



**City of Newberg, Oregon**  
**Comprehensive Annual Financial**  
**Report**  
**Year Ended June 30, 2012**

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# **CITY OF NEWBERG, OREGON**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For the Year Ended June 30, 2012

Prepared by:

Janelle Nordyke CPA, Finance Director  
Elaina Canutt CPA, Financial Analyst

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**CITY OF NEWBERG, OREGON**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDING JUNE 30, 2012**

*Table of Contents*

**INTRODUCTORY SECTION**

Letter of Transmittal..... i  
Certificate of Achievement ..... vii  
Organization Chart ..... viii  
List of Principal Officials ..... ix

**FINANCIAL SECTION**

Independent Auditor’s Report.....A  
Management’s Discussions and Analysis.....a  
Basic Financial Statements:  
    Statement of Net Assets ..... 1  
    Statement of Activities ..... 2  
Fund Financial Statements:  
    Governmental Funds:  
        Balance Sheet..... 6  
        Statement of Revenues, Expenditures, and Changes in Fund Balances ..... 7  
        Reconciliation of the Statement of Revenues, Expenditures, and  
            Changes in Fund Balances to the Statement of Activities..... 9  
        Statements of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:  
            General..... 10  
            Street..... 11  
            Building Inspection..... 12  
    Proprietary Funds:  
        Statement of Net Assets ..... 14  
        Statement of Revenues, Expenses, and Changes in Fund Net Assets ..... 15  
        Statement of Cash Flows..... 16  
    Fiduciary Funds:  
        Statement of Fiduciary Net Assets ..... 18  
        Statement of Changes in Fiduciary Net Assets ..... 19  
Notes to Basic Financial Statements ..... 23

**OTHER SUPPLEMENTARY DATA**

Combining Statements and Budgetary Comparison Schedules:  
    Combining Statements – Nonmajor Governmental Funds:  
        Balance Sheet..... 56  
        Statement of Revenues, Expenditures, and Changes in Fund Balances ..... 57  
    Nonmajor Special Revenue Funds:  
        Combining Balance Sheet ..... 60  
        Combining Statement of Revenues, Expenditures, and Changes in Fund Balances ..... 61

Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:	
Economic Development.....	62
911 Emergency.....	63
Civil Forfeiture.....	64
Cable TV.....	65
Library Gift & Memorial.....	66
Public Safety Fee.....	67
Nonmajor Debt Service Funds:	
Combining Balance Sheet.....	70
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	71
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:	
Debt Service.....	72
City Hall.....	73
Nonmajor Capital Project Funds:	
Combining Balance Sheet.....	76
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	77
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:	
Street System Development.....	78
Street Capital Projects.....	79
Animal Shelter.....	80
City Facilities.....	81
Fire & EMS Equipment Fee.....	82
Proprietary Funds:	
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:	
Water.....	84
Water Replacement Reserve.....	85
Water System Development.....	86
Wastewater.....	87
Wastewater Replacement Reserve.....	88
Wastewater System Development.....	89
Wastewater Financed CIP.....	90
Stormwater.....	91
Stormwater System Development.....	92
Proprietary Capital Projects.....	93
Emergency Medical Services.....	95
Reconciliation of Revenues and Expenditures (Budgetary Basis) to	
Revenues and Expenses (Accrual Basis).....	96
Internal Service Funds:	
Combining Statement of Net Assets.....	100
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	101
Combining Statement of Cash Flows.....	102
Schedules of Revenues and Expenditures, and Changes in Fund Balances – Budget and Actual:	
Administrative Services.....	103
Vehicle/Equipment Replacement.....	104
Reconciliation of Revenues and Expenditures (Budgetary Basis) to	
Revenues and Expenses (Accrual Basis).....	105
Agency Fund	
Statement of Changes in Assets and Liabilities – Bail Fund.....	109

Other Information

Capital Assets Used in the Operations of Governmental Funds:

Schedule by Source .....	114
Schedule by Function and Activity .....	115
Schedule of Changes by Function and Activity .....	116

Other Financial Schedules:

Property Tax Transactions and Outstanding Balances .....	118
Bond Principal Transactions .....	119
Bond Interest Transactions .....	120
Future Debt Service Requirements of General Obligation Bonds .....	121
Future Debt Service Requirements of Pension Obligation Bonds .....	122
Future Debt Service Requirements of Certificates of Participation .....	123
Future Debt Service Requirements of Water Fund Notes .....	124
Future Debt Service Requirements of Wastewater Fund Notes .....	126

**STATISTICAL SECTION**

Net Assets by Component .....	130
Changes in Net Assets .....	132
Fund Balances – Governmental Funds .....	137
Changes in Fund Balances – Governmental Funds .....	138
Market and Assessed Value of Taxable Property .....	140
Property Tax Rates – Direct and Overlapping Governments .....	141
Principal Taxpayers .....	142
Property Tax Levies and Collections .....	143
Ratio of Net General Bonded Debt to Assessed Value and Net General Obligation Bonded Debt Per Capita .....	144
Direct and Overlapping Governmental Activities Debt .....	145
Legal Debt Margin Information .....	146
Ratio of Outstanding Debt by Type .....	147
Demographic and Economic Statistics .....	148
Principal Employers .....	149
Full-Time Equivalent Employees by Function/Program .....	150
Operating Indicators by Function/Program .....	151
Capital Assets Statistics by Function/Program .....	152

**REPORTS OF INDEPENDENTLY CERTIFIED PUBLIC ACCOUNTANTS  
REQUIRED BY STATUTES**

Independent Auditor’s Report Required by the Minimum Standards for Audits of Oregon Municipal Corporations .....	153
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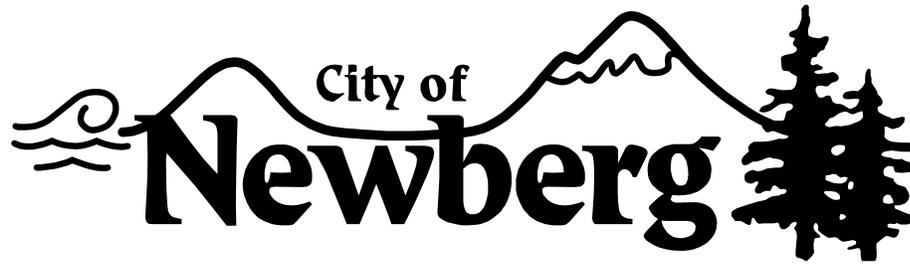
**COMPLIANCE SECTION**

Independent Auditor’s Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	155
Schedule of Findings and Questioned Costs .....	159
Schedule of Expenditures of Federal Awards .....	164

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***INTRODUCTORY SECTION***

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December 3, 2012

To the Honorable Mayor, City Councilors, and Citizens of the City of Newberg, Oregon

The Comprehensive Annual Financial Report (CAFR) of the City of Newberg, Oregon (the City) for the fiscal year ended June 30, 2012 is hereby submitted.

This report presents the financial position of the City as of June 30, 2012 and the results of its operations and cash flows where applicable for the year then ended. The financial statements and supporting schedules have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and meet the requirements of the Secretary of the State of Oregon. We believe the data, as presented, is accurate in all material respects and presented in a manner designed to comply with reporting requirements.

Management assumes full responsibility for the completeness and reliability of the information presented in this report, based upon a comprehensive framework of internal controls that it has established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A is located immediately following the report of the independent auditors, beginning on page a.

The City of Newberg's financial statements have been audited by Boldt, Carlisle & Smith LLC, a firm of licensed certified public accountants. They have issued an unqualified opinion on the City of Newberg's financial statements for the fiscal year ended June 30, 2012. The independent auditor's report is located at the front of the financial section of this report, beginning with page A.

The City underwent a Single Audit in conformity with the provisions of the Single Audit Act and US Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Information related to this single audit, including the schedules of expenditures of Federal awards, findings and questioned costs, and auditor's reports on the internal control over financial reporting and compliance with certain provisions of laws, regulations, contracts and grants is included in this document. The City received more than \$500,000 in Federal funds for the remodel of Fire Station 20.

## **Governmental Structure**

The City of Newberg was incorporated in 1889. The City is located 23 miles southwest of Portland, Oregon's largest city, and lies on the main east-west route between Portland and the central Oregon coast. It is the second largest city in Yamhill County. Yamhill County is part of the Portland-Vancouver metropolitan statistical area. The City currently has a land area of 6.83 square miles and a 2012 population of 22,230. The City has the authority to extend its corporate limits by annexation. During the 2011-12 fiscal year the City did not have any annexations.

The City operates under a Council-Manager form of government. Policy making and legislative authority are vested in the Mayor and City Council which is composed of six members. Each council member represents a City district and is elected at large. Mayor and Council members are non-partisan and serve four-year terms. Terms are staggered with three positions being appointed every other year. With the 2010 census, the City was required to re-district the City. The City Council approved the new district on November 21, 2011. The redistricting has resulted in two Councilors for District 4. The Councilor whose term expires first will be required to step down. The next election will be held November 2012 with three Council positions up for election. The City Manager is appointed by the Council and is responsible for carrying out the policies of the Council, overseeing the day-to-day operations and appointing department heads. Other positions appointed by the City Council are the City Attorney and Municipal Judge.

The City provides a full range of services. These services include police and fire protection; 911 emergency telephone center; emergency medical services; municipal court; library services; land use planning; building inspection; economic development; engineering; the construction and maintenance of streets and related infrastructure; and water, wastewater treatment and stormwater systems. The City has no component unit entities. Yamhill County, the Newberg School District and Chehalem Park and Recreation District are separate overlapping local governments under State law and are not included in this report.

## **Economic Condition and Outlook**

It should be noted that with the passing of Measure 50 in May of 1997, the State no longer imposes property taxes based on real market value. Instead, the voters approved a measure that bases taxation on a value that rolled back assessed values to 90% of the 1995-96 real market value of the property. The annual growth rate is capped at 3% with greater increases allowed for major remodeling and new construction.

In addition, taxes on any individual property may not exceed Measure 5 tax limits of \$5 per \$1,000 of real market value for schools and \$10 per \$1,000 for general government, like the City and other special districts. These districts include: Chehalem Park & Recreation District, Yamhill County, Yamhill County Extension Service and Yamhill County Soil & Water. Voter approved bonds may exceed the Measure 5 limits, but other temporary levies may not. The City has a permanent tax rate of \$4.3827 per \$1,000 of assessed value. Assessed values and market values are set at 12:01 a.m. of each January 1<sup>st</sup> for taxes levied for the following fiscal year.

What properties are subject to property taxation? The majority of taxable property in Newberg is residential, with some commercial and multi-housing property, and a small amount of industrial properties. There are quite a few non-taxable properties within the City limits such as all the churches, the university, K-12 schools, government buildings and the hospital.

With the decrease in market value of properties, the gap between assessed value and real market value is narrowing rapidly. The number of houses that were capped at real market value for 2009 was 50; 2010 was 115; 2011 was 402; and 2012 was 1,702. It is estimated that for 2013 the number of capped properties will be 3,956. If the real property market continues to decline as it is projected to do for yet another year before the market turns around in 2015, the estimated number of capped properties for 2014 will be 9,195. That is just about every property in Newberg. The perfect storm has hit.

During 2010-11 to 2011-12, the City’s assessed value increased 2.63% and the market value decreased 10.83%. The difference between market value and assessed value is \$476.6 million compared to \$752 million the prior year.

Table 1  
City of Newberg Assessed and Market Values

	2008-09	2009-10	2010-11	2011-12
Assessed Value	1,271,921,638	1,364,210,006	1,441,923,513	1,479,778,703
Percent Change	6.60%	7.26%	5.70%	2.63%
Market Value	2,239,316,374	2,187,831,882	2,193,902,961	1,956,379,200
Percent Change	-1.29%	-2.30%	0.28%	-10.83%

Source: Yamhill County Assessor’s Office

During the fiscal year 2011-12, construction continued to decline. The following chart gives a list of the building permits, commercial versus residential, for the past four years:

Building Permits	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
Commercial	122	105	121	97
Residential	<u>182</u>	<u>181</u>	<u>88</u>	<u>117</u>
Total	304	286	209	214

Residential construction permits are beginning to increase, but the City still has a ways to go to get to the 2008-09 levels. Residential activity was 33% higher over that of the prior year. Although the Building Inspection Department has been experiencing declining revenues, this fiscal year ended up being better than expected with a positive ending fund balance. The total inspections for the 2011-12 fiscal year were 4,038 compared to 3,925 in 2010-11 fiscal year.

The City benefits from its proximity to the Portland Metropolitan Area. The diversified economy of the Tri-county area (Multnomah, Washington, and Clackamas counties) and Yamhill County help the City to maintain a relatively stable economic condition. Agriculture dominates economic activities outside the urban area, particularly nurseries, vineyards and wineries. The City also benefits from a family-owned dental equipment manufacturer inside the City and a large paper manufacturer just outside the City. Major employers also include Providence Newberg Medical Center, George Fox University, Fred Meyer, the Allison Inn, Friendsview Retirement Community and Climax Portable Machine Tools. The unemployment rates in the area have been declining. As of June 2012, the unemployment rates were as follows:

## Unemployment Rates:

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Yamhill County	13.2%	10.5%	9.3%	8.4%
State of Oregon	11.6%	10.2%	9.4%	8.6%
National USA	9.5%	9.5%	9.2%	8.4%

Source: Bureau of Labor Statistics Data website at <http://data.bls.gov> for Oregon and <http://daba.bls.gov> for National USA.

Rising retirement costs continue to be an economic challenge. In 2004, the City entered into an agreement with several other local cities to borrow at a lower rate of interest and pay down a portion of the then unfunded liability of O-PERS. Depending on the time a loan is sold on the market, the results can be one of the three options: very beneficial, neither positive nor negative, or very negative. Over the long-term, the impact of the debt has been neutral. Since the market crash in 2008, the PERS rates have continued to skyrocket every year. The rates for the fiscal year were 14.75% for Tier 1/Tier 2 employees, 7.35% for OPSRP general employees, and 10.06% for OPSRP public safety employees. This was an increase of 57.6% for Tier 1/Tier 2, 44.4% for OPSRP general employees, and 59.3% for OPSRP public safety employees.

## Major Activities and Accomplishments

*For the Year.* The City had a number of citizens' groups working on various issues during the year, in addition to the normal, routine citizens groups such as the Planning Commission, Traffic Safety Committee, Library Board and Budget Committee.

The Citizen's Rate Review Committee reconvened in September of 2011 to recommend rates for the City Council to adopt user fees for water, wastewater and stormwater utilities for the next two years. The rates were adopted by the City Council on March 15, 2012 with an effective date of January 1, 2013.

The City received a FEMA grant in 2011 for remodeling the Fire Station 20 on Second Street. Construction began and was expected to be completed by early 2012. There were delays but it is soon to be completed.

Construction finally began on the new Animal Shelter Facility in the fall of 2011 located on the corner of the Baker Rock property the City sectioned out to be used for the shelter. The City agreed to help financially with the construction of the shell by taking out an internal loan with the Water SDC Fund for \$200,000. Construction of the shell continues into the next fiscal year.

The City also received two state grants to construct bike lanes along both sides of the northern section of College Street, a sidewalk along the west side of N College, as well as pedestrian railroad crossings on both sides of the railroad on N College. Construction for the east sidewalk and railroad crossing was mostly completed in 2012. Construction has begun on the west side with an expected completion date in 2013.

The City continues to evaluate staffing needs. In light of the continuing downturn in the economy, every job that becomes vacant gets evaluated. Some jobs get filled, some get delayed in being filling, and then there are others that don't get filled. The City underwent some additional layoffs in the Engineering Division of the Public Works Department at the beginning of the fiscal year.

### For the Future.

The City continues to focus on City operations, particularly the street system, providing sufficient quality water to the community, improving wastewater treatment processes, and improving the downtown. Over the past several years the City has grown to the point that the wastewater treatment plant has reached its capacity. In addition to being at capacity, the plant is over 25 years old. The average lifespan of a treatment plant is 20 years. All four pumps have been replaced and other equipment is failing. The plant is in need of major repairs and must be expanded. The City is in the process of beginning construction on phase 1 of the repair and renovation of the wastewater treatment plant. Clean Water State Revolving Loan Fund, through the Department of Environmental Quality, has given the City a line of credit in the amount of \$11,409,645 to provide funding for construction during the first phase. The City has also asked Department of Environmental Quality and been granted another loan in the amount of \$14,484,130 for Phase 2 of the wastewater treatment plant repair, renovation and expansion.

Finishing touches are being made on the shell of the new Animal Shelter facility in order to get the certificate of occupancy. A memo of understanding will then be agreed upon between the City and the Newberg Animal Shelter Friends (NASF). The Shelter will be run by the City (Police Department through Animal Control) with Newberg Animal Shelter Friends still continuing with fund raising for special projects associated with the animal shelter.

The City received notice from the PERS Board that the City's pension retirement rates for the next two fiscal years will be 19.08% for Tier 1/Tier 2 employees, 11.90% for OPSRP general employees, and 14.63% for OPSRP public safety employees. This is an increase of 29.4% for Tier 1/Tier 2, 61.9% for OPSRP general employees, and 45.4% for OPSRP public safety employees. The estimated affect on the City's personnel budget is \$277,000 before cost of living raises.

Groundbreaking for the Newberg–Dundee Bypass took place on August 29, 2012. After decades of statements “we need a bypass”, it is finally happening. Properties have been purchased by ODOT and negotiations have been entered into between ODOT and the affected cities of Yamhill County (McMinnville, Newberg, and Dundee) and the Grand Ronde Tribe for financing Phase 1 of the Newberg-Dundee Bypass.

### **Relevant Financial Policies**

Fund Reserves. The General Fund shall maintain a four-month cash reserve including contingency and unappropriated fund balance. All other operating funds reliant on user fees or monthly intergovernmental revenues shall maintain 60 days cash.

Non-recurring Revenues. The City's general guideline is to use non-recurring revenue for non-recurring expenditures.

Cash Management. In order to maximize interest income in conformance with the City's investment policy, cash in all City funds, with the exception of restricted funds, is pooled and invested in instruments as allowed by Oregon Revised Statutes. Earnings are distributed to each fund on a pro rata basis by the balance in each fund.

Risk Management. City of Newberg's risk management program includes various risk control techniques, including employee accident prevention training, and has third party coverage for all lines of insurance, which includes workers' compensation.

## **Awards and Acknowledgements**

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Newberg for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2011. This was the 20th consecutive year that the City has received this award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

The Certificate of Achievement is valid for one year. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments. The preparation of the comprehensive annual financial report was made possible by the dedicated service of the entire staff of the Finance Department. I especially want to thank Elaina Canutt, CPA, for preparing this report.

Finally, the Finance Department staff would like to thank the Mayor, City Councilors and the City Manager for their support and commitment to maintaining the highest standards of professionalism in the management of the City of Newberg's finances.

Sincerely,



Janelle Nordyke  
Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Newberg  
Oregon

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Linda C. Davison*

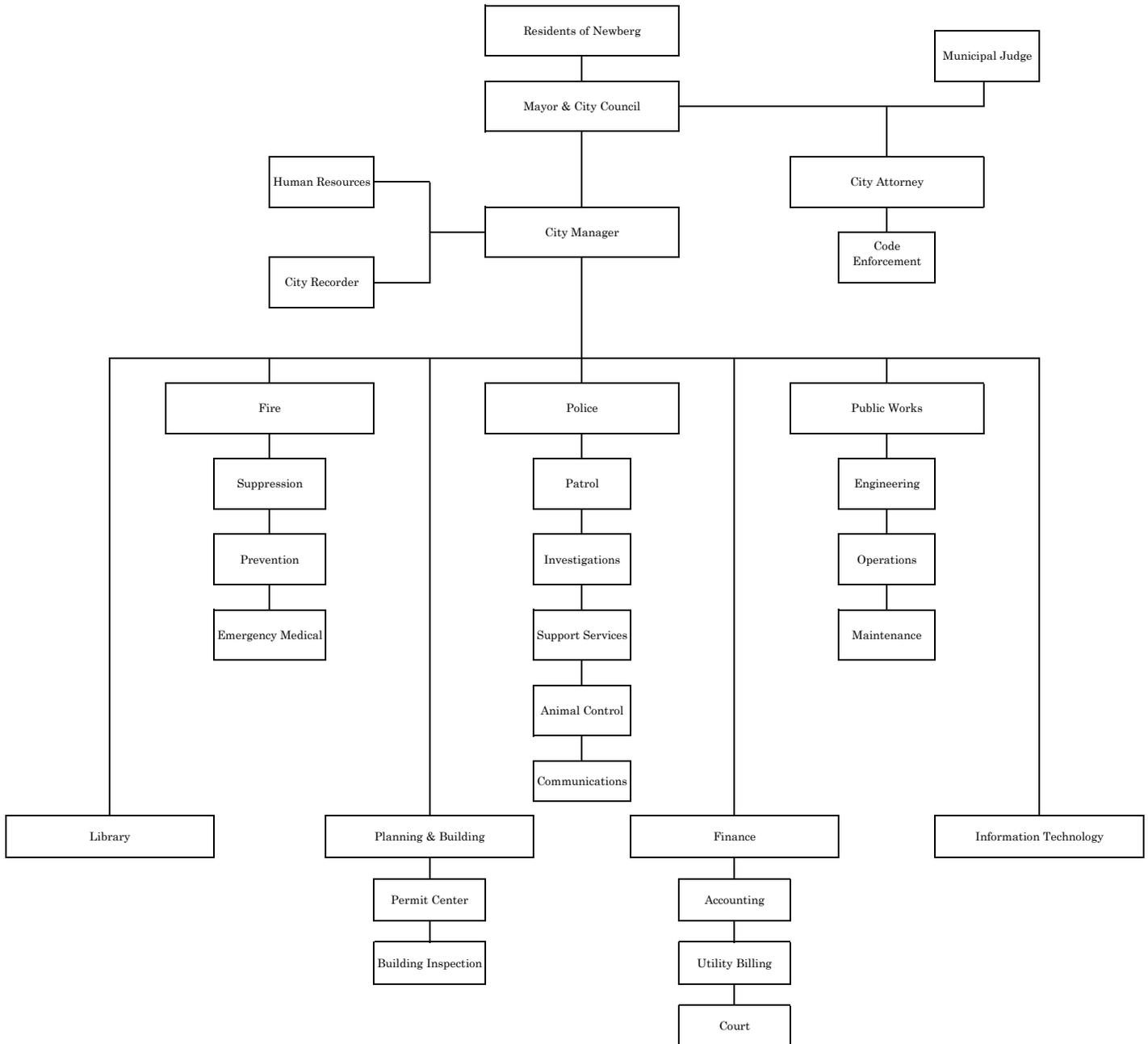
President

*Jeffrey R. Emer*

Executive Director

# City of Newberg, Oregon

## Organization Chart



**City of Newberg, Oregon**

**LIST OF PRINCIPAL OFFICIALS**

June 30, 2012

**MAYOR**

Bob Andrews  
PO Box 970  
Newberg, OR 97132

**TERM EXPIRATION**  
December 31, 2014

**COUNCIL MEMBERS**

Denise Bacon  
PO Box 970  
Newberg, OR 97132

December 31, 2012

Stephen McKinney  
PO Box 970  
Newberg, OR 97132

December 31, 2014

Ryan Howard  
PO Box 970  
Newberg, OR 97132

December 31, 2014

Bart Rierson  
PO Box 970  
Newberg, OR 97132

December 31, 2014

Wade Witherspoon  
PO Box 970  
Newberg, OR 97132

December 31, 2012

Marc Shelton  
PO Box 970  
Newberg, OR 97132

December 31, 2012

**ADMINISTRATOR**

Dan Danicic, City Manager

**LEGAL COUNSEL**

Terrence D. Mahr, City Attorney

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***FINANCIAL SECTION***

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council  
CITY OF NEWBERG  
Newberg, Oregon

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **CITY OF NEWBERG**, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 the 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 above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **CITY OF NEWBERG**, as of June 30, 2012, the respective changes in financial position, and, where applicable, cash flows, thereof, and the respective budgetary comparisons for the General, Street, and Building Inspection Funds, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Honorable Mayor and Members of the City Council  
CITY OF NEWBERG  
Newberg, Oregon

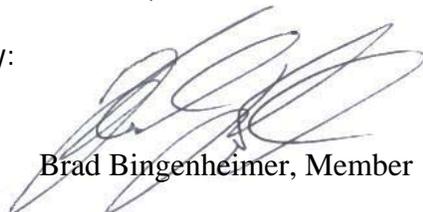
**INDEPENDENT AUDITOR'S REPORT (Continued)**

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have 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 them.

**Boldt, Carlisle & Smith LLC**  
Certified Public Accountants  
Salem, Oregon  
November 16, 2012

By:



Brad Bingenheimer, Member

# CITY OF NEWBERG, OREGON

## Management's Discussion and Analysis

*For the Year Ended June 30, 2012*

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The management of the City of Newberg, Oregon (City) presents this narrative overview and analysis to facilitate both a short and a long-term analysis of the financial activities of the City for the fiscal year ended June 30, 2012. This Management's Discussion and Analysis (MD&A) is based on currently known facts, decisions, and conditions that existed as of the date of the independent auditor's report. Additional information outside the scope of this analysis can be found in the Letter of Transmittal.

### FINANCIAL HIGHLIGHTS

- Total assets of the City exceeded its liabilities by \$142.6 million. Of this amount, \$17.3 million is reported as unrestricted net assets, amounts which are available for use to meet the City's on-going obligations to citizens and creditors.
- The net assets of the City increased by \$2.4 million during the fiscal year. Increases in revenues from business-type activities paired with declining expenses resulted in positive results.
- During June of 2012, the City Council approved a loan with Clean Water State Revolving Loan Fund in the amount of \$14,484,130 for expansion and repair of the wastewater treatment plant
- Charges for services increased \$1.5 million (10%) over the prior year due to significant increases in utility rates.
- Property taxes increased \$0.2 million or 2.8% during the fiscal year. Franchise and public service taxes increased slightly over the prior fiscal year.
- Depreciation expense for 2011-12 was \$5,025,285.
- Total cost of all programs was \$27.2 million, a decrease of \$0.4 million.

### Overview of the Financial Statements

The City's annual financial report consists of several sections. The components of the report include the following:

**Management's Discussion and Analysis.** This section of the report provides financial highlights, overview and economic factors affecting the City.

**Basic Financial Statements.** These statements include the government-wide statements, fund financials, and the notes to the financial statements.

**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

**CITY OF NEWBERG, OREGON**  
**Management's Discussion and Analysis**  
*For the Year Ended June 30, 2012*

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similar to a private-sector business. Within this view, all City operations are categorized and reported as either governmental or business-type activities and are presented using the full accrual basis of accounting. Governmental activities include basic services such as public safety, library, community development and general government administration. Business-type activities are water, wastewater, stormwater and emergency medical services. The government-wide statements include the Statement of Net Assets and the Statement of Activities.

**Fund Financial Statements.** Fund financial statements focus separately on major governmental funds and proprietary funds. Governmental funds are used to account for activities where the emphasis is placed on available financial resources, rather than upon net income determination. Therefore, unlike the government-wide financial statements, governmental fund financial statements focus on the acquisition and use of current available resources, as well as on balances of current resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term requirements.

Due to the fact that the focus of the 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 further understand the long-term impact of the government's near-term financial decisions.

**Governmental Funds.** The City maintains 16 individual 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 those funds that are considered significant (major) to the City taken as a whole. These financial statements report three major funds: General Fund, Street Fund, and Building Inspection Fund. Data from the other 13 governmental funds are combined into a single, aggregated presentation. For each major fund, a Budgetary Comparison Statement is presented. Readers who wish to obtain information on nonmajor funds can find it in the Combining Schedules of Nonmajor Funds and/or the Supplemental Information-Budgetary Comparison Schedules sections of this report.

**Proprietary funds** are used to account for activities where the emphasis is placed on net income determination. The City maintains two different types of proprietary funds – enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, wastewater, stormwater, and emergency medical services operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for facilities and fleet services, information systems, finance, legal, administration, human resources, vehicle/equipment replacement, and risk management activities. The assets and liabilities

**CITY OF NEWBERG, OREGON**  
**Management's Discussion and Analysis**  
*For the Year Ended June 30, 2012*

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of the internal service funds have been allocated among the governmental and business-type activities.

The enterprise funds, all of which are considered to be major funds (on a consolidated basis) of the City, are reported separately as proprietary fund financial statements in the basic financial statements. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided as other supplementary information in the form of combining statements.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Newberg's own programs. The accounting used for fiduciary funds is similar to the treatment used for proprietary funds. The City has two fiduciary funds: Employee Pension Trust Fund and the Bail Fund.

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

**Other Supplementary Data.** The supplementary data section includes combining statements for the non-major governmental funds, combining statements by fund type, and budgetary comparison statements. The combining internal service fund statements are also included in this section.

**Other Information.** This section includes capital asset and other financial schedules.

**Statistical Section.** This section includes trend information and demographics.

**Reports of Independently Certified Public Accountants Required by Statutes.** Supplemental communication on City compliance and internal controls as required by Oregon statutes.

**Compliance – Single Audit.** Additional reports by the City's independent auditor and the schedule of expenditures of federal awards as required by Governmental Auditing Standards (Yellow Book) and the Single Audit Act.

**CITY OF NEWBERG, OREGON**  
**Management's Discussion and Analysis**  
*For the Year Ended June 30, 2012*

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets serve as a useful indicator of a government's financial position especially when viewed over multiple periods of time. In the case of the City, assets exceed liabilities by \$142.6 million at the close of the most recent fiscal year. This represents a \$2.4 million increase over the prior fiscal year.

The following table reflects the condensed Statement of Net Assets compared to prior year.

**TABLE 1**  
**NET ASSETS AT YEAR END**  
(in millions)

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>		<b>Government</b>	
	2012	2011	2012	2011	2012	2011
Cash and investments	\$ 9.9	\$ 10.5	\$ 15.4	\$ 12.7	\$ 25.3	\$ 23.2
Other assets	3.7	3.2	1.6	1.6	5.3	4.8
Capital assets	76.3	75.6	68.6	69.7	144.9	145.3
Total assets	<u>89.9</u>	<u>89.3</u>	<u>85.6</u>	<u>84.0</u>	<u>175.5</u>	<u>173.3</u>
Long-term obligations	7.8	7.9	23.0	23.3	30.8	31.2
Other liabilities	1.2	0.9	0.9	1.0	2.1	1.9
Total liabilities	<u>9.0</u>	<u>8.8</u>	<u>23.9</u>	<u>24.3</u>	<u>32.9</u>	<u>33.1</u>
Net assets:						
Invested in capital assets, net of related debt	72.8	71.9	46.2	46.8	119.0	118.7
Restricted	4.0	4.5	2.3	3.0	6.3	7.5
Unrestricted	4.1	4.1	13.2	9.9	17.3	14.0
Total net assets	<u>\$ 80.9</u>	<u>\$ 80.5</u>	<u>\$ 61.7</u>	<u>\$ 59.7</u>	<u>\$ 142.6</u>	<u>\$ 140.2</u>

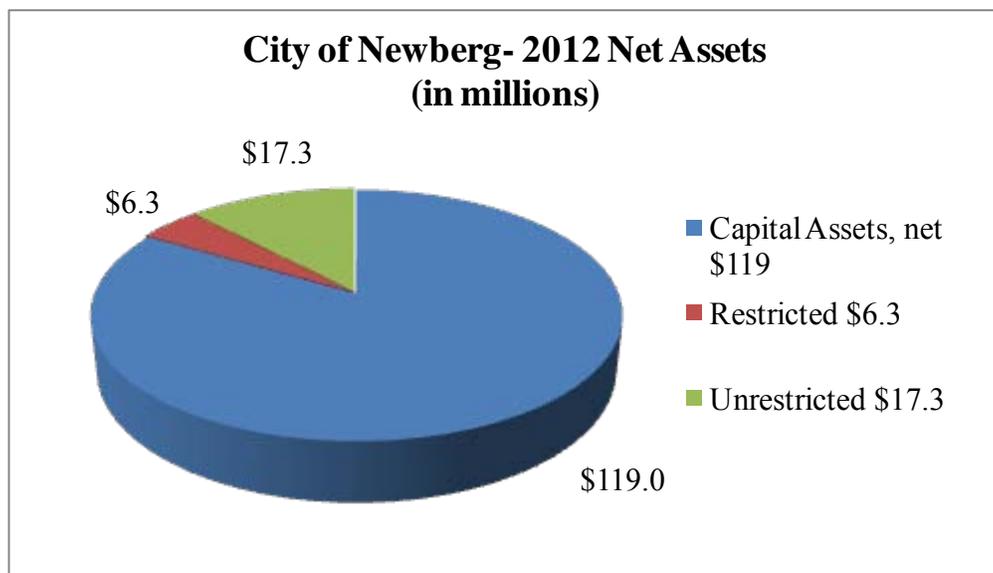
By far, the largest portion of the City of Newberg's net assets (\$119 million, or 83.5%) reflects the government's investment in capital assets (land, building, equipment, infrastructure, net of depreciation) less any related outstanding debt used to acquire those capital assets. The City uses these capital assets to provide services to citizens and consequently, they are not available for future spending. Although the City of Newberg's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves can't be used to liquidate these liabilities.

