

**NEWPORT URBAN RENEWAL AGENCY
LINCOLN COUNTY, OREGON**

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2012



12700 SW 72nd Ave.
Tigard, OR 97223

NEWPORT URBAN RENEWAL AGENCY
LINCOLN COUNTY, OREGON

For the Year Ended June 30, 2012

COMPONENT UNIT

ANNUAL FINANCIAL REPORT

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**NEWPORT URBAN RENEWAL AGENCY
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	December 31, 2012
Jeff Beruleit	December 31, 2014
Sandra Roumagoux	December 31, 2014
David Allen	December 31, 2014
Richard Beemer	December 31, 2014
Dean Sawyer	December 31, 2012

All Board Members receive mail at the address below.

AGENCY ADMINISTRATION

Jim Voetberg, Agency Manager
Penelope McCarthy, Agency Attorney

169 SW Coast Hwy.
Newport, Oregon 97365

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NEWPORT URBAN RENEWAL AGENCY
LINCOLN COUNTY, OREGON

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PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

February 15, 2013

To the Board of Directors
Newport Urban Renewal Agency
City of Newport, Oregon

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and each major fund of the Newport Urban Renewal Agency, 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 basic 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 basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Newport Urban Renewal Agency, as of June 30, 2012, and the respective changes in financial position 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, 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 Management's Discussion and Analysis, 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, 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, is presented for purposes of additional analysis and is 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 financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Pauly, Rogers and Co., P.C.
PAULY, ROGERS AND CO., P.C.

Management's Discussion and Analysis

The Management of the Newport Urban Renewal Agency offers readers of the Agency's financial statements this discussion of the financial activities of the Newport Urban Renewal Agency for the fiscal year ended 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 - The assets of the Newport Urban Renewal Agency exceeded its liabilities at the close of the most recent fiscal year by **\$12.77 million**. Of this amount, **\$2.39 million** may be used to meet the government's ongoing obligations to citizens and creditors; the agency's total net assets decreased by **\$0.742 million**.

Governmental Funds - As of the close of the fiscal year, the Newport Urban Renewal Agency's governmental funds reported combined ending fund balances of **\$1.58 million**.

During the fiscal year, the Newport Urban Renewal Agency's total debt decreased by **\$0.48 million**.

Overview of the Financial Statements

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

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

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

The Statement of Activities presents information showing how the Agency's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods (for example, uncollected taxes). The governmental activities of the Newport Urban Renewal Agency include activities in two urban renewal districts: the North Side Urban Renewal District ("Urban Renewal"), and the South Beach Urban Renewal District. Each district engages in capital project construction and debt payment activities.

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

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Newport Urban Renewal Agency, assets exceeded liabilities by **\$12.77 million** as of 30 June 2012.

The largest portion of the Newport Urban Renewal Agency's net assets (**81.3%** percent) reflects its investment in capital assets (land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. Because, the Newport Urban Renewal Agency uses these capital assets to provide services to citizens, these assets are not available for future spending. Although the Newport Urban Renewal Agency's investment in its capital assets is reported net of related debt, note that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

Table 1			
SUMMARY OF NET ASSETS			
For the Year Ended June 30, 2012			
	Governmental Activities		
	2010	2011	2012
Cash and Investments	\$ 4,125,697	\$ 1,234,816	\$ 1,560,868
Other Assets	427,440	1,954,374	864,618
Capital Assets	11,446,395	14,716,072	14,294,782
Total Assets	15,999,532	17,905,262	16,720,268
Other Liabilities	56,262	2,207	38,650
Long Term Debt Outstanding	2,798,474	4,390,978	3,911,562
Total Liabilities	2,854,736	4,393,185	3,950,212
Net Assets:			
Investment in Capital Assets,			
Net of Related Debt	8,647,921	10,325,094	10,383,219
Restricted for Debt Service	3,352,606	1,233,781	1,053,223
Unrestricted	1,144,269	1,953,202	1,333,614
Total Net Assets	\$ 13,144,796	\$ 13,512,077	\$ 12,770,056

Newport Urban Renewal Agency's net assets represent resources that are invested in capital assets, net of related debt. The remaining balance, **\$2.39 million**, may be used to meet the Agency's ongoing obligations to citizens and creditors.

