



Newberg, Oregon
ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2015

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CITY OF NEWBERG

OFFICERS AND MEMBERS OF THE GOVERNING BODY

For the Year Ended June 30, 2015

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
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 the City of Newberg as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

INDEPENDENT AUDITOR'S REPORT (Continued)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newberg, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General, Street and Building Inspection Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages a through o and the required supplementary information on pages 60-64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT (Continued)

Reports on Other Legal and Regulatory Requirements

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 29, 2016 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control over financial reporting and compliance.

Other Reporting Required by Oregon State Regulations

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated January 29, 2016, on our consideration of the City's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Boldt Carlisle + Smith
Certified Public Accountants
Salem, Oregon
January 29, 2016

By: 

Bradley G. Bingenheimer, Member

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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CITY OF NEWBERG, OREGON

Management's Discussion and Analysis

For the Year Ended June 30, 2015

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, 2015. This Management's Discussion and Analysis (MD&A) is based on currently known facts, decisions, and conditions that existed as of the date the financial statements are issued.

FINANCIAL HIGHLIGHTS

- Total assets of the City exceeded its liabilities by \$144.4 million. Of this amount, \$21.1 million is reported as unrestricted net assets, amounts which are available for use to meet the City's on-going obligations to citizens and creditors.
- The net position of the City increased by \$9.6 million during the fiscal year primarily due to increases in revenues from business-type activities.
- The Wastewater Treatment Plant repairs and renovations project continued during 2014-15 resulting in \$12.9 million in new debt issuance.
- Current refunding of governmental and business-type debt resulted in \$1.08 million in savings.
- Property tax revenues increased \$0.4 million or 5.8% during the fiscal year. Franchise and public service taxes decreased \$0.3 million or 8.8% over the prior fiscal year.
- Depreciation expense for 2014-15 was \$5,237,137.
- Total cost of all programs was \$27.2 million, a decrease of \$1.6 million.

Overview of the Financial Statements

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

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

Basic Financial Statements. These statements include the government-wide statements, fund financial statements, 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 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

CITY OF NEWBERG, OREGON
Management's Discussion and Analysis
For the Year Ended June 30, 2015

as public safety, library, community development and general government administration. Business-type activities are water, wastewater, stormwater and emergency medical services. The government-wide statements include the Statement of Net Position and the Statement of Activities.

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

Due to the fact that the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may further understand the long-term impact of the government's near-term financial decisions.

Governmental Funds. The City maintains 14 individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for those funds that are considered significant (major) to the City taken as a whole. These financial statements report four major funds: General Fund, Street Fund, Street Capital Projects Fund, and Building Inspection Fund. Data from the other 10 governmental funds are combined into a single, aggregated presentation. For each major fund, a separate Statement (or Schedule) of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual is presented. Readers who wish to obtain information on nonmajor funds can find it in the Combining and Individual Fund Financial Statements and Schedules section of this report.

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

CITY OF NEWBERG, OREGON
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The enterprise funds, all of which are considered to be major funds (on a consolidated basis) of the City, are reported separately on the 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 Combining and Individual Fund Financial Statement and Schedules section of this report.

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 statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is similar to the treatment used for proprietary funds. The City has two fiduciary funds: Employee Pension Trust Fund and the Bail Fund.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This section also includes capital asset, long-term debt, and other financial schedules.

Required Supplementary Information. This section is new for fiscal year 2014-15 due to GASB Statements 67 and 68, which require information related to the two pension plans in which the City participates.

Other Supplementary Data. The supplementary data section, titled Combining and Individual Fund Financial Statements and Schedules, 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.

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

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Management's Discussion and Analysis
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GOVERNMENT-WIDE FINANCIAL ANALYSIS

STATEMENT OF NET POSITION

Net position serves as a useful indicator of a government's financial position especially when viewed over time. In the case of the City, assets exceed liabilities by \$144.4 million at the close of the most recent fiscal year. This represents a \$5.2 million decrease over the prior fiscal year. This decrease is due to a prior period adjustment required to implement new accounting standards in the amount of \$14.9 million, otherwise the change in net position for the year would have been an increase of \$9.6 million.

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

TABLE 1
NET POSITION AT YEAR END
(in millions)

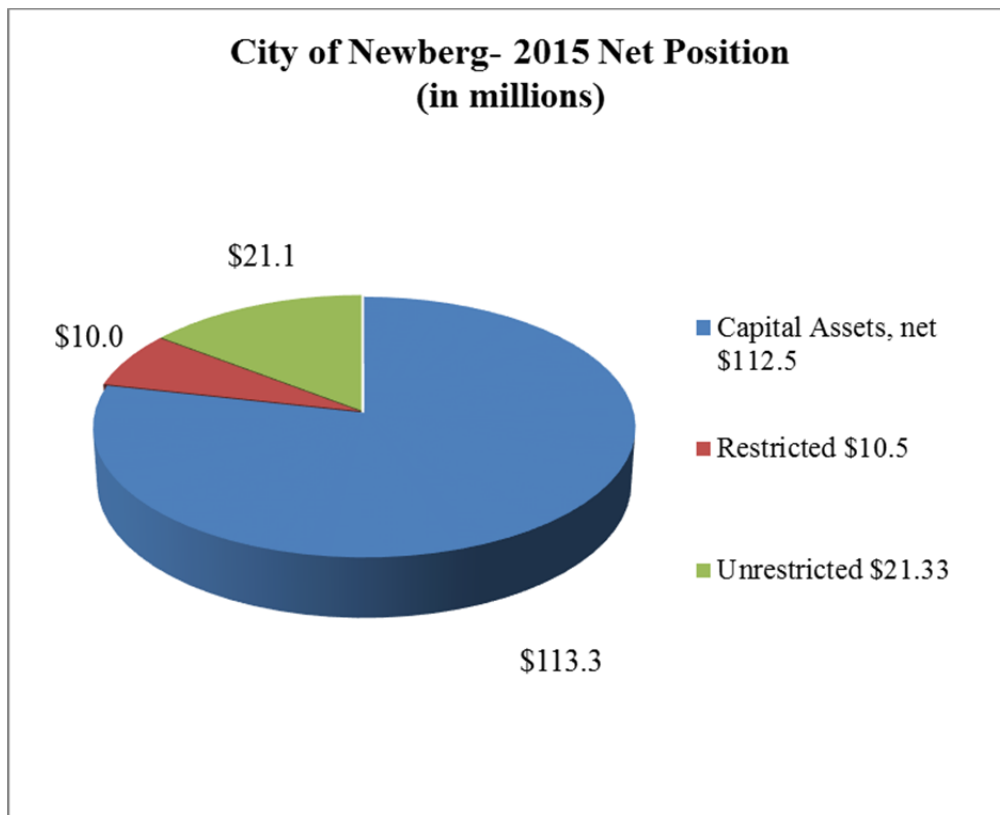
	Governmental Activities		Business-type Activities		Total Government	
	2015	2014	2015	2014	2015	2014
Assets						
Cash and investments	\$ 11.0	\$ 10.0	\$ 26.1	\$ 21.7	\$ 37.1	\$ 31.7
Other assets	2.5	2.8	3.6	2.5	6.1	5.3
Capital assets, net	75.7	76.7	89.0	79.8	164.7	156.5
Total assets	<u>89.2</u>	<u>89.5</u>	<u>118.7</u>	<u>104.0</u>	<u>207.9</u>	<u>193.5</u>
Deferred outflows of resources						
Pension related items	1.7	-	1.1	-	2.8	-
Deferred refunding charge	-	-	0.4	-	0.4	-
Total deferred outflows of resources	<u>1.7</u>	<u>-</u>	<u>1.5</u>	<u>-</u>	<u>3.2</u>	<u>-</u>
Liabilities						
Long-term obligations	11.7	6.9	46.8	30.1	58.5	37.0
Other liabilities	1.1	1.4	1.6	5.5	2.7	6.9
Total liabilities	<u>12.8</u>	<u>8.3</u>	<u>48.4</u>	<u>35.6</u>	<u>61.2</u>	<u>43.9</u>
Deferred inflows of resources						
Pension related items	4.1	-	1.5	-	5.6	-
Net position:						
Net investment in capital assets	65.3	74.1	48.0	50.4	113.3	124.5
Restricted	5.7	4.0	4.3	3.3	10.0	7.3
Unrestricted	3.1	3.0	18.0	14.7	21.1	17.7
Total net position	<u>\$ 74.1</u>	<u>\$ 81.1</u>	<u>\$ 70.3</u>	<u>\$ 68.4</u>	<u>\$ 144.4</u>	<u>\$ 149.5</u>

By far, the largest portion of the City's net position (\$113.3 million, or 78.5%) reflects the government's investment in capital assets (land, building, equipment, infrastructure, net of depreciation) less any related outstanding debt used to acquire those capital assets. The City uses these capital assets to provide services to citizens and consequently, they are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves can't be used to liquidate these liabilities.

CITY OF NEWBERG, OREGON
Management's Discussion and Analysis
For the Year Ended June 30, 2015

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. Restricted net assets total \$10 million or 6.9%, and represent cash and investments that are legally restricted for capital expansion or debt service. The remaining balance of unrestricted net position totaling \$21.1 million, or 14.6%, may be used to meet the City's ongoing obligations.

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



CITY OF NEWBERG, OREGON
Management's Discussion and Analysis
For the Year Ended June 30, 2015

STATEMENT OF ACTIVITIES

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

TABLE 2
ACTIVITIES FOR FISCAL YEARS ENDING JUNE 30, 2015 and 2014
(in millions)

	Governmental Activities		Business-type Activities		Total Government	
	2015	2014	2015	2014	2015	2014
Revenues						
Charges for services	\$ 5.1	\$ 3.8	\$ 17.8	\$ 14.5	22.9	18.3
Operating grants and contributions	1.5	1.6	-	-	1.5	1.6
Capital grants and contributions	-	0.8	1.8	1.1	1.8	1.9
Taxes	10.4	10.3	-	-	10.4	10.3
Interest	0.1	0.1	0.1	0.1	0.2	0.2
Other	-	-	-	0.1	-	0.1
Total revenues	<u>17.1</u>	<u>16.6</u>	<u>19.7</u>	<u>15.8</u>	<u>36.8</u>	<u>32.4</u>
Expenses						
General government	0.4	0.5	-	-	0.4	0.5
Public safety	9.2	10.8	-	-	9.2	10.8
Library	1.2	1.2	-	-	1.2	1.2
Community development	3.7	3.9	-	-	3.7	3.9
Interest on long-term obligations	0.2	0.1	-	-	0.2	0.1
Water	-	-	4.2	4.4	4.2	4.4
Wastewater	-	-	5.6	5.4	5.6	5.4
Stormwater	-	-	1.1	1.0	1.1	1.0
Emergency medical services	-	-	1.5	1.5	1.5	1.5
Total expenses	<u>14.7</u>	<u>16.5</u>	<u>12.4</u>	<u>12.3</u>	<u>27.1</u>	<u>28.8</u>
Increase in net position before transfers	2.4	0.1	7.3	3.5	9.7	3.6
Transfers	<u>(0.2)</u>	<u>-</u>	<u>0.2</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in net position	2.2	0.1	7.5	3.5	9.7	3.6
Beginning net position	81.2	81.3	68.4	64.7	149.6	146.0
Prior period adjustment	(9.3)	(0.2)	(5.6)	0.2	(14.9)	-
Ending net position	<u>\$ 74.1</u>	<u>\$ 81.2</u>	<u>\$ 70.3</u>	<u>\$ 68.4</u>	<u>\$ 144.4</u>	<u>\$ 149.6</u>

CITY OF NEWBERG, OREGON
Management's Discussion and Analysis
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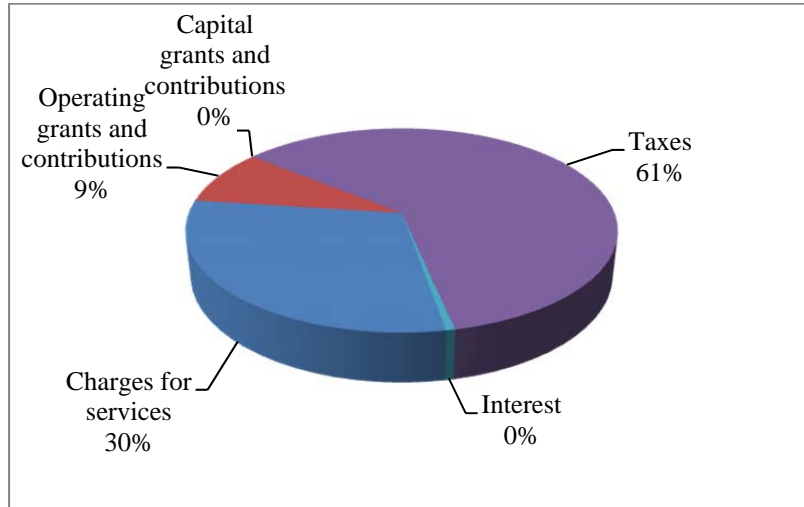
Governmental Activities

During the current fiscal year, the net position for governmental activities decreased \$7.1 million from the prior fiscal year for an ending balance of \$74.1 million. The primary reason for this decrease is due to the prior period adjustment resulting from the implementation of GASB 67/68. An analysis of the revenue sources follows:

- Charges for services – These are revenues that arise from charges to customers, applicants, or others who purchase, use or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services. This category also includes municipal court revenues from issuance of traffic citations.
- Operating grants and contributions – These revenues primarily consist of state gas tax disbursed to the City to use for road maintenance. Other small state and private contributions are also included in the operating grant category. These funds go to support specific activities within the City.
- Capital grants and contributions – These revenues primarily consist of grants and developer infrastructure contributions (e.g. fair market value of subdivision's infrastructure such as streets, roads, and rights-of-way/easements). The City did not receive any capital grants or contributions in the current fiscal year.
- Taxes – These are revenues that consist primarily of property taxes, transient lodging taxes, and franchise fees based on gross revenues. Property taxes increased \$0.4 million or 5.8% over the prior fiscal year. Franchise and public service taxes decreased just by \$0.3 million or 8.8%.
- Interest – This is revenue derived from the City's investment of temporarily idle assets. Due to low investment market earnings, revenues from this source were minor.
- Other - This is miscellaneous revenue not related to services provided.

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Governmental Activities – Revenues by Source



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

Table 3
Governmental Activities - Program Expenses
for the fiscal year ended June 30, 2015
(in millions)

Programs	FY 2014-15		Compared to FY 2013-14	
	Amount	Percent of Total	Amount	Percent
General government	\$ 0.4	2.7%	\$ (0.1)	-20.0%
Public safety	9.2	62.6%	(1.6)	-14.8%
Library	1.2	8.2%	-	0.0%
Community development	3.7	25.2%	(0.2)	-5.1%
Interest on long-term debt	0.2	1.4%	0.1	100.0%
Total expenses	\$ 14.7	100.0%	\$ (1.8)	

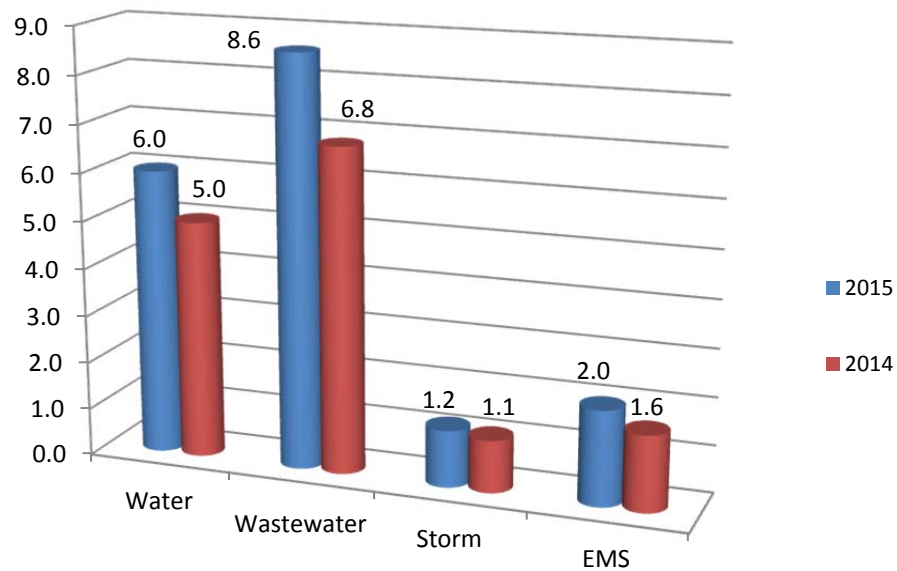
- General government, library, and community development expenses were consistent with the prior fiscal year.
- Public safety consists of the police, fire, court, and 911 operations. The decrease in program expense is a net between an increase in operating costs offset by the impact of GASB 67/68 on the recognition of pension costs.

CITY OF NEWBERG, OREGON
Management's Discussion and Analysis
For the Year Ended June 30, 2015

Business-type Activities

Overall revenues increased by \$3.8 million over the prior fiscal year. Every service experienced a modest rise over the prior year. The chart below illustrates operating revenue, excluding capital grants and contributions.

Business-Type Activities – Operating Revenues by Service



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Management's Discussion and Analysis
For the Year Ended June 30, 2015

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, 2015
(in millions)

Programs	FY 2014-15		Compared to FY 2013-14	
	Amount	Percent of Total	Increase/(Decrease) Amount	Percent
Water	4.2	33.9%	(0.2)	-4.5%
Wastewater	5.6	45.2%	0.2	3.7%
Stormwater	1.1	8.9%	0.1	10.0%
Emergency medical services	1.5	12.1%	-	0.0%
Total expenses	<u>\$ 12.4</u>	<u>100.0%</u>	<u>\$ 0.1</u>	

FUND-BASED FINANCIAL ANALYSIS

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

Governmental Funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$8.8 million, an increase of \$1.2 million in comparison with the prior year. Approximately 30.3% of this amount (\$2.7 million) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balances is either nonspendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form (\$0.1 million), 2) restricted for particular purposes (\$4.7 million), 3) committed for particular purposes (\$0.8 million) or 4) assigned for particular purposes (\$0.5 million).

