



City of
Newberg,
Oregon

Comprehensive
Annual Financial
Report
Year Ended
June 30, 2009

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CITY OF NEWBERG, OREGON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

Prepared by:

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

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INTRODUCTORY SECTION

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January 19, 2010

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

It is my pleasure to present the 2008-09 comprehensive annual financial statements. This report presents the financial position of the City as of June 30, 2009 and the results of its operations and cash flows for its proprietary fund types for the year then ended. We believe the data, as presented, are accurate in all material respects and is presented in a manner designed to fairly comply with reporting requirements.

State law requires that most local governments publish, within six months of the close of the fiscal year, a complete set of audited financial statements presented in conformance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Earlier in the year, the City finalized the process of changing actuarial providers through the request for proposals process. Because of this change and new governmental regulations, we extended the presentation of the audited financial statements to the City Council. We hereby issue the comprehensive annual financial report of the City of Newberg for the fiscal year ended June 30, 2009.

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, 2009. The independent auditor's report is located at the front of the financial section of this report.

Governmental Structure, Economic Condition and Outlook

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 SMSA.

The City currently has a land area of 5.8 square miles and a 2009 population of 22,645. The City has the authority to extend its corporate limits by annexation. During 2008-09 the City grew by 37 acres (0.06 square miles) as there were four annexations (Terrace Drive, Gish, Kimball and Thomas).

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 Council positions next elected in November 2009 and the Mayor and three Council positions next elected in 2010. 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(s).

The City provides a full range of services. These services include police and fire protection; 911 emergency telephone center for the cities of Newberg and Dundee and Newberg and Dundee rural fire protection districts; emergency medical services; municipal court; library services; land use planning; building inspection; economic development; engineering; the construction and maintenance of roadways, streets, and related infrastructure; and the water, wastewater treatment and storm water systems. The City has no component unit governmental 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.

It should be noted that as of 1997-98 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 and capped the annual growth at 3% with greater increases allowed for major remodeling and new construction. During 2007-08 to 2008-09, the City’s assessed value increased 6.6% and the market value decreased 2.9%¹. The difference in market value and assessed value is \$967 million.

Table 1
City of Newberg Assessed and Market Values²

	2005-06	2006-07	2007-08	2008-09
Assessed Value	988,525,040	1,110,866,040	1,193,170,105	1,271,921,638
Percent Change	8.81%	12.38%	7.41%	6.60%
Market Value	1,449,389,659	1,905,225,704	2,268,313,601	2,239,316,374
Percent Change	16.15%	31.45%	19.06%	-2.90%

¹ Assessed values and market values are set at 12:01 a.m. of each January 1st for taxes levied for the following fiscal year. Under Ballot Measure 50, Assessed values may increase up to 3% per year plus new construction, while market values more closely reflect the housing/commercial market. Market value is used to compute taxes under Ballot Measure 5 which caps taxes at \$10.00 per \$1,000 of market value for general government purposes, and \$5.00 per \$1,000 of market value for education. The cap does not affect general obligation debt levies.

² Yamhill County Assessor’s Office.

In the fiscal year 2008-09, non-residential construction was very active. The issued permits for construction totaled over \$19.1 million dollars in value. Major construction projects included four additions to buildings, one commercial complex, an office building and a restaurant.

Residential activity was about the same as the prior year, with 138 dwelling permits. 137 permits were issued in year 2007-08, and 151 were issued in year 2006-07. Residential construction was almost entirely single family residential development.

Local Economy

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 manufacturer inside the City and a large paper manufacturer just outside the City. Major employers also include George Fox University and Providence Newberg Medical Center. However, even with these employers, as of June 2009, the county's unemployment rate was at 13.2%,³ which is only slightly more than state average of 12.2%, but much higher than the national average of 9.5%. In 2008, the National unemployment rate was 5.5%, and in Yamhill County it was 5.4%.

Major Activities and Accomplishments

For the Year. In March of 2009, a new Fire Chief was selected and hired. Les Hallman had been Florida's State Fire Marshall for 2 years. Prior to that he had been Fire Chief of South Walton Fire District, Florida, for 10 years and Fire Chief for 2 years for the City of Tavares, a suburb of Orlando.

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. Committee activities ranged from raising money for a new animal shelter to planning for Newberg's future.

A major project that began in 2007 was completed for the reuse of waste water. The Effluent Reuse system will create 100 million cubic feet of reuse water daily currently for use at the golf course and soon for athletic fields. The Effluent Reuse project will reduce the temperature of outflow to the river, while saving potable water for consumption needs. The total cost of the project came under estimated by almost a million, netting a total cost of \$7.9 million.

Current progress on the Bypass plan continues to be at a stand-still. Getting through traffic around the cities of Newberg and Dundee will be a major effort for years to come.

The City Council asked the Citizen's Rate Review Committee to convene during the 2008-09 fiscal year to discuss and design a conservation rate structure. The plan for implementation was estimated to be as early as July 2009. The Citizen's Rate Review Committee did meet, but was not able to implement a conservation rate structure by the end of the fiscal year. The committee will reconvene in the fall of 2009 to pick up the conservation rate structure as well as the other utility user fees for water, wastewater and storm water utilities.

³ State of Oregon, Employment Division, Portland Metro Labor Trends, August 2009.

For the Future. The Citizen's Rate Review Committee will convene during the 2009-10 fiscal year to finalize a conservation rate structure and recommend rates to the City Council for water, wastewater and storm water rates for the next two fiscal years.

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 downtown. As areas of Newberg expand and grow over the next several years, the demand for potable water and wastewater treatment increases. These services need to be available before the growth is in place. Increasing capacity to serve new customers and expansion of current water and wastewater facilities will require an estimated investment of \$55 million. Funding will come from rates as well as System Development Charges (SDCs) on new construction.

Property Taxes are the major revenue source for services such as Police, Fire, Library, and Communications. The City needs a more diverse revenue base for supporting Public Safety and other essential services. The City Council approved staff to pursue looking at a Public Safety Fee to fund three additional police officers. First, a survey was sent to utility billing customers for feedback on adding a fee for public safety needs. Second, outreach for the public safety fee was presented to several service clubs. Third, a town hall was conducted to educate the public and hear feedback. This fee was implemented by the administrative body in July 2009 and went into effect on the August 2009 utility statement.

The street system is particularly in need of an influx of new revenue. A transportation fee was studied several years ago and may need to be resurrected to take care of street and sidewalk maintenance needs. While the City is committed to working out solutions with its citizens, initiative measures in the State and community have challenged the City in managing and financing needed improvements.

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 (CAFR) to the City of Newberg for its comprehensive annual financial report for the fiscal year ended June 30, 2008. This was

the 17th 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 only. 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 City Manager, Mayor and City Councilors 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, 2008

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.



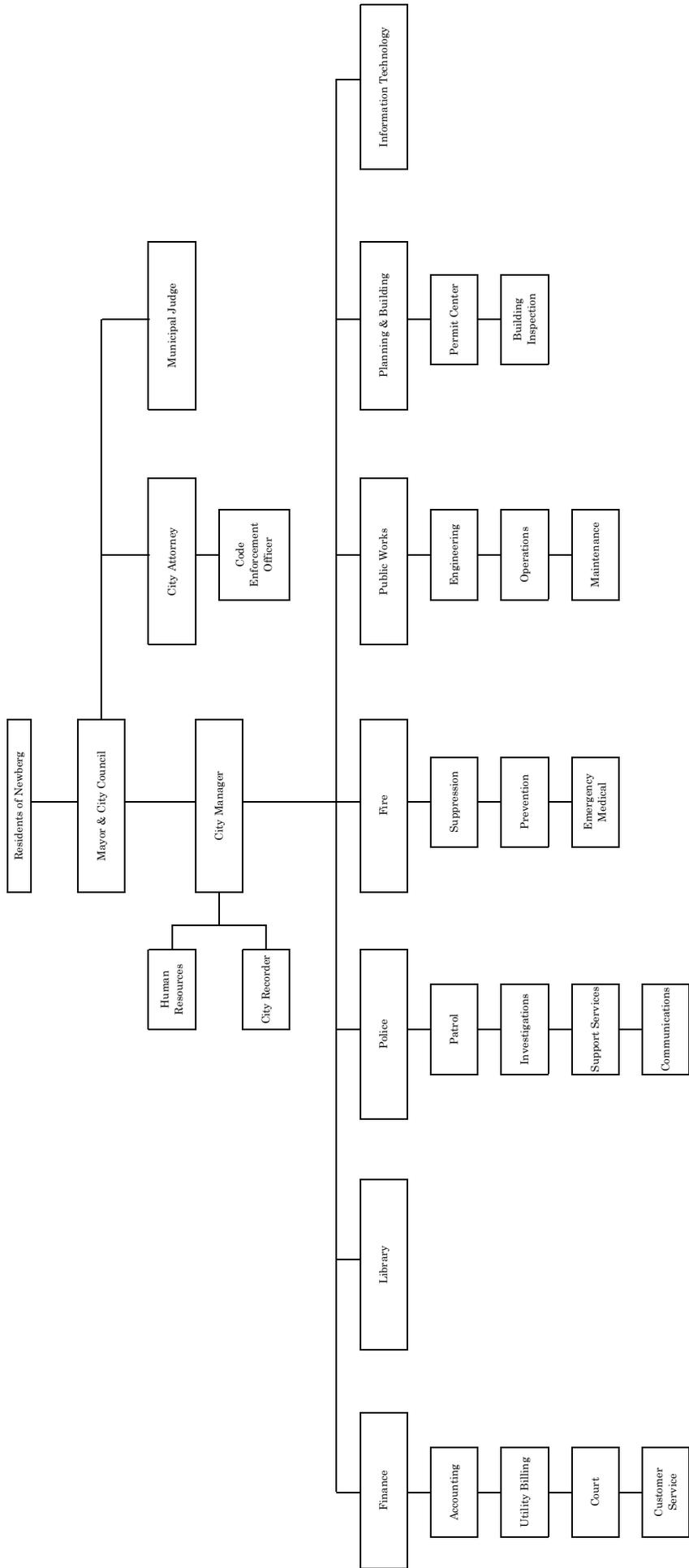
A handwritten signature in black ink, appearing to read "M. L. Post".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

City of Newberg, Oregon



City of Newberg, Oregon

LIST OF PRINCIPAL OFFICIALS

June 30, 2009

MAYOR

Bob Andrews
PO Box 970
Newberg, OR 97132

TERM EXPIRATION
December 31, 2010

COUNCIL MEMBERS

Denise Bacon
PO Box 970
Newberg, OR 97132

December 31, 2012

Stephen McKinney
PO Box 970
Newberg, OR 97132

December 31, 2010

Robert Larson
PO Box 970
Newberg, OR 97132

December 31, 2010

Bart Rierson
PO Box 970
Newberg, OR 97132

December 31, 2010

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

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, 2009, 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. 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, 2009, the respective changes in financial position, and cash flows, where applicable, 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.

The management's discussion and analysis on pages *a* through *q* is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A

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

INDEPENDENT AUDITOR'S REPORT (Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. 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 basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken 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 express no opinion on them.

Boldt, Carlisle & Smith LLC
Certified Public Accountants
Salem, Oregon
January 4, 2010

By: 

Douglas C. Parham, Member

CITY OF NEWBERG, OREGON
Management's Discussion and Analysis
For the Year Ended June 30, 2009

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, 2009. 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 million. Of this amount, \$16.1 million were reported as unrestricted net assets, amounts which are available for use to meet the City's on-going obligations to citizens and creditors.
- The City's net assets remained nearly unchanged as a result of operations during the 2008-09 fiscal year (\$0.1 million increase).
- Long-term obligations of the City's governmental activities decreased by \$1.1 million (11.8%) during the fiscal year due in part to a \$0.4 million early bond redemption on the City's General Obligation debt.
- The City's long-term obligations for business-type activities increased \$1.9 million, or 8.7%, due to a loan agreement with Oregon Economic and Community Development Department to fund the Effluent Reuse system capital improvements.
- Franchise and public service taxes increased approximately \$0.4 million, or 19.5% over the prior year.
- Total cost of all programs was \$26.4 million, up 8% over last year.

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 similar to a private-sector business. Within

CITY OF NEWBERG, OREGON
Management's Discussion and Analysis
For the Year Ended June 30, 2009

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, storm water and emergency medical services. The government-wide statements include the Statement of Net Assets and the Statement of Activities.

- **Statement of Net Assets.** The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.
- **Statement of Activities.** The focus of the Statement of Activities is to present the major program costs and match major resources with each. To the extent a program's cost is not recovered by grants and direct charges, it is paid from general taxes and other general resources. This Statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
- **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 15 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

CITY OF NEWBERG, OREGON

Management's Discussion and Analysis

For the Year Ended June 30, 2009

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 12 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, storm water, 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 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.

CITY OF NEWBERG, OREGON
Management's Discussion and Analysis
For the Year Ended June 30, 2009

- **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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

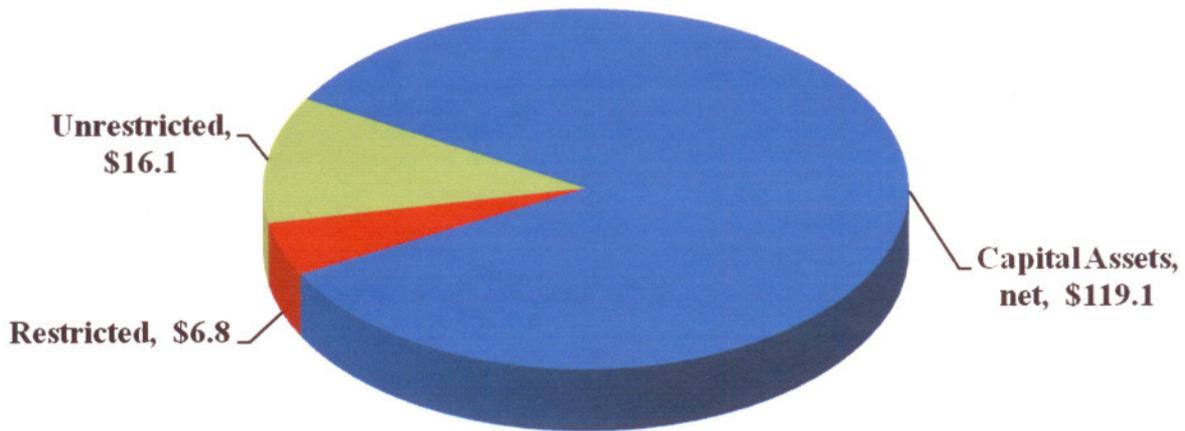
TABLE 1
NET ASSETS AT YEAR END
(in millions)

	Governmental Activities		Business-type Activities		Total Government	
	2009	2008	2009	2008	2009	2008
Cash and investments	\$ 11.5	\$ 11.6	\$ 13.3	\$ 12.7	\$ 24.8	\$ 24.3
Other assets	3.1	3.3	1.3	1.3	4.4	4.6
Capital assets	77.3	78.3	70.1	68.9	147.4	147.2
Total assets	91.9	93.2	84.7	82.9	176.6	176.1
Long-term obligations	8.2	9.3	23.7	21.8	31.9	31.1
Other liabilities	1.6	1.5	1.1	1.7	2.7	3.2
Total liabilities	9.8	10.8	24.8	23.5	34.6	34.3
Net assets:						
Invested in capital assets, net of related debt	72.5	72.6	46.6	47.3	119.1	119.9
Restricted	2.4	2.0	4.4	4.7	6.8	6.7
Unrestricted	7.1	7.9	9.0	7.4	16.1	15.3
Total net assets	<u>\$ 82.0</u>	<u>\$ 82.5</u>	<u>\$ 60.0</u>	<u>\$ 59.4</u>	<u>\$ 142.0</u>	<u>\$ 141.9</u>

CITY OF NEWBERG, OREGON
Management's Discussion and Analysis
For the Year Ended June 30, 2009

As indicated in the following chart, \$119.1 million, or 83.9% of the City's net assets as of June 30, 2009 reflect 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. Restricted net assets total \$6.8 million, or 4.8% and represent cash and investments that are legally restricted for capital expansion or debt service. The remaining balance of unrestricted net assets totaling \$16.1 million, or 11.3%, may be used to meet the City's ongoing obligations.

City of Newberg - 2009 Net Assets
(in millions)



Governmental Activities

The City's net assets from governmental activities decreased \$0.5 million, from \$82.5 million to \$82 million. This decrease is the change in net assets reflected in the Statement of Activities, shown in Table 2, and explained below:

- Other assets decreased \$0.2 million during 2008-09 due to amortization of Prepaid Pension Costs and lower accounts receivable and inventory balances.
- Capital assets decreased by \$1 million, primarily as a result of depreciation expense (\$1.6 million) coupled with little contributed infrastructure revenue from local developers and almost no significant capital project expenditures during 2008-09.

CITY OF NEWBERG, OREGON
Management's Discussion and Analysis
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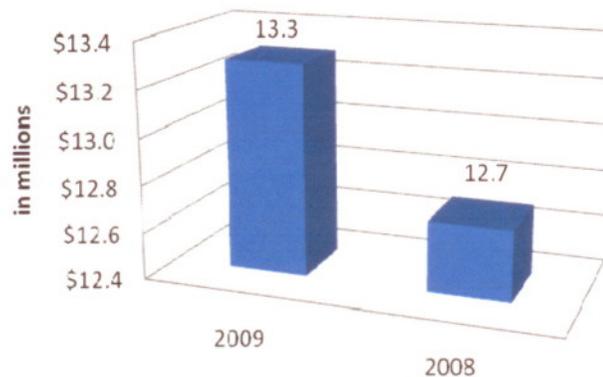
- Long-term obligations decreased \$1.1 million due to no new debt issuances, regular debt services payments, and \$0.4 million in early bond redemption activity.

Business-type Activities

The City's net assets from business-type activities increased 1%, from \$59.4 million to \$60 million. This increase is the change in net assets reflected in the Statement of Activities, shown in Table 2, and explained in the following:

- Cash and investments increased \$0.6 million, or 4.7% as a result of increases in cash flows from operations of the water, wastewater and emergency medical services divisions.
- Capital assets increased \$1.2 million (net of depreciation), primarily as a result of:
 - \$2.1 million to complete the Wastewater Effluent Reuse project
 - \$0.4 million in improvements contributed to the City through the course of subdivision development.
- Long-term obligations increased by \$1.9 million, or 8.7% due to the use of financing with Oregon Community and Economic Development Department to complete the Wastewater Effluent Reuse Project.
- Other liabilities decreased \$0.6 million, or 35.3% due to less payables relating to significant capital projects.

**Cash & Investments
Business-Type Activities**



CITY OF NEWBERG, OREGON
Management's Discussion and Analysis
For the Year Ended June 30, 2009

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, 2008 and 2009
(in millions)

	Governmental		Business-type		Total	
	Activities		Activities		Government	
	2009	2008	2009	2008	2009	2008
Revenues						
Charges for services	\$ 3.3	\$ 4.4	\$ 9.8	\$ 9.0	13.1	13.4
Operating grants and contributions	1.0	1.7	-	-	1.0	1.7
Capital grants and contributions	1.6	2.9	1.7	3.1	3.3	6.0
Taxes	8.8	7.9	-	-	8.8	7.9
Interest	-	0.5	0.3	0.5	0.3	1.0
Other	-	0.1	-	-	-	0.1
Total revenues	<u>14.7</u>	<u>17.5</u>	<u>11.8</u>	<u>12.6</u>	<u>26.5</u>	<u>30.1</u>
Expenses						
General government	0.3	1.1	-	-	0.3	1.1
Public safety	8.7	8.0	-	-	8.7	8.0
Library	1.2	1.1	-	-	1.2	1.1
Community development	4.5	3.9	-	-	4.5	3.9
Interest on long-term debt	0.5	0.5	-	-	0.5	0.5
Water	-	-	4.7	4.0	4.7	4.0
Sewer	-	-	4.4	3.9	4.4	3.9
Storm	-	-	0.9	0.7	0.9	0.7
Emergency medical services	-	-	1.2	1.2	1.2	1.2
Total expenses	<u>15.2</u>	<u>14.6</u>	<u>11.2</u>	<u>9.8</u>	<u>26.4</u>	<u>24.4</u>
Increase in net assets before transfers	<u>(0.5)</u>	<u>2.9</u>	<u>0.6</u>	<u>2.8</u>	<u>0.1</u>	<u>5.7</u>
Transfers	<u>-</u>	<u>0.4</u>	<u>-</u>	<u>(0.3)</u>	<u>-</u>	<u>0.1</u>
Changes in net assets	<u>(0.5)</u>	<u>3.3</u>	<u>0.6</u>	<u>2.4</u>	<u>0.1</u>	<u>5.8</u>
Beginning net assets	<u>82.5</u>	<u>79.2</u>	<u>59.4</u>	<u>57.0</u>	<u>141.9</u>	<u>136.2</u>
Ending net assets	<u>\$ 82.0</u>	<u>\$ 82.5</u>	<u>\$ 60.0</u>	<u>\$ 59.4</u>	<u>\$ 142.0</u>	<u>\$ 141.9</u>

Governmental Activities

Governmental activities resulted in a \$0.5 million decrease to the City's net assets. This decrease is attributable to lower revenues in nearly every category, along with rising program costs. The economic slowdown adversely affected revenues driven by construction activities.

