

2015-2016

ANNUAL FINANCIAL STATEMENT

JUNE 30, 2016



FOR THE
CITY OF NEWPORT
AND
NEWPORT URBAN
RENEWAL AGENCY



N.E. 71st and Avery Housing Construction



*Big Creek Force Main on
Oceanview Dr.*



*Airport Runway
Reconstruction*



Newport Library Renovation

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.

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

Amelia Earhart

City of Newport Oregon

Annual Financial Report

For the Fiscal Year Ended

June 30, 2016

*** * * * ***

Spencer Nebel, City Manager

Mike Murzynsky, Finance Director

Wherever you go, no matter what the weather, always bring your own
sunshine.

Anthony J. D'Angelo

City of Newport, Oregon
 169 SW Coast Highway
 Newport, Oregon 97365
www.newportoregon.gov

Council 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

Asst. Finance Director
 Linda Brown

Eighty percent of success is showing up.

Woody Allen

City of Newport, Oregon

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the City Council
CITY OF NEWPORT
Newport, 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 **CITY OF NEWPORT** as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City'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 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 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.

INDEPENDENT AUDITOR'S REPORT (Continued)

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, 2016, the respective changes in financial position, and cash flows, where applicable, thereof, and the respective budgetary comparisons for the General, Parks and Recreation, and Agate Beach Closure Funds, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 4 through 11 and the required supplementary information on pages 87 through 91 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 information 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 City'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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other 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. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT (Continued)

Reports on Other Legal and Regulatory Requirements

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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 30, 2016, on our consideration of the City'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 30, 2016

By:



Bradley G. Bingenheimer, Member

It's a funny thing about life, if you refuse to accept anything but the best,
you very often get it.

W. Somerset Maugham

MANAGEMENT'S DISCUSSION AND ANALYSIS

He who is not courageous enough to take risks will accomplish nothing
in life

Muhammad Ali

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, 2016. 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 \$104.0 million up \$4.337 million (4.4%) from the previous year. Of this amount \$5.280 million may be used to meet the City's ongoing obligation to citizens and creditors. New this year is a classification of the Net Position for the Agate Beach Closure, \$1.372 million is restricted for the closure costs related to the Agate Beach landfill; Tourism is new and \$499,109 is restricted to tourism activities; \$765,078 is related to Street projects and finally \$417,744 is restricted to Urban Renewal activities. Another \$4.730 million is restricted for bond, namely reserves for various bonds. For Capital Projects, \$7.951 million is set aside for Capital Projects. Finally, the remaining \$82.996 million is the Net Investment in Capital Assets.

Change in Net Position – The City's total net position for the 2015-16 Fiscal Year (FY) increased by \$4.337 million, total assets increased by \$4.674 million, total liabilities increased by \$1.405 million, Net Investment in Capital Assets increased by \$14.897 million while Total Deferred Inflows decreased by \$612,729, Capital Projects – Restricted decreased by \$10.908 million, and Unrestricted fund balances decreased by \$3.379 million.

Governmental Funds – As of the close of the fiscal year, the City's governmental funds reported combined Ending Fund Balances (EFBs) of \$18.392 million, down \$6.929 million from the previous year. The General Fund increased by \$739,000, because net income exceeded the total other financing sources while Parks and Recreation, Agate Beach Closure were both relatively flat as compared to the 2014-15 FY. The Urban Renewal Debt fund balance increased by \$418,209. The significant decrease in EFB's was in the Capital Projects – General Fund, it decreased \$7.302 million due to significant construction on the new Aquatic Center.

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 assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The State 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 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, wastewater treatment and collection, the Public Works Internal Service fund.

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 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. Parks and Recreation
3. Agate Beach Closure Fund
4. Newport Urban Renewal Debt Service
5. Capital Projects Fund

Data from the other twelve 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 and the related Capital Projects, Debt Service, and the Public Works fund.

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.

Required Supplementary Information. The schedules present additional and historical trend information on the City's participation in the Oregon Public Employees Retirement System (PERS) and the City's defined benefit pension plan.

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 assets may serve over time as a useful indicator of a government's financial position. As of June 30, 2016, the City's assets exceeded liabilities by \$104.0 million.

The largest portion of the City's net position (79.79%) 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. Of the remaining balance in net assets over \$2.0 million, \$4.730 million is restricted for future debt service, \$7.951 million is restricted for Capital projects paid for by System Development Charges (SDCs) and other restricted items, and \$5.281 million is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

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, as restated.

TABLE 1
SUMMARY OF NET POSITION

	Governmental Activities		Business-type Activities		Total Government	
	2015	2016	2015	2016	2015	2016
Cash and investments	\$ 25,284,246	\$ 19,715,914	\$ 6,514,934	\$ 5,044,224	\$ 31,799,180	\$ 24,760,138
Other assets	1,274,682	903,434	2,840,305	2,791,621	4,114,987	3,695,055
Capital assets	58,558,685	68,062,055	59,672,022	62,301,602	118,230,707	130,363,657
Total Assets	\$ 85,117,613	\$ 88,681,403	\$ 69,027,261	\$ 70,137,447	\$ 154,144,874	\$ 158,818,850
DEFERRED OUTFLOWS OF RESOURCES						
Pension related items	424,064	755,022	23,276	147,690	447,340	902,712
Other liabilities	\$ 844,830	\$ 2,575,377	\$ 827,981	\$ 1,149,039	\$ 1,672,811	\$ 3,724,416
Long term debt outstanding	23,299,277	23,553,776	28,782,726	27,881,228	52,082,003	51,435,004
Total Liabilities	\$ 24,144,107	\$ 26,129,153	\$ 29,610,707	\$ 29,030,267	\$ 53,754,814	\$ 55,159,420
DEFERRED INFLOWS OF RESOURCES						
Pension related items	1,110,863	488,439	-	15,791	1,110,863	504,230
Unearned revenues	51,999	45,903	-	-	51,999	45,903
Total deferred inflows	1,162,862	534,342	-	15,791	1,162,862	550,133
Net Investment in Capital Assets	\$ 36,828,050	\$ 47,957,375	\$ 31,271,352	\$ 35,038,648	\$ 68,099,402	\$ 82,996,023
Restricted						
Capital Projects	15,736,509	6,255,437	3,122,889	1,695,745	18,859,398	7,951,182
Debt Service	2,631,333	3,226,183	1,425,187	1,503,517	4,056,520	4,729,700
Agate Beach Closure	-	1,372,665	-	-	-	1,372,665
Tourism	-	499,109	-	-	-	499,109
Street	-	765,078	-	-	-	765,078
Urban renewal revitalization	-	417,744	-	-	-	417,744
Unrestricted	5,038,816	2,279,339	3,620,402	3,001,169	8,659,218	5,280,508
Total Net Position	\$ 60,234,708	\$ 62,772,930	\$ 39,439,830	\$ 41,239,079	\$ 99,674,538	\$ 104,012,009

Governmental activities. Governmental net assets increased from \$60.234 million 2014-15 Fiscal Year to \$ 62.773 million in FY 2016.

Business-type activities. Net assets for Business-type activities increased by about \$1.8 million from \$39.439 million.

TABLE 2
GOVERNMENTAL AND PROPRIETARY ACTIVITIES

	Governmental Activities		Business-type Activities		Total Government	
	2015	2016	2015	2016	2015	2016
REVENUES:						
Program Services						
Charges for Services	\$ 5,078,982	\$ 4,153,866	\$ 7,415,179	\$ 7,351,924	\$ 12,494,161	\$ 11,505,790
Grants & Contributions	6,105,574	1,932,200	-	16,540	6,105,574	1,948,740
General Revenue						
Taxes	11,821,775	12,305,014	1,928,761	1,783,433	13,750,536	14,088,447
Licenses, Permits and Fees	724,801	1,421,518	-	-	724,801	1,421,518
Intergovernmental	1,548,790	1,036,624	-	-	1,548,790	1,036,624
Investment Earnings	106,880	148,909	67,944	49,845	174,824	198,754
Other Revenue	379,998	505,102	376,389	-	756,387	505,102
Transfers	(172,072)	(782,845)	172,072	782,845	-	-
Total Revenues	\$ 25,594,728	\$ 20,720,388	\$ 9,960,345	\$ 9,984,587	\$ 35,555,073	\$ 30,704,975
EXPENSES:						
General government	\$ 5,446,621	\$ 6,271,284	\$ -	\$ -	\$ 5,446,621	\$ 6,271,284
Public Safety	5,185,741	7,122,338	-	-	5,185,741	7,122,338
Highways and streets	1,905,912	1,391,446	-	-	1,905,912	1,391,446
Culture and recreation	2,600,685	2,680,451	-	-	2,600,685	2,680,451
Interest on long-term obligations	758,037	716,647	-	-	758,037	716,647
Water	-	-	3,622,964	5,016,453	3,622,964	5,016,453
Sewer	-	-	4,334,154	3,383,671	4,334,154	3,383,671
Capital Projects	-	-	247,936	-	247,936	-
Total expenses	\$ 15,896,996	\$ 18,182,166	\$ 8,205,054	\$ 8,400,124	\$ 24,102,050	\$ 26,582,290
Charges in Net Position	\$ 9,697,732	\$ 2,538,222	\$ 1,755,291	\$ 1,584,463	\$ 11,453,023	\$ 4,122,685
Beginning Net Position	\$ 50,536,976	\$ 60,234,708	\$ 37,962,147	\$ 39,439,830	\$ 88,499,123	\$ 99,674,538
Prior Period Adjustment	-	-	(277,608)	214,786	(277,608)	214,786
Ending Net Position	\$ 60,234,708	\$ 62,772,930	\$ 39,439,830	\$ 41,239,079	\$ 99,674,538	\$ 104,012,009

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 \$18.392 million, of which \$14.66 million is either non-spendable, restricted, or committed fund balance. \$3.733 million is unassigned fund balance and, if appropriated, is available for new spending.

A summary of all fund balances is shown below.

TABLE 3
ENDING FUND BUDGETARY BALANCES

GOVERNMENTAL FUNDS	FY 2014	FY 2015	FY2016	FY15 to FY16 Change
General Fund	\$ 2,118,241	\$ 2,995,163	\$ 3,733,611	\$ 738,448
Airport Fund	396,981	312,147	231,798	(80,349)
Room Tax Fund	922,155	850,362	504,109	(346,253)
Agate Beach Closure Fund	1,414,932	1,397,838	1,372,665	(25,173)
Capital Project Fund	9,614,365	11,944,792	4,642,994	(7,301,798)
Urban Renewal Agency	277,073	739,805	417,744	(322,061)
General Debt Fund	9,450	53,838	47,210	(6,628)
Newport Urban Renewal Debt Fund	1,883,198	2,577,495	2,995,704	418,209
Street Fund	635,859	670,591	765,078	94,487
Line Undergrounding Fund	639,286	758,129	674,570	(83,559)
SDC Fund	791,582	1,151,936	1,291,147	139,211
Parks & Recreation Fund	232,509	417,004	447,082	30,078
Building Inspection Fund	528,834	475,694	563,897	88,203
Public Parking Fund	295,703	318,536	285,365	(33,171)
Reserve Fund	320,513	502,138	285,000	(217,138)
Housing Fund	177,479	156,334	134,414	(21,920)
Total Governmental Funds	\$ 20,258,160	\$ 25,321,802	\$ 18,392,388	\$ (6,929,414)
BUSINESS TYPE FUNDS	FY 2014	FY 2015	FY2016	FY15 to FY16 Change
Water Fund	\$ 764,824	\$1,634,175	\$939,208	\$ (694,967)
Sewer Fund	775,060	968,152	992,495	24,343
Debt Fund - Water	549,968	137,510	92,511	(44,999)
Debt Fund - Sewer	626,816	1,158,135	1,259,933	101,798
Capital Projects	-	3,122,889	1,695,745	(1,427,144)
Public Works Fund	204,481	183,477	63,678	(119,799)
Total Business Type Funds	\$ 2,921,149	\$ 7,204,338	\$ 5,043,570	\$ (2,160,768)

The City's governmental funds reported combined Ending Fund Balances (EFBs) of \$18.392 million, down \$6.929 million from the previous year. The General Fund EFB increased by \$738,448 to \$3.734 million. In the General Fund, the ratio of EFB to total expenditures less non-departmental and transfers is 44.61%. Other substantial increases were in the Newport Urban Renewal debt which increased by \$418,209 to \$2.995 million and the SDC fund which increased by \$139,211 to \$1.291 million.

The primary reason for the decrease in governmental fund balances was within the Capital Project Fund. The actual beginning balance began the 2015-16 FY at \$11.945 million and finished the FY at \$4.643 million. Thus the fund decreased \$7.302 million due to significant completion of the Aquatic and other various capital projects.

Capital assets. As of June 30, 2016 the City’s investment in capital assets for its governmental and business type activities was \$130.4 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	
	2015	2016	2015	2016	2015	2016
Land	\$ 10,739,560	\$ 10,140,220	\$ 259,312	\$ 858,652	\$ 10,998,872	\$ 10,998,872
Buildings & structures	30,527,570	30,611,160	28,522,539	28,746,625	59,050,109	59,357,785
Equipment	4,003,127	3,923,649	1,705,480	1,965,674	5,708,607	5,889,323
Vehicles	5,182,900	5,506,961	1,008,482	1,553,165	6,191,382	7,060,126
Infrastructure	34,771,218	39,904,928	53,561,972	55,400,513	88,333,190	95,305,441
Construction in progress	11,242,808	17,267,695	4,344,048	6,027,933	15,586,856	23,295,628
Less accumulated depreciation	(37,879,989)	(39,292,558)	(29,729,811)	(32,250,960)	(67,609,800)	(71,543,518)
Total	\$ 58,587,194	\$ 68,062,055	\$ 59,672,022	\$ 62,301,602	\$ 118,259,216	\$ 130,363,657

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

- South Beach Tsunami Evacuation Route Enhancement
- Big Creek Lift Station
- Agate Beach Storage Tank
- Aquatic Center Construction
- SW Abalone-Brant Improvement
- SE Ferry Slip Rd – Street Improvement

TABLE 5
Change in Capital Assets

	Governmental Activities		Business-type Activities		Total Government	
	2015	2016	2015	2016	2015	2016
Beginning balance	\$ 50,675,444	\$ 58,587,194	\$ 57,976,005	\$ 59,865,980	\$ 108,651,449	\$ 118,453,174
Additions	9,652,113	17,158,424	4,190,417	6,929,262	13,842,530	24,087,686
Depreciation	(1,740,363)	(1,767,627)	(2,494,399)	(2,715,107)	(4,234,762)	(4,482,734)
Deletions	-	(5,915,936)	193,957	(1,778,533)	193,957	(7,694,469)
Ending Balance	\$ 58,587,194	\$ 68,062,055	\$ 59,865,980	\$ 62,301,602	\$ 118,453,174	\$ 130,363,657

Further information and discussion on the Capital Assets may be found in the Notes to the Financial Statements, Section 3 Detailed Notes.

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 2016, the City added no debt yet continued to pay down the debt, \$2.792 million as planned.

TABLE 6
OUTSTANDING DEBT AT YEAR END

GOVERNMENTAL ACTIVITIES	FY 2014	FY 2015	FY2016
2014 Series GO for Pool	\$ 7,900,000	\$ 7,850,000	\$ 7,655,000
2007 Certificate of Participation (LoCap)	200,000	185,000	170,000
2009 Certificate of Participation (LoCap)	1,340,000	1,085,000	825,000
2012 North Side Fire Station	239,756	226,776	213,132
2010B Series, Full Faith & Refunding	5,840,000	5,270,000	4,675,000
2007 Series, Bank of America	321,000	219,000	112,000
2008 Series, Bank of America	1,145,000	875,000	595,000
2015 A & B Urban Renewal	-	5,456,000	5,339,000
Dell Finance - Capital Leases	48,248	57,778	24,694
City Bond Premium	528,118	494,405	460,690
URA Bond Premium	45,208	40,185	35,160
Total Governmental Debt	\$ 17,607,330	\$ 21,759,144	\$ 20,104,676
BUSINESS TYPE ACTIVITIES	FY 2014	FY 2015	FY2016
2009 GO Water Improvement Bonds (WTP)	14,485,541	13,845,541	13,120,541
2008 GO Refunding Bonds (Wastewater)	4,240,000	3,455,000	2,640,000
2010A Series, Full Faith & Refunding	3,975,000	3,560,000	3,135,000
Clean Water SRF Draw	339,500	1,858,187	2,876,587
2007 Seal Rock Water District Agreement	846,913	794,505	767,888
2015 Water Borrowing	-	4,554,800	4,423,626
Bond Premium	365,962	332,637	299,312
Total Business Type Debt	\$ 24,252,916	\$ 28,400,670	\$ 27,262,954
TOTALS:	\$ 41,860,246	\$ 50,159,814	\$ 47,367,630

Further discussion and information on the City's Long-term debt may be found in the Notes to the Financials, Section 3 Detailed Notes.

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.

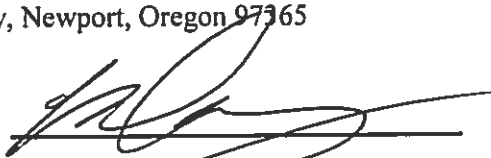
Another indicator of economic trends is the unemployment rate for a particular area. In reviewing the Lincoln County unemployment statistics over the past ten years for the month of February, it shows that 2016 (6.4%) had the second lowest unemployment rate during this ten-year window, with only 2008 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's single largest source of revenue for the operation of the City of Newport comes from property taxes. The city has seen a steady growth in this revenue over the past years, which is used to fund the major operations of the city, including police, fire, and general government. The State of Oregon has passed a number of initiatives that impact the amount of property taxes paid to local governments, including Measure 5 which passed in 1990, and Measure 50, which passed in 1996. Measure 5 imposes a limit of \$10 per \$1,000 of real market value for the overall payments of general government taxes. The City of Newport has not been significantly impacted by compression, which results when the rate limits enacted by Measure 50 are exceeded on individual properties. Compression applies to the real market value of properties rather than the assessed valuation. The city should continue seeing a modest growth in property tax revenues for the foreseeable future.

Other significant sources of revenues for the City of Newport include the transient room tax and local gas tax, state shared revenues, state gas tax and franchise fees, and line undergrounding fees from various utilities utilizing the city's right-of-way or being granted an exclusive franchise within the city. Also, because the City provides for Water and Sewer services there are related fees and charges for these and are a significant source for our Proprietary funds.

In assembling the City-wide budget for the 2016-17 Budget, the City Finance Department assembled assumptions for the budget as follows; assessed value of property would increase by 2.0 percent and the same for interest income. Medical insurance coverage was scheduled to increase by an average 7 percent, and an average Cost of Living Adjustment of 2.0% for budgeted wages.

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: FINANCE DIRECTOR

Signature: 
Title: ASST. FINANCE DIRECTOR

BASIC FINANCIAL STATEMENTS

Our character is what we do when we think no one is looking.

H. Jackson Brown, Jr.

CITY OF NEWPORT, OREGON
STATEMENT OF NET POSITION
June 30, 2016

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and investments	\$ 16,714,033	\$ 1,604,257	\$ 18,318,290
Internal balances	(1,136,252)	1,136,252	-
Receivables			
Property taxes	820,026	175,454	995,480
Accounts	1,200,780	1,023,686	2,224,466
Inventories	-	450,434	450,434
Prepaid items	9,129	5,795	14,924
Restricted cash and investments	3,001,881	3,439,967	6,441,848
Land held for resale	9,751	-	9,751
Capital assets			
Land and construction in progress	27,407,915	6,886,585	34,294,500
Other capital assets, net of depreciation	40,654,140	55,415,017	96,069,157
Total assets	<u>88,681,403</u>	<u>70,137,447</u>	<u>158,818,850</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	<u>755,022</u>	<u>147,690</u>	<u>902,712</u>
LIABILITIES			
Accounts payable	2,213,271	661,111	2,874,382
Payroll and related liabilities	315,612	84,628	400,240
Accrued interest payable	43,626	115,351	158,977
Refundable deposits and advances	2,868	287,949	290,817
Long-term obligations			
Due within one year			
Compensated absences	443,048	82,929	525,977
All other debt	1,734,772	2,315,674	4,050,446
Due in more than one year			
Other post employment benefits	272,104	69,158	341,262
Net pension liability	2,733,944	466,187	3,200,131
All other debt	18,369,908	24,947,280	43,317,188
Total liabilities	<u>26,129,153</u>	<u>29,030,267</u>	<u>55,159,420</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related items	488,439	15,791	504,230
Unearned revenue	<u>45,903</u>	<u>-</u>	<u>45,903</u>
Total deferred inflows of resources	<u>534,342</u>	<u>15,791</u>	<u>550,133</u>
NET POSITION			
Net investment in capital assets	47,957,375	35,038,648	82,996,023
Restricted for:			
Capital projects	6,255,437	1,695,745	7,951,182
Debt service	3,226,183	1,503,517	4,729,700
Agate beach closure	1,372,665	-	1,372,665
Tourism	499,109	-	499,109
Streets	765,078	-	765,078
Urban renewal revitalization	417,744	-	417,744
Unrestricted	<u>2,279,339</u>	<u>3,001,169</u>	<u>5,280,508</u>
Total net position	<u>\$ 62,772,930</u>	<u>\$ 41,239,079</u>	<u>\$ 104,012,009</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF NEWPORT, OREGON
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
FUNCTIONS/PROGRAMS				
Governmental activities				
General government	\$ 6,271,284	\$ 2,617,314	\$ 29,122	\$ 1,310,056
Public safety	7,122,338	493,593	87,057	-
Highways and streets	1,391,446	435,731	-	55,857
Culture and recreation	2,680,451	607,228	72,179	377,929
Interest on long-term obligations	716,647	-	-	-
Total governmental activities	<u>18,182,166</u>	<u>4,153,866</u>	<u>188,358</u>	<u>1,743,842</u>
Business-type activities				
Water	5,016,453	3,537,147	-	-
Sewer	3,383,671	3,814,777	-	16,540
Total business-type activities	<u>8,400,124</u>	<u>7,351,924</u>	<u>-</u>	<u>16,540</u>
Totals	<u>\$ 26,582,290</u>	<u>\$ 11,505,790</u>	<u>\$ 188,358</u>	<u>\$ 1,760,382</u>

General revenues

Property taxes used for general purposes
Property taxes used for debt service
Transient room taxes used for general purposes
Franchise fees
Motor fuel taxes
Cigarette and alcoholic beverage taxes
Unrestricted investment earnings
Miscellaneous

Transfers

Total general revenues and transfers

Change in net position
Net position - beginning
Prior period adjustments

Net position - ending

The notes to the basic financial statements are an integral part of this statement.