The General Fund is the chief operating fund of the City. The fund balance of the City's General Fund increased by \$0.3 million, or 13.2%, during the current fiscal year. Key components to the change for the year ended June 30, 2015 are as follows:

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For the Year Ended June 30, 2015

- Property taxes revenues increased \$0.4 million, or 5.6%.
- Other taxes and fees revenue increased \$0.8 million, or 39%.
- Expenditures in the General Fund increased by \$0.3 million, or 2.8%, compared to the prior fiscal year.

The Street Fund ending balance increased by \$0.1 million. Revenues and expenditures were relatively consistent with the prior fiscal year. However, less was transferred from the Street Fund to capital projects during 2014-15.

The Building Inspection Fund continued to improve during 2014-15 with an ending fund balance increasing from \$387,961 at June 30, 2014 to \$620,378 by June 30, 2015. Building inspection activity within the City continues to grow at an increased pace as a reflection of the improving economy.

Other governmental fund balances increased by \$0.5 million.

Proprietary Funds

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

The net position of the water utility increased by \$0.4 million over the prior fiscal year. Operating costs remained unchanged during 2014-15. System development fees increased by \$0.2 million.

The net position of the wastewater utility increased by \$1.8 million (5.8%) during fiscal year 2014-15. Charges for services increased by \$0.1 million over the prior year. System development revenue increased by \$0.5 million.

The net position of the stormwater utility decreased by \$0.6 million during fiscal year 2014-15. A minor increase of \$0.1 million in net position change was offset by the prior period adjustment of \$0.6 million due to the impact of GASB 68 pension cost recognition.

Net position of the emergency medical services division increased \$33,120 during fiscal year 2014-15. Operating income of \$0.4 million was offset by the prior period adjustment, again due to the impact of GASB 68.

CITY OF NEWBERG, OREGON
Management's Discussion and Analysis
For the Year Ended June 30, 2015

BUDGETARY HIGHLIGHTS

Original budget compared to final budget

The budgetary statements for the each fund, shown throughout this report, show the original budget, final budget, actual revenues, expenditures and transfers in and out for the fiscal year ended June 30, 2015. The City executed two supplemental budgets affecting multiple funds, primarily to recognize a major capital purchase of property for a future Public Works maintenance facility, as well as additional operational expenses and capital project expenses.

General Fund final budget compared to actual results

General Fund actual revenues exceeded budget by 1%, primarily due to property tax revenues exceeding budget by 3.6%. General Fund expenditures were 96% of budget excluding the contingency of \$708,042. The largest variance was in the general government category due to variance in grants and tourism promotion expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2015, the City had invested \$164.5 million in capital assets as reflected in the following table, which represents a net increase (additions, deductions and depreciation) of \$8.1 million.

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

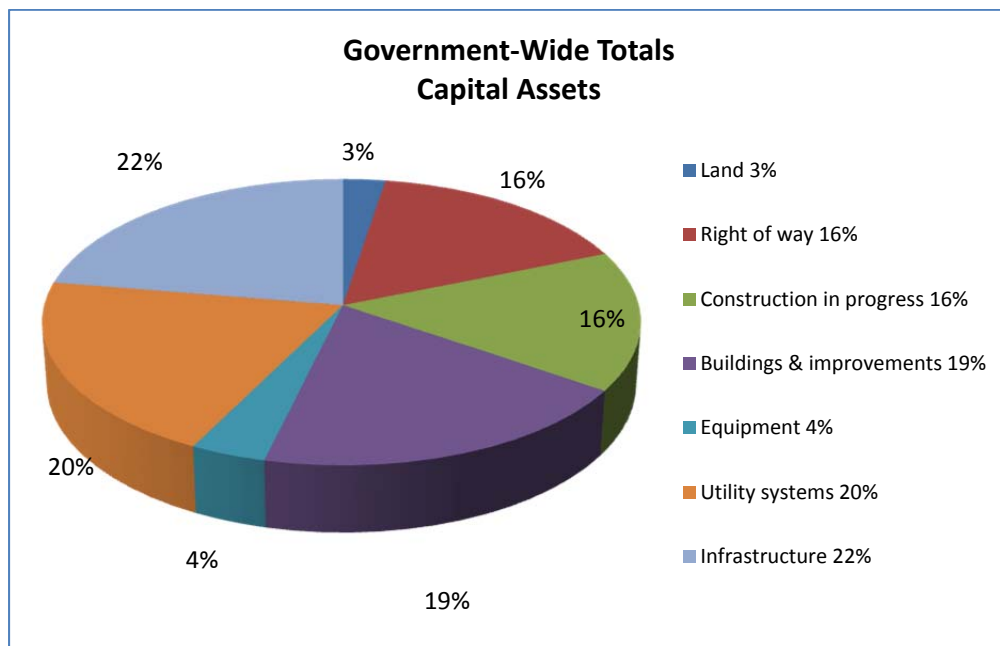
	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Land	\$ 1.2	\$ 1.1	\$ 3.0	\$ 3.0	\$ 4.2	\$ 4.1
Right of way	26.7	26.7	-	-	26.7	26.7
Construction in progress	-	-	26.0	18.2	26.0	18.2
Buildings and improvements	8.0	8.2	23.5	24.6	31.5	32.8
Equipment	2.9	2.8	3.1	3.4	6.0	6.2
Utility systems	-	-	33.3	30.6	33.3	30.6
Infrastructure	36.8	37.8	-	-	36.8	37.8
Total	<u>\$ 75.6</u>	<u>\$ 76.6</u>	<u>\$ 88.9</u>	<u>\$ 79.8</u>	<u>\$ 164.5</u>	<u>\$ 156.4</u>

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For the Year Ended June 30, 2015

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

- Wynooski property sale and 3rd St property purchase for Public Works maintenance yard.
- Depreciation expense for 2014-15 was \$5,237,137
- Continuation of improvements and repairs at the Wastewater Treatment Plant of \$9.0 million

Additional information on the City's capital assets can be found in the notes to the basic financial statements on pages 30 and 31 of this report.



Debt. As of June 30, 2015, the City had a total long-term debt obligation of \$45.8 million. Of this amount, \$4.2 million represented outstanding bonded indebtedness. Outstanding bonded debt included \$0.6 million to be serviced by property taxes, \$3.6 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.

CITY OF NEWBERG, OREGON
Management's Discussion and Analysis
For the Year Ended June 30, 2015

TABLE 6
OUTSTANDING DEBT AT YEAR END
(in millions)

	Governmental		Business-type		Totals	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
General obligation	\$ 0.6	\$ 1.0	\$ -	\$ -	\$ 0.6	\$ 1.0
Certificates of participation	-	1.3	-	-	-	1.3
FF&C Bonds-2015 Refunding	1.1	-	-	-	1.1	-
Limited tax bonds	2.5	2.5	-	-	2.5	2.5
Notes payable	0.3	-	41.0	29.5	41.3	29.5
Capital leases	0.3	0.3	-	-	0.3	0.3
Total	<u>\$ 4.8</u>	<u>\$ 5.1</u>	<u>\$ 41.0</u>	<u>\$ 29.5</u>	<u>\$ 45.8</u>	<u>\$ 34.6</u>

The City received an AA credit rating from Standard & Poors on the 2015 Refunding. This is equivalent to a two-notch increase over the rating received by Moody's in 1998. The City was reviewed by Moody's as well in 2015 and maintained its A1 debt rating.

Additional information on the City's debt and other long-term obligations can be found in the notes to the basic financial statements on page 33 of this report.

ECONOMIC FACTORS

The following economic factors currently affect the City of Newberg:

- The unemployment rate for Yamhill County is currently 5.2%, which is a slight decrease from a rate of 6.3% a year ago. This rate has decreased over the last six years after spiking at a high around 11% in November 2009, and the 2015 rate is slightly lower than the rate in 2007.
- Taxable assessed value (TAV) of properties within the City of Newberg increased 4.24% for the 2015-16 tax year. This growth rate was down from the TAV increase of 5.27% in 2014-15 tax year.
- The City's private retirement plan contribution rate dropped for the 2015-16 year from 31.2% to 30.5%. However, this rate will increase to 35.32% for the 2016-17 fiscal year.
- The City's Oregon PERS rates are anticipated to increase between 2.31-4.74% of subject payroll effective July 1, 2017. A primary factor in the increase in rates is due to the Oregon Supreme Court reversal of the bulk of the legislative changes from 2013. The City is formulating a plan to address these increases with existing reserves or the building of a reserve in the 2016-17 budget.

CITY OF NEWBERG, OREGON
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For the Year Ended June 30, 2015

- Health care costs are anticipated to continue to escalate.
- Non-represented employees within the City are budgeted to receive a cost of living increase of 1.0%. In the Fall 2015, a classification and compensation study was completed that will be in the 2015-16 Adopted Budget. Cost of living and merit increases negotiated by contract with City bargaining units will continue to result in increasing expenditures for public safety and public works. Wage adjustments negotiated in the summer/fall of 2015 will increase the 2015-16 Adopted Budget as well. Combined budget impact is approximately \$540,000.

Providing stable funding for City services during the current economic recession poses a challenge for the next few years. The City recognizes that costs of providing services at the current level will increase at a faster rate than the revenue used to fund those services. The City was able to avoid significant staff reductions during the development of the 2015-16 budget.

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
(503) 537-1216
www.newbergoregon.gov/finance

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BASIC FINANCIAL STATEMENTS

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City of Newberg, Oregon

STATEMENT OF NET POSITION

June 30, 2015

	Governmental Activities	Business-Type Activities	Totals
<u>ASSETS</u>			
Cash and investments	\$ 11,041,266	\$ 26,077,718	\$ 37,118,984
Receivables, net	1,425,560	2,544,647	3,970,207
Internal balances	(611,132)	611,132	-
Inventories	74,713	218,697	293,410
Net pension asset	1,635,878	261,370	1,897,248
Capital assets:			
Land and construction in progress	28,003,768	29,037,144	57,040,912
Other capital assets, net of depreciation	47,684,687	59,945,806	107,630,493
Total assets	89,254,740	118,696,514	207,951,254
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension related items	1,713,539	1,160,075	2,873,614
Deferred refunding charge	49,658	381,318	430,976
Total deferred outflows of resources	1,763,197	1,541,393	3,304,590
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	1,088,747	1,130,680	2,219,427
Deposits	8,883	2,250	11,133
Interest payable	19,182	438,440	457,622
Long-term obligations:			
Due within one year	1,741,619	2,732,067	4,473,686
Due in more than one year	9,943,818	44,098,124	54,041,942
Total liabilities	12,802,249	48,401,561	61,203,810
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension related items	4,130,478	1,533,648	5,664,126
Total deferred inflows of resources	4,130,478	1,533,648	5,664,126
<u>NET POSITION</u>			
Net investment in capital assets	65,315,123	47,953,509	113,268,632
Restricted for:			
Capital projects	2,607,286	4,306,900	6,914,186
Debt service	253,076	-	253,076
Public safety	485,427	-	485,427
Street maintenance	798,186	-	798,186
Other purposes	1,554,832	-	1,554,832
Unrestricted	3,071,280	18,042,289	21,113,569
Total net position	\$ 74,085,210	\$ 70,302,698	\$ 144,387,908

See accompanying notes

City of Newberg, Oregon

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<u>Governmental activities:</u>				
General government	\$ 422,183	\$ 1,000,426	\$ 125,176	\$ -
Public safety	9,155,182	2,078,460	1,237	-
Library	1,196,717	153,649	55,260	-
Community development	3,698,872	1,890,405	1,340,403	-
Interest on long-term obligations	234,723	-	-	-
<u>Total governmental activities</u>	<u>14,707,677</u>	<u>5,122,940</u>	<u>1,522,076</u>	<u>-</u>
<u>Business-type activities:</u>				
Water	4,179,182	6,055,711	-	519,668
Wastewater	5,616,297	8,593,486	-	1,270,112
Stormwater	1,121,214	1,186,699	-	34,839
Emergency medical services	1,533,734	1,960,321	-	9,100
<u>Total business-type activities</u>	<u>12,450,427</u>	<u>17,796,217</u>	<u>-</u>	<u>1,833,719</u>
Totals	<u>\$ 27,158,104</u>	<u>\$ 22,919,157</u>	<u>\$ 1,522,076</u>	<u>\$ 1,833,719</u>

General revenues:

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Franchise and public service taxes

Interest and investment earnings

Miscellaneous

Gain (loss) on sale of capital assets

Transfers

Total general revenues and transfers

Change in net position

Net position--beginning

Prior period adjustment

Net position--ending

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-Type Activities	Totals
\$ 703,419	\$ -	\$ 703,419
(7,075,485)	-	(7,075,485)
(987,808)	-	(987,808)
(468,064)	-	(468,064)
(234,723)	-	(234,723)
<u>(8,062,661)</u>	<u>-</u>	<u>(8,062,661)</u>
-	2,396,197	2,396,197
-	4,247,301	4,247,301
-	100,324	100,324
-	435,687	435,687
-	7,179,509	7,179,509
<u>(8,062,661)</u>	<u>7,179,509</u>	<u>(883,152)</u>
7,010,297	-	7,010,297
416,314	-	416,314
2,994,336	-	2,994,336
53,041	115,218	168,259
21,391	-	21,391
107	(79,234)	(79,127)
(227,840)	227,840	-
<u>10,267,646</u>	<u>263,824</u>	<u>10,531,470</u>
2,204,985	7,443,333	9,648,318
81,192,350	68,415,500	149,607,850
(9,312,125)	(5,556,135)	(14,868,260)
<u>\$ 74,085,210</u>	<u>\$ 70,302,698</u>	<u>\$ 144,387,908</u>

City of Newberg, Oregon

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2015

	<u>General</u>	<u>Street</u>	<u>Building Inspection</u>	<u>Street Capital Projects</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and investments	\$ 2,807,639	\$ 684,950	\$ 634,847	\$ 162,500	\$ 4,511,229	\$ 8,801,165
Receivables:						
Accounts, net	344,191	122,939	-	3,047	109,389	579,566
Loans	-	-	-	-	79,005	79,005
Assessments	-	-	-	-	32,813	32,813
Taxes	690,169	-	-	-	42,855	733,024
Due from other funds	19,723	-	-	-	-	19,723
Inventories	-	53,792	-	-	-	53,792
Total assets	\$ 3,861,722	\$ 861,681	\$ 634,847	\$ 165,547	\$ 4,775,291	\$ 10,299,088
LIABILITIES						
Accounts payable	\$ 134,974	\$ 56,383	\$ 7,411	\$ 1,337	\$ 15,549	\$ 215,654
Other accrued liabilities	231,791	5,342	7,058	-	9,380	253,571
Due to other funds	-	-	-	-	19,723	19,723
Deposits	7,113	1,770	-	-	-	8,883
Interfund loan	122,890	-	-	-	-	122,890
Total liabilities	496,768	63,495	14,469	1,337	44,652	620,721
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue-property taxes	690,169	-	-	-	42,855	733,024
Unavailable revenue-loans	-	-	-	-	79,005	79,005
Unavailable revenue-special assessments	-	-	-	-	32,813	32,813
Total deferred inflows of resources	690,169	-	-	-	154,673	844,842
FUND BALANCES						
Nonspendable	-	53,792	-	-	-	53,792
Restricted	-	744,394	620,378	-	3,356,555	4,721,327
Committed	-	-	-	164,210	683,810	848,020
Assigned	-	-	-	-	535,601	535,601
Unassigned	2,674,785	-	-	-	-	2,674,785
Total fund balances	2,674,785	798,186	620,378	164,210	4,575,966	8,833,525
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,861,722	\$ 861,681	\$ 634,847	\$ 165,547	\$ 4,775,291	\$ 10,299,088

See accompanying notes

City of Newberg, Oregon

Reconciliation of the Balance Sheet of Governmental Funds To the Statement of Net Position

June 30, 2015

Amounts reported for governmental activities on the statement of net position are different because:

Total fund balances - governmental funds	\$	8,833,525
The statement of net position reports receivables at their net realizable value. However receivables not available for current-period expenditures are deferred in governmental funds.		844,842
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		73,993,458
Governmental activities report a net pension asset which is not reported in the fund		1,635,878
Governmental activities report as deferred outflows of resources payments to refunding bond escrow agent		49,658
Governmental activities report as deferred outflows of resources contributions to the public employees retirement systems for the year		1,713,539
Long-term obligations are not due and payable in the current period and, therefore, are not reported in the funds:		
Long-term debt	(5,316,702)	
Other postemployment benefits	(965,006)	
Accrued interest	<u>(19,182)</u>	(6,300,890)
The statement of activities reports the change in net pension liability as additional expenses for increases and a reduction of expenses for decreases		(4,789,178)
Governmental activities report as deferred inflows the effect of differences between projected and actual earnings and changes in proportionate share of contributions to the public employees retirement system		(4,130,478)
Internal service funds are proprietary funds and not reported with governmental funds. However, because internal service funds primarily benefit governmental activities, their assets, liabilities, and net position are reported along with governmental activities in the statement of net position		2,234,856
Net position of governmental activities	\$	74,085,210