- 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. Revenues primarily consist of fees charged for services, licenses and permits.

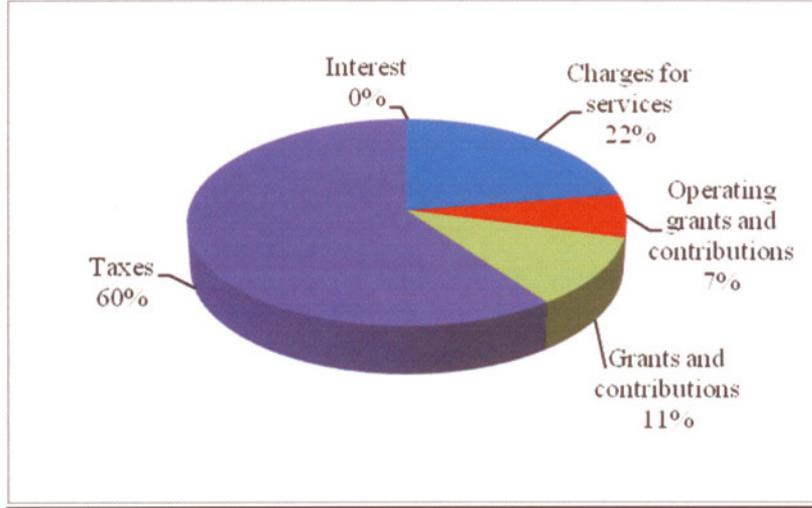
CITY OF NEWBERG, OREGON
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This category also includes municipal court revenues from issuance of traffic citations, which decreased during 2008-09 by approximately \$76,000 (9.7%). Revenues generated from community development and planning fees decreased by 29% as new housing and commercial endeavors slowed down due to negative economic pressures. Revenues generated by building inspection services were 40% lower than the prior year.

- 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 revenues primarily consist of state gas tax disbursed to the City to use for road maintenance. Revenues from this source continued to decline. During 2008-09, gas taxes decreased by nearly \$64,000 to \$855,227. Other small state and private contributions are also included in the total. These funds go to support specific activities within the City. The overall decrease in operating grants was largely due to no pass-through grant activity during the current fiscal year. During 2007-08, the City had administered a \$0.8 million grant for CASA of Oregon.
- Capital grants/contributions revenues primarily consist of grants and developer infrastructure contributions (e.g. fair market value of subdivision's infrastructure such as streets, roads, and right-of-way/easements). Overall grant/contributions decreased \$1.9 million from \$2.5 million to \$0.6 million due to a significant slow down in street related infrastructure contributions. However, the City received approximately \$0.8 million in reimbursements from Oregon Department of Transportation during 2008-09 related to street projects completed in previous years.
- Taxes – These are revenues that consist primarily of property taxes, hotel/motel taxes, and franchise fees based on gross revenues. Property taxes increased \$0.3 million or 5.4% over the prior fiscal year. Franchise fees increased approximately \$0.1 million. Payments in lieu of taxes from the City's utility operations to the General Fund in the amount of \$0.4 million were reclassified as franchise fees during 2008-09.
- Interest – This is revenue derived from the City's investment of temporarily idle assets which decreased by \$0.5 million reflecting the significant reduction in market investment rates.
- Other - This is miscellaneous revenue not related to services provided.

CITY OF NEWBERG, OREGON
Management's Discussion and Analysis
For the Year Ended June 30, 2009

Governmental Activities-Revenues by Source



- Programs – These are direct expenses that are specifically associated with a service, program, or department and, thus, 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, 2009
(in millions)

Programs	FY 2008-09		Compared to FY 2007-08	
	Amount	Percent of Total	Amount	Percent
General government	\$ 0.3	2.0%	\$ (0.8)	-72.7%
Public safety	8.7	57.2%	0.7	8.7%
Library	1.2	7.9%	0.1	9.1%
Community development	4.5	29.6%	0.6	15.4%
Interest on long-term debt	0.5	3.3%	-	0.0%
Total expenses	\$ 15.2	100.0%	\$ 0.6	4.1%

- General government consists of costs relating to operations of the City Council and fundraising efforts by the Newberg Friends of the Animal Shelter. The decrease of \$0.8 million is related to a one-time grant expenditure that occurred during fiscal year 2007-08.
- Public safety consists of the police, fire, court, and 911 operations. The increase in program expense is primarily due to increases in personnel costs.

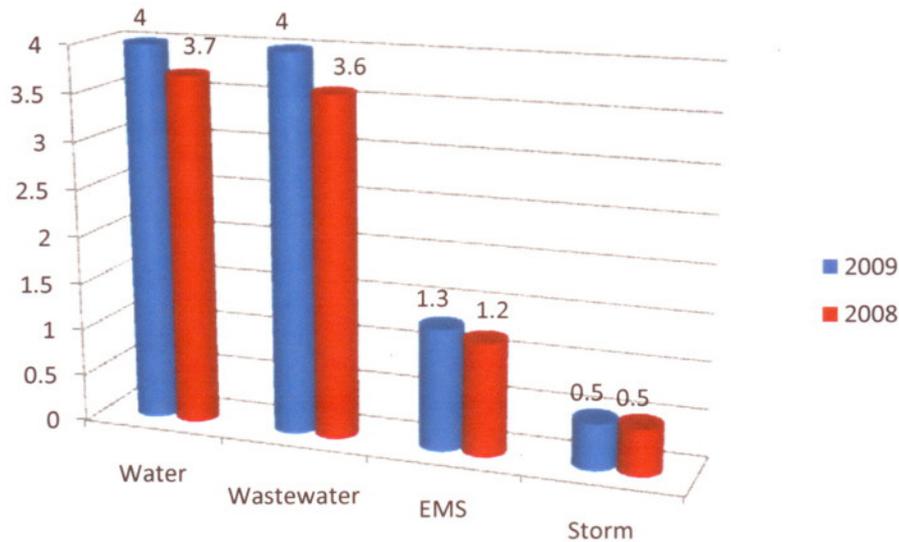
CITY OF NEWBERG, OREGON
Management's Discussion and Analysis
For the Year Ended June 30, 2009

- Library costs increased slightly due to rising personnel costs.
- Community development consists of planning, economic development, building inspection, and road maintenance programs. Cost for road maintenance increased by \$0.4 million over 2007-08. Economic development endeavors also increased overall costs in 2008-09.

Business-type Activities

Overall revenues decreased by \$0.8 million over the prior fiscal year due to less in capital infrastructure contributions from local building projects. Operating rate increases in all business-type divisions positively impacted revenues. System development fees decreased by \$0.5 million from the 2007-08 fiscal year.

Business-Type Activities – Operating Revenues by Service



CITY OF NEWBERG, OREGON
Management's Discussion and Analysis
For the Year Ended June 30, 2009

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, 2009
(in millions)

Programs	FY 2008-09		Compared to FY 2007-08	
	Amount	Percent of Total	Increase/(Decrease) Amount	Percent
Water	4.7	42.0%	0.7	17.5%
Sewer	4.4	39.3%	0.5	12.8%
Storm	0.9	8.0%	0.2	28.6%
Emergency medical services	1.2	10.7%	-	0.0%
Total expenses	<u>\$ 11.2</u>	<u>100.0%</u>	<u>\$ 1.4</u>	<u>14.3%</u>

The \$0.7 million increase in the water service division was attributable to higher depreciation expense, materials and services, and interest costs on long-term debt for capital projects that were completed in the latter part of fiscal 2007-08. The wastewater division also experienced a rise in depreciation and material and services costs of \$0.5 million. Storm water operations experienced increases in personal and materials and services costs.

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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9.3 million, a decrease of \$0.4 million. Approximately 73% of this total amount constitutes unreserved fund balance, which is available for spending at the government's discretion, subject to reporting fund-type limitations. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to pay debt service, invested in inventory, or has been reserved for other purposes.

CITY OF NEWBERG, OREGON
Management's Discussion and Analysis
For the Year Ended June 30, 2009

The General Fund is the chief operating fund of the City. The fund balance of the City's General Fund decreased by \$0.4 million, or 10.8%, during the current fiscal year. Key components to the change for the year ended June 30, 2009 are as follows:

- Property taxes increased \$0.3 million, or 6.8%. Assessed values are limited to 3% growth, thus the remaining 3.8% is related to new construction and collections on delinquent taxes. New construction still continues within the City limits. However, the rate is at a slower pace than in the past.
- Other taxes, which consist of franchise fees, public service taxes, and motel taxes, increased slightly over the prior fiscal year.
- Licenses and permits experienced a 47% decrease or \$0.5 million. Due to the recent downturn in the economy, new construction permitting activity has slowed down.
- Expenditures in the General Fund grew by \$1.1 million or 12.3% over the prior fiscal year. Public safety functions continued to be the largest contributor to cost increases at \$0.9 million. Personnel costs in these divisions continue to rise.

The Street Fund ending balance decreased by \$305,043 due to a continuation of expenditures exceeding incoming revenues. Incoming revenues are not able to support the current level of activity within the fund. Gasoline tax revenues received from the State continue to decrease and were approximately \$64,000 less than the prior fiscal year. Costs were consistent with prior year activity.

The Building Inspection Fund continued to struggle during 2008-09. Building inspection revenues were \$0.3 million lower than the prior fiscal year. Spending cuts were made to the department in an effort to scale back costs. However, expenditures were still nearly \$80,000 higher than the prior fiscal year.

Other governmental fund balances increased by \$579,614 due primarily to the receipt of \$880,000 in Federal Exchange Grant money for reimbursed costs related to the Mountainview Drive road construction project. Other significant activity included a decrease in the Debt Service Fund balance of \$413,238 due to early redemption of a portion of the City's general obligation debt.

Proprietary Funds

Net assets of the water utility increased slightly by 1.6% during 2008-09. Charges for services increased by nearly 11% during the fiscal year due to a rate increase effective July 2008. Increases in revenues were offset by a significant rise in both material and services costs and depreciation. The total percentage increase of these two costs was 40%. System development charge revenues, capital contribution revenues, and interest

CITY OF NEWBERG, OREGON
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costs were relatively consistent with the prior fiscal year. Interest revenue decreased noticeably due to the declining yields in the investment market.

The net assets of the wastewater utility increased by \$0.3 million (1.4%) during fiscal year 2008-09. Charges for services increased 14% due to a significant rate increase adopted in July of 2008. Operating expenses increased by 13.3% over the prior year. The operating result of the division was negative for 2008-09 (\$277,194), reflecting a multi-year trend of insufficient operating revenues. Implemented rate increases have been effective in reducing the scope of the operating loss, but not enough to make the division break even. Infrastructure contributions from developers fell \$0.5 million as construction activity decreased. Similarly, lack of new projects resulted in a 32% reduction in system development revenues.

The net assets of the storm water utility decreased \$0.2 million. Operating costs continued to outpace operating revenues resulting in an operating loss of (\$340,522). Storm water charges for services were consistent with the prior fiscal year, while operating costs increased 23.3%.

Net assets of the emergency medical services division experienced almost no change. Operating revenues increased 5.9% while operating expenses grew 7.6%.

BUDGETARY HIGHLIGHTS

General Fund budget appropriation revisions totaled \$45,000 during 2008-09 for the following:

- To expend \$10,000 in unanticipated State Rural Investment Grant money
- To cover the \$35,000 in additional cost for provide planning services to City of Dundee

Actual expenditures were \$1,443,917 less than budgeted as a result of lower costs than had been anticipated in the budget process. In particular, the fire department had anticipated a \$300,000 FEMA grant to be received and expended during the 2008-09 fiscal year. This grant ended up not being awarded during the 2008-09 fiscal year.

The police and communications departments also expended \$351,426 less than anticipated in the budget process.

The City did not have to use any of the \$626,840 in Contingency that had been budgeted for 2008-09.

CITY OF NEWBERG, OREGON
Management's Discussion and Analysis
For the Year Ended June 30, 2009

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2009, the City had invested \$147.4 million in capital assets as reflected in the following table, which represents a net increase (additions, deductions and depreciation) of \$0.2 million.

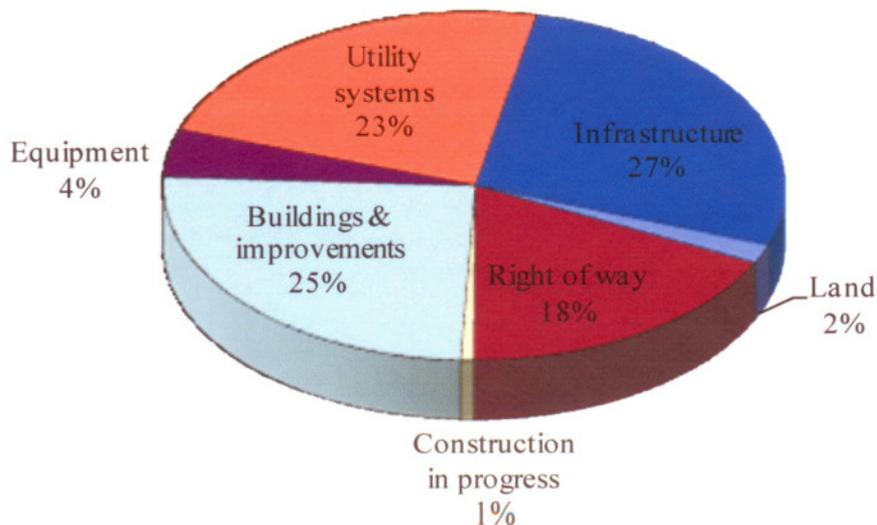
TABLE 5
CAPITAL ASSETS AT YEAR END
(NET OF DEPRECIATION)
(in millions)

	Governmental Activities		Business-type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Land	\$ 1.0	\$ 1.0	\$ 1.6	\$ 1.4	\$ 2.6	\$ 2.4
Right of way	26.2	25.8	-	-	26.2	25.8
Construction in progress	0.1	0.8	0.9	7.8	1.0	8.6
Buildings & improvements	7.5	7.7	29.5	21.8	37.0	29.5
Equipment	2.1	2.3	4.4	4.7	6.5	7.0
Utility systems	-	-	33.7	33.2	33.7	33.2
Infrastructure	40.4	40.7	-	-	40.4	40.7
Total	\$ 77.3	\$ 78.3	\$ 70.1	\$ 68.9	\$ 147.4	\$ 147.2

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

- Purchase of six new vehicles for various departments
- Purchase of land for a new wastewater pump station for \$284,425
- Completion of the Wastewater Effluent Reuse project. Costs related to the project were \$2.1 million for 2008-09.

Government-Wide Totals
Capital Assets



CITY OF NEWBERG, OREGON
Management's Discussion and Analysis
For the Year Ended June 30, 2009

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.

Debt. As of June 30, 2009, the City had a total long-term debt obligation of \$30.8 million. Of this amount, \$7.3 million represented outstanding bonded indebtedness. Outstanding bonded debt included \$2.5 million to be serviced by property taxes, \$4.8 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		Business-type		Totals	
	Activities		Activities			
	2009	2008	2009	2008	2009	2008
General obligation	\$ 2.5	\$ 3.2	\$ -	\$ -	\$ 2.5	\$ 3.2
Certificates of participation	2.1	2.2	-	-	2.1	2.2
Limited tax bonds	2.7	2.7	-	-	2.7	2.7
Notes payable	-	-	23.5	15.7	23.5	15.7
Interim financing	-	-	-	5.8	-	5.8
Total	<u>\$ 7.3</u>	<u>\$ 8.1</u>	<u>\$ 23.5</u>	<u>\$ 21.5</u>	<u>\$ 30.8</u>	<u>\$ 29.6</u>

The City maintained its A-3 debt rating from Moody's Investors Service, which was affirmed in March 1998.

The City exercised an early redemption call on two General Obligation Bonds. \$400,000 in debt was paid off early, thus saving the City current and future interest costs.

The City received proceeds of \$2.7 million from an interim financing agreement with OECD (Oregon Economic and Community Development Department) during 2008-09. In May of 2009, this interim financing was converted to a long-term loan. The funds were used to finance the WWTP Effluent Reuse Project.

Additional information on the City's long-term obligations can be found in the notes to the basic financial statements on page 39 of this report.

ECONOMIC FACTORS

Providing stable funding for City services during the current economic recession poses a challenge for the next few years. For 2008-09, the City did not experience a significant decrease in overall revenues, except in those categories related directly to new construction. However, with the June unemployment rate for Yamhill County at 13.2% and Oregon home foreclosure rates for the first half of 2009 being the 11th highest in the nation, the situation may worsen in the near future.

CITY OF NEWBERG, OREGON

Management's Discussion and Analysis

For the Year Ended June 30, 2009

Due to economic hardships, property tax remittances may be less than in previous years, utility billing collections may be more difficult, and the City's ability to raise rates to cover rising costs may be limited. Revenues that come directly from the State of Oregon are becoming scarce as well.

The City's building and planning departments implemented cost saving measures during fiscal year 2008-09 to compensate for less local construction activity. More cost cutting measures will be explored, if necessary, to keep costs in line with revenues.

The City is heavily dependent upon the inflow of property tax revenues each year to fund core services. For 2009-10, the City will be exploring the concept of a public safety fee to provide additional funding for police services.

Business-type activities are funded by utility charges, charges for medical transport, and systems development charges. Utility charges were 32% of total government-wide revenues for the City. The City periodically increases its water, wastewater, storm water, and emergency medical services charges to keep up with the cost of services. Newberg area citizens take an active role in deciding upon these increases through committee meetings. Of particular concern in the future is to assure that utility rates reflect the need to expand the existing systems. There are several major capital improvements on the horizon that will need to be funded via increases to utility user charges. The City is also actively seeking suitable property to expand the WWTP, relocate the Water Treatment Plant and establish new well fields in the future. All three utility rates were raised effective July of 2008. The increases were as follows: Water 6.5%, Wastewater 20%, and Storm Water 7.5%.

Construction of the Allison Inn was almost complete at the close of 2008-09. The Inn features 85 guest rooms, meeting rooms, a spa, and a restaurant and lounge on an extensively landscaped 35-acre site. The facility will open October of 2009. The development of this property will generate more property and hotel/motel tax revenue for the City, as well as draw more business into the local economy.

