

# 2015-2016

## ANNUAL FINANCIAL STATEMENT

JUNE 30, 2016



*N.E. 71st and Avery Housing Construction*



*Big Creek Force Main on  
Oceanview Dr.*



*Airport Runway  
Reconstruction*



*Newport Library Renovation*

**NEWPORT URBAN  
RENEWAL AGENCY**  
(A Component Unit of The  
City of Newport)

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

Everything you need for better future and success has already been written. And guess what? All you have to do is go to the library.

*Henri Frederic Amiel*

**Newport Urban Renewal Agency**  
**(A Component Unit of The City of Newport)**

**Annual Financial Report**  
**For the Fiscal Year Ended**  
**June 30, 2016**

\* \* \* \* \*

**Spencer Nebel, City Manager**  
**Mike Murzynsky, Finance Director**

**Prepared by:**  
**The Finance Department**  
**City of Newport, Oregon**

The most effective way to do it, is to do it.

*Amelia Earhart*

**Newport Urban Renewal Agency**  
 169 SW Coast Highway  
 Newport, Oregon 97365  
[www.newportoregon.gov](http://www.newportoregon.gov)

Board Members, Administrative Staff and Principal Financial Staff as of June 30, 2016

<u>Council Members</u>	<u>Years of Service</u>	<u>Term Expires</u>
Sandra Roumagoux, Mayor	3.5	December 31, 2016
Dean Sawyer	3.5	December 31, 2016
David Allen	5.5	December 31, 2018
Laura Swanson	3.5	December 31, 2016
Ralph Busby	3.5	December 31, 2016
Mark Saelens	3.5	December 31, 2018
Wendy Engler	1.5	December 31, 2018

<u>Administrative Staff</u>		<u>Years in this Position</u>	<u>Years of Service with the City of Newport</u>
City Manager	Spencer Nebel	2.5	2.5
Finance Director	Mike Murzynsky	2.0	2.0
City Attorney	Steve Rich	1.5	1.5
Public Works Director	Tim Gross	4.0	5.0
Community Development Director	Derrick Tokos	7.0	7.0
Parks and Recreation Director	Jim Protiva	11.0	11.0
Library Director	Ted Smith	7.0	7.0
Police Chief	Mark Miranda	13.0	13.0
Fire Chief	Rob Murphy	2.0	9.0

**Principal Finance Staff**

Finance Director  
 Mike Murzynsky

Assistant Finance Director  
 Linda Brown

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

*Lou Holtz*

**Newport Urban Renewal Agency**

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Today you are you! That is truer than true! There is no one alive who is  
you-er than you!

*Dr. Seuss*





## INDEPENDENT AUDITOR'S REPORT

Agency Officials  
NEWPORT URBAN RENEWAL AGENCY  
Newport, Oregon

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major funds of **NEWPORT URBAN RENEWAL AGENCY**, a *component unit of the City of Newport, Oregon* as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

#### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the **NEWPORT URBAN RENEWAL AGENCY**, as of June 30, 2016, and the respective changes in financial position, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## INDEPENDENT AUDITOR'S REPORT (Continued)

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 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 management's discussion and analysis 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 because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates 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 is fairly stated in all material respects in relation to the basic financial statements as a whole.

#### **Other Reporting Required by Oregon State Regulations**

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 29, 2016, on our consideration of the Agency's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Boldt Carlisle + Smith  
Certified Public Accountants  
Salem, Oregon  
December 29, 2016

By:



Brad Bingenheimer, Member

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Kites rise highest against the wind – not with it.

*Winston Churchill*

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management of the Newport Urban Renewal Agency offers readers of the Agency's financial statements this discussion of the financial activities of the Newport Urban Renewal Agency for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with the additional information furnished in the financial statements that follow.

### **Financial Highlights**

**Net Position** – The total asset of the Newport Renewal Agency exceeded its current liabilities at the close of the most recent fiscal year by \$5,093,737. Of this amount, \$3,558,722 may be used to meet the government's ongoing obligations to citizens and creditors. However, once the outstanding debt, \$10,756,162, (which will be paid over time) is subtracted from this \$5,093,737 the agency's total net position becomes a negative position of (\$5,662,425). As compared to last year's negative \$(6,875,106) there was an increase in net position of \$1,212,681.

