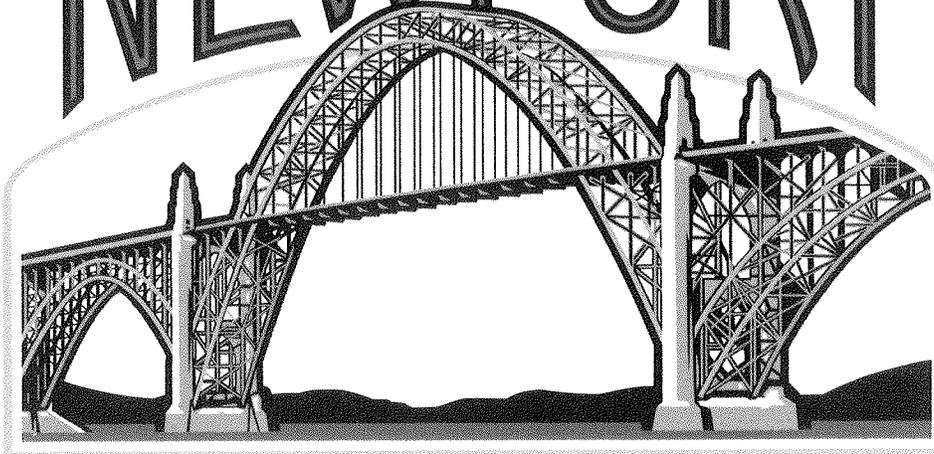


NEWPORT



OREGON

CITY OF NEWPORT

Urban Renewal Agency
Lincoln County, Oregon

Annual Financial Statements
for the year ended
June 30, 2008

NEWPORT URBAN RENEWAL AGENCY
NEWPORT, OREGON

For the Year Ended June 30, 2008

COMPONENT UNIT

ANNUAL FINANCIAL REPORT

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NEWPORT URBAN RENEWAL AGENCY
NEWPORT, OREGON

LIST OF COMMISSIONERS

Patricia Patrick-Joling, Chair

Peggy Sabanskas

Neal Henning

Jeff Bertuleit

Larry Henson

Terry Obtshka

William Bain

All Commissioners receive mail at the address below.

AGENCY ADMINISTRATION

Allen O'Neal, Agency Manager
Gary Firestone, Agency Attorney

169 SW Coast Hwy.
Newport, Oregon 97365

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NEWPORT URBAN RENEWAL AGENCY
NEWPORT, OREGON

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PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

December 1, 2008

To the Agency Board
Newport Urban Renewal Agency
Newport, Oregon

INDEPENDENT AUDITORS' REPORT

We have audited the component unit basic financial statements of the Newport Urban Renewal Agency, as of and for the year ended June 30, 2008. These component unit basic financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these component unit basic financial statements based on our audit. The financial statements of the Newport Urban Renewal Agency as of June 30, 2007 were audited by other auditors whose report dated November 7, 2007 expressed an unqualified opinion on those statements.

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 Agency's 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 opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Newport Urban Renewal Agency, as of June 30, 2008, 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 an opinion on the basic financial statements taken as a whole. The supplementary data 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 on the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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 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, 2008. 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 \$17,254,297. Of this amount, \$5,571,167 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 \$3,514,536 due to a decrease in cash and cash equivalents. The Agency is utilizing cash reserves in the North Side Urban Renewal District to make advanced payments on outstanding debt for that district. It is estimated that the district will have all its debt paid off in the fiscal year 2011, at which time the district will be closed.

Governmental Funds - As of the close of the fiscal year, the Newport Urban Renewal Agency's governmental funds reported combined ending fund balances of \$8,800,321.

The Newport Urban Renewal Agency's total debt increased by \$2,428,967 during the fiscal year. The increase is attributable to a \$2,530,000 debt issue in May of 2008.

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 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). The governmental activities of the Newport Urban Renewal Agency include activities in two urban renewal districts: the North Side Urban Renewal District (known as Urban Renewal in these financial statements), 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. 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. The two construction funds are considered to be major funds. The two debt service funds are considered non-major funds. The details of the major funds are presented in the Basic Financial Statements section of these financial statements. The details of the non-major funds are presented in the Required Supplementary Data 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 \$17,254,297 at the close of the most recent fiscal year.