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

CITY OF NEWBERG, OREGON
Management's Discussion and Analysis
For the Year Ended June 30, 2009

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, 2009

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and investments	\$ 11,476,988	\$ 13,316,950	\$ 24,793,938
Receivables	892,588	1,140,092	2,032,680
Internal balances	(41,122)	41,122	-
Inventories	97,913	166,316	264,229
Pension assets	2,061,052	-	2,061,052
Other assets	47,930	-	47,930
Capital assets:			
Land and construction in progress	27,337,026	2,494,532	29,831,558
Other capital assets, net of depreciation	49,997,749	67,581,774	117,579,523
Total assets	91,870,124	84,740,786	176,610,910
LIABILITIES			
Accounts payable and accrued liabilities	1,195,730	568,518	1,764,248
Deposits	9,772	-	9,772
Interest payable	57,949	380,168	438,117
Other postemployment benefit obligation	356,688	140,622	497,310
Long-term obligations:			
Due within one year	1,209,111	1,226,557	2,435,668
Due in more than one year	7,004,530	22,448,485	29,453,015
Total liabilities	9,833,780	24,764,350	34,598,130
NET ASSETS			
Invested in capital assets, net of related debt	72,529,510	46,588,143	119,117,653
Restricted for:			
Capital projects	2,288,920	4,432,518	6,721,438
Debt service	181,979	-	181,979
Unrestricted	7,035,935	8,955,775	15,991,710
Total net assets	\$ 82,036,344	\$ 59,976,436	\$ 142,012,780

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, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<u>Governmental activities:</u>				
General government	\$ 331,085	\$ 203,234	\$ 138,070	\$ 122,907
Public safety	8,710,044	1,635,102	177	-
Library	1,205,124	109,555	21,646	26,423
Community development	4,529,013	1,353,248	855,227	1,446,751
Interest on long-term obligations	430,164	-	-	-
Total governmental activities	15,205,430	3,301,139	1,015,120	1,596,081
<u>Business-type activities:</u>				
Water	4,744,738	4,041,065	-	934,192
Wastewater	4,388,208	4,018,207	-	621,287
Storm Water	865,427	527,617	-	134,927
Emergency Medical Services	1,254,774	1,233,055	-	41,800
Total business-type activities	11,253,147	9,819,944	-	1,732,206
Totals	\$ 26,458,577	\$ 13,121,083	\$ 1,015,120	\$ 3,328,287

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
\$ 133,126	\$ -	\$ 133,126
(7,074,765)	-	(7,074,765)
(1,047,500)	-	(1,047,500)
(873,787)	-	(873,787)
(430,164)	-	(430,164)
(9,293,090)	-	(9,293,090)
-	230,519	230,519
-	251,286	251,286
-	(202,883)	(202,883)
-	20,081	20,081
-	299,003	299,003
5,476,094	-	5,476,094
392,855	-	392,855
2,691,385	-	2,691,385
225,064	307,681	532,745
60,413	-	60,413
5,548	12,971	18,519
10,023	(10,023)	-
8,861,382	310,629	9,172,011
(431,708)	609,632	177,924
82,468,052	59,366,804	141,834,856
<u>\$ 82,036,344</u>	<u>\$ 59,976,436</u>	<u>\$ 142,012,780</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, 2009

	General	Street
<u>ASSETS</u>		
Cash and investments	\$ 3,341,096	\$ 200,279
Receivables:		
Accounts	123,557	67,590
Loans	-	-
Assessments	-	15,763
Taxes	432,897	-
Interest	-	-
Inventories	-	75,231
Total assets	\$ 3,897,550	\$ 358,863
<u>LIABILITIES</u>		
Accounts payable	140,203	39,587
Other accrued liabilities	184,540	10,719
Deposits	2,772	7,000
Interest payable	-	-
Deferred revenue	432,897	6,467
Total liabilities	760,412	63,773
<u>FUND BALANCES</u>		
Reserved for:		
Inventories	-	75,231
Debt service	-	-
Capital projects	-	-
Unreserved, reported in:		
General fund	3,137,138	-
Special revenue funds	-	219,859
Capital projects funds	-	-
Total fund balances	3,137,138	295,090
Total liabilities and fund balances	\$ 3,897,550	\$ 358,863

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

	Building Inspection	Other Governmental Funds	Totals
\$	584,691	\$ 5,262,513	\$ 9,388,579
	-	102,380	293,527
	-	103,592	103,592
	-	875	16,638
	-	35,160	468,057
	-	4,813	4,813
	-	-	75,231
\$	584,691	\$ 5,509,333	\$ 10,350,437

	22,042	31,361	233,193
	11,453	3,938	210,650
	-	-	9,772
	-	4,507	4,507
	-	139,627	578,991
	<u>33,495</u>	<u>179,433</u>	<u>1,037,113</u>

	-	-	75,231
	-	146,819	146,819
	-	2,288,920	2,288,920
	-	-	3,137,138
	551,196	2,446,960	3,218,015
	-	447,201	447,201
	<u>551,196</u>	<u>5,329,900</u>	<u>9,313,324</u>
\$	584,691	\$ 5,509,333	

Reconciliation to the Statement of Net Assets \$ 9,313,324

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. 578,991

Capital assets are not financial resources in governmental funds, but are reported in the Statement of Net Assets at their net depreciated value. 76,157,508

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. 2,108,982

All liabilities are reported in the Statement of Net Assets. However, if they are not due and payable in the current period, they are not recorded in governmental funds. (8,623,771)

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. 2,501,310

Net assets of governmental activities \$ 82,036,344

City of Newberg, Oregon

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

For the Year Ended June 30, 2009

	General	Street
<u>Revenues</u>		
Property taxes	\$ 5,381,332	\$ -
Other taxes	1,540,473	-
Licenses and permits	521,105	6,401
Fees	-	-
Intergovernmental	1,690,436	855,227
Charges for services	138,229	29,793
Fines and forfeitures	718,032	-
Facilities charge	-	-
Loan collections	-	-
Assessments	-	9,296
Donations	-	-
Interest	43,903	8,058
Miscellaneous	16,373	283
Total revenues	10,049,883	909,058
<u>Expenditures</u>		
Current:		
General government	213,685	-
Public safety	8,339,953	-
Library	1,140,114	-
Community development	735,250	1,183,573
Debt service:		
Principal	-	-
Interest	-	-
Capital outlay	-	-
Total expenditures	10,429,002	1,183,573
Excess of revenues over (under) expenditures	(379,119)	(274,515)
<u>Other financing sources (uses)</u>		
Proceeds from sale of capital assets	151	278
Transfers in	-	-
Transfers out	-	(30,806)
Total other financing sources (uses)	151	(30,528)
Net change in fund balances	(378,968)	(305,043)
Fund balances, July 1, 2008	3,516,106	600,133
Fund balances, June 30, 2009	\$ 3,137,138	\$ 295,090

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

	Building Inspection	Other Governmental Funds	Totals
\$	-	\$ 390,232	\$ 5,771,564
	-	-	1,540,473
	508,374	-	1,035,880
	-	262,592	262,592
	-	1,164,808	3,710,471
	-	347,757	515,779
	-	-	718,032
	-	111,584	111,584
	-	86,477	86,477
	-	125	9,421
	-	167,242	167,242
	19,758	105,971	177,690
	8,046	172,510	197,212
	536,178	2,809,298	14,304,417
	-	45,035	258,720
	-	286,634	8,626,587
	-	20,681	1,160,795
	809,345	277,982	3,006,150
	-	810,000	810,000
	-	424,862	424,862
	-	405,319	405,319
	809,345	2,270,513	14,692,433
	(273,167)	538,785	(388,016)
	11,500	-	11,929
	-	474,013	474,013
	-	(433,184)	(463,990)
	11,500	40,829	21,952
	(261,667)	579,614	(366,064)
	812,863	4,750,286	9,679,388
\$	551,196	\$ 5,329,900	\$ 9,313,324

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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, 2009

Net change in fund balances - total governmental funds	\$ (366,064)
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.	
Property taxes	97,384
Notes and assessments receivable	(163,965)
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.	810,000
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	
Compensated absences	(22,206)
Interest expense	7,621
Amortization of prepaid pension cost and related bond issuance costs	(111,065)
Other postemployment benefits	(153,673)
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.	565,855
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.	
Capital outlays	331,910
Depreciation	(1,649,951)
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.	222,446
Change in net assets of governmental activities	\$ (431,708)

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, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Property taxes	\$ 5,158,591	\$ 5,158,591	\$ 5,381,332	\$ 222,741
Other taxes	1,459,000	1,459,000	1,540,473	81,473
Licenses and permits	535,400	535,400	521,105	(14,295)
Intergovernmental	1,881,073	1,926,073	1,690,436	(235,637)
Charges for services	127,515	127,515	138,229	10,714
Fines and forfeitures	698,500	698,500	718,032	19,532
Interest	42,000	42,000	43,903	1,903
Miscellaneous	10,000	10,000	16,373	6,373
Total revenues	9,912,079	9,957,079	10,049,883	92,804
<u>Expenditures</u>				
General government	215,533	215,533	213,685	1,848
Municipal court	306,019	306,019	298,196	7,823
Police	4,656,395	4,656,395	4,470,283	186,112
Fire	3,182,160	3,182,160	2,861,692	320,468
Communications	875,096	875,096	709,782	165,314
Library	1,164,598	1,164,598	1,140,114	24,484
Planning	801,278	846,278	735,250	111,028
Contingency	626,840	626,840	-	626,840
Total expenditures	11,827,919	11,872,919	10,429,002	1,443,917
Excess of revenues over (under) expenditures	(1,915,840)	(1,915,840)	(379,119)	1,536,721
<u>Other financing sources (uses)</u>				
Proceeds from sale of capital assets	-	-	151	151
Total other financing sources (uses)	-	-	151	151
Net change in fund balances	(1,915,840)	(1,915,840)	(378,968)	1,536,872
Fund balances, July 1, 2008	3,015,840	3,015,840	3,516,106	500,266
Fund balances, June 30, 2009	\$ 1,100,000	\$ 1,100,000	\$ 3,137,138	\$ 2,037,138

City of Newberg, Oregon

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

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Permits	\$ 10,000	\$ 10,000	\$ 6,401	\$ (3,599)
Intergovernmental	958,000	958,000	855,227	(102,773)
Charges for services	25,000	25,000	29,793	4,793
Special assessments	7,906	7,906	9,296	1,390
Interest	13,510	13,510	8,058	(5,452)
Miscellaneous	-	-	283	283
Total revenues	1,014,416	1,014,416	909,058	(105,358)
<u>Expenditures</u>				
Highways and streets	1,337,951	1,337,951	1,183,573	154,378
Contingency	190,359	190,359	-	190,359
Total expenditures	1,528,310	1,528,310	1,183,573	344,737
Excess of revenues over expenditures	(513,894)	(513,894)	(274,515)	239,379
<u>Other financing sources (uses)</u>				
Proceeds from sale of assets	-	-	278	278
Transfers out	(60,806)	(60,806)	(30,806)	30,000
Total other financing sources (uses)	(60,806)	(60,806)	(30,528)	30,278
Net change in fund balances	(574,700)	(574,700)	(305,043)	269,657
Fund balance, July 1, 2008	574,700	574,700	600,133	25,433
Fund balances, June 30, 2009	\$ -	\$ -	\$ 295,090	\$ 295,090

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, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Licenses and permits	\$ 498,461	\$ 498,461	\$ 508,374	\$ 9,913
Interest	9,500	9,500	19,758	10,258
Miscellaneous	-	-	8,046	8,046
Total revenues	507,961	507,961	536,178	28,217
<u>Expenditures</u>				
Inspection	932,279	932,279	809,345	122,934
Contingency	208,908	208,908	-	208,908
Total expenditures	1,141,187	1,141,187	809,345	331,842
Excess of expenditures over revenues	(633,226)	(633,226)	(273,167)	360,059
<u>Other financing sources (uses)</u>				
Sale of capital assets	-	-	11,500	11,500
Total other financing sources (uses)	-	-	11,500	11,500
Net change in fund balances	(633,226)	(633,226)	(261,667)	371,559
Fund balance, July 1, 2008	633,226	633,226	812,863	179,637
Fund balances, June 30, 2009	\$ -	\$ -	\$ 551,196	\$ 551,196

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, sewer, and storm water 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**
- **Sewer**
- **Storm Water**
- **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, Sewer, and StormWater funds are accounted for in the following separate funds:

- **Water**
 - Water (operating)
 - Water Replacement Reserve
 - Water System Development
 - Water Financed CIPs
- **Wastewater**
 - Wastewater (operating)
 - Wastewater Replacement Reserve
 - Wastewater System Development
 - Wastewater Financed CIPs
- **Storm Water**
 - Storm Water (operating)
 - Storm Water System Development
- The **Proprietary Capital Projects Fund** and **Propriety Debt Service Fund** have 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, 2009

	Business-type Activities Enterprise Funds					Governmental Activities
	Water	Waste- Water	Storm Water	Emergency Medical Services	Totals	Internal Service Funds
ASSETS						
<u>Current assets</u>						
Cash and investments	\$ 6,839,399	\$ 4,814,679	\$ 1,129,256	\$ 368,169	\$ 13,151,503	\$ 2,253,856
Accounts and notes receivable	523,468	453,227	43,998	81,899	1,102,592	5,961
Interest receivable	9,375	28,125	-	-	37,500	-
Inventories	138,010	28,306	-	-	166,316	22,682
Total current assets	7,510,252	5,324,337	1,173,254	450,068	14,457,911	2,282,499
<u>Noncurrent assets</u>						
Capital assets, net of depreciation	31,215,924	29,457,146	9,047,133	356,103	70,076,306	1,177,267
Other assets	-	-	-	-	-	8,000
Total noncurrent assets	31,215,924	29,457,146	9,047,133	356,103	70,076,306	1,185,267
Total assets	38,726,176	34,781,483	10,220,387	806,171	84,534,217	3,467,766
<u>LIABILITIES</u>						
<u>Current liabilities</u>						
Accounts payable and accrued liabilities	130,597	358,755	37,791	41,375	568,518	751,887
Interest payable	311,828	68,340	-	-	380,168	-
Compensated absences	71,855	67,213	21,266	26,545	186,879	189,935
Current portion of capital leases payable	201	-	-	-	201	65,735
Current portion of notes payable	632,194	407,283	-	-	1,039,477	-
Total current liabilities	1,146,675	901,591	59,057	67,920	2,175,243	1,007,557
<u>Long-term obligations</u>						
Capital leases payable, net of current portion	-	-	-	-	-	139,530
Notes payable, net of current portion	14,276,767	8,171,718	-	-	22,448,485	-
Other postemployment benefit obligation	54,595	52,152	11,452	22,423	140,622	58,668
Total long-term obligations	14,331,362	8,223,870	11,452	22,423	22,589,107	198,198
Total liabilities	15,478,037	9,125,461	70,509	90,343	24,764,350	1,205,755
<u>Net assets</u>						
Invested in capital assets, net of related debt	16,306,762	20,878,145	9,047,133	356,103	46,588,143	972,002
Restricted for other purposes	2,344,683	1,719,539	368,296	-	4,432,518	-
Unrestricted	4,596,694	3,058,338	734,449	359,725	8,749,206	1,290,009
Total net assets	\$ 23,248,139	\$ 25,656,022	\$ 10,149,878	\$ 715,828	59,769,867	\$ 2,262,011
					206,569	
Adjustment to reflect the combination of internal service fund activities related to enterprise funds.					<u>\$ 59,976,436</u>	
Net assets of business-type activities						

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, 2009

	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	\$ 3,973,496	\$ 3,972,185	\$ 526,693	\$ 1,249,595	\$ 9,721,969	\$ 3,637,174
Other	67,569	46,022	924	25,260	139,775	5,066
Total operating revenues	4,041,065	4,018,207	527,617	1,274,855	9,861,744	3,642,240
<u>Operating expenses</u>						
Personal services	1,343,338	1,324,107	304,996	812,119	3,784,560	1,978,197
Materials and services	1,861,661	1,745,308	281,952	400,682	4,289,603	1,097,289
Depreciation and amortization	1,018,146	1,225,986	281,191	44,600	2,569,923	332,328
Total operating expenses	4,223,145	4,295,401	868,139	1,257,401	10,644,086	3,407,814
Operating income (loss)	(182,080)	(277,194)	(340,522)	17,454	(782,342)	234,426
<u>Nonoperating revenues (expenses)</u>						
System development	533,374	560,982	38,927	-	1,133,283	-
Interest revenue	159,942	115,851	25,623	6,265	307,681	39,442
Interest expense	(539,441)	(110,742)	-	-	(650,183)	(12,919)
Gain on sale of capital assets	286	12,685	-	-	12,971	2,620
Total nonoperating revenues (expenses)	154,161	578,776	64,550	6,265	803,752	29,143
Net income (loss) before contributions and transfers	(27,919)	301,582	(275,972)	23,719	21,410	263,569
Transfers in (out)	-	(10,023)	-	-	(10,023)	-
Capital contributions	400,818	60,305	96,000	-	557,123	4,637
Change in net assets	372,899	351,864	(179,972)	23,719	568,510	268,206
Total net assets, July 1, 2008	22,875,240	25,304,158	10,329,850	692,109		1,993,805
Total net assets, June 30, 2009	\$ 23,248,139	\$ 25,656,022	\$ 10,149,878	\$ 715,828		\$ 2,262,011
Adjustment to reflect the combination of internal service fund activities related to enterprise funds.					41,122	
Change in net assets of business-type activities					<u>\$ 609,632</u>	

City of Newberg, Oregon

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2009

	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	\$ 4,001,000	\$ 3,930,502	\$ 526,062	\$ 1,258,534	\$ 9,716,098	\$ -
Cash paid to suppliers	(1,574,120)	(1,515,739)	(284,885)	(407,776)	(3,782,520)	(887,144)
Internal activity - interfund receipts (payments)	(141,180)	(147,521)	922	-	(287,779)	3,633,540
Cash paid to employees	(1,301,903)	(1,288,449)	(287,192)	(803,789)	(3,681,333)	(1,978,161)
Other receipts	15,908	1,203	-	25,260	42,371	5,066
Net cash provided by (used in) operating activities	999,705	979,996	(45,093)	72,229	2,006,837	773,301
<u>Cash flows from noncapital financing activities</u>						
Transfers out	-	(10,023)	-	-	(10,023)	-
Net cash used in noncapital financing activities	-	(10,023)	-	-	(10,023)	-
<u>Cash flows from capital and related financing activities</u>						
Proceeds from loans	771,807	1,969,368	-	-	2,741,175	-
Principal paid on long-term obligations	(537,808)	(200,025)	-	-	(737,833)	(72,094)
Interest paid on long-term obligations	(664,156)	(305,764)	-	-	(969,920)	(4,937)
Proceeds from the sale of capital assets	286	12,685	-	-	12,971	16,299
Purchases of capital assets	(819,066)	(2,944,495)	(49,859)	(5,261)	(3,818,681)	(147,690)
Developer contributions	532,023	562,618	38,927	-	1,133,568	-
Net cash used in capital and related financing activities	(716,914)	(905,613)	(10,932)	(5,261)	(1,638,720)	(208,422)
<u>Cash flows from investing activities</u>						
Interest received on investments	152,884	87,726	25,623	6,265	272,498	39,442
Net cash provided by investment activities	152,884	87,726	25,623	6,265	272,498	39,442
Net increase (decrease) in cash	435,675	152,086	(30,402)	73,233	630,592	604,321
Cash and investments, July 1, 2008	6,403,724	4,662,593	1,159,658	294,936	12,520,911	1,649,535
Cash and investments, June 30, 2009	\$ 6,839,399	\$ 4,814,679	\$ 1,129,256	\$ 368,169	\$ 13,151,503	\$ 2,253,856
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	\$ (182,080)	\$ (277,194)	\$ (340,522)	\$ 17,454	\$ (782,342)	\$ 234,426
<u>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:</u>						
Depreciation expense	1,018,146	1,225,986	281,191	44,600	2,569,923	332,328
(Increase) decrease in accounts receivable	27,504	(41,683)	(631)	8,939	(5,871)	(3,634)
Decrease in inventory	46,736	8,720	-	-	55,456	11,199
Increase in other assets	-	-	-	-	-	(8,000)
Increase in accounts payable	89,399	64,167	14,869	1,236	169,671	206,982
Net cash provided by (used in) operating activities	\$ 999,705	\$ 979,996	\$ (45,093)	\$ 72,229	\$ 2,006,837	\$ 773,301

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, 2009

	Employees Retirement Plan Trust	Agency Fund
	<hr/>	<hr/>
<u>ASSETS</u>		
Cash	\$ -	\$ 46,153
Government securities	674,950	-
Large cap stocks	3,730,782	-
Real estate	727,398	-
Bonds & mortgages	3,983,565	-
International stocks	1,387,129	-
Small cap stocks	729,260	-
Total assets	11,233,084	46,153
<u>LIABILITIES</u>		
Accounts payable	-	46,153
Total liabilities	-	46,153
<u>NET ASSETS</u>		
Net assets held in trust for pension benefits	\$ 11,233,084	\$ -

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, 2009

	<u>Employees Retirement Plan Trust</u>
<u>Additions</u>	
Contributions	
City of Newberg	\$ 591,407
Members	198,218
<u>Total contributions</u>	<u>789,625</u>
Investment income	
Investment losses	(2,980,607)
<u>Total investment income</u>	<u>(2,980,607)</u>
<u>Total additions</u>	<u>(2,190,982)</u>
<u>Deductions</u>	
Payments to retirees	760,248
Expenses	31,767
<u>Total deductions</u>	<u>792,015</u>
Net decrease	(2,982,997)
Net assets, July 1, 2008	14,216,081
<u>Net assets, June 30, 2009</u>	<u>\$ 11,233,084</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 Year Ended June 30, 2009

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 a four-year term. 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 primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Government-wide financial statements display information about the reporting government as a whole. 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.

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

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS Year Ended June 30, 2009

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 the acquisition, operation, and maintenance of water, wastewater, storm water, 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 Year Ended June 30, 2009

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)
Water Financed CIP 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)
- *Storm Water*
Storm Water Fund (budgetary basis financial statements only)
Storm Water System Development Fund (budgetary basis financial statements only)

The *Proprietary Capital Projects Fund* and *Proprietary Debt Service Fund* account for capital projects and debt service for all three utilities and are reported only on a budgetary basis.

