

**CITY OF NEWPORT
LINCOLN COUNTY, OREGON**

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2014



12700 SW 72nd Ave.
Tigard, OR 97223

**CITY OF NEWPORT
LINCOLN COUNTY, OREGON**

FINANCIAL REPORT

Year Ended June 30, 2014

This Page Intentionally Left Blank

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

ELECTED OFFICIALS

June 30, 2014

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

All council members receive mail at the address listed below.

CITY MANAGER

Spencer Nebel

City of Newport
169 SW Coast Hwy
Newport, Oregon 97365

This Page Intentionally Left Blank

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

TABLE OF CONTENTS

	<u>PAGE</u> <u>NUMBER</u>
Independent Auditors' Report	1
 <u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Management's Discussion and Analysis	4i-vii
 <u>BASIC FINANCIAL STATEMENTS</u>	
Government-wide Financial Statements:	
Statement of Net Position	5
Statement of Activities	6
Fund Financial Statements:	
Balance Sheet – Governmental Funds	7
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	8
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	9
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds – to Statement of Activities	10
Proprietary Financial Statements:	
Statement of Net Position	11
Statement of Revenues, Expenses, and Changes in Net Position	12
Statement of Cash Flows	13
Notes to the Basic Financial Statements	14
 <u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Schedules of Funding Progress – Trend Information	
Employee's Retirement Plan	37
Other Post-Employment Benefits	38
Schedule of Revenues, Expenditures and Changes in Fund Balance – Actual and Budget:	
General Fund	39
Airport Fund	40
Agate Beach Closure Fund	41
Room Tax Fund	42

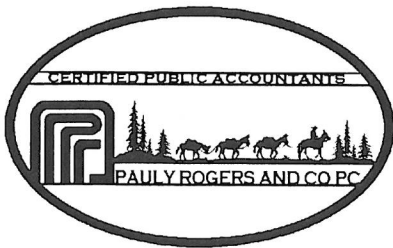
CITY OF NEWPORT
LINCOLN COUNTY, OREGON

TABLE OF CONTENTS, (CONTINUED)

PAGE
NUMBER

SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures and Changes in Fund Balance – Actual and Budget:	
Capital Projects Fund	43
North Side Urban Renewal District Fund	44
South Beach Urban Renewal District Fund	45
Non-Major Governmental Funds Combining Statements:	
Combining Balance Sheet	46
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	47
Schedule of Revenues, Expenditures and Changes in Fund Balance – Actual and Budget:	
Building Permit & Inspection Fund	48
Street Fund	49
Public Works Fund	50
Line Underground Fund	51
Public Parking Fund	52
Parks & Recreation Fund	53
SDC Fund	54
Housing Fund	55
Reserve Fund	56
Debt Service Funds (including Proprietary Debt Service Funds)	57
Proprietary Funds:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Actual and Budget:	
Wastewater Fund	58
Water Fund	59
Schedule of Expenditures of Federal Awards	60
Schedule of Property Tax Transactions and Balances of Taxes Uncollected –	
General Fund and Sewer Bonded Debt Fund	61
Urban Renewal Fund	62
<u>REPORTS ON LEGAL AND OTHER REGULATORY REQUIREMENTS</u>	
Independent Auditors’ Report Required by Oregon State Regulations	63
<u>GRANT COMPLIANCE REVIEW</u>	
Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	65
Independent Auditors’ Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance with OMB Circular A-133	67
Schedule of Findings and Questioned Costs	69



PAULY, ROGERS, AND CO., P.C.
12700 SW 72nd Ave. Tigard, OR 97223
(503) 620-2632 (503) 684-7523 FAX
www.paulyrogersandcocpas.com

January 19, 2015

INDEPENDENT AUDITORS' REPORT

To the City Council
City of Newport
Lincoln County, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newport, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newport, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The City adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended June 30, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

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

Supplementary Information

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

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

Other Information

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

Reports on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our reports dated January 19, 2015 on our consideration of the internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance.

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated January 19, 2015, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

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

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

This Page Intentionally Left Blank

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Newport ("City") offers its public a discussion of its financial statement for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with the additional information furnished in the financial statement that follow,

Financial Highlights

Net Position – At the close of the most recent fiscal year, the assets of the City exceeded its liabilities by \$90.0 million up \$6.5 million (6.97%) from the previous year. Of this amount \$21.2 million may be used to meet the City's ongoing obligation to citizens and creditors

Change in Net Position – While the City's total net position increased by \$6.5 million, long term debt increased by \$5.5 million (13.1%), while other liabilities increased by about \$1.78 million.

Governmental Funds – As of the close of the fiscal year, the City's governmental funds reported combined Ending Fund Balances (EFBs) of \$20.503 million, up \$9.346 million from the previous year. The General Fund decreased by \$44 thousand, mainly because the total other financing sources exceeded the net income. Another significant increase was to the Capital Project Fund (\$7.806 million) due primarily because the 2014 Series Pool Bonds were sold so the project is now funded for the next fiscal year. There was a decrease to the Room Tax Fund (\$279 thousand) primarily due to the City awarding Community Involvement Grants.

Overview of the Financial Statements

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

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

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

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods (for example, uncollected taxes and earned but unused

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

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

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

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

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

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

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

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

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

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

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of June 30, 2014, the City's assets exceeded liabilities by \$90.0 million.

The largest portion of the City's net position (74.3%) is its investment in capital assets (land, buildings, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses those capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets in reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

TABLE 1
SUMMARY OF NET POSITION

	Governmental Activities		Business-type Activities		Total Government	
	2013	2014	2013	2014	2013	2014
Cash and investments	\$ 10,859,682	\$ 20,627,808	\$ 1,258,689	\$ 2,079,292	\$ 12,118,371	\$ 22,707,100
Other assets	2,152,122	1,899,578	1,691,032	2,711,391	3,843,154	4,610,969
Capital assets	47,461,617	50,675,444	58,857,913	57,976,005	106,319,530	108,651,449
Total Assets	\$ 60,473,421	\$ 73,202,830	\$ 61,807,634	\$ 62,766,688	\$ 122,281,055	\$ 135,969,518
Other liabilities	\$ 2,998,600	\$ 4,561,922	\$ 2,567,747	\$ 2,784,658	\$ 5,566,347	\$ 7,346,580
Long term debt outstanding	9,277,109	16,601,259	23,913,415	22,019,883	33,190,524	38,621,142
Total Liabilities	\$ 12,275,709	\$ 21,163,181	\$ 26,481,162	\$ 24,804,541	\$ 38,756,871	\$ 45,967,722
Net Investment in Capital Assets	\$ 37,076,075	\$ 32,776,862	\$ 33,161,900	\$ 34,062,589	\$ 70,237,975	\$ 66,839,451
Restricted						
Debt Service	1,216,336	-	1,068,652	1,176,784	2,284,988	1,176,784
System Development	681,634	791,582	-	-	681,634	791,582
Unrestricted	9,223,667	18,471,205	1,095,920	2,722,774	10,319,587	21,193,979
Total Net Position	\$ 48,197,712	\$ 52,039,649	\$ 35,326,472	\$ 37,962,147	\$ 83,524,184	\$ 90,001,796

The City's net position represents resources that are invested in capital assets, net of related debt. Of the remaining balance in net position, \$1.176 million is restricted for future debt service, \$0.792 million is restricted for projects paid for by System Development Charges (SDCs), and \$21.2 million is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

Governmental activities. Governmental net position increased by about \$3.842 million in FY 2014.

Business-type activities. Net position for Business-type activities increased by about \$2.636 million.

A portion of the year-end net position is restricted for specific purposes. The restrictions represent legal or contractual limitations on how the assets may be expended, Within the governmental activities category are system development charges, assessments, taxes and other collections limited to repayment of debt. Within the business-type activities are bond proceeds and debt service reserves.

TABLE 2
GOVERNMENTAL AND PROPRIETARY ACTIVITIES

	Governmental Activities		Business-type Activities		Total Government	
	2013	2014	2013	2014	2013	2014
REVENUES:						
Program Services						
Charges for Services	\$ 1,503,429	\$ 1,885,550	\$ 5,529,194	\$ 7,141,733	\$ 7,032,623	\$ 9,027,283
Grants & Contributions	2,057,293	2,804,362	37,223	-	2,094,516	2,804,362
General Revenue						
Taxes	11,260,673	12,344,691	1,633,558	1,823,865	12,894,231	14,168,556
Licenses, Permits and Fees	1,358,095	835,533	-	-	1,358,095	835,533
Intergovernmental	658,707	850,074	-	-	658,707	850,074
Investment Earnings	58,573	217,720	20,056	10,623	78,629	228,343
Other Revenue	1,059,536	831,941	-	-	1,059,536	831,941
Capital Grants/Contribution	-	-	-	-	-	-
Transfers	687,411	229,192	(687,411)	(229,192)	-	-
Total Revenues	\$ 18,643,717	\$ 19,999,063	\$ 6,532,620	\$ 8,747,029	\$ 25,176,337	\$ 28,746,092
EXPENSES:						
Programs	\$ 16,344,848	\$ 16,157,126	\$ 5,418,108	\$ 6,111,354	\$ 21,762,956	\$ 22,268,480
Changes in Net Position	\$ 2,298,869	\$ 3,841,937	\$ 1,114,512	\$ 2,635,675	\$ 3,413,381	\$ 6,477,612
Beginning Net Position	\$ 45,912,370	\$ 48,197,712	\$ 34,211,960	\$ 35,326,472	\$ 80,124,330	\$ 83,524,184
Prior Period Adjustment	(13,527)	-	-	-	(13,527)	-
Ending Net Position	\$ 48,197,712	\$ 52,039,649	\$ 35,326,472	\$ 37,962,147	\$ 83,524,184	\$ 90,001,796

Financial Analysis of the City's Funds

Governmental funds. The City's governmental funds provide information on near term inflows, outflows and balance of spendable resources. Such information is useful in assessing the City's

financing requirements. In particular, unreserved fund balance may serve as useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year, the City's governmental funds reported combined ending fund balances of \$20.502 million, of which \$19.69 million is either committed, assigned or unassigned fund balance. \$2.470 million is unassigned and, if appropriated, is available for new spending.

A summary of all fund balances is shown below.

GOVERNMENTAL FUNDS	FY 2012	FY 2013	FY2014	FY13 to FY14 Change
General Fund	\$ 1,855,542	\$ 2,202,659	\$ 2,158,427	\$ (44,232)
Airport Fund	358,039	384,785	396,981	12,196
Room Tax Fund	1,122,041	642,623	922,155	279,532
Agate Beach Closure Fund	1,464,591	1,438,710	1,414,932	(23,778)
Capital Project Fund	831,998	1,808,451	9,614,365	7,805,914
North Side Urban Renewal	229,497	272,324	-	(272,324)
South Beach Urban Renewal	1,352,623	1,677,967	2,160,271	482,304
General Debt Fund	3,836	7,241	9,450	2,209
Public Works Fund		90,206	204,481	114,275
Street Fund	54,533	148,676	635,859	487,183
Line Undergrounding Fund	481,080	560,695	639,286	78,591
SDC Fund	968,729	681,634	791,582	109,948
Parks & Recreation Fund	154,803	219,002	232,509	13,507
Building Inspection Fund	637,328	572,698	528,834	(43,864)
Public Parking Fund	245,751	266,678	295,703	29,025
Reserve Fund	-	-	320,513	320,513
Housing Fund	4,251	181,686	177,479	(4,207)
Total Governmental Funds	\$ 9,764,642	\$ 11,156,035	\$ 20,502,827	\$ 9,346,792
				FY13 to FY14 Change
BUSINESS TYPE FUNDS	FY 2012	FY 2013	FY2014	
Water Fund	\$ 1,408,341	\$ 548,244	\$ 764,824	\$ 216,580
Wastewater Fund	1,948,161	281,124	775,060	493,936
Bonded Debt Fund	467,072	443,094	549,968	106,874
Proprietary Debt Fund	634,496	625,558	626,816	1,258
Total Business Type Funds	\$ 4,458,070	\$ 1,898,020	\$ 2,716,668	\$ 818,648

Capital assets. As of June 30, 2014 the City's investment in capital assets for its governmental and business type activities was \$108.7 million, net of accumulated depreciation (see Table 4, below). This investment in capital assets includes land and improvements, buildings and structures, infrastructure and improvements, utility systems, equipment, vehicles and construction in progress.