See accompanying notes

City of Newberg, Oregon

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

For the Year Ended June 30, 2015

	General	Street	Building Inspection	Street Capital Projects	Total Nonmajor Funds	Total Governmental Funds
Revenues						
Property taxes	\$ 6,960,480	\$ -	\$ -	\$ -	\$ 416,000	\$ 7,376,480
Other taxes	2,704,418	-	-	-	-	2,704,418
Licenses and permits	535,530	37,063	549,580	-	281,889	1,404,062
Intergovernmental	909,801	1,310,248	-	5,117	350,189	2,575,355
Charges for services	782,709	27,860	98,097	-	940,714	1,849,380
Fines and forfeitures	681,590	-	-	-	4,089	685,679
Facilities charge	-	-	-	-	119,460	119,460
Pension bond charge	-	-	-	-	222,499	222,499
Loan collections - principal	-	-	-	-	18,727	18,727
Loan collections - interest	-	-	-	-	4,263	4,263
Assessments	-	-	-	-	5,967	5,967
Donations	-	-	-	-	27,269	27,269
Interest	10,011	2,952	2,331	720	20,899	36,913
Miscellaneous	10,486	773	109	-	-	11,368
Total revenues	12,595,025	1,378,896	650,117	5,837	2,411,965	17,041,840
Expenditures						
Current:						
General government	378,822	-	-	-	-	378,822
Public safety	10,152,073	-	-	-	623,351	10,775,424
Library	1,153,628	-	-	-	55,974	1,209,602
Community development	581,200	896,711	417,700	-	158,674	2,054,285
Debt service:						
Principal	-	-	-	-	625,000	625,000
Interest	-	-	-	-	264,332	264,332
Capital outlay	-	-	-	567,538	11,179	578,717
Total expenditures	12,265,723	896,711	417,700	567,538	1,738,510	15,886,182
Excess (deficiency) of revenues over expenditures	329,302	482,185	232,417	(561,701)	673,455	1,155,658
Other financing sources (uses)						
Sale of capital assets	2,529	-	-	-	-	2,529
Proceeds from refunding bond	-	199,104	-	-	953,007	1,152,111
Payment to refunding bond escrow agent	-	(197,816)	-	-	(946,842)	(1,144,658)
Transfers in	-	25,000	-	562,422	133,265	720,687
Transfers out	(19,252)	(379,160)	-	-	(316,527)	(714,939)
Total other financing sources (uses)	(16,723)	(352,872)	-	562,422	(177,097)	15,730
Net change in fund balances	312,579	129,313	232,417	721	496,358	1,171,388
Fund balances, July 1, 2014	2,362,206	668,873	387,961	163,489	4,079,608	7,662,137
Fund balances, June 30, 2015	\$ 2,674,785	\$ 798,186	\$ 620,378	\$ 164,210	\$ 4,575,966	\$ 8,833,525

See accompanying notes

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, 2015

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

Net change in fund balances - total governmental funds	\$ 1,171,388
Governmental funds deferred 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	50,131
Notes and assessments	(24,693)
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 position.	1,783,212
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	(235,442)
Interest	16,053
Amortization of prepaid pension cost and related bond issuance costs	(1,527,063)
Other postemployment benefits	(47,092)
The issuance of long-term obligations provides current financial resources to governmental funds, however, issuing debt increases long-term liabilities in the statement of net position	(1,472,248)
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	824,447
Depreciation	(1,848,835)
The amount contributed to defined benefit pension plans is reported as an expenditure in the funds while governmental activities reports pension expense as the change in net pension asset or liability, pension related deferred outflow of resources and deferred inflows of resources.	
Change in deferred outflows of resources	543,583
Change in net pension asset or liability	7,328,781
Change in deferred inflows of resources	(4,130,478)
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.	(226,759)
Change in net position of governmental activities	\$ 2,204,985

See accompanying notes

City of Newberg, Oregon

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

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Property taxes	\$ 6,714,209	\$ 6,714,209	\$ 6,960,480	\$ 246,271
Franchise fees	2,204,313	2,204,313	2,128,319	(75,994)
Licenses and permits	499,540	499,540	535,530	35,990
Intergovernmental	2,142,350	2,157,350	2,100,696	(56,654)
Charges for services	159,882	159,882	167,425	7,543
Fines and forfeitures	665,815	665,815	681,590	15,775
Interest	7,070	7,070	10,011	2,941
Miscellaneous	3,500	3,500	10,974	7,474
Total revenues	12,396,679	12,411,679	12,595,025	183,346
<u>Expenditures</u>				
General government	543,314	543,314	378,822	164,492
Municipal court	364,698	364,698	323,711	40,987
Police	5,682,181	5,682,181	5,429,189	252,992
Fire	3,354,089	3,354,089	3,326,870	27,219
Communications	1,041,640	1,079,640	1,072,303	7,337
Library	1,182,802	1,182,802	1,153,628	29,174
Planning	586,154	607,154	581,200	25,954
Contingency	752,042	708,042	-	708,042
Total expenditures	13,506,920	13,521,920	12,265,723	1,256,197
Excess (deficiency) of revenues over expenditures	(1,110,241)	(1,110,241)	329,302	(1,439,543)
<u>Other financing sources (uses)</u>				
Sale of capital assets	-	-	2,529	2,529
Transfers out	(39,068)	(39,068)	(38,351)	717
Total other financing sources (uses)	(39,068)	(39,068)	(35,822)	3,246
Net change in fund balances	(1,149,309)	(1,149,309)	293,480	1,442,789
Fund balances, July 1, 2014	2,249,309	2,249,309	2,504,195	254,886
Fund balances, June 30, 2015	\$ 1,100,000	\$ 1,100,000	\$ 2,797,675	\$ 1,697,675
Reconciliation to generally accepted accounting principles				
Interfund loan			(122,890)	
Fund balances, June 30, 2015			<u>\$ 2,674,785</u>	

See accompanying notes

City of Newberg, Oregon

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

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Licenses and permits	\$ -	\$ -	\$ 37,063	\$ 37,063
Intergovernmental	1,324,000	1,324,000	1,310,248	(13,752)
Charges for services	-	-	27,860	27,860
Interest	1,500	1,500	2,952	1,452
Miscellaneous	-	-	773	773
Total revenues	1,325,500	1,325,500	1,378,896	53,396
<u>Expenditures</u>				
Community development	1,026,666	1,026,666	896,711	129,955
Contingency	764,172	509,172	-	509,172
Total expenditures	1,790,838	1,535,838	896,711	639,127
Excess (deficiency) of revenues over expenditures	(465,338)	(210,338)	482,185	692,523
<u>Other financing sources (uses)</u>				
Proceeds from refunding bond	-	-	199,104	199,104
Payment to refunding bond escrow agent	-	-	(197,816)	(197,816)
Transfers in	25,000	25,000	25,000	-
Transfers out	(198,053)	(453,053)	(379,160)	73,893
Total other financing sources (uses)	(173,053)	(428,053)	(352,872)	75,181
Net change in fund balances	(638,391)	(638,391)	129,313	767,704
Fund balance, July 01, 2014	638,391	638,391	668,873	30,482
Fund balance, June 30, 2015	\$ -	\$ -	\$ 798,186	\$ 798,186

See accompanying notes

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, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Licenses and permits	\$ 313,550	\$ 313,550	\$ 549,580	\$ 236,030
Charges for services	70,000	70,000	98,097	28,097
Interest	1,000	1,000	2,331	1,331
Miscellaneous	200	200	109	(91)
Total revenues	384,750	384,750	650,117	265,367
<u>Expenditures</u>				
Community development	427,956	430,956	417,700	13,256
Contingency	253,527	250,527	-	250,527
Total expenditures	681,483	681,483	417,700	263,783
Net change in fund balances	(296,733)	(296,733)	232,417	529,150
Fund balance, July 01, 2014	296,733	296,733	387,961	91,228
Fund balance, June 30, 2015	\$ -	\$ -	\$ 620,378	\$ 620,378

See accompanying notes

City of Newberg, Oregon

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2015

	Business-type Activities					Governmental
	Water	Waste-water	Storm-water	Emergency Medical Services	Total Enterprise Funds	Internal Service Funds
ASSETS						
<u>Current assets</u>						
Cash and investments	\$ 9,475,574	\$ 14,110,242	\$ 1,469,263	\$ 714,408	\$ 25,769,487	\$ 2,548,332
Accounts and notes receivable, net	728,265	1,554,987	117,788	143,607	2,544,647	1,152
Due from other funds	122,890	-	-	-	122,890	-
Inventories	169,856	48,841	-	-	218,697	20,921
Net pension asset	15,075	15,076	20,234	210,985	261,370	-
Total current assets	10,511,660	15,729,146	1,607,285	1,069,000	28,917,091	2,570,405
<u>Noncurrent assets</u>						
Capital assets, net of depreciation	27,906,919	52,618,363	8,002,461	455,207	88,982,950	1,694,997
Total noncurrent assets	27,906,919	52,618,363	8,002,461	455,207	88,982,950	1,694,997
Total assets	38,418,579	68,347,509	9,609,746	1,524,207	117,900,041	4,265,402
<u>DEFERRED OUTFLOWS OF RESOURCES</u>						
Pension related items	410,137	508,516	147,838	93,584	1,160,075	-
Deferred refunding charge	343,721	37,597	-	-	381,318	-
Total deferred outflows of resources	753,858	546,113	147,838	93,584	1,541,393	-
<u>LIABILITIES</u>						
<u>Current liabilities</u>						
Accounts payable and accrued liabilities	81,821	902,606	18,546	25,566	1,028,539	47,706
Payroll payables	26,455	39,511	12,929	25,496	104,391	571,816
Interest payable	47,254	391,186	-	-	438,440	-
Compensated absences	87,775	88,910	35,764	64,695	277,144	127,184
Current portion of capital leases payable	-	2,170	-	-	2,170	100,052
Current portion of notes payable	976,787	1,475,966	-	-	2,452,753	-
Total current liabilities	1,220,092	2,900,349	67,239	115,757	4,303,437	846,758
<u>Long-term obligations</u>						
Capital leases payable, net of current portion	-	2,324	-	-	2,324	174,830
Notes payable, net of current portion	10,199,815	28,372,379	-	-	38,572,194	-
Net pension obligation	1,955,810	2,432,715	673,163	-	5,061,688	-
Other postemployment benefit obligation	171,011	169,812	48,403	72,692	461,918	212,486
Total long-term obligations	12,326,636	30,977,230	721,566	72,692	44,098,124	387,316
Total liabilities	13,546,728	33,877,579	788,805	188,449	48,401,561	1,234,074
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Pension related items	426,808	523,791	175,933	407,116	1,533,648	-
Total deferred inflows of resources	426,808	523,791	175,933	407,116	1,533,648	-
<u>NET POSITION</u>						
Net investment in capital assets	16,730,317	22,765,524	8,002,461	455,207	47,953,509	1,420,115
Restricted for:						
System expansion	-	4,175,483	131,417	-	4,306,900	-
Debt service	-	-	-	-	-	-
Unrestricted	8,468,584	7,551,245	658,968	567,019	17,245,816	1,611,213
Total net position	\$ 25,198,901	\$ 34,492,252	\$ 8,792,846	\$ 1,022,226	69,506,225	\$ 3,031,328
					796,473	
Adjustment to reflect the combination of internal service fund activities related to enterprise funds.					<u>\$ 70,302,698</u>	
Net position of business-type activities						

See accompanying notes

City of Newberg, Oregon

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS

For the Year Ended June 30, 2015

	Business-type Activities					Governmental
	Water	Waste-water	Storm-water	Emergency Medical Services	Total Enterprise Funds	Internal Service Funds
<u>Operating revenues</u>						
Charges for services, net	\$ 5,008,612	\$ 6,598,988	\$ 1,158,850	\$ 1,931,957	\$ 14,698,407	\$ 4,104,560
Miscellaneous	1,047,099	1,994,498	27,849	28,364	3,097,810	10,023
Total operating revenues	6,055,711	8,593,486	1,186,699	1,960,321	17,796,217	4,114,583
<u>Operating expenses</u>						
Personal services	1,165,962	1,641,801	493,752	970,527	4,272,042	2,135,294
Materials and services	1,688,073	1,653,713	360,508	494,145	4,196,439	1,522,873
Depreciation and amortization	1,126,509	1,574,420	285,585	90,597	3,077,111	311,191
Total operating expenses	3,980,544	4,869,934	1,139,845	1,555,269	11,545,592	3,969,358
Operating income	2,075,167	3,723,552	46,854	405,052	6,250,625	145,225
<u>Nonoperating revenues (expenses)</u>						
Interest	42,030	62,978	7,558	2,652	115,218	11,865
Grants	-	-	-	5,100	5,100	-
Interest	(249,065)	(803,611)	-	-	(1,052,676)	-
(Loss) on sale of capital assets	(79,234)	-	-	-	(79,234)	(2,422)
Total nonoperating revenues (expenses)	(286,269)	(740,633)	7,558	7,752	(1,011,592)	9,443
Income before capital contributions and transfers	1,788,898	2,982,919	54,412	412,804	5,239,033	154,668
Capital contributions	519,668	1,270,112	34,839	4,000	1,828,619	-
Transfers in	1,546,692	1,100,000	75,435	-	2,722,127	266,412
Transfers out	(1,443,852)	(1,000,435)	(50,000)	-	(2,494,287)	(500,000)
Change in net position	2,411,406	4,352,596	114,686	416,804	7,295,492	(78,920)
Net position, July 1, 2014	24,779,288	32,607,406	9,391,068	989,106	67,766,868	3,110,248
Prior period adjustment	(1,991,793)	(2,467,750)	(712,908)	(383,684)	(5,556,135)	-
Net position, June 30, 2015	\$25,198,901	\$34,492,252	\$ 8,792,846	\$ 1,022,226	69,506,225	\$ 3,031,328
Adjustment to reflect the combination of internal service fund activities related to enterprise funds.					147,841	
Change in net position of business-type activities					<u>\$ 7,443,333</u>	

See accompanying notes

City of Newberg, Oregon

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended June 30, 2015

	Business-type Activities					Governmental
	Water	Waste-water	Storm-water	Emergency Medical Services	Total Enterprise Funds	Internal Service Funds
<u>Cash flows from operating activities</u>						
Cash received from customers	\$ 5,170,197	\$ 5,845,708	\$ 1,155,883	\$ 1,910,517	\$ 14,082,305	\$ -
Cash received from other funds	-	-	-	-	-	4,103,980
Cash paid to suppliers	(2,301,245)	(5,729,643)	(359,800)	(500,516)	(8,891,204)	(1,853,462)
Cash paid to employees	(1,170,512)	(1,644,095)	(511,242)	(1,229,070)	(4,554,919)	(1,941,198)
Other receipts	1,047,099	1,994,498	27,849	28,364	3,097,810	10,023
Net cash provided by operating activities	2,745,539	466,468	312,690	209,295	3,733,992	319,343
<u>Cash flows from noncapital financing activities</u>						
Transfers in	1,546,692	1,100,000	75,435	-	2,722,127	266,412
Transfers out	(1,424,753)	(1,000,000)	(50,000)	-	(2,474,753)	(500,000)
Net cash provided by (used in) noncapital financing activities	121,939	100,000	25,435	-	247,374	(233,588)
<u>Cash flows from capital and related financing activities</u>						
Proceeds from loans	9,364,351	14,030,050	-	-	23,394,401	115,190
Principal paid on long-term obligations	(10,002,758)	(2,215,213)	-	-	(12,217,971)	(142,041)
Interest paid on long-term obligations	(494,047)	(634,548)	-	-	(1,128,595)	-
Grants	-	-	-	5,100	5,100	-
Purchases of capital assets	(1,035,620)	(10,590,139)	(231,966)	(52,286)	(11,910,011)	(292,147)
Sale of capital assets	355,024	-	-	-	355,024	33
Developer contributions	534,290	1,270,112	34,839	4,000	1,843,241	-
Net cash provided by (used in) capital and related financing activities	(1,278,760)	1,860,262	(197,127)	(43,186)	341,189	(318,965)
<u>Cash flows from investing activities</u>						
Interest received on investments	42,030	62,978	7,558	2,652	115,218	11,865
Net cash provided by investment activities	42,030	62,978	7,558	2,652	115,218	11,865
Net increase (decrease) in cash and investments	1,630,748	2,489,708	148,556	168,761	4,437,773	(221,345)
Cash and investments, July 1, 2014	7,844,826	11,620,534	1,320,707	545,647	21,331,714	2,769,677
Cash and investments, June 30, 2015	\$ 9,475,574	\$ 14,110,242	\$ 1,469,263	\$ 714,408	\$ 25,769,487	\$ 2,548,332
Reconciliation of operating income to net cash provided by operating activities:						
Operating income	\$ 2,075,167	\$ 3,723,552	\$ 46,854	\$ 405,052	\$ 6,250,625	\$ 145,225
<u>Adjustments to reconcile operating income to net cash provided by operating activities:</u>						
Depreciation and amortization	1,126,509	1,574,420	285,585	90,597	3,077,111	311,191
Net other post employment benefits	6,922	9,542	3,166	4,653	24,283	11,659
(Increase) decrease in accounts receivable	161,585	(753,280)	(2,967)	(21,440)	(616,102)	(580)
(Increase) decrease in deferred outflow of resources	(34,387)	(37,877)	(31,884)	(281,137)	(385,285)	-
(Increase) decrease in inventory	3,445	8,689	-	-	12,134	2,367
Increase (decrease) in accounts payable	(563,844)	(4,047,641)	708	(6,371)	(4,617,148)	(332,956)
Increase (decrease) in payroll payable	(6,597)	(2,531)	(4,287)	(4,270)	(17,685)	168,019
Increase (decrease) in deferred revenue	(52,773)	(36,978)	-	-	(89,751)	-
Increase (decrease) in compensated absences	29,512	28,572	15,515	22,211	95,810	14,418
Net cash provided by operating activities	\$ 2,745,539	\$ 466,468	\$ 312,690	\$ 209,295	\$ 3,733,992	\$ 319,343
<u>Schedule of noncash capital and related financing activities</u>						
Transfers	(19,099)	(435)	-	-	-	-

See accompanying notes

City of Newberg, Oregon

STATEMENT OF NET POSITION FIDUCIARY FUNDS

June 30, 2015

	Employees Retirement Plan Trust	Agency
	<u> </u>	<u> </u>
<u>ASSETS</u>		
Cash	\$ -	\$ 79,314
Large cap stocks	4,636,142	-
Real estate	1,030,791	-
Bonds and mortgages	9,538,601	-
International stocks	1,885,235	-
Small cap stocks	1,204,168	-
Total assets	18,294,937	79,314
<u>LIABILITIES</u>		
Accounts payable	-	11,081
Funds held in trust	-	68,233
Total liabilities	-	\$ 79,314
<u>NET POSITION</u>		
Net position held in trust for pension benefits	\$ 18,294,937	

See accompanying notes

City of Newberg, Oregon

STATEMENT OF CHANGES IN NET POSITION FIDUCIARY FUNDS

For the year ended June 30, 2015

	Employees Retirement Plan Trust
<u>Additions</u>	
Contributions	
Employer	\$ 875,958
Plan members	160,817
<u>Total contributions</u>	<u>1,036,775</u>
Investment earnings	
Net appreciation in the fair value of investments	451,111
<u>Total investment earnings</u>	<u>451,111</u>
<u>Total additions</u>	<u>1,487,886</u>
<u>Deductions</u>	
Benefits	1,424,510
Administrative expenses	39,828
<u>Total deductions</u>	<u>1,464,338</u>
Change in net position	23,548
Net position, beginning	18,271,389
<u>Net position, ending</u>	<u>\$ 18,294,937</u>

See accompanying notes

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

Fund Accounting

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

Basic Financial Statements

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

The government-wide financial statements report information on all of the non-fiduciary activities of the City. As a general rule, the effect of internal activity has been eliminated from the government-wide financial statements. Exceptions to this general rule include interfund services provided and/or used. Interfund services provided and/or used are accounted for as revenues and expenses since the elimination of such revenues and expenses would distort the direct costs and program revenues reported for the various functions. These statements focus on the sustainability of the City as an entity and the change in aggregate financial positions resulting from the activities of the fiscal year. The two statements in this category are the statement of net position 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 particular function or program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2015

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 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, net position/fund balance, 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, communications, library, and planning.