**CITY OF NEWBERG, OREGON**  
**Management's Discussion and Analysis**  
*For the Year Ended June 30, 2012*

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An additional portion of the City of Newberg's net assets represents resources that are subject to external restrictions on how they may be used. Restricted net assets total \$6.3 million, or 4.4%, and represent cash and investments that are legally restricted for capital expansion or debt service. The remaining balance of unrestricted net assets totaling \$17.3 million, or 12.1%, may be used to meet the City's ongoing obligations.

At the end of the current fiscal year, the City of Newberg is able to report positive balances in all reported categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.



**CITY OF NEWBERG, OREGON**  
**Management's Discussion and Analysis**  
*For the Year Ended June 30, 2012*

**STATEMENT OF ACTIVITIES**

The following table reflects the condensed Statement of Activities and Changes in Net Assets compared to prior year.

**TABLE 2**  
**GOVERNMENTAL AND PROPRIETARY ACTIVITIES**  
**FOR FISCAL YEARS ENDING JUNE 30, 2012 and 2011**  
(in millions)

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>		<b>Government</b>	
	2012	2011	2012	2011	2012	2011
Revenues						
Charges for services	\$ 3.4	\$ 3.2	\$ 13.2	\$ 11.9	16.6	15.1
Operating grants and contributions	1.2	1.2	-	-	1.2	1.2
Capital grants and contributions	0.8	1.5	0.7	0.9	1.5	2.4
Taxes	9.9	9.6	-	-	9.9	9.6
Interest	0.1	0.1	0.1	0.1	0.2	0.2
Other	0.2	-	-	-	0.2	-
Total revenues	<u>15.6</u>	<u>15.6</u>	<u>14.0</u>	<u>12.9</u>	<u>29.6</u>	<u>28.5</u>
Expenses						
General government	0.4	0.4	-	-	0.4	0.4
Public safety	9.9	9.7	-	-	9.9	9.7
Library	1.2	1.2	-	-	1.2	1.2
Community development	3.3	3.6	-	-	3.3	3.6
Interest on long-term debt	0.3	0.4	-	-	0.3	0.4
Water	-	-	4.7	4.7	4.7	4.7
Wastewater	-	-	5.2	5.3	5.2	5.3
Stormwater	-	-	0.9	0.9	0.9	0.9
Emergency medical services	-	-	1.3	1.4	1.3	1.4
Total expenses	<u>15.1</u>	<u>15.3</u>	<u>12.1</u>	<u>12.3</u>	<u>27.2</u>	<u>27.6</u>
Increase (decrease) in net assets						
before transfers	<u>0.5</u>	<u>0.3</u>	<u>1.9</u>	<u>0.6</u>	<u>2.4</u>	<u>0.9</u>
Transfers	<u>(0.1)</u>	<u>-</u>	<u>0.1</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in net assets	0.4	0.3	2.0	0.6	2.4	0.9
Beginning net assets	80.5	80.2	59.7	59.1	140.2	139.3
Ending net assets	<u>\$ 80.9</u>	<u>\$ 80.5</u>	<u>\$ 61.7</u>	<u>\$ 59.7</u>	<u>\$ 142.6</u>	<u>\$ 140.2</u>

***Governmental Activities***

During the current fiscal year, the net assets for governmental activities increased \$0.4 million from the prior fiscal year for an ending balance of \$80.9 million. While the current recession certainly had an impact on the City of Newberg, management was able to take various actions (e.g. forgoing all employee cost of living and merit increases, cuts to services, holding materials and services costs steady) that neutralized its effect on governmental activities. Revenues were consistent with the prior fiscal year, while expenses decreased. An analysis of the revenue sources follows:

# CITY OF NEWBERG, OREGON

## Management's Discussion and Analysis

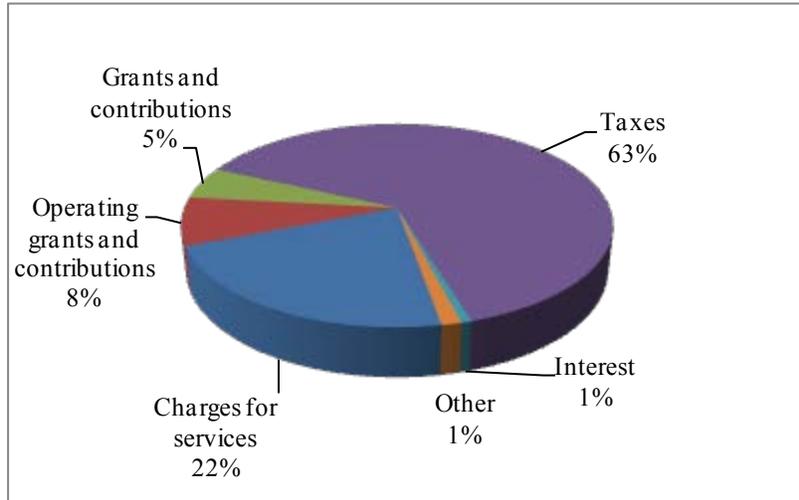
*For the Year Ended June 30, 2012*

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- Charges for services – These are revenues that arise from charges to customers, applicants, or others who purchase, use or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services. This category also includes municipal court revenues from issuance of traffic citations. Fees for community development and building permits increased over the prior fiscal year. This increase was the main contributor to the \$0.2 million change in charges for services revenues for fiscal year 2011-12.
- Grants and contributions – These are revenues arising from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
- Operating grants/contributions – These revenues primarily consist of state gas tax disbursed to the City to use for road maintenance. Other small state and private contributions are also included in the operating grant category. These funds go to support specific activities within the City. Revenues for 2011-12 were consistent with the prior fiscal year.
- Capital grants/contributions – These revenues primarily consist of grants and developer infrastructure contributions (e.g. fair market value of subdivision's infrastructure such as streets, roads, and rights-of-way/easements). Overall grants/contributions decreased \$0.7 million. There were no significant capital contributions in 2011-12, with the exception of an ARRA grant for \$0.7 million.
- Taxes – These are revenues that consist primarily of property taxes, transient lodging taxes, and franchise fees based on gross revenues. Property taxes increased \$0.2 million or 2.8% over the prior fiscal year. Franchise fees increased approximately \$0.1 million. Both transient lodging tax and the utility franchise revenues were up slightly.
- Interest – This is revenue derived from the City's investment of temporarily idle assets. Due to poor investment market earnings, revenues from this source were minor.
- Other - This is miscellaneous revenue not related to services provided. Governmental activities had a gain on sale of capital assets and received various other non-recurring revenues.

**CITY OF NEWBERG, OREGON**  
**Management's Discussion and Analysis**  
*For the Year Ended June 30, 2012*

**Governmental Activities – Revenues by Source**



- Programs – These are direct expenses that are specifically associated with a service, program, or department and are clearly identifiable to a particular function. The following table reflects the changes in program expenses:

**Table 3**  
**Governmental Activities - Program Expenses**  
**for the fiscal year ended June 30, 2012**  
**(in millions)**

<b>Programs</b>	<b>FY 2011-12</b>		<b>Compared to FY 2010-11</b>	
	<b>Amount</b>	<b>Percent of Total</b>	<b>Increase/(Decrease) Amount</b>	<b>Percent</b>
General government	\$ 0.4	2.6%	\$ -	0.0%
Public safety	9.9	65.6%	0.2	2.1%
Library	1.2	7.9%	-	0.0%
Community development	3.3	21.9%	(0.3)	-8.3%
Interest on long-term debt	0.3	2.0%	(0.1)	-25.0%
<b>Total expenses</b>	<b>\$ 15.1</b>	<b>100.0%</b>	<b>\$ (0.2)</b>	

- General government expenses were consistent with the prior fiscal year.
- Public safety consists of the police, fire, court, and 911 operations. The increase in program expense is primarily due to increases in retirement costs and other post employment benefits.
- Library costs were consistent with the prior fiscal year.

**CITY OF NEWBERG, OREGON**  
**Management's Discussion and Analysis**  
*For the Year Ended June 30, 2012*

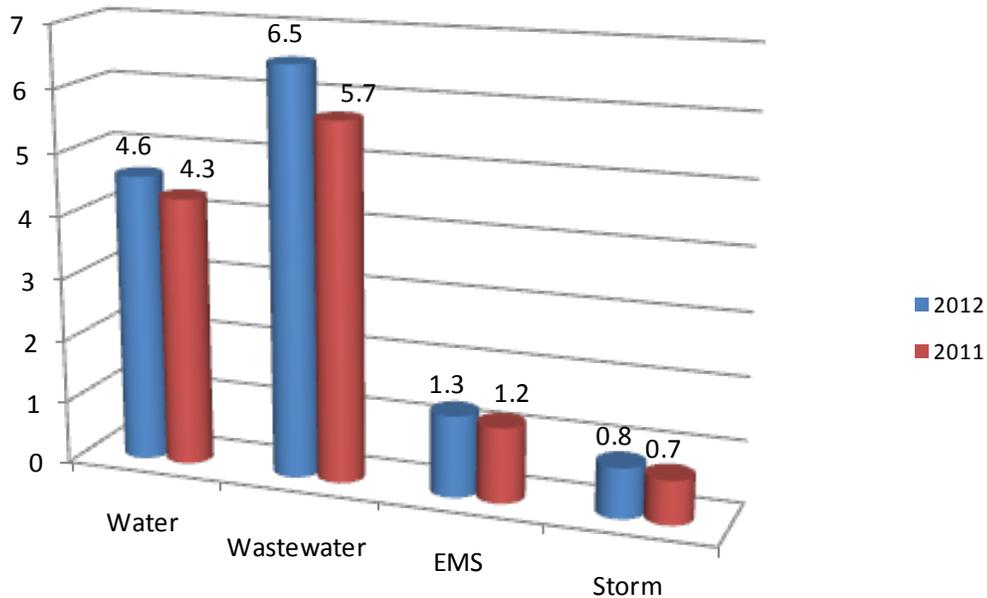
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- Community development consists of planning, economic development, building inspection, and road maintenance programs. The planning and building divisions continued to make comprehensive program cuts in recognition of declining construction related revenues. The result of all these efforts was a \$0.3 million decrease in community development expense for 2011-12.

***Business-type Activities***

Overall revenues increased by \$1.1 million over the prior fiscal year due to significant rate increases in the utility divisions.

**Business-Type Activities – Operating Revenues by Service**



**CITY OF NEWBERG, OREGON**  
**Management's Discussion and Analysis**  
*For the Year Ended June 30, 2012*

The following table reflects the changes in program expenses for the business-type activities:

**Table 4**  
**Business-Type Activities - Program Expenses**  
**for the fiscal year ended June 30, 2012**  
**(in millions)**

<b>Programs</b>	<b>FY 2011-12</b>		<b>Compared to FY 2010-11</b>	
	<b>Amount</b>	<b>Percent of Total</b>	<b>Increase/(Decrease) Amount</b>	<b>Percent</b>
Water	4.7	38.8%	-	0.0%
Wastewater	5.2	43.0%	(0.1)	-1.9%
Stormwater	0.9	7.4%	-	0.0%
Emergency medical services	1.3	10.7%	(0.1)	-7.1%
Total expenses	<u>\$ 12.1</u>	<u>100.0%</u>	<u>\$ (0.2)</u>	

The \$0.1 million decrease in the wastewater service division was attributable to lower personal services costs. For 2011-12, materials and services costs in the emergency medical services division were slightly lower than the previous fiscal year.

**FUND-BASED FINANCIAL ANALYSIS**

As previously discussed, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

***Governmental Funds***

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of available resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City of Newberg itself or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City of Newberg City Council.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$8.1 million, a decrease of \$0.5 million in comparison with the prior year. Approximately 32.9% of this amount (\$2.7 million) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balances is either nonspendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form (\$0.1 million), 2) restricted for particular purposes (\$3.9 million), 3) committed for particular purposes (\$0.6 million) or 4) assigned for particular purposes (\$0.8 million).

**CITY OF NEWBERG, OREGON**  
**Management's Discussion and Analysis**  
*For the Year Ended June 30, 2012*

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The General Fund is the chief operating fund of the City. The fund balance of the City's General Fund increased by \$0.2 million, or 6.8%, during the current fiscal year. Key components to the change for the year ended June 30, 2012 are as follows:

- Property taxes increased \$0.2 million, or 3.3%.
- Other taxes, which consist of franchise fees, public service taxes, and motel taxes, increased \$0.1 million over the prior fiscal year.
- Licenses and permits revenues were up slightly over the prior fiscal year.
- Intergovernmental revenues increased \$0.7 million due to the receipt of grant proceeds. However, the increase was offset by matching expenditures.
- Expenditures in the General Fund grew by \$0.8 million or 6.8% over the prior fiscal year. Costs basically held steady with the exception of the expenditure of an ARRA grant to remodel Fire Station 20 for \$0.7 million.

The Street Fund ending balance increased by \$162,810 due to a combination of cost cutting measures and increasing revenues from the state gas tax.

The Building Inspection Fund rebounded somewhat during 2011-12 with an ending fund balance increasing from \$24,843 in 2010-11 to \$155,081 at June 30, 2012. Building inspection revenues were nearly double the amount of the previous fiscal year. Additional spending cuts were made to the department in an effort to scale back costs as well.

Other governmental fund balances decreased by \$917,726 due primarily to capital improvement expenditures for the new animal shelter and road improvements.

***Proprietary Funds***

The City of Newberg's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net assets of the water utility were nearly unchanged between the current and prior fiscal years. Charges for services increased by nearly 8.5% during the fiscal year due to a rate increase implemented in July of 2011. Operating costs were consistent with the prior fiscal year. Transfers to other funds increased by approximately \$0.2 million.

The net assets of the wastewater utility increased by \$1.9 million (7.1%) during fiscal year 2011-12. Charges for services increased by \$0.8 million (14.5%) due to a significant rate increase implemented July 1, 2011. Operating expenses, particularly personal services, decreased compared to the prior year.

# CITY OF NEWBERG, OREGON

## Management's Discussion and Analysis

*For the Year Ended June 30, 2012*

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The net assets of the stormwater utility decreased by \$0.1 million during fiscal year 2011-12. Operating costs continued to outpace operating revenues resulting in an operating loss of \$120,935. Stormwater charges for services increased 15.9% consistent with the rate change implemented July 1, 2011. Operating costs decreased 1.8%.

Net assets of the emergency medical services division increased \$243,465 during fiscal year 2011-12. The governmental activities purchased over \$400,000 in capital equipment and transferred it to the emergency medical services division. Operating revenues increased 6.6% while operating expenses were consistent with the prior fiscal year.

### **BUDGETARY HIGHLIGHTS**

#### Original budget compared to final budget

The budgetary statement for the General Fund, page 10, shows the original budget, final budget, actual revenues, expenditures and transfers in and out for the fiscal year ended June 30, 2012. The City recognized \$707,279 in additional beginning fund balance through the supplemental budget process. A portion of this extra resource was allocated to Contingency. Another large portion, \$165,000, was appropriated to purchase property for the library department. Over the course of the fiscal year, other minor changes were made to appropriations to cover unexpected costs.

#### Final budget compared to actual results

The police department expended \$225,237 less than anticipated in the budget process due to lower personal services costs. Several higher paid officers retired at the end of fiscal year 2010-11, leaving some vacancies in the department for a portion of the year. The fire department expended \$123,954 less than budgeted due to lower than expected administrative service charges and suppression costs.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2012, the City had invested \$144.9 million in capital assets as reflected in the following table, which represents a net decrease (additions, deductions and depreciation) of \$0.4 million.

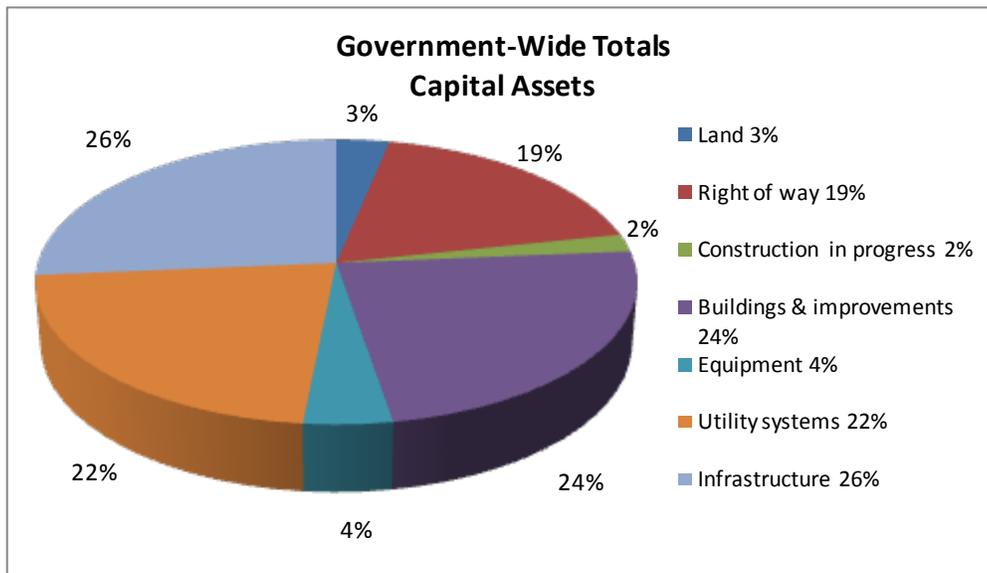
**CITY OF NEWBERG, OREGON**  
**Management's Discussion and Analysis**  
*For the Year Ended June 30, 2012*

**TABLE 5**  
**CAPITAL ASSETS AT YEAR END**  
**(NET OF DEPRECIATION)**  
(in millions)

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Land	\$ 1.1	\$ 1.0	\$ 3.6	\$ 3.6	\$ 4.7	\$ 4.6
Right of way	26.7	26.7	-	-	26.7	26.7
Construction in progress	1.4	0.2	1.5	0.2	2.9	0.4
Buildings & improvements	7.0	7.0	27.3	28.5	34.3	35.5
Equipment	1.9	1.9	4.2	4.5	6.1	6.4
Utility systems	-	-	32.0	32.9	32.0	32.9
Infrastructure	38.2	38.8	-	-	38.2	38.8
Total	<u>\$ 76.3</u>	<u>\$ 75.6</u>	<u>\$ 68.6</u>	<u>\$ 69.7</u>	<u>\$ 144.9</u>	<u>\$ 145.3</u>

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

- Lease purchase of two new caterpillars for \$75,937 each
- Lease purchase of a new street sweeper \$238,056
- Purchase of a new ambulance at a cost of \$187,108 to replace one totaled in an accident. In addition, an old ambulance was remounted with a new chassis for \$143,113
- Depreciation expense for 2011-12 was \$5,025,285
- Completion of Crestivew Drive/Oxberg Lake street and storm improvements at a cost of \$709,042



Additional information on the City's capital assets can be found in the Notes to the Basic Financial Statements on page 37 of this report.

**CITY OF NEWBERG, OREGON**  
**Management's Discussion and Analysis**  
*For the Year Ended June 30, 2012*

**Debt.** As of June 30, 2012, the City had a total long-term debt obligation of \$28.6 million. Of this amount, \$5.9 million represented outstanding bonded indebtedness. Outstanding bonded debt included \$1.7 million to be serviced by property taxes, \$4.2 million to be serviced by the City Hall fee and internal charges to departments. All of these debts are backed by the full faith and credit of the City.

**TABLE 6**  
**OUTSTANDING DEBT AT YEAR END**  
(in millions)

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
General obligation	\$ 1.7	\$ 1.9	\$ -	\$ -	\$ 1.7	\$ 1.9
Certificates of participation	1.6	1.8	-	-	1.6	1.8
Limited tax bonds	2.6	2.7	-	-	2.6	2.7
Notes payable	-	-	22.4	22.9	22.4	22.9
Capital leases	0.3	0.1	-	-	0.3	0.1
Total	<u>\$ 6.2</u>	<u>\$ 6.5</u>	<u>\$ 22.4</u>	<u>\$ 22.9</u>	<u>\$ 28.6</u>	<u>\$ 29.4</u>

The City maintained its A1 debt rating with Moody's Investor Service.

During June of 2012, the City Council approved a loan with Clean Water State Revolving Loan Fund in the amount of \$14,484,130 for expansion and repair of the wastewater treatment plant. As of fiscal year end, no draw downs had been requested upon the funding.

Additional information on the City's long-term obligations can be found in the Notes to the Basic Financial Statements on page 40 of this report.

**ECONOMIC FACTORS**

The following economic factors currently affect the City of Newberg and were considered in developing the 2012-13 fiscal year budget.

- The unemployment rate for Yamhill County is currently 8.4%, which is a slight decrease from a rate of 9.3% a year ago. While the unemployment rate continues to decrease, it is not expected to reach the pre-recession level for several years.
- No rate increases for any of the utility divisions for 2012-13.
- Declines in taxable assessed value of properties within the City will continue to affect the City of Newberg's property tax revenue. For 2012-13, the assessed value is expected to only increase by 1%.
- New construction is anticipated to be relatively stagnant with just a few small developments on the horizon.

# **CITY OF NEWBERG, OREGON**

## **Management's Discussion and Analysis**

*For the Year Ended June 30, 2012*

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- Interest rates are expected to remain at record low levels throughout fiscal year 2012-13.
- On the expenditure side, the City's retirement contributions for Oregon Public Employees Retirement System (PERS) employees remained consistent with the 2011-12 rates. The City's private retirement plan is budgeted to have a 2% increase in the City's contribution rate for the next fiscal year. Looking to the future, the City's retirement contribution rate for both PERS employees and the City's private retirement plan are both anticipated to increase substantially in 2013-14. The Oregon PERS Board is scheduled to adopt new rates for 2013-15 in September of 2012.
- Health care costs are anticipated to continue to escalate.
- Non-represented employees within the City are budgeted to forego all cost of living and merit increases for 2012-13.
- Cost of living and merit increases negotiated by contract with City bargaining units will continue to result in increasing expenditures for public safety.

Providing stable funding for City services during the current economic recession poses a challenge for the next few years. The City recognizes that costs of providing services at the current level will increase at a faster rate than the revenue used to fund those services. The City was able to avoid significant staff reductions during the development of the 2012-13 budget. However, it is anticipated that further staff reductions/budget savings will be needed for the 2013-14 budget year.

More detail about the impacts of the economy on the City is found in the Letter of Transmittal.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Finance Director  
City of Newberg  
PO Box 970  
Newberg, OR 97132

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**BASIC  
FINANCIAL  
STATEMENTS**

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## City of Newberg, Oregon

### STATEMENT OF NET ASSETS

June 30, 2012

	Governmental Activities	Business-Type Activities	Totals
<b><u>ASSETS</u></b>			
Cash and investments	\$ 9,925,385	\$ 15,409,956	\$ 25,335,341
Receivables	1,836,866	1,341,730	3,178,596
Internal balances	(11,196)	11,196	-
Inventories	94,945	198,572	293,517
Pension assets	1,734,189	-	1,734,189
Other assets	33,597	-	33,597
Capital assets:			
Land and construction in progress	29,249,005	5,104,796	34,353,801
Other capital assets, net of depreciation	47,055,055	63,540,672	110,595,727
<b>Total assets</b>	<b>89,917,846</b>	<b>85,606,922</b>	<b>175,524,768</b>
<b><u>LIABILITIES</u></b>			
Accounts payable and accrued liabilities	1,107,891	405,580	1,513,471
Deposits	11,067	-	11,067
Interest payable	45,300	529,308	574,608
Long-term obligations:			
Due within one year	1,176,076	1,528,594	2,704,670
Due in more than one year	6,658,586	21,433,773	28,092,359
<b>Total liabilities</b>	<b>8,998,920</b>	<b>23,897,255</b>	<b>32,896,175</b>
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	72,772,287	46,213,627	118,985,914
Restricted for:			
Capital projects	2,321,332	2,281,995	4,603,327
Debt service	235,784	-	235,784
Public safety	789,411	-	789,411
Street maintenance	413,963	-	413,963
Other purposes	266,519	-	266,519
Unrestricted	4,119,630	13,214,045	17,333,675
<b>Total net assets</b>	<b>\$ 80,918,926</b>	<b>\$ 61,709,667</b>	<b>\$ 142,628,593</b>

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

## City of Newberg, Oregon

### STATEMENT OF ACTIVITIES

For the year ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<u>Governmental activities:</u>				
General government	\$ 411,536	\$ 184,110	\$ 1,591	\$ -
Public safety	9,871,835	1,880,349	14,328	729,109
Library	1,183,478	104,548	23,716	27,115
Community development	3,324,353	1,258,592	1,207,520	22,000
Interest on long-term obligations	353,888	-	-	-
<u>Total governmental activities</u>	<u>15,145,090</u>	<u>3,427,599</u>	<u>1,247,155</u>	<u>778,224</u>
<u>Business-type activities:</u>				
Water	4,742,088	4,628,754	-	276,833
Wastewater	5,150,703	6,541,498	-	437,092
Stormwater	896,620	776,785	-	21,379
Emergency Medical Services	1,345,821	1,291,679	-	26,500
<u>Total business-type activities</u>	<u>12,135,232</u>	<u>13,238,716</u>	<u>-</u>	<u>761,804</u>
<u>Totals</u>	<u>\$ 27,280,322</u>	<u>\$ 16,666,315</u>	<u>\$ 1,247,155</u>	<u>\$ 1,540,028</u>

General revenues:

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Franchise and public service taxes

Interest and investment earnings

Miscellaneous

Gain on sale of capital assets

Transfers

Total general revenues and transfers

Change in net assets

Net assets--beginning

Net assets--ending

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

Net (Expense) Revenue and  
Changes in Net Assets

Governmental Activities	Business-Type Activities	Totals
\$ (225,835)	\$ -	\$ (225,835)
(7,248,049)	-	(7,248,049)
(1,028,099)	-	(1,028,099)
(836,241)	-	(836,241)
(353,888)	-	(353,888)
<u>(9,692,112)</u>	<u>-</u>	<u>(9,692,112)</u>
-	163,499	163,499
-	1,827,887	1,827,887
-	(98,456)	(98,456)
-	(27,642)	(27,642)
-	1,865,288	1,865,288
<u>(9,692,112)</u>	<u>1,865,288</u>	<u>(7,826,824)</u>
6,435,318	-	6,435,318
420,312	-	420,312
3,119,051	-	3,119,051
45,339	67,729	113,068
94,651	-	94,651
80,981	35,205	116,186
(79,112)	79,112	-
<u>10,116,540</u>	<u>182,046</u>	<u>10,298,586</u>
424,428	2,047,334	2,471,762
80,494,498	59,662,333	140,156,831
<u>\$ 80,918,926</u>	<u>\$ 61,709,667</u>	<u>\$ 142,628,593</u>

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## FUND FINANCIAL STATEMENTS

### **Major Governmental Funds**

- **General** - accounts for the financial operations of the city that are not required to be accounted for in any other fund. Principal sources of revenue are property taxes, licenses and permits, intergovernmental revenue, and fines and forfeitures.
- **Street** - accounts for revenues received from state gasoline taxes which are to be expended as outlined in the Constitution of the State of Oregon, Article IX, Section 3.
- **Building Inspection** - accounts for fees collected to enforce the State Building Codes. Fund expenditures are related to the City's building inspection program.

