

**NEWPORT URBAN RENEWAL AGENCY
LINCOLN COUNTY, OREGON**

FINANCIAL REPORT

FOR THE YEARS ENDED JUNE 30, 2010



**12700 SW 72nd Ave.
Tigard, OR 97223**

**NEWPORT URBAN RENEWAL AGENCY
LINCOLN COUNTY, OREGON**

For the Year Ended June 30, 2010

COMPONENT UNIT

ANNUAL FINANCIAL REPORT

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**NEWPORT URBAN RENEWAL AGENCY
LINCOLN COUNTY, OREGON**

LIST OF COMMISSIONERS

Jeff Bertuleit, Chair

Richard Kilbride

Mark McConnell

Patricia Patrick-Joling

Lon Brusselback

Terry Obteshka

William Bain

All Commissioners receive mail at the address below.

AGENCY ADMINISTRATION

Jim Voetberg, Agency Manager
Penelope McCarthy, Agency Attorney

169 SW Coast Hwy.
Newport, Oregon 97365

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NEWPORT URBAN RENEWAL AGENCY
LINCOLN COUNTY, OREGON

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PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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- 12700 SW 72ND AVENUE • TIGARD, OREGON 97223
 - (503) 620-2632 • FAX (503) 684-7523

January 4, 2011

To the Agency Board
Newport Urban Renewal Agency
Newport, Oregon

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and each major fund of the Newport Urban Renewal Agency, as of and for the year ended June 30, 2010 which collectively comprise the basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Newport Urban Renewal Agency, as of June 30, 2010, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming opinions on the basic financial statements taken as a whole. The supplementary information of individual fund statements and other financial schedules, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Management's Discussion and Analysis, as listed in the table of contents, is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We 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, we did not audit the information and express no opinion on it.

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Management's Discussion and Analysis

The Management of the Newport Urban Renewal Agency offers readers of the Agency's financial statements this discussion of the financial activities of the Newport Urban Renewal Agency for the fiscal year ended 30 June 2010. 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 **\$13,144,796**. Of this amount, **\$4,496,875** may be used to meet the government's ongoing obligations to citizens and creditors.

Change in Net Assets – The Agency's total net assets decreased by **\$2,891,282** due to a decrease in cash and cash equivalents. The Agency used cash reserves in the North Side Urban Renewal District to make advanced payments on outstanding debt for the district. (The North Urban Renewal Agency paid off its remaining debt on 15 December 2010, and the Agency was closed on 17 December 2010.)

Governmental Funds - As of the close of the fiscal year, the Newport Urban Renewal Agency's governmental funds reported combined ending fund balances of **\$4,148,295**.

During the fiscal year, the Newport Urban Renewal Agency's total debt decreased by **\$336,522**.

Overview of the Financial Statements

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

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

The Statement of Net Assets presents information about all of the Newport Urban Renewal Agency's assets and liabilities; the difference between the two is 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 result in cash flows only in future fiscal periods (for example, uncollected taxes). The governmental activities of the Newport Urban Renewal Agency include activities in two urban renewal districts: the North Side Urban Renewal District ("Urban Renewal"), and the South Beach Urban Renewal District. Each district engages in capital project construction and debt payment activities.

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

Governmental Funds. Governmental funds are used to account for 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 reconcile this comparison between governmental funds and governmental activities.

The Newport Urban Renewal Agency maintains three individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Change 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; the two construction funds are considered to be major funds. The details of the major funds are presented in the Basic Financial Statements section of these financial statements.

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 **\$13,144,796** as of 30 June 2010.

The largest portion of the Newport Urban Renewal Agency's net assets (**66.0%** percent) reflects its investment in capital assets (land, buildings, machinery, and equipment), less any related debt used to acquire those assets, that is still outstanding. Because, the Newport Urban Renewal Agency uses these capital assets to provide services to citizens, 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, note 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 the end of the last fiscal year.