**Governmental Funds** – As of the close of the fiscal year, the Newport Urban Renewal Agency's governmental funds reported combined ending fund balances of \$3,413,448.

During the fiscal year, the Newport Urban Renewal Agency's total debt decreased by \$1,104,025 in principal payments.

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

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

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

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

The Statement of Activities presents information showing how the Agency's net position changed during the most recent fiscal year. All changes in net positions are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods (for example, uncollected taxes). The governmental activities of the Newport Urban Renewal Agency include activities in two urban renewal funds; the Urban Renewal Fund, and the Urban Renewal Debt Service fund. The Urban Renewal Fund is engaged in capital project construction while the Urban Renewal Debt Service is responsible for debt payment activities.

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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

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

The Newport Urban Renewal Agency maintains two individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Change in Fund Balances for the General Fund and the Debt Service Fund. The details of these two major funds are presented in the Basic Financial Statements section of these financial statements.

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

### Government wide Financial Analysis

As noted earlier, the net position may serve over time as a useful indicator of a government's financial position. In the case of Newport Urban Renewal Agency, total liabilities exceeded assets by \$5,662,425 as of June 30, 2016. The following summary is a comparison between the Agency's net position at the end of this fiscal year as compared to the end of the last fiscal year.

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and investments	\$ 3,316,178	\$ 3,389,278
Other assets	197,247	193,495
Capital assets	<u>1,535,015</u>	<u>1,535,015</u>
Total assets	<u>5,048,440</u>	<u>5,117,788</u>
<b>LIABILITIES</b>		
Other liabilities	63,359	24,051
Non-current liabilities	<u>11,804,187</u>	<u>10,756,162</u>
Total liabilities	<u>11,867,546</u>	<u>10,780,213</u>
<b>NET POSITION</b>		
Investment in capital assets	1,535,015	1,535,015
Restricted for debt service	2,737,452	3,161,664
Unrestricted	<u>(11,147,573)</u>	<u>(10,359,104)</u>
Total net position	<u>\$ (6,875,106)</u>	<u>\$ (5,662,425)</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Changes in the net position of the Agency for the current and prior year are summarized as follows:

	Governmental Activities	
	2015	2016
<b>Revenues</b>		
General revenues		
Taxes	\$ 1,870,262	\$ 1,897,625
Investment earnings	18,686	46,039
Other	-	51,000
Total revenues	<u>1,888,948</u>	<u>1,994,664</u>
<b>Expenses</b>		
General government	3,453,462	375,354
Interest on long-term obligations	<u>300,269</u>	<u>406,629</u>
Total expenses	<u>3,753,731</u>	<u>781,983</u>
Change in net position	(1,864,783)	1,212,681
Beginning net position	14,516,625	(6,875,106)
Prior period adjustment	<u>(19,526,948)</u>	<u>-</u>
Ending net position	<u>\$ (6,875,106)</u>	<u>\$ (5,662,425)</u>

### Financial Analysis of the Agency's funds

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

At the end of the fiscal year, the Newport Urban Renewal Agency's governmental funds reported combined ending fund balances of \$3,413,448.

### Budgetary Highlights

For the 2015-16 Fiscal the Agency Board approved resolutions which changed the adopted budget during the year which decreased contingency by \$542 and increased personnel services by the same amount.

### Capital Asset and Debt Administration

**Capital Assets.** The Agency is holding land for redevelopment which cost \$1,535,015 as a capital asset separate from the City of Newport. Additional information on the capital assets of the Agency may be found in note 3 to the financial statements

**Long-Term Debt.** At the end of the fiscal year, the Newport Renewal Agency had total long-term debt outstanding of \$10,756,162. In 2007, Bank of America loaned the Urban Renewal Agency \$900,000 to construct the 4B Storm Drain project in the South Beach Urban Renewal District. The amount outstanding is \$112,000. In 2008, the Agency issued \$2,530,000 of Urban Renewal bonds to Bank of America. The amount outstanding is \$595,000. In 2010, the Agency borrowed and refunded several prior debts and borrowed an additional \$2,000,000 to help finance transportation improvements. Of that amount, \$4,675,000 remains outstanding. In the 2014-15 Fiscal Year the Agency borrowed \$5,456,000 to help finance current South Beach Construction project and as of June 30, 2016, the outstanding balance is \$5,339,000.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

### OUTSTANDING LONG-TERM OBLIGATIONS AT YEAR END

	2015	2016
2010B Series, Full Faith and Refunding	\$ 5,270,000	\$ 4,675,000
2007 Series, Bank of America	219,000	112,000
2008 Series, Bank of America	875,000	595,000
2015 A & B Urban Renewal Financing	5,456,000	5,339,000
Bond Premiums	40,187	35,162
Total	<u>\$ 11,860,187</u>	<u>\$ 10,756,162</u>

Additional information on the Agency's long-term obligations can be found in note 4 to the financial statements.