# City of Newberg, Oregon

## GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2012

	General	Street	Building Inspection	Other Governmental Funds	Totals
<b>ASSETS</b>					
Cash and investments	\$ 2,221,982	\$ 351,571	\$ 176,861	\$ 4,932,091	\$ 7,682,505
Receivables:					
Accounts	953,962	105,213	-	61,321	1,120,496
Loans	-	-	-	12,500	12,500
Assessments	-	-	-	51,146	51,146
Taxes	609,259	-	-	43,025	652,284
Inventories	-	61,362	-	-	61,362
<b>Total assets</b>	<b>\$ 3,785,203</b>	<b>\$ 518,146</b>	<b>\$ 176,861</b>	<b>\$ 5,100,083</b>	<b>\$ 9,580,293</b>
<b>LIABILITIES</b>					
Accounts payable	486,456	28,961	15,211	161,151	691,779
Other accrued liabilities	11,254	6,660	6,569	9,809	34,292
Deposits	3,867	7,200	-	-	11,067
Interest payable	-	-	-	4,507	4,507
Deferred revenue	609,259	-	-	106,671	715,930
<b>Total liabilities</b>	<b>1,110,836</b>	<b>42,821</b>	<b>21,780</b>	<b>282,138</b>	<b>1,457,575</b>
<b>FUND BALANCES</b>					
Nonspendable	-	61,362	-	-	61,362
Restricted	-	413,963	155,081	3,363,794	3,932,838
Committed	-	-	-	687,274	687,274
Assigned	-	-	-	766,877	766,877
Unassigned	2,674,367	-	-	-	2,674,367
<b>Total fund balances</b>	<b>2,674,367</b>	<b>475,325</b>	<b>155,081</b>	<b>4,817,945</b>	<b>8,122,718</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,785,203</b>	<b>\$ 518,146</b>	<b>\$ 176,861</b>	<b>\$ 5,100,083</b>	<b>\$ 9,580,293</b>

Reconciliation to the Statement of Net Assets

Total Fund Balances \$ 8,122,718

The Statement of Net Assets reports receivables at their net realizable value. However, receivables not available to pay for current-period expenditures are deferred in governmental funds. 715,930

Capital assets are not financial resources in governmental funds, but are reported in the Statement of Net Assets at their net depreciated value. 75,224,044

Prepaid pension and related costs are not financial resources in governmental funds, but are reported in the Statement of Net Assets at their net amortized value. 1,767,786

Long-term obligation are not due and payable in the current period and therefore are not reported in the funds:

Long-term debt	\$ (6,433,601)	
Other postemployment benefits	(733,460)	
Accrued interest	(40,793)	(7,207,854)

Internal service funds are proprietary-type funds and not reported with governmental funds. However because internal service funds primarily benefit governmental activities, their assets, liabilities, and net assets are reported along with governmental activities in the Statement of Net Assets. 2,296,302

Net assets of governmental activities **\$ 80,918,926**

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

## City of Newberg, Oregon

### GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Year Ended June 30, 2012

	General	Street	Building Inspection	Other Governmental Funds	Totals
<b>Revenues</b>					
Property taxes	\$ 6,393,075	\$ -	\$ -	\$ 421,202	\$ 6,814,277
Other taxes	1,844,391	-	-	-	1,844,391
Licenses and permits	451,491	5,631	386,344	-	843,466
Fees	-	-	-	514,986	514,986
Intergovernmental	2,620,275	1,207,520	-	154,205	3,982,000
Charges for services	133,931	14,497	47,232	338,120	533,780
Fines and forfeitures	623,455	-	-	-	623,455
Facilities charge	-	-	-	120,498	120,498
Pension bond charge	-	-	-	194,890	194,890
Assessments	-	-	-	5,439	5,439
Donations	-	-	-	53,530	53,530
Interest	7,680	1,394	214	23,012	32,300
Miscellaneous	16,793	-	583	6,043	23,419
<b>Total revenues</b>	<b>12,091,091</b>	<b>1,229,042</b>	<b>434,373</b>	<b>1,831,925</b>	<b>15,586,431</b>
<b>Expenditures</b>					
<b>Current:</b>					
General government	325,951	-	-	5,000	330,951
Public safety	9,028,050	-	-	466,397	9,494,447
Library	1,241,021	-	-	27,728	1,268,749
Community development	512,796	948,264	304,135	103,477	1,868,672
<b>Debt service:</b>					
Principal	-	-	-	510,000	510,000
Interest	-	-	-	351,313	351,313
Capital outlay	771,137	-	-	1,772,494	2,543,631
<b>Total expenditures</b>	<b>11,878,955</b>	<b>948,264</b>	<b>304,135</b>	<b>3,236,409</b>	<b>16,367,763</b>
Excess of revenues over (under) expenditures	212,136	280,778	130,238	(1,404,484)	(781,332)
<b>Other financing sources (uses)</b>					
Transfers in	-	-	-	1,339,655	1,339,655
Transfers out	(41,578)	(117,968)	-	(852,897)	(1,012,443)
<b>Total other financing sources (uses)</b>	<b>(41,578)</b>	<b>(117,968)</b>	<b>-</b>	<b>486,758</b>	<b>327,212</b>
Net change in fund balances	170,558	162,810	130,238	(917,726)	(454,120)
Fund balances, July 1, 2011	2,503,809	312,515	24,843	5,735,671	8,576,838
<b>Fund balances, June 30, 2012</b>	<b>\$ 2,674,367</b>	<b>\$ 475,325</b>	<b>\$ 155,081</b>	<b>\$ 4,817,945</b>	<b>\$ 8,122,718</b>

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

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## City of Newberg, Oregon

### Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2012

<b>Net change in fund balances - total governmental funds</b>	<b>\$ (454,120)</b>
<p>Governmental funds defer revenues that do not provide current financial resources. However, the Statement of Activities recognizes such revenues at their net realizable value when earned, regardless of when received.</p>	
Property taxes	41,354
Notes and assessments	(3,329)
<p>Repayments of long-term obligations use current financial resources and are reported as expenditures in governmental funds. However, the payment of debt principal is reported as a decrease in long-term obligations in the Statement of Net Assets.</p>	
	510,000
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds</p>	
Compensated absences	(37,935)
Interest	4,547
Amortization of prepaid pension cost and related bond issuance costs	(111,065)
Other postemployment benefits	(131,995)
<p>Donations of capital assets are reported as capital contributions in the Statement of Activities, but do not appear in the governmental funds because they are not financial resources.</p>	
	30,000
<p>Capital outlays are reported as expenditures in governmental funds. However, the Statement of Activities allocates the cost of capital outlays over their estimated useful lives as depreciation expense.</p>	
Capital outlays	2,104,107
Depreciation	(1,742,358)
<p>Internal service funds are used by management to charge the costs of certain activities, such as administration and facilities and fleet services to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.</p>	
	215,222
<b>Change in net assets of governmental activities</b>	<b>\$ 424,428</b>

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

## City of Newberg, Oregon

### GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Property taxes	\$ 6,033,193	\$ 6,033,193	\$ 6,393,075	\$ 359,882
Other taxes	1,674,250	1,674,250	1,844,391	170,141
Licenses and permits	383,300	383,300	451,491	68,191
Intergovernmental	2,611,694	2,569,934	2,620,275	50,341
Charges for services	139,693	149,693	133,931	(15,762)
Fines and forfeitures	667,000	667,000	623,455	(43,545)
Interest	9,000	9,000	7,680	(1,320)
Miscellaneous	3,000	3,000	16,793	13,793
<b>Total revenues</b>	<b>11,521,130</b>	<b>11,489,370</b>	<b>12,091,091</b>	<b>601,721</b>
<u>Expenditures</u>				
General government	322,701	322,701	325,951	(3,250)
Municipal court	225,756	225,756	220,515	5,241
Police	5,244,115	5,254,115	5,028,878	225,237
Fire	3,792,087	3,782,327	3,658,373	123,954
Communications	914,075	914,075	891,421	22,654
Library	1,126,414	1,291,414	1,241,021	50,393
Planning	547,332	550,332	512,796	37,536
Contingency	25,542	510,555	-	510,555
<b>Total expenditures</b>	<b>12,198,022</b>	<b>12,851,275</b>	<b>11,878,955</b>	<b>972,320</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(676,892)</b>	<b>(1,361,905)</b>	<b>212,136</b>	<b>1,574,041</b>
<u>Other financing sources (uses)</u>				
Transfers out	(19,639)	(41,905)	(41,578)	327
<b>Total other financing sources (uses)</b>	<b>(19,639)</b>	<b>(41,905)</b>	<b>(41,578)</b>	<b>327</b>
<b>Net change in fund balances</b>	<b>(696,531)</b>	<b>(1,403,810)</b>	<b>170,558</b>	<b>1,574,368</b>
Fund balances, July 1, 2011	1,796,531	2,503,810	2,503,809	(1)
<b>Fund balances, June 30, 2012</b>	<b>\$ 1,100,000</b>	<b>\$ 1,100,000</b>	<b>\$ 2,674,367</b>	<b>\$ 1,574,367</b>

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

## City of Newberg, Oregon

### STREET FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Permits	\$ 2,000	\$ 2,000	\$ 5,631	\$ 3,631
Intergovernmental	1,302,900	1,302,900	1,207,520	(95,380)
Charges for services	1,500	1,500	14,497	12,997
Interest	500	500	1,394	894
<b>Total revenues</b>	<b>1,306,900</b>	<b>1,306,900</b>	<b>1,229,042</b>	<b>(77,858)</b>
<u>Expenditures</u>				
Highways and streets	1,081,868	1,111,868	948,264	163,604
Contingency	185,406	316,767	-	316,767
<b>Total expenditures</b>	<b>1,267,274</b>	<b>1,428,635</b>	<b>948,264</b>	<b>480,371</b>
<b>Excess of revenues over expenditures</b>	<b>39,626</b>	<b>(121,735)</b>	<b>280,778</b>	<b>402,513</b>
<u>Other financing sources (uses)</u>				
Transfers out	(324,780)	(190,780)	(117,968)	72,812
<b>Total other financing sources (uses)</b>	<b>(324,780)</b>	<b>(190,780)</b>	<b>(117,968)</b>	<b>72,812</b>
Net change in fund balances	(285,154)	(312,515)	162,810	475,325
Fund balance, July 1, 2011	285,154	312,515	312,515	-
<b>Fund balances, June 30, 2012</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 475,325</b>	<b>\$ 475,325</b>

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

## City of Newberg, Oregon

### BUILDING INSPECTION FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Licenses and permits	\$ 289,750	\$ 289,750	\$ 386,344	\$ 96,594
Charges for services	40,000	40,000	47,232	7,232
Interest	500	500	214	(286)
Miscellaneous	-	-	583	583
<b>Total revenues</b>	<b>330,250</b>	<b>330,250</b>	<b>434,373</b>	<b>104,123</b>
<u>Expenditures</u>				
Inspection	304,463	304,463	304,135	328
Contingency	37,018	50,630	-	50,630
<b>Total expenditures</b>	<b>341,481</b>	<b>355,093</b>	<b>304,135</b>	<b>50,958</b>
Excess of expenditures over revenues	(11,231)	(24,843)	130,238	155,081
Net change in fund balances	(11,231)	(24,843)	130,238	155,081
Fund balance, July 1, 2011	11,231	24,843	24,843	-
<b>Fund balances, June 30, 2012</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 155,081</b>	<b>\$ 155,081</b>

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

## Fund Financial Statements

### Proprietary Funds

The City of Newberg utilizes six Proprietary Funds made up of four Enterprise Funds and two Internal Service Funds. Enterprise Funds are used to account for acquisition, operation, and maintenance of the water, wastewater, and stormwater systems. The City's emergency medical services are also accounted for in an Enterprise Fund. These funds are entirely or predominantly self-supported through user charges to customers. Internal Service Funds account for those activities and services furnished internally to other organizational units within the City on a cost reimbursement basis. Proprietary Funds included are:

#### Enterprise

- **Water**
- **Wastewater**
- **Stormwater**
- **Emergency Medical Services**

#### Internal Service

- **Central Services** (Combined into "Governmental Activities Column")
- **Vehicle/Equipment Replacement Fund** (Combined into "Governmental Activities Column")

For budgetary purposes (see budget schedules in the Other Supplementary Data section), the Water, Wastewater, and Storm Water funds are accounted for in the following separate funds:

- **Water**
  - Water (operating)
  - Water Replacement Reserve
  - Water System Development
- **Wastewater**
  - Wastewater (operating)
  - Wastewater Replacement Reserve
  - Wastewater System Development
  - Wastewater Financed CIPs
- **Stormwater**
  - Stormwater (operating)
  - Stormwater System Development
- The **Proprietary Capital Projects Fund** has transactions related to all three activities. The transactions have been consolidated accordingly for reporting purposes.

For generally accepted accounting principles purposes, these aforementioned funds and the **Emergency Medical Services Fund** are consolidated and included as four separate Enterprise Funds.

**City of Newberg, Oregon**

PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS

June 30, 2012

	Business-type Activities Enterprise Funds					Governmental Activities
	Water	Waste- water	Storm- water	Emergency Medical Services	Totals	Internal Service Funds
<b>ASSETS</b>						
<u>Current assets</u>						
Cash and investments	\$ 7,061,090	\$ 6,612,690	\$ 1,208,265	\$ 238,329	\$ 15,120,374	\$ 2,532,462
Accounts and notes receivable	511,707	671,079	68,767	90,177	1,341,730	440
Inventories	159,497	39,075	-	-	198,572	33,583
<b>Total current assets</b>	<b>7,732,294</b>	<b>7,322,844</b>	<b>1,277,032</b>	<b>328,506</b>	<b>16,660,676</b>	<b>2,566,485</b>
<u>Noncurrent assets</u>						
Capital assets, net of depreciation	28,655,802	31,035,185	8,311,944	642,537	68,645,468	1,080,016
Total noncurrent assets	28,655,802	31,035,185	8,311,944	642,537	68,645,468	1,080,016
<b>Total assets</b>	<b>36,388,096</b>	<b>38,358,029</b>	<b>9,588,976</b>	<b>971,043</b>	<b>85,306,144</b>	<b>3,646,501</b>
<b>LIABILITIES</b>						
<u>Current liabilities</u>						
Accounts payable and accrued liabilities	79,900	271,579	11,165	42,936	405,580	381,820
Interest payable	321,119	208,189	-	-	529,308	-
Compensated absences	49,273	70,646	20,249	36,203	176,371	227,048
Current portion of capital leases payable	-	-	-	-	-	117,686
Current portion of notes payable	708,379	643,844	-	-	1,352,223	-
<b>Total current liabilities</b>	<b>1,158,671</b>	<b>1,194,258</b>	<b>31,414</b>	<b>79,139</b>	<b>2,463,482</b>	<b>726,554</b>
<u>Long-term obligations</u>						
Capital leases payable, net of current portion	-	-	-	-	-	164,087
Notes payable, net of current portion	12,217,862	8,861,756	-	-	21,079,618	-
Other postemployment benefit obligation	138,402	128,949	33,402	53,402	354,155	158,780
<b>Total long-term obligations</b>	<b>12,356,264</b>	<b>8,990,705</b>	<b>33,402</b>	<b>53,402</b>	<b>21,433,773</b>	<b>322,867</b>
<b>Total liabilities</b>	<b>13,514,935</b>	<b>10,184,963</b>	<b>64,816</b>	<b>132,541</b>	<b>23,897,255</b>	<b>1,049,421</b>
<u>Net assets</u>						
Invested in capital assets, net of related debt	15,729,561	21,529,585	8,311,944	642,537	46,213,627	798,243
Restricted for system expansion	691,576	1,240,756	349,663	-	2,281,995	-
Unrestricted	6,452,024	5,402,725	862,553	195,965	12,913,267	1,798,837
<b>Total net assets</b>	<b>\$ 22,873,161</b>	<b>\$ 28,173,066</b>	<b>\$ 9,524,160</b>	<b>\$ 838,502</b>	<b>61,408,889</b>	<b>\$ 2,597,080</b>
					300,778	
Adjustment to reflect the combination of internal service fund activities related to enterprise funds.						
Net assets of business-type activities					<u>\$ 61,709,667</u>	

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

**City of Newberg, Oregon**

PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET ASSETS

For the Year Ended June 30, 2012

	Business-type Activities Enterprise Funds					Governmental Activities
	Water	Waste- water	Storm- water	Emergency	Totals	Internal Service Funds
				Medical Services		
<u>Operating revenues</u>						
Charges for services, net	\$ 4,573,394	\$ 6,484,379	\$ 774,344	\$ 1,279,851	\$ 13,111,968	\$ 3,366,227
Other	55,360	57,119	2,441	11,828	126,748	48,011
Total operating revenues	4,628,754	6,541,498	776,785	1,291,679	13,238,716	3,414,238
<u>Operating expenses</u>						
Personal services	1,380,520	1,294,263	357,925	890,458	3,923,166	1,946,715
Materials and services	1,709,238	1,958,354	261,502	373,544	4,302,638	1,027,020
Depreciation and amortization	1,099,693	1,523,617	278,293	82,460	2,984,063	298,864
Total operating expenses	4,189,451	4,776,234	897,720	1,346,462	11,209,867	3,272,599
Operating income (loss)	439,303	1,765,264	(120,935)	(54,783)	2,028,849	141,639
<u>Nonoperating revenues (expenses)</u>						
System development	276,833	405,333	21,379	-	703,545	-
Interest revenue	35,593	25,190	5,588	1,358	67,729	10,929
Interest expense	(557,142)	(379,419)	-	-	(936,561)	(7,118)
Gain on sale of capital assets	2,349	-	-	32,856	35,205	80,968
Total nonoperating revenues (expenses)	(242,367)	51,104	26,967	34,214	(130,082)	84,779
Net income (loss) before contributions and transfers	196,936	1,816,368	(93,968)	(20,569)	1,898,767	226,418
Transfers in (out)	(178,061)	19,639	-	(168,790)	(327,212)	-
Capital contributions	-	31,759	-	432,824	464,583	-
Change in net assets	18,875	1,867,766	(93,968)	243,465	2,036,138	226,418
Total net assets, July 1, 2011	22,854,286	26,305,300	9,618,128	595,037		2,370,662
Total net assets, June 30, 2012	\$ 22,873,161	\$ 28,173,066	\$ 9,524,160	\$ 838,502		\$ 2,597,080
Adjustment to reflect the combination of internal service fund activities related to enterprise funds.					11,196	
Change in net assets of business-type activities					\$ 2,047,334	

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

## City of Newberg, Oregon

### PROPRIETARY FUNDS STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2012

	Business-type Activities Enterprise Funds					Governmental Activities
	Water	Waste- water	Storm- water	Emergency Medical Services	Totals	Internal Service Funds
<u>Cash flows from operating activities</u>						
Cash received from customers	\$ 4,559,353	\$ 6,416,554	\$ 767,269	\$ 1,271,188	\$ 13,014,364	\$ -
Cash paid to suppliers	(1,487,743)	(1,702,399)	(263,991)	(400,609)	(3,854,742)	(1,022,478)
Internal activity - interfund receipts	32,990	30,518	2,441	-	65,949	3,366,359
Internal activity - interfund payments	(222,716)	(315,028)	-	-	(537,744)	-
Cash paid to employees	(1,379,722)	(1,262,709)	(348,049)	(880,906)	(3,871,386)	(1,907,786)
Other receipts	22,370	26,601	-	11,828	60,799	48,011
Net cash provided by (used in) operating activities	1,524,532	3,193,537	157,670	1,501	4,877,240	484,106
<u>Cash flows from noncapital financing activities</u>						
Transfers in	21,939	19,639	-	-	41,578	-
Transfers out	(200,000)	-	-	(168,790)	(368,790)	-
Net cash provided by (used in) noncapital financing activities	(178,061)	19,639	-	(168,790)	(327,212)	-
<u>Cash flows from capital and related financing activities</u>						
Principal paid on long-term obligations	(679,486)	(625,783)	-	-	(1,305,269)	(224,700)
Interest paid on long-term obligations	(576,152)	(392,566)	-	-	(968,718)	(10,264)
Capital grants	2,349	-	-	26,500	28,849	46,071
Purchases of capital assets	(171,775)	(1,165,800)	(90,178)	(5,200)	(1,432,953)	(88,652)
Sale of capital assets	-	-	-	148,790	148,790	-
Developer contributions	280,338	437,913	22,188	-	740,439	-
Net cash provided by (used in) capital and related financing activities	(1,144,726)	(876,681)	(67,990)	170,090	(1,919,307)	(277,545)
<u>Cash flows from investing activities</u>						
Interest received on investments	35,594	25,190	5,587	1,360	67,731	10,929
Net cash provided by investment activities	35,594	25,190	5,587	1,360	67,731	10,929
Net increase in cash	237,339	2,361,685	95,267	4,161	2,698,452	217,490
Cash and investments, July 1, 2011	6,823,751	4,251,005	1,112,998	234,168	12,421,922	2,314,972
Cash and investments, June 30, 2012	\$ 7,061,090	\$ 6,612,690	\$ 1,208,265	\$ 238,329	\$ 15,120,374	\$ 2,532,462
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	\$ 439,303	\$ 1,765,264	\$ (120,935)	\$ (54,783)	\$ 2,028,849	\$ 141,639
<u>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:</u>						
Depreciation	1,099,693	1,523,617	278,293	82,460	2,984,063	298,864
(Increase) decrease in accounts receivable	(14,041)	(67,825)	(7,075)	(8,663)	(97,604)	132
(Increase) decrease in inventory	49,275	2,683	-	-	51,958	(6,419)
Increase (decrease) in accounts payable	(49,698)	(30,202)	7,387	(17,513)	(90,026)	49,890
Net cash provided by (used in) operating activities	\$ 1,524,532	\$ 3,193,537	\$ 157,670	\$ 1,501	\$ 4,877,240	\$ 484,106
<u>Noncash capital activities</u>						
Borrowing under capital lease	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 422,928
Capital assets transferred from governmental	-	-	-	406,324	406,324	-

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

## **Fiduciary Activities**

- **Statement of Fiduciary Net Assets** - Statement summarizing the assets of the City's retirement plan and the City of Newberg Bail Fund
- **Statement of Changes in Fiduciary Net Assets** - Statement reporting the changes in net assets of the City's retirement plan.

# City of Newberg, Oregon

## STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS

June 30, 2012

	Employees Retirement Plan Trust	Agency
	<u>                    </u>	<u>                    </u>
<u>ASSETS</u>		
Cash	\$ -	\$ 62,155
Large cap stocks	3,698,643	-
Real estate	1,527,202	-
Bonds & mortgages	7,563,931	-
International stocks	1,567,654	-
Small cap stocks	937,010	-
<b>Total assets</b>	<b>15,294,440</b>	<b>62,155</b>
<u>LIABILITIES</u>		
Accounts payable	-	62,155
<b>Total liabilities</b>	<b>-</b>	<b>62,155</b>
<u>NET ASSETS</u>		
<b>Net assets held in trust for pension benefits</b>	<b>\$ 15,294,440</b>	<b>\$ -</b>

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

# City of Newberg, Oregon

## STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

For the year ended June 30, 2012

	<u>Employees Retirement Plan Trust</u>
<u>Additions</u>	
Contributions	
City of Newberg	\$ 598,768
Members	205,258
<u>Total contributions</u>	<u>804,026</u>
Investment income	
Investment income	433,681
<u>Total investment income</u>	<u>433,681</u>
<u>Total additions</u>	<u>1,237,707</u>
<u>Deductions</u>	
Payments to retirees	1,121,596
Expenses	40,935
<u>Total deductions</u>	<u>1,162,531</u>
Net increase	75,176
Net assets, July 1, 2011	15,219,264
<u>Net assets, June 30, 2012</u>	<u>\$ 15,294,440</u>

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

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**NOTES TO THE  
BASIC FINANCIAL STATEMENTS**

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# City of Newberg, Oregon

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2012

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Newberg, Oregon (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting standards.

#### **Reporting Entity**

The Town of Newberg was incorporated in 1889, and the current City of Newberg, Yamhill County, Oregon was incorporated as a municipal corporation on February 10, 1893, under the name of "City of Newberg." The present charter was enacted in 1982 and amended in November 2006. The City operates under a Council-City Manager form of government. The governing body consists of six council members and a mayor. The mayor and council are each elected to serve four-year terms. The City Manager administers policies and coordinates the activities of the City. The heads of the various departments, formed to provide various services, are under the direct supervision of the City Manager.

The City has no component units as defined by generally accepted accounting principles. The general criteria for including entities as part of the City is financial accountability by the City, and any situation where an entity might have such significance that its exclusion would cause the City's financial statements to be misleading or incomplete. The City has determined no entities meet these criteria.

#### **Fund Accounting**

The accounts of the City are organized on the basis of funds. Fund accounting is designed to demonstrate legal compliance and aid financial management by segregating government functions and activities. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balances (net assets), revenues, and expenditures (expenses).

#### **Basic Financial Statements**

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize functions/programs as either governmental or business-type activities. Governmental activities, which are normally 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 government-wide financial statements report information on all of the non-fiduciary activities of the City. As a general rule, the effect of internal activity has been eliminated from the government-wide financial statements. Exceptions to this general rule include interfund services provided and/or used. Interfund services provided and/or used are accounted for as revenues and expenses since the elimination of such revenues and expenses would distort the direct costs and program revenues reported for the various functions. These statements focus on the sustainability of the City as an entity and the change in aggregate financial positions resulting from the activities of the fiscal year. The two statements in this category are the Statement of Net Assets and the Statement of Activities.

# City of Newberg, Oregon

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2012

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

Fund financial statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary, or fiduciary. Fund financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated into a single column within each fund type in the financial section of the basic financial statements.

### **Basis of Presentation**

The financial transactions of the City are recorded within individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

GASB 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The City electively added funds as major funds which had a specific community focus. Non-major funds are aggregated in a column in the fund financial statements.

The City reports the following major governmental funds:

- *General*

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. Principal sources of revenue are property taxes, franchise fees, licenses and permits, and intergovernmental revenues. Primary expenditures are for general government, police and fire protection services, communications, library, and planning.

- *Street*

This fund accounts for revenues received from state gasoline taxes. Expenditures out of this fund are limited to maintaining the City's street system. One percent of the gasoline tax is dedicated to bicycle paths.

- *Building Inspection*

This fund accounts for building and plumbing inspection fees collected to enforce the State Building Codes. Fund expenditures are used to operate the City's inspection program.

The City reports each of its four proprietary activities as major funds. The funds are used to account for water, wastewater, stormwater, and emergency medical services. These funds are entirely or predominately self-supporting through user charges to customers.

## City of Newberg, Oregon

### NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2012

The City reports the following proprietary funds:

- *Water*  
Water Fund (budgetary basis financial statements only)  
Water Replacement Reserve Fund (budgetary basis financial statements only)  
Water System Development Fund (budgetary basis financial statements only)
- *Wastewater*  
Wastewater Fund (budgetary basis financial statements only)  
Wastewater Replacement Reserve Fund (budgetary basis financial statements only)  
Wastewater System Development Fund (budgetary basis financial statements only)  
Wastewater Financed CIP Fund (budgetary basis financial statements only)
- *Stormwater*  
Stormwater Fund (budgetary basis financial statements only)  
Stormwater System Development Fund (budgetary basis financial statements only)
- The *Proprietary Capital Projects Fund* accounts for capital projects for all three utilities and is reported only on a budgetary basis.
- *Emergency Medical Services*  
Emergency Medical Services Fund

Additionally, the City reports the following fund types:

- *Special Revenue Funds* - Accounts for and reports the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects.
- *Debt Service Funds* - Accounts for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.
- *Capital Project Funds* – Accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets.
- *Internal Service Funds* - Accounts for those activities and services furnished internally to other organizational units within the City on a cost reimbursement basis. Charges are made to the various departments to support these activities. The City's internal service funds include Administrative Support Services and Vehicle/Equipment Replacement. The aggregate of all internal service funds are reflected in the fund financial statements.
- *Fiduciary Funds*  
Pension Trust - City of Newberg Employees Retirement Plan accounts for the accumulation of resources for pension benefit payments to qualified public employees.

Agency – Accounts for bail payments held in trust related to the City's Municipal Court.

# City of Newberg, Oregon

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2012

### Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe *which* transactions are recorded within the various financial statements. Basis of accounting refers to *when* transactions are recorded regardless of the measurement focus.

The government-wide, proprietary, and fiduciary financial statements are accounted for using an economic resources measurement focus, whereby all assets and liabilities are included in the Statements of Net Assets and the Statement of Fiduciary Fund Net Assets. The increases and decreases in net assets are presented in the government-wide Statement of Activities and in the proprietary fund Statement of Revenues, Expenses, and Changes in Fund Net Assets. These funds use the accrual basis of accounting whereby revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Agency funds report only assets and liabilities, therefore, these funds do not have a measurement focus.

When both restricted and unrestricted net assets are available, unrestricted resources are used only after the restricted resources are depleted.

The City's government-wide and proprietary fund accounting and financial reporting practices are based on all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statement and Interpretations, Accounting Principals Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedures. The City has elected to not follow FASB pronouncements issued after November 30, 1989.

Governmental Fund Financial Statements are presented on a modified accrual basis of accounting with a current financial resource measurement focus. This measurement focus concentrates on the fund's resources available for spending currently or in the near future. Only transactions and events affecting the fund's current financial resources during the period are reported. Similar to the connection between an economic resource measurement focus and full accrual accounting, a current financial resource measurement focus is inseparable from a modified accrual basis of accounting. Under modified accrual accounting, revenues are recognized when 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 (except property taxes which uses a 30 day collection period). Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Property taxes, franchise fees, state shared revenues, 911 taxes and lodging tax 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. All other revenues are considered to be measurable and available only when cash is received by the City.

A deferred revenue liability arises in the Governmental Funds Balance Sheet when potential revenue does not meet both the measurable and available criteria for recognition in the current period. This unavailable deferred revenue consists primarily of uncollected property taxes and assessments not deemed available to finance operation of the current period. In the Government-wide Statement of Activities, with a full accrual basis of accounting, revenue must be recognized as soon as it is earned regardless of its availability. Thus, the liability created on the Governmental Fund Balance Sheet for unavailable deferred revenue is eliminated.

Similar to the way its revenues are recorded, governmental funds only record those expenditures that affect current financial resources. Principal and interest on long-term obligations are recorded as fund liabilities only

# City of Newberg, Oregon

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2012

when due. Vested compensated absences are recorded as expenditures only to the extent that they are expected to be liquidated with expendable financial resources. In the government-wide financial statements, however, with a full accrual basis of accounting, all expenditures affecting the economic resource status of the government must be recognized. Thus, the expense and related liability for long term portions of debt and compensated absences must be included.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the governmental column of the government-wide presentations. This reconciliation is part of the financial statements. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 connections with a proprietary fund's principle ongoing operations. The principal operating revenues for the City's Water, Wastewater, Stormwater, and Emergency Services Funds are charges to customers for sales and services. The Water, Wastewater, and Stormwater Funds also recognize fees intended to recover the cost of connecting new customers to the City's utility systems as operating revenue. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and overhead and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

### **Assets, Liabilities, and Equity**

#### **Cash and Investments**

Investments included in cash and investments are stated at cost, which approximates the fair value. Investments with a remaining maturity of more than one year are reported in accordance with GASB Statement No. 31. Interest earned on pooled cash and investments is allocated monthly based on each funds ending cash balance as a proportion of the City's total pooled cash and investments. For purposes of reporting cash flows, cash and cash equivalents include cash on hand, checking, savings and money market accounts, and any highly-liquid debt instruments purchased with a maturity of three months or less.

Investments in the pension trust fund are stated at fair value.

#### **Receivables**

In the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivable and payables are classified as "Due from other funds" or "Due to other funds" in the fund financial statements.

In the government-wide financial statements, all interfund receivables and payables are combined and any residual balances between the governmental and business-type activities are reported as "Internal balances."

Recorded property taxes receivable that are collected within 30 days after year-end are considered measurable and available and, therefore, are recognized as revenue. The remaining balance is recorded as deferred revenue because it is not deemed available to finance operations of the current period. An allowance for doubtful

# City of Newberg, Oregon

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2012

accounts is not deemed necessary, as uncollectible taxes become a lien on the property. Property taxes are levied and become a lien on July 1. Collection dates are November 15, February 15, and May 15 following the lien date. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

Assessment liens receivable are recognized at the time property owners are assessed for property improvement. Assessment liens receivable are offset by deferred revenue and, accordingly, have not been recognized as revenue.

Receivables of the enterprise funds are recognized as revenue when earned, including services provided but not billed. Accounts receivable in the proprietary funds are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization of losses on balances outstanding at year-end will be immaterial.

### **Inventories and Prepaid Items**

Inventories of materials and supplies for governmental fund types and enterprise funds are stated at cost on a first-in, first-out basis and charged to expenses as used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

### **Capital Assets**

Capital assets (including infrastructure) are recorded at historical cost or at estimated historical cost, if actual historical cost is not available. Contributed capital assets are valued at their estimated fair value on the date contributed. Capital assets include public domain (infrastructure) capital assets consisting of certain improvements including roads, signals and lighting systems. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. In the government-wide statements, capital assets used in operations are depreciated or amortized (assets under capital leases) using the straight-line method over the lesser of the capital lease period or their estimated useful lives.

<u>Category</u>	<u>Estimated Life</u>
Building and improvements	10 to 45 years
Equipment	3 to 30 years
Software	3 to 7 years
Utility systems	50 years
Infrastructure	20-50 years

A half year of depreciation is taken in the year assets are acquired or retired. Gains or losses from sales or retirements of capital assets are included in operations of the current period.

# City of Newberg, Oregon

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2012

### **Compensated Absences**

Accumulated compensated absences are accrued as earned. For governmental funds, the non-current portion (the amount estimated to be used in subsequent fiscal years) is maintained separately and represents a reconciling item between the fund-level and government-wide presentations. Only the current portion is reported in the governmental funds. 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. In business-type/enterprise funds, both the current and long-term liabilities are recorded.

Sick leave, which does not vest, is recognized in all funds when leave is taken.

### **Long-term Obligations**

In the government-wide financial statements and proprietary fund type fund financial statements, long-term debt and other long-term obligations are reported as liabilities of the applicable governmental activities and business-type activities. Bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds, if material.

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

Governmental activity long-term debt payments are recorded in the Debt Service Fund. The business-type activity long-term debt payments are funded by the proprietary operating funds.

### **Equity classification**

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

Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

# City of Newberg, Oregon

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2012

### **Fund Balances**

In the fund financial statements, the fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form may include inventories, prepaids and deposits, and assets held for resale.

Fund balance is reported as restricted when the constraints placed on the use of resources are either: (a) externally imposed by creditors (debt covenants), grantors, contributors, or law of regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Fund balance is reported as committed when the City Council passes a resolution or ordinance that places specific constraints on how the resources may be used. The City Council can modify or rescind the resolution of ordinance at any time through passage of an additional resolution or ordinance.

Fund balance is reported as assigned when the resources do not meet the criteria to be classified as restricted or committed, but are intended to be used by the government for a specific purpose. The City has granted authority to the Finance Director to assign fund balance amounts.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed, or assigned within the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City has provided otherwise in its commitment or assignment actions.

### **Retirement Plan**

Some of the City's employees are participants in the City of Newberg Employees Retirement Plan. Contributions to the plan are made on a current basis as required by the plan and are charged to expenditures or expenses when due and the employer has made a formal commitment to provide the contribution.

The assets of the plan are invested in various mutual funds. The City pays the investment expenses of the plan.

### **Use of Estimates**

In preparing the City of Newberg's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expense/expenditures during the reporting period. Actual results could differ from those estimates.

# City of Newberg, Oregon

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2012

### 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### **Budgetary Information**

Annual budgets for all funds are adopted on the modified accrual basis of accounting consistent with Oregon Revised Statutes (ORS 294-Local Budget Law). The process under which the budget is adopted is described in the following paragraphs.