Table 1			
SUMMARY OF NET ASSETS			
Governmental Activities			
	2008	2009	2010
Cash and investments	\$ 8,744,107	\$ 6,909,816	\$ 4,125,697
Other assets	289,567	387,828	427,440
Capital assets	11,683,130	11,880,030	11,446,395
Total Assets	\$20,716,804	\$19,177,674	\$15,999,532
Other liabilities	11,766	6,600	56,262
Long term debt outstanding	3,450,731	3,134,996	2,798,474
Total Liabilities	\$3,462,497	\$3,141,596	\$2,854,736
Net assets:			
Investment in capital assets, net of c	11,683,130	8,745,034	8,647,921
Restricted:			
Debt service	7,226,924	6,207,709	3,352,605
Unrestricted	(1,655,757)	1,083,335	1,144,270
Total Net Assets	\$17,254,297	\$16,036,078	\$13,144,796

Newport Urban Renewal Agency's net assets represent resources that are invested in capital assets, net of related debt. The remaining balance, **\$1,144,270**, is unrestricted and may be used to meet the Agency's ongoing obligations to citizens and creditors.

Governmental activities. Additional principal was paid for debt obligations to accelerate the closure of the North Side Urban Renewal District, thus reducing the governmental activities' net assets.

Table 2
GOVERNMENTAL ACTIVITIES

	2008	2009	2010
REVENUES			
Program Services			
Charges for Services	\$ 56,086	\$ -	-
General Revenue			
Taxes	4,033,871	4,492,883	4,548,989
Interest and Investment Earnings	370,961	177,490	40,010
Other Revenue	107,015	8,808	2,338
Transfers	(6,086,547)	-	-
Total Revenues	\$ (1,518,614)	\$ 4,679,181	\$ 4,591,337
EXPENSES			
Programs	1,995,921	5,897,401	7,341,411
Interest on Long-Term Debt	-	-	141,208
Total Expenses	\$ 1,995,921	\$ 5,897,401	\$ 7,482,619
Change in Net Assets	(3,514,535)	(1,218,220)	(2,891,282)
Beginning Net Assets	20,768,833	17,254,298	16,036,078
Ending Net Assets	\$ 17,254,298	\$ 16,036,078	\$ 13,144,796

Financial Analysis of the Agency's funds

Governmental funds. The purpose 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 **\$4,148,295**. Approximately **19%** of this total amount, **\$795,690**, constitutes unreserved fund balance. Because it has already been committed, the remainder of the fund balance is reserved. The South Beach Urban Renewal Construction, the Urban Renewal Debt, and the South Beach Urban Renewal Debt funds changed by **\$28,922**, **(\$2,897,116)**, and **\$42,012**, respectively.

Budgetary Highlights

The Agency Board did not make any changes to the adopted budget during the year.

Capital Asset and Debt Administration

Capital assets. As of 30 June 2010, the Newport Urban Renewal Agency's investment in capital assets for its governmental activities was **\$11,446,395** (net of accumulated depreciation). This investment in capital assets includes land, buildings and structures, equipment, and infrastructure.

Table 3

**Capital Assets at year-end
(net of depreciation)
For the Year Ended 30 June 2010**

	2008	2009	2010
Land	6,200,036	6,200,036	6,200,036
Buildings and structures	8,242,540	8,242,540	8,242,540
Construction in Progress			54,656
Equipment	492,229	492,229	492,229
Infrastructure	2,339,622	2,812,414	2,812,414
Less accumulated depreciation	(5,591,297)	(5,867,189)	(6,355,480)
Total	\$ 11,683,130	\$ 11,880,030	\$ 11,446,395

Table 4

Change in Capital Assets

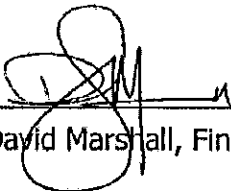
	2008	2009	2010
Beginning balance	\$ 11,054,210	\$ 11,683,130	\$ 11,880,030
Additions	2,339,622	472,792	54,656
Depreciation	(227,331)	(275,892)	(488,291)
Deletions	(1,483,371)	-	-
Ending Balance	\$ 11,683,130	\$ 11,880,030	\$ 11,446,395

Long-term debt. At the end of the fiscal year, the Newport Urban Renewal Agency had total long-term debt outstanding of **\$2,798,474**. In governmental activity, a 1991 loan of \$500,000 to help finance the Oregon Coast Aquarium has a balance due of \$14,474. 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 amount outstanding is \$679,000. In May, 2008 the Agency issued \$2,530,000 of Urban Renewal bonds to Bank of America. The amount outstanding is **\$2,105,000**.