- *Street*

This fund accounts for revenues received from state gasoline taxes. Expenditures 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.

- *Street Capital Projects*

This fund accounts for street capital projects. Revenues are derived from transfers from the Street Fund, Street Systems Development Fund, grants, and bond proceeds.

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

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS June 30, 2015

The City reports the following proprietary funds:

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

Additionally, the City reports the following fund types:

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

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

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS June 30, 2015

Measurement Focus and Basis of Accounting

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

The government-wide, proprietary, and fiduciary financial statements are accounted for using an economic resources measurement focus, whereby all assets and liabilities are included in the statements of net position and the statement of changes in net position. The increases and decreases in net position are presented in the government-wide statement of activities and in the proprietary fund statement of revenues, expenses, and changes in net position. 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 position are available, unrestricted resources are used only after the restricted resources are depleted.

Governmental fund financial statements are presented on a modified accrual basis of accounting with a current financial resource measurement focus. This measurement focus concentrates on the fund's resources available for spending currently or in the near future. Only transactions and events affecting the fund's current financial resources during the period are reported. Similar to the connection between an economic resource measurement focus and full accrual accounting, a current financial resource measurement focus is inseparable from a modified accrual basis of accounting. Under modified accrual accounting, revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period (except property taxes which uses a 30 day collection period). Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Property taxes, franchise fees, state shared revenues, 911 taxes and lodging tax associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues are considered to be measurable and available only when cash is received by the City.

Unavailable revenue 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 revenue consists primarily of uncollected property taxes and assessments not deemed available to finance operations 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 amount reported on the governmental funds balance sheet for unavailable revenue is eliminated in the government-wide financial statements.

Similar to the way its revenues are recorded, governmental funds only record those expenditures that affect current financial resources. Principal and interest on long-term obligations are recorded as fund liabilities only when due. Vested compensated absences are recorded as expenditures only to the extent that they are expected to be liquidated with expendable financial resources. In the government-wide financial statements, however, with a full accrual basis of accounting, all expenditures affecting the economic resource status of the government must be recognized. Thus, the expense and related liability for long-term portions of debt and compensated absences must be included.

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS June 30, 2015

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

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

Assets, Liabilities, and Equity

Cash and Investments

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

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

Receivables

In the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables 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. Collection dates are November 15, February 15, and May 15 following the lien date. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

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

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2015

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

Inventories

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.

Capital Assets

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

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

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

Compensated Absences

Accumulated compensated absences are accrued as earned. For governmental funds, the non-current portion (the amount estimated to be used/paid in subsequent fiscal years) is maintained separately and represents a reconciling item between the fund-level and government-wide presentations. Only the current portion is reported in the governmental funds. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee-resignations and retirements. In business-type/enterprise funds, both the current and long-term liabilities are recorded.

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

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS June 30, 2015

Long-term Obligations

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

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

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

Equity Classification

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

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

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

Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Fund Balances

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

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

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

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

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

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS June 30, 2015

to the Finance Director to assign fund balance amounts. This authority was granted via a resolution passed by the City Council.

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

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

Retirement Plan

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

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

Use of Estimates

In preparing the City's financial statements, management makes 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.

Adoption of New GASB Pronouncements

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*. This statement makes significant changes to accounting by pension plans by replacing the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and GASB Statement No. 50, *Pension Disclosures*.

GASB Statement No. 67 separates funding from financial reporting and builds upon the existing framework for financial reports of defined benefit pension plans and enhances note disclosures and required supplementary information for both defined benefit and defined contribution pension plans. In addition, it requires the presentation of new information about the annual money-weighted rates of return on pension plan investments in the notes to the financial statements and in 10-year required supplementary information schedules.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. This statement provides guidance for accounting for net pension liabilities, including definition of balances to be included in deferred inflows and deferred outflows of resources. The specific accounts impacting the City are detailed below.

Net pension liability – Previous standards defined pension liabilities in terms of the Annually Required Contribution. Statement No. 68 defines the net pension liability as the portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service, net of the pension plan's fiduciary net position.

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS June 30, 2015

Deferred inflows of resources and deferred outflows of resources – Statement No. 68 includes recognition of deferred inflows and outflows of resources associated with the difference between projected and actual earnings on pension plan investments. These differences are to be recognized in pension expense using a systematic and rational method over a closed five-year period.

Statement No. 68 is effective for financial statement periods beginning after June 15, 2014, with the effects of accounting change to be applied retroactively by restating the financial statements. The City adopted this new pronouncement in the current year and, accordingly, has restated amounts of effected balances within the financial statements as of June 30, 2014:

	<u>As Originally Reported</u>	<u>As Restated</u>	<u>Effect of Change</u>
Statement of Net Position			
Deferred outflow of resources:			
Payments made to OPERS since the measurement date	\$ --	\$ 821,138	\$ 821,138
Payments made to NERPS since the measurement date	--	950,164	950,164
Net pension asset	1,527,063	--	(1,527,063)
Noncurrent liabilities:			
net pension liability	--	(15,115,537)	(15,115,537)
Net Position	149,607,850	134,739,590	(14,868,260)

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

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

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

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS June 30, 2015

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, 2015, City Council approved two supplemental budget resolutions.

Deficit Fund Balance

The Wastewater Financed CIP has a deficit fund balance of \$(749,096). The deficit in the Wastewater Financed CIP Fund is due to the timing of loan drawdown requests from the Clean Water State Revolving Loan Fund.

3. DETAILED NOTES ON ALL FUNDS

Pooled Deposits and Investments

The City maintains pooled cash and investments for 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 position as “Cash and Investments”. Oregon Revised Statutes (ORS) authorize the City to invest in obligations of the US Treasury, U.S. government agencies and instrumentalities, bankers’ acceptances guaranteed by an Oregon financial institution, repurchase agreements, State of Oregon Treasury Local Government Investment Pool, various interest bearing bonds of Oregon municipalities, certificates of deposit, and certain commercial paper among others. In addition, the City’s investments are governed by a written investment policy, which is approved by the Oregon Short-Term Fund Board and adopted by the City Council. The policy specifies the City’s investment objectives, required diversification, certain limitations, security safekeeping, and reporting requirements.

Cash and investments are comprised of the following at June 30, 2015:

Cash on hand	\$	1,955
Cash with county treasurer		127,592
Deposits with financial institutions		385,688
Investments		<u>54,978,000</u>
Total cash and investments	\$	<u>55,493,235</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

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS June 30, 2015

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, 2015 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, 2015, the City had the following investments:

<u>Investments</u>	<u>Maturities</u>	<u>Total</u>	<u>Fair Value</u>	<u>Credit Risk</u>
Local Government Investment Pool	Less than 1 year	\$ 36,683,063	\$ 36,683,063	Not rated
Mutual Funds (Pension Trust)	N/A	<u>18,294,937</u>	18,294,937	Various
Total investments		<u>\$ 54,978,000</u>		

Interest Rate Risk

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

Concentration of Credit Risk

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

Custodial Credit Risk – Investments

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

Custodial Credit Risk – Deposits

This is the risk that, in the event of a bank failure, the City's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the City's deposits with financial institutions up to \$250,000 each for the aggregate of all non-interest bearing accounts and the aggregate of all interest bearing accounts at each institution. Deposits in excess of FDIC coverage with institutions participating in the Oregon Public Funds Collateralization Program are collateralized with securities held by the Federal Home Loan Bank of Seattle in the name of the institution. As of June 30, 2015, \$1,379,355 of the City's bank balances were exposed to custodial credit risk as they were collateralized with securities held by the pledging financial institution's agent, but not in the City's name. Cash and investments by activity/fund:

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2015

Governmental funds/activities

General	\$	2,807,639
Street		684,950
Building inspection		634,847
Street capital projects		162,500
Nonmajor governmental		<u>4,511,229</u>
Total governmental funds		8,801,165
Internal service fund cash allocated to governmental activities		<u>2,240,101</u>
Total governmental activities		<u>11,041,266</u>

Business-type activities/Enterprise funds

Enterprise		
Water		9,475,574
Wastewater		14,110,242
Stormwater		1,469,263
Emergency Medical Services		<u>714,408</u>
Total enterprise funds		25,769,487
Internal service fund cash allocated to business-type activities		<u>308,231</u>
Total business-type activities		<u>26,077,718</u>

Fiduciary funds

Employees retirement plan trust		18,294,937
Agency		<u>79,314</u>
Total fiduciary funds		<u>18,374,251</u>
Total cash and investments	\$	<u><u>55,493,235</u></u>

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS June 30, 2015

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	Total
Governmental					
General	\$ 344,191	\$ -	\$ -	\$ 690,169	\$ 1,034,360
Street	122,939	-	-	-	122,939
Street capital projects	3,047	-	-	-	3,047
Nonmajor	109,389	79,005	32,813	42,855	264,062
Business-type/(proprietary)					
Enterprise					
Water	672,747	-	55,518	-	728,265
Wastewater	1,554,987	-	-	-	1,554,987
Stormwater	109,818	-	7,970	-	117,788
Emergency Medical Services	143,607	-	-	-	143,607
Internal service	1,152	-	-	-	1,152
	<u>\$ 3,061,877</u>	<u>\$ 79,005</u>	<u>\$ 96,301</u>	<u>\$ 733,024</u>	<u>\$ 3,970,207</u>

Court fines in the amount of \$3,921,154 are not included in the General Fund receivable balance due to the uncertainty of collections.

Uncollectible Receivables

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

	Governmental Activities	Business-type Activities
Water	\$ -	\$ 7,013
Wastewater	-	14,835
Stormwater	-	742
Nonmajor	<u>526</u>	<u>-</u>
Totals	<u>\$ 526</u>	<u>\$ 22,590</u>

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS June 30, 2015

Interfund Receivables, Payables, and Transfers

The interfund transfer activity for fiscal year ended June 30, 2015 is as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
Governmental funds:		
General	\$ -	\$ 19,252
Street	25,000	379,160
Street capital projects	562,422	-
Nonmajor	133,265	316,527
Internal service funds	266,412	500,000
Enterprise funds:		
Water	1,546,692	1,443,852
Wastewater	1,100,000	1,000,435
Stormwater	75,435	50,000
	<u> </u>	<u> </u>
Totals	<u>\$ 3,709,226</u>	<u>\$ 3,709,226</u>

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

The General Fund borrowed \$200,000 from the Water System Development Fund to pay for a portion of the animal shelter construction costs. The interfund loan will be repaid over 10 fiscal years at an interest rate of 2%. The balance at June 30, 2015 is \$122,890

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS June 30, 2015

Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,119,791	\$ 128,582	\$ -	\$ 1,248,373
Right of way	26,741,413	-	-	26,741,413
Construction in progress	-	341,267	(327,285)	13,982
Total capital assets not being depreciated	<u>27,861,204</u>	<u>469,849</u>	<u>(327,285)</u>	<u>28,003,768</u>
Capital assets being depreciated:				
Buildings and improvements	12,338,172	97,690	-	12,435,862
Equipment	9,836,110	549,058	(36,033)	10,349,135
Infrastructure	68,443,172	327,283	-	68,770,455
Total capital assets being depreciated	<u>90,617,454</u>	<u>974,031</u>	<u>(36,033)</u>	<u>91,555,452</u>
Less accumulated depreciation for:				
Buildings and improvements	(4,129,710)	(283,017)	-	(4,412,727)
Equipment	(7,012,874)	(522,676)	33,578	(7,501,972)
Infrastructure	(30,601,733)	(1,354,333)	-	(31,956,066)
Total accumulated depreciation	<u>(41,744,317)</u>	<u>(2,160,026)</u>	<u>33,578</u>	<u>(43,870,765)</u>
Total capital assets being depreciated, net	<u>48,873,137</u>	<u>(1,185,995)</u>	<u>(2,455)</u>	<u>47,684,687</u>
Governmental activities capital assets, net	<u>\$ 76,734,341</u>	<u>\$ (716,146)</u>	<u>\$ (329,740)</u>	<u>\$ 75,688,455</u>

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

General government	\$ 97,344
Public safety	345,654
Library	38,579
Community development	1,367,258
Depreciation incurred in internal service funds charged to various governmental functions/programs	<u>311,191</u>
Total	<u>\$ 2,160,026</u>

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS June 30, 2015

Capital assets of the internal service funds are included in the governmental activities. For the fiscal year ended June 30, 2015, internal service fund capital assets, net of depreciation were \$1,694,997

Capital asset activity for business-type activities for the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 3,006,080	\$ 385,745	\$ (390,916)	\$ 3,000,909
Construction in progress	<u>18,176,225</u>	<u>11,725,112</u>	<u>(3,865,102)</u>	<u>26,036,235</u>
Total capital assets not being depreciated	<u>21,182,305</u>	<u>12,110,857</u>	<u>(4,256,018)</u>	<u>29,037,144</u>
Capital assets being depreciated:				
Buildings and improvements	41,673,048	293,073	(43,342)	41,922,779
Equipment	14,984,775	350,454	-	15,335,229
Utility systems	<u>46,457,452</u>	<u>3,767,803</u>	<u>-</u>	<u>50,225,255</u>
Total capital assets being depreciated	<u>103,115,275</u>	<u>4,411,330</u>	<u>(43,342)</u>	<u>107,483,263</u>
Less accumulated depreciation for:				
Buildings and improvements	(17,039,626)	(1,406,568)	-	(18,446,194)
Equipment	(11,553,607)	(671,990)	-	(12,225,597)
Utility systems	<u>(15,867,113)</u>	<u>(998,553)</u>	<u>-</u>	<u>(16,865,666)</u>
Total accumulated depreciation	<u>(44,460,346)</u>	<u>(3,077,111)</u>	<u>-</u>	<u>(47,537,457)</u>
Total capital assets being depreciated, net	<u>58,654,929</u>	<u>1,334,219</u>	<u>(43,342)</u>	<u>59,945,806</u>
Business-type activities capital assets, net	<u>\$ 79,837,234</u>	<u>\$ 13,445,076</u>	<u>\$ (4,299,360)</u>	<u>\$ 88,982,950</u>

Depreciation expense for business-type activities for the year ended June 30, 2015 was as follows:

Water	\$ 1,126,509
Wastewater	1,574,420
Stormwater	285,585
Emergency Medical Services	<u>90,597</u>
 Total	 <u>\$ 3,077,111</u>

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS June 30, 2015

Capital Leases

The City has entered into noncancellable lease agreements for 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 \$732,192 and accumulated depreciation of \$248,193 have been recorded under capital leases as of June 30, 2015.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015 were as follows:

Year Ending June 30,	Governmental activities		Business-type activities	
	Principal	Interest	Principal	Interest
2016	\$ 137,835	\$ 7,389	\$ 2,170	\$ 242
2017	80,878	3,765	2,324	88
2018	68,225	1,817	-	-
2019	<u>15,987</u>	<u>424</u>	<u>-</u>	<u>-</u>
	<u>\$ 302,925</u>	<u>\$ 13,395</u>	<u>\$ 4,494</u>	<u>\$ 330</u>

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS June 30, 2015

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 obligations, and the current portions due for each issue.

	Beginning Balance	Increase	Decrease	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Long-term debt obligations					
General obligation bonds					
Police Building 1997A	\$ 460,000	\$ -	\$ (215,000)	\$ 245,000	\$ 225,000
Fire Facilities 1998A	490,000	-	(155,000)	335,000	165,000
Certificates of participation	1,280,000	-	(1,280,000)	-	-
Limited tax pension bonds	2,530,000	-	(70,000)	2,460,000	80,000
Full faith and credit refunding bonds	-	1,095,000	-	1,095,000	225,000
Unamortized note premium	-	57,111	-	57,111	5,192
OTIB loan	-	320,139	-	320,139	-
Capital lease obligations	343,333	115,190	(155,598)	302,925	137,835
Total long-term debt obligations	5,103,333	1,587,440	(1,875,598)	4,815,175	838,027
Other long-term obligations					
Compensated absences	653,732	903,592	(653,732)	903,592	903,592
Net pension liability	8,955,018	-	(4,165,840)	4,789,178	-
Other postemployment benefits	1,118,741	58,751	-	1,177,492	-
Total Governmental Activities	<u>\$ 15,830,824</u>	<u>\$ 2,549,783</u>	<u>\$ (6,695,170)</u>	<u>\$ 11,685,437</u>	<u>\$ 1,741,619</u>
Business-type Activities					
Long-term debt obligations					
Notes payable, Business Oregon					
Wastewater	6,184,811	-	(1,530,764)	4,654,047	247,015
Water	11,414,708	-	(9,659,037)	1,755,671	93,226
Unamortized note premium	221,250	-	(14,750)	206,500	14,750
Clean Water State Revolving Fund					
Wastewater	10,695,747	12,930,676	(453,853)	23,172,570	748,475
Notes payable, US Bank					
Wastewater	965,000	-	(193,000)	772,000	193,000
Full faith and credit refunding bonds					
Wastewater	-	1,104,297	-	1,104,297	277,176
Unamortized note premium	-	(4,489)	-	(4,488)	(408)
Water	-	8,905,703	-	8,905,703	837,824
Unamortized note premium	-	458,648	-	458,648	41,695
Capital lease obligations	6,519	-	(2,025)	4,494	2,170
Total long-term debt obligations	29,488,035	23,394,835	(11,853,429)	41,029,442	2,454,923
Other long-term obligations					
Compensated absences	181,334	277,144	(181,334)	277,144	277,144
Net pension liability	6,160,519	-	(1,098,831)	5,061,688	-
Other postemployment benefits	437,635	24,282	-	461,917	-
Total Business-type Activities	<u>\$ 36,267,523</u>	<u>\$ 23,696,261</u>	<u>\$ (13,133,594)</u>	<u>\$ 46,830,191</u>	<u>\$ 2,732,067</u>

Long-term obligations of the internal service funds are included in the governmental activities. As of June 30, 2015, internal service fund long-term obligations were \$614,552.