Net (Expense) Revenue and
Change in Net Position

Governmental Activities	Business- type Activities	Totals	
			Governmental activities
\$ (2,314,792)	\$ -	\$ (2,314,792)	General government
(6,541,688)	-	(6,541,688)	Public safety
(899,858)	-	(899,858)	Highways and streets
(1,623,115)	-	(1,623,115)	Culture and recreation
(716,647)	-	(716,647)	Interest on long-term obligations
<u>(12,096,100)</u>	<u>-</u>	<u>(12,096,100)</u>	Total governmental activities
			Business-type activities
-	(1,479,306)	(1,479,306)	Water
<u>-</u>	<u>447,646</u>	<u>447,646</u>	Sewer
<u>-</u>	<u>(1,031,660)</u>	<u>(1,031,660)</u>	Total business-type activities
<u>(12,096,100)</u>	<u>(1,031,660)</u>	<u>(13,127,760)</u>	Totals
			General revenues
6,342,098	-	6,342,098	Property taxes used for general purposes
2,393,393	1,783,433	4,176,826	Property taxes used for debt service
3,569,523	-	3,569,523	Transient room taxes used for general purposes
1,421,518	-	1,421,518	Franchise fees
761,637	-	761,637	Motor fuel taxes
274,987	-	274,987	Cigarette and alcoholic beverage taxes
148,909	49,845	198,754	Unrestricted investment earnings
505,102	-	505,102	Miscellaneous
(782,845)	782,845	-	Transfers
<u>14,634,322</u>	<u>2,616,123</u>	<u>17,250,445</u>	Total general revenues and transfers
2,538,222	1,584,463	4,122,685	Change in net position
60,234,708	39,439,830	99,674,538	Net position - beginning
<u>-</u>	<u>214,786</u>	<u>214,786</u>	Prior period adjustments
<u>\$ 62,772,930</u>	<u>\$ 41,239,079</u>	<u>\$ 104,012,009</u>	Net position - ending

CITY OF NEWPORT, OREGON
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	General	Parks and Recreation	Agate Beach Closure	Debt Service NURA	Capital Projects	Total Nonmajor Funds	Total Governmental Funds
ASSETS							
Cash and investments	\$ 3,732,969	\$ 579,421	\$ 1,376,224	\$ -	\$ 6,400,022	\$ 4,625,397	\$ 16,714,033
Receivables							
Property taxes	605,475	-	-	192,545	-	22,006	820,026
Accounts	348,221	107	-	-	120,123	732,329	1,200,780
Land held for resale	-	-	-	-	-	9,751	9,751
Prepaid items	1,002	3,127	-	-	-	5,000	9,129
Restricted cash and investments	-	-	-	2,969,119	-	32,762	3,001,881
Total assets	\$ 4,687,667	\$ 582,655	\$ 1,376,224	\$ 3,161,664	\$ 6,520,145	\$ 5,427,245	\$ 21,755,600
LIABILITIES							
Accounts payable	\$ 182,677	\$ 20,884	\$ 3,559	\$ -	\$ 1,877,151	\$ 129,000	\$ 2,213,271
Payroll and related liabilities	249,268	31,226	-	-	-	35,118	315,612
Deposits	1,228	-	-	-	-	1,640	2,868
Total liabilities	433,173	52,110	3,559	-	1,877,151	165,758	2,531,751
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue	520,883	83,463	-	165,960	-	61,155	831,461
FUND BALANCES							
Nonspendable	1,002	3,127	-	-	-	5,000	9,129
Restricted	-	-	1,372,665	2,995,704	4,642,994	3,305,288	12,316,651
Committed	-	443,955	-	-	-	1,890,044	2,333,999
Unassigned	3,732,609	-	-	-	-	-	3,732,609
Total fund balances	3,733,611	447,082	1,372,665	2,995,704	4,642,994	5,200,332	18,392,388
Total liabilities, deferred inflows of resources and fund balances	\$ 4,687,667	\$ 582,655	\$ 1,376,224	\$ 3,161,664	\$ 6,520,145	\$ 5,427,245	\$ 21,755,600

The notes to the basic financial statements are an integral part of this statement.

CITY OF NEWPORT, OREGON
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2016

Total fund balances per governmental funds balance sheet		\$ 18,392,388
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land and construction in progress	27,407,915	
Other capital assets, net of depreciation	<u>40,654,140</u>	
Total capital asset adjustments		68,062,055
Other long-term assets are not available to pay current-period expenditures and, therefore, are reported as unavailable revenue in the funds.		
		785,558
Governmental activities report as deferred outflows of resources, the difference between expected and actual experience, the changes in proportionate share, and contributions to the public employees retirement system and the City of Newport retirement plan.		
		755,022
Internal service funds are used by management to charge the costs of information systems services, central services, and geographic information system services to individual funds. A portion of the assets and liabilities of the internal service funds is included in governmental activities in the statement of net position.		
		(1,136,252)
Long-term liabilities, including bonds payable, notes payable, accrued interest, deferred inflows of resources, compensated absences, net pension liability and other postemployment benefits are not due and payable in the current period and, therefore, are not reported in the funds.		
Long-term obligations	(20,104,680)	
Interest payable on long-term debt	(43,626)	
Deferred inflow - pension related	(488,439)	
Compensated absences	(443,048)	
Net pension liability	(2,733,944)	
Other postemployment benefits	<u>(272,104)</u>	
Total long-term obligations adjustments		<u>(24,085,841)</u>
Net position of the governmental activities		<u>\$ 62,772,930</u>

The notes to the basic financial statements are an integral part of this statement.

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

	General	Parks and Recreation	Agate Beach Closure	Debt Service NURA	Capital Projects	Total Nonmajor Funds	Total Governmental Funds
REVENUES							
Taxes:							
Property	\$ 6,308,707	\$ -	\$ -	\$ 1,891,622	\$ -	\$ 495,888	\$ 8,696,217
Transient room	1,920,202	-	-	-	177,042	1,814,331	3,911,575
Franchise fees, privilege taxes, licenses, and permits	1,418,058	-	-	-	-	23,893	1,441,951
Intergovernmental	1,132,177	-	-	-	842,702	652,605	2,627,484
Charges for services	1,080,639	596,401	-	-	592,286	1,627,506	3,896,832
Fines and forfeitures	117,404	-	-	-	-	-	117,404
Interest on investments	18,878	2,529	-	43,746	58,920	24,836	148,909
Miscellaneous	163,274	351,231	-	-	585	124,200	639,290
Total revenues	12,159,339	950,161	-	1,935,368	1,671,535	4,763,259	21,479,662
EXPENDITURES							
Current:							
General government	3,283,447	-	25,173	-	1,177,098	1,859,497	6,345,215
Public safety	5,339,330	-	-	-	-	-	5,339,330
Highways and streets	-	-	-	-	-	873,861	873,861
Culture and recreation	980,180	1,349,775	-	-	-	-	2,329,955
Debt service:							
Principal	-	-	-	1,099,000	-	483,639	1,582,639
Interest	-	-	-	418,159	-	343,343	761,502
Capital outlay	544,731	44,810	-	-	10,113,684	615,026	11,318,251
Total expenditures	10,147,688	1,394,585	25,173	1,517,159	11,290,782	4,175,366	28,550,753
Excess (deficiency) of revenues over expenditures	2,011,651	(444,424)	(25,173)	418,209	(9,619,247)	587,893	(7,071,091)
OTHER FINANCING SOURCES (USES)							
Transfers in	62,900	749,502	-	-	2,317,449	973,294	4,103,145
Transfers out	(1,336,103)	(275,000)	-	-	-	(2,350,365)	(3,961,468)
Total other financing sources (uses)	(1,273,203)	474,502	-	-	2,317,449	(1,377,071)	141,677
Net change in fund balances	738,448	30,078	(25,173)	418,209	(7,301,798)	(789,178)	(6,929,414)
Fund balance - beginning	2,995,163	417,004	1,397,838	2,577,495	11,944,792	5,989,510	25,321,802
Fund balance - ending	\$ 3,733,611	\$ 447,082	\$ 1,372,665	\$ 2,995,704	\$ 4,642,994	\$ 5,200,332	\$ 18,392,388

The notes to the basic financial statements are an integral part of this statement.

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

Net change in fund balances - total governmental funds \$ (6,929,414)

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

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

Capital outlay	12,104,200	
Depreciation for the current fiscal year	<u>(1,767,627)</u>	
Total capital outlay/depreciation adjustment		10,336,573

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds and other revenues reported in the funds are not revenues reported in the statement of activities.

Property taxes	39,274	
System development charges	<u>(15,703)</u>	
Total revenue adjustments		23,571

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	38,736	
Accrued interest	8,056	
Principal payments	<u>1,615,728</u>	
Total long-term debt adjustments		1,662,520

The amount contributed to defined benefit plans is reported as an expenditure in the funds, while governmental activities reports pension expense as the change in net pension asset or liability, pension related deferred outflows of resources and deferred inflows of resources

Change in deferred outflows of resources - pension related	338,889	
Change in net pension asset or liability	(2,495,582)	
Change in deferred inflows of resources - pension related	<u>622,424</u>	
Total pension expense adjustment		(1,534,269)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences	(59,674)	
Other postemployment benefits	<u>(49,129)</u>	
Total other expense adjustment		(108,803)

The transfer of the internal service fund to business-type activities is reported as an additional transfer in the governmental activities (924,522)

The net expense of certain activities of internal service funds is reported with governmental activities. 12,566

Change in net position of governmental activities \$ 2,538,222

The notes to the basic financial statements are an integral part of this statement.

CITY OF NEWPORT, OREGON
GENERAL FUND
BUDGETARY COMPARISON STATEMENT
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Over (Under)
Revenues				
Property taxes:				
Current	\$ 5,892,089	\$ 5,892,089	\$ 6,098,610	\$ 206,521
Delinquent	259,658	259,658	210,097	(49,561)
Transient room tax	1,534,700	1,534,700	1,920,202	385,502
Fees in lieu of franchise	306,600	306,600	288,177	(18,423)
Vacation rental and Bed and Breakfast endorsement tax	3,000	3,000	3,813	813
State cigarette tax	12,700	12,700	13,364	664
State liquor proration	147,000	147,000	145,660	(1,340)
Franchise tax - Georgia Pacific	68,000	68,000	69,670	1,670
Franchise tax - Century Link	29,000	29,000	23,105	(5,895)
Franchise tax - Charter	276,000	276,000	174,878	(101,122)
Franchise tax - Coast Communications	16,800	16,800	19,756	2,956
Franchise tax - NW Natural	145,400	145,400	196,579	51,179
Franchise tax - Central Lincoln Public Utility District	312,000	312,000	364,028	52,028
Franchise tax - Thompson sanitary service	97,200	97,200	108,907	11,707
Franchise tax - miscellaneous	1,200	1,200	7,595	6,395
Homeland fire grant	55,000	55,000	76,058	21,058
Federal grant - police overtime	-	-	1,082	1,082
State revenue sharing	140,000	140,000	115,963	(24,037)
Department of Land Conservation and Development planning grant	9,000	9,000	9,000	-
Ready to read grant	1,200	1,200	1,105	(95)
Newport rural fire protection	233,471	233,471	227,760	(5,711)
Miscellaneous grant	-	-	9,917	9,917
CIS return to work grant	15,000	15,000	17,972	2,972
Library foundation grant	100,000	100,000	71,074	(28,926)
Lincoln County Library District	330,000	330,000	298,277	(31,723)
Conflagration reimbursement	12,000	139,835	127,843	(11,992)
Service provided parks and recreation	90,791	90,791	90,791	-
Service provided public parking	3,636	3,636	3,636	-
Service provided housing	5,749	5,749	5,749	-
Service provided airport	66,281	66,281	66,281	-
Service provided room tax	98,157	98,157	98,157	-
Service provided building inspection	30,367	30,367	30,367	-
Service provided street	76,255	76,255	76,255	-
Service provided agate beach	327	327	327	-
Service provided Newport Urban Renewal Agency	34,144	34,144	34,144	-
Service provided water	280,846	280,846	280,846	-
Service provided sewer	334,803	334,803	334,803	-
Service provided public works	52,487	52,487	52,487	-
K-9 program	5,500	5,500	-	(5,500)
Rents and leases	92,000	92,000	129,358	37,358
Land use fees	9,000	9,000	25,740	16,740
Municipal court fines	140,000	140,000	106,577	(33,423)
State/county court fines	3,000	3,000	17,102	14,102
Library fines	15,500	15,500	10,827	(4,673)
Training court cost	-	-	2,680	2,680
Court restitution payments	100	100	1,557	1,457
Business licenses	142,000	142,000	130,975	(11,025)
Oregon Liquor Control Commission licenses	1,200	1,200	4,835	3,635
Police reports	5,300	5,300	5,239	(61)
Interest on investments	9,700	9,700	18,878	9,178
Miscellaneous sales and services	31,000	36,500	27,601	(8,899)
Gifts and donations	5,000	5,000	2,000	(3,000)
Special events and fundraising	600	600	150	(450)
Tower optic	-	-	1,485	1,485
Total revenues	11,530,761	11,664,096	12,159,339	495,243

Continued on next page

CITY OF NEWPORT, OREGON
GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL, continued
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Over (Under)
Other financing sources				
Transfer from room tax fund	\$ 21,822	\$ 21,822	\$ 21,822	\$ -
Transfer from street fund	5,578	5,578	5,578	-
Transfer from bonded debt fund	-	9,400	9,400	-
Transfer from water fund	13,050	13,050	13,050	-
Transfer from sewer fund	13,050	13,050	13,050	-
Total other financing sources	<u>53,500</u>	<u>62,900</u>	<u>62,900</u>	<u>-</u>
Fund balance, beginning				
Unassigned	<u>2,595,226</u>	<u>2,645,226</u>	<u>2,995,163</u>	<u>349,937</u>
Amount available for appropriation	<u>14,179,487</u>	<u>14,372,222</u>	<u>15,217,402</u>	<u>845,180</u>
	Original Budget	Final Budget	Actual	(Over) Under
Expenditures				
City administration	1,995,430	2,087,626	1,920,991	166,635
Police	3,603,480	3,674,850	3,542,987	131,863
Fire	1,892,439	2,009,630	1,978,627	31,003
Emergency coordinator	107,000	107,000	10,607	96,393
Library	1,225,857	1,239,088	1,147,620	91,468
Community development	315,380	319,161	241,258	77,903
Facilities and parks	1,226,364	1,237,785	862,892	374,893
Non-departmental	421,488	446,488	442,706	3,782
Contingency	541,322	375,722	-	375,722
Total expenditures	<u>11,328,760</u>	<u>11,497,350</u>	<u>10,147,688</u>	<u>1,349,662</u>
Other financing uses				
Transfers to other funds	<u>1,248,432</u>	<u>1,344,677</u>	<u>1,336,103</u>	<u>8,574</u>
Total expenditures and other financing uses	<u>12,577,192</u>	<u>12,842,027</u>	<u>11,483,791</u>	<u>1,358,236</u>
Fund balance, ending	<u>\$ 1,602,295</u>	<u>\$ 1,530,195</u>	<u>\$ 3,733,611</u>	<u>\$ 2,203,416</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF NEWPORT, OREGON
PARKS AND RECREATION FUND
BUDGETARY COMPARISON STATEMENT
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Over (Under)
Revenues				
Interest on investments	\$ 2,000	\$ 2,000	\$ 2,529	\$ 529
Special event	35,000	35,000	19,411	(15,589)
Rents and leases	20,465	20,465	33,216	12,751
Senior center	1,200	1,200	11,584	10,384
Miscellaneous sales and services	3,000	3,000	486	(2,514)
Gifts and donations	5,800	305,800	306,927	1,127
Swimming pool passes	60,000	60,000	59,345	(655)
Swimming pool daily fees	17,000	17,000	19,380	2,380
Swimming pool lessons	14,000	14,000	16,703	2,703
Swimming pool merchandise	2,000	2,000	1,779	(221)
Swimming pool rentals	11,000	11,000	19,413	8,413
Swimming pool special events	3,500	3,500	3,020	(480)
Recreation center	259,000	259,000	272,772	13,772
Concessions	9,000	9,000	8,823	(177)
Activity programs - youth	115,000	115,000	124,567	9,567
Activity programs - seniors	1,000	1,000	1,046	46
Activity programs - adults	14,500	14,500	9,965	(4,535)
Miscellaneous recreation programs	200	200	-	(200)
Sports programs - adults	12,500	12,500	10,612	(1,888)
Sports programs - youth	26,000	27,000	28,583	1,583
Total revenues	<u>612,165</u>	<u>913,165</u>	<u>950,161</u>	<u>36,996</u>
Other financing sources				
Transfer from General Fund	569,002	569,002	569,002	-
Transfer from Room Tax Fund	180,500	180,500	180,500	-
Total other financing sources	749,502	749,502	749,502	-
Fund balance, beginning	<u>347,870</u>	<u>347,870</u>	<u>417,004</u>	<u>69,134</u>
Amount available for appropriation	<u>1,709,537</u>	<u>2,010,537</u>	<u>2,116,667</u>	<u>106,130</u>
Expenditures				
Parks administration	164,626	186,728	180,944	5,784
Senior center	168,321	169,753	135,648	34,105
Swimming pool	392,466	394,897	376,000	18,897
Recreation center	545,606	547,094	450,117	96,977
Recreation programs	176,944	176,944	131,170	45,774
Sports programs	122,266	123,266	120,706	2,560
Contingency	139,308	111,855	-	111,855
Total expenditures	<u>1,709,537</u>	<u>1,710,537</u>	<u>1,394,585</u>	<u>315,952</u>
Other financing uses				
Transfers to other funds	-	275,000	275,000	-
Total other financing uses	-	275,000	275,000	-
Total expenditures and other financing uses	<u>1,709,537</u>	<u>1,985,537</u>	<u>1,669,585</u>	<u>315,952</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ 447,082</u>	<u>\$ 422,082</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF NEWPORT, OREGON
AGATE BEACH CLOSURE FUND
BUDGETARY COMPARISON STATEMENT
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Over (Under)
Revenues				
Agate Beach closure fees	\$ 12,000	\$ 12,000	\$ -	\$ (12,000)
Interest on investments	6,000	6,000	-	(6,000)
Total revenues	18,000	18,000	-	(18,000)
Fund balance, beginning	1,404,584	1,404,584	1,397,838	(6,746)
Amount available for appropriation	1,422,584	1,422,584	1,397,838	(24,746)
	Original Budget	Final Budget	Actual	(Over) Under
Expenditures				
Materials and services	60,327	60,327	25,173	35,154
Contingency	1,362,257	1,362,257	-	1,362,257
Total expenditures	1,422,584	1,422,584	25,173	1,397,411
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,372,665</u>	<u>\$ 1,372,665</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF NEWPORT, OREGON
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2016

	Business-type Activities						
	Water	Wastewater	Water Debt Service	Wastewater Debt Service	Capital Projects	Total Enterprise Funds	Internal Service Fund
Assets							
Current assets:							
Cash and investments	\$ 861,106	\$ 635,468	\$ 74,818	\$ 1,247,450	\$ 2,117,699	\$ 4,936,541	\$ 107,683
Receivables							
Property taxes	-	-	87,008	88,446	-	175,454	-
Accounts	408,390	615,130	-	-	-	1,023,520	166
Inventories	450,434	-	-	-	-	450,434	-
Prepaid items	-	-	5,795	-	-	5,795	-
Total current assets	<u>1,719,930</u>	<u>1,250,598</u>	<u>167,621</u>	<u>1,335,896</u>	<u>2,117,699</u>	<u>6,591,744</u>	<u>107,849</u>
Noncurrent assets							
Land and construction in progress	2,083,488	4,203,757	-	-	-	6,287,245	599,340
Other capital assets, net of depreciation	21,606,506	33,515,948	-	-	-	55,122,454	292,563
Total noncurrent assets	<u>23,689,994</u>	<u>37,719,705</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,409,699</u>	<u>891,903</u>
Total assets	<u>25,409,924</u>	<u>38,970,303</u>	<u>167,621</u>	<u>1,335,896</u>	<u>2,117,699</u>	<u>68,001,443</u>	<u>999,752</u>
Deferred Outflows of Resources							
Pension related items	<u>58,903</u>	<u>48,109</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>107,012</u>	<u>40,678</u>
Liabilities							
Current liabilities							
Accounts payable	12,410	207,739	-	-	421,954	642,103	19,008
Payroll and related liabilities	29,929	29,536	-	-	-	59,465	25,163
Compensated absences	28,612	31,140	-	-	-	59,752	23,177
Interest payable	72,005	43,346	-	-	-	115,351	-
Refundable deposits	287,949	-	-	-	-	287,949	-
Current portion long-term debt	1,008,354	1,307,320	-	-	-	2,315,674	-
Total current liabilities	<u>1,439,259</u>	<u>1,619,081</u>	<u>-</u>	<u>-</u>	<u>421,954</u>	<u>3,480,294</u>	<u>67,348</u>
Long-term obligations							
Net pension liability	185,927	151,859	-	-	-	337,786	128,401
Other postemployment benefits	28,877	22,094	-	-	-	50,971	18,187
Long-term debt, net	20,323,358	4,623,922	-	-	-	24,947,280	-
Total long-term obligations	<u>20,538,162</u>	<u>4,797,875</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,336,037</u>	<u>146,588</u>
Total liabilities	<u>21,977,421</u>	<u>6,416,956</u>	<u>-</u>	<u>-</u>	<u>421,954</u>	<u>28,816,331</u>	<u>213,936</u>
Deferred Inflows of Resources							
Pension related items	<u>6,298</u>	<u>5,144</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,442</u>	<u>4,349</u>
Net Position							
Net investment in capital assets	2,358,282	31,788,463	-	-	-	34,146,745	891,903
Restricted for capital construction	-	-	-	-	1,695,745	1,695,745	-
Restricted for debt service	-	-	167,621	1,335,896	-	1,503,517	-
Unrestricted	1,126,826	807,849	-	-	-	1,934,675	(69,758)
Total net position	<u>\$ 3,485,108</u>	<u>\$ 32,596,312</u>	<u>\$ 167,621</u>	<u>\$ 1,335,896</u>	<u>\$ 1,695,745</u>	<u>\$ 39,280,682</u>	<u>\$ 822,145</u>
						Adjustment to reflect the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time.	
						<u>1,958,397</u>	
						Net position of the business-type activities	
						<u>\$ 41,239,079</u>	

The notes to the basic financial statements are an integral part of this statement.

CITY OF NEWPORT, OREGON
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2016

	Business-type Activities						
	Water	Wastewater	Water Debt Service	Wastewater Debt Service	Capital Projects	Total Enterprise Funds	Internal Service Fund
OPERATING REVENUES:							
Service charges and fees	\$ 3,457,568	\$ 3,808,342	\$ -	\$ -	\$ -	\$ 7,265,910	\$ 599,886
Miscellaneous	<u>79,579</u>	<u>6,435</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>86,014</u>	<u>338</u>
Total operating revenues	<u>3,537,147</u>	<u>3,814,777</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,351,924</u>	<u>600,224</u>
OPERATING EXPENSES:							
Salaries and wages	838,709	738,761	-	-	602	1,578,072	550,520
Contracted services	143,289	26,482	-	-	467,524	637,295	39,435
Property services	157,922	257,497	-	-	-	415,419	2,496
Operating supplies	79,396	210,628	-	-	67	290,091	17,926
Utilities	202,222	286,779	-	-	-	489,001	3,986
Depreciation	886,126	1,449,546	-	-	-	2,335,672	24,377
Repairs and maintenance	153,663	294,226	-	-	-	447,889	17,704
Charges for services	522,003	607,106	-	-	-	1,129,109	52,487
Miscellaneous	<u>165,633</u>	<u>81,524</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>247,157</u>	<u>23,266</u>
Total operating expenses	<u>3,148,963</u>	<u>3,952,549</u>	<u>-</u>	<u>-</u>	<u>468,193</u>	<u>7,569,705</u>	<u>732,197</u>
Operating income (loss)	<u>388,184</u>	<u>(137,772)</u>	<u>-</u>	<u>-</u>	<u>(468,193)</u>	<u>(217,781)</u>	<u>(131,973)</u>
NONOPERATING REVENUES (EXPENSES):							
Property taxes	-	-	876,912	906,521	-	1,783,433	-
Interest on investments	4,494	3,667	2,220	4,971	32,966	48,318	1,189
Interest	<u>(466,734)</u>	<u>(257,208)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(723,942)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>(462,240)</u>	<u>(253,541)</u>	<u>879,132</u>	<u>911,492</u>	<u>32,966</u>	<u>1,107,809</u>	<u>1,189</u>
Income (loss) before capital contributions and transfers	(74,056)	(391,313)	879,132	911,492	(435,227)	890,028	(130,784)
Capital contributions	-	16,540	-	-	-	16,540	-
Transfers in	3,006,757	3,369,233	455,664	706,293	2,493,061	10,031,008	54,568
Transfers out	<u>(2,719,607)</u>	<u>(1,083,856)</u>	<u>(1,369,888)</u>	<u>(1,504,363)</u>	<u>(3,484,978)</u>	<u>(10,162,692)</u>	<u>(26,161)</u>
Change in net position	213,094	1,910,604	(35,092)	113,422	(1,427,144)	774,884	(102,377)
Prior period restatement	63,717	151,069	-	-	-	214,786	-
Net position - beginning	<u>3,208,297</u>	<u>30,534,639</u>	<u>202,713</u>	<u>1,222,474</u>	<u>3,122,889</u>	<u>38,291,012</u>	<u>924,522</u>
Net position - ending	<u>\$ 3,485,108</u>	<u>\$ 32,596,312</u>	<u>\$ 167,621</u>	<u>\$ 1,335,896</u>	<u>\$ 1,695,745</u>	<u>\$ 39,280,682</u>	<u>\$ 822,145</u>
						\$ 774,884	
						924,522	
						(114,943)	
						<u>\$ 1,584,463</u>	

The notes to the basic financial statements are an integral part of this statement.