- *Emergency Medical Services*
Emergency Medical Services

Additionally, the City reports the following fund types:

- *Internal Service Funds*
Internal service funds account 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*
Pension Trust - City of Newberg Employees Retirement Plan accounts for the accumulation of resources for pension benefit payments to qualified public employees.

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS Year Ended June 30, 2009

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 fund, 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, restricted resources are used only after the unrestricted 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.

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.

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 general long-term debt are recorded as fund liabilities only 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

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS Year Ended June 30, 2009

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, Storm Water, and Emergency Services Funds are charges to customers for sales and services. The Water, Wastewater, and Storm Water 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 is approximate to 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.

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 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. Collections 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.

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS Year Ended June 30, 2009

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 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

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

Compensated Absences

Accumulated compensated absence pay is accrued as it is 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 pay, which does not vest, is recognized in all funds when leave is taken.

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS Year Ended June 30, 2009

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.

All long-term debt payments are paid out of one of two funds. The Debt Service Fund makes payments on governmental activity debt and the Proprietary Debt Service Fund makes payments on business-type activity debt.

Fund Equity

Tentative plans for utilization of fund balances in future periods are recorded as designations of fund balance in the fund financial statements. Planned expenditures include future capital projects, debt service, equipment purchases and other commitments for which fund balances have not been appropriated or specifically segregated.

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.

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. For all fund types, interfund loans are budgeted as sources and uses in accordance with state budget laws. Estimated revenues and expenditures are budgeted for by fund and object. Information on the past two years' actual revenues and expenditures and current-year estimates are included in the budget document.

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS Year Ended June 30, 2009

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 than 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, 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, 2009, City Council approved two supplemental budget resolutions.

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.

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS Year Ended June 30, 2009

Cash and investments are comprised of the following at June 30, 2009:

Cash on hand	\$	2,675
Cash with county treasurer		123,511
Deposits with financial institutions		3,117,014
Investments		<u>32,829,975</u>
Total cash and investments		<u>\$ 36,073,175</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, 2009 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.

As of June 30, 2009, the City had the following investments:

Investments	Maturities	Total	Fair Value	Credit Risk
Corporate Note-Wells Fargo & Co	Less than 1 year	\$ 252,443	\$ 252,880	AA-
Local Government Investment Pool	Less than 1 year	21,344,448	21,344,448	Not Rated
Mutual Funds (Pension Trust)	N/A	<u>11,233,084</u>	11,233,084	Various
Total investments		<u>\$ 32,829,975</u>		

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS Year Ended June 30, 2009

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. 86% 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. Investments, other than the Pension Trust investments, amounting to \$1,952,443 have 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 considered fully collateralized. As of June 30, 2009, none of the City's bank balances were exposed to custodial credit risk.

Cash and investments by activity/fund:

Governmental

General	\$ 3,341,096
Street	200,279
Building Inspection	584,691
Other Governmental Funds	5,262,513
Internal Service Fund cash allocated to governmental activities	<u>2,088,409</u>
Total governmental activities/funds	<u>11,476,988</u>

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS Year Ended June 30, 2009

Cash and investments by activity/fund (continued):

Business-type

Enterprise	
Water	6,839,399
Wastewater	4,814,679
Storm Water	1,129,256
Emergency Medical Services	368,169
Internal Service Fund cash allocated to business-type activities	165,447
Total business-type activities/proprietary funds	13,316,950

Fiduciary Funds

City of Newberg Employees Retirement Plan	11,233,084
Agency Fund - Bail	46,153
Total fiduciary funds	11,279,237

Total cash and investments	\$ 36,073,175
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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	Interest	Totals
Governmental						
General	\$ 123,557	\$ -	\$ -	\$432,897	\$ -	\$ 556,454
Street	67,590	-	15,763	-	-	83,353
Other	102,380	103,592	875	35,160	4,813	246,820
Business-Type (Proprietary)						
Water	422,899	-	100,569	-	9,375	532,843
Wastewater	444,323	-	8,904	-	28,125	481,352
Storm Water	43,998	-	-	-	-	43,998
Emergency Medical Services	81,899	-	-	-	-	81,899
Internal Service	5,961	-	-	-	-	5,961
	\$ 1,292,607	\$ 103,592	\$ 126,111	\$468,057	\$ 42,313	\$ 2,032,680

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS Year Ended June 30, 2009

Interfund Receivables, Payables, and Transfers

The interfund transfer activity for fiscal year ended June 30, 2009 is as follows:

	Transfers From Other Funds	Transfers To Other Funds	
Governmental Funds:			
Street	\$ -	\$ 30,806	
Other Governmental Funds	474,013	433,184	
Proprietary Funds:			
Wastewater	-	10,023	
	\$ 474,013	\$ 474,013	

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

OTHER ASSETS-PREPAID PENSION COSTS

The City's government-wide statements include a prepaid pension cost asset of \$2,061,052; 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, 2009 was: \$102,436 to Public Safety, \$3,835 to Library, and \$4,794 to Community Development.

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS Year Ended June 30, 2009

CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2009 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	\$ -	\$ -	\$ 1,049,821
Right of way	25,848,952	340,147	-	26,189,099
Construction in progress	769,322	190,498	(861,714)	98,106
 Total capital assets not being depreciated	 <u>27,668,095</u>	 <u>530,645</u>	 <u>(861,714)</u>	 <u>27,337,026</u>
Capital assets being depreciated:				
Building and improvements	10,416,409	-	-	10,416,409
Equipment	6,610,805	301,008	(36,076)	6,875,737
Infrastructure	63,453,468	1,087,422	-	64,540,890
 Total capital assets being depreciated	 <u>80,480,682</u>	 <u>1,388,430</u>	 <u>(36,076)</u>	 <u>81,833,036</u>
Less accumulated depreciation for:				
Building and improvements	(2,677,144)	(230,267)	-	(2,907,411)
Equipment	(4,353,532)	(479,137)	22,397	(4,810,272)
Infrastructure	(22,844,729)	(1,272,875)	-	(24,117,604)
 Total accumulated depreciation	 <u>(29,875,405)</u>	 <u>(1,982,279)</u>	 <u>22,397</u>	 <u>(31,835,287)</u>
 Total capital assets being depreciated, net	 <u>50,605,277</u>	 <u>(593,849)</u>	 <u>(13,679)</u>	 <u>49,997,749</u>
 Governmental activities capital assets, net	 <u>\$ 78,273,372</u>	 <u>\$ (63,204)</u>	 <u>\$ (875,393)</u>	 <u>\$ 77,334,775</u>

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

General government	\$ 90,917
Public safety	220,068
Library	33,113
Community development	1,305,853
Depreciation incurred in internal service funds charged to various governmental functions/programs	<u>332,328</u>
Total*	<u>\$ 1,982,279</u>

Capital assets of the internal service funds are included in the governmental activities. For the fiscal year ended June 30, 2009, internal service fund capital assets, net of depreciation were \$1,177,267.

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS Year Ended June 30, 2009

Capital asset activity for business-type activities for the year ended June 30, 2009 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	\$ 1,350,000	\$ 284,425	\$ -	\$ 1,634,425
Construction in progress	7,839,494	3,097,624	(10,077,011)	860,107
Total capital assets not being depreciated	<u>9,189,494</u>	<u>3,382,049</u>	<u>(10,077,011)</u>	<u>2,494,532</u>
Capital assets being depreciated:				
Building and improvements	30,801,281	8,825,571	-	39,626,852
Equipment	13,300,856	201,001	(111,317)	13,390,540
Utility systems	43,606,666	1,424,920	-	45,031,586
Total capital assets being depreciated	<u>87,708,803</u>	<u>10,451,492</u>	<u>(111,317)</u>	<u>98,048,978</u>
Less accumulated depreciation for:				
Building and improvements	(9,026,155)	(1,123,145)	-	(10,149,300)
Equipment	(8,568,739)	(574,944)	111,317	(9,032,366)
Utility systems	(10,397,170)	(888,368)	-	(11,285,538)
Total accumulated depreciation	<u>(27,992,064)</u>	<u>(2,586,457)</u>	<u>111,317</u>	<u>(30,467,204)</u>
Total capital assets being depreciated, net	<u>59,716,739</u>	<u>7,865,035</u>	<u>-</u>	<u>67,581,774</u>
Business-type activities capital assets, net	<u>\$ 68,906,233</u>	<u>\$ 11,247,084</u>	<u>\$ (10,077,011)</u>	<u>\$ 70,076,306</u>

Depreciation expense for business-type activities for the year ended June 30, 2009 was as follows:

Water	\$ 1,018,146
Wastewater	1,225,986
Storm Water	281,191
Emergency Medical Services	44,600
Total	<u>\$ 2,569,923</u>

*Note: A fully depreciated capital asset for \$16,534 was transferred to business-type activities from a governmental activity.

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 \$350,821 and accumulated depreciation of \$112,723 have been recorded under capital leases as of June 30, 2009.

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS Year Ended June 30, 2009

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2009 were as follows:

Year Ending June 30,	Governmental activities		Business-type activities	
	Principal	Interest	Principal	Interest
2010	\$ 65,735	\$ 9,496	\$ 201	\$ 6
2011	68,192	6,439	-	-
2012	71,338	3,292	-	-
Totals	<u>\$ 205,265</u>	<u>\$ 19,227</u>	<u>\$ 201</u>	<u>\$ 6</u>

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.

	Beginning Balance	Increase	Decrease	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Compensated Absences	\$ 670,586	\$ 521,181	\$ (493,391)	\$ 698,376	\$ 698,376
General Obligation Bonds					
Police Building 1997A	1,730,000		(370,000)	1,360,000	160,000
Fire Facilities 1998A	1,460,000	-	(295,000)	1,165,000	120,000
Certificates of Participation	2,210,000	-	(135,000)	2,075,000	145,000
Limited Tax Pension Bonds	2,720,000	-	(10,000)	2,710,000	20,000
Capital Lease Obligations	269,377	-	(64,112)	205,265	65,735
Total Notes and Bonds	<u>8,503,650</u>	<u>-</u>	<u>(874,112)</u>	<u>7,515,265</u>	<u>510,735</u>
Total Governmental Activities	<u>\$ 8,962,622</u>	<u>\$ 521,181</u>	<u>\$ (1,367,503)</u>	<u>\$ 8,213,641</u>	<u>\$ 1,209,111</u>
Business-type Activities					
Compensated Absences	\$ 164,239	\$ 194,913	\$ (172,273)	\$ 186,879	\$ 186,879
Notes Payable, OECDD					
Wastewater	2,588,825	5,976,031	(200,025)	8,364,831	407,283
Water	13,109,050	2,254,601	(535,520)	14,828,131	632,194
Unamortized note premium	-	295,000	-	295,000	-
Interim Financing OECDD					
Wastewater	4,220,833	1,969,368	(6,190,201)	-	-
Water	1,627,695	707,736	(2,335,431)	-	-
Capital Lease Obligations	2,489	-	(2,288)	201	201
Total Notes and Bonds	<u>16,358,450</u>	<u>11,202,736</u>	<u>(9,263,465)</u>	<u>23,488,163</u>	<u>1,039,678</u>
Total Business-type Activities	<u>\$ 16,501,332</u>	<u>\$ 11,397,649</u>	<u>\$ (9,435,738)</u>	<u>\$ 23,675,042</u>	<u>\$ 1,226,557</u>

Long-term obligations of the internal service funds are included in the governmental activities. As of June 30, 2009, internal service fund long-term obligations were \$205,265 and the compensated absence balance was

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS Year Ended June 30, 2009

\$189,935. 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.

On August 1, 2008, the City exercised a bond call on two General Obligation Bonds. \$220,000 of the 1997 Public Safety Bonds were called and \$180,000 of the 1998 Fire Facility Bonds were called. The Debt Service Fund provided the proceeds for the call.

GO bonds currently outstanding are as follows:

Governmental activities:

Police Building 1997A	3.70-5.40%	\$ 1,360,000
Fire Facilities 1998A	4.00-5.10%	<u>1,165,000</u>
		<u><u>\$ 2,525,000</u></u>

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

Year Ending <u>June 30,</u>	Governmental activities	
	Principal	Interest
2010	\$ 280,000	\$ 125,823
2011	300,000	111,668
2012	315,000	96,347
2013	330,000	79,997
2014	350,000	62,780
2015-2018	950,000	77,475
Totals	<u>\$ 2,525,000</u>	<u>\$ 554,090</u>

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS Year Ended June 30, 2009

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.

	Interest rates	Ending balance
Certificates of Participation	4.00-5.35%	\$ 2,075,000

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

Year Ending <u>June 30,</u>	Governmental activities	
	Principal	Interest
2010	\$ 145,000	\$ 110,510
2011	150,000	103,060
2012	160,000	95,075
2013	165,000	86,543
2014	175,000	77,445
2015-2019	1,035,000	226,255
2020	245,000	7,105
Totals	\$ 2,075,000	\$ 705,993

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 mature over the next 20 years at interest rates ranging from 4.596% to 6.095%. Final maturity is June 2028. Future debt service payments are as follows:

Year Ending <u>June 30,</u>	Governmental activities	
	Principal	Interest
2010	\$ 20,000	\$ 162,172
2011	25,000	161,190
2012	35,000	159,890
2013	45,000	158,053
2014	55,000	155,646
2015-2019	485,000	715,486
2020-2024	965,000	517,758
2025-2028	1,080,000	156,946
Totals	\$ 2,710,000	\$ 2,187,141

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS Year Ended June 30, 2009

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 sewer 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 \$566,646 as of June 30, 2009.

The City also borrowed \$4,700,000 from the State of Oregon Economic and Community Development Department (OECDD) 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 \$3,621,070 as of June 30, 2009.

During fiscal year 2004, the City borrowed \$2,810,000 from OECDD 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 sewer system. Sewer 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 \$2,020,478 as of June 30, 2009.

During fiscal year 2006-07, the City borrowed \$6,670,000 from OECDD 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 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 \$6,266,477 as of June 30, 2009.

The City also entered into an additional loan agreement with OECDD 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 \$2,487,659 as of June 30, 2009.

The City borrowed \$8,230,632 from OECDD 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, 2009, the outstanding balance is \$8,230,632. Water and wastewater system revenues have been pledged to repay the debt.

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS Year Ended June 30, 2009

Future debt service requirements are as follows:

Year Ending June 30,	Business-type activities	
	Principal	Interest
2010	\$ 1,039,477	\$ 832,391
2011	1,080,680	942,288
2012	1,112,269	903,870
2013	1,159,223	863,605
2014	1,201,794	819,529
2015-2019	6,696,583	3,335,554
2020-2024	6,195,762	1,930,903
2025-2027	4,707,174	594,776
Totals	<u>\$ 23,192,962</u>	<u>\$ 10,222,916</u>

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 City County Insurance Services (CCIS), a public entity risk pool currently operating a common risk management and insurance program. The City pays an annual premium to CCIS for its insurance coverage. Based on the experience of the City and pool, the City may be liable for an additional premium of up to approximately 20% of its initial premium or it may receive a refund. The City has never had to pay an additional premium. Predetermined limits and deductible amounts are stated in the policy.

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.

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 contribution 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

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS Year Ended June 30, 2009

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 July 1, 2008 (the date of the most current actuarial valuation) consisted of the following:

Active employees	142
Retirees, spouses or dependents	10
 Total	 152

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:

	Single	Two-party	Family
City Insurance Services	\$ 502.75	\$ 1,025.19	\$ 1,436.03

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 July 1, 2008 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 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	\$ 349,063
Interest on net OPEB obligation	10,658
Adjustment to annual required contribution	16,718
Annual OPEB cost	343,003
Contributions made	82,538
Increase in net OPEB obligation	260,465
Net OPEB obligation - beginning of year	236,845
Net OPEB obligation - end of year	\$ 497,310

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS Year Ended June 30, 2009

The City's annual OPEB cost, percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2009 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, 2009	\$ 343,003	\$ 24%	\$ 497,310
June 30, 2008	\$ 325,746	\$ 27%	\$ 236,845

In future years the above information will be accumulated until 3 years of information is presented.

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>
July 1, 2008	\$ -	\$ 1,897,735	\$ 1,897,735	0%	\$ 9,909,168	19%
July 1, 2006	-	1,708,730	1,708,730	0%	8,129,507	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.

In the July 1, 2008 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 4.5 percent rate for discounting future liabilities, a payroll growth rate of 3.75 percent per year, annual premium rate increases from 10 percent initially in 2009 declining to 5 percent in 2039, and participation rate of 70 percent of future retirees electing coverage under the plan. The unfunded actuarial accrued liability is being amortized using the level-dollar method over a rolling period of 15 years.

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS Year Ended June 30, 2009

RETIREMENT 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 75 active members, 53 retired members who receive benefits, 12 vested terminated members, for a total membership of 140.

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.

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 six 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 7.5% per year; b) projected salary increases of 5% per year; and c) post-retirement benefit increases of 2% per year. As of the July 1, 2009 valuation, the unfunded actuarial liability is amortized as a level percentage of projected payroll over a twenty-one year period. In the future, the amortization period will decrease annually by one until a period of 20 years is reached.

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS Year Ended June 30, 2009

Annual Pension Cost and Net Pension Obligation

The most recent actuarial report was July 1, 2009. The City's annual pension cost and net pension obligation to the plan for the current year were as follows:

Annual required contribution	\$ 591,407
Interest on net pension obligation	231
Adjustment to annual required contribution	(179)
Annual pension cost	591,459
Contributions made	(591,407)
Increase in net pension obligation	52
Net pension obligation beginning of the year	3,082
Net pension obligation end of year	\$ 3,134

The City has determined that the net pension obligation is immaterial and therefore not reported in the Statement of Net Assets.

Historical Trend Information

Schedule of Required Contributions:

Year ended June 30,	Annual pension cost (APC)	Percentage Contributed	Net Pension Obligation
2009	\$ 591,407	100 %	\$ 3,134
2008	584,408	100	3,082
2007	535,087	100	3,025
2006	459,480	100	2,965
2005	402,952	100	2,901
2004	350,430	100	2,791

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
7/1/2009	\$ 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
7/1/2006	13,580,892	16,813,532	3,232,640	80.8	2,937,901	110.0
7/1/2005	12,627,480	15,554,693	2,927,213	81.2	2,741,744	106.8
7/1/2004	12,178,460	14,780,410	2,601,950	82.4	2,438,099	106.7

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS Year Ended June 30, 2009

RETIREMENT PLANS (CONTINUED) – 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.

City employees are eligible to participate after completing six months of service. Covered employees are required by state statute to contribute 6 percent 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's contribution rate is set by PERB and is periodically adjusted based upon actuarial computations of the amount needed to provide retirement benefits. During the 2008-09 fiscal year, the City's net employer contribution rates were as follows: Tier1/Tier 2 employees, 9.84%, OPSRP General Service, 7.28%, and OPSRP Public Safety, 10.55% of covered wages. The City also internally charged departments a rate of 3.5% to cover payments on the limited tax pension bonds.

The City's contribution to the plan for the years ending June 30, 2009, 2008 and 2007 were equal to the City's required contributions for each year as follows:

Year Ended June 30,	Employer Contribution	Member Contribution	Totals
2009	\$ 516,161	\$ 312,428	\$ 828,589
2008	467,048	283,844	750,892
2007	396,684	269,558	666,242

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.

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS Year Ended June 30, 2009

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 \$10.00 per \$1,000 of assessed value applied on tax lot basis. If the computed tax rate for an individual tax lot is greater than \$10.00 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.

SUBSEQUENT EVENT

On July 7, 2009, the City executed a loan with US Bank for \$1,930,000 to purchase land for future expansion of the wastewater treatment plant and to build a new animal shelter. The loan is for a 10-year term and the interest rate is 4.25%.