The largest portion of the Newport Urban Renewal Agency’s net assets (67% 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 the end of the last fiscal year.

Table 1		
SUMMARY OF NET ASSETS		
	Governmental Activities	
	2007	2008
Cash and investments	\$ 10,802,681	\$ 8,744,107
Other assets	342,714	289,567
Capital assets	11,054,210	11,683,130
Total Assets	22,199,605	20,716,804
Other liabilities	409,008	11,776
Long term debt outstanding	1,021,764	3,450,731
Total liabilities	1,430,772	3,462,507
Net assets:		
Invested in capital assets, net of debt	11,054,210	11,683,130
Restricted:		
Debt service	8,891,307	7,226,924
Unrestricted	823,316	-1,655,757
Total net assets	\$ 20,768,833	\$ 17,254,297

Newport Urban Renewal Agency’s net assets represent resources that are invested in capital assets, net of related debt. The remaining balance, (\$1,655,757) is unrestricted and may be used to meet the Agency’s ongoing obligations to citizens and creditors.

Governmental activities. Two significant changes in governmental activities affected the Urban Renewal Agency’s net assets this year. First, additional principal was paid in the amount of \$4,105,002 for debt obligations to accelerate the closure of the North Side Urban Renewal District. Second was the issuance of \$2,530,000 in new debt to construct projects for the South Beach Urban Renewal District. These activities led to a net reduction in the governmental activities’ net assets.

Table 2		
Governmental Activities		
	2007	2008
REVENUES		
Program Services		
Charges for Services	56,086	56,086
General Revenue		
Taxes	3,730,635	4,033,871
Interest and Investment Earnings	451,682	370,961
Other Revenue	-	107,015
Transfers	(2,505,026)	(6,086,547)
Total Revenues	<u>1,733,377</u>	<u>(1,518,614)</u>
EXPENSES		
Programs	<u>880,502</u>	<u>1,995,922</u>
Change in Net Assets	852,875	(3,514,536)
Beginning Net Assets	<u>19,915,958</u>	<u>20,768,833</u>
Ending Net Assets	<u>\$ 20,768,833</u>	<u>\$ 17,254,297</u>

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 \$8,800,321. Approximately 18% percent of this total amount (\$1,573,397) 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 \$(1,644), \$860,462, \$(2,934,799), and \$423,412 respectively.

Budgetary Highlights

The Agency Board approved one change to the adopted budget during the year. The Urban Renewal Construction Fund increased its materials and services category by \$10,675 and reduced its contingency appropriation by the same amount.

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, 2008 amounts to \$11,683,130 (net of accumulated depreciation). This investment in capital assets includes land, buildings and structures, equipment, and infrastructure.

	2007	2008
Land	6,200,036	6,200,036
Buildings and structures	8,242,540	8,242,540
Equipment	492,229	492,229
Infrastructure	-	2,339,622
Construction in progress	1,483,371	-
Less accumulated depreciation	(5,363,966)	(5,591,297)
Total	11,054,210	11,683,130

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

- Completion of the 4B Storm Drainage project
- Improvements to 40th Street

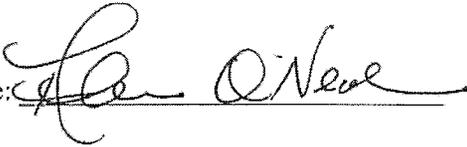
	2007	2008
Beginning balance	11,188,333	11,054,210
Additions	488,725	2,339,622
Depreciation	(5,363,966)	(227,331)
Deletions	(101,914)	(1,483,371)
Ending Balance	11,054,210	11,683,130

Long-term debt. At the end of the fiscal year, the Newport Urban Renewal Agency had total long-term debt outstanding of \$3,450,731. In governmental activity, a 1991 loan of \$500,000 to help finance the Oregon Coast Aquarium has a balance due of \$87,731. 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 \$833,000. In May, 2008 the Agency issued \$2,530,000 of Urban Renewal bonds to Bank of America. The entire amount is currently outstanding.