Each spring, the City Manager submits a proposed budget to the Budget Committee (consisting of the City Council, mayor, and an equal number of citizens of the City). The City is required to budget all funds (except Fiduciary Funds). For all fund types, interfund loans are budgeted as sources and uses in accordance with state budget laws. Estimated revenues and expenditures are budgeted by fund and object. Information on the past two years' actual revenues and expenditures and current-year estimates are included in the budget document.

The Budget Committee conducts public hearings for the purpose of obtaining citizens' comments, and then approves a budget and submits it to the City Council for adoption. The approved expenditures for each fund may not be increased by more the 10% by Council without returning to the Budget Committee for approval. After the Council adopts the budget and certifies the total of *ad valorem* taxes to be levied, no additional tax levy may be made for that fiscal year.

The City Council adopts the budget by resolution before July 1. The resolution establishes appropriations for each fund and expenditures cannot legally exceed these appropriations. Totals by department (ex. general government, police, fire, etc), capital outlay, transfers and debt service are levels of control established by the resolution. Appropriations lapse as of the year-end.

The City Council may change the budget throughout the year by transferring appropriations between levels of control and by adopting supplemental budgets as authorized by the Oregon Revised Statutes. Unexpected additional resources may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers and approval by the City Council. Expenditure appropriations may not be legally over-expended except in the case of grant receipts that could not be reasonably estimated at the time the budget was adopted, and for debt service on new debt issued during the budget year. Management may transfer budget amounts between individual line items within a level of control, but cannot make changes to the level of control totals themselves. During the fiscal year ended June 30, 2012, City Council approved two supplemental budget resolutions and two appropriation transfer resolutions.

#### **Excess of Expenditures over Appropriations**

According to Oregon statute, the budget is monitored at the level of adopted appropriation. A fund that has identifiable programs are adopted and monitored at the program level. Funds that do not have identifiable programs are monitored at the major category level. The below listed program had expenditures in excess of adopted appropriations. The over expenditures were all funded through available fund balances.

General Fund:

General Government (\$3,250)

# City of Newberg, Oregon

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2012

### Deficit Fund Balance

The Wastewater Financed CIP Fund has a deficit fund balance of (\$526,803). The deficit is due to the timing of loan drawdown requests with Clean Water State Revolving Loan Fund. This deficit balance is expected to be eliminated during the 2012-13 fiscal year due to the arrival of funding requests.

### 3. DETAILED NOTES ON ALL FUNDS

#### Pooled Deposits and Investments

The City maintains a pool of cash and investments that is available for use by all funds, except for the City Employees Retirement Plan Pension Trust (a pension trust fund). Governmental activity and business-type activity portions of this pool are displayed on the government-wide Statement of Net Assets as "Cash and Investments". Oregon Revised Statutes (ORS) authorize the City to invest in obligations of the US Treasury, U.S. government agencies and instrumentalities, bankers' acceptances guaranteed by an Oregon financial institution, repurchase agreements, State of Oregon Treasury Local Government Investment Pool, various interest bearing bonds of Oregon municipalities, certificates of deposit, and certain commercial paper among others. In addition, the City's investments are governed by a written investment policy, which is approved by the Oregon Short-Term Fund Board and adopted by the City Council. The policy specifies the City's investment objectives, required diversification, certain limitations, security safekeeping, and reporting requirements.

Cash and investments are comprised of the following at June 30, 2012:

Cash on hand	\$	3,000
Cash with county treasurer		123,161
Deposits with financial institutions		926,180
Investments		<u>39,639,595</u>
Total cash and investments	\$	<u>40,691,936</u>

The City participates in the State of Oregon Local Government Investment Pool (LGIP). The LGIP is not registered with the U.S. Securities and Exchange Commission as an investment company. The State's investment policies are governed by the ORS and the Oregon Investment Council (Council). The State Treasurer is the investment officer for the Council and is responsible for all funds in the State Treasury. These funds are invested exercising reasonable care, skill and caution. Investments in the Pool are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board, which establishes diversification percentages and specifies the types and maturities of investments. That portion of the external investment pool which belongs to local government participants is reported in an Investment Trust Fund in the State's Comprehensive Annual Financial Report. A copy of the State's Comprehensive Annual Financial Report may be obtained at the Oregon State Treasury, 350 Winter St. NE, Salem, Oregon 97310-0840.

The City's position in the LGIP at June 30, 2012 is stated at cost which approximates fair value.

#### Credit Risk

Oregon statutes and the City's investment policy authorize the City to invest in obligations of the U. S. Treasury and U. S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the LGIP. The pension trust is authorized to invest in a variety of debt and equity securities.

## City of Newberg, Oregon

### NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2012

As of June 30, 2012, the City had the following investments:

<u>Investments</u>	<u>Maturities</u>	<u>Total</u>	<u>Fair Value</u>	<u>Credit Risk</u>
Local Government Investment Pool	Less than 1 year	\$ 24,345,155	\$ 24,345,155	Not Rated
Mutual Funds (Pension Trust)	N/A	15,294,440	15,294,440	Various
Total investments		<u>\$ 39,639,595</u>		

#### **Interest Rate Risk**

The City's policy to manage its exposure to fair-value losses arising from increases in interest rates is to set guidelines for portfolio maturities. At least 50% of the City's investment portfolio must mature within 90 days. Up to 25% of the portfolio may mature in over one year. No investments may mature in over 18 months.

#### **Concentration of Credit Risk**

The City has a formal policy that places a limit on the amount that may be invested in any one issuer. Investments in Bankers Acceptances, Certificates of Deposit, and Repurchase Agreements are limited to 25% of the portfolio. No more than 50% of the portfolio shall be in governmental agencies. 100% of the City's investments, other than the Pension Trust investments, are in the State Treasurer's Investment Pool.

#### **Custodial Credit Risk – Investments**

This is the risk that, in the event of the failure of a counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City does not have any investments that are subject to custodial credit risk because the related securities are uninsured, unregistered and held by the City's brokerage firm, which is the counterparty to those securities. The City does not have a formal policy relating to custodial credit risk.

#### **Custodial Credit Risk – Deposits**

This is the risk that, in the event of a bank failure, the City's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the City's deposits with financial institutions up to \$250,000 each for the aggregate of all non-interest bearing accounts and the aggregate of all interest bearing accounts at each institution. Deposits in excess of FDIC coverage with institutions participating in the Oregon Public Funds Collateralization Program are collateralized with securities held by the Federal Home Loan Bank of Seattle in the name of the institution. As of June 30, 2012, \$1,089,927 of the City's bank balances were exposed to custodial credit risk as they were collateralized with securities held by the pledging financial institution's agent, but not in the City's name.

## City of Newberg, Oregon

### NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2012

Cash and investments by activity/fund:

#### Governmental

General	\$ 2,221,982
Street	351,571
Building Inspection	176,861
Other Governmental Funds	4,932,091
Total governmental funds	<u>7,682,505</u>
Internal Service Fund cash allocated to governmental activities	2,242,880
Total governmental activities	<u>9,925,385</u>

#### Business-type/Proprietary Funds

Enterprise	
Water	7,061,090
Wastewater	6,612,690
Storm Water	1,208,265
Emergency Medical Services	238,329
Total Enterprise Funds	<u>15,120,374</u>
Internal Service Fund cash allocated to business-type activities	289,582
Total business-type activities	<u>15,409,956</u>

#### Fiduciary Funds

City of Newberg Employees Retirement Plan	15,294,440
Agency Fund - Bail	62,155
Total fiduciary funds	<u>15,356,595</u>
Total cash and investments	<u>\$ 40,691,936</u>

## City of Newberg, Oregon

### NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2012

#### Receivables

Receivables as of year-end for the City's individual, major, and non-major funds in the aggregate. No allowance for uncollectible accounts is necessary because the majority of receivables relate to properties that the City has instituted a lien against in the case of payment default.

Fund	Accounts	Loans	Assessments	Taxes	Totals
<b>Governmental</b>					
General	\$ 953,962	\$ -	\$ -	\$ 609,259	\$ 1,563,221
Street	105,213	-	-	-	105,213
Other	61,321	12,500	51,146	43,025	167,992
<b>Business-Type/(Proprietary)</b>					
Enterprise					
Water	435,477	-	76,230	-	511,707
Wastewater	666,268	-	4,811	-	671,079
Storm Water	56,343	-	12,424	-	68,767
Emergency Medical Services	90,177	-	-	-	90,177
Internal Service	440	-	-	-	440
	<u>\$ 2,369,201</u>	<u>\$ 12,500</u>	<u>\$ 144,611</u>	<u>\$ 652,284</u>	<u>\$ 3,178,596</u>

Court fines in the amount of \$4,660,539 are not included in the General Fund receivable balance due to the uncertainty of collections.

#### Uncollectible Receivables

Receivables of the City's activities are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period are as follows:

	Governmental Activities	Business-type Activities
Water	\$ -	\$ 18,051
Wastewater	-	21,887
Stormwater	-	2,017
Public Safety Fee	1,233	-
Fire/EMS Equipment Fee	458	-
Total Uncollectible 2011-12	<u>\$ 1,691</u>	<u>\$ 41,955</u>

## City of Newberg, Oregon

### NOTES TO THE BASIC FINANCIAL STATEMENTS June 30, 2012

#### **Interfund Receivables, Payables, and Transfers**

The interfund transfer activity for fiscal year ended June 30, 2012 is as follows:

	Transfers From Other Funds	Transfers To Other Funds
Governmental Funds:		
General	\$ -	\$ 41,578
Street	-	117,968
Other Governmental Funds	1,339,655	852,897
Enterprise Funds:		
Water	21,939	200,000
Wastewater	19,639	-
Emergency Medical Services	-	168,790
	\$ 1,381,233	\$ 1,381,233

Interfund transfers are used to pay administrative services, provide for debt service, contribute toward capital projects costs, and provide operational resources.

The Wastewater Fund borrowed \$1,930,000 from US Bank to purchase land for facility expansion. A parcel of the property will also be used to house a new Animal Shelter Facility at an estimated value of \$86,801. The General Fund will be repaying the Wastewater Fund for the Animal Shelter parcel over 5 years at an interest rate of 4.2%. The balance at June 30, 2012 is \$36,888.

In fiscal year 2011-12, the General Fund borrowed \$200,000 from the Water System Development Fund to pay for a portion of the animal shelter construction costs. The interfund loan will be repaid over the next 10 fiscal years at an interest rate of 2%. The balance at June 30, 2012 is \$179,072.

#### **Other Assets-Prepaid Pension Costs**

The City's government-wide statements include a prepaid pension asset of \$1,734,189; as a result of Limited Tax Pension Bonds issued in May 2004 to pay off the estimated unfunded actuarial liability to the OPERS retirees. This prepaid cost is being amortized over the life of the debt and the expense is allocated to the applicable governmental activities. Amortization expense by activity for June 30, 2012 was: \$105,509 to Public Safety, \$2,019 to Library, and \$3,537 to Community Development.

## City of Newberg, Oregon

### NOTES TO THE BASIC FINANCIAL STATEMENTS June 30, 2012

#### Capital Assets

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

<u>Governmental activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 1,049,821	\$ 73,471	\$ -	\$ 1,123,292
Right of way	26,741,412	-	-	26,741,412
Construction in progress	<u>155,641</u>	<u>1,937,702</u>	<u>(709,042)</u>	<u>1,384,301</u>
Total capital assets not being depreciated	<u>27,946,874</u>	<u>2,011,173</u>	<u>(709,042)</u>	<u>29,249,005</u>
Capital assets being depreciated:				
Building and improvements	10,457,920	72,086	-	10,530,006
Equipment	7,578,525	602,427	(180,691)	8,000,261
Infrastructure	<u>65,470,704</u>	<u>731,042</u>	<u>-</u>	<u>66,201,746</u>
Total capital assets being depreciated	<u>83,507,149</u>	<u>1,405,555</u>	<u>(180,691)</u>	<u>84,732,013</u>
Less accumulated depreciation for:				
Building and improvements	(3,370,021)	(237,690)	-	(3,607,711)
Equipment	(5,751,064)	(530,234)	175,587	(6,105,711)
Infrastructure	<u>(26,668,239)</u>	<u>(1,295,297)</u>	<u>-</u>	<u>(27,963,536)</u>
Total accumulated depreciation	<u>(35,789,324)</u>	<u>(2,063,221)</u>	<u>175,587</u>	<u>(37,676,958)</u>
Total capital assets being depreciated, net	<u>47,717,825</u>	<u>(657,666)</u>	<u>(5,104)</u>	<u>47,055,055</u>
Governmental activities capital assets, net	<u>\$ 75,664,699</u>	<u>\$ 1,353,507</u>	<u>\$ (714,146)</u>	<u>\$ 76,304,060</u>

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

General government	\$ 97,921
Public safety	296,787
Library	35,199
Community development	1,312,451
Depreciation incurred in internal service funds charged to various governmental functions/programs	<u>298,864</u>
Total	<u>\$ 2,041,222</u>

A fully depreciated capital asset for \$21,999 was transferred to a governmental activity from a business-type activity.

Capital assets of the internal service funds are included in the governmental activities. For the fiscal year ended June 30, 2012, internal service fund capital assets, net of depreciation were \$1,080,016.

## City of Newberg, Oregon

### NOTES TO THE BASIC FINANCIAL STATEMENTS June 30, 2012

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

<u>Business-type activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 3,576,168	\$ -	\$ -	\$ 3,576,168
Construction in progress	200,823	1,327,805	-	1,528,628
Total capital assets not being depreciated	<u>3,776,991</u>	<u>1,327,805</u>	<u>-</u>	<u>5,104,796</u>
Capital assets being depreciated:				
Building and improvements	41,495,162	89,590	-	41,584,752
Equipment	14,812,758	467,981	(478,501)	14,802,238
Utility systems	45,901,040	147,204	-	46,048,244
Total capital assets being depreciated	<u>102,208,960</u>	<u>704,775</u>	<u>(478,501)</u>	<u>102,435,234</u>
Less accumulated depreciation for:				
Building and improvements	(12,860,313)	(1,396,466)	-	(14,256,779)
Equipment	(10,295,463)	(670,404)	357,567	(10,608,300)
Utility systems	(13,112,290)	(917,193)	-	(14,029,483)
Total accumulated depreciation	<u>(36,268,066)</u>	<u>(2,984,063)</u>	<u>357,567</u>	<u>(38,894,562)</u>
Total capital assets being depreciated, net	<u>65,940,894</u>	<u>(2,279,288)</u>	<u>(120,934)</u>	<u>63,540,672</u>
Business-type activities capital assets, net	<u>\$ 69,717,885</u>	<u>\$ (951,483)</u>	<u>\$ (120,934)</u>	<u>\$ 68,645,468</u>

Depreciation expense for business-type activities for the year ended June 30, 2012 was as follows:

Water	\$ 1,099,693
Wastewater	1,523,617
Stormwater	278,293
Emergency Medical Services	82,460
Total	<u>\$ 2,984,063</u>

#### **Construction Commitments**

The City has active construction projects as of June 30, 2012. At year end, the City's commitments with contractors are as follows:

<u>Project Name</u>	<u>June 30, 2012 Spent to Date</u>	<u>Remaining Commitment</u>
Animal Shelter Construction	\$ 554,597	\$ 48,522
Fire Station 20 Remodel	694,599	20,196
Wastewater Treatment Plant Renovation	939,429	4,358,489
Total	<u>\$ 2,188,625</u>	<u>\$ 4,427,207</u>

## City of Newberg, Oregon

### NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2012

#### Capital Leases

The City has entered into noncancellable agreements for the lease of various equipment items. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. Gross assets of \$496,289 and accumulated depreciation of \$49,132 have been recorded under capital leases as of June 30, 2012.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2012 were as follows:

Year Ending June 30,	Governmental activities	
	Principal	Interest
2013	\$ 117,686	\$ 4,126
2014	69,563	4,965
2015	46,562	2,840
2016	47,962	1,441
Totals	<u>\$ 281,773</u>	<u>\$ 13,372</u>

During fiscal year 2011-12, the City also signed a lease with Oshkosh Capital to purchase a new fire engine at a net present value of \$577,437. Delivery and acceptance are not anticipated until October of 2012.

## City of Newberg, Oregon

### NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2012

#### Long-term Obligations

In the following paragraphs, long-term debt information is presented separately with respect to governmental and business-type activities. The table below presents current year changes in long-term debt, and the current portions due for each issue.

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities</b>					
Compensated Absences	\$ 742,696	\$ 556,343	\$ (518,390)	\$ 780,649	\$ 518,390
Other Postemployment Benefits	730,494	161,746	-	892,240	-
General Obligation Bonds					
Police Building 1997A	1,030,000	-	(180,000)	850,000	190,000
Fire Facilities 1998A	915,000	-	(135,000)	780,000	140,000
Certificates of Participation	1,780,000	-	(160,000)	1,620,000	165,000
Limited Tax Pension Bonds	2,665,000	-	(35,000)	2,630,000	45,000
Capital Lease Obligations	86,692	422,928	(227,847)	281,773	117,686
Total Notes and Bonds	<u>6,476,692</u>	<u>422,928</u>	<u>(737,847)</u>	<u>6,161,773</u>	<u>657,686</u>
Total Governmental Activities	<u>\$ 7,949,882</u>	<u>\$ 1,141,017</u>	<u>\$ (1,256,237)</u>	<u>\$ 7,834,662</u>	<u>\$ 1,176,076</u>
<b>Business-type Activities</b>					
Compensated Absences	\$ 184,639	\$ 165,862	\$ (174,130)	\$ 176,371	\$ 176,371
Other Postemployment Benefits	288,287	65,868	-	354,155	-
Notes Payable, Business Oregon					
Wastewater	7,535,783	-	(432,782)	7,103,001	450,844
Water	13,537,022	-	(679,487)	12,857,535	708,379
Unamortized note premium	265,500	(14,750)	-	250,750	-
Clean Water State Revolving Fund					
Wastewater	-	869,555	-	869,555	-
Notes Payable US Bank					
Wastewater	1,544,000	-	(193,000)	1,351,000	193,000
Total Notes and Bonds	<u>22,882,305</u>	<u>854,805</u>	<u>(1,305,269)</u>	<u>22,431,841</u>	<u>1,352,223</u>
Total Business-type Activities	<u>\$ 23,355,231</u>	<u>\$ 1,086,535</u>	<u>\$ (1,479,399)</u>	<u>\$ 22,962,367</u>	<u>\$ 1,528,594</u>

Long-term obligations of the internal service funds are included in the governmental activities. As of June 30, 2012, internal service fund long-term obligations were \$281,773 and the compensated absence balance was \$227,048. Also, for the governmental activities, compensated absences are generally liquidated by the General, Street, Administrative Services, and Building Inspection Funds.

#### ***Governmental Activities***

##### **General Obligation Bonds**

The City issued general obligation (GO) bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds reported in the business-type activities are expected to be repaid from enterprise revenues. General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as 20-25 year serial bonds, except for refunding issues, with equal amounts of principal maturing each year.

## City of Newberg, Oregon

### NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2012

GO bonds currently outstanding are as follows:

<u>Governmental activities:</u>	<u>Interest Rates</u>	<u>Ending Balance</u>
Police Building 1997A	3.7-5.4%	\$ 850,000
Fire Facilities 1998A	4.0-5.1%	780,000
		<u>\$ 1,630,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending <u>June 30,</u>	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 330,000	\$ 79,998
2014	350,000	62,780
2015	370,000	44,025
2016	390,000	24,240
2017	190,000	9,210
Totals	<u>\$ 1,630,000</u>	<u>\$ 220,253</u>

### Certificates of Participation

The City has issued Certificates of Participation (COP) as a means to finance certain improvements. During December 1999, the City used COP proceeds to completely remodel City Hall. A privilege tax and City Hall fee were instituted to help make the semi-annual payments on the COP. The full faith and credit pledge of the City's General Fund backs the obligation. Payments are made each year out of the debt service fund. The utility funds pay a facility charge to the debt service fund for use of the City Hall building. The certificates carry a varying interest rate of 4.0%-5.35% over a twenty-year term.

Debt service requirements on Certificates of Participation to maturity are as follows:

Year Ending <u>June 30,</u>	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 165,000	\$ 86,543
2014	175,000	77,445
2015	185,000	67,725
2016	195,000	57,465
2017	205,000	46,255
2018-2020	695,000	61,915
Totals	<u>\$ 1,620,000</u>	<u>\$ 397,348</u>

# City of Newberg, Oregon

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2012

### **Limited Tax Pension Bonds**

During May 2004, the City issued Limited Tax Pension Bonds to finance a portion of the estimated unfunded actuarial liability with the Oregon Public Employees Retirement System (OPERS). The pension bonds are to be repaid from a monthly payroll charge on OPERS wages. On the government-wide statements, this liability is classified as a governmental activity obligation. The bonds carry interest rates ranging from 4.596% to 6.095%. Final maturity is June 2028. Future debt service payments are as follows:

Year Ending June 30,	Governmental activities	
	Principal	Interest
2013	\$ 45,000	\$ 158,053
2014	55,000	155,646
2015	70,000	152,581
2016	80,000	148,611
2017	95,000	143,994
2018-2022	750,000	614,219
2023-2027	1,360,000	320,120
2027-2028	175,000	10,666
Totals	<u>\$ 2,630,000</u>	<u>\$ 1,703,890</u>

### ***Business-Type Activities***

#### **Notes Payable**

In 1999, the City borrowed on a note from the State's Special Public Works Fund to develop street, water and wastewater improvements on vacant land at the east end of the City. The note is repaid from user charges within the Water and Wastewater Funds, but a full faith and credit pledge of the City's General Fund backs the obligation. The note carries an interest rate of 4.74% over its twenty-year term. The note has a final maturity date in December 2018, and an outstanding balance of \$403,851 as of June 30, 2012.

The City also borrowed \$4,700,000 from Business Oregon to build a new water reservoir and transmission line during fiscal year 2003. Water service user charges and system development fees provide the funding for debt service payments, and this note carries a full faith and credit pledge of the City's General Fund as additional security. The note carries a varying interest rate of 3.0%-4.75% over its twenty-year term. The note has a final maturity date in December 2022, and an outstanding balance of \$3,005,743 as of June 30, 2012.

During fiscal year 2004, the City borrowed \$2,810,000 from Business Oregon to make substantial improvements to the compostor odor control mechanism and headworks system at the wastewater treatment plant. Additional improvements were also made to the College Street wastewater system. Wastewater service user charges and system development fees provide the funding for debt service payments, and this note carries a full faith and credit pledge of the City's General Fund as additional security. The note carries a varying interest rate of 3.0%-4.30% over its fifteen-year term. The note has a final maturity date in December 2019, and an outstanding balance of \$1,494,597 as of June 30, 2012.

During fiscal year 2006-07, the City borrowed \$6,670,000 from Business Oregon to expand the capacity of the Water Treatment Plant and to drill a new well. Water system development fees will provide the funding for debt service payments, however, water user fees have been specifically pledged. The note also carries a full

## City of Newberg, Oregon

### NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2012

faith and credit pledge of the City's General Fund as additional security. The note carries a varying interest rate of 4.0%-4.375% over its twenty-year term. The note has a final maturity date in December 2026, and an outstanding balance of \$5,507,228 as of June 30, 2012.

The City also entered into an additional loan agreement with Business Oregon in 2006-07 to construct a new water supply pipeline to the Water Treatment Plant. The portion funded by loan proceed was \$2,644,815. Water user charges and system development fees will provide the funding for debt service payments. Water user charges have been pledged as well as the full faith and credit pledge of the City's General Fund as additional security. The note carries a varying interest rate of 4.0%-4.375% over its twenty-year term. The note has a final maturity date in December 2026, and an outstanding balance of \$2,186,436 as of June 30, 2012.

The City borrowed \$8,230,632 from Business Oregon starting during 2007-08 to implement effluent reuse capabilities at the Wastewater Treatment Plant and to install a new generator. The project initially was funded via an interim financing agreement with the State of Oregon. Upon conversion of financing to a permanent loan, the State of Oregon issued bonds related to the project at a premium and allocated a portion to each of the participating entities. The City's portion of the premium was \$295,000. This premium will be amortized over the life of the loan. The interest rates on the loan range from 3% to 5.25%. Final maturity is December 31, 2028. At June 30, 2012, the outstanding balance was \$7,362,681. Water and wastewater system revenues have been pledged to repay the debt.

Future debt service requirements are as follows:

Year Ending June 30,	Business-type activities	
	Principal	Interest
2013	\$ 1,159,223	\$ 863,605
2014	1,201,794	819,529
2015	1,244,773	773,118
2016	1,293,465	722,732
2017	1,357,563	670,078
2018-2022	6,556,324	2,501,941
2023-2027	5,952,733	1,107,677
2028-2029	1,194,661	85,689
Totals	\$ 19,960,536	\$ 7,544,369

Several of the loans for water system expansion have debt covenant provisions with Business Oregon. The City's water system net revenues are required to be 120% of the annual debt service requirements. For fiscal year 2011-12, the City was not in compliance with these provisions. Water rates will be increased in future fiscal years to ensure compliance with debt covenant provisions.

## City of Newberg, Oregon

### NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2012

The City financed the purchase of land for future expansion of the wastewater treatment plant and other facilities in July of 2009. The loan was with US Bank in the amount of \$1,930,000 for a 10-year term. The interest rate is 4.2% annually and the loan matures in April 2019. Future debt payments are as follows:

Year Ending June 30,	Business-type activities	
	Principal	Interest
2013	193,000	56,742
2014	193,000	48,636
2015	193,000	40,530
2016	193,000	32,424
2017	193,000	24,318
2018-2019	386,000	24,318
	<u>\$ 1,351,000</u>	<u>\$ 226,968</u>

During 2010-11, City Council approved the acceptance of a loan through Clean Water State Revolving Loan Fund to complete portions of the Wastewater Treatment Plant Repair, Renovation, and Expansion Project. The loan amount was awarded for up to \$11,409,645. The interest rate on the debt was set at 2.88% to 3.38% annually. As of June 30, 2012, \$869,555 in draw downs were received by the City on the loan funding. Repayment will commence shortly after final completion of the project.

During 2011-12, City Council approved the acceptance of an additional loan through Clean Water State Revolving Loan Fund to perform further work on the Wastewater Treatment Plant Repair, Renovation, and Expansion Project. The loan amount was awarded for up to \$14,484,130. The interest rate on the debt was set at 2.45% to 2.95% annually. As of June 30, 2012, no draw downs have been requested by the City on the loan funding.

#### 4. OTHER INFORMATION

##### **Risk Management**

The City is exposed 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. The City is a member of the Citycounty Insurance Services (CIS) Trust, a public entity risk pool currently operating a common risk management and insurance program. The City pays an annual premium to CIS for its insurance coverage. Under the membership agreement with the Trust, the Trust is to be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain limits.

The City continues to carry commercial insurance for most other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

# City of Newberg, Oregon

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2012

### **Deferred Compensation Plan**

The City has a deferred compensation plan created in accordance with Internal Revenue Code Section 457 available to all employees. The plan permits employees to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the City's plan are held in trust by the plan administrator for the sole benefit of the participants and are not assets or liabilities of the City.

### **Other Post-Employment Benefits**

#### Plan Description and Benefits Provided

The City provides other post-employment benefits (OPEB) for employees, retirees, spouses and dependents through a single employer defined benefit plan in the form of group health insurance benefits. As required by ORS 243.303(2) retirees are allowed to continue, at the retirees' expense, coverage under the group health insurance plan of the City until age 65. The difference between the premium actually paid by retirees under the group insurance plan and the premium that they would pay if they were not included in the plan is considered to be an implicit subsidy under the provisions of GASB 45. The plan does not issue a separate stand-alone financial report.

#### Membership

The City's membership in the plan at August 1, 2010 (the date of the most current actuarial valuation) consisted of the following:

Active employees	149
Retirees, spouses or dependents	<u>11</u>
Total	<u>160</u>

#### Funding Policy and Contributions

The City funds the plan only to the extent of current year insurance premium requirements on a pay-as-you-go basis. The premium requirements, for both the City and participating retirees, vary depending upon the coverage options selected by the participants as follows:

	<u>Single</u>	<u>Two-party</u>	<u>Family</u>
Citycounty Insurance Services	\$ 525.55	\$ 1,080.18	\$ 1,504.23
NW Firefighters Relief Association	\$ 1,300.00	\$ 1,300.00	\$ 1,300.00

The City has not established an irrevocable trust to accumulate assets to fund the cost of the net OPEB obligation that arises from the implicit subsidy.

#### Annual OPEB Cost and Net OPEB Obligation

The City had its most recent actuarial valuation performed as of August 1, 2010 to determine the unfunded accrued actuarial liability (UAAL), annual required contribution (ARC) and NOPEBO as of that date. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following schedule

## City of Newberg, Oregon

### NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2012

shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's OPEB obligation to the plan:

Annual Required Contribution	\$	319,400
Interest on net OPEB obligation		40,751
Adjustment to annual required contribution		69,235
Annual OPEB cost		290,916
Contributions made		63,302
Increase in net OPEB obligation		227,614
Net OPEB obligation - beginning of year		1,018,781
Net OPEB obligation - end of year	\$	1,246,395

The City's annual OPEB cost, percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2012 and the preceding year were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2012	\$ 290,916	22%	\$ 1,246,395
June 30, 2011	\$ 363,817	28%	\$ 1,018,781
June 30, 2010	\$ 343,919	25%	\$ 756,945

#### Funded Status and Funding Progress

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

<u>Valuation Date</u>	<u>Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAL/ Payroll</u>
8/1/2010	\$ -	\$ 1,758,199	\$ 1,758,199	0%	\$ 9,153,871	19%
8/1/2008	-	1,897,735	1,897,735	0%	7,959,928	24%
8/1/2006	-	1,708,730	1,708,730	0%	7,026,217	21%

#### Actuarial Methods and Assumptions

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

## City of Newberg, Oregon

### NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2012

In the August 1, 2010 actuarial valuation, the projected unit credit actuarial cost method was used to determine contribution levels comprised of normal cost and amortization payments. The actuarial assumptions included a 4.0% rate for discounting future liabilities and a payroll growth rate of 3.75% per year. Annual health care cost rate increases are assumed to be 8.5% initially the first year, 7.5% in the second year, 6.5% in the third year, 6.0% for the 4<sup>th</sup> through 23<sup>rd</sup> year, 5.5% for the 24<sup>th</sup> through 47<sup>th</sup> year and 5% thereafter. A participation rate of 65% was used to determine future non-fire retirees electing coverage under the plan. For fire fighter members, 40% of active members are assumed to elect coverage upon retirement. The unfunded actuarial accrued liability is being amortized using the level-dollar method over a rolling period of 15 years.

#### ***Pension Plans - Single-Employer Defined Benefit Retirement Plan***

##### Plan Description

The City contributes to a single-employer defined benefit retirement plan covering substantially all full-time employees who are not participants in the Oregon Public Employees Retirement System. The plan is known as the City of Newberg Employees Retirement Plan and it is administered by the City. The plan is funded with an insurance company through group annuity contracts. The plan does not issue stand-alone financial reports.

The City of Newberg Employees Retirement Plan is open to new entrants, with the exception of management, police and fire employees. There are 61 active members, 59 retired members who receive benefits, 14 vested terminated members, for a total membership of 134.

All full-time City employees (except as noted above) are eligible to participate. Benefits vest after five years of service and provide for death and disability benefits. General employees who retire at or after age sixty are entitled to an annual retirement benefit, payable monthly for life. The monthly retirement benefit is equal to 1.67% of the employee's final average pay multiplied by their years of service. Fire and police employees who retire at or after age fifty-eight are entitled to an annual retirement benefit, payable monthly for life. The monthly retirement benefit is equal to 2.00% of the employee's final average pay multiplied by their years of service. These benefit provisions and all other requirements are established by state statute and City ordinance. The costs of administering the plans are financed by investment earnings. Benefits and refunds of the postemployment defined benefit plan are recognized when due and payable in accordance with the terms of the plan.

