirements relating to the Agency's indebtedness. The Agency is within its limitations on the amount of debt that may be incurred and is liquidating its obligations within the prescribed period of time.

**NEWPORT URBAN RENEWAL AGENCY  
Newport, Oregon**

**AUDIT COMMENTS AND DISCLOSURES  
REQUIRED BY STATE REGULATIONS - Continued**

**BUDGET COMPLIANCE**

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

**INSURANCE AND FIDELITY BONDS**

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

**INDEPENDENT ELECTED OFFICIALS**

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

**CAPITAL IMPROVEMENT CONTRACTS**

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

**PROGRAMS FUNDED FROM OUTSIDE SOURCES AND FINANCIAL REPORTING REQUIREMENTS**

My review did not disclose any noncompliance with programs funded from outside sources.