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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, 2009

	Special Revenue	Debt Service	Capital Projects	Totals
ASSETS				
Cash and investments	\$ 2,396,576	\$ 151,326	\$ 2,714,611	\$ 5,262,513
Receivables:				
Accounts	52,381	-	49,999	102,380
Loans	103,592	-	-	103,592
Assessments	-	-	875	875
Taxes	-	35,160	-	35,160
Interest	4,813	-	-	4,813
Total assets	\$ 2,557,362	\$ 186,486	\$ 2,765,485	\$ 5,509,333
LIABILITIES				
Accounts payable	\$ 2,872	\$ -	\$ 28,489	\$ 31,361
Payroll payables	3,938	-	-	3,938
Interest payable	-	4,507	-	4,507
Deferred revenue	103,592	35,160	875	139,627
Total liabilities	110,402	39,667	29,364	179,433
FUND BALANCES				
Reserved for debt service	-	146,819	-	146,819
Reserved for system expansion	-	-	2,288,920	2,288,920
Unreserved, undesignated	2,446,960	-	447,201	2,894,161
Total fund balances	2,446,960	146,819	2,736,121	5,329,900
Total liabilities and fund balances	\$ 2,557,362	\$ 186,486	\$ 2,765,485	\$ 5,509,333

City of Newberg, Oregon

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

For the Year Ended June 30, 2009

	Special Revenue	Debt Service	Capital Projects	Totals
<u>Revenues</u>				
Taxes	\$ -	\$ 390,232	\$ -	\$ 390,232
Fees	262,592	-	-	262,592
Intergovernmental	277,912	-	886,896	1,164,808
Charges for services	42,920	-	304,837	347,757
Facilities charge	-	111,584	-	111,584
Pension bond charge	-	172,510	-	172,510
Loan collections	86,477	-	-	86,477
Assessments	-	-	125	125
Donations	44,335	-	122,907	167,242
Interest	57,945	6,366	41,660	105,971
Total revenues	772,181	680,692	1,356,425	2,809,298
<u>Expenditures</u>				
General government	45,035	-	-	45,035
Public safety	286,634	-	-	286,634
Library	20,681	-	-	20,681
Community development	277,982	-	-	277,982
Debt service:				
Principal	-	810,000	-	810,000
Interest	-	424,862	-	424,862
Capital outlay	-	-	405,319	405,319
Total expenditures	630,332	1,234,862	405,319	2,270,513
Excess of revenues over (under) expenditures	141,849	(554,170)	951,106	538,785
<u>Other financing sources (uses)</u>				
Transfers in	-	140,922	333,091	474,013
Transfers out	(110,116)	-	(323,068)	(433,184)
Total other financing sources (uses)	(110,116)	140,922	10,023	40,829
Net change in fund balances	31,733	(413,248)	961,129	579,614
Fund balances, July 1, 2008	2,415,227	560,067	1,774,992	4,750,286
Fund balances, June 30, 2009	\$ 2,446,960	\$ 146,819	\$ 2,736,121	\$ 5,329,900

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SPECIAL REVENUE FUNDS

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

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

- Economic Development
- 911 Emergency
- Civil Forfeiture
- City Hall
- Fire Truck
- Cable TV
- Library Trust
- Public Safety

City of Newberg, Oregon

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET

June 30, 2009

	Economic Development	911 Emergency	Civil Forfeiture	City Hall	Fire Truck	Cable TV	Library Trust	Totals
ASSETS								
Cash and investments	\$ 839,980	\$ 132,788	\$ 4,820	\$ 817,264	\$ 464,224	\$ 67,831	\$ 69,669	\$ 2,396,576
Accounts and loans receivable	105,951	40,000	-	-	10,022	-	-	155,973
Interest receivable	4,813	-	-	-	-	-	-	4,813
Total assets	\$ 950,744	\$ 172,788	\$ 4,820	\$ 817,264	\$ 474,246	\$ 67,831	\$ 69,669	\$ 2,557,362
LIABILITIES								
Accounts payable	\$ 88	-	\$ -	\$ -	\$ 8	-	\$ 2,776	\$ 2,872
Payroll payables	1,004	2,934	-	-	-	-	-	3,938
Deferred revenue	103,592	-	-	-	-	-	-	103,592
Total liabilities	104,684	2,934	-	-	8	-	2,776	110,402
FUND BALANCES								
Unreserved, undesignated	846,060	169,854	4,820	817,264	474,238	67,831	66,893	2,446,960
Total liabilities and fund balances	\$ 950,744	\$ 172,788	\$ 4,820	\$ 817,264	\$ 474,246	\$ 67,831	\$ 69,669	\$ 2,557,362

City of Newberg, Oregon

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

For the Year Ended June 30, 2009

	Economic Development	911 Emergency	Civil Forfeiture	City Hall	Fire Truck	Cable TV	Library Trust	Totals
Revenues								
Fire truck fee	\$ -	\$ -	\$ -	\$ -	\$ 138,451	\$ -	\$ -	\$ 138,451
City hall fee	-	-	-	114,141	-	-	-	114,141
Franchise fee	-	-	-	-	-	10,000	-	10,000
Intergovernmental	100,000	174,178	-	-	-	-	3,734	277,912
Charges for services	42,920	-	-	-	-	-	-	42,920
Loan collections - principal	78,547	-	-	-	-	-	-	78,547
Loan collections - interest	7,930	-	-	-	-	-	-	7,930
Donations	-	-	-	-	-	-	44,335	44,335
Interest	24,560	3,003	99	18,976	8,563	1,780	964	57,945
Total revenues	253,957	177,181	99	133,117	147,014	11,780	49,033	772,181
Expenditures								
General government	-	-	-	-	-	45,035	-	45,035
Public safety	-	167,512	-	-	119,122	-	-	286,634
Library	-	-	-	-	-	-	20,681	20,681
Community development	277,982	-	-	-	-	-	-	277,982
Total expenditures	277,982	167,512	-	-	119,122	45,035	20,681	630,332
Excess of revenues over (under) expenditures	(24,025)	9,669	99	133,117	27,892	(33,255)	28,352	141,849
Other financing uses								
Transfers out	(1,869)	-	-	(108,247)	-	-	-	(110,116)
Total other financing uses	(1,869)	-	-	(108,247)	-	-	-	(110,116)
Net change in fund balances	(25,894)	9,669	99	24,870	27,892	(33,255)	28,352	31,733
Fund balances, July 1, 2008	871,954	160,185	4,721	792,394	446,346	101,086	38,541	2,415,227
Fund balances, June 30, 2009	\$ 846,060	\$ 169,854	\$ 4,820	\$ 817,264	\$ 474,238	\$ 67,831	\$ 66,893	\$ 2,446,960

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, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Business license fee	\$ 40,000	\$ 40,000	\$ 42,920	\$ 2,920
Loan collections - principal	66,000	66,000	78,547	12,547
Loan collections - interest	18,000	18,000	7,930	(10,070)
Grants	100,000	100,000	100,000	-
Interest	35,000	35,000	24,560	(10,440)
Miscellaneous	-	-	-	-
Total revenues	259,000	259,000	253,957	(5,043)
<u>Expenditures</u>				
Economic development	1,117,438	1,117,438	277,982	839,456
Total expenditures	1,117,438	1,117,438	277,982	839,456
Excess of revenues over (under) expenditures	(858,438)	(858,438)	(24,025)	834,413
<u>Other financing sources (uses)</u>				
Transfers out	(1,869)	(1,869)	(1,869)	-
Total other financing sources (uses)	(1,869)	(1,869)	(1,869)	-
Net change in fund balances	(860,307)	(860,307)	(25,894)	834,413
Fund balances, July 1, 2008	860,307	860,307	871,954	11,647
Fund balances, June 30, 2009	\$ -	\$ -	\$ 846,060	\$ 846,060

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, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
911 telephone excise tax	\$ 130,000	\$ 130,000	\$ 174,178	\$ 44,178
Interest	2,200	2,200	3,003	803
Total revenues	132,200	132,200	177,181	44,981
<u>Expenditures</u>				
Communications	172,318	172,318	167,512	4,806
Contingency	86,841	86,841	-	86,841
Total expenditures	259,159	259,159	167,512	91,647
Net change in fund balances	(126,959)	(126,959)	9,669	136,628
Fund balances, July 1, 2008	126,959	126,959	160,185	33,226
Fund balances, June 30, 2009	\$ -	\$ -	\$ 169,854	\$ 169,854

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, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Interest	\$ 85	\$ 85	\$ 99	\$ 14
Total revenues	85	85	99	14
<u>Expenditures</u>				
Police	4,793	4,793	-	4,793
Total expenditures	4,793	4,793	-	4,793
Net change in fund balances	(4,708)	(4,708)	99	4,807
Fund balances, July 1, 2008	4,708	4,708	4,721	13
Fund balances, June 30, 2009	\$ -	\$ -	\$ 4,820	\$ 4,820

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, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
City Hall fee	\$ 123,800	\$ 123,800	\$ 114,141	\$ (9,659)
Interest	6,730	6,730	18,976	12,246
Total revenues	130,530	130,530	133,117	2,587
<u>Other financing sources (uses)</u>				
Transfers out	(108,251)	(108,251)	(108,247)	4
Total other financing sources (uses)	(108,251)	(108,251)	(108,247)	4
Net change in fund balances	22,279	22,279	24,870	2,591
Fund balances, July 1, 2008	767,982	767,982	792,394	24,412
Fund balances, June 30, 2009	\$ 790,261	\$ 790,261	\$ 817,264	\$ 27,003

City of Newberg, Oregon

FIRE TRUCK FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Fire truck fee	\$ 137,000	\$ 137,000	\$ 138,451	\$ 1,451
Interest	5,800	5,800	8,563	2,763
Total revenues	142,800	142,800	147,014	4,214
<u>Expenditures</u>				
Fire	192,000	192,000	119,122	72,878
Contingency	336,261	336,261	-	336,261
Total expenditures	528,261	528,261	119,122	409,139
Net change in fund balances	(385,461)	(385,461)	27,892	413,353
Fund balances, July 1, 2008	385,461	385,461	446,346	60,885
Fund balances, June 30, 2009	\$ -	\$ -	\$ 474,238	\$ 474,238

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, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Franchises	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Interest	1,800	1,800	1,780	(20)
Total revenues	11,800	11,800	11,780	(20)
<u>Expenditures</u>				
General government	83,367	83,367	45,035	38,332
Total expenditures	83,367	83,367	45,035	38,332
Net change in fund balances	(71,567)	(71,567)	(33,255)	38,312
Fund balances, July 1, 2008	71,567	71,567	101,086	29,519
Fund balances, June 30, 2009	\$ -	\$ -	\$ 67,831	\$ 67,831

City of Newberg, Oregon

LIBRARY TRUST FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Grants	\$ 28,800	\$ 28,800	\$ 3,734	\$ (25,066)
Donations	229,500	229,500	44,335	(185,165)
Interest	500	500	964	464
Total revenues	258,800	258,800	49,033	(209,767)
<u>Expenditures</u>				
Library	104,800	104,800	20,681	84,119
Contingency	174,075	174,075	-	174,075
Total expenditures	278,875	278,875	20,681	258,194
Net change in fund balances	(20,075)	(20,075)	28,352	48,427
Fund balances, July 1, 2008	20,075	20,075	38,541	18,466
Fund balances, June 30, 2009	\$ -	\$ -	\$ 66,893	\$ 66,893

City of Newberg, Oregon

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

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Public safety fee	\$ 163,800	\$ 163,800	\$ -	\$ (163,800)
Total revenues	163,800	163,800	-	(163,800)
<u>Expenditures</u>				
Police	138,811	138,811	-	138,811
Contingency	24,989	24,989	-	24,989
Total expenditures	163,800	163,800	-	163,800
Net change in fund balances	-	-	-	-
Fund balances, July 1, 2008	-	-	-	-
Fund balances, June 30, 2009	\$ -	\$ -	\$ -	\$ -

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DEBT SERVICE FUND

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

- Debt Service - accounts for the accumulation of resources and payment of principal and interest on general obligation bonds, certificates of participation, and other long-term obligations.

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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, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Property tax	\$ 386,000	\$ 386,000	\$ 390,232	\$ 4,232
Facilities charge	111,584	111,584	111,584	-
Pension bond charge	184,299	184,299	172,510	(11,789)
Interest	15,000	15,000	6,366	(8,634)
Total revenues	696,883	696,883	680,692	(16,191)
<u>Expenditures</u>				
Debt service				
Principal	810,000	810,000	810,000	-
Interest	440,121	440,121	424,862	15,259
Total expenditures	1,250,121	1,250,121	1,234,862	15,259
Excess of expenditures over revenues	(553,238)	(553,238)	(554,170)	(932)
<u>Other financing sources (uses)</u>				
Transfers in	140,926	140,926	140,922	(4)
Total other financing sources (uses)	140,926	140,926	140,922	(4)
Net change in fund balances	(412,312)	(412,312)	(413,248)	(936)
Fund balances, July 1, 2008	554,917	554,917	560,067	5,150
Fund balances, June 30, 2009	\$ 142,605	\$ 142,605	\$ 146,819	\$ 4,214

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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 Development
- Street Capital Projects
- Animal Shelter
- CDBG Grant

City of Newberg, Oregon

NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET

June 30, 2009

	<u>Street Development</u>	<u>Street Capital Projects</u>	<u>Animal Shelter</u>	<u>Totals</u>
<u>ASSETS</u>				
Cash and investments	\$ 2,097,724	\$ 169,686	\$ 447,201	\$ 2,714,611
Accounts receivable	49,999	-	-	49,999
Assessments receivable	875	-	-	875
Total assets	2,148,598	169,686	447,201	2,765,485
<u>LIABILITIES</u>				
Accounts payable	-	28,489	-	28,489
Deferred revenue	875	-	-	875
Total liabilities	875	28,489	-	29,364
<u>FUND BALANCES</u>				
Reserved for capital projects	2,147,723	141,197	-	2,288,920
Unreserved, undesignated	-	-	447,201	447,201
Total fund balances	2,147,723	141,197	447,201	2,736,121
Total liabilities and fund balances	\$ 2,148,598	\$ 169,686	\$ 447,201	\$ 2,765,485

City of Newberg, Oregon

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

For the Year Ended June 30, 2009

	<u>Street Development</u>	<u>Street Capital Projects</u>	<u>Animal Shelter</u>	<u>CDBG Grant</u>	<u>Totals</u>
<u>Revenues</u>					
Intergovernmental	\$ 880,896	\$ -	\$ -	\$ 6,000	\$ 886,896
Charges for services	304,837	-	-	-	304,837
Assessments	125	-	-	-	125
Donations	-	-	122,907	-	122,907
Interest	29,423	3,991	8,246	-	41,660
Total revenues	1,215,281	3,991	131,153	6,000	1,356,425
<u>Expenditures</u>					
Capital outlay	114	386,321	12,884	6,000	405,319
Total expenditures	114	386,321	12,884	6,000	405,319
Excess of revenues over expenditures	1,215,167	(382,330)	118,269	-	951,106
<u>Other financing sources (uses)</u>					
Transfers in	-	333,091	-	-	333,091
Transfers out	(323,068)	-	-	-	(323,068)
Total other financing sources (uses)	(323,068)	333,091	-	-	10,023
Net change in fund balances	892,099	(49,239)	118,269	-	961,129
Fund balances, July 1, 2008	1,255,624	190,436	328,932	-	1,774,992
Fund balances, June 30, 2009	\$ 2,147,723	\$ 141,197	\$ 447,201	\$ -	\$ 2,736,121

City of Newberg, Oregon

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

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Intergovernmental grant	\$ 600,000	\$ 600,000	\$ 880,896	\$ 280,896
Charges for services	1,000,000	1,000,000	304,837	(695,163)
Assessments	-	-	125	125
Interest	35,000	35,000	29,423	(5,577)
Total revenues	1,035,000	1,035,000	334,385	(700,615)
<u>Expenditures</u>				
Capital outlay	75,000	75,000	114	74,886
Contingency	468,626	468,626	-	468,626
Total expenditures	543,626	543,626	114	543,512
Excess of revenues over (under) expenditures	491,374	491,374	334,271	(157,103)
<u>Other financing sources (uses)</u>				
Transfers out	(1,929,000)	(1,929,000)	(323,068)	1,605,932
Total other financing sources (uses)	(1,929,000)	(1,929,000)	(323,068)	1,605,932
Net change in fund balances	(1,437,626)	(1,437,626)	11,203	1,448,829
Fund balances, July 1, 2008	837,626	837,626	1,255,624	417,998
Fund balances, June 30, 2009	\$ (600,000)	\$ (600,000)	\$ 1,266,827	\$ 1,866,827

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, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Grant	\$ 10,000	\$ 10,000	\$ -	\$ (10,000)
Interest	8,200	8,200	3,991	(4,209)
Total revenues	18,200	18,200	3,991	(14,209)
<u>Expenditures</u>				
Capital outlay	1,969,000	2,032,253	386,321	1,645,932
Contingency	184,268	121,015	-	121,015
Total expenditures	2,153,268	2,153,268	386,321	1,766,947
Excess of expenditures over revenues	(2,135,068)	(2,135,068)	(382,330)	1,752,738
<u>Other financing sources (uses)</u>				
Transfers in	1,969,026	1,969,026	333,091	(1,635,935)
Total other financing sources (uses)	1,969,026	1,969,026	333,091	(1,635,935)
Net change in fund balances	(166,042)	(166,042)	(49,239)	116,803
Fund balances, July 1, 2008	166,042	166,042	190,436	24,394
Fund balances, June 30, 2009	\$ -	\$ -	\$ 141,197	\$ 141,197

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, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Donations	\$ 50,000	\$ 50,000	\$ 122,907	\$ 72,907
Interest	3,000	3,000	8,246	5,246
Total revenues	53,000	53,000	131,153	78,153
<u>Expenditures</u>				
Capital outlay	374,716	374,716	12,884	361,832
Total expenditures	374,716	374,716	12,884	361,832
Net change in fund balances	(321,716)	(321,716)	118,269	439,985
Fund balances, July 1, 2008	321,716	321,716	328,932	7,216
Fund balances, June 30, 2009	\$ -	\$ -	\$ 447,201	\$ 447,201

City of Newberg, Oregon

CDBG GRANT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Grant proceeds	\$ 3,000	\$ 6,000	\$ 6,000	\$ -
Total revenues	3,000	6,000	6,000	-
<u>Expenditures</u>				
Capital outlay	3,000	6,000	6,000	-
Total expenditures	3,000	6,000	6,000	-
Change in net fund balances	-	-	-	-
Fund balance, July 1, 2008	-	-	-	-
Fund balance, June 30, 2009	\$ -	\$ -	\$ -	\$ -

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PROPRIETARY FUNDS

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

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

Water

- Water
- Water Replacement Reserve
- Water System Development
- Water Financed CIP

Wastewater

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

Storm Water

- Storm Water
- Storm Water System Development

Other

- Proprietary Capital Projects
- Proprietary Debt Service

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, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Charges for services	\$ 4,521,000	\$ 4,521,000	\$ 3,973,496	\$ (547,504)
Interest	36,950	36,950	54,109	17,159
Other	15,000	15,000	67,569	52,569
Total revenues	4,572,950	4,572,950	4,095,174	(477,776)
<u>Expenditures</u>				
Treatment plant operations and maintenance	3,550,628	3,550,628	2,931,104	619,524
Contingency	998,117	998,117	-	998,117
Total expenditures	4,548,745	4,548,745	2,931,104	1,617,641
Excess of revenues over (under) expenditures	24,205	24,205	1,164,070	1,139,865
<u>Other financing sources (uses)</u>				
Transfers out	(2,611,044)	(2,611,044)	(411,044)	2,200,000
Proceeds from sale of capital assets	-	-	286	286
Total other financing sources (uses)	(2,611,044)	(2,611,044)	(410,758)	2,200,286
Net change in fund balances	(2,586,839)	(2,586,839)	753,312	3,340,151
Fund balance, July 1, 2008	2,586,839	2,586,839	2,354,018	(232,821)
Fund balance, June 30, 2009	\$ -	\$ -	\$ 3,107,330	\$ 3,107,330

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, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Interfund charges for equipment replacement	\$ 18,150	\$ 18,150	\$ 18,150	\$ -
Interest	33,000	33,000	44,927	11,927
Total revenues	51,150	51,150	63,077	11,927
<u>Expenditures</u>				
Capital outlay	78,500	78,500	65,758	12,742
Total expenditures	78,500	78,500	65,758	12,742
Excess of revenues over (under) expenditures	(27,350)	(27,350)	(2,681)	24,669
<u>Other financing sources (uses)</u>				
Transfers in	2,200,000	2,200,000	-	(2,200,000)
Transfers out	(1,186,000)	(1,186,000)	(127,688)	1,058,312
Total other financing sources (uses)	1,014,000	1,014,000	(127,688)	(1,141,688)
Net change in fund balances	986,650	986,650	(130,369)	(1,117,019)
Fund balance, July 1, 2008	1,628,424	1,628,424	1,945,492	317,068
Fund balance, June 30, 2009	\$ 2,615,074	\$ 2,615,074	\$ 1,815,123	\$ (799,951)

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, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Development fees	\$ 1,200,000	\$ 1,200,000	\$ 505,247	\$ (694,753)
Special assessments	50,000	50,000	26,776	(23,224)
Interest	35,000	35,000	55,963	20,963
Total revenues	1,285,000	1,285,000	587,986	(697,014)
<u>Expenditures</u>				
Capital projects	73,500	73,500	71,437	2,063
Contingency	2,148,005	2,148,005	-	2,148,005
Total expenditures	2,221,505	2,221,505	71,437	2,150,068
Excess of revenues over (under) expenditures	(936,505)	(936,505)	516,549	(2,847,082)
<u>Other financing sources (uses)</u>				
Transfers out	(1,419,365)	(1,419,365)	(794,863)	624,502
Total other financing sources (uses)	(1,419,365)	(1,419,365)	(794,863)	624,502
Net change in fund balances	(2,355,870)	(2,355,870)	(278,314)	2,077,556
Fund balance, July 1, 2008	2,355,870	2,355,870	2,622,997	267,127
Fund balance, June 30, 2009	\$ -	\$ -	\$ 2,344,683	\$ 2,344,683