Table 2**STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2012

	2010	2011	2012
REVENUES			
General Revenue			
Taxes	\$ 4,548,989	\$ 2,553,202	\$ 1,934,549
Interest and Investment Earnings	40,010	11,787	15,715
Other Revenue	2,338	1,125,734	-
Total Revenues	4,591,337	3,690,723	1,950,264
EXPENSES			
Public Improvement	7,341,411	2,195,560	2,319,684
Interest on Long Term Debt	141,208	389,568	372,601
Total Expenses	7,482,619	2,585,128	2,692,285
Transfer Out	-	(959,102)	-
Change in Net Assets	(2,891,282)	146,493	(742,021)
Prior Period Adjustment	-	220,788	-
Beginning Net Assets	16,036,078	13,144,796	13,512,077
Ending Net Assets	\$ 13,144,796	\$ 13,512,077	\$ 12,770,056

Financial Analysis of the Agency's funds

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

At the end of the fiscal year, the Newport Urban Renewal Agency's governmental funds reported combined ending fund balances of **\$1.58 million**.

Budgetary Highlights

The Agency Board did not make any changes to the adopted budget during the year.

Capital Asset and Debt Administration

Capital Assets. As of 30 June 2012, the Newport Urban Renewal Agency's investment in capital assets for its governmental activities was **\$14.29 million** (net of accumulated depreciation). This investment in capital assets includes land, buildings and structures, equipment, and infrastructure.

Table 3

**Capital Assets at Year-end
(Net of Depreciation)
For the Year Ended June 30, 2012**

	2010	2011	2012
Land	\$ 6,200,036	\$ 6,426,163	\$ 6,426,163
Buildings and Structures	8,242,540	8,242,540	8,242,540
Construction in Progress	54,656	3,144,143	198,562
Equipment	492,229	492,229	492,229
Infrastructure	2,812,414	2,812,414	5,851,503
Less: Accumulated Depreciation	(6,355,480)	(6,401,417)	(6,916,215)
Total Capital Assets	\$ 11,446,395	\$ 14,716,072	\$ 14,294,782

Table 4

**Change in Capital Assets
For the Year Ended June 30, 2012**

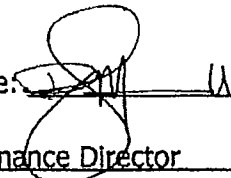
	2010	2011	2012
Beginning Balance	\$ 11,880,030	\$ 11,446,395	\$ 14,716,072
Additions	54,656	3,315,614	93,508
Depreciation	(488,291)	(266,725)	(514,798)
Adjustments	-	220,788	-
Ending Balance	\$ 11,446,395	\$ 14,716,072	\$ 14,294,782

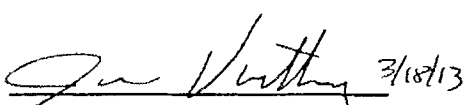
Long-Term Debt. At the end of the fiscal year, the Newport Urban Renewal Agency had total long-term debt outstanding of **\$3.91 million**. In 2007, Bank of America loaned the Urban Renewal Agency \$900,000 to construct the 4B Storm Drain project in the South Beach Urban Renewal District. The amount outstanding is **\$0.509 million**. In 2008, the Agency issued \$2,530,000 of Urban Renewal bonds to Bank of America. The amount outstanding is **\$1.65 million**. In 2010, when the City of Newport refunded several prior debts, the URA borrowed an additional \$2.0 million to help finance transportation improvements. Of that amount, **\$1.702 million** remains outstanding.

Table 5
Outstanding Debt at Year-End
For the Year Ended June 30, 2012

	2010	2011	2012
Oregon Coast Aquarium Loan 1991	\$ 14,474	\$ -	\$ -
Bank of America, Series 2007	679,000	596,000	509,000
Bank of America, Series 2008	2,105,000	1,880,000	1,645,000
Full Faith & Credit Refunding, Series 2010B	-	1,854,696	1,702,304
Bond Premium, 2010	-	60,282	55,258
Total	\$ 2,798,474	\$ 4,390,978	\$ 3,911,562

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

Signature:  _____
Title: Finance Director

Signature:  _____ 3/18/13
Title: City Manager

**NEWPORT URBAN RENEWAL AGENCY
LINCOLN COUNTY, OREGON**

COMPONENT UNIT BASIC FINANCIAL STATEMENTS

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NEWPORT URBAN RENEWAL AGENCY

LINCOLN COUNTY, OREGON

STATEMENT OF NET ASSETS

June 30, 2012

ASSETS:

Cash and Cash Equivalents	\$	1,560,868
Receivables, Net		318,115
Due from City of Newport		492,608
Bond Issue Costs		53,895
Capital Assets, not Depreciable		6,624,725
Capital Assets, Net of Accumulated Depreciation		<u>7,670,057</u>
Total Assets		<u>16,720,268</u>

LIABILITIES:

Accounts Payable		36,367
Payroll Liabilities		2,283
Noncurrent Liabilities:		
Due within one year		490,574
Due in more than one year		<u>3,420,988</u>
Total Liabilities		<u>3,950,212</u>

NET ASSETS:

Invested in Capital Assets, Net of Related Debt		10,383,219
Restricted for Debt Service		1,053,223
Unrestricted		<u>1,333,614</u>
Total Net Assets	\$	<u><u>12,770,056</u></u>

See accompanying notes to the basic financial statements

NEWPORT URBAN RENEWAL AGENCY

LINCOLN COUNTY, OREGON

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

FUNCTIONS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
Governmental activities:				
Public improvement	\$ 2,319,684	\$ -	\$ -	\$ (2,319,684)
Interest on long-term debt	<u>372,601</u>	<u>-</u>	<u>-</u>	<u>(372,601)</u>
Total Governmental Activities	<u>\$ 2,692,285</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(2,692,285)</u>
	General Revenues:			
	Property Taxes			1,934,549
	Investment earnings			<u>15,715</u>
	Total General Revenues			<u>1,950,264</u>
	Changes in Net Assets			(742,021)
	Net Assets - Beginning			<u>13,512,077</u>
	Net Assets - Ending			<u>\$ 12,770,056</u>

See accompanying notes to the basic financial statements

NEWPORT URBAN RENEWAL AGENCY

LINCOLN COUNTY, OREGON

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2012

	NS URBAN RENEWAL DISTRICT	SB URBAN RENEWAL DISTRICT	TOTAL GOVERNMENTAL
ASSETS:			
Cash & Cash Equivalents	\$ 230,711	\$ 1,330,157	\$ 1,560,868
Accounts Receivable	10,348	20,999	31,347
Property Taxes Receivable	83,359	203,409	286,768
Total Assets	<u>\$ 324,418</u>	<u>\$ 1,554,565</u>	<u>\$ 1,878,983</u>
LIABILITIES AND FUND EQUITY:			
Liabilities:			
Accounts Payable	\$ 22,082	\$ 14,285	\$ 36,367
Payroll Liabilities	-	2,283	2,283
Deferred Revenue	72,839	185,374	258,213
Total Liabilities	<u>94,921</u>	<u>201,942</u>	<u>296,863</u>
Fund Equity:			
Restricted for Debt Service	229,497	823,726	1,053,223
Assigned for Capital Projects	-	528,897	528,897
Total Fund Equity	<u>229,497</u>	<u>1,352,623</u>	<u>1,582,120</u>
Total Liabilities and Fund Equity	<u>\$ 324,418</u>	<u>\$ 1,554,565</u>	<u>\$ 1,878,983</u>

See accompanying notes to the basic financial statements

NEWPORT URBAN RENEWAL AGENCY

LINCOLN COUNTY, OREGON

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO STATEMENT OF NET ASSETS

June 30, 2012

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

Fund Balances	\$	1,582,120
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The cost of governmental capital assets (land, buildings, improvements, machinery and equipment, infrastructure, and construction in progress) is reported as an expenditure in governmental funds. The Statement of Net Assets includes those capital assets among the assets of the Agency as a whole.

Net Capital Assets		14,294,782
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Long-term liabilities applicable to the Agency's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets.

Long-term Liabilities:

Bonds and Loans Payable	\$	(3,856,303)	
Bond Premium		<u>(55,259)</u>	
			(3,911,562)

Other Assets:

Interagency receivable - Due from City of Newport for Debt Principal Payments		492,608
Bond Issuance Costs		53,895

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.