TABLE 4
CAPITAL ASSET AT YEAR END - Net of depreciation

	Governmental Activities		Business-type Activities		Total Government	
	2013	2014	2013	2014	2013	2014
Land	\$ 9,045,414	\$ 9,090,437	\$ 244,606	\$ 259,312	\$ 9,290,020	\$ 9,349,749
Buildings & structures	30,004,477	30,378,887	28,274,615	28,274,615	58,279,092	58,653,502
Equipment	3,835,270	3,884,118	1,607,454	1,607,454	5,442,724	5,491,572
Vehicles	4,436,926	4,594,642	829,678	905,426	5,266,604	5,500,068
Infrastructure	32,527,611	34,483,081	52,297,375	52,677,728	84,824,986	87,160,809
Construction in progress	1,988,743	4,383,905	583,203	1,486,881	2,571,946	5,870,786
Less accumulated depreciation	(34,376,824)	(36,139,626)	(24,979,018)	(27,235,411)	(59,355,842)	(63,375,037)
Total	\$ 47,461,617	\$ 50,675,444	\$ 58,857,913	\$ 57,976,005	\$ 106,319,530	\$ 108,651,449

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

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

TABLE 5
Change in Capital Assets

	Governmental Activities		Business-type Activities		Total Government	
	2013	2014	2013	2014	2013	2014
Beginning balance	\$ 46,301,409	\$ 47,461,617	\$ 58,076,351	\$ 58,857,913	\$ 104,377,760	\$ 106,319,530
Additions	2,981,661	6,362,379	18,446,156	1,780,479	21,427,817	8,142,858
Depreciation	(1,600,310)	(1,773,962)	(15,950,963)	(2,282,034)	(17,551,273)	(4,055,996)
Deletions	(221,143)	(1,374,590)	(1,713,631)	(380,353)	(1,934,774)	(1,754,943)
Ending Balance	\$ 47,461,617	\$ 50,675,444	\$ 58,857,913	\$ 57,976,005	\$ 106,319,530	\$ 108,651,449

Long-term debt

The City has three major types of debt:

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

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

In fiscal year 2014, the City added \$7.9 million in debt from the sale of General Obligation Bonds for the design and construction of a new swimming pool.

TABLE 6


OUTSTANDING DEBT AT YEAR END

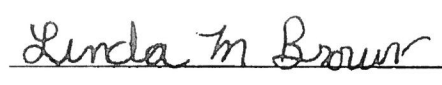
GOVERNMENTAL FUNDS	2012	2013	2014
2014 Series GO for Pool	\$ -	\$ -	\$ 7,900,000
2010B Series, Full Faith & Refunding	7,205,000	6,555,000	5,840,000
2007 Series, Bank of America	509,000	417,000	321,000
2008 Series, Bank of America	1,645,000	1,400,000	1,145,000
2007 Certificaion of Participation (LoCap)	390,000	215,000	200,000
2009 Certificaion of Participation (LoCap)	1,830,000	1,585,000	1,340,000
2012 North Side Fire Station	-	252,104	239,756
Various Capital Leases (Copiers & Computers)	10,192	926	-
Clean Water SRF Draw	-	-	339,500
City Bond Premium	178,623	162,384	528,118
URA Bond Premium	55,256	50,232	45,208
Total Governmental Debt	\$ 11,823,071	\$ 10,637,646	\$ 17,898,582
BUSINESS TYPE FUNDS	2012	2013	2014
2008 GO Refunding Bonds (Wastewater)	5,715,000	4,990,000	4,240,000
2009 GO Water Improvement Bonds (WTP)	15,560,541	15,060,541	14,485,541
2010A Series, Full Faith & Refunding	4,775,000	4,380,000	3,975,000
2007 Seal Rock Water District Agreement	884,565	866,185	846,913
Bond Premium	432,613	399,288	365,962
Total Business Type Debt	\$ 27,367,719	\$ 25,696,014	\$ 23,913,416
TOTALS:	\$ 39,190,790	\$ 36,333,660	\$ 41,811,998

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

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

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

Signature: 
 Title: DIRECTOR OF FINANCE

Signature: 
 Title: ASST. FINANCE DIRECTOR

This Page Intentionally Left Blank

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

BASIC FINANCIAL STATEMENTS

This Page Intentionally Left Blank

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

STATEMENT OF NET POSITION
June 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 20,627,808	\$ 2,079,292	\$ 22,707,100
Receivables	3,220,726	1,364,186	4,584,912
Internal Service Charges	(1,346,810)	1,346,810	-
Land Held for Resale	9,751	-	9,751
Prepays	15,911	395	16,306
Capital Assets:			
Depreciable, Net	37,201,102	56,229,812	93,430,914
Non Depreciable	13,474,342	1,746,193	15,220,535
Total Assets	<u>73,202,830</u>	<u>62,766,688</u>	<u>135,969,518</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	2,226,078	251,802	2,477,880
Payroll and Payroll Taxes Payable	352,280	67,485	419,765
Interest Payable	11,222	97,863	109,085
Deposits Payable	2,868	270,247	273,115
Unearned Revenue	143,148	137,671	280,819
Accrued Vacation	338,821	66,057	404,878
OPEB Liability	190,182	-	190,182
Long Term Debt Due within One Year	1,297,323	1,893,533	3,190,856
Noncurrent Liabilities:			
Long Term Debt Due in More Than One Year	16,601,259	22,019,883	38,621,142
Total Liabilities	<u>21,163,181</u>	<u>24,804,541</u>	<u>45,967,722</u>
NET POSITION			
Net Investment in Capital Assets	32,776,862	34,062,589	66,839,451
Restricted for:			
System Development	791,582	-	791,582
Debt Service	-	1,176,784	1,176,784
Unrestricted	18,471,205	2,722,774	21,193,979
Total Net Position	<u>\$ 52,039,649</u>	<u>\$ 37,962,147</u>	<u>\$ 90,001,796</u>

See accompanying notes to the basic financials

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

	Expenses	Charges for Services	Program Revenues	
			Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary Government				
Governmental Activities				
General government	\$ 2,620,714	\$ 421,764	\$ -	\$ 417,534
Public safety	6,013,687	-	-	10
Streets	1,530,448	205,010	-	-
Economic development	1,815,605	140,926	-	-
Culture and recreation	2,265,394	585,687	-	1,091
Airport operations	795,401	532,163	-	2,385,727
Facilities & Parks	704,184	-	-	-
Interest on long-term debt	411,693	-	-	-
Total Governmental Activities	<u>16,157,126</u>	<u>1,885,550</u>	<u>-</u>	<u>2,804,362</u>
Business-Type Activities				
Water	3,276,390	3,328,473	-	-
Sewer	2,834,964	3,813,260	-	-
Total Business-Type Activities	<u>6,111,354</u>	<u>7,141,733</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 22,268,480</u>	<u>\$ 9,027,283</u>	<u>\$ -</u>	<u>\$ 2,804,362</u>

See accompanying notes to the basic financials

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

Net Revenue (Expenses) and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (1,781,416)	\$ -	\$ (1,781,416)
(6,013,677)	-	(6,013,677)
(1,325,438)	-	(1,325,438)
(1,674,679)	-	(1,674,679)
(1,678,616)	-	(1,678,616)
2,122,489	-	2,122,489
(704,184)	-	(704,184)
(411,693)	-	(411,693)
<u>(11,467,214)</u>	<u>-</u>	<u>(11,467,214)</u>
-	52,083	52,083
-	978,296	978,296
-	1,030,379	1,030,379
<u>(11,467,214)</u>	<u>1,030,379</u>	<u>(10,436,835)</u>
General Revenues		
Taxes:		
Property	7,777,047	1,823,865
Property	7,777,047	9,600,912
Transient Occupancy	2,964,050	-
Transient Occupancy	2,964,050	2,964,050
Other Taxes	1,603,594	-
Other Taxes	1,603,594	1,603,594
Licenses, Permits & Fees	835,533	-
Licenses, Permits & Fees	835,533	835,533
Intergovernmental	850,074	-
Intergovernmental	850,074	850,074
Fines and Forfeitures	156,070	-
Fines and Forfeitures	156,070	156,070
Investment Earnings	217,720	10,623
Investment Earnings	217,720	228,343
Miscellaneous	675,871	-
Miscellaneous	675,871	675,871
Transfers	229,192	(229,192)
Transfers	229,192	-
Total General Revenues and Transfers	<u>15,309,151</u>	<u>1,605,296</u>
Change in Net Position	3,841,937	2,635,675
Change in Net Position	3,841,937	6,477,612
Net Position - Beginning	<u>48,197,712</u>	<u>35,326,472</u>
Net Position - Beginning	<u>48,197,712</u>	<u>83,524,184</u>
Net Position - Ending	<u>\$ 52,039,649</u>	<u>\$ 37,962,147</u>
Net Position - Ending	<u>\$ 52,039,649</u>	<u>\$ 90,001,796</u>

See accompanying notes to the basic financials

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	GENERAL FUND	AIRPORT FUND	AGATE BEACH CLOSURE FUND	ROOM TAX FUND
ASSETS:				
Cash & Cash Equivalents	\$ 2,462,498	\$ 395,048	\$ 1,424,778	\$ 635,364
Receivables, net:				
Taxes	574,608	-	-	-
Accounts	260,448	43,684	-	305,000
Prepays	7,713	745	-	1,086
Investment in Foreclosed Property	-	-	-	-
Total Assets	<u>\$ 3,305,267</u>	<u>\$ 439,477</u>	<u>\$ 1,424,778</u>	<u>\$ 941,450</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	\$ 396,414	\$ 29,694	\$ 9,846	\$ 19,295
Payroll and Payroll Taxes Payable	280,277	7,163	-	-
Unearned Revenues	2,542	3,999	-	-
Customer Deposits	1,228	1,640	-	-
Total Liabilities	<u>680,461</u>	<u>42,496</u>	<u>9,846</u>	<u>19,295</u>
Deferred Inflows of Resources				
Unavailable Revenue-Property Taxes	466,379	-	-	-
Fund Balances:				
Nonspendable	7,713	745	-	1,086
Restricted:				
System Development	-	-	-	-
Committed:				
Airport	-	396,236	-	-
Agate Beach Site Closure	-	-	1,414,932	-
Room Tax	-	-	-	921,069
Building Inspections	-	-	-	-
Street	-	-	-	-
Underground Lines	-	-	-	-
Public Parking	-	-	-	-
Parks & Recreation	-	-	-	-
Housing	-	-	-	-
Assigned:				
Capital Projects	-	-	-	-
Unassigned	2,150,714	-	-	-
Total Fund Balances	<u>2,158,427</u>	<u>396,981</u>	<u>1,414,932</u>	<u>922,155</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,305,267</u>	<u>\$ 439,477</u>	<u>\$ 1,424,778</u>	<u>\$ 941,450</u>

See accompanying notes to the basic financials

CAPITAL PROJECTS FUND	NORTH SIDE URBAN RENEWAL FUND	SOUTH BEACH URBAN RENEWAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 9,627,458	\$ -	\$ 2,131,599	\$ 3,951,063	\$ 20,627,808
-	-	196,417	-	771,025
1,652,632	-	21,661	166,276	2,449,701
-	-	-	6,367	15,911
-	-	-	9,751	9,751
<u>\$ 11,280,090</u>	<u>\$ -</u>	<u>\$ 2,349,677</u>	<u>\$ 4,133,457</u>	<u>\$ 23,874,196</u>
\$ 1,665,725	\$ -	\$ 8,790	\$ 96,314	\$ 2,226,078
-	-	-	64,840	352,280
-	-	-	136,607	143,148
-	-	-	-	2,868
<u>1,665,725</u>	<u>-</u>	<u>8,790</u>	<u>297,761</u>	<u>2,724,374</u>
-	-	180,616	-	646,995
-	-	-	16,118	25,662
-	-	-	791,582	791,582
-	-	-	-	396,236
-	-	-	-	1,414,932
-	-	-	-	921,069
-	-	-	528,834	528,834
-	-	-	635,859	635,859
-	-	-	639,286	639,286
-	-	-	497,695	497,695
-	-	-	228,631	228,631
-	-	-	177,479	177,479
9,614,365	-	2,160,271	-	11,774,636
-	-	-	320,212	2,470,926
<u>9,614,365</u>	<u>-</u>	<u>2,160,271</u>	<u>3,835,696</u>	<u>20,502,827</u>
<u>\$ 11,280,090</u>	<u>\$ -</u>	<u>\$ 2,349,677</u>	<u>\$ 4,133,457</u>	<u>\$ 23,874,196</u>

See accompanying notes to the basic financials

This Page Intentionally Left Blank

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

**RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION**

June 30, 2014

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

Fund Balances	\$ 20,502,827
<p>The cost of capital assets (land, buildings, improvements, machinery and equipment, infrastructure, and construction in progress) is reported as an expenditure in governmental funds. The statement of net position includes those capital assets among the assets of the City as a whole.</p>	
Net Capital Assets	50,675,444
<p>Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.</p>	
GO Bonds, Notes and Contracts Payable	(17,898,582)
Bond Interest Payable	(11,222)
<p>Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds.</p>	
Accrued Vacation	(338,821)
<p>Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds.</p>	
Unavailable Revenue-Property Taxes	646,995
OPEB Liability	(190,182)
Internal Service Charges Balance Due From Business-Type Activities	<u>(1,346,810)</u>
Total Net Position	<u>\$ 52,039,649</u>