##### Funding Policy

The employees are required to contribute 6% of gross pay to the plan in order to participate. Currently, the City picks up the member contribution on behalf of seven employees. The City contributes amounts over 6% that are actuarially determined (see Six-Year Historical Trend Information below). The funding method used in this valuation is the individual entry age normal actuarial cost method. The actuarial value of assets is determined using a five-year smoothing method. Under this method, annual asset gains and losses will be recognized fully after five years. Significant actuarial assumptions used in the valuation include: a) a rate of return on the investment of present and future assets of 7% per year; b) projected salary increases of 4.5% per year; c) post-retirement benefit increases of 2% per year, and d) inflation rate of 2.5%. As of the July 1, 2012 valuation, the unfunded actuarial liability is amortized as a level percentage of projected payroll over a closed period. The weighted average remaining period is 20 years.

## City of Newberg, Oregon

### NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2012

The most recent actuarial report was July 1, 2012. The City's annual pension cost and net pension obligation to the plan for the current year were as follows:

Annual required contribution	\$ 598,768
Interest on net pension obligation	217
Adjustment to annual required contribution	<u>(329)</u>
Annual pension cost	598,656
Contributions made	<u>(598,768)</u>
Increase in net pension obligation	(112)
Net pension obligation beginning of the year	3,107
Net pension obligation end of year	<u><u>\$ 2,995</u></u>

#### Schedule of Required Contributions:

Year ended June 30,	Annual Required Contribution (ARC)	Percentage Contributed	%	Net Pension Obligation
2012	\$ 598,768	100	%	\$ 2,995
2011	582,013	100		3,107
2010	682,205	100		3,180
2009	591,407	100		3,134
2008	584,408	100		3,082
2007	535,087	100		3,025

#### Schedule of Funding Progress:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL (UAAL)	Funded Ratio	%	Covered Payroll	UAAL as a Percentage of Covered Payroll	%
7/1/2012	\$ 15,268,424	\$ 23,584,352	\$ 8,315,928	64.7	%	\$3,322,719	250.3	%
7/1/2011	15,416,052	22,599,364	7,183,312	68.2		3,516,175	204.3	
7/1/2010	15,176,384	19,978,083	4,801,699	76.0		3,762,126	127.6	
7/1/2009	13,479,701	18,757,264	5,277,563	71.9		3,699,044	142.7	
7/1/2008	15,393,876	18,792,955	3,399,079	81.9		3,377,344	100.6	
7/1/2007	14,583,640	18,188,041	3,640,401	80.2		3,322,763	108.5	

# City of Newberg, Oregon

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2012

### *Pension Plans – Oregon Public Employees Retirement System*

#### Plan Description and Provisions

The City contributes to the Oregon Public Employees' Retirement System (PERS), a cost sharing multiple-employer defined benefit pension plan and the Oregon Public Service Retirement Plan (OPSRP), a cost sharing multiple-employer hybrid pension plan. Both PERS and OPSRP are governed by the Public Employees' Retirement Board (PERB) under the provisions of Oregon Revised Statutes 238. PERS provides retirement benefits under a variety of benefit options, as selected by retiring employees, and provides death and disability benefits. OPSRP provides a combination of retirement benefits under a defined benefit plan and an individual account program (IAP), the balance of which will be paid out in either a lump sum or over a 5, 10, 15 or 20 year period. Employees hired on or after August 29, 2003 participate only in OPSRP. Beginning January 1, 2004, active PERS members hired before August 29, 2003 became members of the IAP of OPSRP. These members retain their existing PERS account, however any future member contributions will be placed in the IAP. A copy of the Oregon Public Employees Retirement System annual financial report may be obtained by writing to Public Employees' Retirement System, P.O. Box 23700, Tigard, OR 97281-3700, by calling (503) 598-7377 or at [www.oregon.gov/PERS](http://www.oregon.gov/PERS).

City employees are eligible to participate after completing six months of service. Covered employees are required by state statute to contribute 6% of their compensation to the plan. Current law permits the City to pay this amount on behalf of the employees. The City picks up the member contribution on behalf of: management, police, and fire employees.

The City is required by statute to contribute actuarially computed amounts as determined by PERS. PERS completes an actuarial valuation as of December 31 of odd numbered years for new rates to be implemented July 1 of the next odd numbered year. Rates are subject to change as a result of subsequent actuarial valuation and the proportion of the system that is funded for each local government employer.

For PERS, the City is a participant in the State and Local Government Rate Pool, which includes the State, Oregon Community Colleges, and most local governmental entities. Employer rates can be set as a single rate, weighted for police and fire participants, or the government can choose to have separate rates for police and fire participants and general service participants. The City has elected to have a single rate. During the 2011-12 fiscal year, the City's net employer contribution rate was 14.75% for Tier1/Tier 2 employees. For OPSRP, all employers are included in a single pool, with separate rates assigned for police and fire participants and general service participants. For fiscal year 2011-12, the City's contribution rates were 7.35% for general service participants and 10.06% for police and fire participants. The City also internally charged departments a rate of 3.35% to cover payments on the limited tax pension bonds.

The City's contribution to the plan for the years ending June 30, 2012, 2011 and 2010 were equal to the City's required contributions for each year as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Employer</u> <u>Contribution</u>	<u>Member</u> <u>Contribution</u>	<u>Totals</u>
2012	\$ 736,056	\$ 341,036	\$ 1,077,092
2011	431,228	346,987	778,215
2010	426,493	335,215	761,708

## City of Newberg, Oregon

### NOTES TO THE BASIC FINANCIAL STATEMENTS June 30, 2012

#### GASB 54 Fund Balances

##### Governmental Fund Balances

Fund balance amounts for governmental funds have been reported in the categories of nonspendable, restricted, committed, assigned and unassigned. The specific purposes for these amounts are as follows:

	General	Street	Building Inspection	Other Governmental Funds	Total
Fund balances					
Nonspendable:					
Inventory	\$ -	\$ 61,362	\$ -	\$ -	\$ 61,362
Restricted:					
Capital projects	-	-	-	2,205,612	2,205,612
Debt service	-	-	-	192,759	192,759
911 Center operations	-	-	-	104,505	104,505
Police services	-	-	-	228,303	228,303
Animal shelter	-	-	-	64,574	64,574
Fire & EMS equipment	-	-	-	456,603	456,603
Street maintenance	-	413,963	-	-	413,963
Building inspection	-	-	155,081	-	155,081
Library services	-	-	-	111,438	111,438
Committed:					
Economic development	-	-	-	645,733	645,733
Public communications	-	-	-	41,541	41,541
Assigned:					
Capital projects	-	-	-	145,910	145,910
Debt service	-	-	-	620,967	620,967
Unassigned	2,674,367	-	-	-	2,674,367
Total fund balances	\$2,674,367	\$ 475,325	\$ 155,081	\$ 4,817,945	\$ 8,122,718

#### **Net Assets Restricted Through Enabling Legislation**

##### Governmental Activities

Capital Projects – Ordinances imposing System Development Charges (SDC) restrict the use to capital improvements which expand the capacity of the system for which the charge was made	\$ 2,256,758
The State of Oregon restricts the use of property taxes levied for projects financed by general obligation bonds.	235,784
The State of Oregon restricts the use of 911 taxes	104,505
The City Council enacted fees charged to utility customers to fund additional police officer positions and equipment for fire/EMS services	684,906

# City of Newberg, Oregon

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2012

### Net Assets Restricted Through Enabling Legislation (continued)

Highways and streets – Article IX, Section 3a of the Oregon State Constitution Restricts the use of revenues from taxes on motor vehicle fuel use	\$ 413,963
The State of Oregon restricts the use of building permit fees	155,081
Business-type Activities	
Capital Projects – Ordinances imposing System Development Charges (SDC) restrict the use to capital improvements which expand the capacity of the system for which the charge was made	2,281,995

### Contingencies

The City is a defendant in various lawsuits. Although the outcomes of these lawsuits are not presently determinable, in the opinion of the City's attorney the resolution of these matters will not have a material adverse effect on the condition of the City.

### Constitutional Property Tax Limitation

Oregon has two constitutional limits on property tax rates. Under the provisions of one limitation, property tax levies, excluding debt service amounts on voter approved general obligation debt, are separately aggregated for public education and local governments (i.e. counties, cities, special district, etc.). The tax rate (tax levy divided by market property values) for local governments cannot exceed \$10 per \$1,000 of assessed value applied on tax lot basis. If the computed tax rate for an individual tax lot is greater than \$10 the levy amounts are reduced by the County Assessor on a pro rata basis to each levying district until the property tax rate limit is met. The impact on the City's future property tax levy amount is not determined.

Oregon voters approved another constitutional tax limit which substantially changed the Oregon property tax system from a levy-based system to a rate-based system. Passage of this measure directs priorities for state revenues to schools and public safety. Under this measure, the City's permanent tax rate was set at \$ 4.3827 per thousand dollars of assessed value. The assessed value growth of existing property is limited to a maximum of 3% per year. Taxes levied to pay bonded debt obligations are exempt from this measure. New property is assessed at fair value and City taxes at its permanent rate are applied.

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***OTHER SUPPLEMENTARY DATA***

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**COMBINING STATEMENTS  
AND BUDGETARY  
COMPARISON SCHEDULES**

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## **Combining Statements**

### **Nonmajor Governmental Funds**

- Combining Balance Sheet
- Combining Statement of Revenues, Expenditures and Changes in Fund Balances

## City of Newberg, Oregon

### NONMAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET

June 30, 2012

	Special Revenue	Debt Service	Capital Projects	Totals
<b><u>ASSETS</u></b>				
Cash and investments	\$ 1,095,253	\$ 818,233	\$ 3,018,605	\$ 4,932,091
Receivables:				
Accounts	49,197	-	12,124	61,321
Loans	12,500	-	-	12,500
Assessments	-	-	51,146	51,146
Taxes	-	43,025	-	43,025
<b>Total assets</b>	<b>\$ 1,156,950</b>	<b>\$ 861,258</b>	<b>\$ 3,081,875</b>	<b>\$ 5,100,083</b>
<b><u>LIABILITIES</u></b>				
Accounts payable	\$ 3,121	\$ -	\$ 158,030	\$ 161,151
Payroll payables	9,809	-	-	9,809
Interest payable	-	4,507	-	4,507
Deferred revenue	12,500	43,025	51,146	106,671
<b>Total liabilities</b>	<b>25,430</b>	<b>47,532</b>	<b>209,176</b>	<b>282,138</b>
<b><u>FUND BALANCES</u></b>				
Restricted	444,246	192,759	2,726,789	3,363,794
Committed	687,274	-	-	687,274
Assigned	-	620,967	145,910	766,877
<b>Total fund balances</b>	<b>1,131,520</b>	<b>813,726</b>	<b>2,872,699</b>	<b>4,817,945</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,156,950</b>	<b>\$ 861,258</b>	<b>\$ 3,081,875</b>	<b>\$ 5,100,083</b>

## City of Newberg, Oregon

### NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Year Ended June 30, 2012

	Special Revenue	Debt Service	Capital Projects	Totals
<u>Revenues</u>				
Property taxes	\$ -	\$ 421,202	\$ -	\$ 421,202
Fees	291,547	81,790	141,649	514,986
Intergovernmental	154,205	-	-	154,205
Charges for services	21,535	-	316,585	338,120
Facilities charge	-	120,498	-	120,498
Pension bond charge	-	194,890	-	194,890
Assessments	-	-	5,439	5,439
Donations	47,504	-	6,026	53,530
Interest	4,874	3,973	14,165	23,012
Miscellaneous	-	-	6,043	6,043
<b>Total revenues</b>	<b>519,665</b>	<b>822,353</b>	<b>489,907</b>	<b>1,831,925</b>
<u>Expenditures</u>				
General government	5,000	-	-	5,000
Public safety	466,397	-	-	466,397
Library	27,728	-	-	27,728
Community development	103,477	-	-	103,477
Debt service:				
Principal	-	510,000	-	510,000
Interest	-	351,313	-	351,313
Capital outlay	-	-	1,772,494	1,772,494
<b>Total expenditures</b>	<b>602,602</b>	<b>861,313</b>	<b>1,772,494</b>	<b>3,236,409</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(82,937)</b>	<b>(38,960)</b>	<b>(1,282,587)</b>	<b>(1,404,484)</b>
<u>Other financing sources (uses)</u>				
Transfers in	-	134,577	1,205,078	1,339,655
Transfers out	(1,887)	(124,910)	(726,100)	(852,897)
<b>Total other financing sources (uses)</b>	<b>(1,887)</b>	<b>9,667</b>	<b>478,978</b>	<b>486,758</b>
<b>Net change in fund balances</b>	<b>(84,824)</b>	<b>(29,293)</b>	<b>(803,609)</b>	<b>(917,726)</b>
Fund balances, July 1, 2011	1,216,344	843,019	3,676,308	5,735,671
<b>Fund balances, June 30, 2012</b>	<b>\$ 1,131,520</b>	<b>\$ 813,726</b>	<b>\$ 2,872,699</b>	<b>\$ 4,817,945</b>

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## **SPECIAL REVENUE FUNDS**

- Combining Balance Sheet
- Combining Statement of Revenues, Expenditures and Changes in Fund Balances

### Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

- Economic Development
- 911 Emergency
- Civil Forfeiture
- City Hall
- Cable TV
- Library Gift & Memorial
- Public Safety Fee

**City of Newberg, Oregon**

NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET

June 30, 2012

	Economic Development	911 Emergency	Cable TV	Library Gift & Memorial	Public Safety Fee	Totals
<b>ASSETS</b>						
Cash and investments	\$ 647,188	\$ 80,833	\$ 41,541	\$ 114,502	\$ 211,189	\$ 1,095,253
Accounts and loans receivable	12,500	27,297	-	-	21,900	61,697
<b>Total assets</b>	<b>\$ 659,688</b>	<b>\$ 108,130</b>	<b>\$ 41,541</b>	<b>\$ 114,502</b>	<b>\$ 233,089</b>	<b>\$ 1,156,950</b>
<b>LIABILITIES</b>						
Accounts payable	\$ 57	\$ -	\$ -	\$ 3,064	\$ -	\$ 3,121
Payroll payables	1,398	3,625	-	-	4,786	9,809
Deferred revenue	12,500	-	-	-	-	12,500
<b>Total liabilities</b>	<b>13,955</b>	<b>3,625</b>	<b>-</b>	<b>3,064</b>	<b>4,786</b>	<b>25,430</b>
<b>FUND BALANCES</b>						
Restricted	-	104,505	-	111,438	228,303	444,246
Committed	645,733	-	41,541	-	-	687,274
<b>Total fund balances</b>	<b>645,733</b>	<b>104,505</b>	<b>41,541</b>	<b>111,438</b>	<b>228,303</b>	<b>1,131,520</b>
<b>Total liabilities and fund balances</b>	<b>\$ 659,688</b>	<b>\$ 108,130</b>	<b>\$ 41,541</b>	<b>\$ 114,502</b>	<b>\$ 233,089</b>	<b>\$ 1,156,950</b>

**City of Newberg, Oregon**

NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES

For the Year Ended June 30, 2012

	Economic		911 Emergency	Cable		Library Gift		Public	Totals
	Development			TV	Memorial	Safety Fee			
<u>Revenues</u>									
Public safety fee	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ 281,547	\$	281,547
Franchise fee	-	-	-	10,000	-	-	-	-	10,000
Intergovernmental	-	-	151,188	-	3,017	-	-	-	154,205
Charges for services	21,535	-	-	-	-	-	-	-	21,535
Donations	-	-	-	-	47,504	-	-	-	47,504
Interest	2,958	381	-	167	439	-	929	-	4,874
<b>Total revenues</b>	<b>24,493</b>	<b>151,569</b>	<b>151,569</b>	<b>10,167</b>	<b>50,960</b>	<b>282,476</b>			<b>519,665</b>
<u>Expenditures</u>									
General government	-	-	-	5,000	-	-	-	-	5,000
Public safety	-	-	179,400	-	-	-	286,997	-	466,397
Library	-	-	-	-	27,728	-	-	-	27,728
Community development	103,477	-	-	-	-	-	-	-	103,477
<b>Total expenditures</b>	<b>103,477</b>	<b>179,400</b>	<b>179,400</b>	<b>5,000</b>	<b>27,728</b>	<b>286,997</b>			<b>602,602</b>
Excess of revenues over (under) expenditures	(78,984)	(27,831)	(27,831)	5,167	23,232	(4,521)			(82,937)
<u>Other financing uses</u>									
Transfers out	(1,887)	-	-	-	-	-	-	-	(1,887)
<b>Total other financing uses</b>	<b>(1,887)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,887)</b>
Net change in fund balances	(80,871)	(27,831)	(27,831)	5,167	23,232	(4,521)			(84,824)
Fund balances, July 1, 2011	726,604	132,336	132,336	36,374	88,206	232,824			1,216,344
<b>Fund balances, June 30, 2012</b>	<b>\$ 645,733</b>	<b>\$ 104,505</b>	<b>\$ 104,505</b>	<b>\$ 41,541</b>	<b>\$ 111,438</b>	<b>\$ 228,303</b>	<b>\$</b>	<b>\$</b>	<b>1,131,520</b>

**City of Newberg, Oregon**

ECONOMIC DEVELOPMENT FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Business license fee	\$ 65,000	\$ 65,000	\$ 21,535	\$ (43,465)
Interest	3,000	3,000	2,958	(42)
<b>Total revenues</b>	<b>68,000</b>	<b>68,000</b>	<b>24,493</b>	<b>(43,507)</b>
<u>Expenditures</u>				
Community development	597,951	597,951	103,477	494,474
<b>Total expenditures</b>	<b>597,951</b>	<b>597,951</b>	<b>103,477</b>	<b>494,474</b>
 Excess of revenues over (under) expenditures	 (529,951)	 (529,951)	 (78,984)	 450,967
<u>Other financing sources (uses)</u>				
Transfers out	(1,887)	(1,887)	(1,887)	-
<b>Total other financing sources (uses)</b>	<b>(1,887)</b>	<b>(1,887)</b>	<b>(1,887)</b>	<b>-</b>
 Net change in fund balances	 (531,838)	 (531,838)	 (80,871)	 450,967
Fund balances, July 1, 2011	531,838	531,838	726,604	194,766
<b>Fund balances, June 30, 2012</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 645,733</b>	<b>\$ 645,733</b>

**City of Newberg, Oregon**

911 EMERGENCY FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
911 telephone excise tax	\$ 140,000	\$ 140,000	\$ 151,188	\$ 11,188
Interest	500	500	381	(119)
<b>Total revenues</b>	<b>140,500</b>	<b>140,500</b>	<b>151,569</b>	<b>11,069</b>
<u>Expenditures</u>				
Public safety	180,505	180,505	179,400	1,105
Contingency	68,490	68,490	-	68,490
<b>Total expenditures</b>	<b>248,995</b>	<b>248,995</b>	<b>179,400</b>	<b>69,595</b>
Net change in fund balances	(108,495)	(108,495)	(27,831)	80,664
Fund balances, July 1, 2011	108,495	108,495	132,336	23,841
<b>Fund balances, June 30, 2012</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 104,505</b>	<b>\$ 104,505</b>

**City of Newberg, Oregon**

**CIVIL FORFEITURE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Forfeitures	\$ -	\$ 5,000	\$ -	\$ (5,000)
<b>Total revenues</b>	<b>-</b>	<b>5,000</b>	<b>-</b>	<b>(5,000)</b>
<u>Expenditures</u>				
Public safety	-	5,000	-	5,000
<b>Total expenditures</b>	<b>-</b>	<b>5,000</b>	<b>-</b>	<b>5,000</b>
Net change in fund balances	-	-	-	-
Fund balances, July 1, 2011	-	-	-	-
<b>Fund balances, June 30, 2012</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**City of Newberg, Oregon**

CABLE TV FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Franchise fee	\$ -	\$ -	\$ 10,000	\$ 10,000
Interest	200	200	167	(33)
<b>Total revenues</b>	<b>200</b>	<b>200</b>	<b>10,167</b>	<b>9,967</b>
<u>Expenditures</u>				
General government	36,594	36,594	5,000	31,594
<b>Total expenditures</b>	<b>36,594</b>	<b>36,594</b>	<b>5,000</b>	<b>31,594</b>
Net change in fund balances	(36,394)	(36,394)	5,167	41,561
Fund balances, July 1, 2011	36,394	36,394	36,374	(20)
<b>Fund balances, June 30, 2012</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 41,541</b>	<b>\$ 41,541</b>

**City of Newberg, Oregon**

LIBRARY GIFT & MEMORIAL FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Grants	\$ 13,800	\$ 13,800	\$ 3,017	\$ (10,783)
Donations	170,000	135,000	47,504	(87,496)
Interest	400	400	439	39
<b>Total revenues</b>	<b>184,200</b>	<b>149,200</b>	<b>50,960</b>	<b>(98,240)</b>
<u>Expenditures</u>				
Library	170,800	170,800	27,728	143,072
Contingency	89,997	66,606	-	66,606
<b>Total expenditures</b>	<b>260,797</b>	<b>237,406</b>	<b>27,728</b>	<b>209,678</b>
Net change in fund balances	(76,597)	(88,206)	23,232	111,438
Fund balances, July 1, 2011	76,597	88,206	88,206	-
<b>Fund balances, June 30, 2012</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 111,438</b>	<b>\$ 111,438</b>

**City of Newberg, Oregon**

PUBLIC SAFETY FEE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Public safety fee	\$ 281,400	\$ 281,400	\$ 281,547	\$ 147
Interest	1,000	1,000	929	(71)
<b>Total revenues</b>	<b>282,400</b>	<b>282,400</b>	<b>282,476</b>	<b>76</b>
<u>Expenditures</u>				
Public safety	292,704	292,704	286,997	5,707
Contingency	153,274	222,520	-	222,520
<b>Total expenditures</b>	<b>445,978</b>	<b>515,224</b>	<b>286,997</b>	<b>228,227</b>
Net change in fund balances	(163,578)	(232,824)	(4,521)	228,303
Fund balances, July 1, 2011	163,578	232,824	232,824	-
<b>Fund balances, June 30, 2012</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 228,303</b>	<b>\$ 228,303</b>

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## **DEBT SERVICE FUNDS**

- Combining Balance Sheet
- Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

### Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

- Debt Service
- City Hall

# City of Newberg, Oregon

## NONMAJOR DEBT SERVICE FUNDS COMBINING BALANCE SHEET

June 30, 2012

	<u>Debt Service</u>	<u>City Hall</u>	<u>Totals</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 197,266	\$ 620,967	\$ 818,233
Property taxes receivable	43,025	-	43,025
<b>Total assets</b>	<b>240,291</b>	<b>620,967</b>	<b>861,258</b>
<u>LIABILITIES</u>			
Interest payable	4,507	-	4,507
Deferred revenue	43,025	-	43,025
<b>Total liabilities</b>	<b>47,532</b>	<b>-</b>	<b>47,532</b>
<u>FUND BALANCES</u>			
Restricted	192,759	-	192,759
Assigned	-	620,967	620,967
<b>Total fund balances</b>	<b>192,759</b>	<b>620,967</b>	<b>813,726</b>
<b>Total liabilities and fund balances</b>	<b>\$ 240,291</b>	<b>\$ 620,967</b>	<b>\$ 861,258</b>

## City of Newberg, Oregon

### NONMAJOR DEBT SERVICE FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Year Ended June 30, 2012

	Debt Service	City Hall	Totals
<u>Revenues</u>			
Property taxes	\$ 421,202	\$ -	\$ 421,202
City Hall fee	-	81,790	81,790
Facilities charge	120,498	-	120,498
Pension bond charge	194,890	-	194,890
Interest	1,289	2,684	3,973
<b>Total revenues</b>	<b>737,879</b>	<b>84,474</b>	<b>822,353</b>
<u>Expenditures</u>			
Debt service:			
Principal	510,000	-	510,000
Interest	351,313	-	351,313
<b>Total expenditures</b>	<b>861,313</b>	<b>-</b>	<b>861,313</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(123,434)</b>	<b>84,474</b>	<b>(38,960)</b>
<u>Other financing sources (uses)</u>			
Transfers in	134,577	-	134,577
Transfers out	-	(124,910)	(124,910)
<b>Total other financing sources (uses)</b>	<b>134,577</b>	<b>(124,910)</b>	<b>9,667</b>
<b>Net change in fund balances</b>	<b>11,143</b>	<b>(40,436)</b>	<b>(29,293)</b>
Fund balances, July 1, 2011	181,616	661,403	843,019
<b>Fund balances, June 30, 2012</b>	<b>\$ 192,759</b>	<b>\$ 620,967</b>	<b>\$ 813,726</b>

**City of Newberg, Oregon**

DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Property taxes	\$ 395,500	\$ 395,500	\$ 421,202	\$ 25,702
Facilities charge	120,498	120,498	120,498	-
Pension bond charge	195,875	195,875	194,890	(985)
Interest	500	500	1,289	789
<b>Total revenues</b>	<b>712,373</b>	<b>712,373</b>	<b>737,879</b>	<b>25,506</b>
<u>Expenditures</u>				
Debt service				
Principal	510,000	510,000	510,000	-
Interest	351,314	351,314	351,313	1
<b>Total expenditures</b>	<b>861,314</b>	<b>861,314</b>	<b>861,313</b>	<b>1</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(148,941)</b>	<b>(148,941)</b>	<b>(123,434)</b>	<b>25,507</b>
<u>Other financing sources (uses)</u>				
Transfers in	134,577	134,577	134,577	-
<b>Total other financing sources (uses)</b>	<b>134,577</b>	<b>134,577</b>	<b>134,577</b>	<b>-</b>
Net change in fund balances	(14,364)	(14,364)	11,143	25,507
Fund balances, July 1, 2011	169,241	169,241	181,616	12,375
<b>Fund balances, June 30, 2012</b>	<b>\$ 154,877</b>	<b>\$ 154,877</b>	<b>\$ 192,759</b>	<b>\$ 37,882</b>

**City of Newberg, Oregon**

CITY HALL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
City Hall fee	\$ 80,000	\$ 80,000	\$ 81,790	\$ 1,790
Interest	3,000	3,000	2,684	(316)
<b>Total revenues</b>	<b>83,000</b>	<b>83,000</b>	<b>84,474</b>	<b>1,474</b>
<u>Other financing sources (uses)</u>				
Transfers out	(124,910)	(124,910)	(124,910)	-
<b>Total other financing sources (uses)</b>	<b>(124,910)</b>	<b>(124,910)</b>	<b>(124,910)</b>	<b>-</b>
Net change in fund balances	(41,910)	(41,910)	(40,436)	1,474
Fund balances, July 1, 2011	669,539	669,539	661,403	(8,136)
<b>Fund balances, June 30, 2012</b>	<b>\$ 627,629</b>	<b>\$ 627,629</b>	<b>\$ 620,967</b>	<b>\$ (6,662)</b>

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## **CAPITAL PROJECTS FUNDS**

- Combining Balance Sheet
- Combining Statement of Revenues, Expenditures and Changes in Fund Balances

### Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

- Street System Development
- Street Capital Projects
- Animal Shelter
- City Facilities
- Fire & EMS Equipment Fee

**City of Newberg, Oregon**

NONMAJOR CAPITAL PROJECTS FUNDS  
COMBINING BALANCE SHEET

June 30, 2012

	<u>Street SDC</u>	<u>Street Capital Projects</u>	<u>Animal Shelter</u>	<u>Fire &amp; EMS Equipment Fee</u>	<u>Totals</u>
<b><u>ASSETS</u></b>					
Cash and investments	\$ 2,205,612	\$ 192,397	\$ 173,694	\$ 446,902	\$ 3,018,605
Accounts receivable	-	2,423	-	9,701	12,124
Assessments receivable	51,146	-	-	-	51,146
<b>Total assets</b>	<b>2,256,758</b>	<b>194,820</b>	<b>173,694</b>	<b>456,603</b>	<b>3,081,875</b>
<b><u>LIABILITIES</u></b>					
Accounts payable	-	48,910	109,120	-	158,030
Deferred revenue	51,146	-	-	-	51,146
<b>Total liabilities</b>	<b>51,146</b>	<b>48,910</b>	<b>109,120</b>	<b>-</b>	<b>209,176</b>
<b><u>FUND BALANCES</u></b>					
Restricted	2,205,612	-	64,574	456,603	2,726,789
Assigned	-	145,910	-	-	145,910
<b>Total fund balances</b>	<b>2,205,612</b>	<b>145,910</b>	<b>64,574</b>	<b>456,603</b>	<b>2,872,699</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,256,758</b>	<b>\$ 194,820</b>	<b>\$ 173,694</b>	<b>\$ 456,603</b>	<b>\$ 3,081,875</b>

**City of Newberg, Oregon**

NONMAJOR CAPITAL PROJECTS FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES

For the Year Ended June 30, 2012

	Street SDC	Street Capital Projects	Animal Shelter	City Facilities	Fire & EMS Equipment Fee	Totals
<u>Revenues</u>						
Fees	\$ -	\$ -	\$ -	\$ -	\$ 141,649	\$ 141,649
Charges for services	316,585	-	-	-	-	316,585
Assessments	5,439	-	-	-	-	5,439
Donations	-	-	6,026	-	-	6,026
Interest	9,918	712	1,654	-	1,881	14,165
Miscellaneous	-	-	-	-	6,043	6,043
<b>Total revenues</b>	<b>331,942</b>	<b>712</b>	<b>7,680</b>	<b>-</b>	<b>149,573</b>	<b>489,907</b>
<u>Expenditures</u>						
Capital Outlay	-	836,288	321,854	200,000	414,352	1,772,494
<b>Total expenditures</b>	<b>-</b>	<b>836,288</b>	<b>321,854</b>	<b>200,000</b>	<b>414,352</b>	<b>1,772,494</b>
Excess of revenues over (under) expenditures	331,942	(835,576)	(314,174)	(200,000)	(264,779)	(1,282,587)
<u>Other financing sources (uses)</u>						
Transfers in	-	836,288	-	200,000	168,790	1,205,078
Transfers out	(726,100)	-	-	-	-	(726,100)
<b>Total other financing sources (uses)</b>	<b>(726,100)</b>	<b>836,288</b>	<b>-</b>	<b>200,000</b>	<b>168,790</b>	<b>478,978</b>
Net change in fund balances	(394,158)	712	(314,174)	-	(95,989)	(803,609)
Fund balances, July 1, 2011	2,599,770	145,198	378,748	-	552,592	3,676,308
<b>Fund balances, June 30, 2012</b>	<b>\$ 2,205,612</b>	<b>\$ 145,910</b>	<b>\$ 64,574</b>	<b>\$ -</b>	<b>\$ 456,603</b>	<b>\$ 2,872,699</b>

## City of Newberg, Oregon

### STREET SYSTEM DEVELOPMENT FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Charges for services	\$ 100,000	\$ 100,000	\$ 316,585	\$ 216,585
Assessments	-	-	5,439	5,439
Interest	10,000	10,000	9,918	(82)
<b>Total revenues</b>	<b>110,000</b>	<b>110,000</b>	<b>331,942</b>	<b>221,942</b>
<u>Expenditures</u>				
Capital outlay	25,000	25,000	-	25,000
Contingency	1,138,619	1,498,619	-	1,498,619
<b>Total expenditures</b>	<b>1,163,619</b>	<b>1,523,619</b>	<b>-</b>	<b>1,523,619</b>
 Excess of revenues over (under) expenditures	 (1,053,619)	 (1,413,619)	 331,942	 1,745,561
<u>Other financing sources (uses)</u>				
Transfers out	(1,567,500)	(1,207,500)	(726,100)	481,400
<b>Total other financing sources (uses)</b>	<b>(1,567,500)</b>	<b>(1,207,500)</b>	<b>(726,100)</b>	<b>481,400</b>
 Net change in fund balances	 (2,621,119)	 (2,621,119)	 (394,158)	 2,226,961
Fund balances, July 1, 2011	2,621,119	2,621,119	2,599,770	(21,349)
<b>Fund balances, June 30, 2012</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,205,612</b>	<b>\$ 2,205,612</b>