Table 5			
Outstanding Debt at Year-End			
	2008	2009	2010
Governmental			
Oregon Coast Aquarium Loan 1991	\$ 87,731	\$ 51,996	\$ 14,474
Bank of America, Series 2007	833,000	758,000	679,000
Bank of America, Series 2008	2,530,000	2,325,000	2,105,000
Total	\$ 3,450,731	\$ 3,134,996	\$ 2,798,474

Economic Factors and next year's Budgets and Rates. At year end, The City of Newport's unemployment rate remained above 10.00%. The City issued 20 building permits for new residential development in Fiscal Year 2010. In addition, City permits were issued for 17 new commercial developments, and 106 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.



David Marshall, Finance Director

**NEWPORT URBAN RENEWAL AGENCY
LINCOLN COUNTY, OREGON**

COMPONENT UNIT BASIC FINANCIAL STATEMENTS

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NEWPORT URBAN RENEWAL AGENCY

LINCOLN COUNTY, OREGON

STATEMENT OF NET ASSETS

June 30, 2010

ASSETS

Cash and cash equivalents	\$ 4,125,697
Receivables, net	427,440
Capital Assets, net of accumulated depreciation	<u>11,446,395</u>
Total Assets	<u>15,999,532</u>

LIABILITIES:

Accounts Payable	56,262
Noncurrent Liabilities	
Due within one year	322,474
Due in more than one year	<u>2,476,000</u>
Total Liabilities	<u>2,854,736</u>

NET ASSETS:

Invested in Capital Assets, Net of Related Debt	8,647,921
Restricted for Debt Service	3,352,605
Unrestricted	<u>1,144,270</u>
Total Net Assets	<u>\$ 13,144,796</u>

See accompanying notes to basic financial statements

NEWPORT URBAN RENEWAL AGENCY

LINCOLN COUNTY, OREGON

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

FUNCTIONS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
Governmental activities				
Public improvement	\$ 7,341,411	\$ -	\$ -	\$ (7,341,411)
Interest on long-term debt	141,208	-	-	(141,208)
Total Governmental Activities	<u>\$ 7,482,619</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(7,482,619)</u>
General Revenues and Transfers:				
				4,548,989
				40,010
				2,338
				<u>4,591,337</u>
				(2,891,282)
				<u>16,036,078</u>
				<u>\$ 13,144,796</u>

See accompanying notes to basic financial statements

NEWPORT URBAN RENEWAL AGENCY

LINCOLN COUNTY, OREGON

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2010

	SB URBAN RENEWAL CONST.	URBAN RENEWAL DEBT SRV.	SB URBAN RENEWAL DEBT SRV.	TOTAL GOVERNMENTAL
ASSETS:				
Cash & cash equivalents	\$ 851,952	\$ 1,188,696	\$ 2,085,049	\$ 4,125,697
Property taxes receivable	-	256,225	171,215	427,440
Total Assets	\$ 851,952	\$ 1,444,921	\$ 2,256,264	\$ 4,553,137
LIABILITIES AND FUND EQUITY:				
Liabilities:				
Accounts Payable	\$ 56,262	\$ -	\$ -	\$ 56,262
Deferred Revenue	-	217,087	131,493	348,580
Total Liabilities	56,262	217,087	131,493	404,842
Fund Equity:				
Reserved for Debt Service	-	1,227,834	2,124,771	3,352,605
Unreserved	795,690	-	-	795,690
Total Fund Equity	795,690	1,227,834	2,124,771	4,148,295
Total Liabilities and Fund Equity	\$ 851,952	\$ 1,444,921	\$ 2,256,264	\$ 4,553,137

See accompanying notes to basic financial statements

NEWPORT URBAN RENEWAL AGENCY

LINCOLN COUNTY, OREGON

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO STATEMENT OF NET ASSETS
JUNE 30, 2010

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

Fund Balances	\$	4,148,295
The cost of governmental capital assets (land, buildings, improvements, machinery and equipment, infrastructure, and construction in progress) is reported as an expenditure in governmental funds. The Statement of Net Assets includes those capital assets among the assets of the Agency as a whole.		
Net Capital Assets		11,446,395
Long-term liabilities applicable to the Agency's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets.		
Long-term debt		(2,798,474)
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Deferred Revenue		<u>348,580</u>
Total Net Assets	\$	<u>13,144,796</u>

See accompanying notes to basic financial statements.