#### Economic Factors and Next Year's Budget

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

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

The City Council of Newport acts as the governing body for the Urban Renewal Agency for the City of Newport on all matters of business. As part of the budget process, the Budget Committee will also review the Urban Renewal budget for the fiscal year beginning July 1. The Urban Renewal Agency consists of three distinct districts.

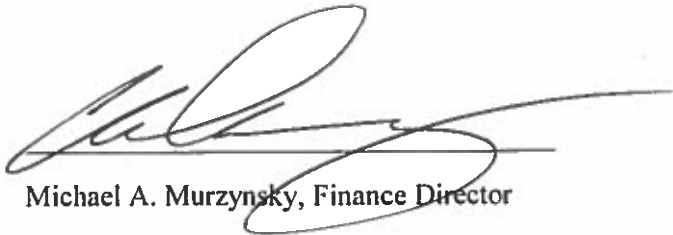
The first activity center within the Urban Renewal Agency Fund is the South Beach Urban Renewal District. This District is actively capturing taxes for various improvements through tax increment financing. Under tax increment financing, any operating taxes levied within the district continue going to each of the taxing entities for the property value when that district was originally established. Any taxes generated from within the established district from growth in assessed value through appreciation or new investment becomes the increment that can be utilized to fund debt for various improvements within the district. These improvements are part of the plan that has been previously adopted for completion of various projects within a fixed time period. The South Beach District has a number of significant projects which are occurring now and in the next fiscal year. These projects have been bonded utilizing tax increment financing from the District to repay these bonds. The projects will significantly redevelop the corridor near the Yaquina Bay Bridge in the vicinity of Highway 101 in the South Beach area.



**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

In addition to the South Beach Urban Renewal District there are two new districts included in the budget this year. The first is the Northside Urban Renewal District Fund, and the second is McLean Point Urban Renewal District Fund. Both of those district will receive their first increment of taxes in fiscal year 2016-17. There will be limited activity with either of these urban renewal districts until the increments are sufficient to cover those cost. The first expenditures from these districts will likely be a refinement plan for the City Center area and the Agate Beach area that will provide details as to what type of projects should occur within the guidelines of the Urban Renewal Plan that has been adopted for those areas. The situation is a little different in the McLean Point District. This district will see a significant increment if the Port cancels its leases of private property on the point and that property is added to the tax roles. This will help kick start financing for significant investment in infrastructure in order to connect McLean Point with the rest of the city utility systems.

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



Michael A. Murzynsky, Finance Director



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Linda Brown, Assistant Finance Director

You can observe a lot by just watching

*Yogi Berra*

## **BASIC FINANCIAL STATEMENTS**

In any moment of decision, the best thing you can do is the right thing,  
the next best thing is the wrong thing, and the worst thing you can do is  
nothing.

*Theodore Roosevelt*

NEWPORT URBAN RENEWAL AGENCY

STATEMENT OF NET POSITION

June 30, 2016

	<u>Governmental Activities</u>
<b><u>ASSETS</u></b>	
Cash and investments	\$ 3,389,278
Accounts receivable	950
Taxes receivable	192,545
Land	<u>1,535,015</u>
 TOTAL ASSETS	 <u>5,117,788</u>
<b><u>LIABILITIES</u></b>	
Accounts payable and accrued expenses	3,365
Accrued interest payable	20,686
Long-term obligations:	
Due within one year	1,167,025
Due in more than one year	<u>9,589,137</u>
 TOTAL LIABILITIES	 <u>10,780,213</u>
<b><u>NET POSITION</u></b>	
Investment in capital assets	1,535,015
Restricted for debt service	3,161,664
Unrestricted	<u>(10,359,104)</u>
 TOTAL NET POSITION	 <u>\$ (5,662,425)</u>