**City of Newberg, Oregon**

STREET CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Interest	\$ 500	\$ 500	\$ 712	\$ 212
<b>Total revenues</b>	<b>500</b>	<b>500</b>	<b>712</b>	<b>212</b>
<u>Expenditures</u>				
Capital outlay	1,884,500	1,390,500	836,288	554,212
Contingency	133,407	133,407	-	133,407
<b>Total expenditures</b>	<b>2,017,907</b>	<b>1,523,907</b>	<b>836,288</b>	<b>687,619</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(2,017,407)</b>	<b>(1,523,407)</b>	<b>(835,576)</b>	<b>687,831</b>
<u>Other financing sources (uses)</u>				
Transfers in	1,884,500	1,390,500	836,288	(554,212)
<b>Total other financing sources (uses)</b>	<b>1,884,500</b>	<b>1,390,500</b>	<b>836,288</b>	<b>(554,212)</b>
Net change in fund balances	(132,907)	(132,907)	712	133,619
Fund balances, July 1, 2011	132,907	132,907	145,198	12,291
<b>Fund balances, June 30, 2012</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 145,910</b>	<b>\$ 145,910</b>

## City of Newberg, Oregon

### ANIMAL SHELTER FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Donations	\$ -	\$ 5,000	\$ 6,026	\$ 1,026
Interest	200	200	1,654	1,454
<b>Total revenues</b>	<b>200</b>	<b>5,200</b>	<b>7,680</b>	<b>2,480</b>
<u>Expenditures</u>				
Capital outlay	377,800	383,948	321,854	62,094
<b>Total expenditures</b>	<b>377,800</b>	<b>383,948</b>	<b>321,854</b>	<b>62,094</b>
Net change in fund balances	(377,600)	(378,748)	(314,174)	64,574
Fund balances, July 1, 2011	377,600	378,748	378,748	-
<b>Fund balances, June 30, 2012</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 64,574</b>	<b>\$ 64,574</b>

**City of Newberg, Oregon**

CITY FACILITIES FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Expenditures</u>				
Capital outlay	\$ -	\$ 200,000	\$ 200,000	\$ -
<b>Total expenditures</b>	<b>-</b>	<b>200,000</b>	<b>200,000</b>	<b>-</b>
<u>Other financing sources (uses)</u>				
Transfer in	-	200,000	200,000	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>200,000</b>	<b>200,000</b>	<b>-</b>
Net change in fund balances	-	-	-	-
Fund balances, July 1, 2011	-	-	-	-
<b>Fund balances, June 30, 2012</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**City of Newberg, Oregon**

FIRE & EMS EQUIPMENT FEE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Fire truck fee	\$ 139,000	\$ 139,000	\$ 141,649	\$ 2,649
Interest	2,000	2,000	1,881	(119)
Miscellaneous	-	-	6,043	6,043
<b>Total revenues</b>	<b>141,000</b>	<b>141,000</b>	<b>149,573</b>	<b>8,573</b>
<u>Expenditures</u>				
Capital Outlay	420,000	640,000	414,352	225,648
Contingency	275,224	204,015	-	204,015
<b>Total expenditures</b>	<b>695,224</b>	<b>844,015</b>	<b>414,352</b>	<b>429,663</b>
Excess of revenues over (under) expenditures	(554,224)	(703,015)	(264,779)	438,236
<u>Other financing sources (uses)</u>				
Transfer in	20,000	168,791	168,790	(1)
<b>Total other financing sources (uses)</b>	<b>20,000</b>	<b>168,791</b>	<b>168,790</b>	<b>(1)</b>
Net change in fund balances	(534,224)	(534,224)	(95,989)	438,235
Fund balances, July 1, 2011	534,224	534,224	552,592	18,368
<b>Fund balances, June 30, 2012</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 456,603</b>	<b>\$ 456,603</b>

## **PROPRIETARY FUNDS**

### Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For budgetary purposes, the Water, Wastewater, Stormwater, and Emergency Medical Services operations are accounted for in the following separate funds:

#### Water

- Water
- Water Replacement Reserve
- Water System Development

#### Wastewater

- Wastewater
- Wastewater Replacement Reserve
- Wastewater System Development
- Wastewater Financed CIP

#### Stormwater

- Stormwater
- Stormwater System Development

#### Other

- Proprietary Capital Projects

#### Emergency Medical Services

#### Reconciliations

Reconciliation of Revenues and Expenditures (Budgetary Basis) to Revenues and Expenses (Accrual Basis)

## City of Newberg, Oregon

### WATER FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Charges for services	\$ 4,366,500	\$ 4,366,500	\$ 4,573,394	\$ 206,894
Interest	12,000	12,000	14,868	2,868
Other	10,000	10,000	55,360	45,360
<b>Total revenues</b>	4,388,500	4,388,500	4,643,622	255,122
<u>Expenditures</u>				
Treatment plant operations and maintenance	3,617,746	3,617,746	3,038,286	579,460
Debt service:				
Principal	242,125	242,125	242,125	-
Interest	167,844	167,844	167,844	-
Contingency	1,899,918	2,995,137	-	2,995,137
<b>Total expenditures</b>	5,927,633	7,022,852	3,448,255	3,574,597
<b>Excess of revenues over (under) expenditures</b>	(1,539,133)	(2,634,352)	1,195,367	3,829,719
<u>Other financing sources (uses)</u>				
Transfers out	(1,105,000)	(365,000)	(215,673)	149,327
Sale of capital assets	-	-	2,349	2,349
<b>Total other financing sources (uses)</b>	(1,105,000)	(365,000)	(213,324)	151,676
<b>Net change in fund balances</b>	(2,644,133)	(2,999,352)	982,043	3,981,395
Fund balance, July 1, 2011	2,644,133	2,999,352	2,999,347	(5)
<b>Fund balance, June 30, 2012</b>	\$ -	\$ -	\$ 3,981,390	\$ 3,981,390

## City of Newberg, Oregon

### WATER REPLACEMENT RESERVE FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Interest	\$ 11,000	\$ 11,000	\$ 12,605	\$ 1,605
<b>Total revenues</b>	<b>11,000</b>	<b>11,000</b>	<b>12,605</b>	<b>1,605</b>
<u>Other financing sources (uses)</u>				
Transfers in	43,000	43,000	43,000	-
<b>Total other financing sources (uses)</b>	<b>43,000</b>	<b>43,000</b>	<b>43,000</b>	<b>-</b>
Net change in fund balances	54,000	54,000	55,605	1,605
Fund balance, July 1, 2011	2,801,305	2,801,305	2,847,583	46,278
<b>Fund balance, June 30, 2012</b>	<b>\$ 2,855,305</b>	<b>\$ 2,855,305</b>	<b>\$ 2,903,188</b>	<b>\$ 47,883</b>

**City of Newberg, Oregon**

WATER SYSTEM DEVELOPMENT FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Development fees	\$ 200,000	\$ 200,000	\$ 277,741	\$ 77,741
Special assessments	1,400	1,400	2,597	1,197
Interest	9,800	9,800	8,120	(1,680)
<b>Total revenues</b>	<b>211,200</b>	<b>211,200</b>	<b>288,458</b>	<b>77,258</b>
<u>Expenditures</u>				
Capital projects	25,000	25,000	-	25,000
Debt service:				
Principal	437,361	437,361	437,361	-
Interest	408,308	408,308	408,308	-
Contingency	655,994	546,155	-	546,155
<b>Total expenditures</b>	<b>1,526,663</b>	<b>1,416,824</b>	<b>845,669</b>	<b>571,155</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(1,315,463)</b>	<b>(1,205,624)</b>	<b>(557,211)</b>	<b>648,413</b>
<u>Other financing sources (uses)</u>				
Transfers in	-	22,266	21,939	(327)
Transfers out	(93,000)	(293,000)	(249,507)	43,493
<b>Total other financing sources (uses)</b>	<b>(93,000)</b>	<b>(270,734)</b>	<b>(227,568)</b>	<b>43,166</b>
Net change in fund balances	(1,408,463)	(1,476,358)	(784,779)	691,579
Fund balance, July 1, 2011	1,408,463	1,476,358	1,476,355	(3)
<b>Fund balance, June 30, 2012</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 691,576</b>	<b>\$ 691,576</b>

## City of Newberg, Oregon

### WASTEWATER FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Charges for services	\$ 5,871,500	\$ 5,871,500	\$ 6,484,379	\$ 612,879
Interest	7,000	7,000	15,796	8,796
Other	1,000	14,800	88,878	74,078
<b>Total revenues</b>	<b>5,879,500</b>	<b>5,893,300</b>	<b>6,589,053</b>	<b>695,753</b>
<u>Expenditures</u>				
Plant operations and maintenance	3,998,447	4,008,447	3,260,172	748,275
Debt service:				
Principal	482,245	482,245	482,245	-
Interest	254,632	254,632	254,632	-
Contingency	3,138,371	3,633,791	-	3,633,791
<b>Total expenditures</b>	<b>7,873,695</b>	<b>8,379,115</b>	<b>3,997,049</b>	<b>4,382,066</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(1,994,195)</b>	<b>(2,485,815)</b>	<b>2,592,004</b>	<b>5,077,819</b>
<u>Other financing sources (uses)</u>				
Transfers in	-	19,639	19,639	-
Transfers out	(145,400)	(195,400)	(106,050)	89,350
<b>Total other financing sources (uses)</b>	<b>(145,400)</b>	<b>(175,761)</b>	<b>(86,411)</b>	<b>89,350</b>
Net change in fund balances	(2,139,595)	(2,661,576)	2,505,593	5,167,169
Fund balance, July 1, 2011	2,139,595	2,661,576	2,661,577	1
<b>Fund balance, June 30, 2012</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,167,170</b>	<b>\$ 5,167,170</b>

**City of Newberg, Oregon**

WASTEWATER REPLACEMENT RESERVE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Interest	\$ 4,000	\$ 4,000	\$ 4,985	\$ 985
<b>Total revenues</b>	<b>4,000</b>	<b>4,000</b>	<b>4,985</b>	<b>985</b>
<u>Other financing sources (uses)</u>				
Transfers in	57,500	57,500	57,500	-
<b>Total other financing sources (uses)</b>	<b>57,500</b>	<b>57,500</b>	<b>57,500</b>	<b>-</b>
Net change in fund balances	61,500	61,500	62,485	985
Fund balance, July 1, 2011	1,048,636	1,048,636	1,102,848	54,212
<b>Fund balance, June 30, 2012</b>	<b>\$ 1,110,136</b>	<b>\$ 1,110,136</b>	<b>\$ 1,165,333</b>	<b>\$ 55,197</b>

## City of Newberg, Oregon

### WASTEWATER SYSTEM DEVELOPMENT FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Development fees	\$ 225,000	\$ 225,000	\$ 405,333	\$ 180,333
Assessment installments	1,500	1,500	821	(679)
Interest	5,300	5,300	4,408	(892)
<b>Total revenues</b>	<b>231,800</b>	<b>231,800</b>	<b>410,562</b>	<b>178,762</b>
<u>Expenditures</u>				
Capital projects	25,000	25,000	-	25,000
Debt service:				
Principal	143,538	143,538	143,538	-
Interest	137,934	137,934	137,934	-
Contingency	881,608	978,394	-	978,394
<b>Total expenditures</b>	<b>1,188,080</b>	<b>1,284,866</b>	<b>281,472</b>	<b>1,003,394</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(956,280)</b>	<b>(1,053,066)</b>	<b>129,090</b>	<b>1,182,156</b>
<u>Other financing sources (uses)</u>				
Transfers out	(58,600)	(58,600)	-	58,600
<b>Total other financing sources (uses)</b>	<b>(58,600)</b>	<b>(58,600)</b>	<b>-</b>	<b>58,600</b>
Net change in fund balances	(1,014,880)	(1,111,666)	129,090	1,240,756
Fund balance, July 1, 2011	1,014,880	1,111,666	1,111,666	-
<b>Fund balance, June 30, 2012</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,240,756</b>	<b>\$ 1,240,756</b>

## City of Newberg, Oregon

### WASTEWATER FINANCED CIP FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Expenditures</u>				
Capital projects	\$ 9,626,844	\$ 9,626,844	\$ 1,249,773	\$ 8,377,071
<b>Total expenditures</b>	<b>9,626,844</b>	<b>9,626,844</b>	<b>1,249,773</b>	<b>8,377,071</b>
<u>Other financing sources (uses)</u>				
Financing agreements	9,626,844	9,626,844	869,555	(8,757,289)
<b>Total other financing sources (uses)</b>	<b>9,626,844</b>	<b>9,626,844</b>	<b>869,555</b>	<b>(8,757,289)</b>
Net change in fund balances	-	-	(380,218)	(380,218)
Fund balance, July 1, 2011	-	-	(146,585)	(146,585)
<b>Fund deficit, June 30, 2012</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (526,803)</b>	<b>\$ (526,803)</b>

## City of Newberg, Oregon

### STORMWATER FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Charges for services	\$ 666,500	\$ 666,500	\$ 776,785	\$ 110,285
Interest	3,000	3,000	3,417	417
<b>Total revenues</b>	<b>669,500</b>	<b>669,500</b>	<b>780,202</b>	<b>110,702</b>
<u>Expenditures</u>				
Operation and maintenance	703,981	703,981	590,949	113,032
Contingency	449,421	668,599	-	668,599
<b>Total expenditures</b>	<b>1,153,402</b>	<b>1,372,580</b>	<b>590,949</b>	<b>781,631</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(483,902)</b>	<b>(703,080)</b>	<b>189,253</b>	<b>892,333</b>
<u>Other financing sources (uses)</u>				
Transfers out	(168,500)	(41,500)	(30,051)	11,449
<b>Total other financing sources (uses)</b>	<b>(168,500)</b>	<b>(41,500)</b>	<b>(30,051)</b>	<b>11,449</b>
<b>Net change in fund balances</b>	<b>(652,402)</b>	<b>(744,580)</b>	<b>159,202</b>	<b>903,782</b>
Fund balance, July 1, 2011	652,402	744,580	744,582	2
<b>Fund balance, June 30, 2012</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 903,784</b>	<b>\$ 903,784</b>

**City of Newberg, Oregon**

STORMWATER SYSTEM DEVELOPMENT FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Development fees	\$ 12,000	\$ 12,000	\$ 21,379	\$ 9,379
Assessments	-	-	809	809
Interest	1,500	1,500	2,171	671
<b>Total revenues</b>	<b>13,500</b>	<b>13,500</b>	<b>24,359</b>	<b>10,859</b>
<u>Expenditures</u>				
Capital projects	10,000	10,000	-	10,000
Contingency	303,670	303,670	-	303,670
<b>Total expenditures</b>	<b>313,670</b>	<b>313,670</b>	<b>-</b>	<b>313,670</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(300,170)</b>	<b>(300,170)</b>	<b>24,359</b>	<b>324,529</b>
<u>Other financing sources (uses)</u>				
Transfers out	(93,500)	(93,500)	(76,652)	16,848
<b>Total other financing sources (uses)</b>	<b>(93,500)</b>	<b>(93,500)</b>	<b>(76,652)</b>	<b>16,848</b>
<b>Net change in fund balances</b>	<b>(393,670)</b>	<b>(393,670)</b>	<b>(52,293)</b>	<b>341,377</b>
Fund balance, July 1, 2011	393,670	393,670	401,956	8,286
<b>Fund balance, June 30, 2012</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 349,663</b>	<b>\$ 349,663</b>

**City of Newberg, Oregon**

PROPRIETARY CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Expenditures</u>				
Capital outlay	\$ 1,563,500	\$ 746,500	\$ 377,433	\$ 369,067
<b>Total Expenditures</b>	<b>1,563,500</b>	<b>746,500</b>	<b>377,433</b>	<b>369,067</b>
<u>Other financing sources (uses)</u>				
Transfers in	1,563,500	746,500	377,433	(369,067)
<b>Total other financing sources (uses)</b>	<b>1,563,500</b>	<b>746,500</b>	<b>377,433</b>	<b>(369,067)</b>
Net change in fund balances	-	-	-	-
Fund balance, July 1, 2011	-	-	-	-
<b>Fund balance, June 30, 2012</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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**City of Newberg, Oregon**

EMERGENCY MEDICAL SERVICES FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Charges for services	\$ 1,257,000	\$ 1,257,000	\$ 1,279,851	\$ 22,851
Contributions	20,000	20,000	25,000	5,000
Interest	1,000	1,000	1,361	361
Other	-	-	11,828	11,828
<b>Total revenues</b>	<b>1,278,000</b>	<b>1,278,000</b>	<b>1,318,040</b>	<b>40,040</b>
<u>Expenditures</u>				
Fire	1,367,125	1,367,125	1,259,995	107,130
Contingency	72,517	138,401	-	138,401
<b>Total expenditures</b>	<b>1,439,642</b>	<b>1,505,526</b>	<b>1,259,995</b>	<b>245,531</b>
Excess of expenditures over revenues	(161,642)	(227,526)	58,045	285,571
<u>Other financing sources (uses)</u>				
Transfers out	(20,000)	(168,791)	(168,790)	1
Proceeds from sale of capital assets	-	148,791	148,790	(1)
<b>Total other financing sources (uses)</b>	<b>(20,000)</b>	<b>(20,000)</b>	<b>(20,000)</b>	<b>-</b>
Net change in fund balances	(181,642)	(247,526)	38,045	285,571
Fund balance, July 1, 2011	181,642	247,526	247,528	2
<b>Fund balance, June 30, 2012</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 285,573</b>	<b>\$ 285,573</b>

## City of Newberg

### Proprietary Funds Reconciliation of Revenues and Expenditures (Budgetary Basis) to Revenues and Expenses (Accrual Basis)

For the Year Ended June 30, 2012

Fund	Water		Wastewater	
	Revenues	Expenditures	Revenues	Expenditures
Water	\$ 4,645,971	\$ 3,448,255	\$ -	\$ -
Water Replacement Reserve	12,605	-	-	-
Water System Development	288,458	845,669	-	-
Wastewater	-	-	6,589,053	3,997,049
Wastewater Replacement Reserve	-	-	4,985	-
Wastewater System Development	-	-	410,562	281,472
Wastewater Financed CIP	-	-	-	1,249,773
Stormwater	-	-	-	-
Stormwater System Development	-	-	-	-
Proprietary Capital Projects	-	222,180	-	48,550
Emergency Medical Services	-	-	-	-
Total revenues and expenditures (Budgetary Basis)	4,947,034	4,516,104	7,004,600	5,576,844
<u>Adjustments</u>				
Depreciation	-	1,099,693	-	1,523,617
Contributed capital	-	-	(31,759)	-
Gain on sale of capital assets	-	-	-	-
Principal payments	-	(679,486)	-	(625,783)
Interest accrual	-	(19,010)	-	(13,147)
Assessment receivable collections	(3,505)	-	(820)	-
Expenditures capitalized	-	(174,436)	-	(1,340,090)
Change in compensated absences	-	(21,679)	-	10,641
Other postemployment benefit expense	-	25,407	-	23,571
Total revenues and expenses (Accrual Basis)	4,943,529	4,746,593	6,972,021	5,155,653
Net income (loss) before contributions and transfers		\$ 196,936		\$ 1,816,368

Stormwater		Emergency Medical Services		Totals	
Revenues	Expenditures	Revenues	Expenditures	Revenues	Expenditures
\$ -	\$ -	\$ -	\$ -	\$ 4,645,971	\$ 3,448,255
-	-	-	-	12,605	-
-	-	-	-	288,458	845,669
-	-	-	-	6,589,053	3,997,049
-	-	-	-	4,985	-
-	-	-	-	410,562	281,472
-	-	-	-	-	1,249,773
780,202	590,949	-	-	780,202	590,949
24,359	-	-	-	24,359	-
-	106,703	-	-	-	377,433
-	-	1,318,040	1,259,995	1,318,040	1,259,995
804,561	697,652	1,318,040	1,259,995	14,074,235	12,050,595
-	278,293	-	82,460	-	2,984,063
-	-	(26,500)	-	(58,259)	-
-	-	32,856	-	32,856	-
-	-	-	-	-	(1,305,269)
-	-	-	-	-	(32,157)
(809)	-	-	-	(5,134)	-
-	(90,178)	-	(5,196)	-	(1,609,900)
-	5,444	-	(2,675)	-	(8,269)
-	6,509	-	10,381	-	65,868
803,752	897,720	1,324,396	1,344,965	14,043,698	12,144,931
	\$ (93,968)		\$ (20,569)		\$ 1,898,767

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## **INTERNAL SERVICE FUNDS**

- Combining Statement of Net Assets
- Combining Statement of Revenues, Expenses and Change in Fund Net Assets
- Combining Statement of Cash Flows

### Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

- Administrative Support Services
- Vehicle/Equipment Replacement

### Reconciliation of Revenues and Expenditures (Budgetary Basis) to Revenues and Expenses (Accrual Basis)

**City of Newberg, Oregon**

INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET ASSETS

June 30, 2012

	<u>Administrative Support Services</u>	<u>Vehicle/ Equipment Replacement</u>	<u>Totals</u>
<b><u>ASSETS</u></b>			
<b><u>Current assets</u></b>			
Cash and investments	\$ 949,995	\$ 1,582,467	\$ 2,532,462
Accounts and other receivables	440	-	440
Inventory	33,583	-	33,583
<b>Total current assets</b>	<b>984,018</b>	<b>1,582,467</b>	<b>2,566,485</b>
<b><u>Noncurrent assets</u></b>			
Capital assets, net of depreciation	226,366	853,650	1,080,016
<b>Total noncurrent assets</b>	<b>226,366</b>	<b>853,650</b>	<b>1,080,016</b>
<b>Total assets</b>	<b>1,210,384</b>	<b>2,436,117</b>	<b>3,646,501</b>
<b><u>LIABILITIES</u></b>			
<b><u>Current liabilities</u></b>			
Accounts payable	97,146	3,722	100,868
Payroll payables	280,952	-	280,952
Compensated absences	227,048	-	227,048
Current portion of capital leases payable	-	117,686	117,686
<b>Total current liabilities</b>	<b>605,146</b>	<b>121,408</b>	<b>726,554</b>
<b><u>Long-term obligations</u></b>			
Capital leases payable net of current portion	-	164,087	164,087
Other postemployment benefits obligation	158,780	-	158,780
<b>Total long-term obligations</b>	<b>158,780</b>	<b>164,087</b>	<b>322,867</b>
<b>Total liabilities</b>	<b>763,926</b>	<b>285,495</b>	<b>1,049,421</b>
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	226,366	571,877	798,243
Unrestricted	220,092	1,578,745	1,798,837
<b>Total net assets</b>	<b>\$ 446,458</b>	<b>\$ 2,150,622</b>	<b>\$ 2,597,080</b>

## City of Newberg, Oregon

### INTERNAL SERVICE FUNDS COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

For the Year Ended June 30, 2012

	<u>Administrative Support Services</u>	<u>Vehicle/ Equipment Replacement</u>	<u>Totals</u>
<u>Operating revenues</u>			
Charges for services	\$ 3,046,063	\$ 320,164	\$ 3,366,227
Other operating revenues	48,011	-	48,011
<b>Total operating revenues</b>	<b>3,094,074</b>	<b>320,164</b>	<b>3,414,238</b>
<u>Operating expenses</u>			
Personal services	1,946,715	-	1,946,715
Materials and services	960,209	66,811	1,027,020
Depreciation	106,184	192,680	298,864
<b>Total operating expenses</b>	<b>3,013,108</b>	<b>259,491</b>	<b>3,272,599</b>
<b>Operating income (loss)</b>	<b>80,966</b>	<b>60,673</b>	<b>141,639</b>
<u>Nonoperating revenues (expenses)</u>			
Interest revenue	4,168	6,761	10,929
Interest expense	(3,291)	(3,827)	(7,118)
Gain on sale of assets	-	80,968	80,968
<b>Total nonoperating revenues (expenses)</b>	<b>877</b>	<b>83,902</b>	<b>84,779</b>
<b>Change in net assets</b>	<b>81,843</b>	<b>144,575</b>	<b>226,418</b>
<b>Total net assets, July 1, 2011</b>	<b>364,615</b>	<b>2,006,047</b>	<b>2,370,662</b>
<b>Total net assets, June 30, 2012</b>	<b>\$ 446,458</b>	<b>\$ 2,150,622</b>	<b>\$ 2,597,080</b>

## City of Newberg, Oregon

### INTERNAL SERVICE FUNDS COMBINING STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2012

	<u>Administrative Support Services</u>	<u>Vehicle/ Equipment Replacement</u>	<u>Totals</u>
<u>Cash flows from operating activities</u>			
Cash received from other funds	\$ 3,046,195	\$ 320,164	\$ 3,366,359
Cash paid to suppliers	(957,109)	(65,369)	(1,022,478)
Cash paid to employees	(1,907,786)	-	(1,907,786)
Other receipts	48,011	-	48,011
<b>Net cash provided by operating activities</b>	<b>229,311</b>	<b>254,795</b>	<b>484,106</b>
<u>Cash flows from capital and related financing activities</u>			
Loan principal payments	(68,192)	(156,508)	(224,700)
Loan interest payments	(6,438)	(3,826)	(10,264)
Proceeds from the sale of capital assets	-	46,071	46,071
Purchase of capital assets	(37,312)	(51,340)	(88,652)
<b>Net cash (used in) capital and related financing activities</b>	<b>(111,942)</b>	<b>(165,603)</b>	<b>(277,545)</b>
<u>Cash flows from investing activities</u>			
Interest received on investments	4,168	6,761	10,929
<b>Net cash provided by investing activities</b>	<b>4,168</b>	<b>6,761</b>	<b>10,929</b>
Net increase in cash	121,537	95,953	217,490
Cash and investments, July 1, 2011	828,458	1,486,514	2,314,972
<b>Cash and investments, June 30, 2012</b>	<b>\$ 949,995</b>	<b>\$ 1,582,467</b>	<b>\$ 2,532,462</b>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 80,966	\$ 60,673	\$ 141,639
<u>Adjustments to reconcile operating income to net cash provided by operating activities:</u>			
Depreciation	106,184	192,680	298,864
Decrease in accounts receivable	132	-	132
Increase in inventory	(6,419)	-	(6,419)
Increase in accounts payable	48,448	1,442	49,890
<b>Net cash provided by operating activities</b>	<b>\$ 229,311</b>	<b>\$ 254,795</b>	<b>\$ 484,106</b>
<u>Noncash capital activities</u>			
Borrowing under capital lease	\$ -	\$ 422,928	\$ 422,928

## City of Newberg, Oregon

### ADMINISTRATIVE SUPPORT SERVICES FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Internal service charges	\$ 3,189,008	\$ 3,189,008	\$ 3,031,464	\$ (157,544)
Charges for services	44,700	44,700	14,249	(30,451)
Other	1,350	1,350	48,361	47,011
Interest	4,000	4,000	4,168	168
<b>Total revenues</b>	<b>3,239,058</b>	<b>3,239,058</b>	<b>3,098,242</b>	<b>(140,816)</b>
<u>Expenditures</u>				
Departmental:				
City Manager	498,863	498,863	465,636	33,227
Finance	759,446	762,446	686,026	76,420
General Office	245,000	245,000	221,562	23,438
Information Services	540,703	540,703	473,790	66,913
Legal	438,608	444,608	430,825	13,783
Public Works	541,464	541,464	496,896	44,568
Insurance	249,924	249,924	214,363	35,561
Contingency	334,549	452,825	-	452,825
<b>Total expenditures</b>	<b>3,608,557</b>	<b>3,735,833</b>	<b>2,989,098</b>	<b>746,735</b>
Net change in fund balances	(369,499)	(496,775)	109,144	605,919
Fund balance, July 1, 2011	369,499	496,775	496,773	(2)
<b>Fund balance, June 30, 2012</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 605,917</b>	<b>\$ 605,917</b>

## City of Newberg, Oregon

### VEHICLE/EQUIPMENT REPLACEMENT FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Equipment replacement charges	\$ 310,164	\$ 320,164	\$ 320,164	\$ -
Interest	5,000	5,000	6,761	1,761
<b>Total revenues</b>	<b>315,164</b>	<b>325,164</b>	<b>326,925</b>	<b>1,761</b>
<u>Expenditures</u>				
Departmental:				
Finance	4,400	4,400	2,396	2,004
Information Technology	10,539	10,539	4,178	6,361
Police	92,319	175,420	130,308	45,112
Fire	4,400	4,400	4,400	-
Communications	15,000	15,000	-	15,000
Building Inspection	11,000	11,000	11,000	-
Public Works	229,200	581,075	546,881	34,194
Facilities Repair/Maintenance	30,000	30,000	2,250	27,750
Contingency	1,325,118	1,402,540	-	1,402,540
<b>Total expenditures</b>	<b>1,721,976</b>	<b>2,234,374</b>	<b>701,413</b>	<b>1,532,961</b>
<b>Excess of expenditures over (under) revenues</b>	<b>(1,406,812)</b>	<b>(1,909,210)</b>	<b>(374,488)</b>	<b>1,534,722</b>
<u>Other financing sources</u>				
Lease proceeds	-	424,976	422,928	(2,048)
Sale of capital assets	-	-	46,071	46,071
<b>Total other financing sources</b>	<b>-</b>	<b>424,976</b>	<b>468,999</b>	<b>44,023</b>
<b>Net change in fund balances</b>	<b>(1,406,812)</b>	<b>(1,484,234)</b>	<b>94,511</b>	<b>1,578,745</b>
Fund balance, July 1, 2011	1,406,812	1,484,234	1,484,233	(1)
<b>Fund balance, June 30, 2012</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,578,744</b>	<b>\$ 1,578,744</b>

## City of Newberg, Oregon

### Internal Service Funds Reconciliation of Revenues and Expenditures (Budgetary Basis) to Revenues and Expenses (Accrual Basis)

For the Year Ended June 30, 2012

Fund	Administrative Support Services		Equipment Replacement		Totals	
	Revenues	Expenditures	Revenues	Expenditures	Revenues	Expenditures
Administrative Support Services	\$ 3,098,242	\$ 2,989,098	\$ -	\$ -	\$ 3,098,242	\$ 2,989,098
Vehicle/Equipment Replacement	-	-	326,925	701,413	326,925	701,413
Total revenues and expenditures (Budgetary Basis)	3,098,242	2,989,098	326,925	701,413	3,425,167	3,690,511
<b>Adjustments</b>						
Depreciation	-	106,184	-	192,680	-	298,864
Expenditures capitalized	-	(37,314)	-	(51,340)	-	(88,654)
Change in compensated absences	-	19	-	-	-	19
Other postemployment benefit expense	-	29,751	-	-	-	29,751
Expenditure of capital lease proceeds	-	-	-	(422,928)	-	(422,928)
Payment of capital lease principal	-	(71,339)	-	(156,507)	-	(227,846)
Gain on disposition of capital assets	-	-	80,968	-	80,968	-
Total revenues and expenses (Accrual Basis)	3,098,242	3,016,399	407,893	263,318	3,506,135	3,279,717
Net income		\$ 81,843		\$ 144,575		\$ 226,418

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## **AGENCY FUND**

### Statement of Changes in Assets and Liabilities

- Bail Fund

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# City of Newberg, Oregon

## AGENCY FUND - BAIL STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

For the Year Ended June 30, 2012

	Balances			Balances
<u>ASSETS</u>	7/1/2011	Additions	Deductions	6/30/2012
Cash and investments	\$ 53,953	\$ 903,883	\$ 895,681	\$ 62,155
 <u>LIABILITIES</u>				
Accounts payable	\$ 7,464	\$ 138,429	\$ 133,605	\$ 12,288
Funds held in trust	46,489	765,454	762,076	49,867
Total liabilities	\$ 53,953	\$ 903,883	\$ 895,681	\$ 62,155

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## **OTHER INFORMATION**

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## **Capital Assets Used in the Operation of Governmental Funds**

- Schedule by Source
- Schedule by Function
- Schedule of Changes by Function and Activity

## City of Newberg, Oregon

### CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS SCHEDULE BY SOURCE (1)

June 30, 2012

Governmental funds capital assets:

Land	\$ 1,123,292
Right of way	26,741,412
Buildings and improvements	10,298,772
Equipment	4,598,774
Construction in progress	1,384,301
Infrastructure	<u>66,201,746</u>
Total governmental funds capital assets	<u><u>\$ 110,348,297</u></u>

Balance, July 1, 1990 (2) \$ 3,629,903

Investments in governmental funds capital assets by fund or source:

General Fund	9,472,089
State Tax Street Fund	457,397
Fire & EMS Equipment Fee	1,567,350
911 Emergency Fund	131,399
Building Inspection Fund	81,556
Vehicle/Equipment Fund	309,590
Public Safety Fee Fund	27,447
Civil Forfeiture Fund	233,632
City Hall Bond Fund	10,920
Street System Development Fund	6,420,798
Cable TV Fund	94,013
Economic Development Fund	41,299
Gifts and Donations	<u>87,870,904</u>
Total governmental funds capital assets	<u><u>\$ 110,348,297</u></u>

(1) This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets in internal service funds are included as governmental activities in the statement of net assets.