Deferred Revenue		<u>258,213</u>
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Total Net Assets	\$	<u><u>12,770,056</u></u>
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See accompanying notes to the basic financial statements

NEWPORT URBAN RENEWAL AGENCY

LINCOLN COUNTY, OREGON

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

	NS URBAN RENEWAL DISTRICT	SB URBAN RENEWAL DISTRICT	TOTAL GOVERNMENTAL
REVENUES:			
Taxes	\$ 89,064	\$ 1,911,010	\$ 2,000,074
Interest on Investments	937	14,778	15,715
Total Revenues	<u>90,001</u>	<u>1,925,788</u>	<u>2,015,789</u>
EXPENDITURES:			
Current:			
Personnel Services	-	57,738	57,738
Materials and Services	22,365	100,213	122,578
Capital Outlay	165,507	648,000	813,507
Debt Service	-	1,339,601	1,339,601
Total Expenditures	<u>187,872</u>	<u>2,145,552</u>	<u>2,333,424</u>
Excess of Revenues, Over (Under) Expenditures	(97,871)	(219,764)	(317,635)
OTHER FINANCING SOURCES (USES):			
Transfers In	-	758,160	758,160
Transfers Out	-	(758,160)	(758,160)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(97,871)	(219,764)	(317,635)
Beginning Fund Balance	<u>327,368</u>	<u>1,572,387</u>	<u>1,899,755</u>
Ending Fund Balance	<u>\$ 229,497</u>	<u>\$ 1,352,623</u>	<u>\$ 1,582,120</u>

See accompanying notes to the basic financial statements

NEWPORT URBAN RENEWAL AGENCY

LINCOLN COUNTY, OREGON

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2012

Explanations 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 \$ (317,635)

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

Acquisition of Capital Assets (net)	\$ 93,508	
Depreciation Expense	(514,798)	
Net Adjustment		(421,290)

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

Amortization of Bond Premium	5,024	
Amortization of Issuance Costs	(4,899)	
Due from City of Newport for Debt Principal Payments	(412,088)	
Principal Payment of Long-Term Debt	474,392	
		62,429

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This adjustment combines the net changes in deferred taxes between years.

Property Taxes		(65,525)
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Change in Net Assets	\$	<u>(742,021)</u>
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See accompanying notes to the basic financial statements

NEWPORT URBAN RENEWAL AGENCY
LINCOLN COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. DESCRIPTION OF THE REPORTING ENTITY

The Agency was established by the City of Newport in accordance with Resolution #1647. The Board consists of five members appointed by the Mayor with the approval of the majority of the City Council. In April of 2007, Resolution # 1910 was adopted whereby full authority of the Agency was transferred to the Mayor and City Council and the appointed board was named as an advisory committee. Although the Agency Board and the City Council are made up of the same members, each is a legally separate entity and conducts all business as such. Based on standards set forth in GASB Statement #39, the Agency is considered a component unit of the City as it is considered accountable to the City. Accordingly, the financial statements of the Agency are included in the City's basic financial statements.

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

B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)

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

General receipts are from property and related taxes, and interest. All disbursements are categorized as program disbursements and interest on long-term debt.

FUND FINANCIAL STATEMENTS

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

NEWPORT URBAN RENEWAL AGENCY
LINCOLN COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

There are the following major governmental funds:

South Beach Urban Renewal District Fund

This fund tracks the capital projects being built in the South Beach Urban Renewal District along with the City of Newport's 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.

North Side Urban Renewal District Fund

This fund accounts for the cost of major projects in the North Side Urban Renewal District and pays for or makes special payments to the City of Newport's 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.

C. BUDGETS

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

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

NEWPORT URBAN RENEWAL AGENCY
LINCOLN COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BUDGETS (CONTINUED)

The expenditure budgets are appropriated at the following levels:

LEVEL OF CONTROL

Personal Services
Materials and Services
Capital Outlay
Debt Service
Operating Contingency

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

Budget amounts shown in the financial statements reflect the original and final budget amounts. Expenditures in all funds were within authorized appropriations, except for North Side Urban Renewal District Fund Capital Outlay, which was over-expended by \$165,507 and South Beach Urban Renewal District Fund Materials and Services, which was over-expended \$35,213.

D. PROPERTY TAXES AND PROPERTY TAXES RECEIVABLE

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

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

E. ESTIMATES

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

NEWPORT URBAN RENEWAL AGENCY
LINCOLN COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. RECEIVABLES

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

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

G. CAPITAL ASSETS

Capital assets are recorded at the original or estimated historical cost. Donated capital assets are recorded at their estimated fair market value on the date donated. Capital assets are charged to expenditures as purchased in the governmental funds, and capitalized and depreciated in the government-wide-statements. Capital assets are defined as assets with an initial cost of more than \$5,000 and an estimated life equal to or greater than one year. Interest incurred during construction, maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Building & Improvements	10-40
Infrastructure	20-50
Machinery & Equipment	5-20
Vehicles	5-10

H. SUPPLY INVENTORY

Inventories purchased are expensed as purchased. Inventories are not recorded and are considered by management to be immaterial at year end.