Table 5		
Outstanding Debt at Year-End		
	2007	2008
Governmental		
Oregon Coast Aquarium Loan 1991	121,764	87,731
Bank of America, Series 2007	900,000	833,000
Bank of America, Series 2008	-	2,530,000
Total	1,021,764	3,450,731

Economic Factors and next year's Budgets and Rates. The City of Newport unemployment rate ended the fiscal year at 5.1%. 68 City building permits were issued for new residential development in fiscal 2007. In addition, City permits were issued for 22 new commercial developments, and 93 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.

Signature: 

Title: CITY MANAGER

**NEWPORT URBAN RENEWAL AGENCY
NEWPORT, OREGON**

COMPONENT UNIT BASIC FINANCIAL STATEMENTS

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NEWPORT URBAN RENEWAL AGENCY

LINCOLN COUNTY, OREGON

STATEMENT OF NET ASSETS

June 30, 2008

ASSETS

Cash and cash equivalents	\$ 8,744,107
Receivables, net	289,567
Capital Assets, net of accumulated depreciation	<u>11,683,130</u>
Total Assets	<u>20,716,804</u>

LIABILITIES:

Accounts Payable	11,776
Noncurrent Liabilities	
Due within one year	110,735
Due in more than one year	<u>3,339,996</u>
Total Liabilities	<u>3,462,507</u>

NET ASSETS:

Invested in Capital Assets	11,683,130
Restricted for Debt Service	7,226,924
Unrestricted	<u>(1,655,757)</u>
Total Net Assets	<u>\$ 17,254,297</u>

See accompanying notes to basic financial statements

NEWPORT URBAN RENEWAL AGENCY

LINCOLN COUNTY, OREGON

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008

FUNCTIONS	EXPENSES	FUNCTION REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
Governmental activities				
General governments	\$ 740,055	\$ 56,086	\$ -	\$ (683,969)
Public improvement	1,198,590	-	-	(1,198,590)
Interest on long-term debt	57,277	-	-	(57,277)
Total Governmental Activities	<u>\$ 1,995,922</u>	<u>\$ 56,086</u>	<u>\$ -</u>	<u>(1,939,836)</u>
General Revenues and Transfers:				
				4,033,871
				370,961
				107,015
				<u>(6,086,547)</u>
				<u>(1,574,700)</u>
				(3,514,536)
				<u>20,768,833</u>
				<u>\$ 17,254,297</u>

See accompanying notes to basic financial statements

NEWPORT URBAN RENEWAL AGENCY

LINCOLN COUNTY, OREGON

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2008

	GOVERNMENTAL FUND TYPES				
	URBAN RENEWAL CONST.	SB URBAN RENEWAL CONST.	URBAN RENEWAL DEBT	SB URBAN RENEWAL DEBT SRV.	TOTAL GOVERNMENTAL
ASSETS:					
Cash & cash equivalents	\$ 402,148	\$ 1,178,426	\$ 5,447,699	\$ 1,715,834	\$ 8,744,107
Property taxes receivable	429	-	178,154	106,385	284,968
Accounts receivable	4,599	-	-	-	4,599
Total Assets	\$ 407,176	\$ 1,178,426	\$ 5,625,853	\$ 1,822,219	\$ 9,033,674
LIABILITIES AND FUND EQUITY:					
Liabilities:					
Accounts Payable	\$ 651	\$ 11,125	\$ -	\$ -	\$ 11,776
Deferred Revenue	429	-	138,737	82,411	221,577
Total Liabilities	1,080	11,125	138,737	82,411	233,353
Fund Equity:					
Reserved for Debt Service	-	-	5,487,116	1,739,808	7,226,924
Unreserved	406,096	1,167,301	-	-	1,573,397
Total Fund Equity	406,096	1,167,301	5,487,116	1,739,808	8,800,321
Total Liabilities and Fund Equity	\$ 407,176	\$ 1,178,426	\$ 5,625,853	\$ 1,822,219	\$ 9,033,674