CITY OF NEWPORT, OREGON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2016

	Business-type activities						
						Total	
	Water	Wastewater	Water Debt Service	Wastewater Debt Service	Capital Projects	Enterprise Funds	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:							
Cash received from customers	\$ 3,536,924	\$ 3,814,369	\$ -	\$ -	\$ -	\$ 7,351,293	\$ -
Service provided to other funds	-	-	-	-	-	-	599,720
Cash payments to suppliers of goods and services	(1,663,785)	(1,609,475)	-	-	(467,591)	(3,740,851)	(140,653)
Cash payments to employees for services	(813,461)	(710,385)	-	-	(602)	(1,524,448)	(525,304)
Other revenues	79,579	6,435	-	-	-	86,014	338
Net cash provided by (used in) operating activities	<u>1,139,257</u>	<u>1,500,944</u>	<u>-</u>	<u>-</u>	<u>(468,193)</u>	<u>2,172,008</u>	<u>(65,899)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:							
Property taxes	-	-	871,573	901,093	-	1,772,666	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Purchase of capital assets	(161,798)	(222,622)	-	-	(3,309,915)	(3,694,335)	(26,161)
Proceeds from issuance of debt	-	-	-	-	1,118,733	1,118,733	-
Capital contributions	-	16,540	-	-	-	16,540	-
Transfers in	-	-	455,664	706,293	1,474,661	2,636,618	-
Transfers out	(1,685,039)	(1,083,856)	(9,400)	-	-	(2,778,295)	-
Principal payments	-	-	(885,120)	(1,240,000)	-	(2,125,120)	-
Interest payments	-	-	(481,163)	(264,363)	-	(745,526)	-
Net cash (used in) capital and related financing activities	<u>(1,846,837)</u>	<u>(1,289,938)</u>	<u>(920,019)</u>	<u>(798,070)</u>	<u>(716,521)</u>	<u>(5,571,385)</u>	<u>(26,161)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:							
Interest on investments	4,494	3,667	2,220	4,971	32,966	48,318	1,189
Net increase (decrease) in cash and cash equivalents	(703,086)	214,673	(46,226)	107,994	(1,151,748)	(1,578,393)	(90,871)
Cash and cash equivalents, July 1, 2015	<u>1,564,192</u>	<u>420,795</u>	<u>121,044</u>	<u>1,139,456</u>	<u>3,269,447</u>	<u>6,514,934</u>	<u>198,554</u>
Cash and cash equivalents, June 30, 2016	<u>\$ 861,106</u>	<u>\$ 635,468</u>	<u>\$ 74,818</u>	<u>\$ 1,247,450</u>	<u>\$ 2,117,699</u>	<u>\$ 4,936,541</u>	<u>\$ 107,683</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF NEWPORT, OREGON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2016

	Business-type activities					Totals Enterprise Funds	Internal Service Funds
	Water	Wastewater	Water Debt Service	Wastewater Debt Service	Capital Projects		
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES							
Operating income (loss)	\$ 388,184	\$ (137,772)	\$ -	\$ -	\$ (468,193)	\$ (217,781)	\$ (131,973)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation	886,126	1,449,546	-	-	-	2,335,672	24,377
Changes in assets, deferred outflows, liabilities and deferred inflows:							
Receivables	26,303	6,027	-	-	-	32,330	(166)
Inventories	(122,253)	-	-	-	-	(122,253)	-
Deferred outflows of resources	(46,266)	(37,470)	-	-	-	(83,736)	(32,747)
Accounts payable	(117,404)	154,767	-	-	-	37,363	16,647
Payroll and related liabilities	29,929	29,536	-	-	-	59,465	12,447
Compensated absences	(4,542)	2,475	-	-	-	(2,067)	4,209
Other postemployment benefits	5,232	4,243	-	-	-	9,475	3,535
Refundable deposits	53,053	-	-	-	-	53,053	-
Net pension liability	34,597	24,448	-	-	-	59,045	33,423
Deferred inflows of resources	6,298	5,144	-	-	-	11,442	4,349
							-
Total adjustments	751,073	1,638,716	-	-	-	2,389,789	66,074
Net cash provided by (used in) operating activities	1,139,257	1,500,944	-	-	(468,193)	2,172,008	(65,899)

The notes to the basic financial statements are an integral part of this statement.

CITY OF NEWPORT, OREGON

**STATEMENT OF NET POSITION
FIDUCIARY FUND**

June 30, 2016

	City of Newport Employees Retirement Plan Pension Trust Fund
ASSETS	
Cash and cash equivalents	\$ 666,439
Investments	<u>9,623,925</u>
 TOTAL ASSETS	 <u>10,290,364</u>
 NET POSITION	
Held in trust for defined benefit pension	5,705,041
Held in trust for defined contribution pension	<u>4,585,323</u>
 TOTAL NET POSITION	 <u><u>\$ 10,290,364</u></u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF NEWPORT, OREGON

**STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS**

For the Year Ended June 30, 2016

	<u>City of Newport Employees Retirement Plan Pension Trust Fund</u>
ADDITIONS	
Employer contributions	\$ <u>603,231</u>
DEDUCTIONS	
Benefits	379,810
Administrative expenses	34,557
Investment loss, net	<u>66,876</u>
Total deductions	<u>481,243</u>
Change in net position	121,988
Net position - beginning	<u>10,168,376</u>
Net position - ending	<u><u>\$ 10,290,364</u></u>

The notes to the basic financial statements are an integral part of this statement.

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Newport (the City) have been prepared in accordance with generally accepted accounting principles (GAAP). GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reporting Entity

The City of Newport operates under a council-manager form of government instituted by a vote of the people on May 18, 1862, effective as of July 1, 1962. It provide for a mayor, six councilors and a city manager. As required by GAAP, these financial statements present the City and its one component unit, an entity for which the City is considered to be financially accountable, in accordance with GASB 61. A blended component unit, although a legally separate entity, is, in substance, part of the City's operations and, therefore, data from the unit is combined with the data of the City of Newport. The City's component unit operates on a June 30 year.

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

Blended Component Unit

The Newport Urban Renewal Agency (NURA) serves the citizens of the City of Newport and is governed by a board comprised of the City's elected officials. NURA is reported as a governmental fund type. Its annual financial report may be obtained at the City's Hall, Newport, OR 97365.

Basic Financial Statements

Basic financial statements are presented at both the government-wide and fund level. Both levels of statements categorize activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support.

Government-wide financial statements display information about the City as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the City 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.

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basic Financial Statements (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges 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 included among program revenues are reported as general revenues.

Fund financial statements display information at the individual fund level. Each fund is considered to be a separate entity. Funds are classified and summarized as governmental, proprietary, or fiduciary. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column in the financial section of the basic financial statements and are detailed in the supplemental information.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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 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, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is necessary to explain the adjustments needed to transform the fund-based financial statements into the governmental column of the government-wide presentation. This reconciliation is part of the financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sanitary sewer enterprise funds and the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the costs of services, administrative expenses, and depreciation on capital assets. All revenues and

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

expenses not meeting this definition are reported as nonoperating revenues and expenses.

In the government-wide and proprietary fund financial statements, when both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

The City reports the following major governmental funds:

General

This is the City's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund. Principal sources of revenues are property taxes, franchise fees, state shared revenues, permits, municipal court fines, and licenses. Primary expenditures are for general government (planning), public safety (municipal court, police, and fire), and culture and recreation (library).

Parks and Recreation

This fund accounts for the activities related to the Parks and Recreation operations. Major sources of revenues are from customer sales, and fees and charges related to activities. Transfers from the General and Room Tax Funds provide other financing sources to supplement revenues. Expenditures are for the operations related to the parks and recreation operations and activities.

Agate Beach Closure

This fund accounts for the Agate Beach Disposal Site Closure. Major sources of revenues are fees collected through the disposal service companies. Expenditures are costs related to the closed site, namely various Department of Environmental Quality (DEQ) inspections and sampling.

Debt Service – Newport Urban Renewal Agency

This fund accounts for the debt service related to the construction/operations of the Newport Urban Renewal Agency. For more detail please see the separately created financial report.

Capital Projects

A governmental fund used to account for the acquisition or construction of major capital facilities other than those financed by proprietary funds. Sources of funds include local, state, and federal support (grants); donations; and transfers from other funds.

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

The City reports the following major proprietary funds:

Water

All activities associated with the provision of water to citizenry of Newport are reported in this fund. Activities include treatment, distribution, canal maintenance, plant expansion, administration, equipment replacement, economic development, and payment of related debt. The primary source of revenue is water service charges.

Wastewater

All programs associated with the collection and treatment of wastewater in the City is reported in this fund. Other activities include system improvements, plant expansion, administration, equipment replacement, economic development, and payment of related debt. The primary source of revenue is wastewater service charges.

Debt Service – Water and Wastewater

The debt related to the Water and Wastewater Funds is reported in two separate funds. The City utilizes these two funds to account for debt service expense for bonds and other borrowings related to the Water and Wastewater Funds. Both the Water and Wastewater Funds have bond issues funded by property taxes. Other sources of funds include property taxes, financed assessments, SDC charges, and transfers from the Water and Wastewater Funds.

Capital Projects – Proprietary

The proprietary funds use this separate fund to account for the acquisition or construction of major capital facilities. Sources of funds include local, state and federal support (grants), bank borrowings and transfers from the Water and Wastewater Funds.

Additionally, the City reports the following nonmajor fund types:

Special revenue

A governmental fund type used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Debt service

The City utilizes this fund to account for debt service on bonds issued by the governmental funds. General obligation bonds are funded by property taxes. Other sources of funds include transient room taxes, financed assessments, and the general revenues of the City.

Capital projects

A governmental fund type used to account for the acquisition or construction of major capital facilities other than those financed by proprietary funds. Sources of funds include local, state, and federal support; donations; and transfers from other funds.

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Enterprise

Accounts for the operations of predominately self-supporting activities. Enterprise funds account for services rendered to the public on a user charge basis.

Internal Service

Accounts for the cost of providing services to other funds of the City which are charged a fee on a cost reimbursement basis for those services.

Fiduciary

The fiduciary fund presented in the financial statements accounts for the City of Newport's pension plan to provide retirement benefits to its employees.

Cash and Investments

The City's cash on hand and short-term investments are considered to be cash and investments. State statutes authorize the City to invest in obligations of the U. S. Treasury, commercial paper, repurchase agreements, and the Oregon State Treasurer's Local Government Investment Pool (LGIP). The LGIP policies are governed by state 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.

Restricted Assets

Assets whose use is restricted for construction, debt service, or by other agreement are segregated on the government-wide statement of net position and the proprietary fund statement of net position.

Inventories

In the proprietary funds, inventories are stated and valued at cost (first-in, first-out method). Inventories are recorded as expenditures when purchased or donated and charged to expenses in the statement of activities and the enterprise funds when used.

In the governmental funds, no inventories are maintained, as costs are expensed at the time of purchase. However, in the debt fund, foreclosed land held for resale is recorded at the related lien value plus cost of foreclosure.

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables

Management has determined that the direct method of accounting for uncollectible accounts receivable approximates the GAAP allowance for uncollectible accounts method. Therefore, no allowance for uncollectible accounts receivable has been presented. Property taxes receivable for governmental fund types which are collected within 60 days following the year end are considered measurable and available and, accordingly, are recognized as revenues in the respective funds. All other property taxes receivable for the governmental fund types are offset by deferred revenues and, accordingly, have not been recorded as revenues. Uncollected property taxes, including delinquent accounts, are deemed to be substantially collectible or recoverable through foreclosure. The major sources of revenues which are subject to accrual include property taxes, accounts receivable for user charges, property assessments, and interest.

Assessments receivable represent the uncollected amounts levied against benefited properties for the costs of local improvements. Since the assessments are liens against 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 loans are recorded in the Capital Projects or Special Revenue Funds. The additional small loans originating from the sale of properties are recorded in various funds.

Property taxes become a lien against the property as of July 1 in the year in which they are due and are assessed in October through billing by the counties to the property owner. Payments are due in three equal installments on November 15, February 15, and May 15, with a three percent discount available for payment in full on November 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

Notes and contracts 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 revenues are recorded in all fund types as earned.

Receivables in the proprietary funds are recorded as they are earned, including services not yet billed.

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 charged to expenditures as purchased in the governmental funds, and capitalized in the proprietary fund statements. Capital assets are recorded at historical cost or estimated historical cost. Donated assets are recorded at estimated fair market value at the date of donation.

Capital assets are defined by the City as assets with an initial individual cost of \$5,000 or more and an estimated useful life of greater than one year. Additions or improvements and other capital outlays that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset, are capitalized. Other costs for repairs and maintenance are expensed as incurred.

Depreciation on exhaustible assets is recorded as an allocated expense in the statement of activities with accumulated depreciation reflected in the statement of net position. Depreciation is calculated using the straight-line method over the following estimated useful lives:

Vehicles and equipment	5 – 20 years
Buildings and improvements	10 – 40 years
Infrastructure	20 – 50 years

Compensated Absences

It is the City's policy to permit employees to earn vacation and sick leave. No liability is reported for accumulated sick leave, as it does not vest when earned. Vacation leave is accrued as it is earned and is reported as a fund liability. All vacation leave is accrued when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the 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 in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bond issuance costs are reported as deferred charges and amortized over the term of the related obligations.

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

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity

In the government-wide and proprietary fund financial statements, equity is classified as net position and displayed in three components:

- 1) Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- 2) Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law, through constitutional provisions or enabling legislation.
- 3) Unrestricted net position – All other net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

In the governmental fund financial statements equity is reported using the five fund balance categories listed below:

Non-spendable – Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – Amounts are those constrained by City Council through resolution or ordinance before the end of the fiscal year. The State of Oregon recognizes resolutions and ordinances as being equally binding, and the process for establishing, modifying, and rescinding resolutions and ordinances are substantively the same. Therefore, the City uses both to commit funds.

Assigned – Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The City Council has granted authority to the City's Finance Director to assign fund balance amounts.

Unassigned – The residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. Additionally, other funds may report negative unassigned fund balance in certain circumstances.

The City will use resources in the following order: restricted, committed, assigned, and unassigned, unless the City Council has provided otherwise in its commitment or assignment actions.

The City of Newport has adopted this order of categories in Resolution 3642 on June 17, 2013 and has classified equity in the proper category.

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets for all funds are adopted on a basis consistent with Oregon Revised Statutes (ORS 294 - Local Budget Law). The City Manager submits a proposed budget to the Budget Committee (consisting of the City Council and an equal number of citizens of the City, 14 members in all). The Budget Committee conducts public hearings for the purpose of obtaining citizens' comments, and then approves a budget and submits it to the City Council for final adoption. The City Council may not increase approved expenditures for each fund by more than 10 percent without returning to the Budget Committee for a second approval.

The City is required to budget each fund. The City's budget is prepared for each fund on the modified accrual basis of accounting. Revenues and other increases in financial resources are recognized when they become both measurable and available. For the City, available means that the funds are collectible within 60 days of the end of the current period.

Expenditures are recognized when the fund liability is incurred, except for inventories of materials and supplies that may be considered expenditures when purchased, and prepaid insurance and other similar items that may be considered expenditures either when paid or consumed.

A City Council resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. The level of control is either total appropriations by program within a fund or total fund appropriations segregated into the following categories: personnel services, materials and services, capital outlay, transfers out, and contingency. The budget document, however, is required to contain more specific, detailed information for the above-mentioned expenditure categories. Budget appropriations can be changed with City Council approval only.

An election must be held to approve general obligation debt pledging the full faith and credit of the City. As a result of Ballot Measure 50 and subsequent legislation, the City's permanent tax rate has been set at \$5.5938 per \$1,000 of assessed value. The assessed value (not including the urban renewal district) for 2015-16 was \$1,121,393,551. Assessed value is calculated on a property-by-property basis and is limited to a three percent increase annually. Compression of tax revenues comes into play when the real market value of an individual residential property is not sufficient to allow for an annual three percent increase in the assessed value.

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

Budgetary Information (continued)

The City budgets at the program level with the exception of contingency and transfers out.

Unexpected additional resources may be appropriated through the use of a supplemental budget and City Council action. The original and supplemental budgets require hearings before the public, publications in newspapers, notice postings, and approval by the City Council. Original and supplemental budgets may be modified during the fiscal year by use of appropriation transfers between legal categories. Such transfers require approval of the City Council.

During the fiscal year ended June 30, 2016, the City made supplemental budget changes which totaled \$502,920, a .68% increase over the adopted budget. The following table outlines the budget changes by fund:

	2015-16	2015-16	
	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Change</u>
General	\$ 12,577,192	\$ 12,842,027	\$ 264,835
Parks and Recreation	1,709,537	1,985,537	276,000
Public Parking	356,043	356,043	-
Housing	171,581	171,581	-
Airport	926,671	928,069	1,398
Room Tax	2,016,278	2,125,133	108,855
Building Inspection	284,755	309,755	25,000
Streets	1,268,921	1,268,921	-
Line Undergrounding	905,415	905,415	-
SDC	1,361,300	1,361,300	-
Agate Beach Closure	1,422,584	1,422,584	-
Newport Urban Renewal Agency	1,205,110	1,205,110	-
Water Debt Service	1,360,489	1,369,889	9,400
Sewer Debt Service	1,504,363	1,504,363	-
General Debt Service	832,057	832,057	-
Newport Urban Renewal Agency Debt Service	1,517,732	1,517,732	-
Capital Projects	22,007,140	22,039,090	31,950
Proprietary Capital Projects	11,778,225	11,548,707	(229,518)
Reserve	465,000	480,000	15,000
Water	4,881,554	4,881,554	-
Wastewater	4,561,520	4,561,520	-
Public Works	999,165	999,165	-
	<u>\$ 74,112,632</u>	<u>\$ 74,615,552</u>	<u>\$ 502,920</u>

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

3. DETAILED NOTES

Cash and Investments

The City pools virtually all funds for investment purposes. Each fund type's portion is displayed on the statement of net position as 'cash and investments'.

Cash and investments included in the statement of net position are as follows:

Cash on hand	\$ 1,489
Bank balances with financial institutions	988,780
State of Oregon Treasurer's short-term investment pool	<u>23,769,869</u>

Total cash and investments \$ 24,760,138

Cash and investments are reflected on the statement of net position as follows:

Cash and investments	\$ 18,318,290
Restricted cash and investments	<u>6,441,848</u>

Total cash and investments \$ 24,760,138

Financial Institutions

Deposits with financial institutions are comprised of bank demand deposits and savings accounts. At year end, the carrying amount of the City's net balance was \$988,780 and the bank balance was \$2,002,612.

Equity in Pooled Cash and Investments

Oregon Revised Statutes, Chapter 294 authorize the City to invest in obligations of the U. S. Treasury, U. S. government agencies, bankers' acceptances issued by Oregon financial institutions, repurchase agreements, Oregon Short-term Fund, certain high-grade commercial paper, and various interest-bearing bonds of Oregon municipalities, among others. .

The equity position of each fund participating in an internal investment pool is reported as assets of those funds. The City carries all investments at amortized cost as allowed by GASB No. 31. The implementation of GASB No. 31 is and has been immaterial to the government-wide financial statements since fiscal year end June 30, 2007.

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

3. DETAILED NOTES (continued)

Cash and Investments (continued)

As of June 30, 2016, the City had the following investments:

<u>Investment Type</u>	<u>Maturities</u>	<u>Rating</u>	<u>Fair Value</u>
LGIP - General Account	N/A	Not Rated	\$ 16,992,266
LGIP - Pool Bond	N/A	Not Rated	4,039,935
LGIP - 2014 Water Rev Bond	N/A	Not Rated	1,595,705
LGIP - 2015 South Beach Urban Renewal	N/A	Not Rated	<u>1,141,963</u>
			<u>\$ 23,769,869</u>
 Pension Trust Investments:			
Equities	N/A	Not Rated	\$ 5,860,304
Money Market	N/A	Not Rated	666,439
Mutual Funds	N/A	Not Rated	<u>3,763,621</u>
			<u>\$ 10,290,364</u>

Credit and Concentration of Credit Risk

At June 30, 2016, 100% of total investments, excluding the pension trust investments, were in the State Treasurer's Local Government Investment Pool (LGIP). 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 laws is made custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. 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, 2016. There were no known violations of legal or contractual provisions for deposits and investments for the fiscal year.

Custodial Risk – Investments

The laws of the State require that all purchased securities be bought on a delivery versus payment basis and be held in safekeeping by the City, an independent third-party financial institution, or in the City's designated depository. All safekeeping arrangements shall be designated by the Finance Director and an agreement of the terms executed in writing. The third-party custodian shall be required to issue original safekeeping receipts to the City listing each specific security, rate, description, maturity, and CUSIP number. Each safekeeping receipt will clearly state that the security is held for the City or pledged to the City. The safekeeping bank may not be within the same holding company as the bank from which the securities are pledged.

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

3. DETAILED NOTES (continued)

Cash and investments (continued)

Custodial Risk – Deposits

This is the risk that in the event of a bank failure, the City of Newport’s deposits might not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the City of Newport’s deposits with financial institutions up to \$250,000 each for the aggregate of all non-interest bearing accounts and the aggregate of all interest-bearing accounts at each institution. Deposits in excess of FDIC coverage with institutions participating in the Oregon Public Funds Collateralization Program are collateralized with securities held by the Federal Home Loan Bank of Seattle in the name of the institution. As of June 30, 2016, the City of Newport’s bank balance of \$1,472,228 was exposed to custodial credit risk as it was collateralized with securities held by the pledging financial institution's agent but not in the City of Newport's name.

Fair Value Measurements

The Governmental Accounting Standards Board (GASB) Statement No. 72 *Fair Value Measurement and Application*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are:

Level 1 – Quoted prices in active markets for identical assets or liabilities

Level 2 – Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations based on observable inputs or value drivers.

Level 3 – Unobservable inputs that are supported by little or not market activity and that are significant to the fair value of the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available.

There were no transfers of assets or liabilities amount the three levels of the fair value hierarchy for the year ended June 30, 2016.