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS June 30, 2015

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 governmental activities. 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.

GO bonds currently outstanding are as follows:

<u>Bond Issue:</u>	<u>Interest Rates</u>	<u>Ending Balance</u>
Police Building 1997A	3.7-5.4%	\$ 245,000
Fire Facilities 1998A	4.0-5.1%	335,000
		<u>580,000</u>

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

<u>Year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 390,000	\$ 24,240
2017	<u>190,000</u>	<u>9,210</u>
Totals	<u>\$ 580,000</u>	<u>\$ 33,450</u>

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS June 30, 2015

Limited Tax Pension Bonds

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

Year ended June 30,	Principal	Interest
2016	\$ 80,000	\$ 148,612
2017	95,000	143,995
2018	110,000	138,417
2019	130,000	131,882
2020	150,000	124,063
2021-25	1,085,000	459,521
2026-30	<u>810,000</u>	<u>91,121</u>
Totals	<u>\$ 2,460,000</u>	<u>\$ 1,237,611</u>

Full Faith and Credit Refunding Bonds

The City issued refunding bonds in the amount of \$11,105,000 of which \$1,095,000 was used to refinance the outstanding balance on the Certificates of Participation. The bonds carry interest at rates from 2.5 to 4 percent depending upon the principal maturities. The bonds fully mature on December 1, 2025.

Debt service requirements on Full Faith and Credit Refunding Bonds to maturity are as follows:

June 30,	Principal	Interest
2016	\$ 225,000	\$ 22,433
2017	230,000	18,875
2018	240,000	13,000
2019	240,000	7,000
2020	<u>160,000</u>	<u>2,000</u>
Totals	<u>\$ 1,095,000</u>	<u>\$ 63,308</u>

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2015

Other

The City entered into an agreement with Oregon Department of Transportation (ODOT) to fund a portion of the Newberg Dundee bypass construction project. The City's portion of this commitment is projected to be \$2,211,200. Payments of interest (2.58% annually) only will be made to ODOT on an annual basis for the first three years of the project. Funding for the interest payments shall come from the City's federal surface transportation program allocations being exchanged for state funding on a dollar for dollar basis (FAU money). If this funding is insufficient to cover the interest, the City must make payment to ODOT for any difference. In fiscal year 2017-18, the construction is anticipated to be complete and the City must make installment payments of interest and principal of \$142,916 annually until January of 2036. As of June 30, 2015 drawdowns on the loan totaled \$320,139.

Business-type Activities

Notes Payable

The City borrowed \$8,230,632 from Business Oregon starting during 2007-08 to implement effluent reuse capabilities at the Wastewater Treatment Plant and to install a new generator. The project initially was funded via an interim financing agreement with the State of Oregon. Upon conversion of financing to a permanent loan, the State of Oregon issued bonds related to the project at a premium and allocated a portion to each of the participating entities. The City's portion of the premium was \$295,000. This premium will be amortized over the life of the loan. The interest rates on the loan range from 3% to 5.25%. Final maturity is December 31, 2028. At June 30, 2015, the outstanding balance was \$6,409,718. Water and wastewater system revenues have been pledged to repay the debt.

Future debt service requirements are as follows:

Year ended June 30,	Principal	Interest
2016	\$ 340,241	\$ 295,646
2017	357,651	282,036
2018	370,157	267,730
2019	382,763	252,924
2020	400,643	236,656
2021-2025	2,288,886	895,862
2026-2030	<u>2,269,377</u>	<u>284,597</u>
Totals	<u>\$ 6,409,718</u>	<u>\$ 2,515,451</u>

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS June 30, 2015

During 2010-11, City Council approved a loan through Clean Water State Revolving Loan Fund to complete portions of the Wastewater Treatment Plant Repair, Renovation, and Expansion Project. The loan amount was awarded for up to \$11,409,645. The interest rate on the debt was set at 2.88% to 3.38% annually. The outstanding balance was \$10,955,792, As of June 30, 2015. The required loan reserve is \$380,273. Future debt payments are as follows:

Year Ending June 30,	Principal	Interest
2016	\$ 456,539	\$ 312,263
2017	469,782	299,020
2018	483,409	285,393
2019	497,432	271,370
2020	511,861	256,941
2021-2025	2,790,824	1,053,186
2026-2030	3,219,767	624,243
2031-2035	2,526,178	146,834
	<u>\$ 10,955,792</u>	<u>\$ 3,249,250</u>

During 2014-15, City Council approved another loan through Clean Water State Revolving Loan Fund for waster Waste Water Treatment Upgrades. The upgrades include the design and construction of improvements to the wastewater treatment facility, including a secondary clarifier, disinfection, dechlorination, headworks and influent pump station. The interest rate on the debt was set at 2.45% annually. As of June 30, 2015 drawdowns on the loan totaled \$12,216,778 with \$2,267,351 still available for the City to request. The required loan reserve is \$463,109. Future debt payments are as follows:

Year Ending June 30,	Principal	Interest
2016	\$ 291,936	\$ 396,431
2017	594,648	344,088
2018	609,305	329,431
2019	624,325	314,411
2020	639,714	299,022
2021-2025	3,443,026	1,250,654
2026-2030	3,888,825	804,855
2031-2035	4,392,350	301,340
Drawdown available	<u>(2,267,351)</u>	-
	<u>\$ 12,216,778</u>	<u>\$ 4,040,232</u>

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS June 30, 2015

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

Year ended June 30,	Principal	Interest
2016	\$ 193,000	\$ 32,424
2017	193,000	24,318
2018	193,000	16,212
2019	193,000	8,106
Totals	<u>\$ 772,000</u>	<u>\$ 81,060</u>

Full Faith and Credit Refunding Bonds

The City issued refunding bonds in the amount of \$11,105,000 of which \$10,010,000 was used to refinance a portion of the outstanding balances on the Notes Payable to Business Oregon. The bonds carry interest at rates from 2.5 to 4 percent depending upon the principal maturities. The bonds fully mature on December 1, 2025.

Debt service requirements on Full Faith and Credit Refunding Bonds to maturity are as follows:

June 30,	Principal	Interest
2016	\$ 1,115,000	\$ 261,461
2017	1,130,000	256,625
2018	1,160,000	228,000
2019	1,105,000	199,688
2020	885,000	174,813
2021-25	4,175,000	392,200
2026	440,000	8,800
Totals	<u>\$ 10,010,000</u>	<u>\$ 1,521,587</u>

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS June 30, 2015

Unavailable Revenue

Fund	Accounts	Loans	Assessments	Taxes	Total
Governmental					
General	\$ -	\$ -	\$ -	\$ 690,169	\$ 690,169
Nonmajor	-	79,005	32,813	42,855	154,673
Business-type/(proprietary)					
Enterprise					
Water	52,773	-	-	-	52,773
Wastewater	36,978	-	-	-	36,978
	<u>\$ 89,751</u>	<u>\$ 79,005</u>	<u>\$ 32,813</u>	<u>\$ 733,024</u>	<u>\$ 934,593</u>

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2015

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

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

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 amounts are not available to employees until termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the City's plan are held in trust by the plan administrator for the sole benefit of the participants and are not assets or liabilities of the City.

Other Post-Employment Benefits

Plan Description and Benefits Provided

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

Membership

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

Active employees	124
Retirees, spouses or dependents	<u>5</u>
Total	<u><u>129</u></u>

Funding Policy and Contributions

The City funds the plan only to the extent of current year insurance premium requirements on a pay-as-you-go basis. The premium requirements, for both the City and participating retirees, vary depending upon the coverage options selected by the participants. Monthly premiums ranged between \$618 and \$1,792 during fiscal year 2014-

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS June 30, 2015

15 for insurance provided by City Insurance Services. The monthly premium for employees covered by NW Firefighters Relief Association was \$1,336.

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

Annual OPEB Cost and Net OPEB Obligation

The City had its most recent actuarial valuation performed as of August 1, 2014 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	\$	270,456
Interest on net OPEB obligation		54,473
Adjustment to annual required contribution		(187,140)
Annual OPEB cost		137,789
Contributions made		54,755
Increase in net OPEB obligation		83,034
Net OPEB obligation - beginning of year		1,556,376
Net OPEB obligation - end of year	\$	1,639,410

The City's annual OPEB cost, percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2015 and the preceding two years 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, 2015	\$ 137,789	40%	\$ 1,639,410
June 30, 2014	124,868	41%	1,556,376
June 30, 2013	308,844	23%	1,483,265

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS June 30, 2015

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:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
08/01/2014	\$-	\$ 778,728	\$ 778,728	0%	\$ 9,801,442	8%
08/01/2012	-	1,157,131	1,157,131	0%	9,382,800	12%
08/01/2010	-	1,758,199	1,758,199	0%	9,153,871	19%

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 August 1, 2014 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 3.5% rate for discounting future liabilities. Annual health care cost rate increases are assumed to be 7.25% initially the first year. In future years, the medical and vision cost trend varies from 5.75% to 6.75%. The trend then settles to an ultimate rate of 5.5% after 2053. A participation rate of 55% was used to determine future non-public safety union retirees electing coverage under the plan. For fire and police union members, 40% of active members are assumed to elect coverage upon retirement. The unfunded actuarial accrued liability is being amortized using the level-dollar method over an open period of 10 years. The inflation rate used in the actuarial valuation was 2.75%.

Pension Plans - Single-Employer Defined Benefit Retirement Plan

A. 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 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.

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2015

B. Plan membership

The City of Newberg Employees Retirement Plan is open to new entrants, with the exception of management, police and fire employees. There are 61 active members, 65 retired members who receive benefits, 23 vested terminated members, for a total membership of 149.

C. Description of benefit terms

Normal retirement

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

Early retirement

Members are able to receive early retirement benefits after attaining age 50 for police, firefighters and city attorney or age 55 for all other members and 5 years of vesting service. Members may also retire after 30 years of service. Retirement benefits are reduced based upon the members age at retirement from 92 percent to 60 percent (100 percent to 60 percent for police, firefighters, and city attorney) of the benefit that would result if they were of normal retirement age.

Late retirement

Members that continue working beyond the normal retirement age receive accrued benefit on late retirement date

Disability

Uniformed members that become totally and permanently disabled in the course of duty or members with 10 years of service are entitled to disability benefits. The benefit is based on current monthly earnings rate of compensation as of the date of disability and years of service projected to the earliest retirement age, or the early retirement benefit available, whichever is greater but in no event less than \$100 per month.

Death benefits

The beneficiaries of members who have not begun to receive benefits under the plan are entitled to a lump-sum payment of the members account.

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS June 30, 2015

D. Contributions

The employees are required to contribute 6% of gross pay to the plan in order to participate. Currently, the City picks up the member contribution on behalf of seven employees. The City contributes amounts over 6% that are actuarially determined (see Six-Year Historical Trend Information below). The funding method used in this valuation is the individual entry age normal actuarial cost method. The actuarial value of assets is determined using a five-year smoothing method. Under this method, annual asset gains and losses will be recognized fully after five years. Significant actuarial assumptions used in the valuation include: a) a rate of return on the investment of present and future assets of 7% per year; b) projected salary increases of 4.5% per year; c) post-retirement benefit increases of 2.5% per year, and d) inflation rate of 2.0%. As of the July 1, 2014 valuation, the unfunded actuarial liability is amortized as a level percentage of projected payroll over a closed period. The weighted average remaining period is 20 years.

E. Net pension liability, changes in net pension liability, pension expense, deferred outflows of resources and deferred inflows of resources related to pensions

At June 30, 2015, the City reported a net pension liability of \$9,850,866. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date as follows:

Total pension liability	\$ 28,122,255
Plan fiduciary net position	<u>18,271,389</u>
 Net pension liability	 <u>\$ 9,850,866</u>
 Fiduciary net position as a percentage of total pension liability	 65%

Changes in the net pension liability is as follows:

	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Beginning balances	\$27,296,697	\$ 16,452,510	\$10,844,187
Changes for the year:			
Service cost	488,383	--	488,383
Interest on total pension liability	1,612,016	--	1,612,016
Effect of economic/demographic losses	995,297	--	995,297
Effect of assumption changes or inputs	(885,385)	--	(885,385)
Benefit payments	(1,384,753)	(1,384,753)	--
Administrative expenses	--	(120)	120
Member contributions	--	143,304	(143,304)
Net investment income	--	2,253,588	(2,253,588)
Employer contributions	--	<u>806,860</u>	<u>(806,860)</u>
 Ending balances	 <u>\$ 28,122,255</u>	 <u>\$ 18,271,389</u>	 <u>\$ 9,850,866</u>

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS June 30, 2015

E. Net pension liability, changes in net pension liability, pension expense, deferred outflows of resources and deferred inflows of resources related to pensions (continued)

For the year ended June 30, 2015, the City recognized pension expense of \$733,234. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 995,297	\$ --
Changes of assumptions	--	(885,385)
Net difference between projected and actual earnings		
On pension plan investments	--	(1,117,820)
City's contributions subsequent to the measurement date	<u>1,036,775</u>	<u> --</u>
	<u>\$ 2,032,072</u>	<u>\$ (2,003,205)</u>

\$1,036,775 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ends June 30,		
2016	\$	(202,221)
2017		(202,221)
2018		(202,221)
2019		(202,221)
2020		(202,221)
Thereafter		3,197

F. Actuarial valuation

The City contributions are based on the accruing benefit costs measured using the individual entry age normal actuarial cost method. Under this method, a normal cost is determined for each active member. The normal cost is the annual contribution determined as a level percentage of base salary with would be paid from year of entry to year of retirement to fund the projected retirement benefit. The normal cost for the Plan is the sum of the individuals' normal costs. The actuarial accrued liability for active plan members is an accumulated of the normal costs from entry to the valuation date. The actuarial accrued liability for inactive members is the actuarial present value of the accrued benefits. The actuarial accrued liability for the Plan is the sum of the individual actuarial accrued liabilities. The unfunded actuarial liability is the difference between the actuarial accrued liability and the actuarial value of assets, which is amortized over 20 years on a closed level dollar basis.

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS June 30, 2015

G. Actuarial methods and assumptions used in developing total pension liability

Valuation Date	June 30, 2014.
Actuarial Cost Method	Entry Age Normal, Level Percentage of Pay
Amortization Method	Amortized as a level dollar over a closed period of 20.
Asset Valuation Method	Market value of assets
Actuarial Assumptions:	
Inflation Rate	2 percent
Investment rate of return	7 percent
Projected Salary Increases	Salaries for individuals are assumed to grow at 1.5 percent plus assumed rates of merit/longevity increases based on service of 4.5 percent
Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA

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

Discount rate

The discount rate used to measure the total pension liability was 6.23 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Plan was applied to all periods of projected benefit payments to determine the total pension liability.

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS June 30, 2015

G. Actuarial methods and assumptions used in developing total pension liability

Depletion date projection

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

Based on these circumstances, it is the Plan's independent actuary's opinion that the detailed depletion date projections outlined in GASB 67 would indicate that the Fiduciary Net Position will be depleted in the 2080-81 fiscal year.

Long-term expected rate of return

The long-term expected rate of return assumption of 7 percent is based on a blending of the projected return on plan assets and a 20-year tax-exempt, high quality general obligation municipal bond yield or index rate.

Sensitivity of the City net pension liability to changes in the discount rate

The following presents the City net pension liability calculated using the discount rate of 7 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6 percent) or 1-percentage-point higher (8 percent) than the current rate:

	<u>1 Percentage Point Lower</u>	<u>Current Discount Rate</u>	<u>1 Percentage Point Higher</u>
City's net pension asset or liability	\$ 13,287,367	\$ 9,850,866	\$ 6,987,965

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS June 30, 2015

Defined Benefit Plan

Plan description

Employees of the City of Newberg are provided with pensions through the Oregon Public Employees Retirement System (OPERS). All the benefits of OPERS are established by the Oregon legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. The OPERS consists of a single cost-sharing multiple employer defined benefit pension plan.

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report which can be found at: www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx.

Plan Benefits

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

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

Tier One/Tier Two Retirement Benefit plan is closed to new members hired on or after August 29, 2003.

Pension Benefits

The OPERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results. A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60.

Death Benefits

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

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

Disability Benefits

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

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2015

Benefit Changes After Retirement

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

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

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

Pension Benefits.

The OPSRP pension program provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age: Police and fire: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

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

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

Death Benefits

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

Disability Benefits

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

Benefit Changes After Retirement

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

Contributions

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

Employer contribution rates during the period were based on the December 31, 2011 actuarial valuation as subsequently modified by 2013 legislated changes in benefit provisions. The rates based on a percentage of payroll, first became effective July 1, 2013.

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2015

Tier 1/tier 2 employer contribution rates are 14.91 percent and the OPSRP employer contribution rates are 7.73 percent for general service employees and 10.46 percent for police and fire. The City also internally charged departments a rate of 3.3 percent to cover payments on the limited tax pension bonds. Employer contributions for the year ended June 30, 2015 were \$835,001, excluding amounts to fund employer specific liabilities.

Pension Asset or Liability, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the City reported an asset of \$1,897,247 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

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

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

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

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

2. **UAL Rate:** If system assets are less than the actuarial liability, an Unfunded Actuarial Liability (UAL) exists. UAL can arise when an event such as experience differing from the assumptions used in the actuarial valuation occurs. An amortization schedule is established to eliminate the UAL that arises over a fixed period of time if future experience follows assumption. The UAL Rate is the upcoming year's component of the cumulative amortization schedules, stated as a percent of payroll. The present value of all projected UAL Rate contributions is equal to the Unfunded Actuarial Liability (UAL). The UAL represents the portion of the projected long-term contribution effort related to past service.