See accompanying notes to the basic financials

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

**STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014**

	GENERAL FUND	AIRPORT FUND	AGATE BEACH CLOSURE FUND	ROOM TAX FUND
REVENUES				
Property Taxes	\$ 5,982,914	\$ -	\$ -	\$ -
Transient Room Tax	-	-	-	2,764,050
Matching Funds	-	-	-	200,000
Other Taxes	865,537	-	-	-
Licenses, Permits, and Fees	476,109	-	9,461	-
Intergovernmental	850,074	-	-	-
Interfund Services	844,652	30,704	-	-
Leases & Rents	100,043	53,197	-	-
Investment Earnings	14,998	2,600	5,548	2,134
Fines and Forfeitures	156,070	-	-	-
Grants	300,058	-	-	-
Miscellaneous	358,977	479,355	-	9,559
Total Revenues	<u>9,949,432</u>	<u>565,856</u>	<u>15,009</u>	<u>2,975,743</u>
EXPENDITURES				
Current:				
General Government	2,379,664	-	-	-
Public Safety	5,395,473	-	-	-
Streets	-	-	-	-
Economic Development	282,682	-	-	1,171,811
Culture and Recreation	880,554	-	-	-
Facilities & Parks	704,184	-	-	-
Airport Operations	-	848,953	-	-
Materials & Services	-	-	38,787	-
Capital Outlay	-	-	-	-
Debt Service	-	-	-	-
Total Expenditures	<u>9,642,557</u>	<u>848,953</u>	<u>38,787</u>	<u>1,171,811</u>
Excess of Revenues Over (Under) Expenditures	306,875	(283,097)	(23,778)	1,803,932
Other Financing Sources, (Uses)				
Bond/Loan Proceeds	-	-	-	-
Bond Premium	-	-	-	-
Transfers In	1,592,048	302,225	-	-
Transfers Out	(1,943,155)	(6,932)	-	(1,524,400)
Total Other Financing Sources, (Uses)	<u>(351,107)</u>	<u>295,293</u>	<u>-</u>	<u>(1,524,400)</u>
Net Change in Fund Balance	(44,232)	12,196	(23,778)	279,532
FUND BALANCE - BEGINNING OF YEAR	<u>2,202,659</u>	<u>384,785</u>	<u>1,438,710</u>	<u>642,623</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,158,427</u>	<u>\$ 396,981</u>	<u>\$ 1,414,932</u>	<u>\$ 922,155</u>

See accompanying notes to the basic financials

CAPITAL PROJECTS FUND	NORTH SIDE URBAN RENEWAL FUND	SOUTH BEACH URBAN RENEWAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ -	\$ 4,152	\$ 1,880,170	\$ -	\$ 7,867,236
-	-	-	-	2,764,050
-	-	-	-	200,000
170,463	-	-	567,594	1,603,594
-	-	-	1,236,818	1,722,388
-	-	-	-	850,074
-	-	-	697,484	1,572,840
-	-	-	-	153,240
27,576	1,137	16,645	147,082	217,720
-	-	-	-	156,070
2,503,705	-	-	599	2,804,362
523,315	-	-	150,120	1,521,326
<u>3,225,059</u>	<u>5,289</u>	<u>1,896,815</u>	<u>2,799,697</u>	<u>21,432,900</u>
-	-	10	-	2,379,674
-	-	-	-	5,395,473
-	-	-	1,428,723	1,428,723
-	-	-	198,960	1,653,453
-	-	-	1,217,422	2,097,976
-	-	-	-	704,184
-	-	-	-	848,953
-	465	57,601	-	96,853
4,569,855	-	9,128	-	4,578,983
-	-	1,376,378	376,123	1,752,501
<u>4,569,855</u>	<u>465</u>	<u>1,443,117</u>	<u>3,221,228</u>	<u>20,936,773</u>
(1,344,796)	4,824	453,698	(421,531)	496,127
8,239,500	-	-	-	8,239,500
381,973	-	-	-	381,973
979,237	-	450,000	1,753,472	5,076,982
(450,000)	(277,148)	(421,394)	(224,761)	(4,847,790)
<u>9,150,710</u>	<u>(277,148)</u>	<u>28,606</u>	<u>1,528,711</u>	<u>8,850,665</u>
7,805,914	(272,324)	482,304	1,107,180	9,346,792
1,808,451	272,324	1,677,967	2,728,516	11,156,035
<u>\$ 9,614,365</u>	<u>\$ -</u>	<u>\$ 2,160,271</u>	<u>\$ 3,835,696</u>	<u>\$ 20,502,827</u>

See accompanying notes to the basic financials

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS - TO
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014**

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 \$ 9,346,792

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

Capitalized Additions, net of deletions	\$ 4,976,629	
Depreciation Expense, net of adjustments	(1,762,802)	
Net Adjustment		3,213,827

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

GO Bonds & Notes Payable	(7,260,936)	
Bond Issue Costs	(99,603)	
Bond Interest Payable	1,534	
Accrued Vacation	49,459	
Net Adjustment		(7,309,546)

OPEB Liability (90,383)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Unavailable Revenue-Property Taxes (90,189)

Internal Service Charges Balances Due From Business-Type Activities (1,228,564)

Change in Net Position \$ 3,841,937

See accompanying notes to the basic financials

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

	WASTEWATER FUND	WATER FUND	BONDED DEBT FUND	PROPRIETARY DEBT FUND	TOTALS CURRENT YEAR
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 191,180	\$ 743,319	\$ 517,977	\$ 626,816	\$ 2,079,292
Interfund Receivables	-	-	-	-	-
Prepays	395	-	-	-	395
Receivables:					
Taxes	-	-	148,834	-	148,834
Accounts	804,918	410,434	-	-	1,215,352
Capital Assets:					
Depreciable, Net	653,906	1,092,287	-	-	1,746,193
Non Depreciable	36,031,563	20,198,249	-	-	56,229,812
Total Assets	37,681,962	22,444,289	666,811	626,816	61,419,878
LIABILITIES					
Current Liabilities:					
Accounts Payable	166,368	85,434	-	-	251,802
Payroll Liabilities	34,237	33,248	-	-	67,485
Deposits	-	270,247	-	-	270,247
Unearned Revenue	20,828	-	-	-	20,828
Accrued Interest Payable	65,382	32,481	-	-	97,863
Compensated Absences	24,148	41,909	-	-	66,057
Bonds Payable, Current Portion	1,200,000	640,000	-	-	1,840,000
Loans & Notes, Current Portion	-	20,208	-	-	20,208
Bond Premium	22,320	11,005	-	-	33,325
Total Current Liabilities	1,533,283	1,134,532	-	-	2,667,815
Noncurrent Liabilities:					
Bonds Payable, Net	7,015,000	13,845,541	-	-	20,860,541
Loans & Notes, Net	-	826,705	-	-	826,705
Bond Premium	178,562	154,075	-	-	332,637
Total Noncurrent Liabilities	7,193,562	14,826,321	-	-	22,019,883
Total Liabilities	8,726,845	15,960,853	-	-	24,687,698
Deferred Inflows of Resources					
Unavailable Revenue-Property Taxes	-	-	116,843	-	116,843
Net Position:					
Net Investment in Capital Assets	28,470,469	5,592,120	-	-	34,062,589
Restricted for					
Debt Service	-	-	549,968	626,816	1,176,784
Unrestricted	484,648	891,316	-	-	1,375,964
Total Net Position	\$ 28,955,117	\$ 6,483,436	\$ 549,968	\$ 626,816	36,615,337
					Due from Governmental Activities
					1,346,810
					Net Position - Business Type
					<u>\$ 37,962,147</u>

See accompanying notes to the basic financials

**CITY OF NEWPORT
LINCOLN COUNTY, OREGON**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2014**

	WASTEWATER FUND	WATER FUND	BONDED DEBT FUND	PROPRIETARY DEBT FUND	TOTALS CURRENT YEAR
OPERATING REVENUES					
Charges for Sales and Services	\$ 3,547,739	\$ 3,277,802	\$ -	\$ -	\$ 6,825,541
Other Services	265,521	50,671	-	-	316,192
Total Operating Revenues	<u>3,813,260</u>	<u>3,328,473</u>	<u>-</u>	<u>-</u>	<u>7,141,733</u>
OPERATING EXPENSES					
Costs of Sales and Services	493,577	1,238,913	-	-	1,732,490
Administration	247,915	432,825	-	-	680,740
Depreciation	1,441,113	840,921	-	-	2,282,034
Total Operating Expenses	<u>2,182,605</u>	<u>2,512,659</u>	<u>-</u>	<u>-</u>	<u>4,695,264</u>
Net Operating Income (Loss)	1,630,655	815,814	-	-	2,446,469
NONOPERATING REVENUES (EXPENSES)					
Property Taxes	-	-	1,823,865	-	1,823,865
Interest Income	463	2,868	3,884	3,408	10,623
Grants	-	-	-	-	-
Debt Service	(35,745)	(254,478)	(1,720,875)	(633,556)	(2,644,654)
Total Nonoperating Revenues (Expenses)	<u>(35,282)</u>	<u>(251,610)</u>	<u>106,874</u>	<u>(630,148)</u>	<u>(810,166)</u>
Income Before Contributions and Transfers	1,595,373	564,204	106,874	(630,148)	1,636,303
Transfer In/Out	(654,527)	(206,071)	-	631,406	(229,192)
Change In Net Position	940,846	358,133	106,874	1,258	1,407,111
Net Position - Beginning of Year	<u>28,014,271</u>	<u>6,125,303</u>	<u>443,094</u>	<u>625,558</u>	<u>35,208,226</u>
Net Position - End of Year	<u>\$ 28,955,117</u>	<u>\$ 6,483,436</u>	<u>\$ 549,968</u>	<u>\$ 626,816</u>	<u>36,615,337</u>
					<u>1,346,810</u>
					<u>\$ 37,962,147</u>

See accompanying notes to the basic financials

**CITY OF NEWPORT
LINCOLN COUNTY, OREGON**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2014**

	WASTEWATER FUND	WATER FUND	BONDED DEBT FUND	PROPRIETARY DEBT FUND	TOTALS CURRENT YEAR
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers and Users	\$ 3,612,990	\$ 3,397,992	\$ -	\$ -	\$ 7,010,982
Payments to Suppliers	(1,291,702)	(2,456,315)	-	-	(3,748,017)
Payments to Employees	639,471	795,276	-	-	1,434,747
Net Cash Provided by Operating Activities	<u>2,960,759</u>	<u>1,736,953</u>	<u>-</u>	<u>-</u>	<u>4,697,712</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfer To/From Other Funds	(654,527)	(206,071)	-	631,406	(229,192)
Interfund Loans	(203,835)	-	203,835	-	-
Property Taxes	-	-	1,819,648	-	1,819,648
Net Cash Provided (used) from Noncapital and Related Financing Activities	<u>(858,362)</u>	<u>(206,071)</u>	<u>2,023,483</u>	<u>631,406</u>	<u>1,590,456</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Bond Premium	(22,320)	(11,005)	-	-	(33,325)
Bond Issuance Costs	79,308	264,086	-	-	343,394
Purchases of Capital Assets	(756,680)	(617,805)	-	-	(1,374,485)
Principal Paid on Debt	(1,155,000)	(594,272)	-	-	(1,749,272)
Debt Service	(56,988)	(253,081)	(1,720,875)	(633,556)	(2,664,500)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,911,680)</u>	<u>(1,212,077)</u>	<u>(1,720,875)</u>	<u>(633,556)</u>	<u>(5,478,188)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and Dividends Received	463	2,868	3,884	3,408	10,623
Net Cash Provided (used) by Investing Activities	<u>463</u>	<u>2,868</u>	<u>3,884</u>	<u>3,408</u>	<u>10,623</u>
Net Increase, (Decrease) in Cash and Cash Equivalents	191,180	321,673	306,492	1,258	820,603
CASH AND CASH EQUIVALENTS - BEGINNING	<u>-</u>	<u>421,646</u>	<u>211,485</u>	<u>625,558</u>	<u>1,258,689</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 191,180</u>	<u>\$ 743,319</u>	<u>\$ 517,977</u>	<u>\$ 626,816</u>	<u>\$ 2,079,292</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating Income	\$ 1,630,655	\$ 815,814	\$ -	\$ -	\$ 2,446,469
Adjustments					
Depreciation/Amortization	1,441,113	815,280	-	-	2,256,393
(Increase), Decrease in Accounts Receivable	(189,856)	22,758	-	-	(167,098)
Increase, (Decrease) in Deferred Revenue	(10,414)	-	-	-	(10,414)
Increase, (Decrease) in Accounts Payable	79,193	19,776	-	-	98,969
Increase, (Decrease) in Prepaid Expenses	(235)	520	-	-	285
Increase, (Decrease) in Customer Deposits	-	46,761	-	-	46,761
Increase, (Decrease) in Compensated Absences	(12,088)	766	-	-	(11,322)
Increase, (Decrease) in Payroll Liabilities	22,391	15,278	-	-	37,669
Net Cash From Operations	<u>\$ 2,960,759</u>	<u>\$ 1,736,953</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,697,712</u>

See accompanying notes to the basic financials

This Page Intentionally Left Blank

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

THE FINANCIAL REPORTING ENTITY

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

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

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

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

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

There are the following major governmental funds:

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

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

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

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

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

Blended Component Unit

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

North Side Urban Renewal District

This fund accounts for the cost of major projects in the North Side Urban Renewal District and pays for or makes special payments to other funds to pay the principal and interest on outstanding debt utilized to finance the projects. The major source of revenue comes from property taxes. This fund was closed during the 2013-2014 fiscal year.