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, 2008

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

Fund Balances	\$	8,800,321
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 City as a whole.		
Net Capital Assets		11,683,130
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets.		
Long-term debt		(3,450,731)
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Unearned Revenue		<u>221,577</u>
Total Net Assets	\$	<u><u>17,254,297</u></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, 2008

	URBAN RENEWAL CONST.	SB URBAN RENEWAL CONST.	URBAN RENEWAL DEBT	SB URBAN RENEWAL DEBT SRV.	TOTAL GOVERNMENTAL
REVENUES:					
Taxes	\$ 167	\$ -	\$ 2,508,267	\$ 1,587,357	\$ 4,095,791
Leases & rents	56,086	-	-	-	56,086
Interest on Investments	14,834	15,666	270,537	69,924	370,961
Other revenues	-	100,000	6,215	800	107,015
Total Revenues	71,087	115,666	2,785,019	1,658,081	4,629,853
EXPENDITURES:					
Current:					
General government	72,731	-	-	19,988	92,719
Community development	-	207,693	-	-	207,693
Debt service	-	-	5,719,818	964,681	6,684,499
Capital outlay	-	1,827,511	-	-	1,827,511
Total Expenditures	72,731	2,035,204	5,719,818	984,669	8,812,422
Excess of Revenues, Over (Under) Expenditures	(1,644)	(1,919,538)	(2,934,799)	673,412	(4,182,569)
OTHER FINANCING SOURCES (USES)					
Bond proceeds	-	2,530,000	-	-	2,530,000
Transfers In	-	250,000	-	-	250,000
Transfers Out	-	-	-	(250,000)	(250,000)
Total other financing sources (uses)	-	2,780,000	-	(250,000)	2,530,000
Net Change in Fund Balance	(1,644)	860,462	(2,934,799)	423,412	(1,652,569)
Beginning Fund Balance	407,740	306,839	8,421,915	1,316,396	10,452,890
Ending Fund Balance	\$ 406,096	\$ 1,167,301	\$ 5,487,116	\$ 1,739,808	\$ 8,800,321

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, 2008

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

Excess of Revenues over Expenditures \$ (1,652,569)

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)	\$	856,251	
Depreciation Expense		<u>(227,331)</u>	
Net Adjustment			628,920

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.

Bond Proceeds			(2,530,000)
Long term debt principal payments			101,033

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>(61,920)</u>
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Change in Net Assets			<u><u>\$ (3,514,536)</u></u>
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The accompanying notes are an integral part of the basic financial statements.

NEWPORT URBAN RENEWAL AGENCY

LINCOLN COUNTY, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2008

URBAN RENEWAL CONSTRUCTION FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Lease & rents	\$ 56,086	\$ 56,086	\$ 56,086	\$ -
Interest on investments	15,000	15,000	14,834	(166)
Property taxes	500	500	167	(333)
Total Revenues	<u>71,586</u>	<u>71,586</u>	<u>71,087</u>	<u>(499)</u>
EXPENDITURES:				
Materials & services	66,700	77,375 (1)	72,731	4,644
Contingency	423,986	413,311 (1)	-	413,311
Total Expenditures	<u>490,686</u>	<u>490,686</u>	<u>72,731</u>	<u>417,955</u>
Net Change in Fund Balance	(419,100)	(419,100)	(1,644)	417,456
Beginning Fund Balance	<u>419,100</u>	<u>419,100</u>	<u>407,740</u>	<u>(11,360)</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 406,096</u>	<u>\$ 406,096</u>

(1) Appropriation Level

See accompanying notes to basic financial statements.

