

**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

**FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2012**



12700 SW 72<sup>nd</sup> Ave.  
Tigard, OR 97223

**CITY OF NEWPORT  
LINCOLN COUNTY, OREGON**

**FINANCIAL REPORT**

Year Ended June 30, 2012

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**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

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**LINCOLN COUNTY, OREGON**

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**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

**ELECTED OFFICIALS**

June 30, 2012

<u>NAME</u>	<u>TERM EXPIRES</u>
Mark McConnell, Mayor	December 31, 2012
Lon Brusselback, Council President (Through 1/3/12)	December 31, 2012
Jeff Bertuleit	December 31, 2012
Sandra Roumagoux	December 31, 2014
David Allen, Council President (As of 1/3/12)	December 31, 2014
Richard Beemer	December 31, 2014
Dean Sawyer	December 31, 2012

All council members receive mail at the address listed below.

**CITY MANAGER**

Jim Voetberg

City of Newport  
169 SW Coast Hwy  
Newport, Oregon 97365

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**PAULY, ROGERS AND CO., P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

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

January 4, 2012

To the Honorable Mayor and  
Members of the City Council  
City of Newport, Oregon

**INDEPENDENT AUDITORS' REPORT**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newport, Lincoln County, Oregon, as of and for the year ended June 30, 2012, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously 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, Lincoln County, Oregon, at June 30, 2012 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Management's Discussion and Analysis and the Schedule of Funding Progress, as listed in the table of contents, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the Management's Discussion and Analysis and the Schedule of Funding Progress, as listed in the table of contents, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison schedules presented as Required Supplemental Information, as listed in the table of contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the basic financial statements or to the basic financial statements themselves,



and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplementary information, as listed in the table of contents, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, except the schedule of expenditures of federal awards, as listed in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The listing of board members containing their term expiration dates, located before the table of contents, and the schedule of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financials statements, and accordingly, we do not express an opinion or provide any assurance on them.

  
PAULY, ROGERS AND CO., P.C.

## Management's Discussion and Analysis

The City of Newport ("City") offers its public a discussion of its financial statements for the fiscal year ended 30 June 2012. We encourage readers to consider the information presented here in conjunction with the additional information furnished in the financial statements that follow.

### Financial Highlights

**Net Assets** – At the close of the most recent fiscal year, the assets of the City exceeded its liabilities by **\$80.1 million** up **\$1.45 million** (1.8%) from the previous year. Of this amount, **\$14.8 million** may be used to meet the City's ongoing obligations to citizens and creditors.

**Change in Net Assets** – While the City's total net assets increased by **\$1.45 million**, long term debt decreased by **\$6.0 million** (7.4%), while other liabilities increased by about **\$1.87 million**. Total assets decreased by **\$2.7 million**.

**Governmental Funds** - As of the close of the fiscal year, the City's governmental funds reported combined Ending Fund Balances (EFBs) of **\$9.76 million**, up **\$1.17 million** from the previous year. The General Fund's EFB increased by \$655.6 thousand, primarily because of non-historical receipts in Franchise Tax Fees and Delinquent Property Taxes. Another significant increase was to the Airport Fund (\$335.3 thousand) due primarily to the unfilled position of Airport Director and the "set aside" of cash as a "match" for FAA AIP grants to be received in late FY 13 and in FY14.

The City is now clear of the negative fund balances that so plagued it in the previous years. Though some appropriations were exceeded, they were either small or highly technical in nature.

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

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods (for example, uncollected taxes, and earned but unused vacation leave). The **governmental activities** of the City include general government, public safety, streets, economic development, culture and recreation, airport operations, and interest paid on long term debt. The **business type** activities include those funds dealing with water treatment and distribution and wastewater treatment and collection.

**Fund financial statements.** A fund is a group of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. As do other state and local governments, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City has two types 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 evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the 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 15 governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for these "major" funds:

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

Data from the other eight 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 described 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 costs 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 customer service.

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

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

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. As of 30 June 2012, the City's assets exceeded liabilities by **\$80.12 million**.

The largest portion of the City's net assets (**82.1%**) 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 these 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 is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

**Table 1**

	SUMMARY OF NET ASSETS					
	Governmental Activities		Business-type Activities		Total Government	
	2011	2012	2011	2012	2011	2012
Cash and investments	\$ 10,008,446	\$ 9,900,140	\$ 8,635,117	\$ 3,959,209	\$ 18,643,563	\$ 13,859,349
Other assets	4,751,828	2,934,074	(532,058)	331,945	4,219,770	3,266,019
Capital assets	47,175,508	46,301,408	54,176,756	58,076,354	101,352,264	104,377,762
<b>Total Assets</b>	<b>\$ 61,935,782</b>	<b>\$ 59,135,622</b>	<b>\$ 62,279,815</b>	<b>\$ 62,367,508</b>	<b>\$ 124,215,597</b>	<b>\$ 121,503,130</b>
Other liabilities	\$ 2,649,586	\$ 2,837,709	\$ 777,144	\$ 2,459,534	\$ 3,426,730	\$ 5,297,243
Long term debt outstanding	13,227,743	10,385,543	28,883,573	25,696,014	42,111,316	36,081,557
<b>Total Liabilities</b>	<b>\$ 15,877,329</b>	<b>\$ 13,223,252</b>	<b>\$ 29,660,717</b>	<b>\$ 28,155,548</b>	<b>\$ 45,538,046</b>	<b>\$ 41,378,800</b>
Net assets						
net of debt	\$ 34,067,289	\$ 34,587,900	\$ 25,685,449	\$ 31,225,370	\$ 59,752,738	\$ 65,813,270
Restricted						
Debt Service	2,460,630	1,053,223	556,896	1,101,568	3,017,526	2,154,791
Systems Development	624,686	968,729	273,232	-	897,918	968,729
Unrestricted	8,905,848	9,302,518	6,103,521	1,885,022	15,009,369	11,187,540
<b>Total net assets</b>	<b>\$ 46,058,453</b>	<b>\$ 45,912,370</b>	<b>\$ 32,619,098</b>	<b>\$ 34,211,960</b>	<b>\$ 78,677,551</b>	<b>\$ 80,124,330</b>

The City's net assets represent resources that are invested in capital assets, net of related debt. Of the remaining balance in net assets, **\$2.2 million** is restricted for future debt service, **\$0.97 million** is restricted for projects paid for by System Development Charges (SDCs), and **\$11.19 million** is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

**Governmental activities.** Governmental net assets decreased by about **\$0.146 million** in FY12.

**Business-type activities.** Net assets for Business-type activities increased by about **\$1.6 million**.

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

**GOVERNMENTAL AND PROPRIETARY ACTIVITIES**

	Governmental Activities		Business-type Activities		Total Government	
	2011	2012	2011	2012	2011	2012
<b>REVENUES</b>						
Program Services						
Charges for Services	\$ 2,076,510	\$ 1,626,599	\$ 5,070,731	\$ 5,529,194	\$ 7,147,241	\$ 7,155,793
Grants and Contributions	1,813,418	90,658	-	37,223	1,813,418	127,881
General Revenue						
Taxes	11,243,755	11,152,262	1,515,373	1,745,566	12,759,128	12,897,828
Licenses, Permits and Fees	1,051,082	1,036,047			1,315,243	1,036,047
Intergovernmental	760,840	650,245			760,840	650,245
Investment Earnings	40,947	45,753	63,553	30,347	104,500	76,100
Other Revenue	452,534	819,759	264,161	-	452,534	819,759
Capital Grants/Contributions	1,960,368	501,285			1,960,368	501,285
Transfers	(7,442,237)	(82,709)	7,442,237	82,709	-	-
<b>Total Revenues</b>	<b>\$ 11,957,217</b>	<b>\$ 15,839,899</b>	<b>\$ 14,356,055</b>	<b>\$ 7,425,039</b>	<b>\$ 26,313,272</b>	<b>\$ 23,264,938</b>
<b>EXPENSES</b>						
Programs	\$ 15,227,837	\$ 15,970,958	\$ 5,506,450	\$ 5,275,281	\$ 20,734,287	\$ 21,246,239
Change in Net Assets	(3,270,620)	(131,059)	8,849,605	2,149,758	5,578,985	2,018,699
Other Financing Sources (Uses)			(71,067)	-	(71,067)	-
Beginning Net Assets	49,329,073	46,058,453	23,840,560	32,619,098	73,169,633	78,677,551
Prior Period Adjustment	-	(15,024)	-	(556,896)		(571,920)
<b>Ending Net Assets</b>	<b>\$ 46,058,453</b>	<b>\$ 45,912,370</b>	<b>\$ 32,619,098</b>	<b>\$ 34,211,960</b>	<b>\$ 78,677,551</b>	<b>\$ 80,124,330</b>

**Financial Analysis of the City's funds**

**Governmental funds.** The City's governmental funds provide information on near-term inflows, outflows, and balances 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 **\$9.76 million**, all of which is unreserved fund balance and, if appropriated, available for new spending.

A summary of all fund balances is shown on the next page.

TABLE 3  
ENDING FUND BALANCES  
GOVERNMENTAL FUNDS

<u>Fund</u>	FY10	FY11	FY12	FY11 to FY12 Change
General Fund	\$ 867,413	\$ 1,199,958	\$ 1,855,542	\$ 655,584
Airport Fund	(20,503)	22,744	358,039	335,295
Agate Beach Closure Fund	1,500,583	1,476,335	1,464,591	(11,744)
Room Tax Fund	1,360,712	1,213,552	1,122,041	(91,511)
Street Fund	(648,064)	(75,196)	54,533	129,729
Building Inspection Fund	524,164	714,063	637,328	(76,735)
Debt Service Fund	(335,948)	570,626	3,836	(566,790)
Airport FBO Fund	(157,157)	-	-	-
Capital Projects Fund	-	901,288	831,998	(69,290)
Parks and Recreation Reserve Fund	48,401	-	-	-
Fire Reserve Fund	1,119,445	-	-	-
Line Undergrounding Fund	454,882	385,561	481,080	95,519
Public Parking Fund	339,257	354,639	245,751	(108,888)
Parks & Recreation Fund	(45,675)	318,926	154,803	(164,123)
Housing Fund	-	-	4,251	4,251
SDC Fund (Combined all SDC funds beginning in 2012)	-	-	968,729	968,729
Street SDC Fund	357,642	469,170	-	(469,170)
Parks SDC Fund	163,883	89,733	-	(89,733)
Storm Drain SDC Fund	45,624	65,783	-	(65,783)
South Beach (Urban Renewal Fund)	795,689	1,572,387	1,352,623	(219,764)
(North Side) Urban Renewal Bond Redemption Fund	1,227,834	327,368	229,497	(97,871)
South Urban Renewal Bond Redemption Fund (Debt Service Fund)	2,124,771	-	-	-
<b>TOTALS</b>	<b>\$ 9,722,953</b>	<b>\$ 9,606,937</b>	<b>\$ 9,764,642</b>	<b>\$ 157,705</b>

TABLE 3a  
ENDING FUND BALANCES  
BUSINESS-TYPE FUNDS

<u>Fund</u>	FY10	FY11	FY12	FY11 to FY12 Change
Bonded Debt Fund	\$ 226,544	\$ 273,232	\$ 467,072	\$ 193,840
Proprietary Debt Fund	-	-	634,496	634,496
Water Fund	14,047,752	6,754,326	1,408,341	(5,345,985)
Water SDC Fund	411,643	464,724	-	(464,724)
Wastewater Fund	1,543,718	1,517,815	1,948,161	430,346
Wastewater SDC Fund	96,628	92,172	-	(92,172)
<b>TOTALS</b>	<b>\$ 16,326,285</b>	<b>\$ 9,102,269</b>	<b>\$ 4,458,070</b>	<b>\$ (4,644,199)</b>

**Capital assets.** As of 31 July 2012, the City's investment in capital assets for its governmental and business type activities was **\$104.7 million**, net of accumulated depreciation (see Table 4, below). This investment in capital assets includes land and improvements, buildings and structures, infrastructure and improvements, utility systems, equipment and vehicles, and construction in process.