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Blended Component Unit (Continued)

South Beach Urban Renewal District

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

There are the following major proprietary funds:

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

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

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

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

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

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

**CITY OF NEWPORT
LINCOLN COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

BUDGETS

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

Unexpected additional resources may be added to the budget through the use of a supplemental budget. The supplemental budget process requires public notice, publication of supplemental budget, public hearing and approval by the City Council. Original and supplemental budgets may be modified by the City Council by the use of appropriation transfers between the levels of control. In addition, Oregon Budget Law provides certain specific exceptions to the supplemental budget process to increase appropriations. Such transfers and increases require approval by the City Council by adoption of a resolution. Budget appropriation amounts shown in the financial statements include the original and revised budget appropriations as approved by the City Council. Appropriations are limited to a single fiscal year; therefore, all spending authority lapses at year end. During the 2013-14 fiscal year, several appropriation transfers were made.

Expenditures of the various funds were within authorized appropriations for the year ended June 30, 2014, except for the following:

<u>Fund</u>	<u>Expenditure</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Unappropriated Expenditure</u>
North Side URA	Materials and Services	\$ -	\$ 465	\$ (465)
South Beach URA	Personnel Services	-	10	(10)

ESTIMATES

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

**CITY OF NEWPORT
LINCOLN COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

RECEIVABLES

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

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

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

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

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

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

SUPPLY INVENTORY

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

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

CAPITAL ASSETS

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

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

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

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

COMPENSATED ABSENCES

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

LONG-TERM OBLIGATIONS

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

FUND BALANCE

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

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

The Council has approved the following order of spending regarding fund balance categories: Restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable) and unassigned.

NET POSITION

Net position is comprised of the various net earnings from operations, nonoperating revenues, expenses and contributions of capital. Net position is classified in the following three categories.

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

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

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. There are no deferred outflows.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues for property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

2. CASH AND INVESTMENTS

Cash and Investments at June 30, 2014 (recorded at fair value) consisted of:

Deposit with Financial Institutions:

		Government-wide Presentation	
Petty Cash	\$ 1,489		
Demand Deposits	1,561,394	Governmental Activities	\$ 20,627,808
Money Market	625,681	Business-type Activities	<u>2,079,292</u>
Investments - LGIP	<u>20,518,536</u>		
Total	<u>\$ 22,707,100</u>	Total	<u>\$ 22,707,100</u>

DEPOSITS

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

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, deposits will not be recovered. There is no formal deposit policy for custodial credit risk. The total bank balance per the bank statements is \$1,938,193 of which \$285,451 is covered by federal depository insurance. The remaining was collateralized in accordance with Oregon law.

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

INVESTMENTS

As of June 30, 2014, there were the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in months)</u>		
		<u>Less than 3</u>	<u>3-17</u>	<u>18-59</u>
State Treasurer's Investment Pool	<u>\$ 20,518,536</u>	<u>\$ 20,518,536</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$ 20,518,536</u>	<u>\$ 20,518,536</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk

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

Custodial Credit Risk

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

Concentration of Credit Risk

At June 30, 2014, 100% of total investments were in the State Treasurer's Local Government Investment Pool (LGIP). State statutes do not limit the percentage of investments in the investment pool. Oregon Revised Statutes require no more than 25 percent of the moneys of a local government to be invested in bankers' acceptances of any qualified financial institution. At June 30, 2014, investments were in compliance with all percentage restrictions.

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

Amounts in the LGIP are not required to be collateralized. There is no material difference between the fair value of the City's position in the LGIP and the value of the pool shares at June 30, 2014. There were no known violations of legal or contractual provisions for deposits and investments during the fiscal year.

**CITY OF NEWPORT
LINCOLN COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

3. RECEIVABLES

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

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

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

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

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

4. INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2014 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental:		
General Fund	\$ 1,592,048	\$ 1,943,155
Airport Fund	302,225	6,932
Room Tax Fund	-	1,524,400
Capital Projects Fund	979,237	450,000
North Side Urban Renewal Fund	-	277,148
South Beach Urban Renewal Fund	450,000	421,394
Nonmajor governmental Funds	1,753,472	224,761
Proprietary:		
Water Fund	-	206,071
Wastewater Fund	-	654,527
Proprietary Debt Fund	631,406	-
	<u>\$ 5,708,388</u>	<u>\$ 5,708,388</u>

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

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

5. CAPITAL ASSETS

The changes in capital assets for the fiscal year ended June 30, 2014 are as follows:

	GOVERNMENTAL ACTIVITIES CAPITAL ASSETS			
	July 1, 2013	Additions & Adjustments	Disposals & Adjustments	June 30, 2014
Capital Assets, not being depreciated				
Land	\$ 9,045,414	\$ 45,023	\$ -	\$ 9,090,437
Construction in Progress	1,988,743	3,769,752	(1,374,590)	4,383,905
Total, not being depreciated	<u>11,034,157</u>	<u>3,814,775</u>	<u>(1,374,590)</u>	<u>13,474,342</u>
Buildings & Structures	30,004,477	374,410	-	30,378,887
Equipment	3,835,270	48,848	-	3,884,118
Vehicles	4,436,926	168,876	(11,160)	4,594,642
Infrastructure	32,527,611	1,955,470	-	34,483,081
Total, being depreciated	<u>70,804,284</u>	<u>2,547,604</u>	<u>(11,160)</u>	<u>73,340,728</u>
Less Accumulated Depreciation				
Buildings & Structures	(17,226,178)	(890,999)	-	(18,117,177)
Equipment	(3,468,363)	(51,731)	-	(3,520,094)
Vehicles	(3,006,250)	(279,651)	11,160	(3,274,741)
Infrastructure	(10,676,033)	(551,581)	-	(11,227,614)
Total Accumulated Depreciation	<u>(34,376,824)</u>	<u>(1,773,962)</u>	<u>11,160</u>	<u>(36,139,626)</u>
Total Capital Assets being Depreciated, net	<u>36,427,460</u>	<u>773,642</u>	<u>-</u>	<u>37,201,102</u>
Governmental Activities Capital Assets, net	<u>\$ 47,461,617</u>	<u>\$ 4,588,417</u>	<u>\$ (1,374,590)</u>	<u>\$ 50,675,444</u>

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

5. CAPITAL ASSETS (CONTINUED)

	BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS			
	July 1, 2013	Additions & Adjustments	Disposals & Adjustments	June 30, 2014
Capital Assets, not being depreciated				
Land	\$ 244,606	\$ 14,706	\$ -	\$ 259,312
Construction in Progress	583,203	1,284,031	(380,353)	1,486,881
Total, not being depreciated	<u>827,809</u>	<u>1,298,737</u>	<u>(380,353)</u>	<u>1,746,193</u>
Buildings & Structures	28,274,615	-	-	28,274,615
Equipment	1,607,454	-	-	1,607,454
Vehicles	829,678	101,389	(25,641)	905,426
Infrastructure	52,297,375	380,353	-	52,677,728
Total, being depreciated	<u>83,009,122</u>	<u>481,742</u>	<u>(25,641)</u>	<u>83,465,223</u>
Less Accumulated Depreciation				
Buildings & Structures	(9,549,962)	(842,292)	-	(10,392,254)
Equipment	(1,083,831)	(76,384)	-	(1,160,215)
Vehicles	(561,045)	(36,881)	25,641	(572,285)
Infrastructure	(13,784,180)	(1,326,477)	-	(15,110,657)
Total Accumulated Depreciation	<u>(24,979,018)</u>	<u>(2,282,034)</u>	<u>25,641</u>	<u>(27,235,411)</u>
Total Capital Assets being Depreciated, net	<u>58,030,104</u>	<u>(1,800,292)</u>	<u>-</u>	<u>56,229,812</u>
Business-Type Activities Capital Assets, net	<u>\$ 58,857,913</u>	<u>\$ (501,555)</u>	<u>\$ (380,353)</u>	<u>\$ 57,976,005</u>

Depreciation expense was charged to the functions as follows:

Governmental Activities:

General Government	\$ 325,848
Public Safety	195,634
Streets	738,799
Economic Development	226,406
Culture and Recreation	287,275

 Total depreciation expense, governmental activities \$ 1,773,962

Business-type Activities:

Water Operations	\$ 840,921
Wastewater Operations	1,441,113
Total depreciation expense, business-type activities	<u>\$ 2,282,034</u>

6. LAND HELD FOR RESALE

Properties securing special assessments were foreclosed on. When the right of redemption expired, the properties were deeded to the City. These properties are recorded at the cost of the assessment, foreclosure costs and interest expense in the Debt Service Funds. These properties are being sold as a means of financing the related debt service costs. As these properties are sold, the proceeds will be recorded in the general fund. As of June 30, 2014 there was \$9,751 in land held for resale.

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. LONG-TERM DEBT

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

	Business-type
2008 Sewer Bonds, April 2008, rate 3.5%, maturing 2019	\$ 4,240,000
2009 Water Improvement Bonds - Series A rate 3.5% - 5%, maturing 2020	4,855,000
2009 Water Improvement Bonds - Series B rate 3.5%, maturing 2029	9,630,541
Total Funds	\$ 18,725,541

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

YEAR	PRINCIPAL	INTEREST
2014-2015	\$ 1,425,000	\$ 2,170,625
2015-2016	1,540,000	300,750
2016-2017	1,655,000	246,850
2017-2018	1,780,000	184,875
2018-2019	1,925,000	110,925
2019-2024	5,818,379	4,850,871
2024-2029	4,582,162	7,807,838
	\$ 18,725,541	\$ 15,672,734

**CITY OF NEWPORT
LINCOLN COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

7. LONG-TERM DEBT (CONTINUED)

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

	Governmental	Business-type
<p>Full Faith & Credit Refunding Obligations, Series 2010A. Issued July 2010 in the amount of \$5,560,000 to refinance a loan agreement with the Oregon DEQ to help finance a portion of the City's wastewater treatment plant. Interest rates range from 2-4.25% with maturity June 15, 2023. The old bonds were called on July 14, 2010. The new bonds were issued at a premium of \$290,162 with bond issue costs totaling \$103,100.</p>	\$ -	\$ 3,975,000
<p>Clean Water State Revolving Fund Loan. Issued April 2014, \$339,500 of the total loan amount \$8,906,800 was drawn down during the 13-14 fiscal year. The remainder of this loan will be disbursed during the 14-15 fiscal year. The interest rate is at 2.48% with maturity August 1, 2037.</p>	339,500	-
<p>Series 2014 General Obligation Bonds. Issued December 2013 in the amount of \$7,900,000. Interest rates range from 2-4% with maturity on June 1, 2033. These bonds were issued at a premium of \$381,973.</p>	7,900,000	-
<p>Full Faith & Credit Refunding Obligations, Series 2010B. Issued July 2010 in the amount of \$8,465,000 to refinance one loan agreement with the Oregon DEQ (loan # 68931) and two loan agreements with the Oregon Business Development Department (OBDD), formerly the Oregon Economic and Community Development Department (OECDD), which were issued to help finance a portion of the City's wastewater treatment plant. An additional \$2,000,000 was borrowed as part of the refunding to help finance transportation infrastructure improvements, which will enhance access to the Pacific Marine Operation Center. Interest rates range from .02-4.5% with maturity June 15, 2023. The DEQ loan was considered a current refunding and was called on July 14, 2010. The OBDD loans were advanced refunded, whereby \$3,711,619 was used to purchase United States Government obligations, which were deposited into an escrow account. These funds were sufficient to call the bonds on January 1, 2011. The new bonds were issued at a premium of \$276,407 with bond issue costs totaling \$129,484.</p>	5,840,000	-
<p>Total City Allocation</p>	12,699,701	-
<p>Total URA Allocation</p>	1,379,799	-
<p>Total Business-type Activities</p>	-	3,975,000
<p>Total Bonds Under Cooperative Agreements</p>	\$ 14,079,500	\$ 3,975,000

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. LONG-TERM DEBT (CONTINUED)