I. LONG-TERM OBLIGATIONS

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

J. 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.

NEWPORT URBAN RENEWAL AGENCY
LINCOLN COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. FUND EQUITY (CONTINUED)

- 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 and 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.

There are no nonspendable, committed, or unassigned fund balances at year end.

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.

K. NET ASSETS

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

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

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

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

NEWPORT URBAN RENEWAL AGENCY
LINCOLN COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS

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

DEPOSITS

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

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

Cash at June 30, 2012 consisted of:

Pooled Cash	<u>\$ 1,560,868</u>
Total	<u>\$ 1,560,868</u>

INVESTMENTS

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

Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. There is no material difference between the fair value of the District'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.

Interest Rate Risk

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

Credit Risk – Deposits

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

Credit Risk – Investments

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

NEWPORT URBAN RENEWAL AGENCY
LINCOLN COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

INVESTMENTS (CONTINUED)

Concentration of Credit Risk

At June 30, 2012, investments were comingled with the City of Newport investments. 100% of total City of Newport investments were in the State Treasurer's Investment Pool. State statutes do not limit the percentage of investments in this instrument.

3. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2012 was as follows:

	Balance Beginning of Year	Additions	(Deletions)	Balance End Of Year
Capital assets not being depreciated				
Land	\$ 6,426,163	\$ -	\$ -	\$ 6,426,163
Construction in progress	3,144,143	93,508	(3,039,089)	198,562
Total capital assets not being depreciated	9,570,306	93,508	(3,039,089)	6,624,725
Capital assets being depreciated				
Buildings & Structures	8,242,540	-	-	8,242,540
Equipment	492,229	-	-	492,229
Infrastructure	2,812,414	3,039,089	-	5,851,503
Total capital assets being depreciated	11,547,183	3,039,089	-	14,586,272
Total capital assets	21,117,489	3,132,597	(3,039,089)	21,210,997
Accumulated Depreciation				
Buildings & Structures	(5,745,043)	(417,530)	-	(6,162,573)
Equipment	(487,069)	(40,833)	-	(527,902)
Infrastructure	(169,305)	(56,435)	-	(225,740)
Total accumulated depreciation	(6,401,417)	\$ (514,798)	\$ -	(6,916,215)
Governmental activities capital assets, net	<u>\$ 14,716,072</u>			<u>\$ 14,294,782</u>

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

Public Improvement	<u>\$ 514,798</u>
Total depreciation for governmental activities	<u>\$ 514,798</u>

NEWPORT URBAN RENEWAL AGENCY
LINCOLN COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

4. INTERGOVERNMENTAL TRANSFERS

Transfers were made to consolidate capital asset activity in the South Beach Urban Renewal Construction Fund, which is combined with the South Beach Urban Renewal Debt Service Fund for reporting purposes.

	Transfers In	Transfers Out
South Beach Urban Renewal Debt Service Fund	\$ -	\$ 758,160
South Beach Urban Renewal Construction Fund	758,160	-
Total	\$ 758,160	\$ 758,160

5. LONG-TERM DEBT

Tax Exempt Series 2007 Bonds

In May 2007, Urban Renewal bonds were issued with an interest rate of 5.25% in the total amount of \$900,000. The purpose of the bonds was to finance the 4B Storm Drain Project in South Beach. The bonds mature June 2017, with the current balance outstanding at year-end of \$509,000.

Annual requirements to repay the loan are as follows:

Fiscal Year of Maturity	Principal	Interest	Total
2012-13	\$ 92,000	\$ 26,723	\$ 118,723
2013-14	96,000	21,893	117,893
2014-15	102,000	16,853	118,853
2015-16	107,000	11,498	118,498
2016-17	112,000	5,880	117,880
	\$ 509,000	\$ 82,847	\$ 591,847
Total	\$ 509,000	\$ 82,847	\$ 591,847

NEWPORT URBAN RENEWAL AGENCY
LINCOLN COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

5. LONG-TERM DEBT (CONTINUED)

Tax Exempt Series 2008 Bonds

In May 2008, bonds with an interest rate of 4.25% in the amount of \$2,530,000 were issued. The purpose of the bonds were to finance infrastructure improvements related to Oregon Coast Community College campus and various other infrastructure projects in South Beach. The bonds mature June 2018, with the current balance outstanding at year-end of \$1,645,000.