**Table 4****Capital Assets at year-end  
(net of depreciation)**

	Governmental Activities		Business-Type Activities		Total Activities	
	2011	2012	2011	2012	2011	2012
Land	\$ 9,022,282	\$ 9,022,282	\$ 244,606	\$ 244,606	\$ 9,266,888	\$ 9,266,888
Buildings and structures	28,448,156	29,724,089	12,396,802	12,396,802	40,844,958	42,120,891
Equipment	3,615,798	3,827,935	1,248,777	1,269,744	4,864,575	5,097,679
Vehicles	4,476,982	4,633,336	779,106	805,763	5,256,088	5,439,099
Infrastructure	28,129,700	31,736,978	51,546,936	51,546,938	79,676,636	83,283,916
Construction in progress	4,510,548	355,745	9,532,842	15,077,888	14,043,390	15,433,633
Less accumulated depreciation	(31,027,958)	(32,998,957)	(21,572,315)	(23,265,387)	(52,600,273)	(56,264,344)
<b>Total</b>	<b>\$ 47,175,508</b>	<b>\$ 46,301,408</b>	<b>\$ 54,176,754</b>	<b>\$ 58,076,354</b>	<b>\$ 101,352,262</b>	<b>\$ 104,377,762</b>

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

- Completion of Construction of the new Water Treatment Plant
- Completion of the Bay Blvd Infrastructure Project
- Completion of the Elizabeth Street Sewer Project
- Waterlin Sidewalk Project
- Coast Street Project
- Completion of the Senior Center Expansion Project

**Table 5  
Change in Capital Assets**

	Governmental Activities		Business-Type Activities		Total	
	2011	2012	2011	2012	2011	2012
Beginning balance	43,058,097.00	47,175,508.00	48,059,238.00	54,176,756.00	91,117,335.00	101,352,264.00
Additions	7,503,979.00	5,953,487.00	9,309,153.00	5,622,499.00	16,813,132.00	11,575,986.00
Depreciation	(1,459,096.00)	(1,970,999.00)	(1,674,360.00)	(1,693,072.00)	(3,133,456.00)	(3,664,071.00)
Deletions	(1,927,473.00)	(4,856,588.00)	(1,517,275.00)	(29,829.00)	(3,444,748.00)	(4,886,417.00)
Ending Balance	47,175,507.00	46,301,408.00	54,176,756.00	58,076,354.00	101,352,263.00	104,377,762.00

**Long-term debt**

The City has three major types of debt:

- General Obligation 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 Governmental activities and those funding business type activities.

In July 2010, the city refinanced loans with the DEQ and with the Oregon Business Development Department, which were originally issued to help finance a portion of the City's wastewater treatment plant.

The City entered into an agreement with Seal Rock Water District to take over its infrastructure and customer services in an area that is within the City's urban growth boundary. This agreement resulted in the City becoming obligated for annual payments to Seal Rock water District over 30 years. The agreement provided for fixed payments of \$60,000 per year which, when translated into a presumed principal and interest payment based on the value of the infrastructure acquired, resulted in the principal balance at year's end of **\$.885 million**.

**Table 6**  
**Outstanding Debt at Year-end**

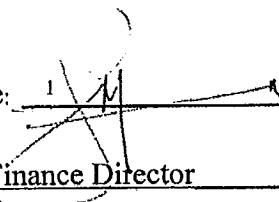
	2010	2011	2012
<b>Governmental</b>			
Full Faith and Refunding Series 2010B	\$ -	\$ 7,850,000	\$ 7,205,000
Bank of America, Series 2000	422,929		
2000 Oregon Dept of Energy Loan	228,100		
Bank of America, Series 2007	679,000	596,000	509,000
1990 Special PWFL - Aquarium	14,474		
Bank of America, Series 2008	2,105,000	1,880,000	1,645,000
2007 Certificates of Participation	715,000	555,000	390,000
Leaf Funding	4,843	3,537	2,232
Capital Leases - Library and Dell Computers	27,577	18,064	7,960
2009 Certificates of Participation (LOCAP)	2,305,000	2,070,000	1,830,000
City Bond Premium		194,862	178,623
URA Bond Premium		60,280	55,256
<b>Sub-total</b>	<b>\$ 6,501,923</b>	<b>\$ 13,227,743</b>	<b>\$ 11,823,071</b>
<b>Business-type</b>			
1998 WTP General Obligation Bonds	\$ 465,000	\$ 135,000	\$ -
2009 Water Improvement Bonds - WTP	15,895,541	15,810,541	15,560,541
2008 GO Refunding Bonds - WasteWater	6,955,000	6,410,000	5,715,000
1996 Oregon DEQ Loan	5,708,097		
1996 Oregon DEQ Loan	4,032,992		
Full Faith and Refunding 2010 Series 2010A		5,160,000	4,775,000
2000 OECDD Loan	1,761,284		
2000 OECDD Loan	1,761,284		
2007 Seal Rock Water District Agreement	918,811	902,094	884,565
Bond Premium	209,101	465,938	432,613
<b>Sub-total</b>	<b>\$ 37,707,110</b>	<b>\$ 28,883,573</b>	<b>\$ 27,367,719</b>
<b>TOTALS</b>	<b>\$ 44,209,033</b>	<b>\$ 42,111,316</b>	<b>\$ 39,190,790</b>

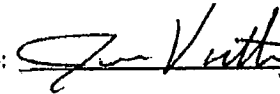


The State of Oregon imposes a constitutional limit on property taxes for school and non-school government operations. The limitation provides that property taxes for non-school operations are limited to \$10.00 for each \$1,000 of property market value. This limitation does not apply to taxes levied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

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

**Requests for information.** This 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:  02/15/13

Signature:  2/15/13

Title: Finance Director

Title: City Manager

**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

**BASIC FINANCIAL STATEMENTS**

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**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

**STATEMENT OF NET ASSETS**  
**June 30, 2012**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 9,900,140	\$ 3,959,209	\$ 13,859,349
Receivables	1,654,066	1,092,146	2,746,212
Internal Service Charges	1,128,627	(1,128,627)	-
Land Held for Resale	9,751	-	9,751
Bond Issue Costs	109,563	367,830	477,393
Prepays	32,067	596	32,663
Capital Assets:			
Depreciable, Net	36,923,381	42,753,860	79,677,241
Non Depreciable	9,378,027	15,322,494	24,700,521
<b>Total Assets</b>	<b>59,135,622</b>	<b>62,367,508</b>	<b>121,503,130</b>
<b>LIABILITIES</b>			
Accounts Payable	731,852	169,985	901,837
Payroll and Payroll Taxes Payable	146,874	25,006	171,880
Interest Payable	14,184	127,930	142,114
Deposits Payable	2,868	207,179	210,047
Unearned Revenue	167,185	191,711	358,896
Accrued Vacation	337,218	66,018	403,236
Noncurrent Liabilities:			
Due Within One Year	1,437,529	1,671,705	3,109,234
Due in More Than One Year	10,385,542	25,696,014	36,081,556
<b>Total Liabilities</b>	<b>13,223,252</b>	<b>28,155,548</b>	<b>41,378,800</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	34,587,900	31,225,370	65,813,270
Restricted for:			
System Development	968,729	-	968,729
Debt Service	1,053,223	1,101,568	2,154,791
Unrestricted	9,302,518	1,885,022	11,187,540
<b>Total Net Assets</b>	<b>\$ 45,912,370</b>	<b>\$ 34,211,960</b>	<b>\$ 80,124,330</b>

See accompanying notes to the basic financials

**CITY OF NEWPORT  
LINCOLN COUNTY, OREGON**

**STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2012**

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Functions/Programs</b>				
<b>Primary Government</b>				
<b>Governmental Activities</b>				
General government	\$ 2,946,250	\$ 377,544	\$ -	\$ 42,795
Public safety	5,910,614	-	-	11,659
Streets	715,630	126,521	-	-
Economic development	2,268,506	182,511	-	-
Culture and recreation	2,917,529	512,375	-	1,028
Airport operations	804,391	427,648	-	35,176
Interest on long-term debt	408,038	-	-	-
<b>Total Governmental Activities</b>	<u>15,970,958</u>	<u>1,626,599</u>	<u>-</u>	<u>90,658</u>
<b>Business-Type Activities</b>				
Water	2,360,710	2,394,574	-	22,961
Sewer	2,914,571	3,134,620	-	14,262
<b>Total Business-Type Activities</b>	<u>5,275,281</u>	<u>5,529,194</u>	<u>-</u>	<u>37,223</u>
<b>Total Primary Government</b>	<u>\$ 21,246,239</u>	<u>\$ 7,155,793</u>	<u>\$ -</u>	<u>\$ 127,881</u>

**General Revenues**

Taxes:

Property

Transient Occupancy

Other Taxes

Licenses, Permits & Fees

Intergovernmental

Grants

Fines and Forfeitures

Investment Earnings

Miscellaneous

Transfers

**Total General Revenues and Transfers**

**Change in Net Assets**

Net Assets - beginning of year

Prior Period Adjustment

Net Assets - end of year

See accompanying notes to the basic financials

**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2012**

<b>Net Revenue (Expenses) and Changes in Net Assets</b>		
<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (2,525,911)	\$ -	\$ (2,525,911)
(5,898,955)	-	(5,898,955)
(589,109)	-	(589,109)
(2,085,995)	-	(2,085,995)
(2,404,126)	-	(2,404,126)
(341,567)	-	(341,567)
(408,038)	-	(408,038)
<u>(14,253,701)</u>	<u>-</u>	<u>(14,253,701)</u>
-	56,825	56,825
-	<u>234,311</u>	<u>234,311</u>
-	291,136	291,136
<u>(14,253,701)</u>	<u>291,136</u>	<u>(13,962,565)</u>
7,738,397	1,745,566	9,483,963
2,367,590	-	2,367,590
1,046,275	-	1,046,275
1,036,047	-	1,036,047
650,245	-	650,245
501,285	-	501,285
177,919	-	177,919
45,753	30,347	76,100
641,840	-	641,840
<u>(82,709)</u>	<u>82,709</u>	<u>-</u>
<u>14,122,642</u>	<u>1,858,622</u>	<u>15,981,264</u>
(131,059)	2,149,758	2,018,699
46,058,453	32,619,098	78,677,551
<u>(15,024)</u>	<u>(556,896)</u>	<u>(571,920)</u>
<u>\$ 45,912,370</u>	<u>\$ 34,211,960</u>	<u>\$ 80,124,330</u>

See accompanying notes to the basic financials

**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2012**

	GENERAL FUND	AIRPORT FUND	AGATE BEACH CLOSURE FUND	ROOM TAX FUND
<b>ASSETS:</b>				
Cash & Cash Equivalents	\$ 1,953,674	\$ 468,057	\$ 1,472,793	\$ 893,837
Receivables, net:				
Taxes	574,911	-	-	-
Accounts	226,816	12,440	-	310,199
Interfund Receivables	5,915	-	-	33,500
Prepays	7,651	-	-	21,500
Investment in Foreclosed Property	-	-	-	-
Total Assets	<u>\$ 2,768,967</u>	<u>\$ 480,497</u>	<u>\$ 1,472,793</u>	<u>\$ 1,259,036</u>
<b>LIABILITIES AND FUND EQUITY:</b>				
Liabilities:				
Accounts Payable	\$ 260,834	\$ 66,821	\$ 8,202	\$ 136,995
Payroll and Payroll Taxes Payable	123,719	4,629	-	-
Interfund Payable	-	33,500	-	-
Deferred Revenues	527,644	15,868	-	-
Customer Deposits	1,228	1,640	-	-
Total Liabilities	<u>913,425</u>	<u>122,458</u>	<u>8,202</u>	<u>136,995</u>
Fund Balances:				
Nonspendable	7,651	-	-	21,500
Restricted:				
Debt Service	-	-	-	-
System Development	-	-	-	-
Committed:				
Airport	-	358,039	-	-
Agate Beach Site Closure	-	-	1,464,591	-
Room Tax	-	-	-	1,100,541
Building Inspections	-	-	-	-
Street	-	-	-	-
Underground Lines	-	-	-	-
Public Parking	-	-	-	-
Parks & Recreation	-	-	-	-
Housing	-	-	-	-
Assigned:				
Capital Projects	-	-	-	-
Unassigned	1,847,891	-	-	-
Total Fund Balances	<u>1,855,542</u>	<u>358,039</u>	<u>1,464,591</u>	<u>1,122,041</u>
Total Liabilities and Fund Balances	<u>\$ 2,768,967</u>	<u>\$ 480,497</u>	<u>\$ 1,472,793</u>	<u>\$ 1,259,036</u>

See accompanying notes to the basic financials

CAPITAL PROJECTS FUND	NORTH SIDE URBAN RENEWAL FUND	SOUTH BEACH URBAN RENEWAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 914,405	\$ 230,711	\$ 1,330,157	\$ 2,636,506	\$ 9,900,140
-	83,359	203,409	-	861,679
6,855	10,348	20,999	204,730	792,387
-	-	-	-	39,415
-	-	-	2,916	32,067
-	-	-	9,751	9,751
<u>\$ 921,260</u>	<u>\$ 324,418</u>	<u>\$ 1,554,565</u>	<u>\$ 2,853,903</u>	<u>\$ 11,635,439</u>
\$ 89,262	\$ 22,082	\$ 14,285	\$ 133,371	\$ 731,852
-	-	2,283	16,243	146,874
-	-	-	5,915	39,415
-	72,839	185,374	148,063	949,788
-	-	-	-	2,868
<u>89,262</u>	<u>94,921</u>	<u>201,942</u>	<u>303,592</u>	<u>1,870,797</u>
-	-	-	12,667	41,818
-	229,497	823,726	-	1,053,223
-	-	-	968,729	968,729
-	-	-	-	358,039
-	-	-	-	1,464,591
-	-	-	-	1,100,541
-	-	-	637,328	637,328
-	-	-	54,533	54,533
-	-	-	481,080	481,080
-	-	-	245,751	245,751
-	-	-	151,887	151,887
-	-	-	4,251	4,251
831,998	-	528,897	-	1,360,895
-	-	-	(5,915)	1,841,976
<u>831,998</u>	<u>229,497</u>	<u>1,352,623</u>	<u>2,550,311</u>	<u>9,764,642</u>
<u>\$ 921,260</u>	<u>\$ 324,418</u>	<u>\$ 1,554,565</u>	<u>\$ 2,853,903</u>	<u>\$ 11,635,439</u>