Fair values of assets measured on a recurring basis at June 30, 2016 are as follows:

Description	Carrying Values	Quoted prices in active markets for identical assets (Level 1)
Equities	\$ 5,860,304	\$ 5,860,304
Mutual Funds	3,763,621	3,763,621
	<u>\$ 9,623,925</u>	<u>\$ 9,623,925</u>

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

3. DETAILED NOTES (continued)

Capital Assets

Governmental Activities

Capital asset activity for the year ended June 30, 2016 was as follows:

	July 1, 2015	Additions and	Deletions and	June 30, 2016
	<u>Balance</u>	<u>Transfers</u>	<u>Transfers</u>	<u>Balance</u>
Non-depreciable capital assets				
Land	\$ 10,739,560	\$ -	\$ (599,340)	\$ 10,140,220
Construction in progress	<u>11,242,808</u>	<u>11,079,111</u>	<u>(5,054,224)</u>	<u>17,267,695</u>
Total non-depreciable capital assets	<u>21,982,368</u>	<u>11,079,111</u>	<u>(5,653,564)</u>	<u>27,407,915</u>
Depreciable capital assets				
Buildings and structures	30,527,570	284,326	(200,736)	30,611,160
Equipment	4,003,127	65,094	(144,572)	3,923,649
Vehicles	5,182,900	596,183	(272,122)	5,506,961
Infrastructure	<u>34,771,218</u>	<u>5,133,710</u>	<u>-</u>	<u>39,904,928</u>
Total depreciable capital assets	<u>74,484,815</u>	<u>6,079,313</u>	<u>(617,430)</u>	<u>79,946,698</u>
Accumulated depreciation				
Buildings and structures	18,934,644	822,381	(191,397)	19,565,628
Equipment	3,568,902	68,021	(143,477)	3,493,446
Vehicles	3,535,125	274,820	(20,184)	3,789,761
Infrastructure	<u>11,841,318</u>	<u>602,405</u>	<u>-</u>	<u>12,443,723</u>
Total accumulated depreciation	<u>37,879,989</u>	<u>1,767,627</u>	<u>(355,058)</u>	<u>39,292,558</u>
Depreciable capital assets, net	<u>36,604,826</u>	<u>4,311,686</u>	<u>(262,372)</u>	<u>40,654,140</u>
Governmental activities, capital assets, net	<u>\$ 58,587,194</u>	<u>\$ 15,390,797</u>	<u>\$ (5,915,936)</u>	<u>\$ 68,062,055</u>

Depreciation expense for governmental activities has been charged as follows:

General government	\$ 711,677
Public safety	266,764
Highways and streets	469,495
Culture and recreation	<u>319,691</u>

Total governmental activities depreciation expense \$ 1,767,627

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

3. DETAILED NOTES (continued)

Capital Assets (continued)

Business-type Activities

Capital asset activity for the year ended June 30, 2016 was as follows:

	July 1, 2015	Additions and	Deletions and	June 30, 2016
	<u>Balance</u>	<u>Transfers</u>	<u>Transfers</u>	<u>Balance</u>
Non-depreciable capital assets				
Land	\$ 259,312	\$ 599,340	\$ -	\$ 858,652
Construction in progress	<u>4,344,048</u>	<u>3,462,418</u>	<u>(1,778,533)</u>	<u>6,027,933</u>
Total non-depreciable capital assets	<u>4,603,360</u>	<u>4,061,758</u>	<u>(1,778,533)</u>	<u>6,886,585</u>
Depreciable capital assets				
Buildings and structures	28,522,539	224,086	-	28,746,625
Equipment	1,705,480	260,194	-	1,965,674
Vehicles	1,008,482	544,683	-	1,553,165
Infrastructure	<u>53,561,972</u>	<u>1,838,541</u>	<u>-</u>	<u>55,400,513</u>
Total depreciable capital assets	<u>84,798,473</u>	<u>2,867,504</u>	<u>-</u>	<u>87,665,977</u>
Accumulated depreciation				
Buildings and structures	11,239,427	1,046,505	-	12,285,932
Equipment	1,231,176	214,172	-	1,445,348
Vehicles	618,607	96,339	-	714,946
Infrastructure	<u>16,446,643</u>	<u>1,358,091</u>	<u>-</u>	<u>17,804,734</u>
Total accumulated depreciation	<u>29,535,853</u>	<u>2,715,107</u>	<u>-</u>	<u>32,250,960</u>
Depreciable capital assets, net	<u>55,262,620</u>	<u>152,397</u>	<u>-</u>	<u>55,415,017</u>
Business-type activities, capital assets, net	<u>\$ 59,865,980</u>	<u>\$ 4,214,155</u>	<u>\$ (1,778,533)</u>	<u>\$ 62,301,602</u>

Depreciation expense for business-type activities has been charged as follows:

Water	\$ 898,315
Wastewater	<u>1,461,734</u>
Total business-type activities depreciation expense	<u>\$ 2,360,049</u>

The Public Works Fund was previously reported as a governmental activity. During the fiscal year ending June 30, 2016, the fund provided more services to the business-type activities and transferred accordingly. The capital assets acquired in previous years were transferred to the business-type activities above. This amounted to \$599,340 in land, \$617,430 in depreciable capital assets, and \$355,058 in accumulated depreciation.

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

3. DETAILED NOTES (continued)

Assessment Liens Receivable

Assessment liens receivable represent the uncollected amounts levied against property for the cost of local improvements. Total delinquent assessments receivable at June 30, 2016 amounted to \$36,296. Since assessments are liens against the benefited properties, an allowance for uncollectible accounts is not deemed necessary. Assessments are payable for a period of five to ten years and bear an interest rate of 6.467% to 10.1%.

Interfund Transfers

Transfers between funds to provide financial resources were as follows:

	Transfers in							Total
	Governmental funds				Proprietary funds			
<u>Transfers out</u>	<u>General</u>	<u>Parks and recreation</u>	<u>Capital projects</u>	<u>Nonmajor governmental</u>	<u>Water debt service</u>	<u>Wastewater debt service</u>	<u>Capital projects</u>	
Governmental funds								
General	\$ -	\$ 569,002	\$ 55,500	\$ 711,601	\$ -	\$ -	\$ -	\$1,336,103
Parks and recreation	-	-	275,000	-	-	-	-	275,000
Nonmajor funds	<u>27,400</u>	<u>180,500</u>	<u>1,846,949</u>	<u>158,191</u>	<u>-</u>	<u>137,325</u>	<u>-</u>	<u>2,350,365</u>
Total governmental funds	<u>27,400</u>	<u>749,502</u>	<u>2,177,449</u>	<u>869,792</u>	<u>-</u>	<u>137,325</u>	<u>-</u>	<u>3,961,468</u>
Proprietary funds								
Water	13,050	-	-	39,250	455,664	-	1,177,075	1,685,039
Wastewater	13,050	-	140,000	64,252	-	568,968	297,586	1,083,856
Water debt service	<u>9,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,400</u>
Total proprietary funds	<u>35,500</u>	<u>-</u>	<u>140,000</u>	<u>103,502</u>	<u>455,664</u>	<u>568,968</u>	<u>1,474,661</u>	<u>2,778,295</u>
Total transfers	<u>\$ 62,900</u>	<u>\$ 749,502</u>	<u>\$ 2,317,449</u>	<u>\$ 973,294</u>	<u>\$ 455,664</u>	<u>\$ 706,293</u>	<u>\$ 1,474,661</u>	<u>\$ 6,739,763</u>

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

3. DETAILED NOTES (continued)

Interfund Transfers (continued)

Non-cash transfers related to the acquisition of capital assets, issuance of debt and repayment of long-term obligations were as follows:

Transfers out	Transfers in					Total
	Water	Wastewater	Capital projects	Internal service	Business-type activities	
Governmental activities	\$ -	\$ -	\$ -	\$ 73,200	\$ 924,522	\$ 997,722
Proprietary funds						
Water	-	-	1,018,400	16,168	-	1,034,568
Water debt service	1,360,488	-	-	-	-	1,360,488
Wastewater debt service	-	1,504,363	-	-	-	1,504,363
Capital projects	1,646,269	1,838,709	-	-	-	3,484,978
Internal service	-	26,161	-	-	-	26,161
Total non-cash transfers	<u>\$ 3,006,757</u>	<u>\$ 3,369,233</u>	<u>\$ 1,018,400</u>	<u>\$ 89,368</u>	<u>\$ 924,522</u>	<u>\$ 8,408,280</u>

Unavailable Revenues

Governmental funds report unavailable revenue in connection with revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the unavailable revenue reported in the governmental funds was as follows:

Delinquent property taxes receivable:	
General	\$ 518,440
General bond debt	17,309
Urban renewal debt	165,960
Assessments receivable:	
System development charges	36,296
Charges for services	<u>93,456</u>
Total unavailable revenue	<u>\$ 831,461</u>

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

3. DETAILED NOTES (continued)

Construction Commitments

The City has active construction projects as of June 30, 2016 as follows:

<u>Capital Projects</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Big Creek Dam Improvements	\$ 1,013,974	\$ 801,300
Bay Moore Storm Sewer Improvements	445,873	5,630,413
Big Creek WW Liftstation	2,211,045	2,346,128
Fixed Base Metering System	416,069	1,050,295
Wastewater System Master Plan	56,956	28,742
Sanitary Sewer Televising Program	224,402	132,000
Agate Beach Recreation and Wayside Improvements	157,030	290,975
Aquatic Center Project	5,680,710	5,448,384
Sam Moore Creek Water Quality Improvement	105,294	230,000
Golf Course Drive Water Improvement	39,616	535,000
Emergency Generator Replacement	17,277	330,000
Nye Beach PS Screen & Grinder	27,734	557,000
Airport Master Plan	236,792	325,000
	<u>\$ 10,632,772</u>	<u>\$ 17,705,237</u>

Capital Leases

The City has entered into a lease agreement as lessee for financing the acquisition of an internet-based phone system. The lease agreement qualifies as a capital leases for accounting purposes and therefore has been recorded at the present value of their future lease payments as of the inception date.

The assets acquired by capital lease are as follows:

Machinery and equipment	\$ 72,090
Accumulated depreciation	<u>(47,396)</u>
	<u>\$ 24,694</u>

The future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2016, were as follows:

<u>Year Ended</u>	<u>Princippal</u>
<u>June 30,</u>	
2017	<u>\$ 24,694</u>

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

3. DETAILED NOTES (continued)

Long-term Obligations

Transactions for the governmental activities for the year ended June 30, 2016 were as follows:

	Beginning Balance July 1, 2015	Increase	Decrease	Ending Balance June 30, 2016	Due within one year
<u>Governmental activities</u>					
Long-term debt obligations:					
General obligation bonds:					
Series 2013, Swimming pool	\$ 7,850,000	\$ -	\$ 195,000	\$ 7,655,000	\$ 215,000
Other loans and bonds:					
League of Oregon Cities Cooperative Asset Financing Program, Series 2007B	185,000	-	15,000	170,000	15,000
League of Oregon Cities Cooperative Asset Financing Program, Series 2009B	1,085,000	-	260,000	825,000	265,000
2013 North Side Fire Hall	226,776	-	13,644	213,132	14,342
Urban Renewal Bonds:					
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 Exemp UR Bonds	5,456,000	-	117,000	5,339,000	100,000
Full Faith & Credit Refunding Series 2010B	5,270,000	-	595,000	4,675,000	660,000
Total long-term debt obligations	<u>21,166,776</u>	<u>-</u>	<u>1,582,644</u>	<u>19,584,132</u>	<u>1,671,342</u>
Other long-term obligations:					
Other postemployment benefits	237,627	34,477	-	272,104	-
Net pension liability	900,164	1,928,758	94,978	2,733,944	-
Unamortized premium	534,590	-	38,736	495,854	38,736
Compensated absences	402,342	443,048	402,342	443,048	443,048
Capital leases	57,778	-	33,084	24,694	24,694
Total other long-term obligations	<u>2,132,501</u>	<u>2,406,283</u>	<u>569,140</u>	<u>3,969,644</u>	<u>506,478</u>
Total long-term obligations	<u>\$ 23,299,277</u>	<u>\$ 2,406,283</u>	<u>\$ 2,151,784</u>	<u>\$ 23,553,776</u>	<u>\$ 2,177,820</u>

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

3. DETAILED NOTES (continued)

Long-term Obligations (continued)

Transactions for the business-type activities for the year ended June 30, 2016 were as follows:

	Beginning Balance July 1, 2015	Increase	Decrease	Ending Balance June 30, 2016	Due within one year
<u>Business-type activities</u>					
Long-term debt obligations:					
General obligation bonds:					
Water Series 2009A	\$ 4,215,000	\$ -	\$ 725,000	\$ 3,490,000	\$ 810,000
Water Series 2009B	9,630,541	-	-	9,630,541	-
Wastewater Series 2008	3,455,000	-	815,000	2,640,000	845,000
Other loans and bonds:					
Full Faith & Credit Refunding Obligation Ser:	3,560,000	-	425,000	3,135,000	440,000
DEQ Note (Deferred)	1,858,187	1,018,400	-	2,876,587	-
2007 Seal Rock Water District	794,505	-	26,617	767,888	27,947
2015 Water Borrowing	4,554,800	-	131,174	4,423,626	159,402
Total long-term debt obligations	<u>28,068,033</u>	<u>1,018,400</u>	<u>2,122,791</u>	<u>26,963,642</u>	<u>2,282,349</u>
Other long-term obligations					
Other postemployment benefits	41,496	27,662	-	69,158	-
Net pension liability	278,741	187,446	-	466,187	-
Unamortized premium	332,637	-	33,325	299,312	33,325
Compensated absences	61,819	82,929	61,819	82,929	82,929
Total other long-term obligations	<u>714,693</u>	<u>298,037</u>	<u>95,144</u>	<u>917,586</u>	<u>116,254</u>
Total long-term obligations	<u>\$ 28,782,726</u>	<u>\$ 1,316,437</u>	<u>\$ 2,217,935</u>	<u>\$ 27,881,228</u>	<u>\$ 2,398,603</u>

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

3. DETAILED NOTES (continued)

Long-term Obligations (continued)

Governmental Activities

General Obligation Bonds

General obligation bonds are debt approved by the City’s taxpayers which they pay through an increase in property taxes. The City issues general obligation bonds to provide funds for the construction of major capital facilities.

The City issued \$7,900,000 in general obligation bonds in December 2013, to finance the costs of a new indoor municipal swimming pool and related systems, facilities and improvements. Interest rates range from 2 to 4 percent. Final maturity is June 1, 2033. The balance outstanding at June 30, 2016 is \$7,655,000. Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 215,000	\$ 289,519	\$ 504,519
2018	240,000	283,069	523,069
2019	270,000	275,869	545,869
2020	295,000	265,069	560,069
2021	320,000	253,269	573,269
2022-2026	2,025,000	1,056,694	3,081,694
2027-2031	2,855,000	641,488	3,496,488
2032-2033	1,435,000	87,000	1,522,000
	<u>\$ 7,655,000</u>	<u>\$ 3,151,977</u>	<u>\$ 10,806,977</u>

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

3. DETAILED NOTES (continued)

Long-term Obligations (continued)

Governmental Activities (continued)

Other Loans/Bonds

Other loans/bonds are Certificates of Participation from the League of Oregon Cities Cooperative Asset Financing Program. These loans are issued to provide funds for various City purchases of vehicles, equipment, capital project and debt payoff. Also, the City entered into a Real Estate loan agreement in order to finance the new North Side Fire Station.

In October 2007, the City issued \$1,015,000 debt from the League of Oregon Cities, Cooperative Assets Finance Program. This loan was issued to provide funds for various City purchases of vehicles, equipment and pay off the Municipal Airport Debt. Interest rate ranges from 3.90 percent to 5.00 percent. Final maturity is July 1, 2024. As of June 30, 2016, the balance outstanding is \$170,000.

Year Ending June 30	Principal	Interest	Total
2017	\$ 15,000	\$ 8,125	\$ 23,125
2018	20,000	7,250	27,250
2019	20,000	6,250	26,250
2020	20,000	5,250	25,250
2021	20,000	4,250	24,250
2022-25	75,000	5,625	80,625
	<u>\$ 170,000</u>	<u>\$ 36,750</u>	<u>\$ 206,750</u>

In September 2009, the City issued \$ 2,580,000 debt from the League of Oregon Cities, Cooperative Assets Finance Program. This loan was issued to provide funds for the Bay Boulevard project and large equipment for Fire, Water and Wastewater. Interest rate ranges from 1.00 percent to 3.50 percent. Final maturity is January 1, 2019. As of June 30, 2016, the balance outstanding is \$825,000.

Year Ending June 30,	Principal	Interest	Total
2017	\$ 265,000	\$ 22,465	\$ 287,465
2018	275,000	14,090	289,090
2019	285,000	4,845	289,845
	<u>\$ 825,000</u>	<u>\$ 41,400</u>	<u>\$ 866,400</u>

In October 2012, the City entered into a loan agreement to finance the new North Side Fire Station. Interest rate is 5.00 percent and final maturity is October 2017. As of June 30, 2016, the balance outstanding is \$213,132.

Year Ending June 30,	Principal	Interest	Total
2017	\$ 14,342	\$ 10,331	\$ 24,673
2018	198,790	3,282	202,072
	<u>\$ 213,132</u>	<u>\$ 13,613</u>	<u>\$ 226,746</u>

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

3. DETAILED NOTES (continued)

Long-term Obligations (continued)

Governmental Activities (continued)

Urban Renewal Bonds

The South Beach Urban Renewal District finance bonds in both 2007 and 2008 for financing authorized projects in the urban renewal area. In 2010, the SB URD issued bonds to refinance loans for the Wastewater Treatment Plant, along with additional funds for an infrastructure project.

In May 2007, the South Beach Urban Renewal District issued bonds totaling \$900,000 to finance the 4B storm drain project in the South Beach urban growth area. The interest rate is 5.25 percent. Final maturity is June 15, 2017. As of June 30, 2016, the outstanding balance is \$112,000. Annual debt service requirements to maturity for this bond is as follows:

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

In May 2008, the South Beach Urban Renewal District issued bonds totaling \$2,530,000 to finance infrastructure projects in the South Beach urban growth area. The interest rate is 4.25 percent. Final maturity is June 15, 2018. As of June 30, 2016, the outstanding balance is \$595,000. Annual debt service requirements to maturity for this bond is as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 290,000	\$ 25,288	\$ 315,288
2018	305,000	12,963	317,963
	<u>\$ 595,000</u>	<u>\$ 38,251</u>	<u>\$ 633,251</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	3,340,000	222,949	3,562,949
	<u>\$ 5,339,000</u>	<u>\$ 888,288</u>	<u>\$ 6,227,288</u>

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

3. DETAILED NOTES (continued)

Long-term Obligations (continued)

Governmental Activities (continued)

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 wastewater 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	1,115,000	63,925	1,178,925
	<u>\$ 4,675,000</u>	<u>\$ 673,100</u>	<u>\$ 5,348,100</u>

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

3. DETAILED NOTES (continued)

Long-term Obligations (continued)

Business-type Activities

General Obligation Bonds

The City issued \$6,265,000 (Series 2009A) and \$9,630,541 (Series 2009B) in general obligation bonds in March 2009, to finance the costs of capital construction and capital improvement for the City's water system. Series 2009A interest rates ranges from 3.5 percent to 5.0 percent and Series 2009B interest rate is 5.0 percent, with a final maturity of June 30, 2029. As of June 30, 2016, the outstanding balance is \$3,490,000 (Series 2009A) and \$9,630,541 (Series 2009B). Annual debt service requirements to maturity for this bond is as follows:

General Obligation Bonds, Series 2009A - Water

Year Ending June 30,	Principal	Interest	Total
2017	\$ 810,000	\$ 154,450	\$ 964,450
2018	900,000	122,050	1,022,050
2019	1,010,000	78,900	1,088,900
2020	770,000	38,500	808,500
	<u>\$ 3,490,000</u>	<u>\$ 393,900</u>	<u>\$ 3,883,900</u>

General Obligation Bonds, Series 2009B - Wastewater

Year Ending June 30,	Principal	Interest	Total
2020	\$ 706,407	\$ 498,593	\$ 1,205,000
2021	1,137,806	937,194	2,075,000
2022	1,100,080	1,034,920	2,135,000
2023	1,070,476	1,129,524	2,200,000
2024	1,033,610	1,231,390	2,265,000
2025-2029	4,582,162	7,807,838	12,390,000
	<u>\$ 9,630,541</u>	<u>\$ 12,639,459</u>	<u>\$ 22,270,000</u>

The City issued \$7,470,000 in general obligation refunding bonds in April 2008, to refinance a portion of the City's outstanding General Obligation Bonds, Series 1999 that financed improvements to the City's sewer system. Interest rates is 3.5 percent. The bonds final maturity is February 1, 2019. As of June 30, 2016 the outstanding balance is \$2,640,000. Annual debt service requirement to maturity as the following:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 845,000	\$ 92,400	\$ 937,400
2018	880,000	62,825	942,825
2019	915,000	32,025	947,025
	<u>\$ 2,640,000</u>	<u>\$ 187,250</u>	<u>\$ 2,827,250</u>

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

3. DETAILED NOTES (continued)

Long-term Obligations (continued)

Business-type Activities (continued)

Full Faith & Credit Bonds and Loans Payable

In July 2010, Full Faith & Credit Refunding Obligations, Series 2010A was issued 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 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 \$3,135,000. Annual debt service requirements to maturity for this bond is as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 440,000	\$ 128,563	\$ 568,563
2018	455,000	110,963	565,963
2019	470,000	92,763	562,763
2020	485,000	73,963	558,963
2021	505,000	53,350	558,350
2022-23	780,000	43,987	823,987
	<u>\$ 3,135,000</u>	<u>\$ 503,588</u>	<u>\$ 3,638,588</u>

Loans Payable

The City entered into an agreement with Seal Rock Water District to assume responsibility to provided water services for an area of property. In return, the City agreed to pay the District \$958,502 as the rate of interest of 4.75 percent. The outstanding balance as of June 30, 2016 is \$767,888. Annual debt service requirements to maturity for this loan is as follows:

Year Ending June 30	Principal	Interest	Total
2017	\$ 27,947	\$ 41,590	\$ 69,537
2018	29,152	40,360	69,512
2019	30,411	39,073	69,484
2020	31,826	37,650	69,476
2021	33,300	164,634	197,934
2022-26	190,065	156,254	346,319
2027-31	223,712	109,227	332,939
2032-36	191,789	46,135	237,924
2037-41	7,923	1,242	9,165
2041-42	1,763	66	1,829
	<u>\$ 767,888</u>	<u>\$ 507,759</u>	<u>\$ 1,275,647</u>

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

3. DETAILED NOTES (continued)

Long-term Obligations (continued)

Business-type Activities (continued)

Loans Payable (continued)

In December 2014, the City entered into a 2014 Loan Agreement, in the amount of \$4,554,800 to finance costs of water infrastructure projects. Interest for the loan is 3.95 percent, with a final maturity of June 15, 2034. As of June 30, 2016, the outstanding balance is \$4,423,626. Annual debt service requirements to maturity for this bond is as follows:

Year Ending June 30	Principal	Interest	Total
2017	\$ 159,402	\$ 171,585	\$ 330,987
2018	165,825	165,162	330,987
2019	172,507	158,480	330,987
2020	179,459	151,528	330,987
2021	186,690	144,297	330,987
2022-26	1,052,542	602,393	1,654,935
2027-31	1,282,400	372,535	1,654,935
2032-35	1,224,801	99,147	1,323,948
	<u>\$ 4,423,626</u>	<u>\$ 1,865,127</u>	<u>\$ 6,288,753</u>

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

3. DETAILED NOTES (continued)

Governmental Fund Balances

The fund balance amounts for governmental funds have been reported in the categories listed below with each specific purpose:

Categories	General	Parks and Recreation	Agate Beach Closure	Debt Service NURA	Capital Projects	Nonmajor Govern- mental	Total
Nonspendable:							
Prepaid items	\$ 1,002	\$ 3,127	\$ -	\$ -	\$ -	\$ 5,000	\$ 9,129
Restricted for:							
Capital Projects	-	-	-	-	4,642,994	1,576,147	6,219,141
Agate Beach Closure	-	-	1,372,665	-	-	-	1,372,665
Tourism	-	-	-	-	-	499,109	499,109
Streets	-	-	-	-	-	765,078	765,078
General debt service	-	-	-	-	-	47,210	47,210
NURA debt service	-	-	-	2,995,704	-	-	2,995,704
NURA construction	-	-	-	-	-	417,744	417,744
Committed for:							
Parks and recreation	-	443,955	-	-	-	-	443,955
Public parking	-	-	-	-	-	285,365	285,365
Housing	-	-	-	-	-	134,414	134,414
Airport	-	-	-	-	-	231,798	231,798
Building inspection	-	-	-	-	-	563,897	563,897
Line undergrounding	-	-	-	-	-	674,570	674,570
Unassigned	<u>3,732,609</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,732,609</u>
 Total Fund Balances	 <u>\$ 3,733,611</u>	 <u>\$ 447,082</u>	 <u>\$ 1,372,665</u>	 <u>\$ 2,995,704</u>	 <u>\$ 4,642,994</u>	 <u>\$ 5,200,332</u>	 <u>\$ 18,392,388</u>

Net position restricted through enabling legislation

The amount of net position restricted by enabling legislation is as follows:

Governmental activities

Highways and streets – Article IX, Section 3a of the Oregon State Constitution restricts the use of revenue from taxes on motor vehicle fuel use	\$ 765,078
Capital projects – Ordinances imposing System Development Charges (SDC) restrict the use to capital improvements which expand the capacity of the system for which the charge was made	1,327,443
Urban Renewal - Establishment of the urban renewal agency restricts the use to projects meeting the objectives for which it was formed	417,744

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

3. DETAILED NOTES (continued)

Segment information for enterprise funds

The City has issued revenue bonds to finance water and wastewater systems. The two systems are accounted for in five enterprise funds.