OTHER LOANS / BONDS

	Governmental	Business-type
Series "2007" Urban Renewal Bond from Bank of America, issued May 2007 for \$900,000 to finance the 4B storm drain project in the South Beach urban growth area. The interest rate is 5.25%, maturing June 2017.	\$ 321,000	\$ -
Series "2008" Urban Renewal Bond from Bank of America, issued May 2008 for \$2,530,000 to finance projects in the South Beach urban growth area. The interest rate is 4.25%, maturing June 2018.	1,145,000	-
Certificates of Participation, Series 2007B from The League of Oregon Cities Cooperative Asset Financing Program, issued October 2007 for \$1,015,000 to finance various City purchases and to pay off the Municipal Airport Debt. The interest rate is 3.90% to 5.00%, maturing July 2024.	200,000	-
Certificates of Participation, Series 2009B from The League of Oregon Cities Cooperative Asset Financing Program, issued September 2009 for \$2,580,000 to finance the Bay Boulevard project. The interest rate is 3.90% to 5.00%, maturing 2019.	1,340,000	-
The City entered into an agreement with Seal Rock Water District to assume responsibility to provided services for an area of property. In return the City agreed to pay the District \$958,502. The interest rate is 4.75%, maturing November 2037.	-	846,913
The City entered into a loan agreement in order to finance the new fire station on October 25, 2012. The interest rate is 5.00%, maturing October 2017.	239,756	-
	1,779,756	-
Total City Allocation	1,779,756	-
Total URA Allocation	1,466,000	-
Total Business-type Activities	-	846,913
Total Other Loans/Bonds	3,245,756	846,913
Total Bonds Under Cooperative Agreements and Other Loans / Bonds	\$ 17,325,256	\$ 4,821,913

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. LONG-TERM DEBT (CONTINUED)

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

GOVERNMENTAL ACTIVITIES			BUSINESS-TYPE ACTIVITIES		
YEAR	PRINCIPAL	INTEREST	YEAR	PRINCIPAL	INTEREST
2014-2015	\$ 1,274,979	\$ 761,560	2014-2015	\$ 435,208	\$ 196,198
2015-2016	1,465,644	586,436	2015-2016	446,189	182,249
2016-2017	1,571,342	544,513	2016-2017	462,218	166,345
2017-2018	1,813,791	476,230	2017-2018	478,296	147,666
2018-2019	1,889,500	639,081	2018-2019	494,427	128,335
2019-2024	4,120,000	1,437,694	2019-2024	1,911,118	330,182
2024-2029	2,495,000	828,173	2024-2029	178,864	121,136
2029-2034	2,695,000	278,200	2029-2034	226,707	73,293
			2034-2038	188,886	16,114
	\$ 17,325,256	\$ 5,551,887		\$ 4,821,913	\$ 1,361,518

**CITY OF NEWPORT
LINCOLN COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

7. LONG-TERM DEBT (CONTINUED)

Long-term debt activity for the year ended June 30, 2014 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
City					
Bonds Under Coop Agreements	\$ 5,006,270	\$ -	\$ 546,069	\$ 4,460,201	\$ 435,328
Other Loans/Bonds	2,052,104	8,239,500	272,348	10,019,256	332,979
Capital Leases	926	-	926	-	-
Bond Premium	162,384	381,973	16,239	528,118	17,321
Newport URA					
Bonds Under Coop Agreements	1,548,730	-	168,931	1,379,799	134,672
Other Loans/Bonds	1,817,000	-	351,000	1,466,000	372,000
Bond Premium	50,232	-	5,024	45,208	5,024
Governmental activities Long-Term Debt	<u>10,637,646</u>	<u>8,621,473</u>	<u>1,360,537</u>	<u>17,898,582</u>	<u>1,297,324</u>
Business-type Activities:					
General Obligation Bonds	20,050,541	-	1,325,000	18,725,541	1,425,000
Other Bonds	4,380,000	-	405,000	3,975,000	415,000
Notes Payable	866,185	-	19,272	846,913	20,208
Bond Premium	399,287	-	33,325	365,962	33,325
Business-type Activities Long-Term Debt	<u>25,696,013</u>	<u>-</u>	<u>1,782,597</u>	<u>23,913,416</u>	<u>1,893,533</u>
Total Long-Term Debt	<u>\$ 36,333,659</u>	<u>\$ 8,621,473</u>	<u>\$ 3,143,134</u>	<u>\$ 41,811,998</u>	<u>\$ 3,190,857</u>
Compensated Absences					
Governmental	\$ 388,280	\$ -	\$ 49,459	\$ 338,821	\$ 338,821
Business Type	77,379	-	11,322	66,057	66,057
Total Compensated Absences	<u>\$ 465,659</u>	<u>\$ -</u>	<u>\$ 60,781</u>	<u>\$ 404,878</u>	<u>\$ 404,878</u>

8. RISK MANAGEMENT

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

9. RETIREMENT PLANS

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

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

9. RETIREMENT PLANS (CONTINUED)

PENSION- FIRE & POLICE

Plan Description

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

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

Funding Policy

All regular fire and police employees participate in the Plan with the City contributing 6% for the employee share. ORS 238.225 requires contributions at an actuarially determined rate which is 13.07% for PERS, 4.15% for Oregon Public Service Retirement Plan (OPSRP) general services, and 6.88 % for OPSRP police services for the current year. Contribution requirements for plan members and the City are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

Annual Pension Cost

For the fiscal years ending June 30, 2014, 2013, and 2012, the annual pension cost of \$354,398, \$331,948, and \$265,480 respectively, was equal to the required and actual contributions. The required contributions and liabilities were determined as part of the December 31, 2006 actuarial valuation using the entry age actuarial cost method. Because all OPERS employers are required by law to submit the contributions adopted by the Retirement Board, and the employer contributions are calculated in conformance with the standards of Statement No. 27, there is no net pension obligation shown in the financial statements. The contributions actually made are equivalent to the annual pension cost. Significant actuarial assumptions used in the valuation include (a) a rate of return of 8.0% per year, net of investment and administrative expenses (assumed earnings rate for purposes of Tier One guaranteed interest credit); (b) wage growth of 4.25% per year, excluding merit or longevity increases; (c) projected post-retirement benefit increases of 2.0% per year; (d) demographic assumptions that have been chosen to reflect the best estimate of emerging experience of the members of OPERS; (e) consumer price inflation of 3.5% per year; and (f) future interest credits of 8.5% for Tier One and 8.0% for Tier Two. Unfunded actuarial liability is amortized as a level percentage of covered payroll over a thirty-year period on an open basis.

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

9. RETIREMENT PLANS (CONTINUED)

EMPLOYEE'S RETIREMENT PLAN

Plan Description

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

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

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

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

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

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

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

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

Defined Contribution – Money Purchase

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

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

9. RETIREMENT PLANS (CONTINUED)

EMPLOYEE'S RETIREMENT PLAN (CONTINUED)

Four-Year Trend information
Defined Contribution – Money Purchase

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>% of Annual Pension Cost Contributed</u>
6/30/11	\$ 188,958	100%
6/30/12	185,845	100%
6/30/13	191,525	100%
6/30/14	192,214	100%

Defined Benefit

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

The funding policy of the defined portion provides for actuarially determined periodic contributions at rates that over time provide sufficient assets available to pay benefits when due. For the current fiscal year, \$416,372 was contributed to the plan. The plan's normal cost is \$358,599 with interest plus amortization (over 30 years) of the plans unfunded actuarial accrued liability with interest.

The annual required contribution to the defined benefit plan was computed as part of an actuarial valuation performed as of July 1, 2014. Significant actuarial assumptions used in the valuation include: (a) a rate of return on the investment of present and future assets of 6%, (b) projected salary increases of 3% per year in addition to salary increases due to promotions and longevity.

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

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

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

9. RETIREMENT PLANS (CONTINUED)

Four-Year Trend information		
Defined Benefit		
<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>% of Annual Pension Cost Contributed</u>
6/30/11	\$ 390,397	100.0%
6/30/12	384,050	100.0%
6/30/13	405,982	100.0%
6/30/14	358,599	100.0%

10. OTHER POST-EMPLOYMENT BENEFITS – OPEB

Post-Employment Benefits

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

Post-Employment Health Insurance Subsidy

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

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

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

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

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

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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

	2014	2013
Annual required contribution	\$ 121,800	\$ 117,681
Interest on net pension obligation	3,493	-
Adjustment to annual required contribution	(12,000)	-
Annual pension cost	113,293	117,681
Contributions made	(22,910)	(17,882)
Increase in net pension obligation	90,383	99,799
Net OPEB Obligation - beginning of year	99,799	-
Net OPEB Obligation - end of year	\$ 190,182	\$ 99,799

Fiscal Year	Annual OPEB Cost	Percentage of annual OPEB cost contributed	Net OPEB Obligation
6/30/12	N/A	N/A	\$ -
6/30/13	\$ 117,681	15%	99,799
6/30/14	113,293	20%	190,182

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

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

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

11. PROPERTY TAX LIMITATION

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

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

12. COMMITMENTS AND CONTINGENCIES

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

This Page Intentionally Left Blank

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

Individual Major Governmental Fund Statements

This Page Intentionally Left Blank

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUND PROGRESS
TREND INFORMATION
For the Year Ended June 30, 2014

EMPLOYEE'S RETIREMENT PLAN

DEFINED BENEFIT - EXCLUSIVE OF MONEY PURCHASE

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Act. Liab.	Funded Percent	Covered Payroll	UAL/ Payroll
7/1/2012	\$ 4,020,930	\$ 6,244,588	\$ 2,223,658	64%	\$ 2,876,355	77%
7/1/2013	4,387,013	6,647,169	2,260,156	66%	2,925,079	77%
7/1/2014	4,776,561	6,746,089	1,969,528	71%	2,592,985	76%

DEFINED CONTRIBUTION - MONEY PURCHASE

Actuarial Valuation Date	Actuarial Value of Assets	Vested Amount	Funded Percent
7/1/2012	\$ 3,716,790	N/A*	N/A*
7/1/2013	4,151,747	N/A*	N/A*
7/1/2014	4,418,079	N/A*	N/A*

* Vested amount not available in the Defined Contribution valuation.

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUND PROGRESS
TREND INFORMATION
For the Year Ended June 30, 2014

OTHER POST-EMPLOYMENT BENEFITS - MEDICAL INSURANCE

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

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2014

<u>GENERAL FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES				
Property Taxes	\$ 5,980,000	\$ 5,980,000	\$ 5,982,914	\$ 2,914
Other Taxes	915,428	915,428	865,537	(49,891)
Fees	385,000	385,000	476,109	91,109
Intergovernmental	795,450	795,450	850,074	54,624
Grants	55,000	276,563	300,058	23,495
Fines	193,000	193,000	156,070	(36,930)
Rents and Leases	75,000	75,000	100,043	25,043
Interest	5,000	5,000	14,998	9,998
Services Provided	845,016	845,016	844,652	(364)
Miscellaneous	37,253	415,256	358,977	(56,279)
Total Revenue	<u>9,286,147</u>	<u>9,885,713</u>	<u>9,949,432</u>	<u>63,719</u>
EXPENDITURES				
City Administration	1,819,980	1,814,779 (1)	1,761,280	53,499
Police	3,447,728	3,460,566 (1)	3,328,186	132,380
Fire	2,073,212	2,142,276 (1)	2,067,287	74,989
Community Development	356,549	356,549 (1)	282,682	73,867
Library	1,014,715	1,014,715 (1)	880,554	134,161
Facilities & Parks	878,444	1,159,054 (1)	704,184	454,870
Non-Departmental	331,500	618,626 (1)	618,384	242
Contingency	74,443	- (1)	-	-
Total Expenditures	<u>9,996,571</u>	<u>10,566,565</u>	<u>9,642,557</u>	<u>924,008</u>
Excess of Revenues Over (Under) Expenditures	(710,424)	(680,852)	306,875	987,727
OTHER FINANCING SOURCES (USES)				
Transfers In	1,292,000	1,595,510	1,592,048	(3,462)
Transfers Out	(1,433,603)	(1,981,342) (1)	(1,943,155)	38,187
Total Other Financing Sources (Uses)	<u>(141,603)</u>	<u>(385,832)</u>	<u>(351,107)</u>	<u>34,725</u>
Net Change in Fund Balance	(852,027)	(1,066,684)	(44,232)	1,022,452
FUND BALANCE - BEGINNING OF YEAR	<u>2,120,000</u>	<u>2,202,657</u>	<u>2,202,659</u>	<u>2</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,267,973</u>	<u>\$ 1,135,973</u>	<u>\$ 2,158,427</u>	<u>\$ 1,022,454</u>

(1) Appropriation Level

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2014

AIRPORT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
Grants	\$ 8,170,000	\$ 399,300	\$ -	\$ (399,300)
Leases and Rentals	43,000	43,550	53,197	9,647
Interest on Investments	-	-	2,600	2,600
Service Provided	30,704	30,704	30,704	-
Miscellaneous	293,450	381,680	479,355	97,675
Total Revenues	<u>8,537,154</u>	<u>855,234</u>	<u>565,856</u>	<u>(289,378)</u>
EXPENDITURES				
Airport Operations	9,149,325	920,758 (1)	344,331	576,427
Fixed Base Operation	422,377	506,157 (1)	504,622	1,535
Contingency	28,950	19,309 (1)	-	19,309
Total Expenditures	<u>9,600,652</u>	<u>1,446,224</u>	<u>848,953</u>	<u>597,271</u>
Excess of Revenues Over (Under) Expenditures	(1,063,498)	(590,990)	(283,097)	307,893
OTHER FINANCING SOURCES (USES)				
Transfers In	761,092	340,412	302,225	38,187
Transfers Out	(6,932)	(6,932) (1)	(6,932)	-
Total Other Financing Sources (Uses)	<u>754,160</u>	<u>333,480</u>	<u>295,293</u>	<u>(38,187)</u>
Net Change in Fund Balance	(309,338)	(257,510)	12,196	269,706
FUND BALANCE - BEGINNING OF YEAR	<u>436,614</u>	<u>384,786</u>	<u>384,785</u>	<u>(1)</u>
FUND BALANCE - END OF YEAR	<u>\$ 127,276</u>	<u>\$ 127,276</u>	<u>\$ 396,981</u>	<u>\$ 269,705</u>