See accompanying notes to the basic financials



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**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

**RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO STATEMENT OF NET ASSETS**  
**June 30, 2012**

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

Fund Balances	\$ 9,764,642
<p>The cost of capital assets (land, buildings, improvements, machinery and equipment, infrastructure, and construction in progress) is reported as an expenditure in governmental funds. The statement of net assets includes those capital assets among the assets of the City as a whole.</p>	
Net Capital Assets	46,301,408
<p>Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. Bond Issue costs are expensed in the funds, but are capitalized and expensed over the life of the bonds on the government-wide statements.</p>	
GO Bonds, Notes and Contracts Payable	(11,823,071)
Bond Interest Payable	(14,184)
Bond Issue Costs	109,563
<p>Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds.</p>	
Accrued Vacation	(337,218)
<p>Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.</p>	
Deferred Revenue	782,603
Internal Service Charges Balance Due From Business-Type Activities	<u>1,128,627</u>
Total Net Assets	<u>\$ 45,912,370</u>

See accompanying notes to the basic financials

**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

**STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2012**

	GENERAL FUND	AIRPORT FUND	AGATE BEACH CLOSURE FUND	ROOM TAX FUND
<b>REVENUES</b>				
Property Taxes	\$ 5,761,909	\$ -	\$ -	\$ -
Transient Room Tax	-	-	-	2,367,590
Other Taxes	192,170	-	-	-
Licenses, Permits, and Fees	1,312,985	-	11,221	-
Intergovernmental	650,245	-	-	-
Interfund Services	965,158	30,704	-	-
Leases & Rents	117,917	50,925	-	-
Investment Earnings	8,816	459	5,656	4,553
Fines and Forfeitures	177,919	-	-	-
Grants	56,169	54,424	-	-
Miscellaneous	183,012	376,945	-	5,500
Interfund Loan Payback	-	-	-	33,500
<b>Total Revenues</b>	<b>9,426,300</b>	<b>513,457</b>	<b>16,877</b>	<b>2,411,143</b>
<b>EXPENDITURES</b>				
Current:				
General Government	2,314,008	-	-	-
Public Safety	4,762,895	-	-	-
Streets	-	-	-	-
Economic Development	254,611	-	-	964,618
Culture and Recreation	966,264	-	-	-
Airport Operations	-	804,391	-	-
Materials & Services	-	-	28,621	-
Capital Outlay	-	-	-	-
Debt Service	-	-	-	-
<b>Total Expenditures</b>	<b>8,297,778</b>	<b>804,391</b>	<b>28,621</b>	<b>964,618</b>
Excess of Revenues Over (Under) Expenditures	1,128,522	(290,934)	(11,744)	1,446,525
<b>Other Financing Sources, (Uses)</b>				
Transfers In	583,368	726,877	-	-
Transfers Out	(1,056,306)	(100,648)	-	(1,538,036)
<b>Total Other Financing Sources, (Uses)</b>	<b>(472,938)</b>	<b>626,229</b>	<b>-</b>	<b>(1,538,036)</b>
Net Change in Fund Balance	655,584	335,295	(11,744)	(91,511)
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>1,199,958</b>	<b>22,744</b>	<b>1,476,335</b>	<b>1,213,552</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 1,855,542</b>	<b>\$ 358,039</b>	<b>\$ 1,464,591</b>	<b>\$ 1,122,041</b>

See accompanying notes to the basic financials

CAPITAL PROJECTS FUND	NORTH SIDE URBAN RENEWAL FUND	SOUTH BEACH URBAN RENEWAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ -	\$ 89,064	\$ 1,911,010	\$ -	\$ 7,761,983
-	-	-	-	2,367,590
150,063	-	-	704,042	1,046,275
-	-	-	1,020,945	2,345,151
-	-	-	-	650,245
-	-	-	151,647	1,147,509
-	-	-	-	168,842
597	937	14,778	9,957	45,753
-	-	-	-	177,919
474,470	-	-	6,880	591,943
154,283	-	-	37,253	756,993
-	-	-	-	33,500
<u>779,413</u>	<u>90,001</u>	<u>1,925,788</u>	<u>1,930,724</u>	<u>17,093,703</u>
2,403	-	57,738	-	2,374,149
-	-	-	-	4,762,895
-	-	-	653,142	653,142
-	-	-	265,778	1,485,007
-	-	-	1,392,115	2,358,379
-	-	-	-	804,391
478,110	22,365	100,213	-	629,309
1,783,737	165,507	-	1,403	1,950,647
-	-	1,339,601	481,015	1,820,616
<u>2,264,250</u>	<u>187,872</u>	<u>1,497,552</u>	<u>2,793,453</u>	<u>16,838,535</u>
(1,484,837)	(97,871)	428,236	(862,729)	255,168
1,415,547	-	758,160	1,331,654	4,815,606
-	-	(1,406,160)	(797,165)	(4,898,315)
<u>1,415,547</u>	<u>-</u>	<u>(648,000)</u>	<u>534,489</u>	<u>(82,709)</u>
(69,290)	(97,871)	(219,764)	(328,240)	172,459
<u>901,288</u>	<u>327,368</u>	<u>1,572,387</u>	<u>2,878,551</u>	<u>9,592,183</u>
<u>\$ 831,998</u>	<u>\$ 229,497</u>	<u>\$ 1,352,623</u>	<u>\$ 2,550,311</u>	<u>\$ 9,764,642</u>

See accompanying notes to the basic financials

**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS - TO  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2012**

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

Excess of Revenues over Expenditures \$ 172,459

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

Capitalized Additions, net of deletions	\$ 1,096,899	
Depreciation Expense, net of adjustments	(1,970,999)	
Net Adjustment		(874,100)

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

GO Bonds & Notes Payable	1,404,672	
Bond Issue Costs	9,960	
Bond Interest Payable	29,168	
Accrued Vacation	(9,824)	
Net Adjustment		1,433,976

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

Property Taxes		(23,586)
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Internal Service Charges Balances Due From Business-Type Activities		(839,808)
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Change in Net Assets		\$ (131,059)
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See accompanying notes to the basic financials

**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
June 30, 2012

	WASTEWATER FUND	WATER FUND	BONDED DEBT FUND	PROPRIETARY DEBT FUND	TOTALS CURRENT YEAR
<b>ASSETS</b>					
Current Assets:					
Cash and Cash Equivalents	\$ 1,516,973	\$ 1,352,696	\$ 455,044	\$ 634,496	\$ 3,959,209
Interfund Receivables	-	20,000	-	-	20,000
Prepays	298	298	-	-	596
Receivables:					
Taxes	-	-	174,545	-	174,545
Accounts	551,590	348,730	17,281	-	917,601
Capital Assets:					
Depreciable, Net	37,678,544	5,075,315	-	-	42,753,859
Non Depreciable	73,153	15,249,342	-	-	15,322,495
Bond Issuance Costs	87,238	280,592	-	-	367,830
<b>Total Assets</b>	<b>39,907,796</b>	<b>22,326,973</b>	<b>646,870</b>	<b>634,496</b>	<b>63,516,135</b>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts Payable	79,523	90,462	-	-	169,985
Payroll Liabilities	9,935	15,071	-	-	25,006
Deposits	-	207,179	-	-	207,179
Unearned Revenue	31,242	671	159,798	-	191,711
Interfund Payable	-	-	20,000	-	20,000
Accrued Interest Payable	98,172	29,758	-	-	127,930
Compensated Absences	29,369	36,649	-	-	66,018
Bonds Payable, Current Portion	1,120,000	500,000	-	-	1,620,000
Loans & notes, current portion	-	18,380	-	-	18,380
<b>Total Current Liabilities</b>	<b>1,368,241</b>	<b>898,170</b>	<b>179,798</b>	<b>-</b>	<b>2,446,209</b>
Noncurrent Liabilities:					
Bonds Payable, Net	9,370,000	15,060,541	-	-	24,430,541
Loans & Notes, Net	-	866,185	-	-	866,185
Bond Premium	245,522	187,091	-	-	432,613
<b>Total Noncurrent Liabilities</b>	<b>9,615,522</b>	<b>16,113,817</b>	<b>-</b>	<b>-</b>	<b>25,729,339</b>
<b>Total Liabilities</b>	<b>10,983,763</b>	<b>17,011,987</b>	<b>179,798</b>	<b>-</b>	<b>28,175,548</b>
Net Assets:					
Invested in Capital Assets, Net of Related Debt	26,928,937	4,296,433	-	-	31,225,370
Restricted for Debt Service	-	-	467,072	634,496	1,101,568
Unrestricted	1,995,096	1,018,553	-	-	3,013,649
<b>Total Net Assets</b>	<b>\$ 28,924,033</b>	<b>\$ 5,314,986</b>	<b>\$ 467,072</b>	<b>\$ 634,496</b>	<b>35,340,587</b>
					(1,128,627)
					<b>\$ 34,211,960</b>

See accompanying notes to the basic financials

**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2012**

	WASTEWATER FUND	WATER FUND	BONDED DEBT FUND	PROPRIETARY DEBT FUND	TOTALS CURRENT YEAR
<b>OPERATING REVENUES</b>					
Charges for Sales and Services	\$ 3,131,070	\$ 2,350,559	\$ -	\$ -	\$ 5,481,629
Other Services	3,550	44,015	-	-	47,565
Total Operating Revenues	<u>3,134,620</u>	<u>2,394,574</u>	-	-	<u>5,529,194</u>
<b>OPERATING EXPENSES</b>					
Costs of Sales and Services	1,343,544	1,790,005	-	-	3,133,549
Administration	679,703	459,868	-	-	1,139,571
Depreciation	1,414,429	308,472	-	-	1,722,901
Total Operating Expenses	<u>3,437,676</u>	<u>2,558,345</u>	-	-	<u>5,996,021</u>
Net Operating Income (Loss)	(303,056)	(163,771)	-	-	(466,827)
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Property Taxes	-	-	1,745,566	-	1,745,566
Interest Income	6,663	18,943	2,491	2,250	30,347
Grants	14,262	22,961	-	-	37,223
Debt Service	1,105,473	394,984	(1,554,217)	(636,956)	(690,716)
Total Nonoperating Revenues (Expenses)	<u>1,126,398</u>	<u>436,888</u>	<u>193,840</u>	<u>(634,706)</u>	<u>1,122,420</u>
Income Before Contributions and Transfers	823,342	273,117	193,840	(634,706)	655,593
Transfer In/Out	<u>(571,993)</u>	<u>(42,850)</u>	-	697,552	<u>82,709</u>
Change In Net Assets	251,349	230,267	193,840	62,846	738,302
Net Assets - Beginning of Year	<u>28,672,684</u>	<u>5,084,719</u>	<u>273,232</u>	<u>571,650</u>	<u>34,602,285</u>
Net Assets - End of Year	<u>\$ 28,924,033</u>	<u>\$ 5,314,986</u>	<u>\$ 467,072</u>	<u>\$ 634,496</u>	<u>35,340,587</u>
					<u>(1,128,627)</u>
					<u>\$ 34,211,960</u>

See accompanying notes to the basic financials

**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2012**

	WASTEWATER FUND	WATER FUND	BONDED DEBT FUND	PROPRIETARY DEBT FUND	TOTALS CURRENT YEAR
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from Customers and Users	\$ 3,089,001	\$ 2,379,795	\$ -	\$ -	\$ 5,468,796
Payments to Suppliers	(1,492,383)	(1,472,870)	-	-	(2,965,253)
Payments to Employees	(558,959)	(737,930)	-	-	(1,296,889)
Net Cash Provided by Operating Activities	<u>1,037,659</u>	<u>168,995</u>	<u>-</u>	<u>-</u>	<u>1,206,654</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfer To/From Other Funds	(571,993)	(42,850)	-	697,552	82,709
Property Taxes	-	-	1,736,248	-	1,736,248
Net Cash Provided (used) from Noncapital and Related Financing Activities	<u>(571,993)</u>	<u>(42,850)</u>	<u>1,736,248</u>	<u>697,552</u>	<u>1,818,957</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Bond Premium	(22,320)	(11,005)	-	-	(33,325)
Bond Issuance Costs	7,931	16,505	-	-	24,436
Purchases of Capital Assets	(99,810)	(5,492,860)	-	-	(5,592,670)
Principal Paid on Debt	(1,080,000)	(402,529)	-	-	(1,482,529)
Debt Service	1,108,651	419,990	(1,554,217)	(636,956)	(662,532)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(85,548)</u>	<u>(5,469,899)</u>	<u>(1,554,217)</u>	<u>(636,956)</u>	<u>(7,746,620)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest and Dividends Received	6,663	18,943	2,491	2,250	30,347
Net Cash Provided (used) by Investing Activities	<u>6,663</u>	<u>18,943</u>	<u>2,491</u>	<u>2,250</u>	<u>30,347</u>
Net Increase, (Decrease) in Cash and Cash Equivalents	386,781	(5,324,811)	184,522	62,846	(4,690,662)
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	1,130,192	6,677,507	270,522	571,650	8,649,871
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<u>\$ 1,516,973</u>	<u>\$ 1,352,696</u>	<u>\$ 455,044</u>	<u>\$ 634,496</u>	<u>\$ 3,959,209</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>					
Operating Income	\$ (303,056)	\$ (163,771)	\$ -	\$ -	\$ (466,827)
Adjustments					
Depreciation/Amortization	1,384,600	308,472	-	-	1,693,072
(Increase), Decrease in Accounts Receivable	(76,861)	(17,447)	-	-	(94,308)
Increase, (Decrease) in Deferred Revenue	31,242	2	-	-	31,244
Increase, (Decrease) in Accounts Payable	22,647	59,960	-	-	82,607
Increase, (Decrease) in Prepaid Expenses	(198)	(298)	-	-	(496)
Increase, (Decrease) in Customer Deposits	-	2,666	-	-	2,666
Increase, (Decrease) in Compensated Absences	(320)	3,120	-	-	2,800
Increase, (Decrease) in Payroll Liabilities	(20,395)	(23,709)	-	-	(44,104)
Net Cash From Operations	<u>\$ 1,037,659</u>	<u>\$ 168,995</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,206,654</u>

See accompanying notes to the basic financials



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**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**THE FINANCIAL REPORTING ENTITY**

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

The basic financial statements present the City and its blended component unit, the Newport Urban Renewal Agency (Agency), an entity for which the City is financially accountable, in accordance with GASB 39. The Agency, although a legally separate entity, is a part of the City's operations. It was organized to construct and administer capital improvements as outlined in the City's Urban Renewal Plan. The city council serves as its governing board. All activities of the Agency are recorded in capital construction funds and debt service funds. Complete financial statements for the Agency can be obtained at City Hall, Newport, Oregon 97365.