The UAL has Tier 1/Tier 2 and OPSRP pieces. The Tier 1/Tier 2 piece is based on the employer's Tier 1/Tier 2 pooling arrangement. If an employer participates in one of the two large Tier 1/Tier 2 rate pools [State & Local Government Rate Pool (SLGRP) or School Districts Rate Pool], then the employer's Tier 1/Tier 2 UAL is their pro-rata share of their pool's UAL. The pro-rata calculation is based on the employer's payroll in proportion to the pool's total payroll. The OPSRP piece of the UAL follows a parallel pro-rata approach, as OPSRP experience is mandatorily pooled at a state-wide level. Employers that do not participate in a Tier 1/Tier 2 pooling arrangement, who are referred to as "Independent Employers", have their Tier 1/Tier 2 UAL tracked separately in the actuarial valuation.

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2015

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

At June 30, 2014, the City's proportion was .08370032 percent, which was the same as its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City recognized pension expense (revenue) of \$(1,302,311). At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ --	\$ 3,660,919
Changes in proportion and difference between The City's contributions and proportionate share of contributions	6,542	--
Contributions subsequent to measurement date	<u>835,001</u>	<u>--</u>
	<u>\$ 841,543</u>	<u>\$ 3,660,919</u>

\$835,001 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ends June 30,	
2016	\$ (913,808)
2017	(913,808)
2018	(913,808)
2019	(913,808)
2020	<u>854</u>
	<u>\$ (3,654,377)</u>

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2015

Actuarial Valuations

The employer contribution rates effective July 1, 2013, through June 30, 2015, were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the OPERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. For the OPSRP Pension Program component of the OPERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

Actuarial Methods and Assumptions Used in Developing Total Pension Liability

Valuation Date	December 31, 2012 rolled forward to June 30, 2014.
Experience Study Report	2012, published September 18, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
Asset Valuation Method	Market value of assets
Actuarial Assumptions:	
Inflation Rate	2.75 percent
Investment rate of return	7.75 percent
Projected Salary Increases	3.75 percent overall payroll growth; salaries for individuals are assumed to grow at 3.75 percent plus assumed rates of merit/longevity increases based on service
Mortality	<p>Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.</p>

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2015

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2012 Experience Study which reviewed experience for the four-year period ending on December 31, 2012.

Discount Rate

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

Depletion Date Projection

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

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

- OPERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 67 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

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

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2015

Assumed Asset Allocation:

<u>Asset Class / Strategy</u>	<u>Low Range</u>	<u>High Range</u>	<u>OIC Target</u>
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Private Equity	16.0%	24.0%	20.0%
Real Estate	9.5%	15.5%	12.5%
Alternative Equity	0.0%	10.0%	10.0%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			<u><u>100.0%</u></u>

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the OPERS Board reviewed long-term assumptions developed by both the actuary's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows the actuary's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2015

<u>Asset Class</u>	<u>Target</u>	<u>Compound Annual Return (Geometric)</u>
Core Fixed Income	7.20%	4.50%
Short-term Bonds	8.00%	3.70%
Intermediate-term Bonds	3.00%	4.10%
High Yield Bonds	1.80%	6.66%
Large Cap US Equities	11.65%	7.20%
Mid Cap US Equities	3.88%	7.30%
Small Cap US Equities	2.27%	7.45%
Developed Foreign Equities	14.21%	6.90%
Emerging Foreign Equities	5.49%	7.40%
Private Equity	20.00%	8.26%
Opportunity Funds / Absolute Return	5.00%	6.10%
Real Estate (Property)	13.75%	6.51%
Real Estate (REITS)	2.50%	6.76%
Commodities	7.71%	6.07%
Assumed Inflation - Mean		2.75%

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

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

	<u>1 Percentage Point Lower</u>	<u>Current Discount Rate</u>	<u>1 Percentage Point Higher</u>
The City's proportionate share of net pension asset or liability	\$ 4,017,685	\$ 4,271,350	\$ (6,899,893)

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2015

Changes in Actuarial Methods and Assumptions

The prior measurement date of June 30, 2013 was based on the December 31, 2011 valuation. Changes in the actuarial methods and assumptions since that valuation are as follows:

Actuarial Cost Method – Changed from the projected unit credit cost method to the entry age normal cost method.

Tier 1/ Tier 2 UAL Amortization – The balance will be amortized over a closed period of 20 years as a level percentage of projected payroll. Gains and losses between subsequent rate-setting valuations will be amortized over a closed 20-year period from the period in which they are first recognized.

Contribution Rate Stabilization Method – The “grade-in range” over which the rate collar gradually doubles was modified so that the collar doubles as funded status (excluding side accounts) decreases from 70% to 60% or increases from 130% to 140%. Previously the ranges had been 80% to 70% and 120% to 130%.

Allocation of Liability for Service Segments – For purposes of allocating a Tier 1/Tier 2 member’s actuarial accrued liability among multiple employers, the valuation uses a weighted average of the Money Match methodology and the Full

Formula methodology used by OPERS when the member retires. The weights are determined based on the prevalence of each formula among the current Tier 1/Tier 2 population. Previously the Money Match was weighted 40 percent for General Service members and 10 percent for Police & Fire members. For subsequent valuations, this weighting has been adjusted to 30 percent for General Service members and 5 percent for Police & Fire members, based on a projection of the proportion of liability attributable to Money Match benefits at those valuation dates.

Investment Return and Interest Crediting - The assumed investment return and interest crediting to both regular and variable account balances was reduced to 7.75%. Previously, the assumed investment return and interest crediting to regular account balances was 8.00% and the assumed interest crediting to variable account balances was 8.25%.

OPSRP Administrative Expenses - Assumed administrative expenses for the OPSRP System were reduced from \$6.6 million per year to \$5.5 million per year.

Healthcare Cost Inflation - The healthcare cost inflation for the maximum Retirement Health Insurance Premium Account (RHIPA) subsidy was updated based on an analysis by actuaries that included the consideration of the excise tax that will be introduced in 2018 by the Patient Protection and Affordable Care Act.

Healthy Mortality - The healthy mortality assumption is based on the RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match recently observed system experience.

Disabled Mortality – The disabled mortality assumption base was changed from the RP2000 healthy tables to the RP2000 disabled tables. Gender-specific adjustments were applied to align the assumption with recently observed system experience.

Disability, Retirement from Active Status, and Termination - Rates for disability, retirement from active status, and termination were adjusted. Termination rates were changed from being indexed upon age to being indexed upon duration from hire date.

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2015

Merit Increases, Unused Sick Leave, and Vacation Pay - Assumed merit increases were lowered for School District members. Unused Sick Leave and Vacation Pay rates were adjusted.

Retiree Healthcare Participation - The Retirement Health Insurance Account (RHIA) participation rate for healthy retirees was reduced from 48% to 45%. The RHIPA participation rate was changed from a uniform rate of 13% to a service-based table of rates.

Changes in Plan Provisions Subsequent to Measurement Date

On April 30, 2015 the Oregon Supreme Court ruled that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law was unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually.

PERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire.

This is a change in benefit terms subsequent to the current measurement date of June 30, 2014, and is not reflected in the proportionate share of the net pension asset (liability).

It is estimated that this change will increase net pension liability by \$4,118,056

Defined Contribution Plan

Individual Account Program (IAP)

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

Pension Benefits

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

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

Death Benefits

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

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2015

Contributions

The City makes the employee contributions of 6 percent of covered payroll to the plan. Contributions for the year ended June 30, 2015 were \$390,598.

Recordkeeping

PERS contracts with VOYA Financial to maintain IAP participant records.

Contingency – Sick leave

Portions of amounts accumulated at any point in time can be expected to be redeemed before termination of employment; however, such redemptions cannot be reasonably estimated. As of June 30, 2015, employees of the City had accumulated 6,918 days of sick leave.

GASB 54 Fund Balances

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

	General	Street	Building Inspection	Street Capital Projects	Nonmajor Funds	Total
Fund balances						
Nonspendable:						
Inventory	\$ -	\$ 53,792	\$ -	\$ -	\$ -	\$ 53,792
Restricted:						
Capital projects	-	-	-	-	2,574,473	2,574,473
Debt service	-	-	-	-	210,221	210,221
911 center operations	-	-	-	-	20,940	20,940
Police services	-	-	-	-	218,005	218,005
Fire & EMS equipment	-	-	-	-	246,482	246,482
Street maintenance	-	744,394	-	-	-	744,394
Building inspection	-	-	620,378	-	-	620,378
Library services	-	-	-	-	86,434	86,434
Committed:						
Capital projects	-	-	-	164,210	-	164,210
Economic development	-	-	-	-	646,471	646,471
Public communications	-	-	-	-	37,339	37,339
Assigned:						
Debt service	-	-	-	-	535,601	535,601
Unassigned	2,674,785	-	-	-	-	2,674,785
Total fund balances	<u>\$ 2,674,785</u>	<u>\$ 798,186</u>	<u>\$ 620,378</u>	<u>\$ 164,210</u>	<u>\$ 4,575,966</u>	<u>\$ 8,833,525</u>

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2015

Net Position Restricted Through Enabling Legislation

Governmental Activities

Capital Projects – Ordinances imposing System Development Charges (SDC) restrict the use to capital improvements which expand the capacity of the system for which the charge was made	\$ 2,607,286
The State of Oregon restricts the use of 911 taxes	20,940
Highways and streets – Article IX, Section 3a of the Oregon State Constitution Restricts the use of revenues from taxes on motor vehicle fuel use	798,186
The State of Oregon restricts the use of building permit fees	620,378

Business-type Activities

Capital Projects – Ordinances imposing System Development Charges (SDC) restrict the use to capital improvements which expand the capacity of the system for which the charge was made	4,306,900
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Constitutional Property Tax Limitation

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

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

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF NEWBERG
Schedule of Net Pension Liability and Changes in Net Pension Liability
City of Newberg Retirement Plan
Last 10 Plan Fiscal Years*

	June 30, 2015
Beginning of year	
Total pension liability	\$ 27,296,697
Fiduciary net position	<u>16,452,510</u>
Net pension liability	<u>\$ 10,844,187</u>
Changes in total pension liability	
Service cost	\$ 488,383
Interest on total pension liability	1,612,016
Effect of economic/demographic losses	995,297
Effect of assumption changes or inputs	(885,385)
Benefit payments	<u>(1,384,753)</u>
Net change in total pension liability	<u>\$ 825,558</u>
Changes in fiduciary net position	
Employer contributions	\$ 806,860
Member contributions	143,304
Investment income net of expenses	2,253,588
Benefit payments	(1,384,753)
Administrative expenses	<u>(120)</u>
Net change in fiduciary net position	<u>\$ 1,818,879</u>
End of year	
Total pension liability	\$ 28,122,255
Fiduciary net position	<u>18,271,389</u>
Net pension liability	<u>\$ 9,850,866</u>
Fiduciary net position as a percent of total pension liability	65.0%
Covered payroll	3,059,807
Net pension liability as a percent of covered payroll	321.9%

*Information will be accumulated until 10 years are presented.

CITY OF NEWBERG
Schedule of Employer Contributions
City of Newberg Retirement Plan
Last 10 Plan Years*

	June 30, 2014
Actuarilly determined contribution	\$ 757,775
Actual employer contribution	806,860
Contribution deficiency (excess)	(49,085)
Covered payroll	3,059,807
Contribution as a percent of covered payroll	26.37%
Valuation date	7/1/2013
Assumed investment rate of return	7.00%

Notes to schedule

Methods and assumptions used to determine contribution rates:

Long-term rate of return on investments	7%
Discount rate	6.23%
Cost of living increases	2%
Salary increases	4.50%

*Information will be accumulated until 10 years are presented.

CITY OF NEWBERG
Investment Returns
City of Newberg Retirement Plan
Last 10 Plan Fiscal Years*

<u>Year Ended</u> <u>June 30,</u>	<u>Rate</u>
2015	13.94%

*Information will be accumulated until 10 years are presented.

CITY OF NEWBERG

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM**

Last 10 Years Ended June 30, *

	<u>2015</u>
Proportion of the collective net pension liability (asset)	0.08370032%
Proportionate share of the collective net pension liability (asset)	\$ (1,897,247)
Covered payroll	\$ 7,685,219
Proportionate share of the collective net pension liability (asset) as a percentage of the covered payroll	-24.687%
Pension plan's fiduciary net position as a percentage of the total pension liability	103.590%

* Information will be accumulated annually until 10 years is presented

CITY OF NEWBERG
SCHEDULE OF CONTRIBUTIONS
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
Last 10 Years Ended June 30, *

	2015
Contractually required contributions	\$ 835,001
Contractually required contributions recognized by the pension plan	835,001
Difference	-
Covered payroll	7,685,219
Contractually required contributions as a percentage of covered payroll	10.86503%

* Information will be accumulated until 10 years are presented.

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**COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES**

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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, 2015

	Budget		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Intergovernmental	\$ -	\$ -	\$ 5,117	\$ 5,117
Interest	301	301	720	419
Total revenues	301	301	5,837	5,536
<u>Expenditures</u>				
Capital outlay	1,180,000	1,435,000	567,538	867,462
Contingency	158,493	158,493	-	158,493
Total expenditures	1,338,493	1,593,493	567,538	1,025,955
Excess (deficiency) of revenues over expenditures	(1,338,192)	(1,593,192)	(561,701)	1,031,491
<u>Other financing sources (uses)</u>				
Transfers in	1,180,000	1,435,000	562,422	(872,578)
Total other financing sources (uses)	1,180,000	1,435,000	562,422	(872,578)
Net change in fund balances	(158,192)	(158,192)	721	158,913
Fund balance, July 01, 2014	158,192	158,192	163,489	5,297
Fund balance, June 30, 2015	\$ -	\$ -	\$ 164,210	\$ 164,210

City of Newberg, Oregon

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS

June 30, 2015

	Special Revenue	Debt Service	Capital Projects	Totals
<u>ASSETS</u>				
Cash and investments	\$ 957,156	\$ 745,822	\$ 2,808,251	\$ 4,511,229
Receivables:				
Accounts	96,609	-	12,780	109,389
Loans	79,005	-	-	79,005
Assessments	-	-	32,813	32,813
Taxes	-	42,855	-	42,855
Total assets	\$ 1,132,770	\$ 788,677	\$ 2,853,844	\$ 4,775,291
<u>LIABILITIES</u>				
Accounts payable	\$ 15,473	\$ -	\$ 76	\$ 15,549
Payroll payables	9,380	-	-	9,380
Due to other funds	19,723	-	-	19,723
Total liabilities	44,576	-	76	44,652
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable revenue-property taxes	-	42,855	-	42,855
Unavailable revenue-loans	79,005	-	-	79,005
Unavailable revenue-special assessments	-	-	32,813	32,813
Total deferred inflows of resources	79,005	42,855	32,813	154,673
<u>FUND BALANCES</u>				
Restricted	325,379	210,221	2,820,955	3,356,555
Committed	683,810	-	-	683,810
Assigned	-	535,601	-	535,601
Total fund balances	1,009,189	745,822	2,820,955	4,575,966
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,132,770	\$ 788,677	\$ 2,853,844	\$ 4,775,291

City of Newberg, Oregon

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

For the Year Ended June 30, 2015

	Special Revenue	Debt Service	Capital Projects	Totals
<u>Revenues</u>				
Property taxes	\$ -	\$ 416,000	\$ -	\$ 416,000
Licenses and permits	43,088	92,830	145,971	281,889
Intergovernmental	350,189	-	-	350,189
Charges for services	403,752	-	536,962	940,714
Fines and forfeitures	4,089	-	-	4,089
Facilities charge	-	119,460	-	119,460
Pension bond charge	-	222,499	-	222,499
Loan collections - principal	18,727	-	-	18,727
Loan collections - interest	4,263	-	-	4,263
Assessments	-	-	5,967	5,967
Donations	27,269	-	-	27,269
Interest	4,100	3,736	13,063	20,899
Total revenues	855,477	854,525	701,963	2,411,965
<u>Expenditures</u>				
Public safety	623,351	-	-	623,351
Library	55,974	-	-	55,974
Community development	152,614	6,060	-	158,674
Debt service:				
Principal	-	625,000	-	625,000
Interest	-	264,332	-	264,332
Capital outlay	-	-	11,179	11,179
Total expenditures	831,939	895,392	11,179	1,738,510
Excess (deficiency) of revenues over expenditures	23,538	(40,867)	690,784	673,455
<u>Other financing sources (uses)</u>				
Proceeds from refunding bond	16,231	936,776	-	953,007
Payment to refunding bond escrow agent	(16,126)	(930,716)	-	(946,842)
Transfers in	-	133,265	-	133,265
Transfers out	(1,870)	(108,342)	(206,315)	(316,527)
Total other financing sources (uses)	(1,765)	30,983	(206,315)	(177,097)
Net change in fund balances	21,773	(9,884)	484,469	496,358
Fund balances, July 1, 2014	987,416	755,706	2,336,486	4,079,608
Fund balances, June 30, 2015	\$ 1,009,189	\$ 745,822	\$ 2,820,955	\$ 4,575,966

City of Newberg, Oregon

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS

June 30, 2015

	Economic Development	911 Emergency	Civil Forfeiture	Cable TV	Library Gift and Memorial	Public Safety Fee	Totals
ASSETS							
Cash and investments	\$ 653,283	\$ -	\$ 20,146	\$ 37,339	\$ 90,957	\$ 155,431	\$ 957,156
Receivables:							
Accounts, net	250	49,579	-	-	-	46,780	96,609
Loans	79,005	-	-	-	-	-	79,005
Total assets	\$ 732,538	\$ 49,579	\$ 20,146	\$ 37,339	\$ 90,957	\$ 202,211	\$ 1,132,770
LIABILITIES							
Accounts payable	\$ 7,056	\$ 3,894	\$ -	\$ -	\$ 4,523	\$ -	\$ 15,473
Payroll payables	6	5,022	-	-	-	4,352	9,380
Due to other funds	-	19,723	-	-	-	-	19,723
Total liabilities	7,062	28,639	-	-	4,523	4,352	44,576
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue-loans	79,005	-	-	-	-	-	79,005
Total deferred inflows of resources	79,005	-	-	-	-	-	79,005
FUND BALANCES							
Restricted	-	20,940	20,146	-	86,434	197,859	325,379
Committed	646,471	-	-	37,339	-	-	683,810
Total fund balances	646,471	20,940	20,146	37,339	86,434	197,859	1,009,189
Total liabilities, deferred inflows of resources and fund balances	\$ 732,538	\$ 49,579	\$ 20,146	\$ 37,339	\$ 90,957	\$ 202,211	\$ 1,132,770