City of Newberg, Oregon

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

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Expenditures</u>				
Capital outlay	\$ 200,000	\$ 650,000	\$ 438,953	\$ 211,047
Total expenditures	200,000	650,000	438,953	211,047
Excess of expenditures over revenues	(200,000)	(650,000)	(438,953)	211,047
<u>Other financing sources (uses)</u>				
Financing agreements	200,000	650,000	707,736	57,736
Total other financing sources (uses)	200,000	650,000	707,736	57,736
Net change in fund balances	-	-	268,783	268,783
Fund deficit, June 30, 2008	-	-	(256,839)	(256,839)
Fund balance, June 30, 2009	\$ -	\$ -	\$ 11,944	\$ 11,944

City of Newberg, Oregon

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

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Charges for services	\$ 3,931,000	\$ 3,931,000	\$ 3,933,922	\$ 2,922
Interest	17,100	17,100	35,067	17,967
Other	27,000	27,000	84,305	57,305
Total revenues	3,975,100	3,975,100	4,053,294	78,194
<u>Expenditures</u>				
Plant operations and maintenance	3,819,498	3,916,498	3,039,358	877,140
Contingency	570,917	473,917	-	473,917
Total expenditures	4,390,415	4,390,415	3,039,358	1,351,057
Excess of revenues over (under) expenditures	(415,315)	(415,315)	1,013,936	1,429,251
<u>Other financing sources (uses)</u>				
Transfers out	(952,960)	(952,960)	(352,959)	600,001
Proceeds from sale of capital assets	-	-	12,685	12,685
Total other financing sources (uses)	(952,960)	(952,960)	(340,274)	612,686
Net change in fund balances	(1,368,275)	(1,368,275)	673,662	2,041,937
Fund balance, July 1, 2008	1,368,275	1,368,275	1,402,537	34,262
Fund balance, June 30, 2009	\$ -	\$ -	\$ 2,076,199	\$ 2,076,199

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, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Interfund charges for equipment replacement	\$ 45,750	\$ 45,750	\$ 45,750	\$ -
Interest	36,000	36,000	37,797	1,797
Total revenues	81,750	81,750	83,547	1,797
<u>Expenditures</u>				
Capital outlay	116,500	116,500	113,430	3,070
Total expenditures	116,500	116,500	113,430	3,070
Excess of revenues over (under) expenditures	(34,750)	(34,750)	(29,883)	4,867
<u>Other financing sources (uses)</u>				
Transfers in	600,000	600,000	-	(600,000)
Transfers out	(1,733,698)	(1,733,698)	(686,843)	1,046,855
Total other financing sources (uses)	(1,133,698)	(1,133,698)	(686,843)	446,855
Net change in fund balances	(1,168,448)	(1,168,448)	(716,726)	451,722
Fund balance, July 1, 2008	1,755,331	1,755,331	1,823,021	67,690
Fund balance, June 30, 2009	\$ 586,883	\$ 586,883	\$ 1,106,295	\$ 519,412

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, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Development fees	\$ 1,400,000	\$ 1,400,000	\$ 560,963	\$ (839,037)
Assessment installments	-	-	1,636	1,636
Interest	14,000	14,000	42,988	28,988
Total revenues	1,414,000	1,414,000	605,587	(808,413)
<u>Expenditures</u>				
Capital projects	56,000	56,000	1,115	54,885
Contingency	1,257,140	1,257,140	-	1,257,140
Total expenditures	1,313,140	1,313,140	1,115	1,312,025
Excess of revenues over expenditures	100,860	100,860	604,472	503,612
<u>Other financing sources (uses)</u>				
Transfers out	(1,015,407)	(1,015,407)	(416,770)	598,637
Total other financing sources (uses)	(1,015,407)	(1,015,407)	(416,770)	598,637
Net change in fund balances	(914,547)	(914,547)	187,702	1,102,249
Fund balance, July 1, 2008	914,547	914,547	1,531,837	617,290
Fund balance, June 30, 2009	\$ -	\$ -	\$ 1,719,539	\$ 1,719,539

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, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Expenditures</u>				
Capital projects	\$ 2,800,000	\$ 2,800,000	\$ 1,406,487	\$ 1,393,513
Total expenditures	2,800,000	2,800,000	1,406,487	1,393,513
Excess of expenditures over revenues	(2,800,000)	(2,800,000)	(1,406,487)	1,393,513
<u>Other financing sources (uses)</u>				
Financing agreements	2,800,000	2,800,000	1,969,368	(830,632)
Total other financing sources (uses)	2,800,000	2,800,000	1,969,368	(830,632)
Net change in fund balances	-	-	562,881	562,881
Fund balance, July 1, 2008	-	-	(508,236)	(508,236)
Fund balance, June 30, 2009	\$ -	\$ -	\$ 54,645	\$ 54,645

City of Newberg, Oregon

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

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Charges for services	\$ 500,000	\$ 500,000	\$ 527,616	\$ 27,616
Interest	11,500	11,500	15,173	3,673
Total revenues	511,500	511,500	542,789	31,289
<u>Expenditures</u>				
Operation and maintenance	656,389	656,389	464,524	191,865
Contingency	215,491	215,491	-	215,491
Total expenditures	871,880	871,880	464,524	407,356
Excess of revenues over (under) expenditures	(360,380)	(360,380)	78,265	438,645
<u>Other financing sources (uses)</u>				
Transfers out	(162,000)	(162,000)	(4,811)	157,189
Total other financing sources (uses)	(162,000)	(162,000)	(4,811)	157,189
Net change in fund balances	(522,380)	(522,380)	73,454	595,834
Fund balance, July 1, 2008	522,380	522,380	693,717	171,337
Fund balance, June 30, 2009	\$ -	\$ -	\$ 767,171	\$ 767,171

City of Newberg, Oregon

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

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Development fees	\$ 500,000	\$ 500,000	\$ 38,927	\$ (461,073)
Interest	8,000	8,000	10,450	2,450
Total revenues	508,000	508,000	49,377	(458,623)
<u>Expenditures</u>				
Capital projects	50,000	100,000	99,756	244
Contingency	239,368	189,368	-	189,368
Total expenditures	289,368	289,368	99,756	189,612
Excess of revenues over (under) expenditures	218,632	218,632	(50,379)	(269,011)
<u>Other financing sources (uses)</u>				
Transfers out	(634,000)	(634,000)	(76,654)	557,346
Total other financing sources (uses)	(634,000)	(634,000)	(76,654)	557,346
Net change in fund balances	(415,368)	(415,368)	(127,033)	288,335
Fund balance, July 1, 2008	415,368	415,368	495,329	79,961
Fund balance, June 30, 2009	\$ -	\$ -	\$ 368,296	\$ 368,296

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, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Expenditures</u>				
Capital outlay	\$ 5,123,275	\$ 5,123,275	\$ 1,235,340	\$ 3,887,935
Total Expenditures	5,123,275	5,123,275	1,235,340	3,887,935
Excess of expenditures over revenues	(5,123,275)	(5,123,275)	(1,235,340)	3,887,935
<u>Other financing sources (uses)</u>				
Transfers in	5,123,275	5,123,275	1,235,338	(3,887,937)
Transfers out	(10,026)	(10,026)	(10,023)	3
Total other financing sources (uses)	5,113,249	5,113,249	1,225,315	(3,887,934)
Net change in fund balances	(10,026)	(10,026)	(10,025)	1
Fund balance, July 1, 2008	10,026	10,026	10,025	(1)
Fund balance, June 30, 2009	\$ -	\$ -	\$ -	\$ -

City of Newberg, Oregon

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

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Interest	\$ -	\$ -	\$ 4,943	\$ 4,943
Total revenues	-	-	4,943	4,943
<u>Expenditures</u>				
Debt Service:				
Principal	9,552,545	9,552,545	9,261,177	291,368
Interest	1,055,654	1,055,654	969,760	85,894
Total expenditures	10,608,199	10,608,199	10,230,937	377,262
Excess of expenditures over revenues	(10,608,199)	(10,608,199)	(10,225,994)	382,205
<u>Other financing sources (uses)</u>				
Proceeds from issuance of debt	8,817,000	8,817,000	8,589,703	(227,297)
Transfers in	1,791,199	1,791,199	1,636,291	(154,908)
Total other financing sources (uses)	10,608,199	10,608,199	10,225,994	(382,205)
Net change in fund balances	-	-	-	-
Fund balance, July 1, 2008	-	-	-	-
Fund balance, June 30, 2009	\$ -	\$ -	\$ -	\$ -

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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, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Charges for services	\$ 1,230,000	\$ 1,230,000	\$ 1,249,595	\$ 19,595
Contributions	30,000	30,000	25,000	(5,000)
Interest	3,300	3,300	6,265	2,965
Other	-	-	260	260
Total revenues	1,263,300	1,263,300	1,281,120	17,820
<u>Expenditures</u>				
Fire	1,305,042	1,305,042	1,209,305	95,737
Contingency	132,419	132,419	-	132,419
Total expenditures	1,437,461	1,437,461	1,209,305	228,156
Net change in fund balances	(174,161)	(174,161)	71,815	245,976
Fund balance, July 1, 2008	174,161	174,161	336,879	162,718
Fund balance, June 30, 2009	\$ -	\$ -	\$ 408,694	\$ 408,694

City of Newberg

Proprietary Funds Reconciliation of Revenues and Expenditures (Budgetary Basis) to Revenues and Expenses (Accrual Basis) For the Year Ended June 30, 2009

Fund	Water		Wastewater	
	Revenues	Expenditures	Revenues	Expenditures
Water	\$ 4,095,460	\$ 2,931,104	\$ -	\$ -
Water Replacement Reserve	63,077	65,758	-	-
Water System Development	587,986	71,437	-	-
Water Financed CIP	-	438,953	-	-
Wastewater	-	-	4,065,979	3,039,358
Wastewater Replacement Reserve	-	-	83,547	113,430
Wastewater System Development	-	-	605,587	1,115
Wastewater Financed CIP	-	-	-	1,406,487
Storm Water	-	-	-	-
Storm Water System Development	-	-	-	-
Proprietary Capital Projects	-	203,092	-	950,783
Proprietary Debt Service	4,943	3,534,947	-	6,695,990
Emergency Medical Services	-	-	-	-
Total revenues and expenditures (Budgetary Basis)	4,751,466	7,245,291	4,755,113	12,207,163
Adjustments				
Depreciation	-	1,018,146	-	1,225,986
Contributed capital	36,936	-	-	-
Debt Refinance	-	(2,335,431)	-	(6,190,201)
Principal payments	-	(535,520)	-	(200,025)
Interest accrual	-	(124,555)	-	(195,022)
Assessment receivable collections	(35,586)	-	(1,637)	-
Expenditures capitalized	-	(522,267)	-	(2,427,976)
Change in compensated absences	-	9,430	-	5,816
Internal charges elimination	(18,150)	(18,150)	(45,750)	(45,750)
Payment of capital lease	-	(2,448)	-	-
Other postemployment benefit expense	-	28,089	-	26,153
Total revenues and expenses (Accrual Basis)	4,734,666	4,762,585	4,707,726	4,406,144
Net income (loss) before contributions and transfers		\$ (27,919)		\$ 301,582

Storm Water		Emergency Medical Services		Totals	
Revenues	Expenditures	Revenues	Expenditures	Revenues	Expenditures
\$ -	\$ -	\$ -	\$ -	\$ 4,095,460	\$ 2,931,104
-	-	-	-	63,077	65,758
-	-	-	-	587,986	71,437
-	-	-	-	-	438,953
-	-	-	-	4,065,979	3,039,358
-	-	-	-	83,547	113,430
-	-	-	-	605,587	1,115
-	-	-	-	-	1,406,487
542,789	464,524	-	-	542,789	464,524
49,377	99,756	-	-	49,377	99,756
-	81,465	-	-	-	1,235,340
-	-	-	-	4,943	10,230,937
-	-	1,281,120	1,209,305	1,281,120	1,209,305
592,166	645,745	1,281,120	1,209,305	11,379,865	21,307,504
-	281,191	-	44,600	-	2,569,923
-	-	-	-	36,936	-
-	-	-	-	-	(8,525,632)
-	-	-	-	-	(735,545)
-	-	-	-	-	(319,577)
-	-	-	-	(37,223)	-
-	(74,472)	-	(5,261)	-	(3,029,976)
-	8,694	-	(1,302)	-	22,638
-	-	-	-	(63,900)	(63,900)
-	-	-	-	-	(2,448)
-	6,980	-	10,059	-	71,281
592,166	868,138	1,281,120	1,257,401	11,315,678	11,294,268
	<u>\$ (275,972)</u>		<u>\$ 23,719</u>		<u>\$ 21,410</u>

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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, 2009

	<u>Admin Support Services</u>	<u>Vehicle/ Equipment Replacement</u>	<u>Totals</u>
<u>ASSETS</u>			
<u>Current assets</u>			
Cash and investments	\$ 1,063,486	\$ 1,190,370	\$ 2,253,856
Accounts and other receivables	5,961	-	5,961
Inventory	22,682	-	22,682
Total current assets	1,092,129	1,190,370	2,282,499
<u>Noncurrent assets</u>			
Capital assets, net of depreciation	378,554	798,713	1,177,267
Other assets	8,000	-	8,000
Total noncurrent assets	386,554	798,713	1,185,267
Total assets	1,478,683	1,989,083	3,467,766
<u>LIABILITIES</u>			
<u>Current liabilities</u>			
Accounts payable	319,647	15,080	334,727
Payroll payables	417,160	-	417,160
Compensated absences	189,935	-	189,935
Current portion of capital leases payable	65,735	-	65,735
Total current liabilities	992,477	15,080	1,007,557
<u>Long-term obligations</u>			
Capital leases payable net of current portion	139,530	-	139,530
Other postemployment benefits obligation	58,668	-	58,668
Total long-term obligations	198,198	-	198,198
Total liabilities	1,190,675	15,080	1,205,755
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	173,289	798,713	972,002
Unrestricted	114,719	1,175,290	1,290,009
Total net assets	\$ 288,008	\$ 1,974,003	\$ 2,262,011

City of Newberg, Oregon

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

For the Year Ended June 30, 2009

	<u>Admin Support Services</u>	<u>Vehicle/ Equipment Replacement</u>	<u>Totals</u>
<u>Operating revenues</u>			
Charges for services	\$ 3,191,385	\$ 445,789	\$ 3,637,174
Other operating revenues	5,066	-	5,066
Total operating revenues	3,196,451	445,789	3,642,240
<u>Operating expenses</u>			
Personal services	1,978,197	-	1,978,197
Materials and services	1,036,761	60,528	1,097,289
Depreciation	88,215	244,113	332,328
Total operating expenses	3,103,173	304,641	3,407,814
Operating income	93,278	141,148	234,426
<u>Nonoperating revenues (expenses)</u>			
Interest revenue	17,136	22,306	39,442
Interest expense	(12,919)	-	(12,919)
Gain on sale of assets	65	2,555	2,620
Total nonoperating revenues (expenses)	4,282	24,861	29,143
Income before contributions	97,560	166,009	263,569
Capital contributions	-	4,637	4,637
Change in net assets	97,560	170,646	268,206
Total net assets, July 1, 2008	190,448	1,803,357	1,993,805
Total net assets, June 30, 2009	\$ 288,008	\$ 1,974,003	\$ 2,262,011

City of Newberg, Oregon

INTERNAL SERVICE FUNDS COMBINING STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2009

	<u>Admin Support Services</u>	<u>Vehicle/ Equipment Replacement</u>	<u>Totals</u>
<u>Cash flows from operating activities</u>			
Cash received from other funds	\$ 3,187,751	\$ 445,789	\$ 3,633,540
Cash paid to suppliers	(833,218)	(53,926)	(887,144)
Cash paid to employees	(1,978,161)	-	(1,978,161)
Other receipts	5,066	-	5,066
Net cash provided by operating activities	381,438	391,863	773,301
<u>Cash flows from capital and related financing activities</u>			
Loan principal payments	(72,094)	-	(72,094)
Loan interest payments	(4,937)	-	(4,937)
Proceeds from the sale of capital assets	65	16,234	16,299
Purchase of capital assets	(26,697)	(120,993)	(147,690)
Net cash (used in) capital and related financing activities	(103,663)	(104,759)	(208,422)
<u>Cash flows from investing activities</u>			
Interest received on investments	17,135	22,307	39,442
Net cash provided by investing activities	17,135	22,307	39,442
Net increase in cash	294,910	309,411	604,321
Cash and investments, July 1, 2008	768,576	880,959	1,649,535
Cash and investments, June 30, 2009	\$ 1,063,486	\$ 1,190,370	\$ 2,253,856
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 93,278	\$ 141,148	\$ 234,426
<u>Adjustments to reconcile operating income (loss) to net cash provided by operating activities:</u>			
Depreciation expense	88,215	244,113	332,328
(Increase) Decrease in accounts receivable	(3,634)	-	(3,634)
(Increase) Decrease in prepaid expense	(8,000)	-	(8,000)
Decrease in inventory	11,199	-	11,199
Increase in accounts payable	200,380	6,602	206,982
Net cash provided by operating activities	\$ 381,438	\$ 391,863	\$ 773,301

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, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Internal service charges	\$ 3,248,854	\$ 3,248,854	\$ 3,148,929	\$ (99,925)
Charges for service	47,645	47,645	42,766	(4,879)
Other	13,711	13,711	4,756	(8,955)
Interest	15,500	15,500	17,137	1,637
Total revenues	3,325,710	3,325,710	3,213,588	(112,122)
<u>Expenditures</u>				
Departmental:				
City Manager	535,423	541,423	528,676	12,747
Finance	730,739	742,239	703,945	38,294
General Office	245,592	268,592	241,736	26,856
Information Services	509,891	509,891	492,255	17,636
Legal	376,758	376,758	336,216	40,542
Public Works	622,728	622,728	575,131	47,597
Insurance	267,000	267,000	211,540	55,460
Contingency	198,625	158,125	-	158,125
Total expenditures	3,486,756	3,486,756	3,089,499	397,257
Excess of revenues over (under) expenditures	(161,046)	(161,046)	124,089	285,135
<u>Other financing sources (uses)</u>				
Proceeds from sale of capital assets	-	-	65	65
Total other financing sources (uses)	-	-	65	65
Net change in fund balances	(161,046)	(161,046)	124,154	285,200
Fund balance, July 1, 2008	161,046	161,046	239,168	78,122
Fund balance, June 30, 2009	\$ -	\$ -	\$ 363,322	\$ 363,322

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, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Equipment replacement charges	\$ 445,789	\$ 445,789	\$ 445,789	\$ -
Interest	15,000	15,000	22,314	7,314
Total revenues	460,789	460,789	468,103	7,314
<u>Expenditures</u>				
Departmental:				
General Government	2,000	2,000	1,698	302
City Manager	2,200	2,200	2,108	92
Finance	23,900	23,900	13,076	10,824
Information Technology	9,000	9,000	7,644	1,356
Legal	2,500	2,500	2,500	-
Municipal Court	3,000	5,000	3,868	1,132
Police	118,750	138,750	72,186	66,564
Fire	9,750	9,750	675	9,075
Communications	45,000	45,000	400	44,600
Library	8,000	8,000	1,557	6,443
Planning	10,600	10,600	2,089	8,511
Building Inspection	16,850	16,850	3,964	12,886
Public Works	311,000	311,000	54,241	256,759
Facilities Repair/Maintenance	75,000	75,000	15,517	59,483
Contingency	519,291	497,291	-	497,291
Total expenditures	1,156,841	1,156,841	181,523	975,318
Excess of expenditures over (under) revenues	(696,052)	(696,052)	286,580	982,632
<u>Other financing sources</u>				
Proceeds from sale of capital assets	-	-	16,234	16,234
Total other financing sources	-	-	16,234	16,234
Net change in fund balances	(696,052)	(696,052)	302,814	998,866
Fund balance, July 1, 2008	696,052	696,052	872,476	176,424
Fund balance, June 30, 2009	\$ -	\$ -	\$ 1,175,290	\$ 1,175,290