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

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

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

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

**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

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

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

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

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

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

There are the following major governmental funds:

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

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

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

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

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

**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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

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

Blended Component Unit

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

North Side Urban Renewal District

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

South Beach Urban Renewal District

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

There are the following major proprietary funds:

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

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

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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

**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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

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

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

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

**BUDGETS**

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

Unexpected additional resources may be added to the budget through the use of a supplemental budget. The supplemental budget process requires public notice, publication of supplemental budget, public hearing and approval by the City Council. Original and supplemental budgets may be modified by the City Council by the use of appropriation transfers between the levels of control. In addition, Oregon Budget Law provides certain specific exceptions to the supplemental budget process to increase appropriations. Such transfers and increases require approval by the City Council by adoption of a resolution. Budget appropriation amounts shown in the financial statements include the original and revised budget appropriations as approved by the City Council. Appropriations are limited to a single fiscal year; therefore, all spending authority lapses at year end. During 2011-12, several appropriation transfers were made.

Expenditures of the various funds were within authorized appropriations for the year ended June 30, 2012, except for the following:

<u>Fund</u>	<u>Expenditure</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Unappropriated Expenditure</u>
General Fund	Library	\$ 949,689	\$ 966,264	\$ (16,575)
General Fund	Public Works	763,725	778,212	(14,487)
General Fund	Transfers Out	784,650	1,056,306	(271,656)
North Side URA	Capital Outlay	-	165,507	(165,507)
South Beach URA	Materials and Services	65,000	100,213	(35,213)
Wastewater Fund	Wastewater Collection	415,368	428,855	(13,487)
Wastewater Fund	Transfers Out	501,993	571,993	(70,000)

**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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

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

**ESTIMATES**

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

**ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY**

**Cash, Cash Equivalents and Investments**

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

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

**Receivables**

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

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

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

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

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

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

**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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

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

**Supply Inventory**

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

**Capital assets**

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

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

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

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

**Compensated absences**

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

**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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

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

**Long-term obligations**

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

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

**Fund Equity**

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications – nonspendable, restricted, committed, assigned, and unassigned.

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



**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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

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

**Fund Equity (Continued)**

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

**Net Assets**

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

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

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

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

**2. CASH AND INVESTMENTS**

Cash and Investments at June 30, 2012 (recorded at fair value) consisted of:

Deposits with Financial Institutions:	
Petty Cash	\$ 989
Demand Deposits	1,832,919
Investments	12,025,441
Total	<u>\$ 13,859,349</u>
Government-Wide Presentation:	
Governmental Activities	\$ 9,900,140
Business Type Activities	3,959,209
Total	<u>\$ 13,859,349</u>

**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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

**DEPOSITS**

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

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, deposits will not be recovered. There is no formal deposit policy for custodial credit risk. The total bank balance per the bank statements is \$2,354,208 of which \$1,023,795 is covered by federal depository insurance. The remaining was collateralized in accordance with Oregon law.

**INVESTMENTS**

As of June 30, 2012, there were the following investments and maturities.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in months)</u>		
		<u>Less than 3</u>	<u>3-17</u>	<u>18-59</u>
State Treasurer's investment pool	\$ 12,025,441	\$12,025,441	\$ -	\$ -
Total	<u>\$ 12,025,441</u>	<u>\$12,025,441</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk

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

Custodial Credit Risk

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

Concentration of Credit Risk

At June 30, 2012, 100% of total investments were in the State Treasurer's Local Government Investment Pool (LGIP). State statutes do not limit the percentage of investments in the investment pool. Oregon Revised Statutes require no more than 25 percent of the moneys of a local government to be invested in bankers' acceptances of any qualified financial institution. At June 30, 2012, investments were in compliance with all percentage restrictions.

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

**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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

Concentration of Credit Risk (Continued)

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, 2012. There were no known violations of legal or contractual provisions for deposits and investments during the fiscal year.

**3. RECEIVABLES**

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

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

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

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

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

**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**4. CAPITAL ASSETS**

The changes in capital assets for the fiscal year ended June 30, 2012 are as follows:

GOVERNMENTAL ACTIVITIES CAPITAL ASSETS				
	July 1, 2011	Additions & Adjustments	Disposals & Adjustments	June 30, 2012
Capital Assets, not being depreciated				
Land	\$ 9,022,282	\$ -	\$ -	\$ 9,022,282
Construction in Progress	4,510,548	701,785	(4,856,588)	355,745
Total, not being depreciated	<u>13,532,830</u>	<u>701,785</u>	<u>(4,856,588)</u>	<u>9,378,027</u>
Buildings & Structures	28,448,156	1,275,933	-	29,724,089
Equipment	3,615,798	212,137	-	3,827,935
Vehicles	4,476,982	156,354	-	4,633,336
Infrastructure	28,129,700	3,607,278	-	31,736,978
Total, being depreciated	<u>64,670,636</u>	<u>5,251,702</u>	<u>-</u>	<u>69,922,338</u>
Less Accumulated Depreciation				
Buildings & Structures	(15,387,326)	(1,104,090)	-	(16,491,416)
Equipment	(3,290,538)	(112,812)	-	(3,403,350)
Vehicles	(2,603,861)	(344,023)	-	(2,947,884)
Infrastructure	(9,746,233)	(410,074)	-	(10,156,307)
Total Accumulated Depreciation	<u>(31,027,958)</u>	<u>(1,970,999)</u>	<u>-</u>	<u>(32,998,957)</u>
Total Capital Assets being Depreciated, net	<u>33,642,678</u>	<u>3,280,703</u>	<u>-</u>	<u>36,923,381</u>
Governmental Activities Capital Assets, net	<u>\$ 47,175,508</u>	<u>\$ 3,982,488</u>	<u>\$ (4,856,588)</u>	<u>\$ 46,301,408</u>

Depreciation expense was charged to the functions as follows:

**Governmental Activities:**

General Government	\$ 394,084
Public Safety	811,139
Streets	111,233
Economic Development	209,541
Culture and Recreation	445,002
Total depreciation expense, governmental activities	<u>\$ 1,970,999</u>

**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**4. CAPITAL ASSETS (CONTINUED)**

	BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS			
	July 1, 2011	Additions & Adjustments	Disposals & Adjustments	June 30, 2012
Capital Assets, not being depreciated				
Land	\$ 244,606	\$ -	\$ -	\$ 244,606
Construction in Progress	9,532,842	5,545,046	-	15,077,888
Total, not being depreciated	<u>9,777,448</u>	<u>5,545,046</u>	<u>-</u>	<u>15,322,494</u>
Buildings & Structures	12,396,802	-	-	12,396,802
Equipment	1,248,777	20,967	-	1,269,744
Vehicles	779,106	56,486	(29,829)	805,763
Infrastructure	51,546,938	-	-	51,546,938
Total, being depreciated	<u>65,971,623</u>	<u>77,453</u>	<u>(29,829)</u>	<u>66,019,247</u>
Less Accumulated Depreciation				
Buildings & Structures	(8,923,899)	(313,031)	-	(9,236,930)
Equipment	(990,397)	(54,177)	-	(1,044,574)
Vehicles	(489,273)	(47,976)	29,829	(507,420)
Infrastructure	(11,168,746)	(1,307,717)	-	(12,476,463)
Total Accumulated Depreciation	<u>(21,572,315)</u>	<u>(1,722,901)</u>	<u>29,829</u>	<u>(23,265,387)</u>
Total Capital Assets being Depreciated, net	<u>44,399,308</u>	<u>(1,645,448)</u>	<u>-</u>	<u>42,753,860</u>
Business-Type Activities Capital Assets, net	<u>\$ 54,176,756</u>	<u>\$ 3,899,598</u>	<u>\$ -</u>	<u>\$ 58,076,354</u>

Depreciation expense was charged to the functions as follows:

**Business-type Activities:**

Water Operations	\$ 308,472
Sewer Operations	<u>1,414,429</u>
Total depreciation expense, business-type activities	<u>\$ 1,722,901</u>

**5. LAND HELD FOR RESALE**

Properties securing special assessments were foreclosed on. When the right of redemption expired, the properties were deeded to the City. These properties are recorded at the cost of the assessment, foreclosure costs and interest expense in the Debt Service Funds. These properties are being sold as a means of financing the related debt service costs. As of June 30, 2012 there was \$9,751 in Land Held for Resale.

**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**6. INTERFUND RECEIVABLE/ PAYABLE**

The compositions of interfund balances as of June 30, 2012, are as follows:

	<b>Due From Other Funds</b>	<b>Due To Other Funds</b>
General Fund	\$ 5,915	\$ -
Room Tax Fund	33,500	-
Airport Fund	-	33,500
General Debt Service Fund	-	5,915
	<u>          </u>	<u>          </u>
Total Funds	<u>\$ 39,415</u>	<u>\$ 39,415</u>

The purpose of the interfund loans was to finance operations between funds.

**7. LONG-TERM DEBT**

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

	<b><u>Business-type</u></b>
2008 Sewer Bonds, April 2008, rate 3.5%, maturing 2019	\$ 5,715,000
2009 Water Improvement Bonds - Series A rate 3.5% - 5%, maturing 2020	5,930,000
2009 Water Improvement Bonds - Series B rate 3.5%, maturing 2029	9,630,541
	<u>          </u>
Total Funds	<u>\$ 21,275,541</u>

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

FOR THE YEAR		
ENDED	PRINCIPAL	INTEREST
2012-2013	\$ 1,225,000	\$ 436,250
2013-2014	1,325,000	395,875
2014-2015	1,425,000	2,170,625
2015-2016	1,540,000	300,750
2016-2017	1,655,000	246,850
2017-2022	7,419,293	315,050
2022-2027	4,966,372	-
2027-2032	1,719,876	-
	<u>          </u>	<u>          </u>
	<u>\$ 21,275,541</u>	<u>\$ 3,865,400</u>

**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**7. LONG-TERM DEBT (CONTINUED)**

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

	<b>Governmental</b>	<b>Business-type</b>
<p>Full Faith &amp; Credit Refunding Obligations, Series 2010A. Issued July 2010 in the amount of \$5,560,000 to refinance a loan agreement with the Oregon DEQ to help finance a portion of the City's wastewater treatment plant. Interest rates range from 2-4.25%, with maturity June 15, 2023. The old bonds were called on July 14, 2010. The new bonds were issued at a premium of \$290,162 with bond issue costs totaling \$103,100.</p>	\$ -	\$ 4,775,000
<p>Full Faith &amp; Credit Refunding Obligations, Series 2010B. Issued July 2010 in the amount of \$8,465,000 to refinance one loan agreement with the Oregon DEQ (loan # 68931) and two loan agreements with the Oregon Business Development Department (OBDD), formerly the Oregon Economic and Community Development Department (OECDD), which were issued to help finance a portion of the City's wastewater treatment plant. An additional \$2,000,000 was borrowed as part of the refunding to help finance transportation infrastructure improvements, which will enhance access to the Pacific Marine Operation Center. Interest rates range from .02-4.5%, with maturity June 15, 2023. The DEQ loan was considered a current refunding and was called on July 14, 2010. The OBDD loans were advanced refunded, whereby \$3,711,619 was used to purchase United States Government obligations, which were deposited into an escrow account. These funds were sufficient to call the bonds on January 1, 2011. The new bonds were issued at a premium of \$276,407 with bond issue costs totaling \$129,484.</p>	7,205,000	-
<p>Total City Allocation</p>	5,502,696	-
<p>Total URA Allocation</p>	1,702,304	-
<p>Total Business Type Activities</p>	-	4,775,000
<p>Total Bonds Under Cooperative Agreements</p>	\$ 7,205,000	\$ 4,775,000