City of Newberg, Oregon

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

For the Year Ended June 30, 2015

	Economic Development	911 Emergency	Civil Forfeiture	Cable TV	Library Gift and Memorial	Public Safety Fee	Totals
<u>Revenues</u>							
Licenses and permits	\$ 43,088	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 43,088
Intergovernmental	125,176	197,088	-	-	27,925	-	350,189
Charges for services	-	-	-	-	-	403,752	403,752
Fines and forfeitures	-	-	4,089	-	-	-	4,089
Loan collections - principal	18,727	-	-	-	-	-	18,727
Loan collections - interest	4,263	-	-	-	-	-	4,263
Donations	-	-	-	-	27,269	-	27,269
Interest	2,851	79	83	178	406	503	4,100
Total revenues	194,105	197,167	4,172	178	55,600	404,255	855,477
<u>Expenditures</u>							
Public safety	-	238,833	-	-	-	384,518	623,351
Library	-	-	-	-	55,974	-	55,974
Community development	147,833	-	-	4,781	-	-	152,614
Total expenditures	147,833	238,833	-	4,781	55,974	384,518	831,939
Excess (deficiency) of revenues over expenditures	46,272	(41,666)	4,172	(4,603)	(374)	19,737	23,538
<u>Other financing uses</u>							
Proceeds from refunding bond	16,231	-	-	-	-	-	16,231
Payment to refunding bond escrow agent	(16,126)	-	-	-	-	-	(16,126)
Transfers out	(1,870)	-	-	-	-	-	(1,870)
Total other financing uses	(1,765)	-	-	-	-	-	(1,765)
Net change in fund balances	44,507	(41,666)	4,172	(4,603)	(374)	19,737	21,773
Fund balances, July 1, 2014	601,964	62,606	15,974	41,942	86,808	178,122	987,416
Fund balances, June 30, 2015	\$ 646,471	\$ 20,940	\$ 20,146	\$ 37,339	\$ 86,434	\$ 197,859	\$ 1,009,189

City of Newberg, Oregon

COMBINING BALANCE SHEET NONMAJOR DEBT SERVICE FUNDS

June 30, 2015

	Debt Service	City Hall	Totals
<u>ASSETS</u>			
Cash and cash equivalents	\$ 210,221	\$ 535,601	\$ 745,822
Receivables:			
Accounts, net	-	-	-
Taxes	42,855	-	42,855
Total assets	\$ 253,076	\$ 535,601	\$ 788,677
 <u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable revenue-property taxes	\$ 42,855	\$ -	\$ 42,855
Total deferred inflows of resources	42,855	-	42,855
 <u>FUND BALANCES</u>			
Restricted	210,221	-	210,221
Assigned	-	535,601	535,601
Total fund balances	210,221	535,601	745,822
Total liabilities, deferred inflows of resources, and fund balances	\$ 253,076	\$ 535,601	\$ 788,677

City of Newberg, Oregon

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

For the Year Ended June 30, 2015

	Debt Service	City Hall	Totals
<u>Revenues</u>			
Property taxes	\$ 416,000	\$ -	\$ 416,000
Licenses and permits	-	92,830	92,830
Facilities charge	119,460	-	119,460
Pension bond charge	222,499	-	222,499
Interest	1,426	2,310	3,736
Total revenues	759,385	95,140	854,525
<u>Expenditures</u>			
Community Development	-	6,060	6,060
Debt service:			
Principal	625,000	-	625,000
Interest	264,332	-	264,332
Total expenditures	889,332	6,060	895,392
Excess (deficiency) of revenues over expenditures	(129,947)	89,080	(40,867)
<u>Other financing sources (uses)</u>			
Proceeds from refunding bond	-	936,776	936,776
Payments to refunding bond escrow agent	-	(930,716)	(930,716)
Transfers in	133,265	-	133,265
Transfers out	-	(108,342)	(108,342)
Total other financing sources (uses)	133,265	(102,282)	30,983
Net change in fund balances	3,318	(13,202)	(9,884)
Fund balances, July 1, 2014	206,903	548,803	755,706
Fund balances, June 30, 2015	\$ 210,221	\$ 535,601	\$ 745,822

City of Newberg, Oregon

COMBINING BALANCE SHEET NONMAJOR CAPITAL PROJECTS FUNDS

June 30, 2015

	Street System Development	Fire and EMS Equipment Fee	Totals
<u>ASSETS</u>			
Cash and investments	\$ 2,574,549	\$ 233,702	\$ 2,808,251
Receivables:			
Accounts, net	-	12,780	12,780
Assessments	32,813	-	32,813
Total assets	\$ 2,607,362	\$ 246,482	\$ 2,853,844
 <u>LIABILITIES</u>			
Accounts payable	\$ 76	\$ -	\$ 76
 <u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable revenue-special assessments	32,813	-	32,813
 <u>FUND BALANCES</u>			
Restricted	2,574,473	246,482	2,820,955
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,607,362	\$ 246,482	\$ 2,853,844

City of Newberg, Oregon

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

For the Year Ended June 30, 2015

	Street System Development	Fire and EMS Equipment Fee	Totals
<u>Revenues</u>			
Licenses and permits	\$ -	\$ 145,971	\$ 145,971
Charges for services	536,962	-	536,962
Assessments	5,967	-	5,967
Interest	12,314	749	13,063
Total revenues	555,243	146,720	701,963
<u>Expenditures</u>			
Capital outlay	-	11,179	11,179
Total expenditures	-	11,179	11,179
 Excess (deficiency) of revenues over expenditures	 555,243	 135,541	 690,784
<u>Other financing sources (uses)</u>			
Transfers out	(206,315)	-	(206,315)
Total other financing sources (uses)	(206,315)	-	(206,315)
 Net change in fund balances	 348,928	 135,541	 484,469
Fund balances, July 1, 2014	2,225,545	110,941	2,336,486
Fund balances, June 30, 2015	\$ 2,574,473	\$ 246,482	\$ 2,820,955

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, 2015

	Original and Final Budget	Actual	Variance
<u>Revenues</u>			
Licenses and Permits	\$ 42,000	\$ 43,088	\$ 1,088
Intergovernmental	200,000	125,176	(74,824)
Loan collections - principal	17,743	18,727	984
Loan collections - interest	4,202	4,263	61
Interest	2,700	2,851	151
Total revenues	266,645	194,105	(72,540)
<u>Expenditures</u>			
Community development	512,559	147,833	364,726
Contingency	281,894	-	281,894
Total expenditures	794,453	147,833	646,620
Excess (deficiency) of revenues over expenditures	(527,808)	46,272	574,080
<u>Other financing sources (uses)</u>			
Proceeds from refunding bond	-	16,231	16,231
Payment to refunding bond escrow agent	-	(16,126)	(16,126)
Transfers out	(1,870)	(1,870)	-
Total other financing sources (uses)	(1,870)	(1,765)	105
Net change in fund balances	(529,678)	44,507	574,185
Fund balance, July 01, 2014	529,678	601,964	72,286
Fund balance, June 30, 2015	\$ -	\$ 646,471	\$ 646,471

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, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Intergovernmental	\$ 196,000	\$ 196,000	\$ 197,088	\$ 1,088
Interest	250	250	79	(171)
Total revenues	196,250	196,250	197,167	917
<u>Expenditures</u>				
Public safety	223,409	240,409	238,833	1,576
Contingency	30,481	13,481	-	13,481
Total expenditures	253,890	253,890	238,833	15,057
Net change in fund balances	(57,640)	(57,640)	(41,666)	15,974
Fund balance, July 01, 2014	57,640	57,640	62,606	4,966
Fund balance, June 30, 2015	\$ -	\$ -	\$ 20,940	\$ 20,940

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, 2015

	Original and Final Budget	Actual	Variance
<u>Revenues</u>			
Forfeitures	\$ 5,000	\$ 4,089	\$ (911)
Interest	-	83	83
Total revenues	5,000	4,172	(828)
<u>Expenditures</u>			
Public safety	5,045	-	5,045
Total expenditures	5,045	-	5,045
Net change in fund balances	(45)	4,172	4,217
Fund balance, July 01, 2014	45	15,974	15,929
Fund balance, June 30, 2015	\$ -	\$ 20,146	\$ 20,146

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, 2015

	Original and Final Budget	Actual	Variance
<u>Revenues</u>			
Interest	\$ 150	\$ 178	\$ 28
Total revenues	150	178	28
<u>Expenditures</u>			
Community development	15,000	4,781	10,219
Contingency	12,045	-	12,045
Total expenditures	27,045	4,781	22,264
Net change in fund balances	(26,895)	(4,603)	22,292
Fund balance, July 01, 2014	26,895	41,942	15,047
Fund balance, June 30, 2015	\$ -	\$ 37,339	\$ 37,339

City of Newberg, Oregon

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

For the Year Ended June 30, 2015

	Original and Final Budget	Actual	Variance
<u>Revenues</u>			
Intergovernmental	\$ 88,500	\$ 27,925	\$ (60,575)
Donations	50,000	27,269	(22,731)
Interest	600	406	(194)
Total revenues	139,100	55,600	(83,500)
 <u>Expenditures</u>			
Library	135,500	55,974	79,526
Contingency	23,662	-	23,662
Total expenditures	159,162	55,974	103,188
 Net change in fund balances	 (20,062)	 (374)	 19,688
Fund balance, July 01, 2014	30,062	86,808	56,746
Fund balance, June 30, 2015	\$ 10,000	\$ 86,434	\$ 76,434

City of Newberg, Oregon

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

For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Charges for services	\$ 531,846	\$ 531,846	\$ 403,752	\$ (128,094)
Interest	800	800	503	(297)
Total revenues	532,646	532,646	404,255	(128,391)
<u>Expenditures</u>				
Public safety	507,191	524,191	384,518	139,673
Contingency	181,485	164,485	-	164,485
Total expenditures	688,676	688,676	384,518	304,158
Net change in fund balances	(156,030)	(156,030)	19,737	175,767
Fund balance, July 01, 2014	156,030	156,030	178,122	22,092
Fund balance, June 30, 2015	\$ -	\$ -	\$ 197,859	\$ 197,859

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, 2015

	Original and Final Budget	Actual	Variance
<u>Revenues</u>			
Property taxes	\$ 411,125	\$ 416,000	\$ 4,875
Facilities charge	119,460	119,460	-
Pension bond charge	227,417	222,499	(4,918)
Interest	1,400	1,426	26
Total revenues	759,402	759,385	(17)
<u>Expenditures</u>			
Debt service			
Principal	625,000	625,000	-
Interest	264,332	264,332	-
Total expenditures	889,332	889,332	-
Excess (deficiency) of revenues over expenditures	(129,930)	(129,947)	(17)
<u>Other financing sources (uses)</u>			
Transfers in	133,265	133,265	-
Total other financing sources (uses)	133,265	133,265	-
Net change in fund balances	3,335	3,318	(17)
Fund balance, July 01, 2014	197,349	206,903	9,554
Fund balance, June 30, 2015	\$ 200,684	\$ 210,221	\$ 9,537

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, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Licenses and permits	\$ 87,000	\$ 87,000	\$ 92,830	\$ 5,830
Interest	2,500	2,500	2,310	(190)
Total revenues	89,500	89,500	95,140	5,640
<u>Expenditures</u>				
Materials and services	-	6,409	6,060	349
Total expenditures	-	6,409	6,060	349
 Excess of revenues over (under) expenditures	 89,500	 83,091	 89,080	 5,989
<u>Other financing sources (uses)</u>				
Proceeds from refunding bond	-	6,409	936,776	930,367
Payments to refunding bond escrow agent	-	-	(930,716)	(930,716)
Transfers out	(108,342)	(108,342)	(108,342)	-
Total other financing sources (uses)	(108,342)	(101,933)	(102,282)	(349)
 Net change in fund balances	 (18,842)	 (18,842)	 (13,202)	 5,640
Fund balance, July 01, 2014	545,937	545,937	548,803	2,866
Fund balance, June 30, 2015	\$ 527,095	\$ 527,095	\$ 535,601	\$ 8,506

City of Newberg, Oregon

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

For the Year Ended June 30, 2015

	Original and Final Budget	Actual	Variance
<u>Revenues</u>			
Charges for services	\$ 748,000	\$ 536,962	\$ (211,038)
Assessments	5,000	5,967	967
Interest	9,500	12,314	2,814
Total revenues	762,500	555,243	(207,257)
<u>Expenditures</u>			
Contingency	1,964,554	-	1,964,554
Total expenditures	1,964,554	-	1,964,554
Excess (deficiency) of revenues over expenditures	(1,202,054)	555,243	1,757,297
<u>Other financing sources (uses)</u>			
Transfers out	(1,005,000)	(206,315)	798,685
Total other financing sources (uses)	(1,005,000)	(206,315)	798,685
Net change in fund balances	(2,207,054)	348,928	2,555,982
Fund balance, July 01, 2014	2,207,054	2,225,545	18,491
Fund balance, June 30, 2015	\$ -	\$ 2,574,473	\$ 2,574,473

City of Newberg, Oregon

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

For the Year Ended June 30, 2015

	Original and Final Budget	Actual	Variance
<u>Revenues</u>			
Licenses and permits	\$ 140,000	\$ 145,971	\$ 5,971
Interest	1,000	749	(251)
Total revenues	141,000	146,720	5,720
<u>Expenditures</u>			
Capital outlay	23,179	11,179	12,000
Contingency	218,192	-	218,192
Total expenditures	241,371	11,179	230,192
Excess (deficiency) of revenues over expenditures	(100,371)	135,541	235,912
Net change in fund balances	(100,371)	135,541	235,912
Fund balance, July 01, 2014	100,371	110,941	10,570
Fund balance, June 30, 2015	\$ -	\$ 246,482	\$ 246,482

City of Newberg, Oregon

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

June 30, 2015

	Original and Final Budget	Actual	Variance
<u>Revenues</u>			
Charges for services	\$ 4,749,371	\$ 5,008,612	\$ 259,241
Interest	15,000	12,914	(2,086)
Miscellaneous	15,000	53,191	38,191
Total revenues	4,779,371	5,074,717	295,346
<u>Expenditures</u>			
Treatment plant operations and maintenance	3,075,652	2,858,855	216,797
Debt service:			
Principal	270,029	270,029	-
Interest	139,053	139,053	-
Contingency	2,692,575	-	2,692,575
Total expenditures	6,177,309	3,267,937	2,909,372
Excess (deficiency) of revenues over expenditures	(1,397,938)	1,806,780	3,204,718
<u>Other financing sources (uses)</u>			
Sale of capital assets	-	142,010	142,010
Proceeds from refunding bond	-	3,023,079	3,023,079
Payment to refunding bond escrow agent	-	(2,982,071)	(2,982,071)
Transfers In	100,000	100,000	-
Transfers Out	(1,443,852)	(1,443,852)	-
Total other financing sources (uses)	(1,343,852)	(1,160,834)	183,018
Net change in fund balances	(2,741,790)	645,946	3,387,736
Fund balance, July 1, 2014	2,741,790	3,127,508	385,718
Fund balance, June 30, 2015	\$ -	\$ 3,773,454	\$ 3,773,454

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, 2015

	Original and Final Budget	Actual	Variance
<u>Revenues</u>			
Interest	\$ 15,000	\$ 24,224	\$ 9,224
Total revenues	15,000	24,224	9,224
 Excess of revenues over (under) expenditures	 15,000	 24,224	 9,224
 <u>Other financing sources (uses)</u>			
Transfers in	600,000	600,000	-
Transfers out	(707,500)	(258,956)	448,544
Total other financing sources (uses)	(107,500)	341,044	448,544
 Net change in fund balances	 (92,500)	 365,268	 457,768
Fund balance, July 1, 2014	4,709,677	4,782,060	72,383
Prior period adjustment	-	4,519	4,519
Fund balance, June 30, 2015	\$ 4,617,177	\$ 5,151,847	\$ 534,670

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, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Development fees	\$ 515,000	\$ 515,000	\$ 524,533	\$ 9,533
Assessments	950	950	9,757	8,807
Interest	1,600	1,600	4,892	3,292
Total revenues	517,550	517,550	539,182	21,632
<u>Expenditures</u>				
Materials and services	-	84,064	79,471	4,593
Debt service:				
Principal	488,858	488,858	488,857	1
Interest	354,994	354,994	354,994	-
Contingency	3,238	3,238	-	3,238
Total expenditures	847,090	931,154	923,322	7,832
Excess (deficiency) of revenues over expenditures	(329,540)	(413,604)	(384,140)	29,464
<u>Other financing sources (uses)</u>				
Sale of capital assets	-	-	213,014	213,014
Proceeds from refunding bond	-	84,064	6,341,272	6,257,208
Payment to refunding bond escrow agent	-	-	(6,261,801)	(6,261,801)
Transfers in	1,068,852	1,068,852	865,791	(203,061)
Transfers out	(1,037,500)	(1,037,500)	(173,021)	864,479
Total other financing sources (uses)	31,352	115,416	985,255	869,839
Net change in fund balances	(298,188)	(298,188)	601,115	899,303
Fund balance, July 1, 2014	298,188	298,188	(54,053)	(352,241)
Prior period adjustment	-	-	692,343	692,343
Fund balance, June 30, 2015	\$ -	\$ -	\$ 1,239,405	\$ 1,239,405