NEWPORT URBAN RENEWAL AGENCY

LINCOLN COUNTY, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2008

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:				
Aquarium loan repayment	\$ 100,000	\$ 100,000	\$ 100,000	\$ -
Interest on Investments	2,000	2,000	15,666	13,666
Total Revenues	<u>102,000</u>	<u>102,000</u>	<u>115,666</u>	<u>13,666</u>
EXPENDITURES:				
Materials & services	326,700	326,700 (1)	207,693	119,007
Capital outlay	2,625,000	2,625,000 (1)	1,827,511	797,489
Contingency	542,500	542,500 (1)	-	542,500
Total Expenditures	<u>3,494,200</u>	<u>3,494,200</u>	<u>2,035,204</u>	<u>1,458,996</u>
Excess of Revenues Over, (Under) Expenditures	(3,392,200)	(3,392,200)	(1,919,538)	1,472,662
Other Financing Sources, (Uses)				
Bond proceeds	3,000,000	3,000,000	2,530,000	(470,000)
Transfers In	250,000	250,000	250,000	-
Total Other Financing Sources, (Uses)	<u>3,250,000</u>	<u>3,250,000</u>	<u>2,780,000</u>	<u>(470,000)</u>
Net Change in Fund Balance	(142,200)	(142,200)	860,462	1,002,662
Beginning Fund Balance	<u>451,257</u>	<u>451,257</u>	<u>306,839</u>	<u>(144,418)</u>
Ending Fund Balance	<u>\$ 309,057</u>	<u>\$ 309,057</u>	<u>\$ 1,167,301</u>	<u>\$ 858,244</u>
(1) Appropriation Level				

See accompanying notes to basic financial statements.

NEWPORT URBAN RENEWAL AGENCY
NEWPORT, 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
NEWPORT, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. BASIS OF PRESENTATION (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 government 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.

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:

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

While financial position, results of operations, and changes in fund balance/net 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 is substantially the same as accounting principles generally accepted in the United States of America basis, except capital outlay expenditures, including items below the capitalization level, are budgeted by major function in governmental fund types

NEWPORT URBAN RENEWAL AGENCY
NEWPORT, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 basic financial statements and required supplementary data, reflect the final budget amounts. Expenditures in all funds were within authorized appropriations.

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 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.

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

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

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

NEWPORT URBAN RENEWAL AGENCY
NEWPORT, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 five years. 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 is 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 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.

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.

NEWPORT URBAN RENEWAL AGENCY
NEWPORT, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. 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 use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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

For deposits in excess of federal depository insurance, Oregon Revised Statutes require the depository institution to maintain on deposit with collateral pool managed securities having a value not less than 25% of the outstanding certificates of participation issued by the pool manager. The depositories are required to pledge, with an independent pool manager, securities equal to twenty-five percent of the face value of the certificate of participation. The deposits at year-end were covered, as required by law, by federal depository insurance or by certificates of participation held by the pool manager.

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, 2008 consisted of:

Pooled Cash	<u>\$ 8,744,107</u>
Total	<u><u>\$ 8,744,107</u></u>

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. The fund was in compliance with all portfolio guidelines at June 30, 2008.

Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. There is no material difference between the fair value of the position in the State Treasurer's Local Government Investment Pool and the value of the pool shares at June 30, 2008. There were no known violations of legal or contractual provisions for deposits and investments during the fiscal year.

NEWPORT URBAN RENEWAL AGENCY
NEWPORT, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

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

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, 2008, 100% of total investments were in the State Treasurer's Investment Pool. State statutes do not limit the percentage of investments in this instrument.

3. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2008 were 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	1,483,371	-	(1,483,371)	-
Total capital assets not being depreciated	<u>7,683,407</u>	<u>-</u>	<u>(1,483,371)</u>	<u>6,200,036</u>
Capital assets being depreciated				
Buildings & Structures	8,242,540	-	-	8,242,540
Equipment	492,229	-	-	492,229
Infrastructure	-	2,339,622	-	2,339,622
Total capital assets being depreciated	<u>8,734,769</u>	<u>2,339,622</u>	<u>-</u>	<u>11,074,391</u>
Accumulated Depreciation	<u>(5,363,966)</u>	<u>(227,331)</u>	<u>-</u>	<u>(5,591,297)</u>
Governmental activities capital assets, net	<u>\$ 11,054,210</u>	<u>\$ 2,112,291</u>	<u>\$(1,483,371)</u>	<u>\$11,683,130</u>

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

General government	<u>\$ 227,331</u>
Total depreciation for governmental activities	<u>\$ 227,331</u>

NEWPORT URBAN RENEWAL AGENCY
NEWPORT, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

4. 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 to pay principal and interest on debt for infrastructure related debt that benefit the Agency but are paid by the City of Newport. The following is a breakdown of the transfers:

	Balance
North Side	
UR Debt	\$ 5,280,175
South Beach	
UR Debt	806,372
	6,086,547

5. 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 \$833,000.