**CITY OF NEWPORT  
LINCOLN COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**7. LONG-TERM DEBT (CONTINUED)**

	<b>Governmental</b>	<b>Business-type</b>
<b>Other/Loans Bonds</b>		
Series "2007" Urban Renewal Bond from Bank of America, issued May 2007 for \$900,000 to finance the 4B storm drain project in the South Beach urban growth area. The interest rate is 5.25% maturing June 2017.	\$ 509,000	\$ -
Series "2008" Urban Renewal Bond from Bank of America, issued May 2008 for \$2,530,000 to finance projects in the South Beach urban growth area. The interest rate is 4.25% maturing June 2018.	1,645,000	-
Certificates of Participation, Series 2007B from The League of Oregon Cities Cooperative Asset Financing Program, issued October 2007 for \$1,015,000 to finance various City purchases and to pay off the Municipal Airport Debt. The interest rate is 3.9% to 5.0% maturing July 2024.	390,000	-
Certificates of Participation, Series 2009B from The League of Oregon Cities Cooperative Asset Financing Program, issued September 2009 for \$2,580,000 to finance the Bay Boulevard project. The interest rate is 3.9% to 5.0% maturing 2019.	1,830,000	-
The City entered into an agreement with Seal Rock Water District to assume responsibility to provided services for an area of property. In return the City agreed to pay the District \$958,502. The interest rate is 4.75% maturing November 2037.	-	884,565
Total City Allocation	2,220,000	-
Total URA Allocation	2,154,000	-
Total Business-Type Activities	-	884,565
Total Other Loans/Bonds	<b>\$ 4,374,000</b>	<b>\$ 884,565</b>
Total Bonds Under Cooperative Agreements & Other Loans/ Bonds	<b>\$ 12,224,000</b>	<b>\$ 6,044,565</b>



**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**7. LONG-TERM DEBT (CONTINUED)**

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

<b>GOVERNMENTAL ACTIVITIES</b>			<b>BUSINESS-TYPE ACTIVITIES</b>		
<b>YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>	<b>YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2012-2013	\$ 1,407,000	\$ 414,788	2012-2013	\$ 1,638,380	\$ 658,276
2013-2014	1,326,000	367,953	2013-2014	1,749,272	605,159
2014-2015	1,212,000	324,461	2014-2015	1,860,208	2,366,823
2015-2016	1,257,000	283,488	2015-2016	1,986,189	482,999
2016-2017	1,342,000	244,663	2016-2017	2,117,218	413,195
2017-2022	4,435,000	549,668	2017-2022	9,987,646	850,885
2022-2027	600,000	23,000	2022-2027	5,384,057	148,153
			2027-2032	1,926,076	93,800
			2032-2037	261,355	38,645
			2037-2042	24,705	294
	<u>\$ 11,579,000</u>	<u>\$ 2,208,021</u>		<u>\$ 26,935,106</u>	<u>\$ 5,658,229</u>

**Capital Leases**

There are two lease purchase agreements:

	<u><b>Governmental</b></u>
Dell Financing Services Lease Lease Purchase	\$ 7,960
Leaf Funding, Inc. - Airport Copier Lease Purchase	<u>2,232</u>
Total Capital Leases	<u>\$ 10,192</u>

Annual debt requirements to maturity are as follows:

<b>YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2012-2013	\$ 9,266	\$ 242
2013-2014	926	-
	<u>\$ 10,192</u>	<u>\$ 242</u>

**CITY OF NEWPORT  
LINCOLN COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**7. LONG-TERM DEBT (CONTINUED)**

Long-Term Debt activity for the year ended June 30, 2012, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
City					
Bonds Under Coop Agreements	\$ 5,995,304	\$ -	\$ 492,608	\$ 5,502,696	\$ 496,426
Other Loans/Bonds	2,625,000	-	405,000	2,220,000	420,000
Capital Leases	21,601	-	11,409	10,192	9,266
Bond Premium	194,862	-	16,239	178,623	16,239
Newport URA					
Bonds Under Coop Agreements	1,854,696	-	152,392	1,702,304	153,574
Other Loans/Bonds	2,476,000	-	322,000	2,154,000	337,000
Bond Premium	60,280	-	5,024	55,256	5,024
<b>Governmental activities</b>					
Long-Term Debt	13,227,743	-	1,404,672	11,823,071	1,437,529
<b>Business-type Activities:</b>					
General Obligation Bonds	22,355,541	-	1,080,000	21,275,541	1,225,000
Other Bonds	5,160,000	-	385,000	4,775,000	395,000
Notes Payable	902,094	-	17,529	884,565	18,380
Bond Premium	465,938	-	33,325	432,613	33,325
<b>Business-type Activities</b>					
Long-Term Debt	28,883,573	-	1,515,854	27,367,719	1,671,705
<b>Total Long-Term Debt</b>	<b>\$ 42,111,316</b>	<b>\$ -</b>	<b>\$ 2,920,526</b>	<b>\$ 39,190,790</b>	<b>\$ 3,109,234</b>
<b>Compensated Absences</b>					
Governmental	\$ 347,042	\$ -	\$ 9,824	\$ 337,218	\$ 337,218
Business Type	63,218	2,800	-	66,018	66,018
<b>Total Compensated Absences</b>	<b>\$ 410,260</b>	<b>\$ 2,800</b>	<b>\$ 9,824</b>	<b>\$ 403,236</b>	<b>\$ 403,236</b>

**8. RISK MANAGEMENT**

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

**9. RETIREMENT PLANS**

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

**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**9. RETIREMENT PLANS (CONTINUED)**

**PENSION- FIRE & POLICE**

**Plan Description**

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

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

**Funding Policy**

All regular fire and police employees participate in the Plan with the City contributing 6% for the employee share. ORS 238.225 requires contributions at an actuarially determined rate which is 13.87% for PERS, 4.48% for Oregon Public Service Retirement Plan (OPSRP) general services, and 7.19% for OPSRP police services for the current year. Contribution requirements for plan members and the City are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

**Annual Pension Cost**

For the fiscal years ending June 30, 2012, 2011, and 2010, the annual pension cost of \$265,480, \$256,721, and \$257,788 respectively, was equal to the required and actual contributions. The required contributions and liabilities were determined as part of the December 31, 2006 actuarial valuation using the entry age actuarial cost method. Because all OPERS employers are required by law to submit the contributions adopted by the Retirement Board, and the employer contributions are calculated in conformance with the standards of Statement No. 27, there is no net pension obligation. The contributions actually made are equivalent to the annual pension cost. Significant actuarial assumptions used in the valuation include (a) a rate of return of 8.0% per year, net of investment and administrative expenses (assumed earnings rate for purposes of Tier One guaranteed interest credit); (b) wage growth of 4.25% per year, excluding merit or longevity increases; (c) projected post-retirement benefit increases of 2.0% per year; (d) demographic assumptions that have been chosen to reflect the best estimate of emerging experience of the members of OPERS; (e) consumer price inflation of 3.5% per year; and (f) future interest credits of 8.5% for Tier One and 8.0% for Tier Two. Unfunded actuarial liability is amortized as a level percentage of covered payroll over a thirty-year period on an open basis.

**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**9. RETIREMENT PLANS (CONTINUED)**

**EMPLOYEE'S RETIREMENT PLAN**

**Plan Description**

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

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

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

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

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

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

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

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

**Defined Contribution – Money Purchase**

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

**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**9. RETIREMENT PLANS (CONTINUED)**

**EMPLOYEE'S RETIREMENT PLAN**

**Three-Year Trend information**  
**Defined Contribution – Money Purchase**

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>% of Annual Pension Cost Contributed</u>
6/30/10	\$ 193,971	100%
6/30/11	188,958	100%
6/30/12	185,845	100%

**Defined Benefit**

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

The funding policy of the defined portion provides for actuarially determined periodic contributions at rates that over time provide sufficient assets available to pay benefits when due. For the current fiscal year, \$511,699 was contributed to the plan. The plan's normal cost is \$384,050 with interest plus amortization (over 30 years) of the plans unfunded actuarial accrued liability with interest.

The annual required contribution to the defined benefit plan was computed as part of an actuarial valuation performed as of July 1, 2012. Significant actuarial assumptions used in the valuation include: (a) a rate of return on the investment of present and future assets of 6%, (b) projected salary increases of 3% per year in addition to salary increases due to promotions and longevity.

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

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

**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**9. RETIREMENT PLANS (CONTINUED)**

<b>Three-Year Trend information</b>			
<b>Defined Benefit</b>			
<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>% of Annual Pension Cost Contributed</u>	<u>Net Provider Obligation</u>
6/30/10	\$ 431,651	85.3%	\$ 63,305
6/30/11	390,397	100.0%	-
6/30/12	384,050	100.0%	-

**Post-Employment Benefits**

Post-retirement health care benefits are provided for retirees, with the cost of the premium (100%) borne by the retiree.

**10. OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

The actuary determined that there is no other post-employment benefit liability under GASB statement No. 45.

**11. OPERATING LEASES**

Ten operating leases were entered into for computer systems and copiers. Future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
6/30/13	\$ 7,190
6/30/14	2,552
Total	<u>\$ 9,742</u>

**12. PROPERTY TAX LIMITATION**

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

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

**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**13. COMMITMENTS AND CONTINGENCIES**

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

**14. RESTATEMENT OF NET ASSETS**

Beginning net assets of the governmental and business type funds were adjusted to show the transfer of the Governmental Debt Service Fund balance into the new Proprietary Debt Service Fund.

**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

**REQUIRED SUPPLEMENTARY INFORMATION**

Individual Major Governmental Fund Statements



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**CITY OF NEWPORT  
LINCOLN COUNTY, OREGON**

**REQUIRED SUPPLEMENTAL INFORMATION  
SCHEDULE OF FUND PROGRESS  
TREND INFORMATION  
For the Year Ended June 30, 2012**

**EMPLOYEE'S RETIREMENT PLAN**

**DEFINED BENEFIT - EXCLUSIVE OF MONEY PURCHASE**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Act. Liab.	Funded Percent	Covered Payroll	UAL/ Payroll
7/1/2010	\$ 3,769,937	\$ 6,136,594	\$ 2,366,657	61%	\$ 2,932,240	81%
7/1/2011	3,663,397	5,904,902	2,241,505	62%	2,887,270	78%
7/1/2012	4,020,930	6,244,588	2,223,658	64%	2,876,355	77%

**DEFINED CONTRIBUTION - MONEY PURCHASE**

Actuarial Valuation Date	Actuarial Value of Assets	Vested Amount	Funded Percent
7/1/2010	\$ 3,184,262	N/A*	N/A*
7/1/2011	3,730,070	N/A*	N/A*
7/1/2012	3,716,790	N/A*	N/A*

\* Vested amount not available in the June 30, 2010, 2011 & 2012 Defined Contribution valuation.