NEWPORT URBAN RENEWAL AGENCY

LINCOLN COUNTY, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2010

	SB URBAN RENEWAL CONST.	URBAN RENEWAL DEBT SRV.	SB URBAN RENEWAL DEBT SRV.	TOTAL GOVERNMENTAL
REVENUES:				
Taxes	\$ -	\$ 2,658,064	\$ 1,858,912	\$ 4,516,976
Interest on Investments	6,095	11,763	22,152	40,010
Other revenues	-	-	2,338	2,338
Total Revenues	6,095	2,669,827	1,883,402	4,559,324
EXPENDITURES:				
Materials and Services	159,200	3,167	666	163,033
Special Payments	-	1,492,122	479,516	1,971,638
Debt service	-	4,071,654	1,111,208	5,182,862
Capital outlay	67,973	-	-	67,973
Total Expenditures	227,173	5,566,943	1,591,390	7,385,506
Excess of Revenues, Over (Under) Expenditures	(221,078)	(2,897,116)	292,012	(2,826,182)
OTHER FINANCING SOURCES (USES)				
Transfers In	250,000	-	-	250,000
Transfers Out	-	-	(250,000)	(250,000)
Total other financing sources (uses)	250,000	-	(250,000)	-
Net Change in Fund Balance	28,922	(2,897,116)	42,012	(2,826,182)
Beginning Fund Balance	766,768	4,124,950	2,082,759	6,974,477
Ending Fund Balance	\$ 795,690	\$ 1,227,834	\$ 2,124,771	\$ 4,148,295

See accompanying notes to basic financial statements.

NEWPORT URBAN RENEWAL AGENCY

LINCOLN COUNTY, OREGON

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

For the year ended June 30, 2010

Explanations of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities

Excess of Revenues over Expenditures \$ (2,826,182)

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

Acquisition of Capital Assets (net)	\$	54,656	
Depreciation Expense		<u>(488,291)</u>	
Net Adjustment			(433,635)

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

Long term debt principal payments	336,522
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This adjustment combines the net changes in deferred taxes between years.

Property Taxes	<u>32,013</u>
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Change in Net Assets	<u><u>\$ (2,891,282)</u></u>
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See accompanying notes to basic financial statements.

NEWPORT URBAN RENEWAL AGENCY
LINCOLN COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Newport Urban Renewal Agency of Newport, Oregon (Agency) financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies are described below.

A. DESCRIPTION OF THE 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 conducts 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.

B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)

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

General receipts are from property and related taxes, and interest. All disbursements are categorized as program disbursements and interest on long-term debt.

FUND FINANCIAL STATEMENTS

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

NEWPORT URBAN RENEWAL AGENCY
LINCOLN COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the agency considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for property taxes which are accrued if collected within 30 days after year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes and interest associated with the current fiscal period are considered to be susceptible to accrual and 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.

There are the following major governmental funds:

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.

Urban Renewal Bond Redemption

The Urban Renewal Bond Redemption Fund is responsible for the accumulation of resources for and payment to the City of Newport for the purpose of paying down City debt which benefits the Urban Renewal Agency.

South Beach Urban Renewal Bond Redemption

The South Beach Urban Renewal Bond Redemption Fund's purpose is to account for the accumulation of resources for and payment of the Urban Renewal Agency's bond principal and interest.

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 policy to use restricted resources to the limits of the policies and statutes governing them first, then unrestricted resources as they are needed.

C. BUDGETS

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

NEWPORT URBAN RENEWAL AGENCY
LINCOLN COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BUDGETS (CONTINUED)

While financial position, results of operations, and changes in fund balance/net assets are reported on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis of accounting differs from generally accepted accounting principles. The budgetary statements provided as part of supplementary information elsewhere in this report are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The budgetary basis of accounting differs in that capital outlay expenditures, including items below the capitalization level, are budgeted by major function in governmental fund types and expensed when purchased, debt is expensed when paid, and depreciation is not recorded. Taxes receivable are not recorded as revenue until collected and inventories are budgeted as expenditures when purchased.

The expenditure budgets are appropriated at the following levels:

LEVEL OF CONTROL

Materials and Services
Capital Outlay
Debt Service
Special Payments
Operating Contingency

Expenditures cannot legally exceed the above appropriation levels except in the case of grants which could not be estimated at the time of budget adoption. Appropriations lapse at the fiscal year end. Management may amend line items in the budget without Board approval as long as appropriation levels (the legal level of control) are not changed. Supplemental appropriations may occur if the Board approves them due to a need which exists which was not determined at the time the budget was adopted.