*See accompanying notes*

**NEWPORT URBAN RENEWAL AGENCY**

**STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2016**

	<u>Governmental Activities</u>
<b>PROGRAM EXPENSES</b>	
General government	\$ 375,354
Interest on long-term obligations	<u>406,629</u>
<b>TOTAL PROGRAM EXPENSES</b>	<u>781,983</u>
<b>GENERAL REVENUES</b>	
Property taxes, levied for debt service	1,897,625
Unrestricted investment earnings	46,039
Rents and leases	<u>51,000</u>
<b>TOTAL GENERAL REVENUES</b>	<u>1,994,664</u>
Change in net position	1,212,681
NET POSITION (DEFICIT) - beginning	<u>(6,875,106)</u>
NET POSITION (DEFICIT) - ending	<u>\$ (5,662,425)</u>

*See accompanying notes*

**NEWPORT URBAN RENEWAL AGENCY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2016**

	<u>General</u>	<u>Debt Service</u>	<u>Totals</u>
<b><u>ASSETS</u></b>			
Cash and investments	\$ 420,159	\$ 2,969,119	\$ 3,389,278
Accounts receivable	950	-	950
Taxes receivable	-	192,545	192,545
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 421,109</u>	<u>\$ 3,161,664</u>	<u>\$ 3,582,773</u>
<b><u>LIABILITIES</u></b>			
Accounts payable	1,960	-	1,960
Payroll and related liabilities	1,405	-	1,405
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	<u>3,365</u>	<u>-</u>	<u>3,365</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Unavailable revenue	-	165,960	165,960
	<hr/>	<hr/>	<hr/>
<b><u>FUND BALANCES</u></b>			
Restricted for:			
Debt service	-	2,995,704	2,995,704
Unrestricted	417,744	-	417,744
	<hr/>	<hr/>	<hr/>
TOTAL FUND BALANCES	<u>417,744</u>	<u>2,995,704</u>	<u>3,413,448</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 421,109</u>	<u>\$ 3,161,664</u>	

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

*Amounts reported for governmental activities in the statement net position are different because:*

Fund Balances	\$ 3,413,448
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	1,535,015
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(10,776,848)
Long-term assets which are not available for current-period expenditures are reported as unavailable revenue in the funds. However, such amounts are recognized as revenue in the government-wide financial statements	<u>165,960</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (5,662,425)</u>

*See accompanying notes*

**NEWPORT URBAN RENEWAL AGENCY**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2016**

	<u>General</u>	<u>Debt Service</u>	<u>Totals</u>
<b>REVENUES</b>			
Property taxes	\$ -	\$ 1,891,622	\$ 1,891,622
Interest	2,293	43,746	46,039
Rents and leases	<u>51,000</u>	<u>-</u>	<u>51,000</u>
<b>TOTAL REVENUES</b>	<u>53,293</u>	<u>1,935,368</u>	<u>1,988,661</u>
<b>EXPENDITURES</b>			
Current			
General government	375,354	-	375,354
Debt service	<u>-</u>	<u>1,517,159</u>	<u>1,517,159</u>
<b>TOTAL EXPENDITURES</b>	<u>375,354</u>	<u>1,517,159</u>	<u>1,892,513</u>
Net change in fund balances	(322,061)	418,209	96,148
Fund balances at beginning of year	<u>739,805</u>	<u>2,577,495</u>	<u>3,317,300</u>
Fund balances at end of year	<u>\$ 417,744</u>	<u>\$ 2,995,704</u>	<u>\$ 3,413,448</u>

*See accompanying notes*



NEWPORT URBAN RENEWAL AGENCY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2016

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 96,148

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

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds as follows:

Taxes 6,003

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

Amortization of bond premium 5,025  
Accrued interest 6,505  
Principal payments 1,099,000