**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**ACTUAL AND BUDGET - BUDGETARY BASIS**  
**For the Year Ended June 30, 2012**

	<u>GENERAL FUND</u>			
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
<b>REVENUES</b>				
Property Taxes	\$ 5,495,000	\$ 5,495,000	\$ 5,761,909	\$ 266,909
Other Taxes	120,000	120,000	192,170	72,170
Fees	1,197,500	1,197,500	1,312,985	115,485
Intergovernmental	546,294	546,294	650,245	103,951
Grants	35,000	35,000	56,169	21,169
Gifts & Donations	100	100	2,000	1,900
Fines	190,000	190,000	177,919	(12,081)
Rents and Leases	110,000	110,000	117,917	7,917
Interest	1,000	1,000	8,816	7,816
Services Provided	1,013,300	1,013,300	965,158	(48,142)
Miscellaneous	73,250	174,352	181,012	6,660
<b>Total Revenue</b>	<b>8,781,444</b>	<b>8,882,546</b>	<b>9,426,300</b>	<b>543,754</b>
<b>EXPENDITURES</b>				
City Administration	1,265,626	1,647,863 (1)	1,411,608	236,255
Public Safety	4,746,881	4,936,253 (1)	4,762,895	173,358
Community Development	256,915	280,422 (1)	254,611	25,811
Library	947,182	949,689 (1)	966,264	(16,575)
Public Works	750,064	763,725 (1)	778,212	(14,487)
Non-Departmental	384,175	384,175 (1)	124,188	259,987
Contingency	252,694	281,877 (1)	-	281,877
<b>Total Expenditures</b>	<b>8,603,537</b>	<b>9,244,004</b>	<b>8,297,778</b>	<b>946,226</b>
Excess of Revenues Over (Under) Expenditures	177,907	(361,458)	1,128,522	1,489,980
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	566,767	645,636	583,368	(62,268)
Transfers Out	(662,166)	(784,650) (1)	(1,056,306)	(271,656)
<b>Total Other Financing Sources (Uses)</b>	<b>(95,399)</b>	<b>(139,014)</b>	<b>(472,938)</b>	<b>(333,924)</b>
Net Change in Fund Balance	82,508	(500,472)	655,584	1,156,056
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>575,512</b>	<b>1,199,955</b>	<b>1,199,958</b>	<b>3</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 658,020</b>	<b>\$ 699,483</b>	<b>\$ 1,855,542</b>	<b>\$ 1,156,059</b>

(1) Appropriation Level

**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**ACTUAL AND BUDGET - BUDGETARY BASIS**  
**For the Year Ended June 30, 2012**

AIRPORT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
<b>REVENUES</b>				
Grants	\$ -	\$ -	\$ 54,424	\$ 54,424
Leases and Rentals	36,624	36,624	50,925	14,301
Interest on Investments	-	-	459	459
Service Provided	30,704	30,704	30,704	-
Miscellaneous	20,985	20,985	4,870	(16,115)
Other - Fuel & Supplies	384,317	384,317	372,075	(12,242)
<b>Total Revenues</b>	<u>472,630</u>	<u>472,630</u>	<u>513,457</u>	<u>40,827</u>
<b>EXPENDITURES</b>				
Aviation	442,260	420,816 (1)	351,667	69,149
Fixed Base Operation	517,580	517,580 (1)	452,724	64,856
Contingency	1,875	43,651 (1)	-	43,651
<b>Total Expenditures</b>	<u>961,715</u>	<u>982,047</u>	<u>804,391</u>	<u>177,656</u>
Excess of Revenues Over (Under) Expenditures	(489,085)	(509,417)	(290,934)	218,483
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	539,733	587,321	726,877	(139,556)
Transfers Out	(50,648)	(100,648) (1)	(100,648)	-
<b>Total Other Financing Sources (Uses)</b>	<u>489,085</u>	<u>486,673</u>	<u>626,229</u>	<u>139,556</u>
Net Change in Fund Balance	-	(22,744)	335,295	358,039
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>-</u>	<u>22,744</u>	<u>22,744</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 358,039</u>	<u>\$ 358,039</u>

(1) Appropriation Level

**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**ACTUAL AND BUDGET - BUDGETARY BASIS**  
**For the Year Ended June 30, 2012**

AGATE BEACH CLOSURE FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
<b>REVENUES</b>				
Agate Beach Closure Fees	\$ -	\$ -	\$ 11,221	\$ 11,221
Interest on Investments	-	-	5,656	5,656
Total Revenues	-	-	16,877	16,877
<b>EXPENDITURES</b>				
Materials & Services	57,011	57,113 (1)	28,621	28,492
Contingency	1,443,572	1,443,470 (1)	-	1,443,470
Total Expenditures	1,500,583	1,500,583	28,621	1,471,962
Net Change in Fund Balance	(1,500,583)	(1,500,583)	(11,744)	1,488,839
<b>FUND BALANCE - BEGINNING OF YEAR</b>	1,500,583	1,500,583	1,476,335	(24,248)
<b>FUND BALANCE - END OF YEAR</b>	\$ -	\$ -	\$ 1,464,591	\$ 1,464,591

(1) Appropriation Level

**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**ACTUAL AND BUDGET - BUDGETARY BASIS**  
**For the Year Ended June 30, 2012**

ROOM TAX FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
<b>REVENUES</b>				
Transient Room Tax	\$ 2,300,000	\$ 2,300,000	\$ 2,367,590	\$ 67,590
Fees	-	-	5,500	5,500
Interfund Loan	-	-	33,500	33,500
Interest on Investments	15,000	15,000	4,553	(10,447)
Total Revenues	<u>2,315,000</u>	<u>2,315,000</u>	<u>2,411,143</u>	<u>96,143</u>
<b>EXPENDITURES</b>				
Materials and Services	959,586	999,586 (1)	955,538	44,048
Capital Outlay	25,000	25,000 (1)	9,080	15,920
Contingency	684,674	644,674 (1)	-	644,674
Total Expenditures	<u>1,669,260</u>	<u>1,669,260</u>	<u>964,618</u>	<u>704,642</u>
Excess of Revenues Over (Under) Expenditures	645,740	645,740	1,446,525	800,785
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(1,555,826)	(1,555,826) (1)	(1,538,036)	17,790
Total Other Financing Sources (Uses)	<u>(1,555,826)</u>	<u>(1,555,826)</u>	<u>(1,538,036)</u>	<u>17,790</u>
Net Change in Fund Balance	(910,086)	(910,086)	(91,511)	818,575
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>1,243,386</u>	<u>1,243,386</u>	<u>1,213,552</u>	<u>(29,834)</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 333,300</u>	<u>\$ 333,300</u>	<u>\$ 1,122,041</u>	<u>\$ 788,741</u>

(1) Appropriation Level

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**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

**SUPPLEMENTARY INFORMATION**

Combining, Individual Fund, and  
Other Financial Schedules



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**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**ACTUAL AND BUDGET - BUDGETARY BASIS**  
**For the Year Ended June 30, 2012**

CAPITAL PROJECTS FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
<b>REVENUES</b>				
Taxes	\$ 195,006	\$ 195,006	\$ 150,063	\$ (44,943)
Grants	1,526,150	1,676,150	474,470	(1,201,680)
Interest on Investments	-	-	597	597
Miscellaneous	153,987	153,987	154,283	296
Total Revenues	<u>1,875,143</u>	<u>2,025,143</u>	<u>779,413</u>	<u>(1,245,730)</u>
<b>EXPENDITURES</b>				
Personal Services	-	3,500 (1)	2,403	1,097
Materials and Services	-	525,000 (1)	478,110	46,890
Capital Outlay	11,243,243	11,166,018 (1)	1,783,737	9,382,281
Total Expenditures	<u>11,243,243</u>	<u>11,694,518</u>	<u>2,264,250</u>	<u>9,430,268</u>
Excess of Revenues Over (Under) Expenditures	(9,368,100)	(9,669,375)	(1,484,837)	8,184,538
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	<u>2,052,100</u>	<u>2,353,375</u>	<u>1,415,547</u>	<u>(937,828)</u>
Total Other Financing Sources (Uses)	<u>2,052,100</u>	<u>2,353,375</u>	<u>1,415,547</u>	<u>(937,828)</u>
Net Change in Fund Balance	(7,316,000)	(7,316,000)	(69,290)	7,246,710
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>7,316,000</u>	<u>7,316,000</u>	<u>901,288</u>	<u>(6,414,712)</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 831,998</u>	<u>\$ 831,998</u>

(1) Appropriation Level

**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**ACTUAL AND BUDGET - BUDGETARY BASIS**  
**For the Year Ended June 30, 2012**

NORTH SIDE URBAN RENEWAL DISTRICT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
<b>REVENUES</b>				
Property Taxes	\$ -	\$ -	\$ 89,064	\$ 89,064
Interest on Investments	-	-	937	937
Total Revenues	-	-	90,001	90,001
<b>EXPENDITURES</b>				
Materials and Services	160,000	160,000 (1)	22,365	137,635
Capital Outlay	-	- (1)	165,507	(165,507)
Total Expenditures	160,000	160,000	187,872	(27,872)
Net Change in Fund Balance	(160,000)	(160,000)	(97,871)	62,129
<b>FUND BALANCE - BEGINNING OF YEAR</b>	160,000	160,000	327,368	167,368
<b>FUND BALANCE - END OF YEAR</b>	\$ -	\$ -	\$ 229,497	\$ 229,497

(1) Appropriation Level

**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**ACTUAL AND BUDGET - BUDGETARY BASIS**  
**For the Year Ended June 30, 2012**

SOUTH BEACH URBAN RENEWAL DISTRICT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
<b>REVENUES</b>				
Property Taxes	\$ 2,801,613	\$ 2,801,613	\$ 1,911,010	\$ (890,603)
Grants	5,000	5,000	-	(5,000)
Interest on Investments	-	-	14,778	14,778
<b>Total Revenues</b>	<b>2,806,613</b>	<b>2,806,613</b>	<b>1,925,788</b>	<b>(880,825)</b>
<b>EXPENDITURES</b>				
Personal Services	70,622	70,622 (1)	57,738	12,884
Materials and Services	65,000	65,000 (1)	100,213	(35,213)
Debt Service	1,339,603	1,339,603 (1)	1,339,601	2
Contingency	424,664	383,200 (1)	-	383,200
<b>Total Expenditures</b>	<b>1,899,889</b>	<b>1,858,425</b>	<b>1,497,552</b>	<b>360,873</b>
Excess of Revenues Over (Under) Expenditures	906,724	948,188	428,236	(519,952)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	758,623	758,623	758,160	(463)
Transfers Out	(1,406,160)	(1,447,624) (1)	(1,406,160)	41,464
<b>Total Other Financing Sources (Uses)</b>	<b>(647,537)</b>	<b>(689,001)</b>	<b>(648,000)</b>	<b>41,001</b>
Net Change in Fund Balance	259,187	259,187	(219,764)	(478,951)
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>639,327</b>	<b>639,327</b>	<b>1,572,387</b>	<b>933,060</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 898,514</b>	<b>\$ 898,514</b>	<b>\$ 1,352,623</b>	<b>\$ 454,109</b>

(1) Appropriation Level

**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**June 30, 2012**

	BUILDING INSPECTION FUND	STREET FUND	LINE UNDERGROUND FUND	PUBLIC PARKING FUND	PARKS & RECREATION FUND
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 698,443	\$ 35,283	\$ 469,118	\$ 238,993	\$ 221,689
Receivables	5,950	53,531	11,962	6,758	43,123
Prepays	-	-	-	-	2,916
Investment in Foreclosed Property	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 704,393</b>	<b>\$ 88,814</b>	<b>\$ 481,080</b>	<b>\$ 245,751</b>	<b>\$ 267,728</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts Payable	\$ 66,908	\$ 27,924	\$ -	\$ -	\$ 38,539
Payroll and Payroll Taxes Payable	157	6,357	-	-	9,729
Deferred Revenue	-	-	-	-	64,657
Interfund Payable	-	-	-	-	-
<b>Total Liabilities</b>	<b>67,065</b>	<b>34,281</b>	<b>-</b>	<b>-</b>	<b>112,925</b>
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	-	2,916
Restricted:					
System Development	-	-	-	-	-
Committed:					
Building Inspections	637,328	-	-	-	-
Street	-	54,533	-	-	-
Underground Lines	-	-	481,080	-	-
Public Parking	-	-	-	245,751	-
Parks & Recreation	-	-	-	-	151,887
Housing	-	-	-	-	-
Unassigned	-	-	-	-	-
<b>Total Fund Balances</b>	<b>637,328</b>	<b>54,533</b>	<b>481,080</b>	<b>245,751</b>	<b>154,803</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 704,393</b>	<b>\$ 88,814</b>	<b>\$ 481,080</b>	<b>\$ 245,751</b>	<b>\$ 267,728</b>

SDC FUND	HOUSING FUND	GENERAL DEBT FUND	TOTAL
\$ 968,729	\$ 4,251	\$ -	\$ 2,636,506
83,406	-	-	204,730
-	-	-	2,916
-	-	9,751	9,751
<u>\$ 1,052,135</u>	<u>\$ 4,251</u>	<u>\$ 9,751</u>	<u>\$ 2,853,903</u>

\$ -	\$ -	\$ -	\$ 133,371
-	-	-	16,243
83,406	-	-	148,063
-	-	5,915	5,915
<u>83,406</u>	<u>-</u>	<u>5,915</u>	<u>303,592</u>

-	-	9,751	12,667
968,729	-	-	968,729
-	-	-	637,328
-	-	-	54,533
-	-	-	481,080
-	-	-	245,751
-	-	-	151,887
-	4,251	-	4,251
-	-	(5,915)	(5,915)
<u>968,729</u>	<u>4,251</u>	<u>3,836</u>	<u>2,550,311</u>
<u>\$ 1,052,135</u>	<u>\$ 4,251</u>	<u>\$ 9,751</u>	<u>\$ 2,853,903</u>

**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2012**

	BUILDING INSPECTION FUND	STREET FUND	LINE UNDER GROUNDING FUND	PUBLIC PARKING FUND	PARKS & RECREATION FUND
<b>REVENUES</b>					
Other Taxes	\$ -	\$ 547,261	\$ 156,781	\$ -	\$ -
Interest	1,846	222	1,728	1,265	92
License & Fees	169,924	-	-	-	495,568
Grants/Donations	-	1,659	-	-	5,221
Interfund Services	-	151,647	-	-	-
Other Revenue	12,720	6,057	-	-	18,476
<b>Total Revenues</b>	<b>184,490</b>	<b>706,846</b>	<b>158,509</b>	<b>1,265</b>	<b>519,357</b>
<b>EXPENDITURES</b>					
Current Operation:					
Streets	-	648,998	3,857	-	-
Culture and Recreation	-	-	-	-	1,385,476
Economic Development	261,225	-	-	4,553	-
Debt Service	-	-	-	-	-
Capital Outlay	-	-	-	-	-
<b>Total Expenditures</b>	<b>261,225</b>	<b>648,998</b>	<b>3,857</b>	<b>4,553</b>	<b>1,385,476</b>
Excess of Revenues Over (Under) Expenditures	(76,735)	57,848	154,652	(3,288)	(866,119)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer In	-	133,813	-	-	701,996
Transfer Out	-	(61,932)	(59,133)	(105,600)	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>71,881</b>	<b>(59,133)</b>	<b>(105,600)</b>	<b>701,996</b>
Net Change in Fund Balance	(76,735)	129,729	95,519	(108,888)	(164,123)
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>714,063</b>	<b>(75,196)</b>	<b>385,561</b>	<b>354,639</b>	<b>318,926</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 637,328</b>	<b>\$ 54,533</b>	<b>\$ 481,080</b>	<b>\$ 245,751</b>	<b>\$ 154,803</b>