Annual requirements to repay the loan are as follows:

Fiscal Year of Maturity	Matured and Paid During Year	Future Interest	Total
2008-09	\$ 75,000	\$ 43,733	\$ 118,733
2009-10	79,000	39,795	118,795
2010-11	83,000	35,648	118,648
2011-12	87,000	31,290	118,290
2012-13	92,000	26,723	118,723
2013-17	417,000	56,123	473,123
	\$ 833,000	\$ 233,312	\$ 1,066,312

NEWPORT URBAN RENEWAL AGENCY
NEWPORT, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

5. LONG-TERM DEBT (CONTINUED)

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 \$2,530,000.

Annual requirements to repay the loan are as follows:

Fiscal Year of Maturity	Matured and Paid During Year	Future Interest	Total
2008-09	\$ 205,000	\$ 112,603	\$ 317,603
2009-10	220,000	98,813	318,813
2010-11	225,000	89,463	314,463
2011-12	235,000	79,900	314,900
2012-13	245,000	69,913	314,913
2013-18	1,400,000	183,602	1,583,602
	<hr/>	<hr/>	<hr/>
Total	<u>\$ 2,530,000</u>	<u>\$ 634,294</u>	<u>\$ 3,164,294</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 \$87,731.

Annual requirements to repay the loan are as follows:

Fiscal Year of Maturity	Matured and Paid During Year	Future Interest	Total
2008-09	\$ 35,735	\$ 4,386	\$ 40,121
2009-10	37,522	2,600	40,122
2010-11	14,474	724	15,198
	<hr/>	<hr/>	<hr/>
Total	<u>\$ 87,731</u>	<u>\$ 7,710</u>	<u>\$ 95,441</u>

NEWPORT URBAN RENEWAL AGENCY
NEWPORT, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

5. LONG-TERM DEBT (CONTINUED)

Changes in long-term obligations for the year ended June 30, 2008 is as follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Due within One Year
Loan Payable	\$ 121,764	\$ -	\$ 34,033	\$ 87,731	\$ 35,735
2007 Bond Payable	900,000	-	67,000	833,000	75,000
2008 Bond Payable	<u>-</u>	<u>2,530,000</u>	<u>-</u>	<u>2,530,000</u>	<u>205,000</u>
Total	<u>\$ 1,021,764</u>	<u>\$ 2,530,000</u>	<u>\$ 101,033</u>	<u>\$ 3,450,731</u>	<u>\$ 315,735</u>

6. RISK MANAGEMENT

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

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NEWPORT URBAN RENEWAL AGENCY
NEWPORT, OREGON

REQUIRED SUPPLEMENTARY DATA

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NEWPORT URBAN RENEWAL AGENCY

LINCOLN COUNTY, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2008

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	\$ 2,406,379	\$ 2,406,379	\$ 2,508,267	\$ 101,888
Interest on Investments	333,938	333,938	270,537	(63,401)
Miscellaneous Revenue	-	-	6,215	6,215
Total Revenues	<u>2,740,317</u>	<u>2,740,317</u>	<u>2,785,019</u>	<u>44,702</u>
EXPENDITURES:				
Materials and Services	31,767	31,767 (1)	31,766	1
Debt service	5,296,842	5,296,842 (1)	5,280,175	16,667
Special Payments	407,877	407,877 (1)	407,877	-
Total Expenditures	<u>5,736,486</u>	<u>5,736,486</u>	<u>5,719,818</u>	<u>16,668</u>
Net Change in Fund Balance	(2,996,169)	(2,996,169)	(2,934,799)	28,034
Beginning Fund Balance	<u>8,222,020</u>	<u>8,222,020</u>	<u>8,421,915</u>	<u>199,895</u>
Ending Fund Balance	<u>\$ 5,225,851</u>	<u>\$ 5,225,851</u>	<u>\$ 5,487,116</u>	<u>\$ 261,265</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, 2008