Total long-term adjustments 1,110,530

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,212,681

*See accompanying notes*

**NEWPORT URBAN RENEWAL AGENCY**

**GENERAL (SPECIAL REVENUE) FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL  
For the Year Ended June 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>				
Grants	\$ 358,857	\$ 358,857	\$ -	\$ (358,857)
Interest	-	-	2,293	2,293
Rents and leases	<u>72,000</u>	<u>72,000</u>	<u>51,000</u>	<u>(21,000)</u>
<b>TOTAL REVENUES</b>	<u>430,857</u>	<u>430,857</u>	<u>53,293</u>	<u>(377,564)</u>
<b>EXPENDITURES</b>				
Personnel services	31,259	31,801	33,298	(1,497)
Materials and services	54,164	54,164	42,056	12,108
Capital outlay	115,000	115,000	-	115,000
Contingency	<u>704,687</u>	<u>704,145</u>	<u>-</u>	<u>704,145</u>
<b>TOTAL EXPENDITURES</b>	<u>905,110</u>	<u>905,110</u>	<u>75,354</u>	<u>829,756</u>
Excess (deficiency) of revenues over expenditures	(474,253)	(474,253)	(22,061)	452,192
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out*	<u>(300,000)</u>	<u>(300,000)</u>	<u>(300,000)</u>	<u>-</u>
Net change in fund balance	(774,253)	(774,253)	(322,061)	452,192
Fund balance at beginning of year	<u>774,253</u>	<u>774,253</u>	<u>739,805</u>	<u>(34,448)</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 417,744</u>	<u>\$ 417,744</u>

\* As a blended component unit of the City of Newport the Agency budgets amounts paid to other City funds as transfers out.

*See accompanying notes*

**Newport Urban Renewal Agency**  
**Notes to the Basic Financial Statements**  
**June 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**DESCRIPTION OF THE REPORTING ENTITY**

The Agency was established by the City of Newport by Resolution #1647. The Council consists of six members appointed by the Mayor with the approval of the majority of the City Council. In April of 2007, Resolution #1910 was adopted whereby full authority of the Agency was transferred to the Mayor and City Council and the appointed board was named as an advisory committee. Although the Agency Board and the City Council are made up of the same members, each is a legally separate entity and conducts all business as such. Based on standards set forth in GASB Statement 61, the Agency is considered a component unit of the City. Accordingly, the financial statements of the Agency are included in the City's basic financial statements.

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

**BASIS OF PRESENTATION**

**Government-wide financial statements**

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

General revenues are from property taxes, and interest. All expenses are categorized as general government and interest on long-term obligations.

**Fund financial statements**

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

**Newport Urban Renewal Agency**  
**Notes to the Basic Financial Statements**  
**June 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BASIS OF PRESENTATION (Continued)**

**Fund financial statements (continued)**

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

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

There are two funds in the Urban Renewal Agency and both are major governmental funds:

**General**

This fund tracks the capital projects being built in the South Beach Urban Renewal District in conjunction with the City of Newport's capital projects fund. The major sources of revenue are property taxes and state grants when available.

**Debt Service**

The fund pays for or makes special payments to the City's debt service funds to pay the principal and interest on outstanding debt utilized to finance the projects. The major source of revenue comes from property taxes.

**BUDGETS**

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

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

**Newport Urban Renewal Agency**  
**Notes to the Basic Financial Statements**  
**June 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BUDGETS (Continued)**

The expenditure budgets are appropriated at the following levels:

**LEVEL OF CONTROL**

Personal services  
Materials and services  
Capital outlay  
Debt service  
Operating contingency

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

**PROPERTY TAXES AND PROPERTY TAXES RECEIVABLE**

Uncollected real and personal property taxes are reflected on the statement of net position and the balance sheet as receivables. Uncollected taxes are deemed by management to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established. All property taxes receivable are due from property owners within the City of Newport boundaries. Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic distributions of collections to entities levying taxes. Property taxes become a lien against the property when levied on July 1st of each year and are payable in three installments due on November 15th, February 15th and May 15th. Discounts are allowed if the amount due is received by November 15th. Taxes unpaid and outstanding on May 16th are considered delinquent. Property tax collections are distributed monthly except for November, when such distributions are made weekly.

Taxes collected within approximately sixty days of the fiscal year end are recognized as revenue in the fund statements. The remaining balance of property taxes receivable is recorded as unavailable revenue as it is not considered by management to be available to finance operations of the current period.

**CAPITAL ASSETS**

The Agency reports as capital assets real property that has been acquired for redevelopment which the Agency has legal title and responsibility for management and maintenance. Other capital assets acquired by the Agency are transferred to the City of Newport.

**Newport Urban Renewal Agency**  
**Notes to the Basic Financial Statements**  
**June 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**LONG-TERM OBLIGATIONS**

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

**FUND BALANCE**

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, 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 as follows:

- Nonspendable - represents amounts that are not in a spendable form. The nonspendable fund balance represents inventories and prepaid items.
- Restricted - 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 - represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.
- Assigned - 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 and Assistant Finance Director have been given the authority to assign fund balances.
- Unassigned - 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 governing body 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.