Summary financial information for the water and wastewater systems for the year ended June 30, 2016 is as follows:

Condensed statement of net position	<u>Water</u>	<u>Wastewater</u>
Assets		
Current	\$ 2,874,457	\$ 3,717,287
Noncurrent		
Capital assets, net	<u>23,689,994</u>	<u>37,719,705</u>
Total assets	<u>26,564,451</u>	<u>41,436,992</u>
Deferred outflows of resources		
Pension related items	<u>58,903</u>	<u>48,109</u>
Liabilities		
Current	1,641,999	1,838,295
Noncurrent	<u>20,538,162</u>	<u>4,797,875</u>
Total liabilities	<u>22,180,161</u>	<u>6,636,170</u>
Deferred inflows of resources		
Pension related items	<u>6,298</u>	<u>5,144</u>
Net position		
Net investment in capital assets	2,358,282	31,739,109
Restricted	951,787	2,247,475
Unrestricted	<u>1,126,826</u>	<u>857,203</u>
Total net position	<u>\$ 4,436,895</u>	<u>\$ 34,843,787</u>

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

3. DETAILED NOTES (continued)

Segment information for enterprise funds (continued)

	<u>Water</u>	<u>Wastewater</u>
Condensed statement of revenues, expenses and changes in net position		
Operating revenue	3,537,147	3,814,777
Depreciation expense	886,126	1,449,546
Other operating expenses	<u>2,515,984</u>	<u>2,718,049</u>
Operating income (loss)	135,037	(352,818)
Nonoperating revenues (expenses)	<u>448,957</u>	<u>675,392</u>
Income before transfers	583,994	322,574
Transfers in	4,639,496	5,391,512
Transfers (out)	<u>(5,735,764)</u>	<u>(4,426,928)</u>
Change in net position	(512,274)	1,287,158
Prior period adjustment	63,717	151,069
Net position - beginning	<u>4,885,452</u>	<u>33,405,560</u>
Net position - ending	<u>\$ 4,436,895</u>	<u>\$ 34,843,787</u>
Condensed statement of cash flows		
Net cash provided by (used in):		
Operating activities	886,110	1,285,898
Non-capital financing activities	871,573	901,093
Capital and related financing activities	(3,119,069)	(2,452,316)
Investing activities	<u>38,779</u>	<u>9,539</u>
Net (decrease) in cash	(1,322,607)	(255,786)
Cash and cash equivalents - beginning	<u>3,245,437</u>	<u>3,269,497</u>
Cash and cash equivalents - ending	<u>\$ 1,922,830</u>	<u>\$ 3,013,711</u>

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

4. OTHER INFORMATION

Pension Plans

The City participates in a cost-sharing multiple-employer plan that covers all fire and police employees, and a combined single-employer defined contribution money-purchase and defined benefit for eligible employees. Below are details related to each plan.

Oregon Public Employees Retirement System (PERS)

Defined Benefit Pension Plan

Police and Fire employees of the City are provided with pensions through OPERS. All the benefits of OPERS are established by the Oregon legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A.

The OPERS consists of a single cost-sharing multiple employer defined benefit pension plan.

OPERS produces an independently audited Comprehensive Annual Financial Report which can be found at: www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

A. Description of benefit terms

Plan benefits

All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A.

- 1. Tier One/Tier Two Retirement Benefit (Chapter 238).** Tier One/Tier Two Retirement Benefit plan is closed to new members hired on or after August 29, 2003.

Pension benefits

The OPERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60.

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

4. OTHER INFORMATION (Continued)

Oregon Public Employees Retirement System (PERS) (continued)

B. Description of benefit terms (continued)

1. Tier One/Tier Two Retirement Benefit (Chapter 238) (continued)

Death benefits

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

- the member was employed by a OPERS employer at the time of death,
- the member died within 120 days after termination of OPERS-covered employment,
- the member died as a result of injury sustained while employed in a OPERS-covered job, or
- the member was on an official leave of absence from a OPERS-covered job at the time of death.

Disability benefits

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including OPERS judge members) for disability benefits regardless of the length of OPERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

Benefit changes after retirement

Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments.

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cost-of-living increase for fiscal year 2015 was capped at 1.5 percent for all benefit recipients. As a result of the *Moro* Decision (*Everice Moro et al v. State of Oregon et al*), the cap on the cost-of-living increases are 2.0 percent for fiscal years 2016 and beyond.

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

4. OTHER INFORMATION (Continued)

Oregon Public Employees Retirement System (PERS) (continued)

B. Description of benefit terms (continued)

2. Oregon Public Service Retirement Plan (Chapter 238A) (OPSRP DB)

Pension benefits.

The OPSRP pension program provides benefits to members hired on or after August 29, 2003.

This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

Police and fire: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

General service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

A member of the OPSRP pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

Death benefits

Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

Disability benefits

A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

4. OTHER INFORMATION (Continued)

Oregon Public Employees Retirement System (PERS) (continued)

C. Contributions

OPERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due.

Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2015.

Tier 1/tier 2 employer contribution rates are 14.57 percent and the OPSRP employer contribution rates are 4.99 percent for general service employees and 9.1 percent for public safety employees. Employer contributions for the year ended June 30, 2016 were \$258,320, excluding amounts to fund employer specific liabilities.

D. Pension asset or liability, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

At June 30, 2016, the City reported a liability of \$1,656,886 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

Employers' long-term contribution efforts are based on projected rates that have two major components:

1. Normal Cost Rate: The economic value, stated as a percent of payroll, for the portion of each active member's total projected retirement benefit that is allocated to the upcoming year of service. The rate is in effect for as long as each member continues in OPERS-covered employment. The current value of all projected future Normal Cost Rate contributions is the Present Value of Future Normal Costs (PVFNC). The PVFNC represents the portion of the projected long-term contribution effort related to future service.

An employer's PVFNC depends on both the normal cost rates charged on the employer's payrolls, and on the underlying demographics of the respective payrolls. For OPERS funding, employers have up to three different payrolls, each with a different normal cost rate: (1) Tier 1/Tier 2 payroll, (2) OPSRP general service payroll, and (3) OPSRP police and fire payroll.

The employer's Normal Cost Rates for each payroll are combined with system-wide present value factors for each payroll to develop an estimated PVFNC. The present value factors are actuarially determined at a system level for simplicity and to allow for the PVFNC calculations to be audited in a timely, cost-effective manner.

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

4. OTHER INFORMATION (Continued)

Oregon Public Employees Retirement System (PERS) (continued)

D. Pension asset or liability, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions (continued)

2. UAL Rate: If system assets are less than the actuarial liability, an Unfunded Actuarial Liability (UAL) exists. UAL can arise when an event such as experience differing from the assumptions used in the actuarial valuation occurs. An amortization schedule is established to eliminate the UAL that arises over a fixed period of time if future experience follows assumption. The UAL Rate is the upcoming year's component of the cumulative amortization schedules, stated as a percent of payroll. The present value of all projected UAL Rate contributions is equal to the Unfunded Actuarial Liability (UAL). The UAL represents the portion of the projected long-term contribution effort related to past service.
3. UAL Rate: The UAL has Tier 1/Tier 2 and OPSRP pieces. The Tier 1/Tier 2 piece is based on the employer's Tier 1/Tier 2 pooling arrangement. If an employer participates in one of the two large Tier 1/Tier 2 rate pools [State & Local Government Rate Pool (SLGRP) or School Districts Rate Pool], then the employer's Tier 1/Tier 2 UAL is their pro-rata share of their pool's UAL. The pro-rata calculation is based on the employer's payroll in proportion to the pool's total payroll. The OPSRP piece of the UAL follows a parallel pro-rata approach, as OPSRP experience is mandatorily pooled at a state-wide level. Employers that do not participate in a Tier 1/Tier 2 pooling arrangement, who are referred to as "Independent Employers", have their Tier 1/Tier 2 UAL tracked separately in the actuarial valuation.

The projected long-term contribution effort is the sum of the PVFNC and the UAL. The PVFNC part of the contribution effort pays for the value of future service while the UAL part of the contribution effort pays for the value of past service not already funded by accumulated contributions and investment earnings. Each of the two contribution effort components are calculated at the employer-specific level. The sum of these components across all employers is the total projected long-term contribution effort.

At June 30, 2015, the City's proportion was .028852827 percent, which is an increase of .00385184 percent from its proportion measured as of June 30, 2014.

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

4. OTHER INFORMATION (Continued)

Oregon Public Employees Retirement System (PERS) (continued)

D. Pension asset or liability, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions (continued)

For the year ended June 30, 2016, the City recognized pension expense of \$1,499,899. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 89,348	\$ -
Net difference between projected and actual earnings		
On pension plan investments		347,321
Changes in proportionate share	66,133	
Difference between City's contributions and proportionate share of contributions		104,636
City's contributions subsequent to the measurement date	<u>258,320</u>	<u>--</u>
	<u>\$ 413,801</u>	<u>\$ 451,957</u>

\$258,320 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (income) as follows:

Year ends June 30,

2017	\$ (154,840)
2018	(154,840)
2019	(154,840)
2020	162,202
2021	<u>5,843</u>
	<u>\$ (296,476)</u>

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

4. OTHER INFORMATION (Continued)

Oregon Public Employees Retirement System (PERS) (continued)

E. Actuarial Valuations

The December 31, 2013 actuarial valuation used the following actuarial methods and valuation procedures in determining the Tier One/Tier Two contribution rates.

Actuarial cost method

The employer contribution rates effective July 1, 2015, through June 30, 2017, were set using the entry age normal actuarial cost method. Under this actuarial cost method, each active member's entry age present value of projected benefits is allocated over the member's service from the member's date of entry until their assumed date of exit, taking into consideration expected future compensation increases.

Tier One/Tier Two unfunded actuarial accrued liability amortization

The Tier 1/Tier 2 UAL amortization period is reset to 20 years as of December 31, 2013. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll (Tier 1/ Tier 2 plus OPSRP payroll) over a closed 20 year period from the valuation in which they are first recognized.

Retiree healthcare unfunded actuarial accrued liability amortization

The UAL for Retiree Health Care as of December 31, 2007 is amortized as a level percentage of combined valuation payroll (Tier 1/ Tier 2 plus OPSRP payroll) over a closed 10 year period. Gains and losses between subsequent odd-year valuations are amortized as a level percentage of combined valuation payroll over a closed 10 year period from the valuation in which they are first recognized.

Asset valuation method

The actuarial value of assets equals the market value of assets, excluding the Contingency and Capital Preservation Reserves, and the Rate Guarantee Reserve when it is in positive surplus status. Market values are reported to the actuary by PERS.

Contribution rate stabilization method

Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) are confined to a collared range based on the prior contribution rate (prior to application of side accounts, pre-SLGRP liabilities, and 6 percent Independent Employer minimum). The new contribution rate will generally not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the prior contribution rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funded percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

4. OTHER INFORMATION (Continued)

Oregon Public Employees Retirement System (PERS) (continued)

E. Actuarial Valuations (continued)

Allocation of liability for service segments

For active Tier 1/Tier 2 members who have worked for multiple PERS employers over their career, the calculated actuarial accrued liability is allocated among the employers based on a weighted average of the Money Match methodology, which uses account balance, and the Full Formula methodology, which uses service. The allocation is 30% (5% for police & fire) based on account balance with each employer and 70% (95% for police & fire) based on service with each employer. The entire normal cost is allocated to the current employer.

Allocation of benefits-in-force reserve

The reserve is allocated to each rate pool in proportion to the retiree liability attributable to the rate pool.

Economic assumptions

Investment return	7.75% compounded annually
Pre-2014 interest crediting	8.00% compounded annually on regular account balances 8.25% compounded annually on variable account balances
Post 2013 interest crediting	7.75% compounded annually
Inflation	2.75% compounded annually
Payroll growth	3.75% compounded annually
Healthcare cost trends	Ranges from 6.1% in 2014 to 4.7% in 2083

Demographic assumptions

Mortality tables

Healthy retirees	RP 2000, Generational (Scale AA) Combined Active/Healthy Annuitant, Sex Distinct
Disabled retirees	RP 2000, Static, Combined Disabled, No Collar, Sex Distinct Male 65% and Female 90% of disabled table
Non-annuitants	Ranges from 55% to 70% of healthy retired mortality tables depending upon sex and employment type

Retirement assumptions

Probability tables based on age of member, years of service and employment type with all police and fire retired by age 65 and all others retired by age 70, election to receive a lump sum option at retirement, disability assumptions, termination assumptions and Oregon post-retirement residency assumptions.

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

4. OTHER INFORMATION (Continued)

Oregon Public Employees Retirement System (PERS) (continued)

E. Actuarial Valuations (continued)

Salary increase assumptions

Salary increase assumptions, in addition to general payroll growth, include merit increase, unused sick leave and vacation pay.

The December 31, 2013 actuarial valuation for OPSRP generally used the same actuarial methods and valuation procedures as Tier One/Tier Two contribution rates except as follows:

OPSRP unfunded actuarial accrued liability amortization

The UAL as of December 31, 2007 is amortized as a level percentage of combined valuation payroll (Tier 1/ Tier 2 plus OPSRP payroll) over a closed period 16 year period. Gains and losses between subsequent odd-year valuations are amortized as a level percentage of combined valuation payroll over 16 years from the valuation in which they are first recognized.

Economic assumptions

An additional amount for administrative expenses is added to the normal cost.

Retirement assumptions

Probability tables are different but still based on age of member, years of service and employment type with all police and fire retired by age 65 and all others retired by age 70, election to receive a lump sum option at retirement, disability assumptions, termination assumptions and Oregon post-retirement residency assumptions.

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

4. OTHER INFORMATION (Continued)

Oregon Public Employees Retirement System (PERS) (continued)

F. Actuarial Methods and Assumptions Used in Developing Total Pension Liability

Valuation Date	December 31, 2013
Measurement Date	June 30, 2015
Experience Study Report	2014, published September 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.75 percent
Long-term expected rate of return	7.75 percent
Discount rate	7.75 percent
Projected Salary Increases	3.75 percent
Cost of living adjustments (COLA)	Blend of 2.00 percent COLA and graded COLA (1.25%/0.015) in accordance with <i>Moro</i> decision; blend based on service
Mortality	<p><i>Healthy retirees and beneficiaries:</i> RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation.</p> <p><i>Active members:</i> Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p><i>Disabled retirees:</i> Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.</p>

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2014 Experience Study which reviewed experience for the four-year period ending on December 31, 2014.

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

4. OTHER INFORMATION (Continued)

Oregon Public Employees Retirement System (PERS) (continued)

F. Actuarial methods and assumptions used in developing total pension liability (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both the actuaries capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on forward-looking capital market economic model. For more information on the Plan's portfolio, assumed asset allocation and the long-term expected rate of return for each major asset class, calculated using both arithmetic and geometric means, see PERS audited financial statements.

The table below presents the assumptions for each of the asset classes in which the Plan was invested at the time based on the OIC's long-term target asset allocation.

Asset Class	Target Allocation*	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Core Fixed Income	7.20%	4.70%	4.50%	6.60%
Short-Term Bonds	8.00	3.76	3.70	3.45
Intermediate-Term Bonds	3.00	4.23	4.10	5.15
High Yield Bonds	1.80	7.21	6.66	11.10
Large Cap US Equities	11.65	8.60	7.20	17.90
Mid Cap US Equities	3.88	9.38	7.30	22.00
Small Cap US Equities	2.27	10.38	7.45	26.40
Developed Foreign Equities	14.21	8.73	6.90	20.55
Emerging Market Equities	5.49	11.51	7.40	31.70
Private Equity	20.00	11.95	8.26	30.00
Hedge Funds/Absolute Return	5.00	6.46	6.01	10.00
Real Estate (Property)	13.75	7.27	6.51	13.00
Real Estate (REITS)	2.50	8.41	6.76	19.45
Commodities	1.25	7.71	6.07	19.70
Assumed Inflation - Mean			2.75%	2.00%
* Based on the OIC Statement of Investment Objectives and Policy Framework for the Oregon Public Employees Retirement Fund, revised as of December 18, 2012, and the revised allocation adopted at the June 26, 2013 OIC meeting.				

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

4. OTHER INFORMATION (Continued)

Oregon Public Employees Retirement System (PERS) (continued)

F. Actuarial methods and assumptions used in developing total pension liability (continued)

Depletion date projection

GASB 68 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 67 will often require that the actuary perform complex projections of future benefit payments and asset values. GASB 67 (paragraph 43) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for OPERS:

- OPERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is OPERS independent actuary's opinion that the detailed depletion date projections outlined in GASB 67 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

G. Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate.

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1 Percentage Point Lower	Current Discount Rate	1 Percentage Point Higher
City's proportionate share of net pension liability or (asset)	\$ 3,998,834	\$ 1,656,886	\$ (316,760)

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

4. OTHER INFORMATION (continued)

Defined Contribution Plan

Individual Account Program (IAP)

Participants in OPERS defined benefit pension plan also participate in the defined contribution plan.

Pension Benefits

An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the IAP may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

Death Benefits

Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

Contributions

The City of Newport makes the employee contributions of 6 percent of covered payroll to the plan. Contributions for the year ended June 30, 2016 were \$134,978.

Recordkeeping

PERS contracts with VOYA Financial to maintain IAP participant records.

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

4. OTHER INFORMATION (continued)

City of Newport Employee's Retirement Plans

The City contributes to the City of Newport Employee's Retirement Plan (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.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan description

Before January 1, 1983, the Plan included benefits for police and fire employees of the City. Effective January 1, 1983 retirement benefits for such employees were provided through the Public Employee Retirement System of the State of Oregon (PERS) and a portion of the Plan's funding was transferred to PERS.

All the benefits of the Plan are established by the City Council of Newport.

The Plan consists of a single employer defined benefit pension plan.

The City does not issue a separate financial report available to the public for this plan.

Plan membership

As of July 1, 2015, pension plan membership consisted of 18 inactive plan members (or beneficiaries) currently receiving benefits, 20 inactive plan members not yet receiving benefits and 47 active plan members.

Description of benefit terms

Plan benefits

All benefits of the Plan are established by the City Council pursuant to City of Newport Employees' Retirement Plan, 2009 Restatement. Details on the Plan are found within this document.

1. Employees hired before March 5, 2012 shall be entitled to benefits under this Plan. Effective March 5, 2012, all non-collectively bargained employees hired on or after March 5, 2012 shall not be entitled to benefits under the Plan.

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

4. OTHER INFORMATION (continued)

City of Newport Employee's Retirement Plans (continued)

Pension Benefits

The basic benefit on normal retirement is a monthly pension for life equal to the sum of the following:

A defined benefit equal to Benefit Years (BY) times 1.2 percent of Average Monthly Earnings (AME) as follows:

$$\text{BY} \times 1.2\% \times \text{AME}$$

An annuity equal in value to the combined balances of the participant's employee and Employer Money Purchase contribution accounts.

An annuity equal in value to the balance of the participant's Mandatory contribution account, if not withdrawn.

An annuity equal in value to the balance of the participant's voluntary contribution account, if not withdrawn.

The defined benefit portion of a participant's normal retirement basic benefit shall not be less than either of the following:

The participant's accrued benefit as of September 30, 1993.

The greatest early retirement 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 as follows:

"Monthly Earnings" for a plan year means one-twelfth of the participant's Compensation for the plan year.

Compensation means taxable pay reportable on IRS Form W-2 under Internal Revenue Code section 401(a), disregarding limitations based on the nature or location of the employment, plus, for limitation years beginning after December 31, 1998.

Compensation shall be considered only during the last 10 plan years of employment by Employer.

Years separated by a period when the participant is not employed by Employer shall be treated as consecutive.

For a participant with fewer than three plan years of Compensation, all years shall be used.

During periods of reduced Compensation because of such causes as illness, disability, leave of absence or layoff, Compensation shall be figured at the last regular rate before the start of the period.

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

4. OTHER INFORMATION (continued)

City of Newport Employee's Retirement Plans (continued)

Conversion to annuities under the Plan shall be based on actuarial equivalency.

Benefits shall start on the Benefit Starting Date after the retirement date and be paid as soon as practicable.

Pre-retirement death benefits

On death of a participant before starting retirement benefits, the participant's beneficiary under shall receive in a lump sum the total of the following:

- The balance of the participant's Money Purchase contribution accounts.
- The balance of the participant's Mandatory contribution account.
- The balance of the participant's voluntary contribution account.
- An amount attributable to the participant's defined benefit as determined.

The amount attributable to the participant's defined benefit shall be the greatest of the following:

- 50 times the participant's projected monthly pension assuming continued full-time service to normal retirement date and no change in Average Monthly Earnings.
- The actuarial present value of the participant's accrued defined benefit on the date of death.
- The amount determined for the participant under as in effect on September 30, 1993.

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

4. OTHER INFORMATION (continued)

City of Newport Employee's Retirement Plans (continued)

Death Benefits

The amount of required minimum distributions during a Participant's lifetime will be determined as follows:

- During the Participant's lifetime, the minimum amount that will be distributed each Distribution Calendar Year is the lesser of (A) the quotient obtained by dividing the Participant's Account Balance by the distribution period in the Uniform Lifetime Table set forth in Regulation §1.401(a)(9)-9, using the Participant's age as of the Participant's birthday in the Distribution Calendar Year; or (B) if the Participant's sole Designated Beneficiary for the Distribution Calendar Year is the Participant's Spouse, then the quotient obtained by dividing the Participant's Account Balance by the number in the Joint and Last Survivor Table set forth in Regulation §1.401(a)(9)-9, using the Participant's and Spouse's attained ages as of the Participant's and Spouse's birthdays in the Distribution Calendar Year.
- Required minimum distributions will be determined under this paragraph beginning with the first Distribution Calendar Year and up to and including the Distribution Calendar Year that includes the Participant's date of death.

Required minimum distributions will be made after a Participant's death in accordance with the following provisions:

- If a Participant dies on or after the date distribution begins, then the amount of a required minimum distribution will be determined as follows:
 - If the Participant dies on or after the date distributions begin and there is a Designated Beneficiary, then the minimum amount that will be distributed for each Distribution Calendar Year after the year of the Participant's death is the quotient obtained by dividing the Participant's Account Balance by the longer of the remaining Life Expectancy of the Participant or the remaining Life Expectancy of the Designated Beneficiary, determined in accordance with the following provisions:
 - The Participant's remaining Life Expectancy is calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.
 - If the Participant's surviving Spouse is the Participant's sole Designated Beneficiary, then the remaining Life Expectancy of the surviving Spouse is calculated for each Distribution Calendar Year after the year of the Participant's death using the surviving Spouse's age as of the Spouse's birthday in that Distribution Calendar Year. For Distribution Calendar Years after the year of the surviving Spouse's death, the remaining Life Expectancy of the surviving Spouse is calculated using the age of the surviving Spouse as of the Spouse's birthday in the calendar year of the Spouse's death, reduced by one for each subsequent calendar year.
 - If the Participant's surviving Spouse is not the Participant's sole Designated Beneficiary, then the Designated Beneficiary's remaining Life Expectancy is calculated using the age of the Beneficiary in the year following the year of the Participant's death, reduced by one for each subsequent calendar year.

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

4. OTHER INFORMATION (continued)

City of Newport Employee's Retirement Plans (continued)

If the Participant dies on or after the date distributions begin and there is no Designated Beneficiary as of September 30 of the year after the year of the Participant's death, then the minimum amount that will be distributed for each Distribution Calendar Year after the year of the Participant's death is the quotient obtained by dividing the Participant's Account Balance by the Participant's remaining Life Expectancy calculated using the age of the Participant in the year of death, reduced by one each subsequent year.