Budget amounts shown in the financial statements reflect the final budget amounts. Expenditures in all funds were within authorized appropriations except for Materials & Services and Debt service in the Bond Redemption Fund by \$667 and \$2,988,164, and Debt Service in the South Beach Urban Renewal Bond Redemption Fund by \$1,786.

D. PROPERTY TAXES AND PROPERTY TAXES RECEIVABLE

Uncollected real and personal property taxes are reflected on the statement of net assets and the balance sheet as receivables. Uncollected taxes are deemed by management to be substantially collectible or recoverable through liens. All property taxes receivable are due from property owners within the City of Newport boundaries. Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic distributions of collections to entities levying taxes. Property taxes become a lien against the property when levied on July 1 of each year and are payable in three installments due on November 15, February 15 and May 15. Property tax collections are distributed monthly except for November, when such distributions are made weekly.

NEWPORT URBAN RENEWAL AGENCY
LINCOLN COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. RECEIVABLES AND PAYABLES

Activities between funds that are representative of lending and borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to \ from other funds". Receivables for federal and state grants, and state, county and local shared revenue are recorded as revenue in all funds as earned.

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

G. CAPITAL ASSETS

Capital assets are recorded at the original or estimated historical cost. Donated capital assets are recorded at their estimated fair market value on the date donated. Capital assets are charged to expenditures as purchased in the governmental funds, and capitalized and depreciated in the government-wide-statements. Capital assets are defined as assets with an initial cost of more than \$5,000 and an estimated life equal to or greater than one year. Interest incurred during construction, maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset</u>	<u>Years</u>
Building & Improvements	10-40
Infrastructure	20-50
Machinery & Equipment	5-20
Vehicles	5-10

H. SUPPLY INVENTORY

Inventories purchased are expensed as purchased. Inventories are not recorded and are considered by management to be insignificant at year end.

I. LONG-TERM OBLIGATIONS

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

NEWPORT URBAN RENEWAL AGENCY
LINCOLN COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. NET ASSETS

Net assets comprise the various net earnings from operations, nonoperating revenues, expenses and contributions of capital. Net assets are classified in the following three categories:

Invested in capital assets, net of related debt – consists of all capital assets, net of accumulated depreciation and reduced by any outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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

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

2. CASH AND INVESTMENTS

State statutes govern the cash management policies. Statutes authorize investment in bankers' acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment Pool.

DEPOSITS

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

Cash is pooled with the City of Newport. Please refer to the City's basic financial statements, issued under separate cover, for additional information pertaining to the nature and collateralization of the City's cash and investments.

Cash at June 30, 2010 consisted of:

Pooled Cash	<u>\$ 4,125,697</u>
Total	<u><u>\$ 4,125,697</u></u>

NEWPORT URBAN RENEWAL AGENCY
LINCOLN COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

INVESTMENTS

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

Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. The fair value of the investment Pool at June 30, 2010 was 99.56% of the value of the shares in the pools reported value. There were no known violations of legal or contractual provisions for deposits and investments during the fiscal year.

Interest Rate Risk

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

Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the deposits may not be returned. There is no deposit policy for custodial credit risk.

Credit Risk – Investments

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

Concentration of Credit Risk

At June 30, 2010, investments were comingled with the City of Newport investments. 100% of total City of Newport investments were in the State Treasurer's Investment Pool. State statutes do not limit the percentage of investments in this instrument.

NEWPORT URBAN RENEWAL AGENCY
LINCOLN COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

3. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2010 was as follows:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>(Deletions)</u>	<u>Balance End Of Year</u>
Capital assets not being depreciated				
Land	\$ 6,200,036	\$ -	\$ -	\$ 6,200,036
Construction in progress	-	54,656	-	54,656
Total capital assets not being depreciated	<u>6,200,036</u>	<u>54,656</u>	<u>-</u>	<u>6,254,692</u>
Capital assets being depreciated				
Buildings & Structures	8,242,540	-	-	8,242,540
Equipment	492,229	-	-	492,229
Infrastructure	2,812,414	-	-	2,812,414
Total capital assets being depreciated	<u>11,547,183</u>	<u>-</u>	<u>-</u>	<u>11,547,183</u>
Accumulated Depreciation				
Buildings & Structures	(5,334,780)	(417,530)	-	(5,752,310)
Equipment	(475,974)	(14,326)	-	(490,300)
Infrastructure	(56,435)	(56,435)	-	(112,870)
Total accumulated depreciation	<u>(5,867,189)</u>	<u>(488,291)</u>	<u>-</u>	<u>(6,355,480)</u>
Governmental activities capital assets, net	<u>\$ 11,880,030</u>	<u>\$ (433,635)</u>	<u>\$ -</u>	<u>\$11,446,395</u>