(2) Information by fund is not available for capital assets acquired prior to July 1, 1990.

**City of Newberg, Oregon**

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE BY FUNCTION AND ACTIVITY**

June 30, 2012

Function and Activity	Land	Buildings and Improvements	Equipment	Construction in Progress	Infrastructure (1)	Totals
General government	\$ 832,962	\$ 3,573,728	\$ 198,029	\$ -	\$ -	\$ 4,604,719
Public safety	79,959	5,132,753	2,915,982	1,362,096	-	9,490,790
Library	105,471	1,586,276	1,175,881	-	-	2,867,628
Community development	104,900	6,015	308,882	22,205	92,943,158	93,385,160
Total governmental capital assets	\$ <u>1,123,292</u>	\$ <u>10,298,772</u>	\$ <u>4,598,774</u>	\$ <u>1,384,301</u>	\$ <u>92,943,158</u>	\$ <u>110,348,297</u>

(1) Includes value of right of way

## City of Newberg, Oregon

### CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY

For the Year Ended June 30, 2012

<u>Function and Activity</u>	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balances</u>
General government	\$ 4,583,871	\$ 20,848	\$ -	\$ 4,604,719
Public safety	8,213,119	1,277,671	-	9,490,790
Library	2,731,571	136,057	-	2,867,628
Community development	<u>92,685,629</u>	<u>699,531</u>	<u>-</u>	<u>93,385,160</u>
Total governmental capital assets	<u>\$ 108,214,190</u>	<u>\$ 2,134,107</u>	<u>\$ -</u>	<u>\$ 110,348,297</u>

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## **Other Financial Schedules**

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- Schedule of Property Tax Transactions and Outstanding Balances
- Schedule of Bond Principal Transactions
- Schedule of Bond Interest Transactions
- Schedule of Future Debt Service Requirements
  - ❖ General Obligation Bonds
  - ❖ Pension Obligation Bonds
  - ❖ Certificates of Participation
  - ❖ Water Notes
  - ❖ Wastewater Notes

City of Newberg, Oregon

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES

For the Year Ended June 30, 2012

Levy Year	Taxes Uncollected July 1, 2011	Levy As Extended By Assessor	Discounts Allowed	Interest Received	Cancellations and Adjustments	Interest and Tax Collected	Taxes Uncollected June 30, 2012
2011-12	\$ -	\$ 7,023,545	\$ (171,799)	\$ 4,739	\$ (33,105)	\$ (6,510,576)	\$ 312,804
2010-11	341,784	-	-	13,019	(34,193)	(141,432)	179,178
2009-10	140,853	-	-	13,236	19,448	(80,991)	92,546
2008-09	66,954	-	-	13,143	(1,057)	(51,943)	27,097
2007-08	26,349	-	-	6,221	(280)	(22,047)	10,243
Prior to 2007	34,989	-	-	2,951	(236)	(7,288)	30,416
<b>Totals</b>	<b>\$ 610,929</b>	<b>\$ 7,023,545</b>	<b>\$ (171,799)</b>	<b>\$ 53,309</b>	<b>\$ (49,423)</b>	<b>\$ (6,814,277)</b>	<b>\$ 652,284</b>

Fund	Revenue		Total	Receivable June 30, 2012
	Current Levy	Prior Years and Adjustments		
General	\$ 6,110,175	\$ 282,900	\$ 6,393,075	\$ 609,259
Debt Service	400,401	20,801	421,202	43,025
<b>Totals</b>	<b>\$ 6,510,576</b>	<b>\$ 303,701</b>	<b>\$ 6,814,277</b>	<b>\$ 652,284</b>

**City of Newberg, Oregon**

**SCHEDULE OF BOND PRINCIPAL TRANSACTIONS**

For the Year Ended June 30, 2012

	Original Issue		Transactions				Outstanding		
	Rate	Date	Amount	July 1, 2011	Issued	Matured	Paid	July 1, 2011	June 30, 2012
<b>Governmental Activities</b>									
Long-term bonded debt									
<u>General Obligation Bonds</u>									
Police Building 1997A	3.70-5.50%	6/1/1997	\$ 2,950,000	\$ 1,030,000	\$ -	\$ 180,000	\$ 180,000	\$ -	\$ 850,000
Fire Facilities 1998A	4.00-5.10%	3/25/1998	2,395,000	915,000	-	135,000	135,000	-	780,000
City Hall COPs 1999A	4.00-5.35%	11/10/1999	3,550,000	1,780,000	-	160,000	160,000	-	1,620,000
Subtotal general obligation bonds			8,895,000	3,725,000	-	475,000	475,000	-	3,250,000
<u>Limited Tax Bonds</u>									
Pension Obligation Bonds 2004	4.60-6.09%	5/11/2004	2,720,000	2,665,000	-	35,000	35,000	-	2,630,000
Total long-term bonded debt-governmental activities			11,615,000	6,390,000	-	510,000	510,000	-	5,880,000
<b>Total long-term bonded debt</b>			\$ 11,615,000	\$ 6,390,000	\$ -	\$ 510,000	\$ 510,000	\$ -	\$ 5,880,000

**City of Newberg, Oregon**

**SCHEDULE OF BOND INTEREST TRANSACTIONS**

For the Year Ended June 30, 2012

	Issue Date	Outstanding July 1, 2011		Total	Transactions July 1, 2011 to June 30, 2012				Outstanding June 30, 2012	
		Matured	Unmatured		Issued	Matured	Paid	Matured	Unmatured	Totals
<b>Governmental Activities</b>										
<b>Long-term bonded debt</b>										
<b>General Obligation Bonds</b>										
Police Building 1997A	6/1/1997	\$ -	\$ 147,393	\$ 147,393	\$ -	\$ 50,095	\$ 50,095	\$ -	\$ 97,298	\$ 97,298
Fire Facilities 1998A	3/25/1998	-	169,209	169,209	-	46,254	46,254	-	122,955	122,955
City Hall COPs 1999A	11/10/1999	-	492,423	492,423	-	95,075	95,075	-	397,348	397,348
Subtotal general obligation bonds			809,025	809,025	-	191,424	191,424	-	617,601	617,601
<b>Limited Tax Bonds</b>										
Pension Obligation Bonds 2004	5/11/2004	-	1,863,780	1,863,780	-	159,890	159,890	-	1,703,890	1,703,890
Total long-term bonded debt-governmental activities			2,672,805	2,672,805	-	351,314	351,314	-	2,321,491	2,321,491
Total long-term bonded debt			\$ 2,672,805	\$ 2,672,805	\$ -	\$ 351,314	\$ 351,314	\$ -	\$ 2,321,491	\$ 2,321,491

**City of Newberg, Oregon**

SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS OF  
GENERAL OBLIGATION BONDS

June 30, 2012

Year of Maturity	Total Requirements			Series 1997 A		Series 1998A	
	Principal	Interest	Total	Principal	Interest	Principal	Interest
2012-2013	\$ 330,000	\$ 79,997	\$ 409,997	\$ 190,000	\$ 40,428	\$ 140,000	\$ 39,569
2013-2014	350,000	62,780	412,780	200,000	30,140	150,000	32,640
2014-2015	370,000	44,025	414,025	215,000	19,035	155,000	24,990
2015-2016	390,000	24,241	414,241	225,000	7,155	165,000	17,086
2016-2017	190,000	9,210	199,210	20,000	540	170,000	8,670
	<u>\$ 1,630,000</u>	<u>\$ 220,253</u>	<u>\$ 1,850,253</u>	<u>\$ 850,000</u>	<u>\$ 97,298</u>	<u>\$ 780,000</u>	<u>\$ 122,955</u>

**City of Newberg, Oregon**

SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS OF  
PENSION OBLIGATION BONDS

June 30, 2012

Year of Maturity	Total Requirements			Pension Obligation Bonds	
	Principal	Interest	Total	Principal	Interest
2012-2013	\$ 45,000	\$ 158,052	\$ 203,052	\$ 45,000	\$ 158,052
2013-2014	55,000	155,646	210,646	55,000	155,646
2014-2015	70,000	152,582	222,582	70,000	152,582
2015-2016	80,000	148,612	228,612	80,000	148,612
2016-2017	95,000	143,994	238,994	95,000	143,994
2017-2018	110,000	138,418	248,418	110,000	138,418
2018-2019	130,000	131,882	261,882	130,000	131,882
2019-2020	150,000	124,062	274,062	150,000	124,062
2020-2021	170,000	115,040	285,040	170,000	115,040
2021-2022	190,000	104,814	294,814	190,000	104,814
2022-2023	215,000	93,386	308,386	215,000	93,386
2023-2024	240,000	80,454	320,454	240,000	80,454
2024-2025	270,000	65,826	335,826	270,000	65,826
2025-2026	300,000	49,370	349,370	300,000	49,370
2026-2027	335,000	31,084	366,084	335,000	31,084
2027-2028	175,000	10,668	185,668	175,000	10,668
	<u>\$ 2,630,000</u>	<u>\$ 1,703,890</u>	<u>\$ 4,333,890</u>	<u>\$ 2,630,000</u>	<u>\$ 1,703,890</u>

**City of Newberg, Oregon**

SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS OF  
CERTIFICATES OF PARTICIPATION

June 30, 2012

Year of Maturity	Total Requirements			Certificates of Participation	
	Principal	Interest	Total	Principal	Interest
2012-2013	\$ 165,000	\$ 86,543	\$ 251,543	\$ 165,000	\$ 86,543
2013-2014	175,000	77,445	252,445	175,000	77,445
2014-2015	185,000	67,725	252,725	185,000	67,725
2015-2016	195,000	57,465	252,465	195,000	57,465
2016-2017	205,000	46,255	251,255	205,000	46,255
2017-2018	220,000	33,930	253,930	220,000	33,930
2018-2019	230,000	20,880	250,880	230,000	20,880
2019-2020	245,000	7,105	252,105	245,000	7,105
	<u>\$ 1,620,000</u>	<u>\$ 397,348</u>	<u>\$ 2,017,348</u>	<u>\$ 1,620,000</u>	<u>\$ 397,348</u>

**City of Newberg, Oregon**

SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS OF  
WATER FUND NOTES

June 30, 2012

Year of Maturity	Total Requirements			Fernwood Rd. Improvements Business Oregon B98006		Water Reservoir Business Oregon K02006	
	Principal	Interest	Total	Principal	Interest	Principal	Interest
2012-2013	\$ 708,378	\$ 550,489	\$ 1,258,867	\$ 21,051	\$ 6,992	\$ 222,608	\$ 131,614
2013-2014	734,452	522,955	1,257,407	21,224	5,971	229,018	123,267
2014-2015	758,886	494,047	1,252,933	23,156	4,930	235,540	114,335
2015-2016	791,887	463,484	1,255,371	23,347	3,796	247,161	104,913
2016-2017	828,267	431,328	1,259,595	25,302	2,629	258,890	94,780
2017-2018	863,567	397,297	1,260,864	27,267	1,363	270,755	83,777
2018-2019	869,921	361,465	1,231,386	-	-	282,757	71,931
2019-2020	910,261	324,993	1,235,254	-	-	294,906	59,207
2020-2021	946,068	285,633	1,231,701	-	-	307,202	45,642
2021-2022	987,182	244,591	1,231,773	-	-	319,655	31,203
2022-2023	1,033,887	200,140	1,234,027	-	-	337,251	16,019
2023-2024	727,335	153,577	880,912	-	-	-	-
2024-2025	756,711	122,696	879,407	-	-	-	-
2025-2026	788,001	88,736	876,737	-	-	-	-
2026-2027	825,987	53,010	878,997	-	-	-	-
2027-2028	159,509	15,926	-	-	-	-	-
2028-2029	167,237	7,553	-	-	-	-	-
	<u>\$ 12,857,536</u>	<u>\$ 4,717,919</u>	<u>\$ 17,575,455</u>	<u>\$ 141,347</u>	<u>\$ 25,681</u>	<u>\$ 3,005,743</u>	<u>\$ 876,688</u>

Water Treatment Plant Expansion Business Oregon K05007		Parallel River Line Business Oregon B06001		Effluent Reuse Business Oregon B07007	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 271,575	\$ 229,989	\$ 108,458	\$ 91,299	\$ 84,686	\$ 90,595
283,438	219,126	114,197	86,960	86,575	87,631
295,375	207,789	114,964	82,392	89,851	84,601
307,390	195,974	120,763	77,794	93,226	81,007
319,486	183,678	126,593	72,963	97,996	77,278
331,665	170,899	132,457	67,900	101,423	73,358
343,932	157,632	138,355	62,601	104,877	69,301
361,289	143,875	144,290	57,067	109,776	64,844
373,817	128,972	150,292	51,115	114,757	59,904
391,497	113,271	156,354	44,803	119,676	55,314
409,324	96,633	162,474	38,158	124,838	49,330
427,270	79,236	168,642	31,253	131,423	43,088
445,378	60,864	174,873	24,001	136,460	37,831
463,675	41,378	181,180	16,350	143,146	31,008
482,117	21,093	192,544	8,424	151,326	23,493
-	-	-	-	159,509	15,926
-	-	-	-	167,237	7,553
<u>\$ 5,507,228</u>	<u>\$ 2,050,409</u>	<u>\$ 2,186,436</u>	<u>\$ 813,080</u>	<u>\$ 2,016,782</u>	<u>\$ 952,061</u>

**City of Newberg, Oregon**

SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS OF  
WASTEWATER FUND NOTES

June 30, 2012

Year of Maturity	Total Requirements			Fernwood Rd. Improvements Business Oregon B98006		Composter Improvements Business Oregon G04002	
	Principal	Interest	Total	Principal	Interest	Principal	Interest
2012-2013	\$ 643,845	\$ 369,858	\$ 1,013,703	\$ 39,095	\$ 12,984	\$ 187,363	\$ 60,088
2013-2014	660,342	345,210	1,005,552	39,415	11,088	198,536	53,296
2014-2015	678,887	319,601	998,488	43,004	9,157	204,810	45,752
2015-2016	694,578	291,672	986,250	43,360	7,050	211,203	37,559
2016-2017	722,296	263,069	985,365	46,990	4,882	222,651	29,111
2017-2018	741,570	233,098	974,668	50,642	2,532	229,194	19,982
2018-2019	711,726	202,085	913,811	-	-	240,840	10,356
2019-2020	290,867	171,812	462,679	-	-	-	-
2020-2021	304,065	158,723	462,788	-	-	-	-
2021-2022	317,099	146,561	463,660	-	-	-	-
2022-2023	330,776	130,706	461,482	-	-	-	-
2023-2024	348,222	114,167	462,389	-	-	-	-
2024-2025	361,570	100,238	461,808	-	-	-	-
2025-2026	379,286	82,160	461,446	-	-	-	-
2026-2027	400,958	62,247	463,205	-	-	-	-
2027-2028	422,640	42,199	-	-	-	-	-
2028-2029	445,273	20,011	-	-	-	-	-
	<u>\$ 8,454,000</u>	<u>\$ 3,053,418</u>	<u>\$ 11,507,418</u>	<u>\$ 262,506</u>	<u>\$ 47,693</u>	<u>\$ 1,494,597</u>	<u>\$ 256,144</u>

Effluent Reuse Business Oregon B07007		WTP Land Expansion US Bank Note	
Principal	Interest	Principal	Interest
\$ 224,387	\$ 240,044	\$ 193,000	\$ 56,742
229,391	232,190	193,000	48,636
238,073	224,162	193,000	40,530
247,015	214,639	193,000	32,424
259,655	204,758	193,000	24,318
268,734	194,372	193,000	16,212
277,886	183,623	193,000	8,106
290,867	171,812	-	-
304,065	158,723	-	-
317,099	146,561	-	-
330,776	130,706	-	-
348,222	114,167	-	-
361,570	100,238	-	-
379,286	82,160	-	-
400,958	62,247	-	-
422,640	42,199	-	-
445,273	20,011	-	-
<u>\$ 5,345,897</u>	<u>\$ 2,522,613</u>	<u>\$ 1,351,000</u>	<u>\$ 226,968</u>

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***STATISTICAL SECTION***

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## STATISTICAL SECTION

This part of the City of Newberg's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial health.

<b>Contents</b>	<b>Page</b>
Financial Trends	
These schedules contain trend information to help the reader understand how financial performance has changed over time.	130
Revenue Capacity	
These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.	140
Debt Capacity	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	144
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	148
Operating Information	
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	150

**City of Newberg, Oregon**

NET ASSETS BY COMPONENT

Last Ten Fiscal Years  
(Accrual basis of accounting)

	Fiscal Year				
	2003	2004	2005	2006	2007
Governmental Activities:					
Invested in capital assets, net of related debt	\$ 55,024,046	\$ 57,961,278	\$ 62,507,506	\$ 64,371,510	\$ 67,672,350
Restricted	410,414	3,278,182	5,367,408	4,436,608	4,233,576
Unrestricted	<u>7,068,657</u>	<u>5,689,512</u>	<u>5,036,514</u>	<u>7,272,026</u>	<u>7,266,261</u>
Total governmental activities net assets	<u>62,503,117</u>	<u>66,928,972</u>	<u>72,911,428</u>	<u>76,080,144</u>	<u>79,172,187</u>
Business-type activities					
Invested in capital assets, net of related debt	32,991,775	36,460,330	41,745,450	43,656,374	45,105,607
Restricted	2,751,899	2,300,432	4,062,704	5,492,742	4,591,073
Unrestricted	<u>5,825,370</u>	<u>5,567,312</u>	<u>4,447,591</u>	<u>5,312,642</u>	<u>7,260,797</u>
Total business-type activities net of related debt	<u>41,569,044</u>	<u>44,328,074</u>	<u>50,255,745</u>	<u>54,461,758</u>	<u>56,957,477</u>
Total government					
Invested in capital assets, net of related debt	88,015,821	94,421,608	104,252,956	108,027,884	112,777,957
Restricted	3,162,313	5,578,614	9,430,112	9,929,350	8,824,649
Unrestricted	<u>12,894,027</u>	<u>11,256,824</u>	<u>9,484,105</u>	<u>12,584,668</u>	<u>14,527,058</u>
Total government net assets	<u>\$ 104,072,161</u>	<u>\$ 111,257,046</u>	<u>\$ 123,167,173</u>	<u>\$ 130,541,902</u>	<u>\$ 136,129,664</u>

Fiscal Year				
2008	2009	2010	2011	2012
\$ 72,603,995	\$ 72,529,510	\$ 71,760,718	\$ 71,853,007	\$ 72,772,287
2,006,127	2,470,899	2,346,040	4,552,371	4,027,009
7,857,930	7,035,935	6,110,359	4,089,120	4,119,630
<u>82,468,052</u>	<u>82,036,344</u>	<u>80,217,117</u>	<u>80,494,498</u>	<u>80,918,926</u>
47,357,341	46,588,143	46,663,993	46,835,580	46,213,627
4,650,163	4,432,518	3,680,309	2,989,978	2,281,995
7,359,300	8,955,775	8,735,201	9,836,775	13,214,045
<u>59,366,804</u>	<u>59,976,436</u>	<u>59,079,503</u>	<u>59,662,333</u>	<u>61,709,667</u>
119,961,336	119,117,653	118,424,711	118,688,587	118,985,914
6,656,290	6,903,417	6,026,349	7,542,349	6,309,004
15,217,230	15,991,710	14,845,560	13,925,895	17,333,675
<u>\$ 141,834,856</u>	<u>\$ 142,012,780</u>	<u>\$ 139,296,620</u>	<u>\$ 140,156,831</u>	<u>\$ 142,628,593</u>

**City of Newberg, Oregon**

CHANGES IN NET ASSETS

Last Ten Fiscal Years  
(Accrual basis of accounting )

Expenses	Fiscal Year			
	2003	2004	2005	2006
<b>Governmental activities:</b>				
General government	\$ 859,298	\$ 236,381	\$ 495,391	\$ 320,034
Public safety	4,894,345	5,243,806	5,983,498	6,691,313
Library	802,789	888,410	905,540	968,909
Community development	2,750,100	2,856,854	3,208,718	3,601,767
Interest on long-term debt	410,163	389,058	507,275	491,884
Total governmental activities expenses	<u>9,716,695</u>	<u>9,614,509</u>	<u>11,100,422</u>	<u>12,073,907</u>
<b>Business-type activities:</b>				
Water	2,719,002	2,596,790	2,750,422	3,022,835
Wastewater	2,865,451	3,111,868	3,332,035	3,770,677
Stormwater	253,954	407,727	489,765	647,816
EMS	838,255	891,721	910,642	1,013,918
Total business-type activities expenses	<u>6,676,662</u>	<u>7,008,106</u>	<u>7,482,864</u>	<u>8,455,246</u>
Total government expenses	<u>\$ 16,393,357</u>	<u>\$ 16,622,615</u>	<u>\$ 18,583,286</u>	<u>\$ 20,529,153</u>
<b>Program Revenues</b>				
<b>Governmental activities:</b>				
Charges for services:				
General government	171,367	196,013	249,321	331,698
Public safety	771,908	873,944	964,322	1,253,382
Library	55,349	70,383	74,742	84,773
Community development	1,293,959	2,474,114	2,517,038	2,808,623
Operating grants and contributions	810,179	941,905	1,469,706	1,038,865
Capital grants and contributions	1,074,623	3,542,573	5,505,479	2,399,887
Total governmental activities program revenues	<u>4,177,385</u>	<u>8,098,932</u>	<u>10,780,608</u>	<u>7,917,228</u>
<b>Business-type activities:</b>				
Charges for services:				
Water	2,552,777	2,560,454	2,861,760	3,404,298
Wastewater	2,820,868	2,896,771	3,171,087	3,319,878
Stormwater	14,892	206,645	371,927	451,004
EMS	891,187	770,910	916,251	955,266
Operating grants and contributions	-	30,000	25,000	30,000
Capital grants and contributions	82,175	3,242,788	5,806,412	4,384,180
Total business-type activities program revenues	<u>6,361,899</u>	<u>9,707,568</u>	<u>13,152,437</u>	<u>12,544,626</u>
Total government program revenues	<u>\$ 10,539,284</u>	<u>\$ 17,806,500</u>	<u>\$ 23,933,045</u>	<u>\$ 20,461,854</u>

Continued on page 133

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 303,579	\$ 1,077,399	\$ 331,085	\$ 361,813	\$ 417,234	\$ 411,536
7,346,785	7,977,491	8,710,044	9,086,595	9,683,875	9,871,835
1,015,473	1,154,371	1,205,124	1,183,292	1,186,342	1,183,478
3,861,815	3,934,145	4,529,013	4,085,772	3,608,329	3,324,353
475,087	460,474	430,164	404,098	378,151	353,888
<u>13,002,739</u>	<u>14,603,880</u>	<u>15,205,430</u>	<u>15,121,570</u>	<u>15,273,931</u>	<u>15,145,090</u>
3,289,427	4,013,132	4,744,738	4,739,890	4,707,573	4,742,088
4,126,276	3,906,244	4,388,208	5,682,979	5,294,525	5,150,703
619,231	704,911	865,427	952,843	912,775	896,620
1,110,099	1,170,262	1,254,774	1,270,558	1,359,094	1,345,821
<u>9,145,033</u>	<u>9,794,549</u>	<u>11,253,147</u>	<u>12,646,270</u>	<u>12,273,967</u>	<u>12,135,232</u>
<u>\$ 22,147,772</u>	<u>\$ 24,398,429</u>	<u>\$ 26,458,577</u>	<u>\$ 27,767,840</u>	<u>\$ 27,547,898</u>	<u>\$ 27,280,322</u>
188,191	186,422	203,234	197,832	203,527	184,110
1,540,530	1,697,790	1,635,102	1,885,978	1,927,700	1,880,349
87,283	97,830	109,555	110,247	121,091	104,548
1,549,290	2,441,559	1,353,248	891,764	909,194	1,258,592
1,069,777	1,742,376	1,015,120	1,025,250	1,225,730	1,247,155
3,328,977	2,940,904	1,596,081	92,765	1,515,682	778,224
<u>7,764,048</u>	<u>9,106,881</u>	<u>5,912,340</u>	<u>4,203,836</u>	<u>5,902,924</u>	<u>5,452,978</u>
3,792,456	3,696,357	4,041,065	3,981,095	4,271,320	4,628,754
3,435,153	3,568,052	4,018,207	4,784,182	5,718,881	6,541,498
490,768	536,637	527,617	575,295	673,550	776,785
995,493	1,161,655	1,233,055	1,155,323	1,211,671	1,291,679
50,000	-	-	-	-	-
2,658,204	3,060,479	1,732,206	1,031,100	920,964	761,804
<u>11,422,074</u>	<u>12,023,180</u>	<u>11,552,150</u>	<u>11,526,995</u>	<u>12,796,386</u>	<u>14,000,520</u>
<u>\$ 19,186,122</u>	<u>\$ 21,130,061</u>	<u>\$ 17,464,490</u>	<u>\$ 15,730,831</u>	<u>\$ 18,699,310</u>	<u>\$ 19,453,498</u>

Continued on pages 134 and 135

**City of Newberg, Oregon**

CHANGES IN NET ASSETS (Continued)

Last Ten Fiscal Years  
(Accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Net (Expense)/Revenue				
Governmental activities	\$ (5,539,310)	\$ (1,515,577)	\$ (319,814)	\$ (4,156,679)
Business-type activities	(314,763)	2,699,462	5,669,573	4,089,380
Total government net (expense)/revenue	<u>\$ (5,854,073)</u>	<u>\$ 1,183,885</u>	<u>\$ 5,349,759</u>	<u>\$ (67,299)</u>
General Revenues and Other Changes in Net Assets				
Governmental activities				
Taxes				
Property taxes	\$ 3,906,578	\$ 4,104,400	\$ 4,384,943	\$ 4,516,410
Franchise and public service taxes	1,574,901	1,673,012	1,766,651	1,900,102
Interest and investment earnings	168,233	147,157	214,035	517,511
Other revenues	84,833	43,998	24,341	93,872
Transfers	-	36,325	(87,700)	297,500
Total governmental activities	<u>5,734,545</u>	<u>6,004,892</u>	<u>6,302,270</u>	<u>7,325,395</u>
Business-type activities:				
Interest and investment earnings	156,077	101,296	161,294	391,060
Other revenues	-	16,909	9,104	23,073
Transfers	-	(36,325)	87,700	(297,500)
Total business-type activities	<u>156,077</u>	<u>81,880</u>	<u>258,098</u>	<u>116,633</u>
Total primary government	<u>\$ 5,890,622</u>	<u>\$ 6,086,772</u>	<u>\$ 6,560,368</u>	<u>\$ 7,442,028</u>
Change in Net Assets				
Governmental activities	\$ 195,235	\$ 4,489,315	\$ 5,982,456	\$ 3,168,716
Business-type activities	(158,686)	2,781,342	5,927,671	4,206,013
Total primary government	<u>\$ 36,549</u>	<u>\$ 7,270,657</u>	<u>\$ 11,910,127</u>	<u>\$ 7,374,729</u>

Continued on page 135

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ (5,238,691)	\$ (5,496,999)	\$ (9,293,090)	\$ (10,917,734)	\$ (9,371,007)	\$ (9,692,112)
2,277,041	2,228,631	299,003	(1,119,275)	522,419	1,865,288
<u>\$ (2,961,650)</u>	<u>\$ (3,268,368)</u>	<u>\$ (8,994,087)</u>	<u>\$ (12,037,009)</u>	<u>\$ (8,848,588)</u>	<u>\$ (7,826,824)</u>
\$ 5,235,416	\$ 5,569,777	\$ 5,868,949	\$ 5,868,949	\$ 6,671,777	\$ 6,855,630
1,999,652	2,252,953	2,691,385	2,691,385	2,889,224	3,119,051
641,392	545,879	225,064	225,064	45,373	45,339
123,702	61,455	65,961	65,961	38,653	175,632
330,572	362,800	10,023	10,023	3,361	(79,112)
<u>8,330,734</u>	<u>8,792,864</u>	<u>8,861,382</u>	<u>8,861,382</u>	<u>9,648,388</u>	<u>10,116,540</u>
547,749	541,546	307,681	307,681	58,772	67,729
1,501	1,950	12,971	12,971	5,000	35,205
(330,572)	(362,800)	(10,023)	(10,023)	(3,361)	79,112
<u>218,678</u>	<u>180,696</u>	<u>310,629</u>	<u>310,629</u>	<u>60,411</u>	<u>182,046</u>
<u>\$ 8,549,412</u>	<u>\$ 8,973,560</u>	<u>\$ 9,172,011</u>	<u>\$ 9,172,011</u>	<u>\$ 9,708,799</u>	<u>\$ 10,298,586</u>
\$ 3,092,043	\$ 3,295,865	\$ (431,708)	\$ (2,056,352)	\$ 277,381	\$ 424,428
2,495,719	2,409,327	609,632	(808,646)	582,830	2,047,334
<u>\$ 5,587,762</u>	<u>\$ 5,705,192</u>	<u>\$ 177,924</u>	<u>\$ (2,864,998)</u>	<u>\$ 860,211</u>	<u>\$ 2,471,762</u>

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**City of Newberg, Oregon**

FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years  
(Modified accrual basis of accounting )

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	2,052,696	3,063,862	2,209,318	2,159,044	2,492,834	3,516,106	3,137,138	2,778,800	-	-
Unassigned	-	-	-	-	-	-	-	-	2,503,809	2,674,367
Total General Fund	<u>\$ 2,052,696</u>	<u>\$ 3,063,862</u>	<u>\$ 2,209,318</u>	<u>\$ 2,159,044</u>	<u>\$ 2,492,834</u>	<u>\$ 3,516,106</u>	<u>\$ 3,137,138</u>	<u>\$ 2,778,800</u>	<u>\$ 2,503,809</u>	<u>\$ 2,674,367</u>
All Other Governmental Funds										
Reserved	\$ 51,035	\$ 3,334,559	\$ 5,423,577	\$ 4,489,883	\$ 4,372,647	\$ 2,087,697	\$ 2,510,970	\$ 2,368,927	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	1,124,804	1,032,655	1,326,457	3,906,130	3,416,907	3,746,653	3,137,138	2,839,521	-	-
Capital project funds	2,314,027	117,088	235,792	248,122	250,082	328,932	3,218,015	416,968	-	-
Debt service funds	410,414	8,144	12,659	148,656	-	-	447,201	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	49,468	61,362
Restricted	-	-	-	-	-	-	-	-	4,453,982	3,932,838
Committed	-	-	-	-	-	-	-	-	762,978	687,274
Assigned	-	-	-	-	-	-	-	-	806,601	766,877
Total all other governmental funds	<u>\$ 3,900,280</u>	<u>\$ 4,492,446</u>	<u>\$ 6,998,485</u>	<u>\$ 8,792,791</u>	<u>\$ 8,039,636</u>	<u>\$ 6,163,282</u>	<u>\$ 9,313,324</u>	<u>\$ 5,625,416</u>	<u>\$ 6,073,029</u>	<u>\$ 5,448,351</u>

This schedule was modified with the implementation of GASB 54, effective Fiscal Year 2011.