Disability Benefits

A participant whose employment terminates due to disability shall be paid in a lump sum the total of the following:

- The balance of the participant's Money Purchase contribution accounts.
- The balance of the participant's Mandatory contribution account.
- The balance of the participant's voluntary contribution account.
- An amount attributable to the participant's defined benefit as determined.

The amount attributable to the participant's defined benefit shall be the greatest of the following:

- 50 times the participant's projected monthly pension assuming continued full-time service to normal retirement date and no change in Average Monthly Earnings.
- The actuarial present value of the participant's accrued benefit on the date disability arises.
- The amount determined for the participant as in effect on September 30, 1993.

A disabled participant is one who as a result of illness or injury suffers from a condition of mind or body that permanently prevents full-time employment by Employer. The Administrator shall determine disability and may rely on advice from a medical examiner satisfactory to the Administrator.

If benefits after disability would be offset against any other disability benefit, the Retirement Administrator may defer the start of payments until age 65 and adjust the benefit actuarially for the later start unless the participant elects to waive disability and receive benefits.

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

4. OTHER INFORMATION (continued)

City of Newport Employee's Retirement Plans (continued)

Funding Policy

The City shall establish the funding policy on the advice of the plan actuary and be responsible for management of the fund. The funding policy shall fix the minimum and maximum Employer contribution for each year.

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 dues. For the current fiscal year, \$362,578 was contributed to the plan. The plan's normal cost is \$203,316 with interest plus amortization (over 30 years) of the plans unfunded actuarial accrued liability with interest.

The annual required contribution of the defined benefit plan was computed as of an actuarial valuation performed as of July 1, 2015. 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 increase due to promotions and longevity.

Contributions

The City shall make contributions to fund the benefits for its eligible employees. The amount and time of payment shall be determined in conformance with the funding policy established by the Administrator and the rules of this Plan.

An Employer may suspend or reduce contributions in any year so long as the minimum requirements of the funding policy are satisfied.

Pension asset or liability, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

At June 30, 2016, the City of Newport reported a liability of \$1,543,244 for its net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Employers' long-term contribution efforts are based on a roll-forward technique utilizing calculations performed as of the start of the fiscal year.

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

4. OTHER INFORMATION (continued)

City of Newport Employee's Retirement Plans (continued)

For the year ended June 30, 2016, the City of Newport recognized pension expense of \$34,370. At June 30, 2016, the City of Newport reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 43,437	\$ 52,273
Net difference between projected and actual earnings On pension plan investments	<u>445,475</u>	<u>-</u>
	<u>\$ 488,912</u>	<u>\$ 52,273</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (income) as follows:

Year ends June 30,			
2017	\$	120,485	
2018		120,485	
2019		120,485	
2020		89,050	
2021		<u>(13,866)</u>	
		<u>\$ 436,641</u>	

Actuarial Valuations

The employer contributions were set using the entry age actuarial cost method. The method is used to attribute the actuarial present value of projected benefits payments of each plan member to periods in conformity with the following:

Attribution is made on an individual plan-member-by-plan-member basis.

Each plan member's service costs is level as a percentage of that member's projected pay.

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

4. OTHER INFORMATION (continued)

City of Newport Employee’s Retirement Plans (continued)

The beginning of the attribution period is the first period in which the member’s service accrues pensions under the benefit terms, notwithstanding vesting or similar terms.

Each plan member’s service cost is determined based on the same benefit terms reflected in that member’s actuarial present value of projected benefit payments.

Actuarial Methods and Assumptions Used in Developing Total Pension Liability

Valuation Date	July 1, 2015 rolled forward to June 30, 2016.
Actuarial Cost Method	Entry Age Normal with normal cost as level percentage of salary
Amortization Method	Amortized as a level percentage of salary as layered amortization bases over a closed period
Asset Valuation Method	Market value of assets
Actuarial Assumptions:	
Inflation Rate	2.5 percent
Investment rate of return	6.75 percent
Projected Salary Increases	3.00 percent overall payroll growth
Mortality	RP-2000 Table, post-retirement only, without variation by subgroups

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Discount Rate

The discount rate used to measure the total pension liability was 6.75 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

4. OTHER INFORMATION (continued)

City of Newport Employee's Retirement Plans (continued)

Assumed Asset Allocation:

<u>Asset Class/Strategy</u>	<u>Low Range</u>	<u>High Range</u>
Cash	0%	5%
Equity	60%	90%
Fixed Income	10%	40%

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of returns (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term rate of return by weighing the expected future real estates of return by the target asset allocation percentage and by adding expected inflation.

Sensitivity of the City of Newport's proportionate share of the net pension liability to changes in the discount rate.

The determination of pension liability at fiscal year-end is based on a roll-forward technique utilizing calculations performed as of the start of the year. Three separate calculations of pension liability are displayed, one using the stated discount rate together with calculations based on a 1% increase and 1% decrease in the rate. The additional calculations are required to illustrate the sensitivity of net pension liability to changes in the discount rate:

	<u>1 Percentage Point Lower</u>	<u>Current Discount Rate</u>	<u>1 Percentage Point Higher</u>
City of Newport's net pension asset or liability	\$ 2,230,138	\$ 1,543,244	\$951,346

Changes in Actuarial Methods and Assumptions

There have been no changes in the actuarial methods and assumptions.

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

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

4. OTHER INFORMATION (continued)

Defined Contribution – City Money Purchase

Participants in the City of Newport Employee’s Retirement defined benefit pension plan also participate in the defined contribution plan along with others added after March 5, 2012 and October 12, 2012.

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 participants employee and employer accounts. Conversion of accounts to annuities shall be based on actuarial equivalency. The employer’s contributions met the required contribution for the current and prior years.

Pension Benefits

A Money Purchase member becomes vested based on years of service as follows:

Years of Service	Vested Percentage
Less than 3 years	0%
3	50%
4	62%
5	75%
6	87 1/2%
7 or more	100%

Upon retirement, a member of the money purchase Plan may receive the amounts in his or her employee account as a lump-sum payment.

Death Benefits

Upon the death of a non-retired member, the beneficiary receives in a lump sum the member’s account balance.

Contributions

The City makes the employee contributions of 6 percent of covered payroll to the plan. Contributions for the year ended June 30, 2016 were \$240,653.

Recordkeeping

The City contracts with Silverstone Group to maintain the money purchase participant records.

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

4. OTHER INFORMATION (continued)

Other Post-Employment Benefits

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

Plan Description and Benefits Provided

The City provides other post-employment benefits (OPEB) for employees, retirees, spouses, and dependents through a single employer defined contribution plan in the form of group health insurance benefits. As required by ORS 243.303(2), retirees are allowed to continue, at the retiree's expense, coverage under the group health insurance plan of the City until age 65. The implicit employer subsidy is measured as the expected health care cost per retiree and dependent, less the gross premiums charged by the insurance carrier for the coverage. The subsidy is only measured for retirees and spouses younger than age 65, at which point such retirees and spouses typically become eligible for Medicare. The City does not pay for any retiree OPEB under GASB 45.

Membership

The City's membership in the plan at August 1, 2014 (the date of the last actuarial valuation), consisted of the following:

Active employees	93
Retirees, spouses, or dependents	<u>7</u>
	<u>100</u>

Funding Policy and Contributions

The City funds the plan only to the extent of current year insurance premium requirements on a pay-as-you-go basis. The City has not established an irrevocable trust to accumulate assets to fund the cost of the OPEB obligation that arises from the implicit subsidy.

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

4. OTHER INFORMATION (continued)

Other Post-Employment Benefits (continued)

Annual OPEB Cost and Net OPEB Obligation (NOPEBO)

The City had an actuarial valuation performed as of August 1, 2014, to determine the *unfunded accrued actuarial liability* (UAAL), *annual required contribution* (ARC), and NOPEBO as of that date. The ARC is equal to the normal cost plus an amount to amortize the UAAL as a level percent of payroll over 10 years. The annual OPEB cost, as of June 30, 2016 is equal to the ARC as follows:

Normal Cost	\$ 43,407
Amortization of UAAL	<u>66,234</u>
Annual required contribution (ARC)	<u>\$ 109,641</u>

The net OPEB obligation as of June 30, 2016, was calculated as follows:

Annual required contribution	\$ 109,641
Implicit benefit payments	(23,709)
Interest on prior year net OPEB obligation	9,769
Adjustment to ARC	<u>(33,562)</u>
Increase in net OPEB obligation	62,139
Net OPEB at beginning of the year	<u>279,123</u>
Net OPEB at end of the year	<u>\$ 341,262</u>

The City's annual OPEB cost, percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2016, are as follows:

Fiscal year ended	Annual OPEB cost	Percentage of annual OPEB cost contributed	Net OPEB obligation
June 30, 2016	\$ 85,840	28%	\$ 341,262
June 30, 2015	115,896	23%	279,123
June 30, 2014	113,293	20%	190,182

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

4. OTHER INFORMATION (continued)

Other Post-Employment Benefits (continued)

Funding Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events in the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funding status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents information about the actuarial value of plan assets and the unfunded actuarial liability.

As of August 1, 2014, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$533,747, and the actuarial value of assets was zero, resulting in an unfunded accrued liability of \$533,747.

Actuarial Methods and Assumptions

Actuarial valuations will be performed every two years for the City's plan. Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and plan members and include the types of benefits provided at the time of each valuation and historical patterns of sharing benefit costs between employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarially accrued liabilities and the actuarial value of assets consistent with the long-term perspective of the calculations.

In the August 1, 2014, actuarial valuation, the **Projected Unit Credit Cost Method** was used to determine contribution levels comprised of normal cost and amortized payments.

The **inflation rate** used for the 2010 valuation is an assumed rate of 2.75%.

The **discount rate** for unfunded liabilities is 3.5 percent, based on the expected long-term annual investment returns for Oregon's Local Government Investment Pool and comparable investment vehicles.

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

4. OTHER INFORMATION (continued)

Other Post-Employment Benefits (continued)

The **health cost trend** is 5.75 percent in the 2014 year and will vary from 5.00 percent to 6.75 depending on the timing of the excise tax scheduled to affect health care benefits beginning in the year 2018. Health cost trend affects both the projected health care costs and the projected health care premiums. Dental costs were segregated out and the projected increase will be 4.50 percent per year.

The **annual payroll increases** are 2.75 percent compounded annually for the purposes of amortizing the UAAL. These assumptions are based on the Oregon PERS valuation assumptions as of December 31, 2013.

It is assumed that 55 percent of active members will elect coverage upon retirement until age 65. Seventy percent of male members and 35.0 percent of female members who elect coverage upon retirement are also assumed to elect spouse coverage until the spouse reaches age 65.

The unfunded actuarial accrued liability is being **amortized** as a level percentage of payrolls over a period of 10 years. The amortization is "open" which means that on each valuation date, the amortization amount is recalculated assuming 10 years worth of future payments.

Risk Management

In February 1996, GASB issued Statement No. 30 (GASB No. 30), *Risk Financing Omnibus*, which amends GASB Statement No. 10, to require inclusion of specific, incremental claim adjustment expenses and estimated recoveries in the determination of the liability of unpaid claims. GASB No. 30 also requires disclosure of whether other claim adjustment expenses are included in the liability for unpaid claims.

The City participates in self-insurance pools of City/County Insurance Services for general, auto, and workers' compensation liability with self-insurance retention limits per occurrence. The pool pays all claims up to \$5,000,000 and purchases insurance to cover any excess liability up to a limit selected by the participating entity. The deductibles for the coverages are as follows:

General Liability:	\$0.00
Auto Liability:	\$0.00
Auto Physical Comprehensive:	\$100
Auto Physical Collision:	\$500

The City is assessed an annual maximum premium for workers' compensation liability.

Settled claims have not exceeded the coverages listed above in the past five years.

City of Newport, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

4. OTHER INFORMATION (continued)

Commitments and Contingent Liabilities

The City is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operation. Claims are generally covered by insurance. In the opinion of City management, based on the advice of Counsel with respect to such litigation and claims, the ultimate disposition of these matters will not have a material adverse affect on the financial position, results of operations, or cash flows of the City's funds.

Prior period adjustment

The beginning net position of the Water and Wastewater Funds have been adjusted to reflect actual accumulated depreciation at June 30, 2015. Beginning net position was increased in the Water and Wastewater Funds by \$63,717 and \$130,241, respectively.

The beginning net position in the Wastewater Fund has also been adjusted \$20,828 due to additional accounts receivables which should have been recorded in the financial statements at June 30, 2015.

Due to these adjustments, the beginning net position of the business-type activities was also increased by \$214,786.

Subsequent Events

On November 22, 2016, the City of Newport obtained a three-year (short-term) \$1.1M loan from Key Bank to acquire property located southeast of Newport City Hall. The most immediate uses of this to be purchased property would be the development of public parking that would also provide open space for special events which could include activities such as the Farmers Market. In the long-term, this property could provide space for the expansion of city facilities, reconfiguration of streets, roadways, and parking, or portions of this property could be sold for future development.

This three-year \$1.1M loan will be backed by the Full Faith and Credit of the City. The three-year loan will have interest-only payments with a balloon payment at the end of the term. During this three-year term the City is anticipating the sale of City owned property and would apply the proceeds from the sale of those properties to retire the debt, thus City requires a "no prepayment penalty" as part of the terms. If the sale does not happen and the balloon payment becomes a reality, Key Bank is willing to consider further financing for said loan.

I think that age as a number is not nearly as important as health. You can be in poor health and be pretty miserable at 40 or 50. If you're in good health, you can enjoy things into your 80s.

Bob Barker

REQUIRED SUPPLEMENTARY INFORMATION

By failing to prepare, you are preparing to fail.

Benjamin Franklin

CITY OF NEWPORT, OREGON
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
Last Ten Fiscal Years*

Year Ended June 30,	City's proportion of the net pension liability (asset)	City's proportionate share of the net pension liability (asset)	City's covered payroll	City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.02885827%	\$ 1,656,886	\$ 2,444,013	67.79%	92%
2015	0.02500643%	(566,824)	2,193,182	-25.84%	104%

* This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

CITY OF NEWPORT, OREGON
SCHEDULE OF CONTRIBUTIONS
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
Last Ten Fiscal Years*

Year Ended June 30,	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	City's covered payroll	Contributions as a percent of covered payroll
2016	\$ 404,425	\$ 404,425	\$ -	\$ 2,444,013	16.55%
2015	344,174	348,895	(4,721)	2,193,182	15.91%

*This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

CITY OF NEWPORT, OREGON
Schedule of Net Pension Liability and Changes in Net Pension Liability
City of Newport Employees Retirement Plan
Last 10 Plan Years*

	June 30, 2016	June 30, 2015
<u>Beginning of year</u>		
Total pension liability	\$ 6,860,012	\$ 6,525,032
Fiduciary net position	<u>5,681,108</u>	<u>5,328,828</u>
Net pension liability	<u>\$ 1,178,904</u>	<u>\$ 1,196,204</u>
<u>Changes in total pension liability</u>		
Service cost	\$ 141,340	\$ 166,928
Interest on total pension liability	461,564	440,163
Difference between expected and actual experience	53,539	(69,963)
Benefit payments	<u>(270,390)</u>	<u>(202,148)</u>
Net change in total pension liability	<u>\$ 386,053</u>	<u>\$ 334,980</u>
<u>Changes in fiduciary net position</u>		
Employer contributions	\$ 362,578	\$ 372,150
Transfer from Money Purchase Plan	15,618	-
Investment income (loss) net of expenses	(60,573)	207,422
Benefit payments	(270,390)	(202,148)
Administrative expenses	<u>(25,520)</u>	<u>(25,144)</u>
Net change in fiduciary net position	<u>\$ 21,713</u>	<u>\$ 352,280</u>
<u>End of year</u>		
Total pension liability	\$ 7,246,065	\$ 6,860,012
Fiduciary net position	<u>5,702,821</u>	<u>5,681,108</u>
Net pension liability	<u>\$ 1,543,244</u>	<u>\$ 1,178,904</u>
Fiduciary net position as a percent of total pension liability	78.7%	82.8%
Coverd payroll	2,583,588	2,592,985
Net pension liability as a percent of covered payroll	59.7%	45.5%

*Information will be accumulated until 10 years are presented.

CITY OF NEWPORT, OREGON
Schedule of Employer Contributions
City of Newport Employees Retirement Plan
Last 10 Plan Years

	June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ 273,120	\$ 358,599	\$ 405,982	\$ 384,050	\$ 390,397	\$ 431,651	\$ 399,465	\$ 371,735	\$ 335,938	\$ 337,031
Actual employer contribution	362,578	372,150	416,372	416,372	431,631	399,465	368,346	369,735	401,266	318,796
Contribution deficiency (excess)	(89,458)	(13,551)	(10,390)	(32,322)	(41,234)	32,186	31,119	2,000	(65,328)	18,235
Covered payroll	2,583,588	2,592,985	2,925,079	2,876,355	2,887,270	2,932,240	2,647,845	2,557,688	2,297,192	2,232,515
Contribution as a percent of covered payroll	14.03%	14.35%	14.23%	14.48%	14.95%	13.62%	13.91%	14.46%	17.47%	14.28%
Valuation date	7/1/2015	7/1/2014	7/1/2013	7/1/2012	7/1/2011	7/1/2010	7/1/2009	7/1/2008	7/1/2007	7/1/2006
Assumed investment rate of return	6.75%	6.75%	6.75%	6.75%	6.75%	6.75%	6.75%	6.75%	6.75%	6.75%

Notes to schedule

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual entry age normal, level percentage of pay												
Amortization method	Closed 20-year amortization, level dollar												
Asset valuation method	Market value												
Retirement age	<table border="1"> <thead> <tr> <th>Age</th> <th>Service</th> <th>Rate</th> </tr> </thead> <tbody> <tr> <td>55</td> <td>30+ years</td> <td>50%</td> </tr> <tr> <td>60</td> <td>25+ years</td> <td>50%</td> </tr> <tr> <td>62</td> <td>n/a</td> <td>100%</td> </tr> </tbody> </table>	Age	Service	Rate	55	30+ years	50%	60	25+ years	50%	62	n/a	100%
Age	Service	Rate											
55	30+ years	50%											
60	25+ years	50%											
62	n/a	100%											
Marriage	75% of both males and females with males 3 year older than spouses												
Healthy mortality	Healthy combined RP-2000 mortality												
Cost of living increases	1.5 percent per year												
Salary increases	3 percent per year												

CITY OF NEWPORT, OREGON
Schedule of Investment Rate of Return
City of Newport Employees Retirement Plan
Last 10 Plan Years

<u>Year Ended</u> <u>June 30,</u>	<u>Rate of</u> <u>Return</u>
2016	-1.06%
2015	3.84%
2014	18.52%
2013	10.73%
2012	3.60%
2011	16.92%
2010	7.55%
2009	-15.04%
2008	2.80%
2007	5.76%

I realize that humor isn't for everyone. It's only for people who want to
have fun, enjoy life, and feel alive

Anne Wilson Schaef

SUPPLEMENTARY INFORMATION

A dream doesn't become reality through magic; it takes sweat,
determination and hard work.

Colin Powell

CITY OF NEWPORT, OREGON
NEWPORT URBAN RENEWAL AGENCY DEBT SERVICE FUND (A MAJOR FUND)
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Over (Under)
Revenues				
Property taxes:				
Current	\$ 2,303,195	\$ 2,303,195	\$ 1,826,053	\$ (477,142)
Delinquent	50,000	50,000	65,569	15,569
Interest on investments	11,000	11,000	43,746	32,746
Total revenues	2,364,195	2,364,195	1,935,368	(428,827)
Fund balance, beginning	2,442,359	2,442,359	2,577,495	135,136
Amount available for appropriation	<u>\$ 4,806,554</u>	<u>\$ 4,806,554</u>	<u>4,512,863</u>	<u>\$ (293,691)</u>
Expenditures	Original Budget	Final Budget	Actual	(Over) Under
Urban renewal debt service	<u>\$ 1,517,732</u>	<u>\$ 1,517,732</u>	<u>1,517,159</u>	<u>\$ 573</u>
Fund balance, ending			<u>\$ 2,995,704</u>	

CITY OF NEWPORT, OREGON
CAPITAL PROJECTS FUND (A MAJOR FUND)
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Over (Under)
Revenues				
State gas tax proration	\$ 15,000	\$ 15,000	\$ 15,000	\$ -
Newport gas tax proration	155,000	155,000	162,042	7,042
Seismic rehabilitation grant	-	-	25,992	25,992
FEMA grant	-	625,919	49,282	(576,637)
State grants	1,491,223	1,491,223	-	(1,491,223)
State traffic entitlement	109,232	109,232	217,477	108,245
Matching funds	229,871	245,871	16,000	(229,871)
Capital improvement surcharge	580,000	580,000	592,286	12,286
Aviation grant	350,000	1,620,101	533,951	(1,086,150)
Interest on investments	15,415	15,415	58,920	43,505
Miscellaneous sales and services	-	-	585	585
Total revenues	<u>2,945,741</u>	<u>4,857,761</u>	<u>1,671,535</u>	<u>(3,186,226)</u>
Other financing sources				
Bond and loan proceeds	2,919,088	2,919,088	-	(2,919,088)
Transfer from Public Parking Fund	40,000	40,000	40,000	-
Transfer from Room Tax Fund	375,513	707,513	707,513	-
Transfer from Street Fund	10,000	10,000	10,000	-
Transfer from Line Undergrounding Fund	200,000	200,000	200,000	-
Transfer from SDC Fund	187,500	435,143	435,143	-
Transfer from Urban Renewal Agency Fund	300,000	300,000	300,000	-
Transfer from General Fund	5,500	55,500	55,500	-
Transfer from Parks and Recreation Fund	-	275,000	275,000	-
Transfer from Wastewater Fund	140,000	140,000	140,000	-
Transfer from Airport Fund	154,293	154,293	154,293	-
Total other financing sources	4,331,894	5,236,537	2,317,449	(2,919,088)
Fund balance, beginning	<u>14,729,505</u>	<u>11,944,792</u>	<u>11,944,792</u>	<u>-</u>
Amount available for appropriation	<u>\$22,007,140</u>	<u>\$22,039,090</u>	<u>\$15,933,776</u>	<u>\$ (6,105,314)</u>

	Original Budget	Final Budget	Actual	(Over) Under
Expenditures				
Capital projects - general	10,674,520	11,263,944	4,981,354	\$ 6,282,590
Capital projects - swimming pool	8,225,884	8,656,165	5,613,452	3,042,713
Capital projects - airport improvement program	2,683,189	1,692,256	690,976	1,001,280
Capital projects - visual and performing art centers	365,089	365,089	5,000	360,089
Contingency	58,458	61,636	-	61,636
Total expenditures	<u>\$22,007,140</u>	<u>\$22,039,090</u>	<u>11,290,782</u>	<u>\$ 10,748,308</u>

Fund balance, ending \$ 4,642,994

**CITY OF NEWPORT, OREGON
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2016

	Special Revenue	General Debt Service	Capital Projects Reserve	Totals
ASSETS				
Cash and investments	\$ 4,302,581	\$ -	\$ 322,816	\$ 4,625,397
Receivables				
Property taxes	-	22,006	-	22,006
Accounts	732,329	-	-	732,329
Investment in property	-	9,751	-	9,751
Prepaid items	5,000	-	-	5,000
Restricted cash and investments	-	32,762	-	32,762
Total assets	<u>\$ 5,039,910</u>	<u>\$ 64,519</u>	<u>\$ 322,816</u>	<u>\$ 5,427,245</u>
LIABILITIES				
Accounts payable	\$ 91,184	\$ -	\$ 37,816	\$ 129,000
Payroll and related liabilities	35,118	-	-	35,118
Deposits	1,640	-	-	1,640
Total liabilities	<u>127,942</u>	<u>-</u>	<u>37,816</u>	<u>165,758</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	<u>43,846</u>	<u>17,309</u>	<u>-</u>	<u>61,155</u>
FUND BALANCES				
Nonspendable	5,000	-	-	5,000
Restricted	2,973,078	47,210	285,000	3,305,288
Committed	1,890,044	-	-	1,890,044
Total fund balances	<u>4,868,122</u>	<u>47,210</u>	<u>285,000</u>	<u>5,200,332</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,039,910</u>	<u>\$ 64,519</u>	<u>\$ 322,816</u>	<u>\$ 5,427,245</u>