(1) Appropriation Level

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2014

AGATE BEACH CLOSURE FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
Agate Beach Closure Fees	\$ 10,000	\$ 10,000	\$ 9,461	\$ (539)
Interest on Investments	5,000	5,000	5,548	548
Total Revenues	15,000	15,000	15,009	9
EXPENDITURES				
Materials & Services	42,261	42,261 (1)	38,787	3,474
Contingency	1,412,739	1,412,739 (1)	-	1,412,739
Total Expenditures	1,455,000	1,455,000	38,787	1,416,213
Net Change in Fund Balance	(1,440,000)	(1,440,000)	(23,778)	1,416,222
FUND BALANCE - BEGINNING OF YEAR	1,440,000	1,440,000	1,438,710	(1,290)
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ 1,414,932	\$ 1,414,932

(1) Appropriation Level

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2014

ROOM TAX FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
Transient Room Tax	\$ 2,300,000	\$ 2,435,000	\$ 2,764,050	\$ 329,050
Matching Funds	-	150,000	200,000	50,000
Fees	10,000	10,000	9,559	(441)
Interest on Investments	4,500	4,500	2,134	(2,366)
	<u>2,314,500</u>	<u>2,599,500</u>	<u>2,975,743</u>	<u>376,243</u>
EXPENDITURES				
Materials and Services	854,900	1,010,500 (1)	851,251	159,249
Capital Outlay	481,000	631,000 (1)	320,560	310,440
Contingency	87,100	76,224 (1)	-	76,224
	<u>1,423,000</u>	<u>1,717,724</u>	<u>1,171,811</u>	<u>545,913</u>
Excess of Revenues Over (Under) Expenditures	891,500	881,776	1,803,932	922,156
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(1,501,500)</u>	<u>(1,524,400) (1)</u>	<u>(1,524,400)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(1,501,500)</u>	<u>(1,524,400)</u>	<u>(1,524,400)</u>	<u>-</u>
Net Change in Fund Balance	(610,000)	(642,624)	279,532	922,156
FUND BALANCE - BEGINNING OF YEAR	<u>610,000</u>	<u>642,624</u>	<u>642,623</u>	<u>(1)</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 922,155</u>	<u>\$ 922,155</u>

(1) Appropriation Level

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SUPPLEMENTARY INFORMATION

Combining, Individual Fund, and
Other Financial Schedules

This Page Intentionally Left Blank

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2014

CAPITAL PROJECTS FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
Taxes	\$ 176,965	\$ 176,965	\$ 170,463	\$ (6,502)
Grants	1,132,156	9,769,664	2,503,705	(7,265,959)
Interest on Investments	-	-	27,576	27,576
Miscellaneous	1,008,233	1,008,233	523,315	(484,918)
Total Revenues	2,317,354	10,954,862	3,225,059	(7,729,803)
EXPENDITURES				
Capital Projects - General	-	960,000 (1)	764,122	195,878
Capital Outlay	4,958,821	4,430,308 (1)	1,948,012	2,482,296
Capital Projects - Swimming Pool	-	983,718 (1)	145,097	838,621
Capital Projects - Airport AIP	-	8,233,567 (1)	1,712,624	6,520,943
Reserve for Future Capital	-	381,973 (1)	-	381,973
Total Expenditures	4,958,821	14,989,566	4,569,855	10,419,711
Excess of Revenues Over (Under) Expenditures	(2,641,467)	(4,034,704)	(1,344,796)	2,689,908
OTHER FINANCING SOURCES (USES)				
Bond & Loan Proceeds	-	8,281,973	8,239,500	(42,473)
Bond Premium	-	-	381,973	381,973
Transfers In	1,041,467	1,310,562	979,237	(331,325)
Transfers Out	-	(450,000) (1)	(450,000)	-
Total Other Financing Sources (Uses)	1,041,467	9,142,535	9,150,710	8,175
Net Change in Fund Balance	(1,600,000)	5,107,831	7,805,914	2,698,083
FUND BALANCE - BEGINNING OF YEAR	1,600,000	1,808,451	1,808,451	-
FUND BALANCE - END OF YEAR	\$ -	\$ 6,916,282	\$ 9,614,365	\$ 2,698,083

(1) Appropriation Level

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2014

NORTH SIDE URBAN RENEWAL DISTRICT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
Property Taxes	\$ -	\$ 51,113	\$ 4,152	\$ (46,961)
Interest on Investments	-	-	1,137	1,137
Total Revenues	-	51,113	5,289	(45,824)
EXPENDITURES				
Materials and Services	-	- (1)	465	(465)
Contingency	180,000	- (1)	-	-
Capital Outlay	20,000	- (1)	-	-
Total Expenditures	200,000	-	465	(465)
Excess of Revenues Over (Under) Expenditures	(200,000)	51,113	4,824	(46,289)
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	(280,610) (1)	(277,148)	3,462
Net Change in Fund Balance	(200,000)	(229,497)	(272,324)	(42,827)
FUND BALANCE - BEGINNING OF YEAR	200,000	229,497	272,324	42,827
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ -	\$ -

(1) Appropriation Level

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2014

SOUTH BEACH URBAN RENEWAL DISTRICT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
Property Taxes	\$ 1,999,746	\$ 1,999,746	\$ 1,880,170	\$ (119,576)
Interest on Investments	-	-	16,645	16,645
Total Revenues	<u>1,999,746</u>	<u>1,999,746</u>	<u>1,896,815</u>	<u>(102,931)</u>
EXPENDITURES				
Personnel Services		-	(1)	(10)
Materials and Services	61,251	61,251	(1)	57,601
Capital Outlay	110,000	110,000	(1)	9,128
Debt Service	1,376,406	1,376,406	(1)	1,376,378
Contingency	1,455,767	1,455,767	(1)	-
Total Expenditures	<u>3,003,424</u>	<u>3,003,424</u>	<u>1,443,117</u>	<u>1,560,307</u>
Excess of Revenues Over (Under) Expenditures	(1,003,678)	(1,003,678)	453,698	1,457,376
OTHER FINANCING SOURCES (USES)				
Transfers In	-	450,000	450,000	-
Transfers Out	(421,394)	(421,394)	(1)	(421,394)
Total Other Financing Sources (Uses)	<u>(421,394)</u>	<u>28,606</u>	<u>28,606</u>	<u>-</u>
Net Change in Fund Balance	(1,425,072)	(975,072)	482,304	1,457,376
FUND BALANCE - BEGINNING OF YEAR	<u>2,202,635</u>	<u>2,202,635</u>	<u>1,677,967</u>	<u>(524,668)</u>
FUND BALANCE - END OF YEAR	<u>\$ 777,563</u>	<u>\$ 1,227,563</u>	<u>\$ 2,160,271</u>	<u>\$ 932,708</u>

(1) Appropriation Level

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2014

	BUILDING INSPECTION FUND	STREET FUND	PUBLIC WORKS FUND	LINE UNDERGROUND FUND	PUBLIC PARKING FUND
ASSETS					
Cash and Cash Equivalents	\$ 548,395	\$ 576,067	\$ 229,255	\$ 651,571	\$ 295,703
Receivables	2,561	106,182	-	-	-
Prepays	-	-	2,489	-	-
Investment in Foreclosed Property	-	-	-	-	-
Total Assets	\$ 550,956	\$ 682,249	\$ 231,744	\$ 651,571	\$ 295,703
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 18,906	\$ 29,016	\$ 9,833	\$ 12,285	\$ -
Payroll and Payroll Taxes Payable	3,216	17,374	17,430	-	-
Unearned Revenue	-	-	-	-	-
Total Liabilities	22,122	46,390	27,263	12,285	-
FUND BALANCES					
Nonspendable	-	-	2,489	-	-
Restricted:					
System Development	-	-	-	-	-
Committed:					
Building Inspections	528,834	-	-	-	-
Street	-	635,859	-	-	-
Underground Lines	-	-	-	639,286	-
Public Parking	-	-	201,992	-	295,703
Parks & Recreation	-	-	-	-	-
Housing	-	-	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balances	528,834	635,859	204,481	639,286	295,703
Total Liabilities and Fund Balances	\$ 550,956	\$ 682,249	\$ 231,744	\$ 651,571	\$ 295,703

<u>PARKS & RECREATION FUND</u>	<u>SDC FUND</u>	<u>HOUSING FUND</u>	<u>RESERVE FUND</u>	<u>GENERAL DEBT FUND</u>	<u>TOTAL</u>
\$ 357,244	\$ 791,582	\$ 181,034	\$ 320,513	\$ (301)	\$ 3,951,063
5,534	51,999	-	-	-	166,276
3,878	-	-	-	-	6,367
-	-	-	-	9,751	9,751
<u>\$ 366,656</u>	<u>\$ 843,581</u>	<u>\$ 181,034</u>	<u>\$ 320,513</u>	<u>\$ 9,450</u>	<u>\$ 4,133,457</u>
\$ 22,719	\$ -	\$ 3,555	\$ -	\$ -	\$ 96,314
26,820	-	-	-	-	64,840
84,608	51,999	-	-	-	136,607
<u>134,147</u>	<u>51,999</u>	<u>3,555</u>	<u>-</u>	<u>-</u>	<u>297,761</u>
3,878	-	-	-	9,751	16,118
-	791,582	-	-	-	791,582
-	-	-	-	-	528,834
-	-	-	-	-	635,859
-	-	-	-	-	639,286
-	-	-	-	-	497,695
228,631	-	-	-	-	228,631
-	-	177,479	-	-	177,479
-	-	-	320,513	(301)	320,212
<u>232,509</u>	<u>791,582</u>	<u>177,479</u>	<u>320,513</u>	<u>9,450</u>	<u>3,835,696</u>
<u>\$ 366,656</u>	<u>\$ 843,581</u>	<u>\$ 181,034</u>	<u>\$ 320,513</u>	<u>\$ 9,450</u>	<u>\$ 4,133,457</u>

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	BUILDING INSPECTION FUND	STREET FUND	PUBLIC WORKS FUND	LINE UNDER GROUNDING FUND	PUBLIC PARKING FUND
REVENUES					
Other Taxes	\$ -	\$ 565,294	\$ -	\$ 2,300	\$ -
Interest	2,432	1,834	750	134,826	1,128
License & Fees	128,139	381,615	-	-	31,665
Grants/Donations	-	-	-	-	-
Interfund Services	-	-	697,484	-	-
Other Revenue	17,757	4,045	1	-	-
Total Revenues	<u>148,328</u>	<u>952,788</u>	<u>698,235</u>	<u>137,126</u>	<u>32,793</u>
EXPENDITURES					
Current Operation:					
Streets	-	800,373	583,960	-	-
Culture and Recreation	-	-	-	-	-
Economic Development	195,192	-	-	-	3,768
Debt Service	-	-	-	-	-
Total Expenditures	<u>195,192</u>	<u>800,373</u>	<u>583,960</u>	<u>-</u>	<u>3,768</u>
Excess of Revenues Over (Under) Expenditures	(46,864)	152,415	114,275	137,126	29,025
OTHER FINANCING SOURCES (USES)					
Transfer In	3,000	396,018	-	-	-
Transfer Out	-	(61,250)	-	(58,535)	-
Total Other Financing Sources (Uses)	<u>3,000</u>	<u>334,768</u>	<u>-</u>	<u>(58,535)</u>	<u>-</u>
Net Change in Fund Balance	(43,864)	487,183	114,275	78,591	29,025
FUND BALANCES - BEGINNING OF YEAR	<u>572,698</u>	<u>148,676</u>	<u>90,206</u>	<u>560,695</u>	<u>266,678</u>
FUND BALANCES - END OF YEAR	<u>\$ 528,834</u>	<u>\$ 635,859</u>	<u>\$ 204,481</u>	<u>\$ 639,286</u>	<u>\$ 295,703</u>