## City of Newberg, Oregon

### CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years  
(Modified accrual basis of accounting)

Revenues	Fiscal Year			
	2003	2004	2005	2006
Property taxes	\$ 3,947,691	\$ 4,162,315	\$ 4,386,644	\$ 4,530,453
Other taxes	934,597	971,698	1,054,916	1,120,475
Licenses and permits	1,035,018	1,852,969	1,573,172	1,802,159
Fees	384,409	370,947	344,080	393,895
Intergovernmental	2,412,280	1,950,184	2,406,824	2,379,554
Charges for services	288,619	697,637	1,036,063	1,100,668
Fines and forfeitures	324,841	372,526	429,456	402,267
Facilities charge	200,678	198,898	199,333	141,515
Pension bond charge	-	-	183,752	226,308
Assessments	315,020	181,643	195,946	435,669
Donations	86,593	47,810	97,386	51,313
Interest	101,015	79,189	150,885	433,987
Miscellaneous	49,289	40,585	62,110	80,693
Total revenues	<u>10,080,050</u>	<u>10,926,401</u>	<u>12,120,567</u>	<u>13,098,956</u>
<b>Expenditures</b>				
General Government	215,926	151,075	224,322	320,521
Public safety	4,761,419	5,158,063	5,756,913	6,548,761
Library	778,196	851,581	858,670	931,122
Community development	1,649,642	1,905,235	2,112,567	2,313,711
Capital outlay	1,083,080	300,421	463,487	788,425
Debt service:				
Principal	524,000	543,000	430,000	350,000
Interest	399,322	374,552	501,529	470,057
Total expenditures	<u>9,411,585</u>	<u>9,283,927</u>	<u>10,347,488</u>	<u>11,722,597</u>
Excess of revenues over expenditures	<u>\$ 668,465</u>	<u>\$ 1,642,474</u>	<u>\$ 1,773,079</u>	<u>\$ 1,376,359</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of assets	345	924	6,116	9,973
Transfers in	226,670	267,988	1,262,602	1,286,990
Transfers out	(266,670)	(251,663)	(1,390,302)	(929,290)
Total other financing sources (uses)	<u>(39,655)</u>	<u>17,249</u>	<u>(121,584)</u>	<u>367,673</u>
Net Change in Fund Balances	<u>\$ 628,810</u>	<u>\$ 1,659,723</u>	<u>\$ 1,651,495</u>	<u>\$ 1,744,032</u>
Debt service as a percentage of noncapital expenditures	10.36%	10.22%	9.30%	7.45%

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 5,237,046	\$ 5,489,184	\$ 5,771,564	\$ 6,116,052	\$ 6,629,781	\$ 6,814,277
1,350,421	1,437,566	1,540,473	1,785,188	1,735,291	1,844,391
1,054,402	1,775,174	1,035,880	438,833	376,568	843,466
259,447	327,104	262,592	448,378	475,736	514,986
2,342,905	3,312,751	3,710,471	2,889,274	3,209,095	3,982,000
627,204	956,724	515,779	507,505	637,049	533,780
673,757	795,005	718,032	702,616	685,684	623,455
143,939	112,274	111,584	112,910	119,546	120,498
80,803	87,555	172,510	182,172	186,189	194,890
96,759	424,330	95,898	66,251	131,627	5,439
88,919	87,988	167,242	67,347	529,588	53,530
559,287	442,582	177,690	47,415	31,170	32,300
88,503	82,493	24,702	26,686	7,899	23,419
<u>12,603,392</u>	<u>15,330,730</u>	<u>14,304,417</u>	<u>13,390,627</u>	<u>14,755,223</u>	<u>15,586,431</u>
240,424	175,606	258,720	269,939	323,249	330,951
7,381,582	7,551,074	8,626,587	9,102,481	9,494,385	10,265,584
986,596	1,102,814	1,160,795	1,128,967	1,136,938	1,268,749
2,739,887	2,819,165	3,006,150	2,532,012	2,267,846	1,868,672
1,148,026	4,133,679	405,319	467,193	512,627	1,772,494
370,000	380,000	810,000	445,000	475,000	510,000
460,861	451,141	424,862	398,504	375,917	351,313
<u>13,327,376</u>	<u>16,613,479</u>	<u>14,692,433</u>	<u>14,344,096</u>	<u>14,585,962</u>	<u>16,367,763</u>
<u>\$ (723,984)</u>	<u>\$ (1,282,749)</u>	<u>\$ (388,016)</u>	<u>\$ (953,469)</u>	<u>\$ 169,261</u>	<u>\$ (781,332)</u>
23,818	5,810	11,929	-	-	-
1,634,755	4,066,158	474,013	592,145	456,409	1,339,655
(1,353,954)	(3,642,301)	(463,990)	(547,784)	(453,048)	(1,012,443)
304,619	429,667	21,952	44,361	3,361	327,212
<u>\$ (419,365)</u>	<u>\$ (853,082)</u>	<u>\$ (366,064)</u>	<u>\$ (909,108)</u>	<u>\$ 172,622</u>	<u>\$ (454,120)</u>
6.86%	6.36%	8.60%	6.21%	6.62%	6.04%

## City of Newberg, Oregon

### MARKET AND ASSESSED VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

Fiscal Year	Real Property		Personal Property		Public Utilities			Total		Total Assessed to Total Market Value	Total Direct Tax Rate
	Market Value	Assessed Value	Market Value	Assessed Value	Market Value	Assessed Value	Market Value	Assessed Value			
2003	\$ 989,818,740	\$ 751,219,099	\$ 54,740,072	\$ 34,151,762	\$ 22,309,048	\$ 22,306,888	\$ 1,066,867,860	\$ 807,677,749	75.7 %	4.9813	
2004	1,042,576,529	794,170,149	65,444,816	40,315,950	22,700,980	22,691,556	1,130,722,325	857,177,655	75.8	4.9275	
2005	1,157,059,678	846,515,219	66,055,436	37,540,653	24,468,406	24,455,106	1,247,583,520	908,510,978	72.8	4.8972	
2006	1,350,368,181	920,465,194	73,636,645	42,687,041	25,384,833	25,372,805	1,449,389,659	988,525,040	68.2	4.8607	
2007	1,801,093,855	1,040,201,584	73,709,784	40,254,456	30,422,065	30,410,000	1,905,225,704	1,110,866,040	58.3	4.8179	
2008	2,157,294,345	1,117,158,593	76,843,204	41,657,712	34,476,052	34,353,800	2,268,613,601	1,193,170,105	52.6	4.7766	
2009	2,126,087,681	1,196,243,394	81,654,686	44,117,744	31,574,007	31,560,500	2,239,316,374	1,271,921,638	56.8	4.6971	
2010	2,057,440,411	1,270,463,103	82,068,704	45,435,953	48,322,767	48,310,950	2,187,831,882	1,364,210,006	62.4	4.6942	
2011	2,058,158,597	1,345,572,085	86,366,556	47,136,128	49,377,808	49,215,300	2,193,902,961	1,441,923,513	65.7	4.6947	
2012	2,048,333,275	1,339,662,755	85,099,221	43,510,458	60,470,465	58,750,300	1,956,379,200	1,479,778,703	75.6	4.6699	

Information from the Yamhill County Assessment and Taxation Department

## City of Newberg, Oregon

### PROPERTY TAX RATES (1) - DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Fiscal Years

Fiscal Year Ending June 30,	City of Newberg		County Operating	Park District Operating	School District		Total	Overlapping Rates		Other Districts Operating	Total Direct & Overlapping Rates
	Operating	Debt			Operating	Debt		Operating	Total		
2003	\$ 4.3827	\$ 0.5986	\$ 2.5717	\$ 0.9076	\$ 4.6616	\$ 1.9909	\$ 6.6525	\$ 0.9362	\$ 16.0493		
2004	4.3827	0.5448	2.5714	0.9076	4.6616	4.1550	8.8166	0.8888	18.1119		
2005	4.3827	0.5145	2.5745	0.9076	4.6616	3.5499	8.2115	0.8869	17.4777		
2006	4.3827	0.4780	2.5751	0.9076	4.6616	3.5070	8.1686	0.8720	17.3840		
2007	4.3827	0.4352	2.5775	0.9076	4.6616	3.6123	8.2739	0.8659	17.4428		
2008	4.3827	0.3939	2.5775	0.9076	4.6616	3.8838	8.5454	0.8821	17.6892		
2009	4.3827	0.3144	2.5775	0.9076	4.6616	3.6400	8.3016	0.8801	17.3639		
2010	4.3827	0.3115	2.5775	0.9076	4.6616	3.5787	8.2403	1.0095	17.4291		
2011	4.3827	0.3120	2.5775	0.9076	4.6616	3.6674	8.3290	1.0129	17.5217		
2012	4.3827	0.2872	2.5775	0.9076	4.6616	2.7937	7.4553	0.9751	16.5854		

(1) Rates are per \$1,000 of assessed value

Source: Yamhill County Assessor

**City of Newberg, Oregon**

**PRINCIPAL TAXPAYERS**

Current Year and Nine Years Ago

Taxpayer	Type of Business	2012			2003		
		Rank	Taxable Assessed Valuation	% of City Taxable Assessed Valuation (a)	Rank	Taxable Assessed Valuation	% of City Taxable Assessed Valuation (b)
Springbrook Properties	Land Development/Hospitality	1	\$ 35,321,116	2.39%	-	-	-
Portland General Electric Co.	Electric Utility	2	23,637,000	1.60%	2	10,541,500	1.31%
Joan D. Austin	Land Development	3	22,826,519	1.54%	-	-	-
George K JR & Joan Austin	Land Development	4	15,581,180	1.05%	1	30,579,344	3.79%
Werth Family LLC	Real Estate	5	13,729,559	0.93%	-	-	-
Frontier Communication	Telecommunications Utility	6	12,770,000	0.86%	7	6,334,973	0.78%
Fred Meyer	Retail, Mixed	7	11,937,687	0.81%	3	8,614,020	1.07%
NW Natural Gas	Natural Gas Utility	8	11,407,000	0.77%	10	4,994,300	0.62%
Friendsview Manor	Retirement Community	9	9,744,532	0.66%	-	-	-
Orchard Lair Investment Group	Real Estate	10	9,087,097	0.61%	-	-	-
Ushio Oregon, Inc	Halogen lamps for copiers	-	-	0.00%	5	6,859,932	0.85%
Moll Plasticrafters	Injection Molding	-	-	0.00%	4	7,024,295	0.87%
Buckhorn Trading	Electronics	-	-	-	8	5,692,692	0.70%
Raymond P. Bailey	Land Development	-	-	-	9	5,332,690	0.66%
Adec, Inc.	Dental Equipment	-	-	-	6	6,439,360	0.80%
<b>TOTAL</b>			<b>\$ 166,041,690</b>	<b>11.22%</b>		<b>\$ 92,413,106</b>	<b>11.44%</b>

(a) City of Newberg's 2011-12 assessed valuation was \$1,479,778,703

(b) City of Newberg's 2002-03 assessed/market valuation was \$807,677,749

Information from the Yamhill County Department of Assessment and Taxation

## City of Newberg, Oregon

### PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

Fiscal Year Ending June 30,	Total Tax Levy	Collected within the Fiscal Year of the Levy		Collected in Subsequent Years	Amount	Percentage of Levy
		Amount*	Percentage of Levy			
2003	\$ 4,026,837	\$ 3,858,515	95.82%	\$ 110,335	\$ 3,968,851	98.56%
2004	4,247,630	4,083,247	96.13%	155,888	4,239,135	99.80%
2005	4,482,284	4,308,820	96.13%	162,259	4,471,078	99.75%
2006	4,821,652	4,655,212	96.55%	69,525	4,724,737	97.99%
2007	5,385,785	5,219,697	96.92%	154,778	5,374,475	99.79%
2008	5,699,289	5,467,046	95.93%	209,446	5,676,492	99.60%
2009	6,024,153	5,731,671	95.14%	251,518	5,983,189	99.32%
2010	6,404,370	6,074,648	94.85%	228,533	6,303,181	98.42%
2011	6,811,289	6,469,505	94.98%	128,591	6,598,096	96.87%
2012	7,023,545	6,710,741	95.55%	-	6,710,741	95.55%

Source: Tax Turnover report from Yamhill County

\* Includes discount allowed and adjustments to tax roll

## City of Newberg, Oregon

### RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND NET GENERAL BONDED DEBT PER CAPITA

Last Ten Fiscal Years

Fiscal Year Ending June 30,	General Bonded Debt Outstanding										Percentage of Assessed Value	Per Capita
	Population (1)	Assessed Value (2)	Net General Obligation Bonds (3)	Certificates of Participation	Limited Tax Bonds	Total						
2003	18,750	\$ 807,677,749	\$ 4,056,620	\$ 2,990,000	\$ 43,000	\$ 7,089,620	0.88	\$	378.11			
2004	19,530	857,177,655	3,795,037	2,790,000	2,720,000	9,305,037	1.09		476.45			
2005	19,910	908,510,978	3,497,771	2,580,000	2,720,000	8,797,771	0.97		441.88			
2006	20,565	988,525,040	3,135,253	2,465,000	2,720,000	8,320,253	0.84		404.58			
2007	20,570	1,110,866,040	2,875,390	2,340,000	2,720,000	7,935,390	0.71		385.77			
2008	21,675	1,193,170,105	2,629,933	2,210,000	2,720,000	7,559,933	0.63		348.79			
2009	22,645	1,271,921,638	2,378,181	2,075,000	2,710,000	7,163,181	0.56		316.33			
2010	23,150	1,364,210,006	2,094,776	1,930,000	2,690,000	6,714,776	0.49		290.06			
2011	22,110	1,441,923,513	1,763,384	1,780,000	2,665,000	6,208,384	0.43		280.80			
2012	22,230	1,479,778,703	1,437,241	1,620,000	2,630,000	5,687,241	0.38		255.84			

(1) Portland State University, Annual Population Statistics

(2) Yamhill County Assessor

(3) Excludes Business-type Activity Debt, also net of Debt Service Fund balance



**City of Newberg, Oregon**

LEGAL DEBT MARGIN INFORMATION  
GENERAL OBLIGATION BONDED DEBT

Last Ten Fiscal Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Real Market Value	\$ 1,066,867,860	\$ 1,130,722,325	\$ 1,247,583,520	\$ 1,449,389,659	\$ 1,905,225,704	\$ 2,268,613,601	\$ 2,239,316,374	\$ 2,187,831,882	\$ 2,193,902,961	\$ 1,956,379,200
Debt Limit (3% real market value)	32,006,036	33,921,670	37,427,506	43,481,690	57,156,771	68,058,408	67,179,491	65,634,956	65,817,089	58,691,376
Debt Applicable to Limit:										
General Obligation Bonds	4,440,000	4,140,000	3,920,000	3,685,000	3,440,000	3,190,000	2,525,000	2,245,000	1,945,000	1,630,000
Less: Amounts reserved for debt service	(383,380)	(344,963)	(422,229)	(549,747)	(564,610)	(560,067)	(146,819)	(150,224)	(181,616)	(192,759)
Total net debt applicable to limit	4,056,620	3,795,037	3,497,771	3,135,253	2,875,390	2,629,933	2,378,181	2,094,776	1,763,384	1,437,241
Legal debt margin	\$ 27,949,416	\$ 30,126,633	\$ 33,929,735	\$ 40,346,437	\$ 54,281,381	\$ 65,428,475	\$ 64,801,310	\$ 63,540,180	\$ 64,053,705	\$ 57,254,135
Total net debt applicable to the limit as a percentage of debt limit	12.67%	11.19%	9.35%	7.21%	5.03%	3.86%	3.54%	3.19%	2.68%	2.45%

Notes

- a) Oregon Revised Statutes 287A.050 provides a debt limit on general obligation bonds of 3% of real market value of all taxable property within the City's boundaries
- b) The legal debt margin is the difference between the debt limit and the City's net outstanding general obligation debt

Data Sources  
Yamhill County Tax Assessor  
City of Newberg Finance Department

## City of Newberg, Oregon

### RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Governmental Activities				Business-type Activities				(1) Percentage of Personal Income	(1) Per Capita
	General Obligation Bonded Debt	Certificates of Participation	Limited Tax Pension Bonds	(2) Other Obligations	General Obligation Bonded Debt	Notes	Capital Leases	Total Government		
2003	\$ 4,440,000	\$ 2,990,000	\$ -	\$ 250,458	\$ 1,360,000	\$ 6,519,468	\$ 89,468	\$ 15,649,394	0.69	835
2004	4,140,000	2,790,000	2,720,000	41,549	705,000	9,119,173	145,644	19,661,366	0.80	1,007
2005	3,920,000	2,580,000	2,720,000	20,908	-	7,770,397	91,195	17,102,500	0.65	859
2006	3,685,000	2,465,000	2,720,000	8,903	-	12,562,971	51,724	21,493,598	0.74	992
2007	3,440,000	2,340,000	2,720,000	3,650	-	16,330,766	27,684	24,862,100	0.80	1,098
2008	3,190,000	2,210,000	2,720,000	269,377	-	21,546,403	2,489	29,938,269	0.93	1,381
2009	2,525,000	2,075,000	2,710,000	205,265	-	23,487,962	201	31,003,428	0.95	1,369
2010	2,245,000	1,930,000	2,690,000	161,717	-	24,170,735	-	31,197,452	0.96	1,348
2011	1,945,000	1,780,000	2,665,000	86,692	-	22,882,305	-	29,358,997	N/A	1,328
2012	1,630,000	1,620,000	2,630,000	281,773	-	22,431,841	-	28,593,614	N/A	1,286

(1) See the Demographics page for personal income and per capita information

(2) Other Obligations include the following: Loans, Capital Leases and Limited Tax Obligation Improvement Bonds

## City of Newberg, Oregon

### DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Fiscal Years

Fiscal Year Ending June 30,	(1) Population	(2) Per Capita Income	Total Personal Income (thousands of dollars)	(3) School Enrollment	(4) Unemployment Rate	
2003	18,750	\$ 25,479	\$ 2,278,649	5,061	8.6	%
2004	19,530	27,030	2,448,874	5,085	7.0	
2005	19,910	28,713	2,643,873	5,122	6.7	
2006	21,675	31,044	2,911,000	5,148	5.4	
2007	22,645	32,290	3,109,495	5,136	4.8	
2008	21,675	32,700	3,202,681	5,205	5.4	
2009	22,645	32,894	3,257,753	5,163	13.2	
2010	23,150	32,768	3,257,368	5,175	10.5	
2011	22,110	NA	NA	5,252	9.3	
2012	22,230	NA	NA	5,169	8.4	

(1) Portland State Center for Population and Census, Portland SMSA

(2) U.S. Department of Commerce, Bureau of Economic Analysis (BEA) (Yamhill County)

(3) Newberg School District

(4) State of Oregon, Employment Division, August 2012 Portland Metropolitan Labor Trends (Yamhill County) for June 2012

## City of Newberg, Oregon

### PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

	2012			2003		
	(1) Employees	Rank	Percentage of Total City Employment	(2) Employees	Rank	Percentage of Total City Employment
A-dec	970	1	9.90%	914	1	N/A
Newberg Public Schools	573	2	5.85%	513	3	N/A
Providence Newberg Hospital	545	3	5.56%	255	5	N/A
George Fox University	500	4	5.10%	558	2	N/A
SP Newsprint Co.	265	5	2.71%	350	4	N/A
Fred Meyer	240	6	2.45%	200	6	
City of Newberg	185	7	1.89%	139	10	N/A
Allison Inn	160	8	1.63%			
Friendsview Retirement Community	155	9	1.58%			
Climax Portable Machine Tools	131	10	1.34%			N/A
Suntron				180	7	N/A
Moll Industries				150	8	N/A
Allen Machinery/FMC Food Tech				149	9	N/A
Total	9,796		38.02%	N/A		N/A

(1) Chehalem Valley Chamber of Commerce Business & Community Directory 2011-12, City of Newberg Finance Dept, & Newberg School District, Allison Inn information from 06/20/2009 Oregonian newspaper

(2) Newberg Area Chamber of Commerce Directory 2003

## City of Newberg, Oregon

### FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION/PROGRAM

Last Ten Fiscal Years

<b><u>Function/Program</u></b>	Full-time Equivalent Employees as of June 30									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government	9.00	12.22	13.47	14.57	18.40	23.25	19.80	19.30	18.30	16.50
Public safety	49.70	48.20	51.98	56.48	64.14	60.61	67.96	70.76	70.76	69.12
Library	11.38	11.03	11.03	12.25	12.25	13.14	13.14	13.36	12.14	11.64
Community development	16.81	15.12	17.74	20.90	21.31	21.29	22.23	18.73	16.51	13.55
Water	17.35	15.44	15.85	14.67	16.99	17.30	18.88	18.88	19.44	18.72
Wastewater	17.34	16.41	16.06	15.89	17.02	16.28	17.61	17.61	17.40	17.44
Stormwater	0.00	2.66	2.58	3.58	3.58	3.38	4.68	4.68	5.41	4.54
Emergency medical services	7.10	7.10	6.60	6.60	6.60	6.60	6.60	6.60	6.60	7.24
<b>TOTAL</b>	<b>128.68</b>	<b>128.18</b>	<b>135.31</b>	<b>144.94</b>	<b>160.29</b>	<b>161.85</b>	<b>170.90</b>	<b>169.92</b>	<b>166.56</b>	<b>158.75</b>

Source: City of Newberg Finance Department - Budgets

**City of Newberg, Oregon**

OPERATING INDICATORS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

<b>Function/Program</b>	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>General government</b>										
Number of Council resolutions	68	49	71	70	58	76	61	51	49	51
<b>Public safety</b>										
Number of adult arrests	NA	1,386	1,488	1,438	1,436	1,406	1,252	1,458	1,459	1,016
Number of citations	NA	3,754	3,511	4,327	4,789	4,842	4,326	6,364	7,717	6,831
Number of emergency calls responded to (fire)	2,896	3,052	3,067	3,591	3,595	3,671	3,670	3,956	4,299	4,588
<b>Library</b>										
Annual Checkouts	NA	202,608	215,248	219,332	228,101	245,287	256,689	280,202	288,555	291,071
Reference Questions Answered	NA	13,257	15,521	15,032	15,642	15,642	15,555	15,715	11,033	9,191
Event Attendance	NA	13,270	13,716	20,745	23,193	21,264	19,638	18,065	18,324	20,285
<b>Community development</b>										
Building Inspections	3,965	8,143	10,036	22,177	13,868	10,831	10,646	7,922	3,925	4,038
Building Permits Residential	304	422	483	433	270	190	153	58	25	40
<b>Water</b>										
Water-# of a/c	5,168	5,269	5,433	6,092	6,116	6,307	6,318	6,471	6,529	6,585
Water-total gallons treated (millions of gallons)	995	969	932	1,042	1,067	997	968	951	936	939
<b>Wastewater</b>										
Wastewater Total gallons treated (millions of gallons)	1,076	955	770	1,277	1,205	1,185	1,023	1,221	1,354	1,190
<b>Stormwater</b>										
<b>Emergency Medical Services</b>										
Ambulance Transports	1,525	1,631	1,690	1,842	1,916	2,047	2,087	2,027	2,364	2,437

Source: Various City of Newberg departments

## City of Newberg, Oregon

### CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

<b><u>Function/Program</u></b>	<u>Fiscal Year</u>									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Public safety										
Police related vehicles	19	17	19	18	21	24	24	26	29	29
Number of fire stations	2	2	2	2	2	2	2	2	2	2
Library										
Library building	1	1	1	1	1	1	1	1	1	1
Community development										
Miles of road	51.7	53.4	56.1	63.7	66.6	69.0	70.5	70.8	71.9	71.9
Water										
Total water reservoir capacity (millions of gallons)	8	12	12	12	12	12	12	12	12	12
Number of reservoirs	2	3	3	3	3	3	3	3	3	3
Wastewater										
Miles of wastewater lines	73.1	71.4	69.3	73.4	77.6	80.5	80.4	80.6	80.9	81.7
Stormwater										
Miles of storm lines	51.5	49.9	48.8	55.8	56.3	63.7	64.7	65.9	65.9	65.9
Emergency Medical Services										
Ambulances	6	6	7	6	6	6	6	6	6	6

Source: Various City of Newberg departments

***REPORTS OF INDEPENDENTLY  
CERTIFIED PUBLIC ACCOUNTANTS  
REQUIRED BY STATUTES***

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

We have audited the basic financial statements of the **CITY OF NEWBERG** as of and for the year ended June 30, 2012, and have issued our report thereon dated November 16, 2012. 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 **CITY OF NEWBERG**’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-240 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, our audit was not directed primarily toward obtaining knowledge of such noncompliance. As such, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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

In connection with our testing nothing came to our attention that caused us to believe the City was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-240 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations except that expenditure in excess of appropriations occurred as follows:

<u>Fund / Catagory</u>	<u>Appropriation</u>	<u>Actual</u>	<u>Variance</u>
General - General Government	\$ 322,701	\$ 325,951	\$ (3,250)

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

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

We have issued a separate letter to the City regarding a significant deficiency in internal controls.

This report is intended solely for the information and use of the board of directors/council members/commissioners and management of the CITY OF NEWBERG and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

**Boldt, Carlisle & Smith LLC**  
Certified Public Accountants  
Salem, Oregon  
November 16, 2012

***COMPLIANCE SECTION***

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

Honorable Mayor and Members  
of the City Council  
**CITY OF NEWBERG**  
Newberg, Oregon

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **CITY OF NEWBERG** as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 16, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

*Internal Control Over Financial Reporting*

Management of the City is responsible for establishing and maintaining effective internal controls over financial reporting. In planning and performing our audit, we considered the City's 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 City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 2012-1 that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

This report is intended for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Boldt, Carlisle & Smith, LLC  
Certified Public Accountants  
Salem, Oregon  
November 16, 2012



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH  
MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor and Members of the City Council  
CITY OF NEWBERG  
Newberg, Oregon

*Compliance*

We have audited the City's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of the City's major federal programs for the year ended June 30, 2012. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

As described in item 2012-2 in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding Davis-Bacon, reporting, and procurement that are applicable to its Assistance to Firefighters Grant (ARRA). Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, City of Newberg complied, in all material respects, with the compliance requirements referred to above that could have direct and material effect on each of its major federal programs for the year ended June 30, 2012.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133 (Continued)

*Internal Control over Compliance*

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2012-3 and 2012-4 to be significant deficiencies.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, City Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Boldt, Carlisle & Smith, LLC*  
Certified Public Accountants  
Salem, Oregon  
November 16, 2012

CITY OF NEWBERG

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2012

*Section I Summary of Auditors' Results*

*Financial Statements*

Type of auditor's report issued:	<i>Unqualified</i>
Internal controls over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiencies identified that are not considered to be material weakness(es)?	Yes
• Noncompliance material to financial statements noted?	No

*Federal awards*

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	Yes
Type of auditor's report issued on compliance for major programs:	<i>Qualified</i>
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	Yes
Identification of major programs:	
CFDA	
<u>Number</u> <u>Name of Federal Program or Cluster</u>	
97.115    (ARRA) Firefighters Station Construction Grants for Other than Urbanized Areas	
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as a low-risk auditee?	No

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### *Section II - Financial Statement Findings*

2012-1

Criteria: Internal controls should include adequate segregation of duties in connection with the collection municipal court fines and monitoring of adjustments to assessed fines to ensure assets are safeguarded and revenues are properly reported.

Condition: The City's internal controls do not provide for adequate segregation of duties in connection with municipal court receipts, nor do they provide for adequate monitoring of adjustments to municipal court fines receivable.

Cause: All municipal court fine receipts which are collected are recorded using a single log-on with no adequate monitoring of this activity. This includes the receipt of original citations for entry into the court computer system, the posting of assessed fines, posting of cash receipts, posting of adjustments to accounts, and preparing daily bank deposits and reconciliations.

Effect: Any employee, who participates in the municipal court receipts process, could make adjustments to court receivables accounts without authorization, or commit fraud.

Auditor's Recommendation: The City should establish policies and procedures that provide for adequate segregation of duties and monitoring over the municipal court receipts process.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### *Section III - Federal Award Findings and Questioned Costs*

DEPARTMENT OF HOMELAND SECURITY

(ARRA) Firefighters Station Construction Grants - CFDA No. 97.115

2012-2

Criteria: Subject to further clarification issued by the Office of Management and Budget and notwithstanding any other provision of law and in a manner consistent with other provisions of ARRA, all laborers and mechanics employed by contractors and subcontractors on projects funded directly by or assisted in whole or in part by and through the Federal Government pursuant to this award shall be paid wages at rates not less than those prevailing on projects of a character similar in the locality as determined by the Secretary of Labor in accordance with subchapter IV of chapter 31 of title 40, United States Code. With respect to the labor standards specified in this section, the Secretary of Labor shall have the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (64 Stat. 1267; 5 U.S.C. App.) and section 3145 of title 40, United States Code. (ARRA Sec. 1606)The City is required to comply with the Davis-Bacon Act for construction work financed with a grant under this program.

Condition: The City does not have internal controls in place to ensure compliance with the Davis-Bacon Act.

Questioned Costs: \$749,482 which represents the total costs incurred during the year ended June 30, 2012.

Perspective: The City did not have any records to document the wage rates paid to all laborers and mechanics or whether they complied with the requirement to pay prevailing wages.

Effect: The City does not know if it was in compliance with the general requirements under the recipient obligations per the grant agreement and maybe subject to penalties and additional wage expense and is, therefore, considered a questioned cost.

Auditor's Recommendation: The City should establish procedures to ensure compliance with the Davis-Bacon Act.

Grantee Response: The City does not dispute the auditor's findings.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

*Section III - Federal Award Findings and Questioned Costs (continued)*

DEPARTMENT OF HOMELAND SECURITY

(ARRA) Firefighters Station Construction Grants - CFDA No. 97.115

2012-3

Criteria: The grantee must complete an on-line, semiannual financial status report to meet FEMA requirements. Semiannual financial reports are due within 30 days of the end of every six month period for the life of the grant. At the end of the performance period, or upon completion of the grantee's final program narrative, the grantee must complete an on-line final financial status report that is required to close out the grant. If a grantee's performance period is extended beyond the initial 12-month period, a financial report is due every six month increment until closeout. Additional reports are due no later than ten calendar days after each calendar quarter in which the recipient receives the assistance award funded in whole or in part by the Recovery Act.

Condition: The City internal controls do not include a system to ensure timely reporting and monitor compliance with the reporting requirement.

Questioned Costs: None

Perspective: During the year ended June 30, 2012, the City did not monitor compliance with reporting.

Effect: The City did not know if it was in compliance with the general requirements under the recipient obligations per the grant agreement.

Auditor's Recommendation: The City should establish formal procedures to monitor reporting to the granting agencies as specified in the grant agreement.

Grantee Response: The City does not dispute the auditor's findings.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### *Section III - Federal Award Findings and Questioned Costs (continued)*

DEPARTMENT OF HOMELAND SECURITY  
(ARRA) Firefighters Station Construction Grants - CFDA No. 97.115

2012-4

Criteria: Recipients may not use any funds obligated under this award for the construction, alteration, maintenance, or repair of a public building or public work unless all of the iron, steel, and manufactured goods used in the project are produced in the United States unless the Department of Homeland Security waives the application of this provision.

Condition: The City's internal controls do not include a system to monitor compliance with the requirement that all of the iron, steel and manufactured goods used in the project be produced in the United States.

Questioned Costs: \$749,482 which represents the total costs incurred during the year ended June 30, 2012.

Perspective: We are unable to test the compliance requirements as outline in the Compliance Supplement and grant agreement.

Effect: The City does not know if it was in compliance with the procurement requirements under the recipient obligations per the grant agreement and maybe subject to reimbursement for expenditures and is, therefore, considered a questioned cost.

Auditor's Recommendation: The City should establish procedures to ensure monitoring of the requirement that all of the iron, steel and manufactured goods used in the project be produced in the United States.

Grantee Response: The City does not dispute the auditor's findings.

CITY OF NEWBERG

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2012

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
<i>Department of Justice</i>			
Bureau of Justice Assistance			
Bulletproof Vest Partnership Program	16.607	OMB#1121-0235	\$ 750
<i>Department of Transportation</i>			
Passed through Oregon Association of Chiefs of Police			
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601		1,480
<i>Department of Homeland Security</i>			
Federal Emergency Management Agency (FEMA) -			
Assistance to Firefighters Grant (ARRA)	97.115	EMW-2009-FC-04200R	749,482
Passed through Oregon Military Department - Office of Emergency Management			
State Homeland Security Program	97.073	10-300	1,133
Total Department of Homeland Security			750,614
Total Expenditures of Federal Awards			\$ 752,844

Note to Schedule of Expenditures of Federal Awards

**Basis of Presentation**

The accompanying schedule of expenditures of federal awards is a summary of the City's federal awards programs presented on the modified accrual basis of accounting in accordance with generally accepted accounting principles.