SDC FUND	HOUSING FUND	GENERAL DEBT FUND	TOTAL
\$ -	\$ -	\$ -	\$ 704,042
4,772	2	30	9,957
355,453	-	-	1,020,945
-	-	-	6,880
-	-	-	151,647
-	-	-	37,253
<u>360,225</u>	<u>2</u>	<u>30</u>	<u>1,930,724</u>
287	-	-	653,142
888	5,751	-	1,392,115
-	-	-	265,778
-	-	481,015	481,015
1,403	-	-	1,403
<u>2,578</u>	<u>5,751</u>	<u>481,015</u>	<u>2,793,453</u>
357,647	(5,749)	(480,985)	(862,729)
-	10,000	485,845	1,331,654
(570,500)	-	-	(797,165)
<u>(570,500)</u>	<u>10,000</u>	<u>485,845</u>	<u>534,489</u>
(212,853)	4,251	4,860	(328,240)
1,181,582	-	(1,024)	2,878,551
<u>\$ 968,729</u>	<u>\$ 4,251</u>	<u>\$ 3,836</u>	<u>\$ 2,550,311</u>



**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**ACTUAL AND BUDGET - BUDGETARY BASIS**  
**For the Year Ended June 30, 2012**

BUILDING PERMIT & INSPECTION FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
<b>REVENUES</b>				
Permits	\$ 343,000	\$ 343,000	\$ 169,924	\$ (173,076)
State Permit Surcharges	27,000	27,000	12,567	(14,433)
Misc. Sales & Services	99	99	153	54
Interest on Investments	-	-	1,846	1,846
<b>Total Revenues</b>	<u>370,099</u>	<u>370,099</u>	<u>184,490</u>	<u>(185,609)</u>
<b>EXPENDITURES</b>				
Personal Services	94,875	94,875 (1)	94,556	319
Materials and Services	181,258	182,732 (1)	166,669	16,063
Contingency	703,966	702,492 (1)	-	702,492
<b>Total Expenditures</b>	<u>980,099</u>	<u>980,099</u>	<u>261,225</u>	<u>718,555</u>
Net Change in Fund Balance	(610,000)	(610,000)	(76,735)	533,265
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>610,000</u>	<u>610,000</u>	<u>714,063</u>	<u>104,063</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 637,328</u>	<u>\$ 637,328</u>

(1) Appropriation Level

**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**ACTUAL AND BUDGET- BUDGETARY BASIS**  
**For the Year Ended June 30, 2012**

<u>STREET FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
<b>REVENUES</b>				
State Gas Tax Proration	\$ 535,000	\$ 535,000	\$ 547,261	\$ 12,261
Misc. Sales & Services	900	900	6,057	5,157
State Grants	253,806	253,806	1,659	(252,147)
Services Provided for Sewer Fund	148,080	148,080	151,647	3,567
Interest on Investments	-	-	222	222
<b>Total Revenues</b>	<u>937,786</u>	<u>937,786</u>	<u>706,846</u>	<u>(230,940)</u>
<b>EXPENDITURES</b>				
Street Maintenance	449,220	449,220 (1)	400,965	48,255
Storm Drain Maintenance	312,738	312,738 (1)	248,033	64,705
Contingency	106,729	106,729 (1)	-	106,729
<b>Total Expenditures</b>	<u>868,687</u>	<u>868,687</u>	<u>648,998</u>	<u>219,689</u>
Excess of Revenues Over (Under) Expenditures	69,099	69,099	57,848	(11,251)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	58,616	58,616	133,813	75,197
Transfers Out	(61,932)	(61,932) (1)	(61,932)	-
<b>Total Other Financing Sources (Uses)</b>	<u>(3,316)</u>	<u>(3,316)</u>	<u>71,881</u>	<u>75,197</u>
Net Change in Fund Balance	65,783	65,783	129,729	63,946
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>	<u>(75,196)</u>	<u>(75,196)</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 65,783</u>	<u>\$ 65,783</u>	<u>\$ 54,533</u>	<u>\$ (11,250)</u>

(1) Appropriation Level

**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**ACTUAL AND BUDGET - BUDGETARY BASIS**  
**For the Year Ended June 30, 2012**

LINE UNDERGROUNDING FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
<b>REVENUES</b>				
Interest on Investments	\$ -	\$ -	\$ 1,728	\$ 1,728
Franchise Taxes	115,000	115,000	156,781	41,781
Miscellaneous	500	500	-	(500)
<b>Total Revenues</b>	<u>115,500</u>	<u>115,500</u>	<u>158,509</u>	<u>43,009</u>
<b>EXPENDITURES</b>				
Materials and Services	6,357	6,357 (1)	3,857	2,500
Capital Outlay	10,000	10,000 (1)	-	10,000
Contingency	494,837	474,837 (1)	-	474,837
<b>Total Expenditures</b>	<u>511,194</u>	<u>491,194</u>	<u>3,857</u>	<u>487,337</u>
Excess of Revenues Over (Under) Expenditures	(395,694)	(375,694)	154,652	530,346
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer Out	(59,188)	(79,188) (1)	(59,133)	20,055
<b>Total Other Financing Sources (Uses)</b>	<u>(59,188)</u>	<u>(79,188)</u>	<u>(59,133)</u>	<u>20,055</u>
Net Change in Fund Balance	(454,882)	(454,882)	95,519	550,401
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>454,882</u>	<u>454,882</u>	<u>385,561</u>	<u>(69,321)</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 481,080</u>	<u>\$ 481,080</u>

(1) Appropriation Level

**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**ACTUAL AND BUDGET - BUDGETARY BASIS**  
**For the Year Ended June 30, 2012**

<u>PUBLIC PARKING FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
<b>REVENUES</b>				
Fees	\$ 14,500	\$ 14,500	\$ -	\$ (14,500)
Interest on Investments	-	-	1,265	1,265
Total Revenues	<u>14,500</u>	<u>14,500</u>	<u>1,265</u>	<u>(13,235)</u>
<b>EXPENDITURES</b>				
Public Parking General	112,220	10,120 (1)	2,918	7,202
Nye Beach Parking District	13,620	13,620 (1)	1,015	12,605
City Center Parking District	620	620 (1)	620	-
Contingency	<u>122,188</u>	<u>122,188 (1)</u>	<u>-</u>	<u>122,188</u>
Total Expenditures	<u>248,648</u>	<u>146,548</u>	<u>4,553</u>	<u>141,995</u>
Excess of Revenues Over (Under) Expenditures	(234,148)	(132,048)	(3,288)	128,760
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	<u>(3,500)</u>	<u>(105,600) (1)</u>	<u>(105,600)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(3,500)</u>	<u>(105,600)</u>	<u>(105,600)</u>	<u>-</u>
Net Change in Fund Balance	(237,648)	(237,648)	(108,888)	128,760
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>237,648</u>	<u>237,648</u>	<u>354,639</u>	<u>116,991</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 245,751</u>	<u>\$ 245,751</u>

(1) Appropriation Level

**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**ACTUAL AND BUDGET - BUDGETARY BASIS**  
**For the Year Ended June 30, 2012**

PARKS & RECREATION FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
<b>REVENUES</b>				
Programs	\$ 188,000	\$ 188,000	\$ 145,370	\$ (42,630)
Fees	370,000	370,000	350,198	(19,802)
Rents & Leases	7,635	7,635	7,088	(547)
Concession Stand	11,000	11,000	9,556	(1,444)
Miscellaneous Income	250	250	1,832	1,582
Gifts & Donations	-	-	5,221	5,221
Interest on Investments	-	-	92	92
<b>Total Revenues</b>	<u>576,885</u>	<u>576,885</u>	<u>519,357</u>	<u>(57,528)</u>
<b>EXPENDITURES</b>				
Parks Administration	174,895	151,593 (1)	136,328	15,265
Parks Division	227,159	254,049 (1)	253,902	147
Senior Center	164,118	166,487 (1)	130,127	36,360
Swimming Pool	325,629	331,635 (1)	302,349	29,286
Recreation Center	474,570	450,532 (1)	390,827	59,705
Recreation Programs	176,941	183,219 (1)	171,943	11,276
<b>Total Expenditures</b>	<u>1,543,312</u>	<u>1,537,515</u>	<u>1,385,476</u>	<u>152,039</u>
Excess of Revenues Over (Under) Expenditures	(966,427)	(960,630)	(866,119)	94,511
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	694,725	726,333	701,996	(24,337)
<b>Total Other Financing Sources (Uses)</b>	<u>694,725</u>	<u>726,333</u>	<u>701,996</u>	<u>(24,337)</u>
Net Change in Fund Balance	(271,702)	(234,297)	(164,123)	70,174
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>319,757</u>	<u>319,757</u>	<u>318,926</u>	<u>(831)</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 48,055</u>	<u>\$ 85,460</u>	<u>\$ 154,803</u>	<u>\$ 69,343</u>

(1) Appropriation Level

**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**ACTUAL AND BUDGET - BUDGETARY BASIS**  
**For the Year Ended June 30, 2012**

<u>SDC FUND</u>				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
<b>REVENUES</b>				
SDC Charges	\$ 472,000	\$ 472,000	\$ 350,479	\$ (121,521)
Interest from SDC's	-	-	4,974	4,974
Interest on Investments	3,339	3,339	4,772	1,433
<b>Total Revenues</b>	<u>475,339</u>	<u>475,339</u>	<u>360,225</u>	<u>(115,114)</u>
<b>EXPENDITURES</b>				
SDC Streets	283	287 (1)	287	-
SDC Water	16	16 (1)	16	-
SDC Wastewater	39,786	39,802 (1)	1,133	38,669
SDC Parks	888	888 (1)	888	-
SDC Storm Drain	250	254 (1)	254	-
Contingency	1,094,815	1,062,486 (1)	-	1,062,486
<b>Total Expenditures</b>	<u>1,136,038</u>	<u>1,103,733</u>	<u>2,578</u>	<u>1,101,155</u>
Excess of Revenues Over (Under) Expenditures	(660,699)	(628,394)	357,647	986,041
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer Out	(594,652)	(626,957) (1)	(570,500)	56,457
<b>Total Other Financing Sources, (Uses)</b>	<u>(594,652)</u>	<u>(626,957)</u>	<u>(570,500)</u>	<u>56,457</u>
Net Change in Fund Balance	(1,255,351)	(1,255,351)	(212,853)	1,042,498
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>1,255,351</u>	<u>1,255,351</u>	<u>1,181,582 (2)</u>	<u>(73,769)</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 968,729</u>	<u>\$ 968,729</u>

(1) Appropriation Level

(2) Reconciliation of Beginning Fund Balance

SDC - Streets	\$ 469,170
SDC - Water	464,724
SDC - Wastewater	92,172
SDC - Parks	89,733
SDC - Strom Drain	65,783
	<u>\$ 1,181,582</u>

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**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**ACTUAL AND BUDGET - BUDGETARY BASIS**  
**For the Year Ended June 30, 2012**

HOUSING FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
<b>REVENUES</b>				
Interest on Investments	\$ -	\$ -	\$ 2	\$ (2)
Total Revenues	-	-	2	(2)
<b>EXPENDITURES</b>				
Material and Services	-	10,000 (1)	5,751	4,249
Total Expenditures	-	10,000	5,751	4,249
Excess of Revenues Over (Under) Expenditures	-	(10,000)	(5,749)	(4,251)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer In	-	10,000	10,000	-
Total Other Financing Sources, (Uses)	-	10,000	10,000	-
Net Change in Fund Balance	-	-	4,251	4,251
<b>FUND BALANCE - BEGINNING OF YEAR</b>	-	-	-	-
<b>FUND BALANCE - END OF YEAR</b>	\$ -	\$ -	\$ 4,251	\$ 4,251

(1) Appropriation Level



**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**ACTUAL AND BUDGET - BUDGETARY BASIS**  
**For the Year Ended June 30, 2012**

	<u>DEBT SERVICE FUNDS</u>		
	ORIGINAL AND FINAL BUDGET	GENERAL DEBT SERVICE	BONDED DEBT FUND
<b>REVENUES</b>			
Property Taxes	\$ 1,137,000	\$ -	\$ 1,745,566
Interest on Investments	3,001	30	2,491
<b>Total Revenues</b>	<b>1,140,001</b>	<b>30</b>	<b>1,748,057</b>
<b>EXPENDITURES</b>			
Water Bonds Principal & Interest	141,143 (1)	-	141,142
Wastewater Bonds Principal & Interest	919,350 (1)	-	919,350
WPT GO Bonds -Principal & Interest	513,725 (1)	-	493,725
General Wastewater Debt	586,957 (1)	-	-
General Water Debt	60,000 (1)	-	-
LOCAP Lease Purchase	482,815 (1)	481,015	-
Contingency	855,893 (1)	-	-
<b>Total Expenditures</b>	<b>3,559,883</b>	<b>481,015</b>	<b>1,554,217</b>
Excess of Revenues Over (Under) Expenditures	(2,419,882)	(480,985)	193,840
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	1,124,939	485,845	-
<b>Total Other Financing Sources (Uses)</b>	<b>1,124,939</b>	<b>485,845</b>	<b>-</b>
Net Change in Fund Balance	(1,294,943)	4,860	193,840
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>1,294,943</b>	<b>(1,024) (2)</b>	<b>273,232</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ -</b>	<b>\$ 3,836</b>	<b>\$ 467,072</b>

(1) Appropriation Level

(2) The Beginning Fund Balance does not match last year's Ending Fund Balance due to the creation of the Proprietary Debt Service Fund.