PARKS & RECREATION FUND	SDC FUND	HOUSING FUND	RESERVE FUND	GENERAL DEBT FUND	TOTAL
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 567,594
1,625	2,814	697	513	463	147,082
490,724	204,675	-	-	-	1,236,818
599	-	-	-	-	599
-	-	-	-	-	697,484
103,317	-	-	25,000	-	150,120
<u>596,265</u>	<u>207,489</u>	<u>697</u>	<u>25,513</u>	<u>463</u>	<u>2,799,697</u>
-	44,390	-	-	-	1,428,723
1,205,518	-	11,904	-	-	1,217,422
-	-	-	-	-	198,960
-	-	-	-	376,123	376,123
<u>1,205,518</u>	<u>44,390</u>	<u>11,904</u>	<u>-</u>	<u>376,123</u>	<u>3,221,228</u>
(609,253)	163,099	(11,207)	25,513	(375,660)	(421,531)
622,760	51,825	7,000	295,000	377,869	1,753,472
-	(104,976)	-	-	-	(224,761)
<u>622,760</u>	<u>(53,151)</u>	<u>7,000</u>	<u>295,000</u>	<u>377,869</u>	<u>1,528,711</u>
13,507	109,948	(4,207)	320,513	2,209	1,107,180
219,002	681,634	181,686	-	7,241	2,728,516
<u>\$ 232,509</u>	<u>\$ 791,582</u>	<u>\$ 177,479</u>	<u>\$ 320,513</u>	<u>\$ 9,450</u>	<u>\$ 3,835,696</u>

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2014

BUILDING PERMIT & INSPECTION FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES				
Permits	\$ 169,000	\$ 169,000	\$ 128,139	\$ (40,861)
State Permit Surcharges	16,000	16,000	9,877	(6,123)
Misc. Sales & Services	400	400	7,880	7,480
Interest on Investments	2,000	2,000	2,432	432
Total Revenues	<u>187,400</u>	<u>187,400</u>	<u>148,328</u>	<u>(39,072)</u>
EXPENDITURES				
Personal Services	114,856	114,856 (1)	98,108	16,748
Materials and Services	152,988	152,988 (1)	97,084	55,904
Contingency	433,195	433,195 (1)	-	433,195
Total Expenditures	<u>701,039</u>	<u>701,039</u>	<u>195,192</u>	<u>489,099</u>
Excess of Revenues Over (Under) Expenditures	(513,639)	(513,639)	(46,864)	466,775
OTHER FINANCING SOURCES (USES)				
Transfers In	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>-</u>
Net Change in Fund Balance	(510,639)	(510,639)	(43,864)	466,775
FUND BALANCE - BEGINNING OF YEAR	<u>510,639</u>	<u>510,639</u>	<u>572,698</u>	<u>62,059</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 528,834</u>	<u>\$ 528,834</u>

(1) Appropriation Level

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET- BUDGETARY BASIS
For the Year Ended June 30, 2014

STREET FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
State Gas Tax Proration	\$ 531,965	\$ 531,965	\$ 565,294	\$ 33,329
Misc. Sales & Services	-	-	4,045	4,045
Fees	380,000	380,000	381,615	1,615
Interest on Investments	-	-	1,834	1,834
Total Revenues	<u>911,965</u>	<u>911,965</u>	<u>952,788</u>	<u>40,823</u>
EXPENDITURES				
Street Maintenance	686,316	686,316 (1)	442,453	243,863
Storm Drain Maintenance	448,281	448,281 (1)	357,920	90,361
Contingency	73,289	73,289 (1)	-	73,289
Total Expenditures	<u>1,207,886</u>	<u>1,207,886</u>	<u>800,373</u>	<u>407,513</u>
Excess of Revenues Over (Under) Expenditures	(295,921)	(295,921)	152,415	448,336
OTHER FINANCING SOURCES (USES)				
Transfers In	396,018	396,018	396,018	-
Transfers Out	(61,250)	(61,250) (1)	(61,250)	-
Total Other Financing Sources (Uses)	<u>334,768</u>	<u>334,768</u>	<u>334,768</u>	<u>-</u>
Net Change in Fund Balance	38,847	38,847	487,183	448,336
FUND BALANCE - BEGINNING OF YEAR	<u>54,537</u>	<u>54,537</u>	<u>148,676</u>	<u>94,139</u>
FUND BALANCE - END OF YEAR	<u>\$ 93,384</u>	<u>\$ 93,384</u>	<u>\$ 635,859</u>	<u>\$ 542,475</u>

(1) Appropriation Level

This Page Intentionally Left Blank

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2014

PUBLIC WORKS FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES				
Miscellaneous Sales & Services	\$ -	\$ -	\$ 1	\$ 1
Services Provided for Sewer Fund	869,567	697,484	697,484	-
Interest on Investments	-	-	750	750
	<u>869,567</u>	<u>697,484</u>	<u>698,235</u>	<u>751</u>
EXPENDITURES				
Personal Services	613,102	531,224 (1)	382,847	148,377
Material & Services	120,224	182,624 (1)	144,416	38,208
Capital Outlay	65,000	65,000 (1)	56,697	8,303
Contingency	71,241	8,841 (1)	-	8,841
	<u>869,567</u>	<u>787,689</u>	<u>583,960</u>	<u>203,729</u>
Net Change in Fund Balance	-	(90,205)	114,275	204,480
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>90,205</u>	<u>90,206</u>	<u>1</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 204,481</u>	<u>\$ 204,481</u>

(1) Appropriation Level

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2014

LINE UNDERGROUNDING FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
Interest on Investments	\$	\$ -	\$ 134,826	\$ 134,826
Franchise Taxes		-	2,300	2,300
Total Revenues	-	-	137,126	137,126
EXPENDITURES				
Contingency	431,465	431,465 (1)	-	431,465
Excess of Revenues Over (Under) Expenditures	(431,465)	(431,465)	137,126	568,591
OTHER FINANCING SOURCES (USES)				
Transfer Out	(58,535)	(58,535) (1)	(58,535)	-
Net Change in Fund Balance	(490,000)	(490,000)	78,591	568,591
FUND BALANCE - BEGINNING OF YEAR	490,000	490,000	560,695	70,695
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ 639,286	\$ 639,286

(1) Appropriation Level

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2014

<u>PUBLIC PARKING FUND</u>				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
Fees	\$ 11,625	\$ 11,625	\$ 31,665	\$ 20,040
Interest on Investments	-	-	1,128	1,128
Total Revenues	<u>11,625</u>	<u>11,625</u>	<u>32,793</u>	<u>21,168</u>
EXPENDITURES				
Nye Beach Parking District	1,901	1,901 (1)	151	1,750
City Center Parking District	8,144	8,144 (1)	644	7,500
Bay Front Parking District	16,254	16,254 (1)	2,973	13,281
Contingency	252,455	252,455 (1)	-	252,455
Total Expenditures	<u>278,754</u>	<u>278,754</u>	<u>3,768</u>	<u>274,986</u>
Net Change in Fund Balance	(267,129)	(267,129)	29,025	296,154
FUND BALANCE - BEGINNING OF YEAR	<u>267,129</u>	<u>267,129</u>	<u>266,678</u>	<u>(451)</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 295,703</u>	<u>\$ 295,703</u>

(1) Appropriation Level

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2014

PARKS & RECREATION FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
Programs	\$ 133,000	\$ 133,000	\$ 167,955	\$ 34,955
Special Event - Fundraising	34,000	34,000	8,169	(25,831)
Fees	295,000	295,000	322,769	27,769
Rents & Leases	14,700	14,700	7,707	(6,993)
Concession Stand	9,000	9,000	8,611	(389)
Miscellaneous Income	56,000	56,000	78,830	22,830
Gifts & Donations	1,700	1,700	599	(1,101)
Interest on Investments	-	-	1,625	1,625
	<u>543,400</u>	<u>543,400</u>	<u>596,265</u>	<u>52,865</u>
Total Revenues				
EXPENDITURES				
Parks Administration	154,238	154,238 (1)	142,235	12,003
Senior Center	144,753	144,753 (1)	127,576	17,177
Swimming Pool	384,591	389,591 (1)	338,426	51,165
Recreation Center	424,782	432,282 (1)	397,733	34,549
Recreation Programs	113,041	116,684 (1)	105,899	10,785
Sports Programs	105,556	105,556 (1)	93,649	11,907
Contingency	16,143	- (1)	-	-
	<u>1,343,104</u>	<u>1,343,104</u>	<u>1,205,518</u>	<u>137,586</u>
Total Expenditures				
Excess of Revenues Over (Under) Expenditures	(799,704)	(799,704)	(609,253)	190,451
OTHER FINANCING SOURCES (USES)				
Transfers In	622,761	622,761	622,760	(1)
	<u>622,761</u>	<u>622,761</u>	<u>622,760</u>	<u>(1)</u>
Net Change in Fund Balance	(176,943)	(176,943)	13,507	190,450
FUND BALANCE - BEGINNING OF YEAR	<u>208,646</u>	<u>208,646</u>	<u>219,002</u>	<u>10,356</u>
FUND BALANCE - END OF YEAR	<u>\$ 31,703</u>	<u>\$ 31,703</u>	<u>\$ 232,509</u>	<u>\$ 200,806</u>

(1) Appropriation Level

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2014

SDC FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
SDC Charges	\$ 364,969	\$ 364,969	\$ 201,359	\$ (163,610)
Interest from SDC's	-	-	3,316	3,316
Miscellaneous	-	-	2,814	2,814
Total Revenues	<u>364,969</u>	<u>364,969</u>	<u>207,489</u>	<u>(157,480)</u>
EXPENDITURES				
SDC Streets	-	50,000 (1)	44,390	5,610
SDC Parks	68,388	68,388 (1)	-	68,388
SDC Administration	10,000	10,000 (1)	-	10,000
Contingency	478,565	428,565 (1)	-	428,565
Total Expenditures	<u>556,953</u>	<u>556,953</u>	<u>44,390</u>	<u>512,563</u>
Excess of Revenues Over (Under) Expenditures	(191,984)	(191,984)	163,099	355,083
OTHER FINANCING SOURCES (USES)				
Transfer In	-	51,825	51,825	-
Transfer Out	(436,301)	(436,301) (1)	(104,976)	331,325
Total Other Financing Sources, (Uses)	<u>(436,301)</u>	<u>(384,476)</u>	<u>(53,151)</u>	<u>331,325</u>
Net Change in Fund Balance	(628,285)	(576,460)	109,948	686,408
FUND BALANCE - BEGINNING OF YEAR	<u>633,785</u>	<u>633,785</u>	<u>681,634</u>	<u>47,849</u>
FUND BALANCE - END OF YEAR	<u>\$ 5,500</u>	<u>\$ 57,325</u>	<u>\$ 791,582</u>	<u>\$ 734,257</u>

(1) Appropriation Level

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2014

HOUSING FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES				
Interest on Investments	-	-	697	697
EXPENDITURES				
Material and Services	188,924	188,924 (1)	11,904	177,020
Excess of Revenues Over (Under) Expenditures	(188,924)	(188,924)	(11,207)	177,717
OTHER FINANCING SOURCES (USES)				
Transfer In	7,000	7,000	7,000	-
Net Change in Fund Balance	(181,924)	(181,924)	(4,207)	177,717
FUND BALANCE - BEGINNING OF YEAR	181,924	181,924	181,686	(238)
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 177,479</u>	<u>\$ 177,479</u>

(1) Appropriation Level

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2014

RESERVE FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
Miscellaneous	\$ -	\$ 25,000	\$ 25,000	\$ -
Interest on Investments	-	-	513	513
Total Revenues	-	25,000	25,513	513
OTHER FINANCING SOURCES (USES)				
Transfer In	-	295,000	295,000	-
Net Change in Fund Balance	-	320,000	320,513	513
FUND BALANCE - BEGINNING OF YEAR	-	-	-	-
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 320,000</u>	<u>\$ 320,513</u>	<u>\$ 513</u>

(1) Appropriation Level

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2014

DEBT SERVICE FUNDS

	ORIGINAL BUDGET	FINAL BUDGET	GENERAL DEBT SERVICE
REVENUES			
Property Taxes	\$ 2,074,308	\$ 2,074,308	\$ -
Interest on Investments	1,500	1,500	463
Total Revenues	<u>2,075,808</u>	<u>2,075,808</u>	<u>463</u>
EXPENDITURES			
Bonded Debt Service	2,318,808	1,720,875 (1)	-
General Proprietary Debt Service	633,556	633,556 (1)	-
General Debt Service	377,867	377,867 (1)	376,123
Contingency	1,000	598,933 (1)	-
Total Expenditures	<u>3,331,231</u>	<u>3,331,231</u>	<u>376,123</u>
Excess of Revenues Over (Under) Expenditures	(1,255,423)	(1,255,423)	(375,660)
OTHER FINANCING SOURCES (USES)			
Transfers In	<u>1,009,273</u>	<u>1,009,273</u>	<u>377,869</u>
Total Other Financing Sources (Uses)	<u>1,009,273</u>	<u>1,009,273</u>	<u>377,869</u>
Net Change in Fund Balance	(246,150)	(246,150)	2,209
FUND BALANCE - BEGINNING OF YEAR	<u>817,556</u>	<u>817,556</u>	<u>7,241</u>
FUND BALANCE - END OF YEAR	<u>\$ 571,406</u>	<u>\$ 571,406</u>	<u>\$ 9,450</u>