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, 2009

Fund	Central Services		Equipment Replacement		Totals	
	Revenues	Expenditures	Revenues	Expenditures	Revenues	Expenditures
Administrative Support Services	\$ 3,213,588	\$ 3,089,499	\$ -	\$ -	\$ 3,213,588	\$ 3,089,499
Vehicle/Equipment Replacement	-	-	468,103	181,523	468,103	181,523
Total revenues and expenditures (Budgetary Basis)	3,213,588	3,089,499	468,103	181,523	3,681,691	3,271,022
Adjustments						
Depreciation	-	88,215	-	244,113	-	332,328
Expenditures capitalized	-	(38,603)	-	(120,987)	-	(159,590)
Change in compensated absences	-	5,583	-	-	-	5,583
Other postemployment benefit expense	-	35,511	-	-	-	35,511
Payment of capital lease principal	-	(64,112)	-	-	-	(64,112)
Gain on disposition of capital assets	65	-	2,555	-	2,620	-
Total revenues and expenses (Accrual Basis)	3,213,653	3,116,093	470,658	304,649	3,684,311	3,420,742
Net income before contributions		\$ 97,560		\$ 166,009		\$ 263,569

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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, 2009

	Balances			Balances
<u>ASSETS</u>	7/1/2008	Additions	Deductions	6/30/2009
Cash and investments	\$ 46,251	\$ 1,038,427	\$ 1,038,525	\$ 46,153
<u>LIABILITIES</u>				
Accounts Payable	\$ 15,373	\$ 160,059	\$ 161,529	\$ 13,903
Funds held in trust	30,878	878,368	876,996	32,250
Total liabilities	\$ 46,251	\$ 1,038,427	\$ 1,038,525	\$ 46,153

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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, 2009

Governmental funds capital assets:

Land	\$ 1,049,821
Right of way	26,189,099
Buildings and improvements	10,226,686
Equipment	4,045,277
Construction in progress	98,106
Infrastructure	<u>64,540,890</u>
Total governmental funds capital assets	<u>\$ 106,149,879</u>

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

Investments in governmental funds capital assets by fund or source:

General Fund	8,979,906
State Tax Street Fund	457,397
Fire Truck Fund	1,472,143
911 Emergency Fund	81,177
Building Inspection Fund	81,556
Vehicle/Equipment Fund	185,118
Civil Forfeiture Fund	233,632
City Hall Bond Fund	10,920
Street System Development Fund	5,098,473
Cable TV Fund	84,017
Gifts and Donations	<u>85,835,637</u>
Total governmental funds capital assets	<u>\$ 106,149,879</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, 2009

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Equipment</u>	<u>Construction in Progress</u>	<u>Infrastructure (1)</u>	<u>Totals</u>
General government	\$ 832,962	\$ 3,573,728	\$ 110,400	\$ -	\$ -	\$ 4,517,090
Public safety	79,959	5,123,253	2,450,114	-	-	7,653,326
Library	32,000	1,523,690	1,175,881	-	-	2,731,571
Community development	<u>104,900</u>	<u>6,015</u>	<u>308,882</u>	<u>98,106</u>	<u>90,729,989</u>	<u>91,247,892</u>
Total governmental capital assets	<u>\$ 1,049,821</u>	<u>\$ 10,226,686</u>	<u>\$ 4,045,277</u>	<u>\$ 98,106</u>	<u>\$ 90,729,989</u>	<u>\$ 106,149,879</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, 2009

<u>Function and Activity</u>	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balances</u>
General government	\$ 4,493,730	\$ 23,360	\$ -	\$ 4,517,090
Public safety	7,535,274	118,052	-	7,653,326
Library	2,731,571	-	-	2,731,571
Community development	<u>90,523,529</u>	<u>756,354</u>	<u>(31,991)</u>	<u>91,247,892</u>
Total governmental capital assets	<u>\$ 105,284,104</u>	<u>\$ 897,766</u>	<u>\$ (31,991)</u>	<u>\$ 106,149,879</u>

Other Financial Schedules

- Schedule of Property Taxes and Outstanding Balances
- Schedule of Bond Principal Transactions
- Schedule of Bond Interest Transactions
- Schedule of Future Bonded Debt Maturities

City of Newberg, Oregon

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES

For the Year Ended June 30, 2009

Levy Year	Taxes Uncollected July 1, 2008	Levy As Extended By Assessor	Discounts Allowed	Interest Received	Cancellations and Adjustments	Interest and Tax Collected	Taxes Uncollected June 30, 2009
2008-09	\$ -	\$ 6,024,153	\$ (145,535)	\$ 4,132	\$ (21,839)	\$ (5,568,429)	\$ 292,482
2007-08	232,243	-	-	7,940	(10,148)	(132,917)	97,118
2006-07	69,511	-	-	4,887	(943)	(34,280)	39,175
2005-06	33,622	-	-	5,416	(696)	(24,303)	14,039
2004-05	12,886	-	-	2,358	(474)	(9,433)	5,337
Prior to 2004	22,411	-	-	941	(1,244)	(2,202)	19,906
Totals	\$ 370,673	\$ 6,024,153	\$ (145,535)	\$ 25,674	\$ (35,344)	\$ (5,771,564)	\$ 468,057

Fund	Revenue		Total	Receivable June 30, 2009
	Current Levy	Prior Years and Adjustments		
General	\$ 5,195,901	\$ 185,431	\$ 5,381,332	\$ 432,897
Debt Service	372,528	17,704	390,232	35,160
Totals	\$ 5,568,429	\$ 203,135	\$ 5,771,564	\$ 468,057

City of Newberg, Oregon

SCHEDULE OF BOND PRINCIPAL TRANSACTIONS

For the Year Ended June 30, 2009

	Original Issue		Transactions July 1, 2008 to June 30, 2009				Outstanding June 30, 2009			
	Rate	Date	Amount	Outstanding July 1, 2008	Issued	Matured	Paid	Matured	Unmatured	Totals
Governmental Activities										
Long-term bonded debt										
<u>General Obligation Bonds</u>										
Police Building 1997A	3.70-5.50%	6/1/1997	\$ 2,950,000	\$ 1,730,000	\$ -	\$ 370,000	\$ 370,000	\$ -	\$ 1,360,000	\$ 1,360,000
Fire Facilities 1998A	4.00-5.10%	3/25/1998	2,395,000	1,460,000	-	295,000	295,000	-	1,165,000	1,165,000
City Hall COPs 1999A	4.00-5.35%	11/10/1999	3,550,000	2,210,000	-	135,000	135,000	-	2,075,000	2,075,000
Subtotal general obligation bonds			8,895,000	5,400,000	-	800,000	800,000	-	4,600,000	4,600,000
<u>Limited Tax Bonds</u>										
Pension Obligation Bonds 2004	4.60-6.09%	5/11/2004	2,720,000	2,720,000	-	10,000	10,000	-	2,710,000	2,710,000
Total long-term bonded debt-governmental activities			11,615,000	8,120,000	-	810,000	810,000	-	7,310,000	7,310,000
Total long-term bonded debt			\$ 11,615,000	\$ 8,120,000	\$ -	\$ 810,000	\$ 810,000	\$ -	\$ 7,310,000	\$ 7,310,000

City of Newberg, Oregon

SCHEDULE OF BOND INTEREST TRANSACTIONS

For the Year Ended June 30, 2009

	Issue Date	Outstanding July 1, 2008		Total	Transactions July 1, 2008 to June 30, 2009				Outstanding June 30, 2009	
		Matured	Unmatured		Matured	Issued	Matured	Paid	Matured	Unmatured
Governmental Activities										
Long-term bonded debt										
General Obligation Bonds										
Police Building 1997A	6/1/1997	\$ -	\$ 450,124	\$ 450,124	\$ -	\$ 176,176	\$ 176,176	\$ -	\$ 273,948	\$ 273,948
Fire Facilities 1998A	3/25/1998	-	435,668	435,668	-	155,526	155,526	-	280,142	280,142
City Hall COPs 1999A	11/10/1999	-	823,503	823,503	-	117,510	117,510	-	705,993	705,993
Subtotal general obligation bonds			1,709,295	1,709,295	-	449,212	449,212	-	1,260,083	1,260,083
Limited Tax Bonds										
Pension Obligation Bonds 2004	5/11/2004	-	2,349,773	2,349,773	-	162,632	162,632	-	2,187,141	2,187,141
Total long-term bonded debt-governmental activities			4,059,068	4,059,068	-	611,844	611,844	-	3,447,224	3,447,224
Total long-term bonded debt			4,059,068	4,059,068	-	611,844	611,844	-	3,447,224	3,447,224

City of Newberg, Oregon

SCHEDULE OF FUTURE BONDED DEBT MATURITIES

June 30, 2009

	<u>General Obligation</u>	<u>Limited Tax Obligation</u>
<u>Bond Principal</u>		
2009-2010	\$ 425,000	\$ 20,000
2010-2011	450,000	25,000
2011-2012	475,000	35,000
2012-2013	495,000	45,000
2013-2014	525,000	55,000
2014-2015	555,000	70,000
2015-2016	585,000	80,000
2016-2017	395,000	95,000
2017-2018	220,000	110,000
2018-2019	230,000	130,000
2019-2020	245,000	150,000
2020-2021	-	170,000
2021-2022	-	190,000
2022-2023	-	215,000
2023-2024	-	240,000
2024-2025	-	270,000
2025-2026	-	300,000
2026-2027	-	335,000
2027-2028	-	175,000
Total bond principal	<u>\$ 4,600,000</u>	<u>\$ 2,710,000</u>
 <u>Bond Interest</u>		
2009-2010	\$ 236,333	\$ 162,172
2010-2011	214,728	161,190
2011-2012	191,422	159,890
2012-2013	166,540	158,052
2013-2014	140,225	155,646
2014-2015	111,750	152,582
2015-2016	81,705	148,612
2016-2017	55,465	143,994
2017-2018	33,930	138,418
2018-2019	20,880	131,882
2019-2020	7,105	124,062
2020-2021	-	115,040
2021-2022	-	104,814
2022-2023	-	93,386
2023-2024	-	80,454
2024-2025	-	65,826
2025-2026	-	49,370
2026-2027	-	31,084
2027-2028	-	10,667
Total bond interest	<u>\$ 1,260,083</u>	<u>\$ 2,187,141</u>
 Total future maturities	<u>\$ 5,860,083</u>	<u>\$ 4,897,141</u>
 Grand total		<u>\$ 10,757,224</u>

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STATISTICAL SECTION

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STATISTICAL SECTION

This section provides further details as a context for a better understanding of the financial statements.

Contents	Page
Financial Trends	
These schedules contain trend information to help the reader understand how financial performance has changed over time.	125
Revenue Capacity	
These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.	134
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.	138
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.	142
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.	144

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City of Newberg, Oregon

NET ASSETS BY COMPONENT Last Seven Fiscal Years* (Accrual basis of accounting - Unaudited)

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
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	\$ 72,603,995	\$ 72,529,510
Restricted	410,414	3,278,182	5,367,408	4,436,608	4,233,576	2,006,127	2,470,899
Unrestricted	7,068,657	5,689,512	5,036,514	7,272,026	7,266,261	7,857,930	7,035,935
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>	<u>82,468,052</u>	<u>82,036,344</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	47,357,341	46,588,143
Restricted	2,751,899	2,300,432	4,062,704	5,492,742	4,591,073	4,650,163	4,432,518
Unrestricted	5,825,370	5,567,312	4,447,591	5,312,642	7,260,797	7,359,300	8,955,775
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>	<u>59,366,804</u>	<u>59,976,436</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	119,961,336	119,117,653
Restricted	3,162,313	5,578,614	9,430,112	9,929,350	8,824,649	6,656,290	6,903,417
Unrestricted	12,894,027	11,256,824	9,484,105	12,584,668	14,527,058	15,217,230	15,991,710
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>	<u>\$ 141,834,856</u>	<u>\$ 142,012,780</u>

* The City implemented the requirements of GASB 34 during the year ended June 30, 2003, which requires the reporting of net assets by component. The above information will be accumulated yearly, until 10 years are reported.

City of Newberg, Oregon

CHANGES IN NET ASSETS Last Seven Fiscal Years* (Accrual basis of accounting - Unaudited)

Expenses	Fiscal Year			
	2003	2004	2005	2006
Governmental activities:				
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>
Business-type activities:				
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
Storm water	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>
Program Revenues				
Governmental activities:				
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>
Business-type activities:				
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
Storm water	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>

* The City implemented the requirements of GASB 34 during the year ended June 30, 2003, which requires the reporting of changes in net assets. The above information will be accumulated yearly, until 10 years are reported.

Continued on page 127.

Fiscal Year		
2007	2008	2009
\$ 303,579	\$ 1,077,399	\$ 331,085
7,346,785	7,977,491	8,710,044
1,015,473	1,154,371	1,205,124
3,861,815	3,934,145	4,529,013
475,087	460,474	430,164
<u>13,002,739</u>	<u>14,603,880</u>	<u>15,205,430</u>
3,289,427	4,013,132	4,744,738
4,126,276	3,906,244	4,388,208
619,231	704,911	865,427
1,110,099	1,170,262	1,254,774
<u>9,145,033</u>	<u>9,794,549</u>	<u>11,253,147</u>
<u>\$ 22,147,772</u>	<u>\$ 24,398,429</u>	<u>\$ 26,458,577</u>
188,191	186,422	203,234
1,540,530	1,697,790	1,635,102
87,283	97,830	109,555
1,549,290	2,441,559	1,353,248
1,069,777	1,742,376	1,015,120
3,328,977	2,940,904	1,596,081
<u>7,764,048</u>	<u>9,106,881</u>	<u>5,912,340</u>
3,792,456	3,696,357	4,041,065
3,435,153	3,568,052	4,018,207
490,768	536,637	527,617
995,493	1,161,655	1,233,055
50,000	-	-
2,658,204	3,060,479	1,732,206
<u>11,422,074</u>	<u>12,023,180</u>	<u>11,552,150</u>
<u>\$ 19,186,122</u>	<u>\$ 21,130,061</u>	<u>\$ 17,464,490</u>

Continued on pages 128 and 129.

City of Newberg, Oregon

CHANGES IN NET ASSETS (Continued) Last Seven Fiscal Years* (Accrual basis of accounting - Unaudited)

	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>

* The City implemented the requirements of GASB 34 during the year ended June 30, 2003, which requires the reporting of changes in net assets. The above information will be accumulated yearly, until 10 years are reported.

Continued on page 129

Fiscal Year		
2007	2008	2009
<u>\$ (5,238,691)</u>	<u>\$ (5,496,999)</u>	<u>\$ (9,293,090)</u>
<u>2,277,041</u>	<u>2,228,631</u>	<u>299,003</u>
<u><u>\$ (2,961,650)</u></u>	<u><u>\$ (3,268,368)</u></u>	<u><u>\$ (8,994,087)</u></u>
\$ 5,235,416	\$ 5,569,777	\$ 5,868,949
1,999,652	2,252,953	2,691,385
641,392	545,879	225,064
123,702	61,455	65,961
<u>330,572</u>	<u>362,800</u>	<u>10,023</u>
<u>8,330,734</u>	<u>8,792,864</u>	<u>8,861,382</u>
547,749	541,546	307,681
1,501	1,950	12,971
<u>(330,572)</u>	<u>(362,800)</u>	<u>(10,023)</u>
<u>218,678</u>	<u>180,696</u>	<u>310,629</u>
<u><u>\$ 8,549,412</u></u>	<u><u>\$ 8,973,560</u></u>	<u><u>\$ 9,172,011</u></u>
\$ 3,092,043	\$ 3,295,865	\$ (431,708)
<u>2,495,719</u>	<u>2,409,327</u>	<u>609,632</u>
<u><u>\$ 5,587,762</u></u>	<u><u>\$ 5,705,192</u></u>	<u><u>\$ 177,924</u></u>

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City of Newberg, Oregon

FUND BALANCES, GOVERNMENTAL FUNDS Last Seven Fiscal Years* (Modified accrual basis of accounting - Unaudited)

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
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
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>
All Other Governmental Funds							
Reserved	\$ 51,035	\$ 3,334,559	\$ 5,423,577	\$ 4,489,883	\$ 4,372,647	\$ 2,087,697	\$ 222,050
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
Capital project funds	2,314,027	117,088	235,792	248,122	250,082	328,932	3,218,015
Debt service funds	410,414	8,144	12,659	148,656	-	-	447,201
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>\$ 7,024,404</u>

* In connection with the City's implementation of GASB 34 during the year ended June 30, 2003, the City reclassified funds which makes prior periods not comparable. The above information will be accumulated yearly, until 10 years are reported.

City of Newberg, Oregon

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Seven Fiscal Years*

(Modified accrual basis of accounting - Unaudited)

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
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	245,862	307,001
Total revenues	10,080,050	10,926,401	12,120,567	13,098,956
Expenditures				
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	9,411,585	9,283,927	10,347,488	11,722,597
Excess of revenues over expenditures	\$ 668,465	\$ 1,642,474	\$ 1,773,079	\$ 1,376,359
Other Financing Sources (Uses)				
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)	(39,655)	17,249	(121,584)	367,673
Net Change in Fund Balances	\$ 628,810	\$ 1,659,723	\$ 1,651,495	\$ 1,744,032
Debt service as a percentage of noncapital expenditures	9.83%	10.22%	9.30%	7.50%

* In connection with the City's implementation of GASB 34 during the year ended June 30, 2003, the City reclassified funds which makes prior periods not comparable. The above information will be accumulated yearly, until 10 years are reported.

Continued on page 133

Fiscal Year		
2007	2008	2009
\$ 5,237,046	\$ 5,489,184	\$ 5,771,564
1,350,421	1,437,566	1,540,473
1,054,402	1,775,174	1,035,880
259,447	327,104	262,592
2,342,905	3,312,751	3,710,471
627,204	956,724	515,779
673,757	795,005	718,032
143,939	112,274	111,584
96,759	424,330	95,898
88,919	87,988	167,242
559,287	442,582	177,690
169,306	170,048	197,212
<u>12,603,392</u>	<u>15,330,730</u>	<u>14,304,417</u>
240,424	175,606	258,720
7,381,582	7,551,074	8,626,587
986,596	1,102,814	1,160,795
2,739,887	2,819,165	3,006,150
1,148,026	4,133,679	405,319
370,000	380,000	810,000
460,861	451,141	424,862
<u>13,327,376</u>	<u>16,613,479</u>	<u>14,692,433</u>
<u>\$ (723,984)</u>	<u>\$ (1,282,749)</u>	<u>\$ (388,016)</u>
23,818	5,810	11,929
1,634,755	4,066,158	474,013
<u>(1,353,954)</u>	<u>(3,642,301)</u>	<u>(463,990)</u>
<u>304,619</u>	<u>429,667</u>	<u>21,952</u>
<u>\$ (419,365)</u>	<u>\$ (853,082)</u>	<u>\$ (366,064)</u>
6.86%	6.37%	8.73%

City of Newberg, Oregon

MARKET AND ASSESSED VALUE OF TAXABLE PROPERTY Last Ten Fiscal Years (Unaudited)

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	Market Value	Assessed Value	
2000	\$ 838,842,214	\$ 642,787,198	\$ 38,666,763	\$ 38,454,409	\$ 19,094,400	\$ 17,573,199	\$ 896,603,377	\$ 698,814,806	77.9 %	5.06	
2001	902,478,735	NA	37,043,472	NA	19,994,258	NA	959,516,465	738,123,196	76.9	4.91	
2002	933,341,016	720,299,078	50,890,457	34,611,649	22,736,481	22,676,984	1,006,967,954	777,587,711	77.2	4.87	
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	4.98	
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	4.92	
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	4.89	
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	4.86	
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	4.82	
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	4.77	
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	4.69	

Information from the Yamhill County Assessment and Taxation Department

Note: In May 1997, Oregon voters approved Measure 50 that revised the property tax system state-wide effective July 1, 1997. For property tax purposes, the measure changed a property's assessed valuation from real market value to a value for tax purposes. For FY 97-98, a property's assessed value for tax purposes will equal the property's market value as of July 1, 1995 less 10%. In addition, the maximum assessed value of a property was limited to a maximum of 3% growth per year.