Annual requirements to repay the loan are as follows:

Fiscal Year of Maturity	Principal	Interest	Total
2012-13	\$ 245,000	\$ 69,913	\$ 314,913
2013-14	255,000	59,500	314,500
2014-15	270,000	48,663	318,663
2015-16	280,000	37,188	317,188
2016-17	290,000	25,288	315,288
2017-18	<u>305,000</u>	<u>12,963</u>	<u>317,963</u>
Total	<u>\$ 1,645,000</u>	<u>\$ 253,515</u>	<u>\$ 1,898,515</u>

Full Faith & Credit Refunding Obligations, Series 2010 B

As part of the City of Newport's \$8,465,000 refunding of several prior debts, the URA borrowed an additional \$2,000,000 to help finance transportation infrastructure improvements, which will enhance access to the Pacific Marine Operations Center. Interest rates on the debt range from .02-4.5%, with Maturity on June 15, 2023. The URA's allocation of the premium and bond issue costs is \$65,306 and \$63,693, respectively. As of June 30, 2012 the unamortized portion of the premium and bond issue costs is \$55,258 and \$53,895, respectively.

Fiscal Year of Maturity	Principal	Interest	Total
2012-13	\$ 153,574	\$ 58,715	\$ 212,289
2013-14	168,931	54,108	223,039
2014-15	134,672	49,040	183,712
2015-16	140,579	45,000	185,579
2016-17	155,936	41,837	197,773
2017-22	818,665	112,647	931,312
2022-23	<u>129,947</u>	<u>4,548</u>	<u>134,495</u>
Total	<u>\$ 1,702,304</u>	<u>\$ 365,895</u>	<u>\$ 2,068,199</u>

NEWPORT URBAN RENEWAL AGENCY
LINCOLN COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

5. LONG-TERM DEBT (CONTINUED)

Changes in long-term obligations for the year ended June 30, 2012 are as follows:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012	Due within One Year
2007 Bond Payable	\$ 596,000	\$ -	\$ 87,000	\$ 509,000	\$ 92,000
2008 Bond Payable	1,880,000	-	235,000	1,645,000	245,000
2010 Bond Payable	1,854,696	-	152,392	1,702,304	153,574
2010 Bond Premium	60,282	-	5,024	55,258	-
Total	\$ 4,390,978	\$ -	\$ 479,416	\$ 3,911,562	\$ 490,574

Debt service payments are made out of the North Side Urban Renewal District Fund and the South Beach Urban Renewal District Fund.

6. RISK MANAGEMENT

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

7. 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.

8. 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.

**NEWPORT URBAN RENEWAL AGENCY
LINCOLN COUNTY, OREGON**

REQUIRED SUPPLEMENTARY INFORMATION

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NEWPORT URBAN RENEWAL AGENCY

LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

ACTUAL AND BUDGET

For the Year Ended June 30, 2012

NORTH SIDE URBAN RENEWAL DISTRICT

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
REVENUES:				
Property Taxes	\$ -	\$ -	\$ 89,064	\$ 89,064
Interest on Investments	-	-	937	937
Total Revenues	-	-	90,001	90,001
EXPENDITURES:				
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
Beginning Fund Balance	160,000	160,000	327,368	167,368
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 229,497</u>	<u>\$ 229,497</u>

(1) Appropriation Level

NEWPORT URBAN RENEWAL AGENCY

LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ACTUAL AND BUDGET
For the Year Ended June 30, 2012