(1) Appropriation Level

BONDED DEBT FUND	PROPRIETARY DEBT FUND	TOTAL	VARIANCE TO FINAL BUDGET
\$ 1,823,865	\$ -	\$ 1,823,865	\$ (250,443)
3,884	3,408	7,755	6,255
<u>1,827,749</u>	<u>3,408</u>	<u>1,831,620</u>	<u>(244,188)</u>
1,720,875	-	1,720,875	-
-	633,556	633,556	-
-	-	376,123	1,744
-	-	-	598,933
<u>1,720,875</u>	<u>633,556</u>	<u>2,730,554</u>	<u>600,677</u>
106,874	(630,148)	(898,934)	356,489
-	631,406	1,009,275	2
-	631,406	1,009,275	2
106,874	1,258	110,341	356,491
<u>443,094</u>	<u>625,558</u>	<u>1,075,893</u>	<u>258,337</u>
<u>\$ 549,968</u>	<u>\$ 626,816</u>	<u>\$ 1,186,234</u>	<u>\$ 614,828</u>

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

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2014

<u>WASTEWATER FUND</u>				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
Service Charges	\$ 3,540,000	\$ 3,540,000	\$ 3,537,325	\$ (2,675)
Capital Improvement Surcharge	-	-	-	-
LID Revenue	-	-	10,414	10,414
Septage Revenue	35,000	35,000	-	(35,000)
Miscellaneous Income	-	-	265,521	265,521
Interest on Investments	-	-	463	463
Total Revenues	<u>3,575,000</u>	<u>3,575,000</u>	<u>3,813,723</u>	<u>238,723</u>
EXPENDITURES				
Wastewater Treatment Plant	1,224,833	1,224,833 (1)	1,152,004	72,829
Wastewater Collection	618,155	618,155 (1)	503,085	115,070
Wastewater Capital Projects	605,407	605,407 (1)	172,668	432,739
Non-Departmental	837,218	865,218 (1)	837,503	27,715
Contingency	134,860	106,860 (1)	-	106,860
Total Expenditures	<u>3,420,473</u>	<u>3,420,473</u>	<u>2,665,260</u>	<u>755,213</u>
Excess of Revenues Over (Under) Expenditures	154,527	154,527	1,148,463	993,936
OTHER FINANCING SOURCES (USES)				
Transfers Out	(654,527)	(654,527) (1)	(654,527)	-
Total Other Financing Sources (Uses)	<u>(654,527)</u>	<u>(654,527)</u>	<u>(654,527)</u>	<u>-</u>
Net Change in Fund Balance	(500,000)	(500,000)	493,936	993,936
FUND BALANCE - BEGINNING OF YEAR	<u>550,000</u>	<u>550,000</u>	<u>281,124</u>	<u>(268,876)</u>
FUND BALANCE - END OF YEAR	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>775,060</u>	<u>\$ 725,060</u>
RECONCILIATION TO NET POSITION				
Capital Assets, Net			36,685,469	
Compensated Absences			(24,148)	
Debt Payable			(8,215,000)	
Bond Premium			(200,882)	
Interest Payable			(65,382)	
TOTAL NET POSITION			<u>\$ 28,955,117</u>	

(1) Appropriation Level

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2014

<u>WATER FUND</u>				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
Service Charges	\$ 3,050,000	\$ 3,050,000	\$ 3,254,281	\$ 204,281
New Services, Meters	5,000	5,000	23,521	18,521
Grant	1,500	1,500	-	(1,500)
Miscellaneous Income	26,500	26,500	50,671	24,171
Interest on Investments	1,000	1,000	2,868	1,868
Total Revenues	<u>3,084,000</u>	<u>3,084,000</u>	<u>3,331,341</u>	<u>247,341</u>
EXPENDITURES				
Water Treatment	805,340	841,340 (1)	791,901	49,439
Water Distribution	910,970	990,970 (1)	955,132	35,838
Water Capital Projects	981,824	981,824 (1)	432,462	252,629
Water Non-Departmental	729,594	759,594 (1)	729,195	759,594
Contingency	166,700	20,700 (1)	-	20,700
Total Expenditures	<u>3,594,428</u>	<u>3,594,428</u>	<u>2,908,690</u>	<u>685,738</u>
Excess of Revenues Over (Under) Expenditures	(510,428)	(510,428)	422,651	933,079
OTHER FINANCING SOURCES (USES)				
Transfers Out	(206,071)	(206,071) (1)	(206,071)	-
Net Change in Fund Balance	(716,499)	(716,499)	216,580	933,079
FUND BALANCE - BEGINNING OF YEAR	<u>766,499</u>	<u>766,499</u>	<u>548,244</u>	<u>(218,255)</u>
FUND BALANCE - END OF YEAR	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>764,824</u>	<u>\$ 714,824</u>
RECONCILIATION TO NET POSITION				
Capital Assets, Net			21,290,536	
Compensated Absences			(41,909)	
Bond Payable			(14,485,541)	
Loan Payable			(846,913)	
Bond Premium			(165,080)	
Interest Payable			(32,481)	
TOTAL NET POSITION			<u>\$ 6,483,436</u>	

(1) Appropriation Level

CITY OF NEWPORT, OREGON
LINCOLN COUNTY, OREGON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014

	<u>CFDA NUMBER</u>	<u>CURRENT YEAR EXPENDITURES</u>
FEDERAL AGENCY/PASS-THROUGH AGENCY		
U.S. DEPARTMENT OF TRANSPORTATION FEDERAL AVIATION ADMINISTRATION (FAA):		
US-DOT - Airport Improvement Projects AIP-19	20.106	\$ 24,939 (1)
US-DOT - Airport Improvement Projects AIP-20	20.106	12,249 (1)
US-DOT - Airport Improvement Projects AIP-21	20.106	1,643,633 (1)
US-DOT - Airport Improvement Projects AIP-22	20.106	32,263 (1)
U.S. DEPARTMENT OF HOMELAND SECURITY:		
Staffing for Adequate Fire & Emergency Response (SAFER)	97.083	120,332
Assistance to Firefighters Grant	97.044	224,515
TOTAL FEDERAL EXPENDITURES		<u>\$ 2,057,931</u>

(1) Major Program

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES
OF TAXES UNCOLLECTED
For the Year Ended June 30, 2014

General Fund and Sewer Bonded Debt Fund

TAX YEAR	IMPOSED LEVY OR OR BALANCE UNCOLLECTED AT 7/1/13	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT 6/30/14
Current:						
2013-14	\$ 7,946,209	\$ 197,510	\$ (16,336)	\$ 5,382	\$ 7,402,665	\$ 335,080
Prior Years:						
2012-13	360,400	(2)	(13,734)	12,766	173,014	186,420
2011-12	202,425	-	(15,490)	14,943	77,247	124,631
2010-11	122,693	-	(23,471)	23,067	74,290	47,999
2009-10	37,331	-	(8,180)	7,863	20,862	16,152
Prior	16,221	-	(2,503)	1,944	2,502	13,160
Total Prior	<u>739,070</u>	<u>(2)</u>	<u>(63,378)</u>	<u>60,583</u>	<u>347,915</u>	<u>388,362</u>
Total All Funds	<u>\$ 8,685,279</u>	<u>\$ 197,508</u>	<u>\$ (79,714)</u>	<u>\$ 65,965</u>	<u>\$ 7,750,580</u>	<u>\$ 723,442</u>

RECONCILIATION TO REVENUE:

Cash Collections by County Treasurer Above	\$ 7,750,580	
Accrual of Receivables:		
June 30, 2013	(62,007)	
June 30, 2014	140,220	
Other Taxes	<u>(22,014)</u>	
Total Revenue	<u>\$ 7,806,779</u>	
		<u>REVENUE</u> <u>RECEIVABLE</u>
Fund Allocation:		
General Fund	\$ 5,982,914	\$ 574,608
Sewer Bonded Debt Fund	<u>1,823,865</u>	<u>148,834</u>
Total	<u>\$ 7,806,779</u>	<u>\$ 723,442</u>

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES
OF TAXES UNCOLLECTED
For the Year Ended June 30, 2014

TAX YEAR	IMPOSED LEVY OR OR BALANCE UNCOLLECTED AT 7/1/13	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT 6/30/14
Urban Renewal Agency						
Current:						
2013-14	\$ 1,901,836	\$ 47,272	\$ (3,910)	\$ 1,288	\$ 1,771,744	\$ 80,198
Prior Years:						
2012-13	88,472	(1)	(4,380)	3,134	42,472	44,755
2011-12	58,981	-	(4,513)	4,354	22,507	36,315
2010-11	60,993	-	(11,668)	11,467	36,931	23,861
2009-10	17,979	-	(4,840)	3,787	10,048	6,878
Prior	8,516	-	(3,814)	1,021	1,313	4,410
Total Prior	<u>234,941</u>	<u>(1)</u>	<u>(29,215)</u>	<u>23,763</u>	<u>113,271</u>	<u>116,219</u>
Total All Funds	<u>\$ 2,136,777</u>	<u>\$ 47,271</u>	<u>\$ (33,125)</u>	<u>\$ 25,051</u>	<u>\$ 1,885,015</u>	<u>\$ 196,417</u>
RECONCILIATION TO REVENUE:						
Cash Collections by County Treasurer Above					\$ 1,885,015	
Accrual of Receivables:						
June 30, 2013					(22,147)	
June 30, 2014					15,801	
Other Taxes					<u>5,653</u>	
Total Revenue					<u>\$ 1,884,322</u>	

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

INDEPENDENT AUDITORS' REPORT REQUIRED
BY OREGON STATE REGULATIONS

This Page Intentionally Left Blank



PAULY, ROGERS, AND CO., P.C.
12700 SW 72nd Ave. Tigard, OR 97223
(503) 620-2632 (503) 684-7523 FAX
www.paulyrogersandcocpas.com

January 19, 2015

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the City of Newport, Oregon as of and for the year ended June 30, 2014, and have issued our report thereon dated January 19, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards.

Compliance

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

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

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

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

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

OAR 162-10-0230 Internal Control

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

We noted matters involving the internal control structure and its operation that we consider to be significant deficiencies under standards established by the American Institute of Certified Public Accountants, which are noted in the schedule of findings and questioned costs on page 70.

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

A handwritten signature in cursive script that reads "Roy R. Rogers".

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

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

GRANT COMPLIANCE REVIEW

This Page Intentionally Left Blank



PAULY, ROGERS, AND CO., P.C.
12700 SW 72nd Ave. Tigard, OR 97223
(503) 620-2632 (503) 684-7523 FAX
www.paulyrogersandcocpas.com

January 19, 2015

To the City Council
City of Newport
Lincoln County, Oregon

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newport as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated January 19, 2015.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies.

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

Compliance and Other Matters

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

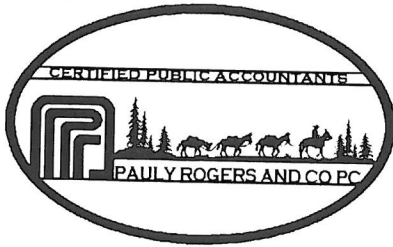
We noted certain matters that we reported to management of on the Schedule of Findings and Questioned Costs on page 70. Management's responses to the findings identified in our audit were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Purpose of this Report

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



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



PAULY, ROGERS, AND CO., P.C.
12700 SW 72nd Ave. Tigard, OR 97223
(503) 620-2632 (503) 684-7523 FAX
www.paulyrogersandcocpas.com

January 19, 2015

To the City Council
City of Newport
Lincoln County, Oregon

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

Report on Compliance for Each Major Federal Program

We have audited the City of Newport's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the major federal programs for the year ended June 30, 2014. The major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Newport, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2014.

Report on Internal Control over Compliance

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

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

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

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



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

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014

SECTION I – SUMMARY OF AUDITORS’ RESULTS

FINANCIAL STATEMENTS

Type of auditors’ report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes no

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

Noncompliance material to financial statements noted? yes no

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

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? yes no

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

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

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

IDENTIFICATION OF MAJOR PROGRAMS

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

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

Auditee qualified as low-risk auditee? yes no

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS

2014-FS-1

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

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

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

Cause: Inadequate resources devoted towards these functions.

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

Management's Response: This issue was because of being short staffed and a change in staff throughout the year. With a stable staff, bank reconciliations will be completed on a timely basis. This has been corrected as of July 2014.

2014-FS-2

Condition: Payroll registers are not being reviewed in a timely manner.

Criteria: Payroll registers should be approved shortly after creation, by someone independent of the process.

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

Cause: Inadequate resources devoted towards these functions.

Recommendations: We recommend that payroll registers be approved shortly after creation, by someone independent of the process.

Management's Response: This issue was because of being short staffed and a change in staff throughout the year. With a stable staff, payroll registers will be approved in a timely manner. Beginning July 2014, payroll registers are reviewed monthly by the assistant finance director.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted

SECTION IV – PRIOR FINANCIAL STATEMENT FINDINGS

2013-FS-1

This finding is the same as 2014-FS-1 above.

CITY OF NEWPORT
LINCOLN COUNTY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014

2013-FS-2

Condition: Journal entries are not being approved in a timely manner. This is the same

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

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

Cause: Inadequate resources devoted towards these functions.

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

Response: This has been corrected.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. **BASIS OF PRESENTATION**

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

This Page Intentionally Left Blank