SOUTH BEACH URBAN RENEWAL BOND REDEMPTION FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Property taxes	\$ 1,394,076	\$ 1,394,076	\$ 1,587,357	\$ (193,281)
Interest on Investments	75,000	75,000	69,924	5,076
Miscellaneous Revenue	-	-	800	800
Total Revenues	<u>1,469,076</u>	<u>1,469,076</u>	<u>1,658,081</u>	<u>(187,405)</u>
EXPENDITURES:				
Materials & services	19,988	19,988 (1)	19,988	-
Debt service	<u>1,281,683</u>	<u>1,281,683 (1)</u>	<u>964,681</u>	<u>317,002</u>
Total Expenditures	<u>1,301,671</u>	<u>1,301,671</u>	<u>984,669</u>	<u>317,002</u>
Excess of Revenues Over, -Under Expenditures	167,405	167,405	673,412	506,007
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	(82,595)	(82,595)	423,412	(317,002)
Beginning Fund Balance	<u>1,241,349</u>	<u>1,241,349</u>	<u>1,316,396</u>	<u>75,047</u>
Ending Fund Balance	<u>\$ 1,158,754</u>	<u>\$ 1,158,754</u>	<u>\$ 1,739,808</u>	<u>\$ 581,054</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, 2008

URBAN RENEWAL - NORTH SIDE

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/1/07	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT 6/30/08
Current:						
2007-2008	\$ 2,591,436	\$ 62,261	\$ (4,502)	\$ 1,714	\$ 2,418,966	\$ 107,421
Prior Years:						
2006-2007	81,047	(11)	(302)	2,702	45,404	38,054
2005-2006	31,536	(2)	(264)	2,083	15,126	18,231
2004-2005	17,553	(2)	(209)	2,865	13,936	6,275
2003-2004	5,602	(1)	(152)	1,260	5,325	1,386
2002-2003 & Prior	8,156	(1)	(237)	388	1,092	7,216
Total Prior	143,894	(17)	(1,164)	9,298	80,883	71,162
Total	\$ 2,735,330	\$ 62,244	\$ (5,666)	\$ 11,012	\$ 2,499,849	\$ 178,583

RECONCILIATION TO REVENUE:

	REVENUE
Cash Collections by County Treasurer Above	\$ 2,499,849
Add Additional Tax Payments by County	
Accrual of Receivables:	
June 30, 2007	(30,832)
June 30, 2008	39,417
Total Revenue	\$ 2,508,434

	REVENUE	RECEIVABLE
Fund Allocation:		
Urban Renewal Construction Fund	167	429
Urban Renewal Bond Redemption Fund	2,508,267	178,154
Total Revenue	\$ 2,508,434	\$ 178,583

NEWPORT URBAN RENEWAL AGENCY

LINCOLN COUNTY, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES
OF TAXES UNCOLLECTED
For the Year Ended June 30, 2008

URBAN RENEWAL - SOUTH BEACH

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/1/07	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT 6/30/08
Current:						
2007-2008	\$ 1,645,131	\$ 39,526	\$ (2,858)	\$ 1,088	\$ 1,535,641	\$ 68,194
Prior Years:						
2006-2007	46,389	(6)	(402)	1,539	25,859	21,673
2005-2006	17,629	(1)	(147)	1,165	8,456	10,192
2004-2005	9,465	(1)	(113)	1,545	7,514	3,384
2003-2004	3,006	(1)	(82)	676	2,857	744
2002-2003 & Prior	2,485	-	(72)	118	333	2,198
Total Prior	78,974	(9)	(816)	5,043	45,019	38,191
Total	<u>\$ 1,724,105</u>	<u>\$ 39,517</u>	<u>\$ (3,674)</u>	<u>\$ 6,131</u>	<u>\$ 1,580,660</u>	<u>\$ 106,385</u>