Depreciation expense for governmental activities is charged to functions as follows:

Public Improvement	<u>\$ 488,291</u>
Total depreciation for governmental activities	<u>\$ 488,291</u>

4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

	<u>Transfers In</u>	<u>Transfers Out</u>
South Beach		
UR Construction	\$ 250,000	\$ -
South Beach		
UR Debt	-	250,000
	<u>\$ 250,000</u>	<u>\$ 250,000</u>

NEWPORT URBAN RENEWAL AGENCY
LINCOLN COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

5. LONG-TERM DEBT

Tax Exempt Series 2007 Bond

In May 2007, Urban Renewal bonds were issued 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 \$679,000.

Annual requirements to repay the loan are as follows:

Fiscal Year of Maturity	Principal	Interest	Total
2010-11	\$ 83,000	\$ 35,648	\$ 118,648
2011-12	87,000	31,290	118,290
2012-13	92,000	26,723	118,723
2013-14	96,000	21,893	117,893
2014-15	102,000	16,853	118,853
2015-17	219,000	17,378	236,378
	<hr/>	<hr/>	<hr/>
Total	<u>\$ 679,000</u>	<u>\$ 149,785</u>	<u>\$ 828,785</u>

Tax Exempt Series 2008 Bond

In May 2008, bonds with an interest rate of 4.25% in the amount of \$2,530,000 were issued. The purpose of the bonds was to finance infrastructure improvements related to Oregon Coast Community College campus and various other infrastructure projects in South Beach. The bonds mature June 2018, with the current balance outstanding at year end of \$2,105,000.

Annual requirements to repay the loan are as follows:

Fiscal Year of Maturity	Principal	Interest	Total
2010-11	\$ 225,000	\$ 89,463	\$ 314,463
2011-12	235,000	79,900	314,900
2012-13	245,000	69,913	314,913
2013-14	255,000	59,500	314,500
2014-15	270,000	48,663	318,663
2015-18	875,000	75,439	950,439
	<hr/>	<hr/>	<hr/>
Total	<u>\$ 2,105,000</u>	<u>\$ 422,878</u>	<u>\$ 2,527,878</u>

NEWPORT URBAN RENEWAL AGENCY
LINCOLN COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

5. LONG-TERM DEBT (CONTINUED)

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 \$14,474.

Annual requirements to repay the loan are as follows:

Fiscal Year of Maturity	Principal	Interest	Total
2010-11	\$ 14,474	\$ 724	\$ 15,198
Total	\$ 14,474	\$ 724	\$ 15,198

Changes in long-term obligations for the year ended June 30, 2010 is as follows:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010	Due within One Year
Loan Payable	\$ 51,996	\$ -	\$ 37,522	\$ 14,474	\$ 14,474
2007 Bond Payable	758,000	-	79,000	679,000	83,000
2008 Bond Payable	2,325,000	-	220,000	2,105,000	225,000
Total	\$ 3,134,996	\$ -	\$ 336,522	\$ 2,798,474	\$ 322,474

Debt service payments are made out of the Urban Renewal Bond Redemption Fund and the South Beach Urban Renewal Bond Redemption Fund. Included in the debt service expenditures are payments made to the City for debt service on the City's debt which benefits the URA. See note 7 for more details.

6. RISK MANAGEMENT

There is exposure to various risks of loss related to torts; errors and omissions; and natural disasters. The Agency is covered by The City of Newport's commercial insurance to minimize its exposure to these risks.

NEWPORT URBAN RENEWAL AGENCY
LINCOLN COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

7. PAYMENTS TO CITY

Payments were made to the City for the purpose of paying down City debt that benefits the URA. These payments are reported as debt service in the URA financial statements because they were used to pay debt service by the City. However, the URA is not obligated to make these payments to the City, and has not guaranteed any future payments will be made to the City.