PROPRIETARY DEBT FUND	TOTAL	VARIANCE TO FINAL BUDGET
\$ -	\$ 1,745,566	\$ 608,566
2,250	4,771	1,770
<u>2,250</u>	<u>1,750,337</u>	<u>610,336</u>
-	141,142	1
-	919,350	-
-	493,725	20,000
576,956	576,956	10,001
60,000	60,000	-
-	481,015	1,800
-	-	855,893
<u>636,956</u>	<u>2,672,188</u>	<u>887,695</u>
(634,706)	(921,851)	1,498,031
<u>697,552</u>	<u>1,183,397</u>	<u>58,458</u>
<u>697,552</u>	<u>1,183,397</u>	<u>58,458</u>
62,846	261,546	1,556,489
<u>571,650 (2)</u>	<u>843,858</u>	<u>(451,085)</u>
<u>\$ 634,496</u>	<u>\$ 1,105,404</u>	<u>\$ 1,105,404</u>

**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**ACTUAL AND BUDGET - BUDGETARY BASIS**  
**For the Year Ended June 30, 2012**

<u>WASTEWATER FUND</u>				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
<b>REVENUES</b>				
Service Charges	\$ 2,630,000	\$ 2,630,000	\$ 2,624,935	\$ (5,065)
Capital Improvement Surcharge	410,000	410,000	458,287	48,287
LID Revenue	-	-	10,414	10,414
Septage Revenue	57,000	57,000	37,434	(19,566)
Grants	-	-	14,262	14,262
Miscellaneous Income	-	-	3,550	3,550
Interest on Investments	8,000	8,000	6,663	(1,337)
Total Revenues	<u>3,105,000</u>	<u>3,105,000</u>	<u>3,155,545</u>	<u>50,545</u>
<b>EXPENDITURES</b>				
Wastewater Treatment Plant	947,664	947,664 (1)	943,499	4,165
Wastewater Collection	395,368	415,368 (1)	428,855	(13,487)
Customer Service	19,550	19,550 (1)	17,954	1,596
Wastewater Capital Projects	-	600,000 (1)	82,875	517,125
Non-Departmental	712,018	715,585 (1)	680,023	35,562
Contingency	693,387	542,940 (1)	-	542,940
Total Expenditures	<u>2,767,987</u>	<u>3,241,107</u>	<u>2,153,206</u>	<u>1,087,901</u>
Excess of Revenues Over (Under) Expenditures	337,013	(136,107)	1,002,339	1,138,446
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	<u>(1,045,113)</u>	<u>(501,993) (1)</u>	<u>(571,993)</u>	<u>(70,000)</u>
Total Other Financing Sources (Uses)	<u>(1,045,113)</u>	<u>(501,993)</u>	<u>(571,993)</u>	<u>(70,000)</u>
Net Change in Fund Balance	(708,100)	(638,100)	430,346	1,068,446
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>1,546,465</u>	<u>1,546,465</u>	<u>1,517,815</u>	<u>(28,650)</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 838,365</u>	<u>\$ 908,365</u>	1,948,161	<u>\$ 1,039,796</u>
<b>RECONCILIATION TO NET ASSETS</b>				
Capital Assets, Net			37,751,697	
Compensated Absences			(29,369)	
Debt Payable			(10,490,000)	
Bond Premium			(245,522)	
Bond Issuance Costs			87,238	
Interest Payable			(98,172)	
<b>TOTAL NET ASSETS</b>			<u>\$ 28,924,033</u>	

(1) Appropriation Level

**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**ACTUAL AND BUDGET - BUDGETARY BASIS**  
**For the Year Ended June 30, 2012**

WATER FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
<b>REVENUES</b>				
Service Charges	\$ 2,164,000	\$ 2,164,000	\$ 2,279,988	\$ 115,988
New Services, Meters	44,000	44,000	27,394	(16,606)
Grant	-	-	22,961	22,961
Miscellaneous Income	20,000	20,000	44,015	24,015
Services Provided	43,177	43,177	43,177	-
Interest on Investments	30,000	30,000	18,943	(11,057)
Total Revenues	<u>2,301,177</u>	<u>2,301,177</u>	<u>2,436,478</u>	<u>135,301</u>
<b>EXPENDITURES</b>				
Water Treatment	695,494	690,494 (1)	687,674	2,820
Water Distribution	608,248	663,248 (1)	652,757	10,491
Customer Services	19,550	19,550 (1)	19,287	263
Water Capital Projects	-	6,318,069 (1)	5,923,147	394,922
Water Non-Departmental	437,382	457,163 (1)	456,748	415
Contingency	1,246,333	219 (1)	-	219
Total Expenditures	<u>3,007,007</u>	<u>8,148,743</u>	<u>7,739,613</u>	<u>409,130</u>
Excess of Revenues Over (Under) Expenditures	(705,830)	(5,847,566)	(5,303,135)	544,431
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	70,000	70,000
Transfers Out	(84,534)	(434,125) (1)	(112,850)	321,275
Total Other Financing Sources (Uses)	<u>(84,534)</u>	<u>(434,125)</u>	<u>(42,850)</u>	<u>391,275</u>
Net Change in Fund Balance	(790,364)	(6,281,691)	(5,345,985)	935,706
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>1,312,500</u>	<u>6,733,827</u>	<u>6,754,326</u>	<u>20,499</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 522,136</u>	<u>\$ 452,136</u>	<u>1,408,341</u>	<u>\$ 956,205</u>
<b>RECONCILIATION TO NET ASSETS</b>				
Capital Assets, Net			20,324,657	
Compensated Absences			(36,649)	
Bond Payable			(15,560,541)	
Loan Payable			(884,565)	
Bond Issuance Costs			280,592	
Bond Premium			(187,091)	
Interest Payable			(29,758)	
<b>TOTAL NET ASSETS</b>			<u>\$ 5,314,986</u>	

(1) Appropriation Level

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**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

OTHER INFORMATION

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**CITY OF NEWPORT, OREGON**  
**LINCOLN COUNTY, OREGON**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2012**

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FEDERAL AGENCY/PASS-THROUGH AGENCY	<u>CFDA NUMBER</u>	<u>CURRENT YEAR EXPENDITURES</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD):		
Community Development Block Grant	14.228	\$ 88,624
US-DOT - Airport Improvement Projects AIP-17	20.106	3,051
US-DOT - Airport Improvement Projects AIP-18	20.106	5,535
<hr/>		
<b>TOTAL FEDERAL EXPENDITURES</b>		<b><u>\$ 97,210</u></b>



**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES**  
**OF TAXES UNCOLLECTED**  
**For the Year Ended June 30, 2012**

<b>General Fund and Sewer Bonded Debt Fund</b>						
TAX YEAR	IMPOSED LEVY OR OR BALANCE UNCOLLECTED AT 7/1/11	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT 6/30/12
Current:						
2011-12	\$ 7,738,040	\$ 186,599	\$ (12,054)	\$ 6,014	\$ 7,148,234	\$ 397,167
Prior Years:						
2010-11	381,404	(569)	(4,102)	15,710	192,713	200,868
2009-10	150,531	(266)	(1,075)	11,891	62,948	98,665
2008-09	83,105	-	(1,036)	14,749	62,400	34,418
2007-08	24,488	-	(1,042)	6,965	25,648	4,763
2006-07 & prior	19,327	-	(3,816)	1,295	3,231	13,575
Total Prior	<u>658,855</u>	<u>(835)</u>	<u>(11,071)</u>	<u>50,610</u>	<u>346,940</u>	<u>352,289</u>
Total All Funds	<u>\$ 8,396,895</u>	<u>\$ 185,764</u>	<u>\$ (23,125)</u>	<u>\$ 56,624</u>	<u>\$ 7,495,174</u>	<u>\$ 749,456</u>

RECONCILIATION TO REVENUE:

Cash Collections by County Treasurer Above	\$ 7,495,174	
Accrual of Receivables:		
June 30, 2011	43,011	
June 30, 2012	65,268	
Other Taxes	<u>(95,978)</u>	
Total Revenue	<u>\$ 7,507,475</u>	
	<u>REVENUE</u>	<u>RECEIVABLE</u>
Fund Allocation:		
General Fund	\$ 5,761,909	\$ 574,911
Sewer Bonded Debt Fund	<u>1,745,566</u>	<u>-</u>
Total	<u>\$ 7,507,475</u>	<u>\$ 574,911</u>

**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES**  
**OF TAXES UNCOLLECTED**  
**For the Year Ended June 30, 2012**

TAX YEAR	IMPOSED LEVY OR OR BALANCE UNCOLLECTED AT 7/1/11	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT 6/30/12
<b>Urban Renewal - North Side</b>						
Current:						
2011-12	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Prior Years:						
2010-11	29,058	(43)	(313)	1,197	14,682	15,303
2009-10	66,855	(118)	(477)	5,281	27,957	43,820
2008-09	38,895	-	(485)	6,903	29,205	16,108
2007-08	10,988	-	(467)	3,126	11,510	2,137
2006-07 & prior	8,530	-	(1,685)	572	1,426	5,991
Total Prior	<u>154,326</u>	<u>(161)</u>	<u>(3,427)</u>	<u>17,079</u>	<u>84,780</u>	<u>83,359</u>
Total All Funds	<u>\$ 154,326</u>	<u>\$ (161)</u>	<u>\$ (3,427)</u>	<u>\$ 17,079</u>	<u>\$ 84,780</u>	<u>\$ 83,359</u>

RECONCILIATION TO REVENUE:

Cash Collections by County Treasurer Above	\$ 84,780
Accrual of Receivables:	
June 30, 2011	(10,401)
June 30, 2012	10,520
Other Taxes	<u>4,165</u>
Total Revenue in Urban Renewal Debt Fund	<u>\$ 89,064</u>

**Urban Renewal - South Side**

Current:						
2011-12	\$ 1,956,524	\$ 47,181	\$ (3,048)	\$ 1,521	\$ 1,807,394	\$ 100,422
Prior Years:						
2010-11	106,398	(159)	(1,144)	4,382	53,760	56,035
2009-10	47,920	(85)	(342)	3,785	20,039	31,409
2008-09	26,129	-	(324)	4,638	19,621	10,822
2007-08	6,977	-	(297)	1,984	7,307	1,357
2006-07 & prior	4,791	-	(946)	321	801	3,365
Total Prior	<u>192,215</u>	<u>(244)</u>	<u>(3,053)</u>	<u>15,110</u>	<u>101,528</u>	<u>102,988</u>
Total All Funds	<u>\$ 2,148,739</u>	<u>\$ 46,937</u>	<u>\$ (6,101)</u>	<u>\$ 16,631</u>	<u>\$ 1,908,922</u>	<u>\$ 203,410</u>

RECONCILIATION TO REVENUE:

Cash Collections by County Treasurer Above	\$ 1,908,922
Accrual of Receivables:	
June 30, 2011	(12,403)
June 30, 2012	18,035
Other Taxes	<u>(3,544)</u>
Total Revenue	<u>\$ 1,911,010</u>

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**CITY OF NEWPORT**  
**LINCOLN COUNTY, OREGON**

**INDEPENDENT AUDITORS' REPORT REQUIRED**  
**BY OREGON STATE REGULATIONS**

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# PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

January 4, 2012

## Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the City of Newport, Oregon as of and for the year ended June 30, 2012, and have issued our report thereon dated January 4, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and government auditing standards.

### Compliance

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

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

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

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

1. We found expenditures of various funds were within authorized appropriations, except as noted on page 15.
2. We noted that the adopted budget appropriations per the Board resolution did not match the adopted budget numbers in the City's budget report.

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

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

We noted matters involving the internal control structure and its operation that we consider to be significant deficiencies under standards established by the American Institute of Certified Public Accountants, which are noted in our management letter dated January 4, 2012.

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

  
PAULY, ROGERS AND CO., P.C.