**Newport Urban Renewal Agency**  
**Notes to the Basic Financial Statements**  
**June 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**NET POSITION**

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

- Investment in capital assets -consists of all capital assets, net of accumulated depreciation and reduced by any outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted -consists of external constraints placed on asset use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – consists of all other assets that are not included in the other categories previously mentioned.

**DEFERRED INFLOWS OF RESOURCES**

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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Agency 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**

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

**DEPOSITS**

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

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

**Newport Urban Renewal Agency  
Notes to the Basic Financial Statements  
June 30, 2016**

**2. CASH AND INVESTMENTS (Continued)**

**INVESTMENTS**

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

Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. There is no material difference between the fair value of the Agency's position in the LGIP and the value of the pool shares at June 30, 2016. There were no known violations of legal or contractual provisions for deposits and investments during the fiscal year.

Interest Rate Risk

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

Credit Risk - Deposits

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

Credit Risk - Investments

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

Concentration of Credit Risk

At June 30, 2016, investments were comingled with the City of Newport investments. 100% of total City of Newport investments were in the State Treasurer's Investment Pool. State statutes do not limit the percentage of investments in this instrument.

**3. CAPITAL ASSETS**

Activity in the Agency's capital assets is as follows:

	<u>July 1, 2015</u>	<u>Acquisitions</u>	<u>Dispositions</u>	<u>June 30, 2016</u>
Land	<u>\$ 1,535,015</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,535,015</u>



**Newport Urban Renewal Agency**  
**Notes to the Basic Financial Statements**  
**June 30, 2016**

**4. LONG-TERM DEBT**

Changes in long-term obligations for the year ended June 30, 2016 are as follows:

	Beginning			Ending Balance June 30, 2016	Due within one year
	Balance July 1, 2015	Increase	Decrease		
Long-term debt obligations:					
2007 Urban Renewal Bond, Tax Exempt	\$ 219,000	\$ -	\$ 107,000	\$ 112,000	\$ 112,000
2008 Urban Renewal Bond, Tax Exempt	875,000	-	280,000	595,000	290,000
2015A & 2015B Tax Exempt UR Bonds	5,456,000	-	117,000	5,339,000	100,000
Full Faith & Credit Refunding Series 2010B	<u>5,270,000</u>	<u>-</u>	<u>595,000</u>	<u>4,675,000</u>	<u>660,000</u>
	11,820,000	-	1,099,000	10,721,000	1,162,000
Other long-term obligations:					
Unamortized premium	<u>40,187</u>	<u>-</u>	<u>5,025</u>	<u>35,162</u>	<u>5,025</u>
	<u>\$ 11,860,187</u>	<u>\$ -</u>	<u>\$ 1,104,025</u>	<u>\$ 10,756,162</u>	<u>\$ 1,167,025</u>

Tax Exempt Series 2007 Bonds

In May 2007, Urban Renewal bonds were issued with an interest rate of 5.25% in the total amount of \$900,000. The purpose of the bonds was to finance the 4B Storm Drain Project in South Beach. The bonds mature June 2017, with the current balance outstanding at year-end of \$112,000.

Annual requirements to repay the loan are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	<u>\$ 112,000</u>	<u>\$ 5,880</u>	<u>\$ 117,880</u>

Tax Exempt Series 2008 Bonds

In May 2008, bonds with an interest rate of 4.25% in the amount of \$2,530,000 were issued. The purpose of the bonds was to finance infrastructure improvements related to Oregon Coast Community College campus and various other infrastructure projects in South Beach. The bonds mature June 2018, with the current balance outstanding at year-end of \$595,000.