Payments made to the City during the fiscal year ended June 30, 2010 were as follows:

	<u>Payments to City</u>
North Side Debt	\$ 4,071,654
South Beach Debt	1,590,724
	<u>\$ 5,662,378</u>

**NEWPORT URBAN RENEWAL AGENCY
LINCOLN COUNTY, OREGON**

SUPPLEMENTARY INFORMATION

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NEWPORT URBAN RENEWAL AGENCY

LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2010

SOUTH BEACH URBAN RENEWAL CONSTRUCTION FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES:				
Interest on Investments	\$ 8,500	\$ 8,500	\$ 6,095	\$ (2,405)
Total Revenues	<u>8,500</u>	<u>8,500</u>	<u>6,095</u>	<u>(2,405)</u>
EXPENDITURES:				
Materials & Services	151,250	161,250 (1)	159,200	2,050
Capital Outlay	885,000	875,000 (1)	67,973	807,027
Contingency	<u>4,750</u>	<u>4,750 (1)</u>	<u>-</u>	<u>4,750</u>
Total Expenditures	<u>1,041,000</u>	<u>1,041,000</u>	<u>227,173</u>	<u>813,827</u>
Excess of Revenues Over, (Under) Expenditures	(1,032,500)	(1,032,500)	(221,078)	811,422
Other Financing Sources, (Uses)				
Transfers In	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>-</u>
Total Other Financing Sources, (Uses)	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>-</u>
Net Change in Fund Balance	(782,500)	(782,500)	28,922	811,422
Beginning Fund Balance	<u>782,500</u>	<u>782,500</u>	<u>766,768</u>	<u>(15,732)</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 795,690</u>	<u>\$ 795,690</u>

(1) Appropriation Level

NEWPORT URBAN RENEWAL AGENCY

LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 ACTUAL AND BUDGET
 For the Year Ended June 30, 2010

URBAN RENEWAL BOND REDEMPTION FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES:				
Property taxes	\$ 2,675,000	\$ 2,675,000	\$ 2,658,064	\$ (16,936)
Interest on Investments	100,000	100,000	11,763	(88,237)
Total Revenues	<u>2,775,000</u>	<u>2,775,000</u>	<u>2,669,827</u>	<u>(105,173)</u>
EXPENDITURES:				
Materials and Services	2,500	2,500 (1)	3,167	(667)
Debt Service	1,083,490	1,083,490 (1)	4,071,654	(2,988,164)
Special Payments	1,492,122	1,492,122 (1)	1,492,122	-
Total Expenditures	<u>2,578,112</u>	<u>2,578,112</u>	<u>5,566,943</u>	<u>(2,988,831)</u>
Net Change in Fund Balance	196,888	196,888	(2,897,116)	(3,094,004)
Beginning Fund Balance	<u>3,336,741</u>	<u>3,336,741</u>	<u>4,124,950</u>	<u>788,209</u>
Ending Fund Balance	<u>\$ 3,533,629</u>	<u>\$ 3,533,629</u>	<u>\$ 1,227,834</u>	<u>\$ (2,305,795)</u>

(1) Appropriation Level

NEWPORT URBAN RENEWAL AGENCY

LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ACTUAL AND BUDGET
For the Year Ended June 30, 2010

SOUTH BEACH URBAN RENEWAL BOND REDEMPTION FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES:				
Property taxes	\$ 1,850,000	\$ 1,850,000	\$ 1,858,912	\$ (8,912)
Interest on Investments	35,000	35,000	22,152	12,848
Miscellaneous Revenue	-	-	2,338	2,338
Total Revenues	<u>1,885,000</u>	<u>1,885,000</u>	<u>1,883,402</u>	<u>6,274</u>
EXPENDITURES:				
Material and Services	2,500	2,500 (1)	666	1,834
Debt Service	477,730	477,730 (1)	479,516	(1,786)
Special Payments	1,111,208	1,111,208 (1)	1,111,208	-
Contingency	<u>1,052,424</u>	<u>1,052,424 (1)</u>	<u>-</u>	<u>1,052,424</u>
Total Debt service	<u>2,643,862</u>	<u>2,643,862</u>	<u>1,591,390</u>	<u>1,052,472</u>
Excess of Revenues Over, (Under) Expenditures	(758,862)	(758,862)	292,012	1,050,874
Other Financing Sources, (Uses)				
Transfers Out	<u>(250,000)</u>	<u>(250,000) (1)</u>	<u>(250,000)</u>	<u>-</u>
Net Change in Fund Balance	(1,008,862)	(1,008,862)	42,012	1,050,874
Beginning Fund Balance	<u>1,351,862</u>	<u>1,351,862</u>	<u>2,082,759</u>	<u>730,897</u>
Ending Fund Balance	<u>\$ 343,000</u>	<u>\$ 343,000</u>	<u>\$ 2,124,771</u>	<u>\$ 1,781,771</u>