CITY OF NEWPORT, OREGON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	Special Revenue	General Debt Service	Capital Projects Reserve	Totals
REVENUES				
Property taxes	\$ -	\$ 495,888	\$ -	\$ 495,888
Transient room taxes	1,814,331	-	-	1,814,331
Franchise fees, privilege taxes, licenses, and permits	23,893	-	-	23,893
Intragovernmental	652,605	-	-	652,605
Charges for services	1,627,506	-	-	1,627,506
Interest on investments	21,868	847	2,121	24,836
Miscellaneous	124,200	-	-	124,200
Total revenues	<u>4,264,403</u>	<u>496,735</u>	<u>2,121</u>	<u>4,763,259</u>
EXPENDITURES				
Current:				
General government	1,857,555	1,942	-	1,859,497
Highway and streets	873,861	-	-	873,861
Debt service:				
Principal	-	483,639	-	483,639
Interest	-	343,343	-	343,343
Capital outlay	169,522	-	445,504	615,026
Total expenditures	<u>2,900,938</u>	<u>828,924</u>	<u>445,504</u>	<u>4,175,366</u>
Excess (deficiency) of revenues over expenditures	<u>1,363,465</u>	<u>(332,189)</u>	<u>(443,383)</u>	<u>587,893</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	421,488	325,561	226,245	973,294
Transfers out	<u>(2,350,365)</u>	<u>-</u>	<u>-</u>	<u>(2,350,365)</u>
Total other financing sources (uses)	<u>(1,928,877)</u>	<u>325,561</u>	<u>226,245</u>	<u>(1,377,071)</u>
Net change in fund balances	(565,412)	(6,628)	(217,138)	(789,178)
Fund balance - beginning	<u>5,433,534</u>	<u>53,838</u>	<u>502,138</u>	<u>5,989,510</u>
Fund balance - ending	<u>\$ 4,868,122</u>	<u>\$ 47,210</u>	<u>\$ 285,000</u>	<u>\$ 5,200,332</u>

CITY OF NEWPORT, OREGON
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2016

	Public Parking	Housing	Airport	Room Tax	Building Inspection
ASSETS					
Cash and investments	\$ 284,250	\$ 164,414	\$ 205,358	\$ 29,495	\$ 586,038
Receivables					
Accounts	2,390	-	64,694	489,115	-
Prepaid items	-	-	-	5,000	-
Total assets	<u>\$ 286,640</u>	<u>\$ 164,414</u>	<u>\$ 270,052</u>	<u>\$ 523,610</u>	<u>\$ 586,038</u>
LIABILITIES					
Accounts payable	\$ 1,275	\$ 30,000	\$ 21,830	\$ 19,501	\$ 14,267
Payroll and related liabilities	-	-	7,246	-	7,862
Deposits	-	-	1,640	-	-
Total liabilities	<u>1,275</u>	<u>30,000</u>	<u>30,716</u>	<u>19,501</u>	<u>22,129</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	-	-	7,538	-	12
FUND BALANCES					
Nonspendable	-	-	-	5,000	-
Restricted	-	-	-	499,109	-
Committed	285,365	134,414	231,798	-	563,897
Total fund balances	<u>285,365</u>	<u>134,414</u>	<u>231,798</u>	<u>504,109</u>	<u>563,897</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 286,640</u>	<u>\$ 164,414</u>	<u>\$ 270,052</u>	<u>\$ 523,610</u>	<u>\$ 586,038</u>

Streets	Line Under-grounding	SDC	Urban Renewal Agency	Totals	
\$ 659,313	\$ 662,407	\$ 1,291,147	\$ 420,159	\$ 4,302,581	ASSETS
					Cash and investments
126,721	12,163	36,296	950	732,329	Receivables
-	-	-	-	5,000	Accounts
<u>\$ 786,034</u>	<u>\$ 674,570</u>	<u>\$ 1,327,443</u>	<u>\$ 421,109</u>	<u>\$ 5,039,910</u>	Prepaid items
					Total assets
					LIABILITIES
\$ 2,351	\$ -	\$ -	\$ 1,960	\$ 91,184	Accounts payable
18,605	-	-	1,405	35,118	Payroll and related liabilities
-	-	-	-	1,640	Deposits
<u>20,956</u>	<u>-</u>	<u>-</u>	<u>3,365</u>	<u>127,942</u>	Total liabilities
					DEFERRED INFLOWS OF RESOURCES
-	-	36,296	-	43,846	Unavailable revenue
					FUND BALANCES
-	-	-	-	5,000	Nonspendable
765,078	-	1,291,147	417,744	2,973,078	Restricted
-	674,570	-	-	1,890,044	Committed
<u>765,078</u>	<u>674,570</u>	<u>1,291,147</u>	<u>417,744</u>	<u>4,868,122</u>	Total fund balances
<u>\$ 786,034</u>	<u>\$ 674,570</u>	<u>\$ 1,327,443</u>	<u>\$ 421,109</u>	<u>\$ 5,039,910</u>	Total liabilities, deferred inflows of resources and fund balances

CITY OF NEWPORT, OREGON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2016

	Public Parking	Housing	Airport	Room Tax	Building Inspection
REVENUES					
Transient room taxes	\$ -	\$ -	\$ -	\$ 1,649,321	\$ -
Licenses and fees	23,893	-	-	-	-
Intragovernmental	-	-	61,184	-	-
Charges for services	-	-	233,152	-	380,373
Interest on investments	1,388	732	1,000	2,289	2,356
Miscellaneous	-	-	57,489	13,041	1,839
Total revenues	<u>25,281</u>	<u>732</u>	<u>352,825</u>	<u>1,664,651</u>	<u>384,568</u>
EXPENDITURES					
Current:					
General government	3,636	35,852	536,734	906,217	299,365
Highways and streets	-	-	-	-	-
Capital outlay	14,816	-	71,138	29,000	-
Total expenditures	<u>18,452</u>	<u>35,852</u>	<u>607,872</u>	<u>935,217</u>	<u>299,365</u>
Excess (deficiency) of revenues over expenditures	<u>6,829</u>	<u>(35,120)</u>	<u>(255,047)</u>	<u>729,434</u>	<u>85,203</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	13,200	335,288	-	3,000
Transfers out	(40,000)	-	(160,590)	(1,075,687)	-
Total other financing sources (uses)	<u>(40,000)</u>	<u>13,200</u>	<u>174,698</u>	<u>(1,075,687)</u>	<u>3,000</u>
Net change in fund balances	(33,171)	(21,920)	(80,349)	(346,253)	88,203
Fund balances - beginning	318,536	156,334	312,147	850,362	475,694
Fund balances - ending	<u>\$ 285,365</u>	<u>\$ 134,414</u>	<u>\$ 231,798</u>	<u>\$ 504,109</u>	<u>\$ 563,897</u>

Streets	Line Under- grounding	SDC	Urban Renewal Agency	Totals	
					REVENUES
\$ -	\$ 165,010	\$ -	\$ -	\$ 1,814,331	Transient room taxes
-	-	-	-	23,893	Licenses and fees
591,421	-	-	-	652,605	Intragovernmental
435,500	-	578,481	-	1,627,506	Charges for services
2,898	3,039	5,873	2,293	21,868	Interest on investments
831	-	-	51,000	124,200	Miscellaneous
<u>1,030,650</u>	<u>168,049</u>	<u>584,354</u>	<u>53,293</u>	<u>4,264,403</u>	Total revenues
					EXPENDITURES
					Current:
-	397	-	75,354	1,857,555	General government
873,861	-	-	-	873,861	Highways and streets
54,568	-	-	-	169,522	Capital outlay
<u>928,429</u>	<u>397</u>	<u>-</u>	<u>75,354</u>	<u>2,900,938</u>	Total expenditures
<u>102,221</u>	<u>167,652</u>	<u>584,354</u>	<u>(22,061)</u>	<u>1,363,465</u>	Excess (deficiency) of revenues over expenditures
					OTHER FINANCING SOURCES (USES)
70,000	-	-	-	421,488	Transfers in
<u>(77,734)</u>	<u>(251,211)</u>	<u>(445,143)</u>	<u>(300,000)</u>	<u>(2,350,365)</u>	Transfers out
<u>(7,734)</u>	<u>(251,211)</u>	<u>(445,143)</u>	<u>(300,000)</u>	<u>(1,928,877)</u>	Total other financing sources (uses)
94,487	(83,559)	139,211	(322,061)	(565,412)	Net change in fund balances
<u>670,591</u>	<u>758,129</u>	<u>1,151,936</u>	<u>739,805</u>	<u>5,433,534</u>	Fund balances - beginning
<u>\$ 765,078</u>	<u>\$ 674,570</u>	<u>\$ 1,291,147</u>	<u>\$ 417,744</u>	<u>\$ 4,868,122</u>	Fund balances - ending

Combining Statements and Budgetary Comparison Schedules

Nonmajor Special Revenue Funds

Special revenue funds account for revenues derived from specific taxes or other earmarked revenue sources, which are restricted to finance particular functions or activities.

Public Parking – receives proceeds from payment in lieu of parking fees paid in association with new development in the Bay Front, Nye Beach, and City Center areas. Expenditures are for parking and related improvements that benefit businesses in these areas

Housing – provides support for affordable housing to Newport residents at all wage levels consistent with the goals and policies outlined in the Newport Comprehensive Plan.

Airport – operates and maintains the Newport Municipal Airport in accordance with Part 139 regulations and the Airport Certification Manual, which also includes operation of the fixed base operations.

Room Tax – receives the City’s hotel/motel tax to enhance the tourism and tourism facilities for the City of Newport. This fund also transfers funds to the Airport and Parks and Recreation Funds in order to help their operations of their facilities.

Building Inspection – administers and develops the City’s building program, consisting of serving the public on building code questions, updating ordinances to comply with state and city building codes, collect and update system development charges and related building fees, review construction plans, and conduct inspections for construction projects.

Streets – receives the State Gas Tax, Storm Drain Fee and services provided for the Water and Wastewater Funds. Expenditures are for the maintenance, repair and operations of City streets, storm drain system and sidewalks.

Line Undergrounding – receives the Central Lincoln PUD 1.5% franchise fee. Expenditures are for projects in which utility lines are placed underground.

SDC (System Development Charges) – receives SDCs and administers city-wide SDC programs.

Newport Urban Renewal Agency– implements projects identified in the South Beach Urban Renewal Plan. Project implementation is schedule to run through 2020.

CITY OF NEWPORT, OREGON
PUBLIC PARKING FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Over (Under)
Revenues				
Interest on investments	\$ 1,045	\$ 1,045	\$ 1,388	\$ 343
Fees in lieu of parking	<u>31,265</u>	<u>31,265</u>	<u>23,893</u>	<u>(7,372)</u>
Total revenues	32,310	32,310	25,281	(7,029)
Fund balance, beginning	<u>323,733</u>	<u>323,733</u>	<u>318,536</u>	<u>(5,197)</u>
Amount available for appropriation	<u>\$ 356,043</u>	<u>\$ 356,043</u>	<u>343,817</u>	<u>\$ (12,226)</u>
	Original Budget	Final Budget	Actual	(Over) Under
Expenditures				
Nye Beach parking district	\$ 12,722	\$ 12,722	\$ 1,022	\$ 11,700
City center parking district	6,896	6,896	396	6,500
Bay front parking district	22,218	22,218	17,034	5,184
Contingency	<u>274,207</u>	<u>274,207</u>	<u>-</u>	<u>274,207</u>
Total expenditures	<u>316,043</u>	<u>316,043</u>	<u>18,452</u>	<u>297,591</u>
Other financing uses				
Transfers to other funds	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>-</u>
Total other financing uses	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 356,043</u>	<u>\$ 356,043</u>	<u>58,452</u>	<u>\$ 297,591</u>
Fund balance, ending			<u>\$ 285,365</u>	

CITY OF NEWPORT, OREGON
HOUSING FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under)</u>
Revenues				
Interest on investments	\$ 530	\$ 530	\$ 732	\$ 202
Other financing sources				
Transfer from General Fund	13,200	13,200	13,200	-
Total other financing sources	<u>13,200</u>	<u>13,200</u>	<u>13,200</u>	-
Fund balance, beginning	<u>157,851</u>	<u>157,851</u>	<u>156,334</u>	<u>(1,517)</u>
Amount available for appropriation	<u>\$ 171,581</u>	<u>\$ 171,581</u>	<u>170,266</u>	<u>\$ (1,315)</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>(Over) Under</u>
Expenditures				
Materials and services	\$ 135,849	\$ 135,849	\$ 35,852	\$ 99,997
Contingency	35,732	35,732	-	35,732
Total expenditures	<u>\$ 171,581</u>	<u>\$ 171,581</u>	<u>35,852</u>	<u>\$ 135,729</u>
Fund balance, ending			<u>\$ 134,414</u>	

CITY OF NEWPORT, OREGON
AIRPORT FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Over (Under)
Revenues				
FEMA grant	\$ -	\$ -	\$ 61,184	\$ 61,184
Jet fuel	175,000	175,000	115,378	(59,622)
Aviation gas	75,000	75,000	76,454	1,454
Oil	520	520	113	(407)
Pilot supplies	7,300	7,300	9,221	1,921
Food catering	500	500	1,060	560
Tie down	100	100	222	122
Service provided for wastewater fund	30,704	30,704	30,704	-
Rents and leases	52,780	52,780	55,231	2,451
Concessions	1,000	1,000	1,459	459
Interest on investments	561	561	1,000	439
Miscellaneous sales and services	500	500	799	299
Total revenues	<u>343,965</u>	<u>343,965</u>	<u>352,825</u>	<u>8,860</u>
Other financing sources				
Transfer from General Fund	310,288	310,288	310,288	-
Transfer from Room Tax Fund	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Total other financing sources	<u>335,288</u>	<u>335,288</u>	<u>335,288</u>	<u>-</u>
Fund balance, beginning	<u>353,254</u>	<u>353,254</u>	<u>312,147</u>	<u>(41,107)</u>
Amount available for appropriation	<u>\$ 1,032,507</u>	<u>\$ 1,032,507</u>	<u>1,000,260</u>	<u>\$ (32,247)</u>
Expenditures				
Personal services	\$ 192,831	\$ 195,674	\$ 162,098	\$ 33,576
Materials and services	488,784	494,460	374,636	119,824
Capital outlay	12,326	76,896	71,138	5,758
Contingency	<u>71,691</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>765,632</u>	<u>767,030</u>	<u>607,872</u>	<u>159,158</u>
Other financing uses				
Transfers to other funds	<u>161,039</u>	<u>161,039</u>	<u>160,590</u>	<u>449</u>
Total other financing uses	<u>161,039</u>	<u>161,039</u>	<u>160,590</u>	<u>449</u>
Total expenditures and other financing uses	<u>\$ 926,671</u>	<u>\$ 928,069</u>	<u>768,462</u>	<u>\$ 159,607</u>
Fund balance, ending			<u>\$ 231,798</u>	

CITY OF NEWPORT, OREGON
ROOM TAX FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Over (Under)
Revenues				
Transient room tax	\$ 1,307,300	\$ 1,344,155	\$ 1,649,321	\$ 305,166
Visual arts center	12,000	12,000	13,029	1,029
Interest on investments	2,000	2,000	2,289	289
Miscellaneous sales and services	-	-	12	12
Total revenues	<u>1,321,300</u>	<u>1,358,155</u>	<u>1,664,651</u>	<u>306,496</u>
Fund balance, beginning	<u>778,488</u>	<u>850,488</u>	<u>850,362</u>	<u>(126)</u>
Amount available for appropriation	<u>\$ 2,099,788</u>	<u>\$ 2,208,643</u>	<u>2,515,013</u>	<u>\$ 306,370</u>
	Original Budget	Final Budget	Actual	(Over) Under
Expenditures				
Materials and services	\$ 885,246	\$ 922,101	\$ 906,217	\$ 15,884
Capital outlay	260,000	60,000	29,000	31,000
Contingency	<u>126,381</u>	<u>66,381</u>	-	<u>66,381</u>
Total expenditures	<u>1,271,627</u>	<u>1,048,482</u>	<u>935,217</u>	<u>113,265</u>
Other financing uses				
Transfers to other funds	<u>744,651</u>	<u>1,076,651</u>	<u>1,075,687</u>	<u>964</u>
Total other financing uses	<u>744,651</u>	<u>1,076,651</u>	<u>1,075,687</u>	<u>964</u>
Total expenditures and other financing uses	<u>\$ 2,016,278</u>	<u>\$ 2,125,133</u>	<u>2,010,904</u>	<u>\$ 114,229</u>
Fund balance, ending			<u>\$ 504,109</u>	

CITY OF NEWPORT, OREGON
BUILDING INSPECTION FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Over (Under)
Revenues				
State permit surcharges	\$ 12,600	\$ 12,600	\$ 13,312	\$ 712
Building permits	105,000	130,000	205,300	75,300
Electrical permits	32,500	32,500	40,803	8,303
Plumbing permits	9,660	9,660	13,020	3,360
Sign permits	2,980	2,980	6,014	3,034
Building plan review	-	-	34,811	34,811
Building state surcharge	-	-	5,248	5,248
Construction excise tax Lincoln County School District	-	-	55,580	55,580
Construction excise tax Lincoln County School District - Admin	-	-	3,076	3,076
Electrical plan review	-	-	519	519
Electrical state surcharge	-	-	1,742	1,742
Plumbing plan review	-	-	385	385
Plumbing state surcharge	-	-	563	563
Interest on investments	1,600	1,600	2,356	756
Miscellaneous sales and services	2,670	2,670	1,839	(831)
Total revenues	<u>167,010</u>	<u>192,010</u>	<u>384,568</u>	<u>192,558</u>
Other financing sources				
Transfer from General Fund	3,000	3,000	3,000	-
Total other financing sources	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>-</u>
Fund balance, beginning	<u>469,943</u>	<u>469,943</u>	<u>475,694</u>	<u>5,751</u>
Amount available for appropriation	<u>\$ 639,953</u>	<u>\$ 664,953</u>	<u>863,262</u>	<u>\$ 198,309</u>
	Original Budget	Final Budget	Actual	(Over) Under
Expenditures				
Personal services	\$ 184,890	\$ 187,919	\$ 185,544	\$ 2,375
Materials and services	73,978	118,978	113,821	5,157
Contingency	25,887	2,858	-	2,858
Total expenditures	<u>\$ 284,755</u>	<u>\$ 309,755</u>	<u>299,365</u>	<u>\$ 10,390</u>
Fund balance, ending			<u>\$ 563,897</u>	

CITY OF NEWPORT, OREGON
STREETS FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Over (Under)
Revenues				
State gas tax proration	\$ 571,487	\$ 571,487	\$ 584,595	\$ 13,108
FEMA grant	-	-	6,826	6,826
Street cut fees	-	-	1,800	1,800
Storm drain utility fees	408,000	408,000	433,700	25,700
Interest on investments	2,000	2,000	2,898	898
Miscellaneous sales and services	1,200	1,200	831	(369)
Total revenues	<u>982,687</u>	<u>982,687</u>	<u>1,030,650</u>	<u>47,963</u>
Other financing sources				
Transfer from Water Fund	35,000	35,000	35,000	-
Transfer from Wastewater Fund	35,000	35,000	35,000	-
Total other financing sources	<u>70,000</u>	<u>70,000</u>	<u>70,000</u>	<u>-</u>
Fund balance, beginning	<u>588,769</u>	<u>588,769</u>	<u>670,591</u>	<u>81,822</u>
Amount available for appropriation	<u>\$ 1,641,456</u>	<u>\$ 1,641,456</u>	<u>1,771,241</u>	<u>\$ 129,785</u>
	Original Budget	Final Budget	Actual	(Over) Under
Expenditures				
Street maintenance	\$ 655,041	\$ 659,287	\$ 529,710	\$ 129,577
Storm drain maintenance	426,956	431,202	398,719	32,483
Contingency	109,156	100,664	-	100,664
Total expenditures	<u>1,191,153</u>	<u>1,191,153</u>	<u>928,429</u>	<u>262,724</u>
Other financing uses				
Transfers to other funds	77,768	77,768	77,734	34
Total other financing uses	<u>77,768</u>	<u>77,768</u>	<u>77,734</u>	<u>34</u>
Total expenditures and other financing uses	<u>\$ 1,268,921</u>	<u>\$ 1,268,921</u>	<u>1,006,163</u>	<u>\$ 262,758</u>
Fund balance, ending			<u>\$ 765,078</u>	

CITY OF NEWPORT, OREGON
LINE UNDERGROUNDING FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under)</u>
Revenues				
Franchise tax - Central Lincoln PUD	\$ -	\$ -	\$ 165,010	\$ 165,010
Franchise taxes	170,000	170,000	-	(170,000)
Interest on investments	<u>2,800</u>	<u>2,800</u>	<u>3,039</u>	<u>239</u>
Total revenues	<u>172,800</u>	<u>172,800</u>	<u>168,049</u>	<u>(4,751)</u>
Fund balance, beginning	<u>732,615</u>	<u>732,615</u>	<u>758,129</u>	<u>25,514</u>
Amount available for appropriation	<u>\$ 905,415</u>	<u>\$ 905,415</u>	<u>926,178</u>	<u>\$ 20,763</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>(Over) Under</u>
Expenditures				
Line undergrounding	\$ 400	\$ 400	\$ 397	\$ 3
Contingency	<u>645,580</u>	<u>645,580</u>	<u>-</u>	<u>645,580</u>
Total expenditures	<u>645,980</u>	<u>645,980</u>	<u>397</u>	<u>645,583</u>
Other financing uses				
Transfers to other funds	<u>259,435</u>	<u>259,435</u>	<u>251,211</u>	<u>8,224</u>
Total other financing uses	<u>259,435</u>	<u>259,435</u>	<u>251,211</u>	<u>8,224</u>
Total expenditures and other financing uses	<u>\$ 905,415</u>	<u>\$ 905,415</u>	<u>251,608</u>	<u>\$ 653,807</u>
Fund balance, ending			<u>\$ 674,570</u>	

CITY OF NEWPORT, OREGON
SDC FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Over (Under)
Revenues				
System development charges	\$ 245,800	\$ 245,800	\$ 576,823	\$ 331,023
Interest from system development charges	-	-	1,658	1,658
Interest on investments	3,270	3,270	5,873	2,603
Total revenues	<u>249,070</u>	<u>249,070</u>	<u>584,354</u>	<u>335,284</u>
Fund balance, beginning	<u>1,112,230</u>	<u>1,112,230</u>	<u>1,151,936</u>	<u>39,706</u>
Amount available for appropriation	<u>\$ 1,361,300</u>	<u>\$ 1,361,300</u>	<u>1,736,290</u>	<u>\$ 374,990</u>
	Original Budget	Final Budget	Actual	(Over) Under
Expenditures				
SDC - streets	\$ 50,000	\$ 50,000	\$ -	\$ 50,000
SDC - administration	25,000	25,000	-	25,000
Contingency	<u>1,088,800</u>	<u>841,157</u>	-	<u>841,157</u>
Total expenditures	<u>1,163,800</u>	<u>916,157</u>	-	<u>916,157</u>
Other financing uses				
Transfers to other funds	<u>197,500</u>	<u>445,143</u>	<u>445,143</u>	-
Total other financing uses	<u>197,500</u>	<u>445,143</u>	<u>445,143</u>	-
Total expenditures and other financing uses	<u>\$ 1,361,300</u>	<u>\$ 1,361,300</u>	<u>445,143</u>	<u>\$ 916,157</u>
Fund balance, ending			<u>\$ 1,291,147</u>	

CITY OF NEWPORT, OREGON
URBAN RENEWAL AGENCY FUND
BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Over (Under)
Revenues				
FEMA grant	\$ 358,857	\$ 358,857	\$ -	\$ (358,857)
Rents and leases	72,000	72,000	51,000	(21,000)
Interest on investments	-	-	2,293	2,293
Total revenues	<u>430,857</u>	<u>430,857</u>	53,293	<u>(377,564)</u>
Fund balance, beginning	<u>774,253</u>	<u>774,253</u>	739,805	<u>(34,448)</u>
Amount available for appropriation	<u>\$ 1,205,110</u>	<u>\$ 1,205,110</u>	<u>793,098</u>	<u>\$ (412,012)</u>
	Original Budget	Final Budget	Actual	(Over) Under
Expenditures				
Personal 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>704,145</u>
Total expenditures	<u>905,110</u>	<u>905,110</u>	<u>75,354</u>	<u>829,756</u>
Other financing uses				
Transfers to other funds	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>-</u>
Total other financing uses	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 1,205,110</u>	<u>\$ 1,205,110</u>	<u>375,354</u>	<u>\$ 829,756</u>
Fund balance, ending			<u>\$ 417,744</u>	

Budgetary Comparison Schedule

Nonmajor Debt Service Fund

Debt Service Funds accumulate resources for payment of long-term debt principal and interest associated with governmental activities.