Annual repayments are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 290,000	\$ 25,288	\$ 315,288
2018	<u>305,000</u>	<u>12,963</u>	<u>317,963</u>
	<u>\$ 595,000</u>	<u>\$ 38,251</u>	<u>\$ 633,251</u>

**Newport Urban Renewal Agency**  
**Notes to the Basic Financial Statements**  
**June 30, 2016**

**4. LONG-TERM DEBT (Continued)**

Full Faith & Credit Refunding Obligations, Series 2010B

In July 2010, Full Faith & Credit Refunding Obligations, Series 2010B was issued in the amount of \$8,465,000 to refinance one loan agreement with the Oregon DEQ (loan #68931) and two loan agreements with the Oregon Business Development Department (OBDD), formerly the Oregon Economic and Community Development Department (OECDD), which were issued to help finance a portion of the City's sewer treatment plant. An additional \$2,000,000 was borrowed as part of the refunding to help finance transportation infrastructure improvements, which has enhance access to the Pacific Marine Operation Center. The DEQ loan was considered a current refunding and was called July 14, 2010. The OBDD loans advanced refunded, whereby \$3,711,619 was used to purchase United States Government obligations, which were deposited into an escrow account. These funds were sufficient to call the bonds on January 1, 2011. The new bonds were issued at a premium of \$276,407 with bond issue cost totaling \$129,484. Interest range from 2.0 percent to 4.5 percent, with a final maturity of June 15, 2023. As of June 30, 2016, the outstanding balance is \$4,675,000. Annual debt service requirements to maturity for this bond is as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 660,000	\$ 177,075	\$ 837,075
2018	775,000	150,675	925,675
2019	975,000	122,800	1,097,800
2020	670,000	93,550	763,550
2021	480,000	65,075	545,075
2022-23	<u>1,115,000</u>	<u>63,925</u>	<u>1,178,925</u>
	<u>\$ 4,675,000</u>	<u>\$ 673,100</u>	<u>\$ 5,348,100</u>

In March 2015, the South Beach Urban Renewal District completed a bank borrowing, Series 2015A & 2015B, totaling \$5,456,000 to finance property acquisitions, infrastructure projects, and a trail project in the South Beach urban growth area. The interest rate ranges from 2.45 percent to 3.45 percent. Final maturity is June 1, 2025. As of June 30, 2016, the outstanding balance is \$5,339,000. Annual debt service requirements to maturity for this bond is as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 100,000	\$ 146,807	\$ 246,807
2018	130,000	143,309	273,309
2019	280,000	138,762	418,762
2020	624,000	129,321	753,321
2021	865,000	107,140	972,140
2022-2026	<u>3,340,000</u>	<u>222,949</u>	<u>3,562,949</u>
	<u>\$ 5,339,000</u>	<u>\$ 888,288</u>	<u>\$ 6,227,288</u>

**Newport Urban Renewal Agency**  
**Notes to the Basic Financial Statements**  
**June 30, 2016**

**5. RISK MANAGEMENT**

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

**6. 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.

People always ask me, 'Were you funny as a child?' Well, no, I was an accountant.

*Ellen DeGeneres*

## **SUPPLEMENTARY INFORMATION**

- Budget and actual schedule for Debt Service

**NEWPORT URBAN RENEWAL AGENCY**

**DEBT SERVICE FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL  
For the Year Ended June 30, 2016**

	Final Budget	Actual	Variance
<b>REVENUES</b>			
Property taxes	\$ 2,353,195	\$ 1,891,622	\$ (461,573)
Interest	<u>11,000</u>	<u>43,746</u>	<u>32,746</u>
<b>TOTAL REVENUES</b>	<u>2,364,195</u>	<u>1,935,368</u>	<u>(428,827)</u>
<b>EXPENDITURES</b>			
Debt service	<u>1,517,732</u>	<u>1,517,159</u>	<u>573</u>
Net change in fund balance	846,462	418,209	(428,253)
Fund balance at beginning of year	<u>2,442,359</u>	<u>2,577,495</u>	<u>135,136</u>
Fund balance at end of year	<u><u>\$ 3,288,821</u></u>	<u><u>\$ 2,995,704</u></u>	<u><u>\$ (293,117)</u></u>



## INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Agency Officials  
NEWPORT URBAN RENEWAL AGENCY  
Newport, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the **NEWPORT URBAN RENEWAL AGENCY** as of and for the year ended June 30, 2016, and have issued our report thereon dated December 29, 2016.

### Compliance

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

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

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

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

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

**Internal Control OAR 162-10-0230**

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

**Restriction on Use**

This report is intended solely for the information and use of the Agency Officials and management of the NEWPORT URBAN RENEWAL AGENCY and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

Boldt Carlisle + Smith  
Certified Public Accountants  
Salem, Oregon  
December 29, 2016

By:



Brad Bingenheimer, Member