(1) Appropriation Level

NEWPORT URBAN RENEWAL AGENCY

LINCOLN COUNTY, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES
OF TAXES UNCOLLECTED
For the Year Ended June 30, 2010

URBAN RENEWAL - NORTH SIDE

<u>TAX YEAR</u>	<u>ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/1/09</u>	<u>DEDUCT DISCOUNTS</u>	<u>ADJUSTMENTS TO ROLLS</u>	<u>INTEREST</u>	<u>CASH COLLECTIONS BY COUNTY TREASURER</u>	<u>BALANCE UNCOLLECTED OR UNSEGREGATED AT 6/30/10</u>
Current:						
2009-2010	\$ 2,750,548	\$ 65,951	\$ (3,949)	\$ 1,848	\$ 2,539,615	\$ 142,881
Prior Years:						
2008-2009	144,103	(43)	(1,715)	5,168	81,479	66,120
2007-2008	53,866	(83)	(3,064)	4,077	25,345	29,617
2006-2007	23,633	(58)	(2,165)	4,063	16,830	8,759
2005-2006	6,289	(58)	(2,178)	1,413	3,806	1,776
2004-2005 & Prior	8,715	(193)	(7,229)	513	(4,880)	7,072
Total Prior	236,606	(435)	(16,351)	15,234	122,580	113,344
Total	\$ 2,987,154	\$ 65,516	\$ (20,300)	\$ 17,082	\$ 2,662,195	\$ 256,225

RECONCILIATION TO REVENUE:

	<u>REVENUE</u>
Cash Collections by County Treasurer Above	\$ 2,662,195
Add Additional Tax Payments by County	
Accrual of Receivables:	
June 30, 2009	(43,270)
June 30, 2010	39,139
Total Revenue	\$ 2,658,064

NEWPORT URBAN RENEWAL AGENCY

LINCOLN COUNTY, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES
OF TAXES UNCOLLECTED
For the Year Ended June 30, 2010

URBAN RENEWAL - SOUTH BEACH

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/1/09	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT 6/30/10
Current:						
2009-2010	\$ 1,913,170	\$ 45,873	\$ (2,747)	\$ 1,285	\$ 1,766,453	\$ 99,382
Prior Years:						
2008-2009	96,811	(29)	(1,152)	3,473	54,739	44,422
2007-2008	34,197	(53)	(1,945)	2,589	16,090	18,804
2006-2007	13,459	(33)	(1,233)	2,314	9,585	4,988
2005-2006	3,517	(32)	(1,218)	790	2,128	993
2004-2005 & prior	3,238	(71)	(2,686)	190	(1,813)	2,626
Total Prior	151,222	(218)	(8,234)	9,356	80,729	71,833
Total	\$ 2,064,392	\$ 45,655	\$ (10,981)	\$ 10,641	\$ 1,847,182	\$ 171,215

RECONCILIATION TO REVENUE:

	REVENUE
Cash Collections by County Treasurer Above	\$ 1,847,182
Add Additional Tax Payments by County	
Accrual of Receivables:	
June 30, 2009	(27,992)
June 30, 2010	39,722
Total Revenue	\$ 1,858,912

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**NEWPORT URBAN RENEWAL AGENCY
LINCOLN COUNTY, OREGON**

Independent Auditors' Report Required by Oregon State Regulations

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PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

-
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January 4, 2011

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the Newport Urban Renewal Agency as of and for the year ended June 30, 2010, and have issued our report thereon dated January 4, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

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

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

- **Deposit of public funds with financial institutions (ORS Chapter 295)**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

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

1. Expenditures exceeded appropriations as shown on page 16.

OAR 162-10-0230 Internal Control

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

We noted matters involving the internal control structure and its operation that we consider to be significant deficiencies under standards established by the American Institute of Certified Public Accountants. These deficiencies are noted in our management letter dated January 4, 2011.

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

Pauly, Rogers and Co. P.C.
PAULY, ROGERS AND CO., P.C.