RECONCILIATION TO REVENUE:

	REVENUE
Cash Collections by County Treasurer Above	\$ 1,580,660
Add Additional Tax Payments by County	
Accrual of Receivables:	
June 30, 2007	(17,276)
June 30, 2008	23,973
Total Revenue	<u>\$ 1,587,357</u>

NEWPORT URBAN RENEWAL AGENCY
NEWPORT, OREGON

2007-08 AUDITORS' COMMENTS AND DISCLOSURES

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PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

December 1, 2008

2007-2008 AUDITORS' COMMENTS AND DISCLOSURES

Oregon Administrative Rules 162-10-000 through 162-16-000 of the Minimum Standards for Audits of Oregon Municipal Corporations, enumerate the basic financial statements, schedules, comments and disclosures required in audit reports. Certain required disclosures, statements and schedules are set forth in preceding pages of this report. Additional required comments and disclosures related to our audit of such statements and schedules are set forth as follows:

REPORT ON INTERNAL ACCOUNTING CONTROL

We have audited the basic financial statements of the Newport Urban Renewal Agency, for the year ended June 30, 2008, and have issued our report thereon dated December 1, 2008.

We conducted our audit in accordance with generally accepted auditing standards 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 misstatements.

In planning and performing our audit of the basic financial statements of the Newport Urban Renewal Agency, for the year ended June 30, 2008, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

The management of the Newport Urban Renewal Agency is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the basic financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Because of a limited number of available personnel, it is not always possible to adequately segregate certain duties so that no one individual has access to both physical assets and the related accounting records or to all phases of a transaction. Consequently, the possibility exists that unintentional or intentional errors or irregularities could exist and not be promptly detected.

REPORT ON INTERNAL ACCOUNTING CONTROL (CONTINUED)

We noted matters involving the internal control structure and its operation that we consider to be significant deficiency under standards established by the American Institute of Certified Public Accountants. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Agency's financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control.

The significant deficiencies noted are contained in our management letter dated December 1, 2008.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Agency's internal control. We did not consider any of the significant deficiencies noted to be material weaknesses.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses as defined above.

This report is intended solely for the information and use of the board, management and the State of Oregon, Secretary of State, Division of Audits and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

ACCOUNTING RECORDS

The accounting records are adequate for audit.

BUDGET TRANSACTIONS

There were no expenditures which exceeded authorized appropriation levels.

2007-2008 and 2008-2009 BUDGETS

The budgets adopted for the current and ensuing fiscal year were examined during the audit. Based on our testing we are not aware of any budget preparation and adoption procedures followed that were not in compliance with the Oregon Local Budget Law.

COLLATERAL SECURING BANK DEPOSITS

Based on our testing, we are not aware of any failure to comply with legal requirements related to the amount and adequacy of collateral pledged by depositories to secure funds.

PUBLIC CONTRACTS AND PURCHASING

Procedures for awarding public contracts were reviewed and based on our testing appeared to be in compliance with ORS Chapter 279, except for one instance in which no quote was obtained for a purchase over \$5,000.

INSURANCE AND FIDELITY BONDS

Insurance coverage provided appears to meet legal requirements. We do not have the professional expertise to state whether the insurance coverage is adequate.

STATUTORY BONDED DEBT LIMITATION

Our review did not disclose any matters of noncompliance with statutory and charter requirements relating to the indebtedness.

PROGRAMS FUNDED FROM OUTSIDE SOURCES

We reviewed and tested, to the extent we considered necessary in the circumstances, transactions and reports relative to federal and state grant programs. Since less than \$500,000 in federal financial assistance was expended for the year ended June 30, 2008, it was not necessary to perform, nor did we perform, tests in accordance with the Federal Single Audit Act, as amended (U.S. Office of Management and Budget Circular A-133).

STATE HIGHWAY FUNDS

There were no programs funded by State Highway Funds for the year ended June 30, 2008.

Pauly, Rogers and Co. P.C.
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