SOUTH BEACH URBAN RENEWAL DISTRICT

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
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
Total Revenues	<u>2,806,613</u>	<u>2,806,613</u>	<u>1,925,788</u>	<u>(880,825)</u>
EXPENDITURES:				
Personnel Services	70,622	70,622 (1)	57,738	12,884
Material and Services	65,000	65,000 (1)	100,213	(35,213)
Capital Outlay	648,000	648,000 (1)	648,000	-
Debt Service	1,339,603	1,339,603 (1)	1,339,601	2
Contingency	424,664	424,664 (1)	-	424,664
Total Expenditures	<u>2,547,889</u>	<u>2,547,889</u>	<u>2,145,552</u>	<u>402,337</u>
Excess of Revenues Over, (Under) Expenditures	258,724	258,724	(219,764)	(478,488)
OTHER FINANCING SOURCES (USES):				
Transfers In	758,623	758,623	758,160	463
Transfers Out	(758,160)	(758,160) (1)	(758,160)	-
Total Other Financing Sources (Uses)	<u>463</u>	<u>463</u>	<u>-</u>	<u>463</u>
Net Change in Fund Balance	259,187	259,187	(219,764)	(478,951)
Beginning Fund Balance	<u>639,327</u>	<u>639,327</u>	<u>1,572,387</u>	<u>933,060</u>
Ending Fund Balance	<u>\$ 898,514</u>	<u>\$ 898,514</u>	<u>\$ 1,352,623</u>	<u>\$ 454,109</u>

(1) Appropriation Level

**NEWPORT URBAN RENEWAL AGENCY
LINCOLN COUNTY, OREGON**

SUPPLEMENTARY INFORMATION

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NEWPORT URBAN RENEWAL AGENCY

LINCOLN COUNTY, OREGON

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

URBAN RENEWAL DISTRICT - NORTH SIDE

<u>TAX YEAR</u>	<u>ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/1/11</u>	<u>DEDUCT DISCOUNTS</u>	<u>ADJUSTMENTS TO ROLLS</u>	<u>INTEREST</u>	<u>CASH COLLECTIONS BY COUNTY TREASURER</u>	<u>BALANCE UNCOLLECTED OR UNSEGREGATED AT 6/30/12</u>
Current:						
2011-2012	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Prior Years:						
2010-2011	29,058	(43)	(313)	1,197	14,682	15,303
2009-2010	66,856	(118)	(479)	5,281	27,957	43,819
2008-2009	38,895	-	(484)	6,903	29,205	16,109
2007-2008	10,988	-	(467)	3,126	11,510	2,137
Prior	<u>8,529</u>	<u>-</u>	<u>(1,684)</u>	<u>572</u>	<u>1,426</u>	<u>5,991</u>
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	<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:

	<u>REVENUE</u>
Cash Collections by County Treasurer Above	\$ 84,780
Add Additional Tax Payments by County	
Accrual of Receivables:	
June 30, 2011	(10,401)
June 30, 2012	10,520
Other Taxes	<u>4,165</u>
Total Revenue	<u>\$ 89,064</u>

NEWPORT URBAN RENEWAL AGENCY

LINCOLN COUNTY, OREGON

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

URBAN RENEWAL DISTRICT - SOUTH BEACH

<u>TAX YEAR</u>	<u>ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/1/11</u>	<u>DEDUCT DISCOUNTS</u>	<u>ADJUSTMENTS TO ROLLS</u>	<u>INTEREST</u>	<u>CASH COLLECTIONS BY COUNTY TREASURER</u>	<u>BALANCE UNCOLLECTED OR UNSEGREGATED AT 6/30/12</u>
Current:						
2011-2012	\$ 1,956,524	\$ 47,181	\$ (3,048)	\$ 1,521	\$ 1,807,394	\$ 100,422
Prior Years:						
2010-2011	106,398	(159)	(1,144)	4,382	53,760	56,035
2009-2010	47,918	(85)	(340)	3,785	20,039	31,409
2008-2009	26,131	-	(326)	4,638	19,621	10,822
2007-2008	6,977	-	(298)	1,984	7,307	1,356
Prior	4,791	-	(946)	321	801	3,365
Total Prior	192,215	(244)	(3,054)	15,110	101,528	102,987
Total	<u>\$ 2,148,739</u>	<u>\$ 46,937</u>	<u>\$ (6,102)</u>	<u>\$ 16,631</u>	<u>\$ 1,908,922</u>	<u>\$ 203,409</u>

RECONCILIATION TO REVENUE:

	<u>REVENUE</u>
Cash Collections by County Treasurer Above	\$ 1,908,922
Add Additional Tax Payments by County	
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>

**NEWPORT URBAN RENEWAL AGENCY
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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February 15, 2013

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the Newport Urban Renewal Agency as of and for the year ended June 30, 2012, and have issued our report thereon dated February 15, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

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

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

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

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

1. Expenditures exceeded appropriations as shown on page 17.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered 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 internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of 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 February 15, 2013.

This report is intended solely for the information and use of the Board of Directors, 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.
PAULY, ROGERS AND CO., P.C.