City of Newberg, Oregon

PROPERTY TAX RATES (1) - DIRECT AND OVERLAPPING GOVERNMENTS

Last ten fiscal years

Fiscal Year Ending June 30,	City		County		Park District		School District		Other Districts		
	Operating	Debt	Operating	Debt	Operating	Debt	Operating	Debt	Operating	Total	
2000	\$ 4.38	\$ 0.68	\$ 2.54	\$ 0.00	\$	\$	\$ 4.66	\$ 2.28	\$	\$ 0.80	\$ 16.25
2001	4.38	0.53	2.57	0.00	0.91	2.06	4.66	2.06	0.80	0.80	15.91
2002	4.38	0.49	2.57	0.00	0.91	2.19	4.66	2.19	1.00	1.00	16.20
2003	4.38	0.60	2.57	0.00	0.91	1.99	4.66	1.99	0.93	0.93	16.04
2004	4.38	0.54	2.57	0.00	0.91	4.16	4.66	4.16	0.65	0.65	17.87
2005	4.38	0.51	2.57	0.00	0.91	3.55	4.66	3.55	0.66	0.66	17.24
2006	4.38	0.48	2.57	0.00	0.91	3.51	4.66	3.51	0.63	0.63	17.14
2007	4.38	0.44	2.57	0.00	0.91	3.61	4.66	3.61	0.87	0.87	17.44
2008	4.38	0.39	2.57	0.00	0.91	3.88	4.66	3.88	0.89	0.89	17.69
2009	4.38	0.31	2.57	0.00	0.91	3.64	4.66	3.64	0.89	0.89	17.36

(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
(Unaudited)

Taxpayer	Type of Business	2009			2000		
		Rank	Taxable Assessed Valuation	% of City Taxable Assessed Valuation (a)	Rank	Taxable Assessed Valuation	% of City Taxable Assessed Valuation (b)
George K. Jr and Joan D. Austin	Land Development	1	\$ 37,958,533	2.98%	1	\$ 26,393,640	3.78%
Portland General Electric Co.	Electric Utility	2	13,548,000	1.07%	2	12,762,400	1.83%
Fred Meyer	Retail, Mixed	3	10,913,648	0.86%	5	7,653,445	1.10%
Friendsview Manor	Retirement Residence	4	9,009,932	0.71%		-	-
Verizon	Telecommunications Utility	5	8,578,700	0.67%	8	4,865,377	0.70%
NW Natural Gas	Natural Gas Utility	6	8,342,200	0.66%	3	11,486,600	1.64%
Adec, Inc.	Dental Equipment	7	7,882,450	0.62%	4	8,420,889	1.21%
Chehalem Springs	Retirement Residence	8	7,724,825	0.61%		-	-
Ushio Oregon, Inc.	Halogen lamps for copiers	9	7,452,477	0.59%	7	5,639,262	0.81%
Astor House	Retirement Residence	10	7,283,282	0.57%		-	-
Moll Plasticrafters	Injection Molding		-	-	6	6,510,738	0.93%
Raymond P. Bailey	Land Development		-	-	9	4,360,627	0.62%
Bauer Trust	Construction		-	-	10	2,890,540	0.41%
TOTAL			\$ 118,694,047	9.33%		\$ 90,983,518	13.02%

(a) City of Newberg's 2008-09 assessed valuation was \$1,271,921,638
(b) City of Newberg's 1999-00 assessed/market valuation was \$698,814,806

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		Percentage of Levy
		Amount*	Percentage of Levy	Amount	Percentage of Levy	
2000	\$ 3,540,324	\$ 3,348,166	94.57%	\$ 178,351	\$ 3,526,517	99.61%
2001	3,627,593	3,429,658	94.54%	181,611	3,611,269	99.55%
2002	3,792,830	3,579,280	94.37%	166,898	3,746,178	98.77%
2003	4,026,837	3,844,613	95.47%	123,432	3,968,045	98.54%
2004	4,247,630	4,075,652	95.95%	163,058	4,238,710	99.79%
2005	4,482,284	4,292,223	95.76%	177,959	4,470,182	99.73%
2006	4,821,652	4,649,221	96.42%	66,837	4,716,058	97.81%
2007	5,385,785	5,137,305	95.39%	205,933	5,343,237	99.21%
2008	5,699,289	5,465,883	95.90%	126,259	5,592,142	98.12%
2009	6,024,153	5,713,963	94.85%	-	5,713,963	94.85%

Source: Tax Turnover report from Yamhill County

* Includes Discount Allowed

City of Newberg, Oregon

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

Last ten fiscal years

Fiscal Year Ending June 30,	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Debt Service Fund Balance (4)	Debt Payable From Enterprise Revenues (5)	Net Bonded Debt	Ratio of Net	
							Bonded Debt To Assessed Value	Net Bonded Debt Per Capita
2000	17,660	\$ 698,814,806	\$ 8,370,000	\$ 735,774	\$ 3,100,000	\$ 4,534,226	0.65	\$ 256.75
2001	18,064	738,123,196	7,560,000	637,533	2,555,000	4,367,467	0.59	241.78
2002	18,280	777,587,711	6,705,000	446,420	1,975,000	4,283,580	0.55	234.33
2003	18,750	807,677,749	5,800,000	383,380	1,360,000	4,056,620	0.50	216.35
2004	19,530	857,177,655	4,845,000	344,963	705,000	3,795,037	0.44	194.32
2005	19,910	908,510,978	3,920,000	422,229	-	3,497,771	0.39	175.68
2006	20,565	988,525,040	3,685,000	416,464	-	3,268,536	0.33	158.94
2007	20,570	1,110,866,040	3,440,000	497,241	-	2,942,759	0.26	143.06
2008	21,675	1,193,170,105	3,190,000	560,067	-	2,629,933	0.22	121.33
2009	22,645	1,271,921,638	2,525,000	146,819	-	2,378,181	0.19	105.02

(1) Portland State University, Annual Population Statistics

(2) Yamhill County Assessor

(3) June 30 principal balance, annual financial statements

(4) Amount restricted for repayment of general long-term debt, annual financial statements

(5) Enterprise fund debt - water and sewer funds, annual financial statements

City of Newberg, Oregon

COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT GENERAL OBLIGATION BONDS

	June 30, 2009		
Jurisdiction	Net General Obligation Bonded Debt Outstanding	Percentage Applicable to City (1)	Amount Applicable to City
Direct			
City of Newberg	\$ 2,378,181	100.00%	\$ 2,378,181
Overlapping			
School District 29J	80,529,233	51.42%	414,052
Total	\$ 82,907,414		\$ 2,792,233

(1) Based on percentage of assessed value

Sources: Annual financial statements
 Yamhill County Assessor
 Newberg School District 29J

City of Newberg, Oregon

LEGAL DEBT MARGIN INFORMATION

Last ten fiscal years

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Debt Limit	\$26,898,101	\$28,785,494	\$30,209,039	\$32,006,036	\$33,921,670	\$37,427,506	\$43,481,690	\$57,156,771	\$68,058,408	\$67,179,491
Total net debt applicable to limit	4,534,226	4,367,467	4,283,580	4,056,620	3,795,037	3,497,771	3,268,536	2,942,759	2,629,933	2,378,181
Legal debt margin	<u>\$22,363,875</u>	<u>\$24,418,027</u>	<u>\$25,925,459</u>	<u>\$27,949,416</u>	<u>\$30,126,633</u>	<u>\$33,929,735</u>	<u>\$40,213,154</u>	<u>\$54,214,012</u>	<u>\$65,428,475</u>	<u>\$64,801,310</u>

Total net debt applicable to the limit as a percentage of debt limit	16.86%	15.17%	14.18%	12.67%	11.19%	9.35%	7.52%	5.15%	3.86%	3.54%
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Legal Debt Margin Calculation for Fiscal Year 2009

Real Market Value	2,239,316,374
Debt Limit	67,179,491
Debt Applicable to limit:	
General obligation bonds	2,525,000
Less: Amount set aside for repayment of general obligation debt	(146,819)
Total net debt applicable to limit	<u>2,378,181</u>
Legal debt margin	<u>\$64,801,310</u>

Note: under state finance law, the City's outstanding general obligation debt should not exceed 3% of total assessed property value.

City of Newberg, Oregon

RATIOS OF OUTSTANDING DEBT BY TYPE Last Ten Fiscal Years (Unaudited)

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	Loans	Capital Leases	Total Government		
2000	\$ 5,270,000	\$ 3,550,000	\$ -	\$ 947,687	\$ 3,100,000	\$ 946,409	\$ -	\$ 13,814,096	0.66	782
2001	5,005,000	3,370,000	-	767,400	2,555,000	910,356	-	12,607,756	0.58	698
2002	4,730,000	3,185,000	-	531,105	1,975,000	874,046	-	11,295,151	0.51	618
2003 *	4,440,000	2,990,000	2,720,000	250,458	1,360,000	5,537,468	89,468	17,387,394	0.76	927
2004	4,140,000	2,790,000	2,720,000	41,549	705,000	8,137,173	145,644	18,679,366	0.76	956
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	1,045
2007	3,440,000	2,340,000	2,720,000	3,649	-	16,330,766	27,684	24,862,099	0.80	1,209
2008	3,190,000	2,210,000	2,720,000	269,377	-	21,546,403	2,489	29,938,269	N/A	1,381
2009	2,525,000	2,075,000	2,710,000	205,265	-	23,192,962	201	30,708,428	N/A	1,356

* Converted financial statements to conform with the requirements of GASB 34. Some funds were reclassified between the governmental activities and the business-type activities

(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
2000	17,660	\$ 24,363	\$ 2,077,785	4,841	5.30 %
2001	18,064	25,024	2,163,024	4,889	5.40
2002	18,280	25,213	2,215,647	4,959	6.60
2003	18,750	25,479	2,278,649	5,061	8.60
2004	19,530	27,030	2,448,874	5,085	7.00
2005	19,910	28,713	2,643,873	5,122	6.70
2006	20,565	31,044	2,911,000	5,148	5.40
2007	20,570	32,290	3,109,495	5,136	4.80
2008	21,675	NA	NA	5,205	5.40
2009	22,645	NA	NA	5,163	13.20

(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 2009 Portland Metropolitan Labor Trends (Yamhill County) for June 2009

City of Newberg, Oregon

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago
(Unaudited)

	2009			2000		
	(1) Employees	Rank	Percentage of Total City Employment	(2) Employees	Rank	Percentage of Total City Employment
A-dec	960	1	9.80%	880	1	N/A
Newberg Public Schools	601	2	6.14%	525	2	N/A
Providence Newberg Hospital	525	3	5.36%	360	4	N/A
George Fox University	412	4	4.21%	460	3	N/A
SP Newsprint Co.	255	5	2.60%	350	5	N/A
Fred Meyer	236	6	2.41%			
City of Newberg	190	7	1.94%	140	7	N/A
Suntron	185	8	1.89%			
Friendsview Retirement Community	150	9	1.53%			
Climax Portable Machine Tools	134	10	1.37%	90	10	N/A
Allen Machinery/FMC Food Tech				200	6	N/A
Ushio				100	9	N/A
Moll Industires				105	8	N/A
Total	9,796		37.24%	N/A		N/A

(1) Chehalem Valley Chamber of Commerce Business & Community Directory 2009-10, City of Newberg Finance Dept, & Newberg School District

(2) Newberg Area Chamber of Commerce Directory 2000

City of Newberg, Oregon

FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION/PROGRAM Last Seven Fiscal Years* (Unaudited)

<u>Function/Program</u>	Full-time Equivalent Employees as of June 30						
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General government	9.00	12.22	13.47	14.57	18.40	23.25	20.8
Public safety	49.70	48.20	51.98	56.48	64.14	60.61	67.96
Library	11.38	11.03	11.03	12.25	12.25	13.14	13.14
Community development	16.81	15.12	17.74	20.90	21.31	21.29	22.23
Water	17.35	15.44	15.85	14.67	16.99	17.30	18.43
Sewer	17.34	16.41	16.06	15.89	17.02	16.28	17.16
Storm water	0.00	2.66	2.58	3.58	3.58	3.38	4.58
Emergency medical services	7.10	7.10	6.60	6.60	6.60	6.60	6.6
TOTAL	<u><u>128.68</u></u>	<u><u>128.18</u></u>	<u><u>135.31</u></u>	<u><u>144.94</u></u>	<u><u>160.29</u></u>	<u><u>161.85</u></u>	<u><u>170.90</u></u>

Source: City of Newberg Finance Department- Budgets

* The City implemented the requirements of GASB 44 during the year ended June 30, 2005. The City has chosen to present new trend information starting with the GASB 34 implementation date of June 30, 2003. The above information will be accumulated yearly, until 10 years are reported.

City of Newberg, Oregon

OPERATING INDICATORS BY FUNCTION/PROGRAM Last Seven Fiscal Years* (Unaudited)

<u>Function/Program</u>	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
General government							
Number of Council resolutions	68	49	71	70	58	76	61
Public safety							
Number of adult arrests	NA	1,386	1,488	1,438	1,436	1,406	1,252
Number of citations	NA	3,754	3,511	4,327	4,789	4,842	4,326
Number of emergency calls responded to (fire)	2,896	3,052	3,067	3,591	3,595	3,671	3,670
Library							
Annual Checkouts	NA	202,608	215,248	219,332	228,101	245,287	256,689
Reference Questions Answered	NA	13,257	15,521	15,032	15,642	15,642	15,555
Event Attendance	NA	13,270	13,716	20,745	23,193	21,264	19,638
Community development							
Building Inspections	3,965	8,143	10,036	22,177	13,868	10,831	10,646
Building Permits Residential	304	422	483	433	270	190	153
Water							
Water-# of a/c	5,168	5,269	5,433	6,092	6,116	6,307	6,318
Water-total gallons treated	995	969	932	1,042	1,067	997	968
Sewer							
Sewer Total gallons treated (millions of gallons)	1,076	955	770	1,277	1,205	1,185	1,023
Storm water							
Emergency Medical Services							
Ambulance Transports	1,525	1,631	1,690	1,842	1,916	2,047	2,087

Source: Various City of Newberg departments

* The City implemented the requirements of GASB 44 during the year ended June 30, 2005. The City has chosen to present new trend information starting with the GASB 34 implementation date of June 30, 2003. The above information will be accumulated yearly, until 10 years are reported.

City of Newberg, Oregon

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM Last Seven Fiscal Years* (Unaudited)

<u>Function/Program</u>	<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>
Public safety							
Police related vehicles	19	17	19	18	21	24	24
Number of fire stations	2	2	2	2	2	2	2
Library							
Library building	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
Water							
Total water reservoir capacity (millions of gallons)	8	12	12	12	12	12	12
Number of reservoirs	2	3	3	3	3	3	3
Wastewater							
Miles of wastewater lines	73.07	71.38	69.34	73.36	77.64	80.53	80.36
Storm water							
Miles of storm lines	51.54	49.93	48.77	55.76	56.34	63.7	64.74
Emergency Medical Services							
Ambulances	6	6	7	6	6	6	6

Source: Various City of Newberg departments

* The City implemented the requirements of GASB 44 during the year ended June 30, 2005. The City has chosen to present new trend information starting with the GASB 34 implementation date of June 30, 2003. The above information will be accumulated yearly, until 10 years are reported.

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

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**REQUIRED DISCLOSURES AND INDEPENDENT AUDITOR'S COMMENTS
AS OUTLINED IN OREGON ADMINISTRATIVE RULES CHAPTER 162 [SECRETARY OF
STATE, AUDITS DIVISION], DIVISION 10 [MINIMUM STANDARDS FOR AUDITS OF OREGON
MUNICIPAL CORPORATIONS]**

Oregon Administrative Rules 162-10-050 through 162-10-320 incorporated in the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, and comments and disclosures required in audit reports. The required statements and schedules are set forth in preceding sections of this report. Required comments and disclosures related to our audit of such statements and schedules are set forth in the following pages.

- *Accounting Records and Internal Controls*

- *Collateral*

- *Indebtedness*

- *Budget*

- *Insurance and Fidelity Bonds*

- *Programs Funded from Outside Sources*

- *Highway Funds*

- *Investments*

- *Public Contracts and Purchasing*



CITY OF NEWBERG

**REQUIRED DISCLOSURES AND INDEPENDENT AUDITOR'S COMMENTS
AS OUTLINED IN OREGON ADMINISTRATIVE RULES CHAPTER 162 [SECRETARY OF
STATE, AUDITS DIVISION], DIVISION 10 [MINIMUM STANDARDS FOR AUDITS OF
OREGON MUNICIPAL CORPORATIONS]
Year Ended June 30, 2009**

162-010-0230 – ACCOUNTING RECORDS AND INTERNAL CONTROLS

1. Accounting records

The entity's accounting records were reasonably maintained and adequate to support our audit of the basic financial statements.

2. Internal control

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

**REQUIRED DISCLOSURES AND INDEPENDENT AUDITOR'S COMMENTS
AS OUTLINED IN OREGON ADMINISTRATIVE RULES CHAPTER 162
[SECRETARY OF STATE, AUDITS DIVISION], DIVISION 10 [MINIMUM
STANDARDS FOR AUDITS OF OREGON MUNICIPAL CORPORATIONS
(Continued)**

162-010-0230 – ACCOUNTING RECORDS AND INTERNAL CONTROLS

2. Internal control (continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

162-010-0240 – COLLATERAL

ORS 295 requires deposits with financial institutions in excess of the amount insured by the Federal Deposit Insurance Corporation be held at qualifying institutions under the Public Funds Collateralization Program and that public officials provide the Office of the Oregon State Treasurer with the names of all bank depositories in which the City currently deposits public funds.

The City has complied with the provisions of ORS 295 as it pertains to the collateralization of public funds.

162-010-0250 – INDEBTEDNESS

1. Limitations on the amount incurred

The general obligation bonded debt of the entity is in compliance with the limitation imposed by ORS.287A.050.

2. Liquidation provisions, debt agreement provisions, and restricted assets

We noted no defaults in principal, interest, sinking fund, or redemption provisions with respect to any of the entity's short-term and long-term debt issues, and no breach of the debt agreements at June 30, 2009.

**REQUIRED DISCLOSURES AND INDEPENDENT AUDITOR’S COMMENTS
AS OUTLINED IN OREGON ADMINISTRATIVE RULES CHAPTER 162
[SECRETARY OF STATE, AUDITS DIVISION], DIVISION 10 [MINIMUM
STANDARDS FOR AUDITS OF OREGON MUNICIPAL CORPORATIONS
(Continued)**

162-010-0260 – BUDGET

1. Current year

A. Preparation and adoption

The budget was prepared and adopted in compliance with legal requirements.

B. Execution

The budget was executed in compliance with legal requirements

2. Subsequent year

A. Preparation and adoption

The budget was prepared and adopted in compliance with legal requirements.

3. Financial or organizational level of appropriations

The City established the levels of budgetary control at the department, capital projects, transfers, debt service and contingency levels for all funds.

162-010-0270 – INSURANCE AND FIDELITY BONDS

1. Insurance

The City's insurance agent has indicated that the following insurance coverage was in place at June 30, 2009:

Policy Number	Company	Type of Coverage	Expiration Date	Amount of Coverage
08LNEW	City County Insurance	General and Auto Liability	6/30/09	\$5,000,000 CSL
08APDNEW	City County Insurance	Auto Physical Damage	6/30/09	Per Agreement
08PNEW	City County Insurance	Property/Mobile Equipment	6/30/09	\$74,941,865
08BNEW	City County Insurance	Boiler and Machinery	6/30/09	Per Property Schedule
08EQNEW	RSUI Indemnity	Excess Earthquake	6/30/09	\$5,000,000

Our audit did not include a determination as to the adequacy of insurance coverage, since we are not professionally trained to make that determination. However, insurance coverage appears to comply with legal requirements.

**REQUIRED DISCLOSURES AND INDEPENDENT AUDITOR'S COMMENTS
AS OUTLINED IN OREGON ADMINISTRATIVE RULES CHAPTER 162
[SECRETARY OF STATE, AUDITS DIVISION], DIVISION 10 [MINIMUM
STANDARDS FOR AUDITS OF OREGON MUNICIPAL CORPORATIONS
(Continued)**

162-010-0270 – INSURANCE AND FIDELITY BONDS (Continued)

2. Fidelity Bonds

The following bond is in force in accordance with amounts required by the council:

City Manager	\$50,000
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162-010-0280 – PROGRAMS FUNDED FROM OUTSIDE SOURCES

1. General compliance

The City operates various programs funded wholly or partially by governmental agencies. In addition to our audit, these grants and projects are subject to further review by federal audit agencies.

162-010-0295 – HIGHWAY FUNDS

Revenue from taxes on motor vehicle use and fuel

The City has complied with the legal requirements contained in Article IX, section 3a of the Oregon Constitution pertaining to the use of revenue from taxes on motor vehicle use and fuel.

162-010-0300 – INVESTMENTS

Funds of the City were invested in compliance with ORS 294.035.

162-010-0310 – PUBLIC CONTRACTS AND PURCHASING

1. Awarding of public contracts

The City properly awarded public contracts during the year as defined by ORS 279.

2. Construction of public improvements

The City properly constructed public improvements during the year as defined by ORS 279.

Boldt, Carlisle & Smith LLC
Certified Public Accountants
Salem, Oregon
January 4, 2010

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