Debt Service – accounts for repayment of the Swimming Pool General Obligation Bond, which was financed by property taxes. Also included are the League of Oregon Cities Certificates of Participation Loans, Series 2007B and Series 2009B, whose requirements are met through transfers from the General, Water, Wastewater, Airport, Street, Line Undergrounding and Room Tax Funds. Also included is the 2013 North Side Fire Station whose debt service is provided through a transfer from the General Fund.

Do not take life too seriously. You will never get out of it alive.

Elbert Hubbard

CITY OF NEWPORT, OREGON
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Over (Under)
Revenues				
Property taxes				
Current	\$ 470,684	\$ 470,684	\$ 489,791	\$ 19,107
Delinquent	5,000	5,000	6,097	1,097
Interest on investments	100	100	847	747
Total revenues	<u>475,784</u>	<u>475,784</u>	<u>496,735</u>	<u>20,951</u>
Other financing sources				
Transfer from General Fund	167,442	167,442	158,704	(8,738)
Transfer from Airport Fund	6,746	6,746	6,297	(449)
Transfer from Room Tax Fund	14,491	14,491	13,527	(964)
Transfer from Streets Fund	62,190	62,190	58,051	(4,139)
Transfer from Line Undergrounding Fund	59,435	59,435	55,480	(3,955)
Transfer from Water Fund	4,553	4,553	4,250	(303)
Transfer from Wastewater Fund	31,337	31,337	29,252	(2,085)
Total other financing sources	<u>346,194</u>	<u>346,194</u>	<u>325,561</u>	<u>(20,633)</u>
Fund balance, beginning	<u>58,186</u>	<u>58,186</u>	<u>53,838</u>	<u>(4,348)</u>
Amount available for appropriation	<u>\$ 880,164</u>	<u>\$ 880,164</u>	<u>876,134</u>	<u>\$ (4,030)</u>
	Original Budget	Final Budget	Actual	(Over) Under
Expenditures				
Swimming pool bond	\$ 488,419	\$ 488,419	\$ 488,419	\$ -
General debt	343,638	343,638	340,505	3,133
Total expenditures	<u>\$ 832,057</u>	<u>\$ 832,057</u>	<u>828,924</u>	<u>\$ 3,133</u>
Fund balance, ending			<u>\$ 47,210</u>	

Happiness is not something you postpone for the future; it is something
you design for the present.

Jim Rohn

Budgetary Comparison Schedule

Nonmajor Capital Projects Fund

Capital Projects funds are created to account for financial resources used for the acquisition or construction of major capital facilities and infrastructure. Projects financed by proprietary funds are included in the Enterprise Funds.

Reserve – accounts for monies accumulated for the replacement of vehicles, computer equipment and City facilities.

Nothing is impossible, the word itself says 'I'm possible'!

Audrey Hepburn

CITY OF NEWPORT, OREGON
RESERVE FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Over (Under)
Revenues				
Interest on investments	\$ 2,050	\$ 2,050	\$ 2,121	\$ 71
Total revenues	<u>2,050</u>	<u>2,050</u>	<u>2,121</u>	<u>71</u>
Other financing sources				
Transfer from General Fund	<u>180,000</u>	<u>226,245</u>	<u>226,245</u>	-
Total other financing sources	<u>180,000</u>	<u>226,245</u>	<u>226,245</u>	-
Fund balance, beginning	<u>501,938</u>	<u>501,938</u>	<u>502,138</u>	<u>200</u>
Amount available for appropriation	<u>\$ 683,988</u>	<u>\$ 730,233</u>	<u>730,504</u>	<u>\$ 271</u>
	Original Budget	Final Budget	Actual	(Over) Under
Expenditures				
Capital outlay	\$ 465,000	\$ 480,000	\$ 445,504	\$ 34,496
Total expenditures	<u>\$ 465,000</u>	<u>\$ 480,000</u>	<u>445,504</u>	<u>\$ 34,496</u>
Fund balance, ending			<u>\$ 285,000</u>	

No act of kindness, no matter how small, is ever wasted.

Aesop

Combining Statements and Budgetary Comparison Schedules

Enterprise Funds

The enterprise fund type is used to report an activity for which a fee is charged to external users for goods and services.

Water – accounts for all programs associated with the provision of water to the citizenry of the City of Newport. Activities include treatment distribution, source (dams) maintenance and improvements to the water system.

Wastewater – accounts for all programs associated with the collection and treatment of wastewater in the City of Newport. Activities include collection and treatment to the wastewater system.

Water Debt Service – accounts for repayment of debt incurred for the new water treatment plant and improvements to the water system. These debts were financed by property taxes, revenue bonds and utility service charges.

Wastewater Debt Service – accounts for repayment of debt incurred for the wastewater treatment plant and improvements to the wastewater system. These debts were financed by property taxes, Clean Water State Revolving Fund loans and utility service charges.

Capital Projects – Proprietary – accounts for various projects for improvement of the water and wastewater systems for the City of Newport.

Always do your best. What you plant now, you will harvest later.

Og Mandino

CITY OF NEWPORT, OREGON
WATER FUND (A MAJOR FUND)
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under)</u>
Revenues				
Water user charges	\$ 3,850,000	\$ 3,850,000	\$ 3,418,867	\$ (431,133)
Miscellaneous sales and services	52,000	52,000	79,579	27,579
New services and meters	35,000	35,000	38,701	3,701
Interest on investments	5,200	5,200	4,494	(706)
Total revenues	<u>3,942,200</u>	<u>3,942,200</u>	<u>3,541,641</u>	<u>(400,559)</u>
Fund balance, beginning	<u>1,174,476</u>	<u>1,174,476</u>	<u>1,634,175</u>	<u>459,699</u>
Amount available for appropriation	<u>\$ 5,116,676</u>	<u>\$ 5,116,676</u>	<u>5,175,816</u>	<u>\$ 59,140</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>(Over) Under</u>
Expenditures				
Water plant	\$ 1,067,465	\$ 1,076,288	\$ 990,537	\$ 85,751
Water distribution	938,418	946,889	865,209	81,680
Non-departmental	930,412	930,412	695,823	234,589
Contingency	259,917	242,623	-	242,623
Total expenditures	<u>3,196,212</u>	<u>3,196,212</u>	<u>2,551,569</u>	<u>644,643</u>
Other financing uses				
Transfers to other funds	<u>1,685,342</u>	<u>1,685,342</u>	<u>1,685,039</u>	<u>303</u>
Total other financing uses	<u>1,685,342</u>	<u>1,685,342</u>	<u>1,685,039</u>	<u>303</u>
Total expenditures and other financing uses	<u>\$ 4,881,554</u>	<u>\$ 4,881,554</u>	<u>4,236,608</u>	<u>\$ 644,946</u>
Budgetary fund balance			939,208	
 RECONCILIATION TO NET POSITION				
Capital asset, net			23,689,994	
Inventories			450,434	
Deferred outflows of resources			58,903	
Compensated absences			(28,612)	
Long-term debt payable			(21,199,647)	
Bond premium			(132,065)	
Interest payable			(72,005)	
Net pension liability			(185,927)	
Net other post employment benefit obligation			(28,877)	
Deferred inflows of resources			<u>(6,298)</u>	
			<u>\$ 3,485,108</u>	

CITY OF NEWPORT, OREGON
WASTEWATER FUND (A MAJOR FUND)
BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Over (Under)
Revenues				
Sewer user charges	\$ 3,865,680	\$ 3,865,680	\$ 3,769,594	\$ (96,086)
Septage	-	-	38,748	38,748
FEMA grant	-	-	16,540	16,540
Interest on investments	2,000	2,000	3,667	1,667
Miscellaneous sales and services	5,000	5,000	6,435	1,435
Total revenues	3,872,680	3,872,680	3,834,984	(37,696)
Fund balance, beginning	892,737	892,737	968,152	75,415
Amount available for appropriation	\$ 4,765,417	\$ 4,765,417	4,803,136	\$ 37,719
	Original Budget	Final Budget	Actual	(Over) Under
Expenditures				
Wastewater plant	\$ 1,536,391	\$ 1,545,335	\$ 1,355,447	\$ 189,888
Wastewater collection	601,914	606,629	553,054	53,575
Non-departmental	995,704	995,704	818,284	177,420
Contingency	279,425	265,766	-	265,766
Total expenditures	3,413,434	3,413,434	2,726,785	686,649
Other financing uses				
Transfers to other funds	1,148,086	1,148,086	1,083,856	64,230
Total other financing uses	1,148,086	1,148,086	1,083,856	64,230
Total expenditures and other financing uses	\$ 4,561,520	\$ 4,561,520	3,810,641	\$ 750,879
Budgetary fund balance			992,495	
 RECONCILIATION TO NET POSITION				
Capital asset, net			37,719,705	
Deferred outflows of resources			48,109	
Compensated absences			(31,140)	
Long-term debt payable			(5,797,320)	
Bond premium			(133,922)	
Interest payable			(43,346)	
Net pension liability			(151,859)	
Net other post employment benefit obligation			(22,094)	
Unavailable revenues			20,828	
Deferred inflows of resources			(5,144)	
			\$ 32,596,312	

CITY OF NEWPORT, OREGON
WATER DEBT SERVICE FUND (A MAJOR FUND)
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Over (Under)
Revenues				
Property taxes				
Current	\$ 804,682	\$ 804,682	\$ 839,834	\$ 35,152
Delinquent	33,332	42,732	27,171	(15,561)
Interest on investments	1,100	1,100	2,220	1,120
Total revenues	839,114	848,514	869,225	20,711
Other financing sources				
Transfer from Water Fund	455,664	455,664	455,664	-
Total other financing sources	455,664	455,664	455,664	-
Fund balance, beginning	118,219	118,219	137,510	19,291
Amount available for appropriation	\$ 1,412,997	\$ 1,422,397	1,462,399	\$ 40,002
	Original Budget	Final Budget	Actual	(Over) Under
Expenditures				
Water Treatment GO Bond	\$ 904,825	\$ 904,825	\$ 904,825	\$ -
Water General Debt	124,676	124,676	124,676	-
Water Revenue Bond	330,988	330,988	330,987	1
Total expenditures	1,360,489	1,360,489	1,360,488	1
Other financing uses				
Transfers to other funds	-	9,400	9,400	-
Total other financing uses	-	9,400	9,400	-
Total expenditures and other financing uses	\$ 1,360,489	\$ 1,369,889	1,369,888	\$ 1
Budgetary fund balance			92,511	
RECONCILIATION TO NET POSITION				
Unavailable revenues			75,110	
			\$ 167,621	

CITY OF NEWPORT, OREGON
WASTEWATER DEBT SERVICE FUND (A MAJOR FUND)
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under)</u>
Revenues				
Property taxes				
Current	\$ 837,307	\$ 837,307	\$ 868,817	\$ 31,510
Delinquent	40,000	40,000	26,080	(13,920)
Interest on investments	<u>3,500</u>	<u>3,500</u>	<u>4,971</u>	<u>1,471</u>
Total revenues	<u>880,807</u>	<u>880,807</u>	<u>899,868</u>	<u>19,061</u>
Other financing sources				
Transfer from Room Tax Fund	127,325	127,325	127,325	-
Transfer from SDC Fund	10,000	10,000	10,000	-
Transfer from Wastewater Fund	<u>631,113</u>	<u>631,113</u>	<u>568,968</u>	<u>(62,145)</u>
Total other financing sources	<u>768,438</u>	<u>768,438</u>	<u>706,293</u>	<u>(62,145)</u>
Fund balance, beginning	<u>1,145,329</u>	<u>1,145,329</u>	<u>1,158,135</u>	<u>12,806</u>
Amount available for appropriation	<u>\$ 2,794,574</u>	<u>\$ 2,794,574</u>	<u>2,764,296</u>	<u>\$ (30,278)</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>(Over) Under</u>
Expenditures				
Wastewater GO Bond	\$ 935,925	\$ 935,925	\$ 935,925	\$ -
Wastewater General Debt	<u>568,438</u>	<u>568,438</u>	<u>568,438</u>	<u>-</u>
Total expenditures	<u>\$ 1,504,363</u>	<u>\$ 1,504,363</u>	<u>1,504,363</u>	<u>\$ -</u>
Budgetary fund balance			1,259,933	
RECONCILIATION TO NET POSITION				
Unavailable revenues			<u>75,963</u>	
			<u>\$ 1,335,896</u>	

CITY OF NEWPORT, OREGON
CAPITAL PROJECTS - PROPRIETARY FUND (A MAJOR FUND)
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under)</u>
Revenues				
Water smart grant	\$ 1,000,000	\$ 1,000,000	\$ -	\$ (1,000,000)
Interest on investments	-	-	32,966	32,966
Total revenues	<u>1,000,000</u>	<u>1,000,000</u>	<u>32,966</u>	<u>(967,034)</u>
Other financing sources				
Bond and loan proceeds	8,460,630	8,845,669	1,018,400	(7,827,269)
Transfer from Water Fund	1,177,075	1,177,075	1,177,075	-
Transfer from Wastewater Fund	297,586	297,586	297,586	-
Total other financing sources	<u>9,935,291</u>	<u>10,320,330</u>	<u>2,493,061</u>	<u>(7,827,269)</u>
Fund balance, beginning	<u>842,934</u>	<u>228,377</u>	<u>3,122,889</u>	<u>2,894,512</u>
Amount available for appropriation	<u>\$ 11,778,225</u>	<u>\$ 11,548,707</u>	<u>5,648,916</u>	<u>\$ (5,899,791)</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>(Over) Under</u>
Expenditures				
Water capital projects	\$ 5,303,808	\$ 5,078,888	\$ 1,899,416	\$ 3,179,472
Wastewater capital projects	6,474,417	6,469,819	2,053,755	4,416,064
Total expenditures	<u>\$ 11,778,225</u>	<u>\$ 11,548,707</u>	<u>3,953,171</u>	<u>\$ 7,595,536</u>
Budgetary fund balance			<u>\$ 1,695,745</u>	

Life is what happens while you are busy making other plans.

John Lemmon

Budgetary Comparison Schedule

Internal Service Fund

Internal Service funds are created to account for the cost of providing services to other funds of the City which are charged a fee on a cost reimbursement basis for those services.

Public Works – provides engineering and administration for water, wastewater, street, and storm sewer improvements and operations.

Three things cannot be long hidden: the sun, the moon, and the truth.

Buddha

CITY OF NEWPORT, OREGON
PUBLIC WORKS FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under)</u>
Revenues				
Service provided for Street Fund	\$ 200,794	\$ 200,794	\$ 117,130	\$ (83,664)
Service provided for Water Fund	413,412	413,412	241,157	(172,255)
Service provided for Wastewater Fund	414,170	414,170	241,599	(172,571)
Interest on investments	1,000	1,000	1,189	189
Miscellaneous sales and services	<u>99</u>	<u>99</u>	<u>338</u>	<u>239</u>
Total revenues	<u>1,029,475</u>	<u>1,029,475</u>	<u>601,413</u>	<u>(428,062)</u>
Fund balance, beginning	<u>189,102</u>	<u>189,102</u>	<u>183,477</u>	<u>(5,625)</u>
Amount available for appropriation	<u>\$ 1,218,577</u>	<u>\$ 1,218,577</u>	<u>784,890</u>	<u>\$ (433,687)</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>(Over) Under</u>
Expenditures				
Public works administration	\$ 290,723	\$ 294,154	\$ 291,592	\$ 2,562
Engineering services	533,554	542,477	429,620	112,857
Fleet maintenance	88,282	89,164	-	89,164
Contingency	<u>86,606</u>	<u>73,370</u>	<u>-</u>	<u>73,370</u>
Total expenditures	<u>\$ 999,165</u>	<u>\$ 999,165</u>	<u>721,212</u>	<u>\$ 277,953</u>
Fund balance, ending			<u>\$ 63,678</u>	

Efforts and courage are not enough without purpose and direction.

John F Kennedy

COMPLIANCE SECTION

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



**INDEPENDENT AUDITOR'S REPORT REQUIRED BY THE
MINIMUM STANDARDS FOR AUDITS OF OREGON
MUNICIPAL CORPORATIONS**

Honorable Mayor and Members
of the City Council
CITY OF NEWPORT
Newport, Oregon

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

Compliance

As part of obtaining reasonable assurance about whether the City'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.**
- **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).**

**INDEPENDENT AUDITOR'S REPORT REQUIRED BY THE
MINIMUM STANDARDS FOR AUDITS OF OREGON
MUNICIPAL CORPORATIONS (Continued)**

Compliance (continued)

In connection with our testing nothing came to our attention, except as noted below, that caused us to believe the City 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 162-10-240 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations

OAR 162-10-0230 Internal Control

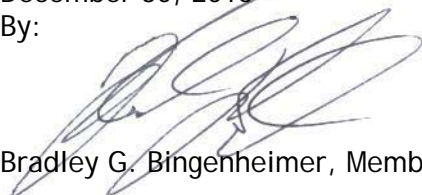
In planning and performing our audit, we considered the City's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 City Council members and management of the CITY OF NEWPORT 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 30, 2016

By:



Bradley G. Bingenheimer, Member



**INDEPENDENT AUDITOR'S 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**

Honorable Mayor and Members
of the City Council
CITY OF NEWPORT
Newport, Oregon

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, Oregon, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Newport, Oregon's basic financial statements and have issued our report thereon dated December 30, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's 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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2016-001 to be a material weakness.

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 accompany schedule of findings and questioned costs as 2016-002 and 2016-003 to be significant deficiencies.

INDEPENDENT AUDITOR'S 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 (Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its 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*.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Boldt Carlisle & Smith

Boldt Carlisle + Smith
Certified Public Accountants
Salem, Oregon
December 30, 2016



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Honorable Mayor and Members
of the City Council
CITY OF NEWPORT
Newport, Oregon

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 Compliance Supplement* that could have a direct and material effect on each of the CITY OF NEWPORT's major federal programs for the year ended June 30, 2016. CITY OF NEWPORT's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the City's 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 the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE (Continued)

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2016-004. Our opinion on each major federal program is not modified with respect to these matters.

CITY OF NEWPORT's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. CITY OF NEWPORT's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the City, 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 the City's 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 the Uniform Guidance, 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 the City's 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Boldt Carlisle & Smith

Boldt Carlisle + Smith
Certified Public Accountants
Salem, Oregon
December 30, 2016

CITY OF NEWPORT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016**

Section I Summary of Auditors' Results

Financial Statements

Type of auditor's report issued:	<i>Unmodified</i>
Internal controls over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	Yes
Noncompliance material to financial statements noted?	No

Federal awards

Internal control over major federal programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major federal programs:	<i>Unmodified</i>
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes

Identification of major federal programs:

<u>CFDA</u>	<u>Name of Federal Program or Cluster</u>
<u>Number(s)</u>	
66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as a low-risk auditee:	No

Section II - Financial Statement Findings

Finding 2016-001

Administrator rights

Condition: The assistant finance director has full administrator rights to the general ledger

Criteria: IT internal controls should be in place that provide reasonable assurance that changes made to the general ledger system are made only after proper management approval.

Cause: There is no oversight present of changes made to the general ledger by the assistant finance director

Effect: Due to the assistant finance director having full access to the general ledger, new employees can be added to the system, checks can be written, journal entries can be made, and many other changes can be made without proper approval.

Recommendation: The assistant finance director's full administrator rights should be moved out of finance to the IT department and proper approvals put in place.

Views of Responsible Officials and Planned Corrective Actions: the City agrees with the finding and the audit committee approved moving administrator rights to IT.

Section II - Financial Statement Findings (continued)

Finding 2016-002

Blank check stock

Condition: Blank check stock is currently kept in an open box in the assistant finance director's office

Criteria: Blank check stock should be locked in a safe place and few people should have access to it.

Cause: Security is not in place to prevent unapproved people from taking and using the check stock.

Effect: Because anybody can access the blank check stock, fraudulent disbursements could occur

Recommendation: Blank check stock should be locked away where few people have access to it.

Views of Responsible Officials and Planned Corrective Actions: The City agrees and the audit committee approved making this change.

Finding 2016-003

Accounts payable

Condition: The accounts payable clerk's access to the general ledger system allows them to create vendors, write checks, and make journal entries.

Criteria: Internal controls should be in place that provide reasonable assurance that the accounts payable clerk does not create fake vendors and write checks to them.

Cause: There are not sufficient limits on the accounts payable clerk's access to the general ledger module to prevent unauthorized transactions.

Effect: Because the accounts payable clerk has the ability to create vendors, write checks and make journal entries, fake vendors could be set up and payments made to them.

Recommendation: The accounts payable clerk should not have the ability to set up vendors.

Views of Responsible Officials and Planned Corrective Actions: The City agrees with the finding and the audit committee approved implementing the change.

Section III - Federal Award Findings and Questioned Costs

ENVIRONMENTAL PROTECTION AGENCY

Finding 2016-004

Criteria:

2 CFR Part 200.302(b)(7) requires the financial management system to include written procedures for determining the allowability of costs.

Condition:

City of Newport has not developed written procedures for determining the allowability of costs.

Cause:

Administration did not have written procedures for determining the allowability of costs.

Effect:

Unallowable costs could be charged to the program.

Questioned Costs:

None

Perspective:

Written procedures for determining the allowability of costs is integral to the proper design of internal controls. However, the results of audit procedures did not detect any costs which are not allowable charged to the program.

Recommendations:

Management should develop written procedures as required by 2 CFR Part 200.302(b)(7).

Management's Response:

Management agrees and will develop written procedures over the determination of allowable costs.

CITY OF NEWPORT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<i>Department of Commerce</i>			
National Oceanic and Atmospheric Administration			
Passed through Oregon Department of Land Conservation and Development			
Coastal Zone Management Administration Awards	11.419	CPA 14.025	\$ 9,000
<i>Department of Transportation</i>			
Federal Aviation Administration			
Airport Improvement Program	20.106		366,722
<i>Environmental Protection Agency</i>			
Office of Water			
Passed through Oregon Department of Environmental Quality			
Capitalization Grants for Clean Water State Revolving Funds - ARRA	66.458	R68933	1,020,053
<i>Department of Homeland Security</i>			
Federal Emergency Management Agency			
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083		76,059
Passed through Oregon Office of Emergency Management			
Disaster Grants - Public Assistance	97.036		90,202
Hazard Mitigation Grant	97.039		456,401
Total Department of Homeland Security			622,662
Total Expenditures of Federal Awards			\$ 2,018,437

CITY OF NEWPORT, OREGON

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2016

1 - Basis of presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City of Newport under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of City of Newport, it is not intended to and does not present the financial position, changes in net position, or cash flows of City of Newport.

2 - Summary of significant accounting policies

- a. Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- b. City of Newport has not elected to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.
- c. The Loans listed subsequently are administered directly by City of Newport, and balances and transactions relating to this loan are included in the City of Newport's basic financial statements. Loans made during the year are included in the federal expenditures presented in the Schedule. Detail of the loan outstanding at June 30, 2016 is as follows:

CFDA Number	Program name	Outstanding Balance at June 30, 2016
66.458	Capitalization Grants for Clean Water State Revolving Funds - ARRA	\$ 2,876,587