City of Newberg, Oregon

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

For Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Charges for services	\$ 6,872,990	\$ 6,872,990	\$ 6,598,988	\$ (274,002)
Interest	20,000	20,000	16,323	(3,677)
Miscellaneous	15,300	15,300	39,905	24,605
Total revenues	6,908,290	6,908,290	6,655,216	(253,074)
<u>Expenditures</u>				
Plant operations and maintenance	4,515,867	4,515,867	3,917,963	597,904
Debt service:				
Principal	900,471	970,700	970,699	1
Interest	504,617	513,312	513,311	1
Contingency	4,298,214	4,219,290	-	4,219,290
Total expenditures	10,219,169	10,219,169	5,401,973	4,817,196
Excess (deficiency) of revenues over expenditures	(3,310,879)	(3,310,879)	1,253,243	4,564,122
<u>Other financing sources (uses)</u>				
Proceeds from refunding bond	-	-	951,032	951,032
Payment to refunding bond escrow agent	-	-	(935,992)	(935,992)
Transfers in	121,940	121,940	100,000	(21,940)
Transfers out	(1,000,000)	(1,000,000)	(1,000,000)	-
Total other financing sources (uses)	(878,060)	(878,060)	(884,960)	(6,900)
Net change in fund balances	(4,188,939)	(4,188,939)	368,283	4,557,222
Fund balance, July 1, 2014	4,188,939	4,188,939	4,576,379	387,440
Fund balance, June 30, 2015	\$ -	\$ -	\$ 4,944,662	\$ 4,944,662

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, 2015

	Original and Final Budget	Actual	Variance
<u>Revenues</u>			
Interest	\$ 15,000	\$ 29,735	\$ 14,735
Miscellaneous	-	(496)	(496)
Total revenues	15,000	29,239	14,239
Excess of revenues over (under) expenditures	15,000	29,239	14,239
<u>Other financing sources (uses)</u>			
Transfers in	1,000,000	1,000,000	-
Transfers out	(1,468,500)	(414,135)	1,054,365
Total other financing sources (uses)	(468,500)	585,865	1,054,365
Net change in fund balances	(453,500)	615,104	1,068,604
Fund balance, July 1, 2014	5,510,301	5,365,101	(145,200)
Prior period adjustment	-	465,895	465,895
Fund balance, June 30, 2015	\$ 5,056,801	\$ 6,446,100	\$ 1,389,299

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, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Development fees	\$ 685,000	\$ 685,000	\$ 1,270,112	\$ 585,112
Assessments	800	800	-	(800)
Interest	6,000	6,000	16,920	10,920
Total revenues	691,800	691,800	1,287,032	595,232
<u>Expenditures</u>				
Materials and Services	-	1,966	1,860	106
Debt service:				
Principal	162,041	162,041	162,039	2
Interest	121,238	121,238	121,238	-
Contingency	2,231,442	2,231,442	-	2,231,442
Total expenditures	2,514,721	2,516,687	285,137	2,231,550
Excess (deficiency) of revenues over expenditures	(1,822,921)	(1,824,887)	1,001,895	2,826,782
<u>Other financing sources (uses)</u>				
Proceeds from refunding bond	-	1,966	148,342	146,376
Payment to refunding bond escrow agent	-	-	(146,482)	(146,482)
Transfers out	(1,396,500)	(1,396,500)	(60,738)	1,335,762
Total other financing sources (uses)	(1,396,500)	(1,394,534)	(58,878)	1,335,656
Net change in fund balances	(3,219,421)	(3,219,421)	943,017	4,162,438
Fund balance, July 1, 2014	3,219,421	3,219,421	3,176,180	(43,241)
Prior period adjustment	-	-	56,286	56,286
Fund balance, June 30, 2015	\$ -	\$ -	\$ 4,175,483	\$ 4,175,483

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, 2015

	Original and Final Budget	Actual	Variance
<u>Expenditures</u>			
Capital projects	\$21,088,728	\$ 8,575,708	\$12,513,020
Total expenditures	21,088,728	8,575,708	12,513,020
Excess of revenues over (under) expenditures	(21,088,728)	(8,575,708)	12,513,020
<u>Other financing sources (uses)</u>			
Financing agreements	21,088,728	12,930,676	8,158,052
Total other financing sources (uses)	21,088,728	12,930,676	8,158,052
Net change in fund balances	-	4,354,968	4,354,968
Fund deficit, July 1, 2014	-	(5,104,064)	(5,104,064)
Fund deficit, June 30, 2015	\$ -	\$ (749,096)	\$ (749,096)

City of Newberg, Oregon

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

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Charges for services	\$ 1,069,515	\$ 1,069,515	\$ 1,186,699	\$ 117,184
Interest	2,500	2,500	2,339	(161)
Total revenues	1,072,015	1,072,015	1,189,038	117,023
<u>Expenditures</u>				
Operation and maintenance	986,113	986,113	860,157	125,956
Contingency	297,757	260,257	-	260,257
Total expenditures	1,283,870	1,246,370	860,157	386,213
Excess of revenues over (under) expenditures	(211,855)	(174,355)	328,881	503,236
<u>Other financing sources (uses)</u>				
Proceeds from refunding bond	-	-	435	435
Transfers in	25,000	25,000	25,000	-
Transfers out	(50,000)	(87,500)	(53,653)	33,847
Total other financing sources (uses)	(25,000)	(62,500)	(28,218)	34,282
Net change in fund balances	(236,855)	(236,855)	300,663	537,518
Fund balance, July 1, 2014	236,855	236,855	430,824	193,969
Fund balance, June 30, 2015	\$ -	\$ -	\$ 731,487	\$ 731,487

City of Newberg, Oregon

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

For the Year Ended June 30, 2015

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Revenues</u>			
Development fees	\$ 64,000	\$ 34,839	\$ (29,161)
Assessments	1,500	1,450	(50)
Interest	1,500	1,569	69
Total revenues	67,000	37,858	(29,142)
<u>Expenditures</u>			
Contingency	131,222	-	131,222
Total expenditures	131,222	-	131,222
Excess (deficiency) of revenues over expenditures	(64,222)	37,858	102,080
<u>Other financing sources (uses)</u>			
Transfers out	(102,500)	(54,602)	47,898
Total other financing sources (uses)	(102,500)	(54,602)	47,898
Net change in fund balances	(166,722)	(16,744)	149,978
Fund balance, July 1, 2014	166,722	148,161	(18,561)
Fund balance, June 30, 2015	\$ -	\$ 131,417	\$ 131,417

City of Newberg, Oregon

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

For the Year Ended June 30, 2015

	Original and Final Budget	Actual	Variance
<u>Revenues</u>			
Interest	\$ 2,500	\$ 3,650	\$ 1,150
Total revenues	2,500	3,650	1,150
<hr/>			
Excess (deficiency) of revenues over expenditures	2,500	3,650	1,150
<hr/>			
<u>Other financing sources (uses)</u>			
Transfers in	50,000	50,000	-
Transfers out	(217,500)	(181,017)	36,483
Total other financing sources (uses)	(167,500)	(131,017)	36,483
<hr/>			
Net change in fund balances	(165,000)	(127,367)	37,633
Fund balance, July 1, 2014	811,500	812,069	569
Fund balance, June 30, 2015	\$ 646,500	\$ 684,702	\$ 38,202

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, 2015

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Revenues</u>			
Charges for services	\$ 1,602,000	\$ 1,947,105	\$ 345,105
Grants	5,000	9,100	4,100
Interest	2,000	2,652	652
Miscellaneous	-	13,216	13,216
Total revenues	1,609,000	1,972,073	363,073
<u>Expenditures</u>			
Fire	1,829,741	1,771,231	58,510
Contingency	289,325	-	289,325
Total expenditures	2,119,066	1,771,231	347,835
Net change in fund balances	(510,066)	200,842	710,908
Fund balance, July 1, 2014	510,066	606,111	96,045
Fund balance, June 30, 2015	\$ -	\$ 806,953	\$ 806,953

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, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Miscellaneous	\$ -	\$ 1,201,507	\$ 2,859,245	\$ 1,657,738
Total revenues	-	1,201,507	2,859,245	1,657,738
<u>Expenditures</u>				
Capital outlay	4,705,000	5,944,007	3,327,538	2,616,469
Total expenditures	4,705,000	5,944,007	3,327,538	2,616,469
Excess (deficiency) of revenues over expenditures	(4,705,000)	(4,742,500)	(468,293)	4,274,207
<u>Other financing sources (uses)</u>				
Transfers in	4,705,000	4,742,500	1,146,122	(3,596,378)
Total other financing sources (uses)	4,705,000	4,742,500	1,146,122	(3,596,378)
Net change in fund balances	-	-	677,829	677,829
Fund balance, July 1, 2014	-	-	451,461	451,461
Prior period adjustment	-	-	(1,219,042)	(1,219,042)
Fund balance, June 30, 2015	\$ -	\$ -	\$ (89,752)	\$ (89,752)

City of Newberg

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

For the Year Ended June 30, 2015

Fund	Water		Wastewater	
	Revenues	Expenditures	Revenues	Expenditures
Water	\$ 5,074,717	\$ 3,267,937	\$ -	\$ -
Water Replacement Reserve	24,224	-	-	-
Water System Development	539,182	923,322	-	-
Wastewater	-	-	6,655,216	5,401,973
Wastewater Replacement Reserve	-	-	29,239	-
Wastewater System Development	-	-	1,287,032	285,137
Wastewater Financed CIP	-	-	-	8,575,708
Stormwater	-	-	-	-
Stormwater System Development	-	-	-	-
Stormwater Replacement	-	-	-	-
Proprietary Capital Projects	941,135	949,282	1,918,110	2,138,984
Emergency Medical Services	-	-	-	-
Total revenues and expenditures (Budgetary Basis)	6,579,258	5,140,541	9,889,597	16,401,802
 <u>Adjustments</u>				
Depreciation	-	1,126,509	-	1,574,420
Contributed capital	(524,533)	-	(1,270,112)	-
Gain on sale of capital assets	(79,234)	-	-	-
Principal payments	-	(758,886)	-	(1,132,738)
Interest accrual	-	(244,982)	-	169,061
Assessment receivable collections	(9,757)	-	-	-
Expenditures capitalized	-	(1,035,620)	-	(11,339,238)
Change in compensated absences	-	29,512	-	28,572
Change in deferred revenue	52,773	-	36,978	-
Change in deferred outflows	-	(34,387)	-	(37,877)
Net pension obligation expense	-	-	-	9,542
Other postemployment benefit expense	-	6,922	-	-
Total revenues and expenses (Accrual Basis)	6,018,507	4,229,609	8,656,463	5,673,544
Net income (loss) before contributions and transfers		\$ 1,788,898		\$ 2,982,919

Stormwater		Emergency Medical Services		Totals	
Revenues	Expenditures	Revenues	Expenditures	Revenues	Expenditures
\$ -	\$ -	\$ -	\$ -	\$ 5,074,717	\$ 3,267,937
-	-	-	-	24,224	-
-	-	-	-	539,182	923,322
-	-	-	-	6,655,216	5,401,973
-	-	-	-	29,239	-
-	-	-	-	1,287,032	285,137
-	-	-	-	-	8,575,708
1,189,038	860,157	-	-	1,189,038	860,157
37,858	-	-	-	37,858	-
3,650	-	-	-	3,650	-
-	239,272	-	-	2,859,245	3,327,538
-	-	1,972,073	1,771,231	1,972,073	1,771,231
1,230,546	1,099,429	1,972,073	1,771,231	19,671,474	24,413,003
-	285,585	-	90,597	-	3,077,111
(34,839)	-	(4,000)	-	(1,833,484)	-
-	-	-	-	(79,234)	-
-	-	-	-	-	(1,891,624)
-	-	-	-	-	(75,921)
(1,450)	-	-	-	(11,207)	-
-	(231,966)	-	(52,286)	-	(12,659,110)
-	15,515	-	22,211	-	95,810
-	(31,884)	-	(281,137)	89,751	-
-	-	-	-	-	(385,285)
-	3,166	-	4,653	-	9,542
1,194,257	1,139,845	1,968,073	1,555,269	17,837,300	12,598,267
	<u>\$ 54,412</u>		<u>\$ 412,804</u>		<u>\$ 5,239,033</u>

City of Newberg, Oregon

COMBINING STATEMENT OF NET POSITION INTERNAL SERVICE FUNDS

June 30, 2015

	<u>Administrative Support Services</u>	<u>Vehicle/ Equipment Replacement</u>	<u>Totals</u>
<u>ASSETS</u>			
<u>Current assets</u>			
Cash and investments	\$ 1,183,556	\$ 1,364,776	\$ 2,548,332
Accounts and other receivables	1,152	-	1,152
Inventory	20,921	-	20,921
Total current assets	1,205,629	1,364,776	2,570,405
<u>Noncurrent assets</u>			
Capital assets, net of depreciation	170,140	1,524,857	1,694,997
Total noncurrent assets	170,140	1,524,857	1,694,997
Total assets	1,375,769	2,889,633	4,265,402
<u>LIABILITIES</u>			
<u>Current liabilities</u>			
Accounts payable	45,356	2,350	47,706
Payroll payables	571,816	-	571,816
Compensated absences	127,184	-	127,184
Current portion of capital leases payable	-	100,052	100,052
Total current liabilities	744,356	102,402	846,758
<u>Long-term obligations</u>			
Capital leases payable, net of current portion	-	174,830	174,830
Other postemployment benefits obligation	212,486	-	212,486
Total long-term obligations	212,486	174,830	387,316
Total liabilities	956,842	277,232	1,234,074
<u>NET POSITION</u>			
Net investment in capital assets	170,140	1,249,975	1,420,115
Unrestricted	248,787	1,362,426	1,611,213
Total net position	\$ 418,927	\$ 2,612,401	\$ 3,031,328

City of Newberg, Oregon

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

For the Year Ended June 30, 2015

	<u>Administrative Support Services</u>	<u>Vehicle/ Equipment Replacement</u>	<u>Totals</u>
<u>Operating revenues</u>			
Internal service charge	\$ 3,606,172	\$ 463,336	\$ 4,069,508
Charges for services	32,503	2,549	35,052
Miscellaneous	1,950	8,073	10,023
Total operating revenues	3,640,625	473,958	4,114,583
<u>Operating expenses</u>			
Personal services	2,135,294	-	2,135,294
Materials and services	1,251,355	271,518	1,522,873
Depreciation	21,391	289,800	311,191
Total operating expenses	3,408,040	561,318	3,969,358
Operating income (loss)	232,585	(87,360)	145,225
<u>Nonoperating revenues (expenses)</u>			
Interest	5,723	6,142	11,865
Gain (loss) on sale of capital assets	33	(2,455)	(2,422)
Total nonoperating revenues (expenses)	5,756	3,687	9,443
Income (loss) before transfers	238,341	(83,673)	154,668
Transfers in	-	266,412	266,412
Transfers out	(500,000)	-	(500,000)
Change in net position	(261,659)	182,739	(78,920)
Total net position, July 1, 2014	680,586	2,429,662	3,110,248
Total net position, June 30, 2015	\$ 418,927	\$ 2,612,401	\$ 3,031,328

City of Newberg, Oregon

COMBINING STATEMENT OF CASH FLOWS INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2015

	Administrative Support Services	Vehicle/ Equipment Replacement	Totals
<u>Cash flows from operating activities</u>			
Cash received from other funds	\$ 3,638,095	\$ 465,885	\$ 4,103,980
Cash paid to suppliers	(1,575,720)	(277,742)	(1,853,462)
Cash paid to employees	(1,941,198)	-	(1,941,198)
Other receipts	1,950	8,073	10,023
Net cash provided by operating activities	123,127	196,216	319,343
<u>Cash flows from noncapital financing activities</u>			
Transfers in	-	266,412	266,412
Transfers out	(500,000)	-	(500,000)
Net cash provided by (used in) noncapital financing activities	(500,000)	266,412	(233,588)
<u>Cash flows from capital and related financing activities</u>			
Proceeds from capital lease	-	115,190	115,190
Sale of capital assets	33	-	33
Principal paid on long-term obligations	-	(142,041)	(142,041)
Purchase of capital assets	-	(292,147)	(292,147)
Net cash provided by (used in) capital and related financing activities	33	(318,998)	(318,965)
<u>Cash flows from investing activities</u>			
Interest received on investments	5,723	6,142	11,865
Net cash provided by investing activities	5,723	6,142	11,865
Net increase (decrease) in cash	(371,117)	149,772	(221,345)
Cash and investments, July 1, 2014	1,554,673	1,215,004	2,769,677
Cash and investments, June 30, 2015	\$ 1,183,556	\$ 1,364,776	\$ 2,548,332
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 232,585	\$ (87,360)	\$ 145,225
<u>Adjustments to reconcile operating income (loss) to net cash provided by operating activities:</u>			
Depreciation and amortization	21,391	289,800	311,191
Net other post-employment benefits	11,659	-	11,659
Increase in accounts receivable	(580)	-	(580)
(Increase) decrease in inventory	2,367	-	2,367
Increase (decrease) in accounts payable	(326,732)	(6,224)	(332,956)
Increase (decrease) in payroll payable	168,019	-	168,019
Increase (decrease) in compensated absences	14,418	-	14,418
Net cash provided by operating activities	\$ 123,127	\$ 196,216	\$ 319,343

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, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Internal service charges	\$ 3,606,172	\$ 3,606,172	\$ 3,606,172	\$ -
Intergovernmental	6,162	6,162	14,617	8,455
Charges for services	11,252	11,252	17,886	6,634
Interest	4,000	4,000	5,723	1,723
Miscellaneous	-	55,000	1,950	(53,050)
Total revenues	3,627,586	3,682,586	3,646,348	(36,238)
<u>Expenditures</u>				
Departmental:				
City Manager	584,326	584,326	522,835	61,491
Finance	807,525	816,525	800,946	15,579
General Office	155,000	155,000	138,272	16,728
Information Services	882,357	882,357	687,507	194,850
Legal	431,011	456,011	437,787	18,224
Public Works	512,413	512,413	526,712	(14,299)
Insurance	295,000	350,000	246,513	103,487
Contingency	200,823	166,823	-	166,823
Total expenditures	3,868,455	3,923,455	3,360,572	562,883
Excess of revenues over (under) expenditures	(240,869)	(240,869)	285,776	526,645
<u>Other financing sources (uses)</u>				
Transfers out	(500,000)	(500,000)	(500,000)	-
Proceeds from sale of capital assets	-	-	33	33
Total other financing sources (uses)	(500,000)	(500,000)	(499,967)	33
Net change in fund balances	(740,869)	(740,869)	(214,191)	526,678
Fund balance, July 1, 2014	740,869	740,869	802,648	61,779
Fund balance, June 30, 2015	\$ -	\$ -	\$ 588,457	\$ 588,457

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, 2015

	Original and Final Budget	Actual	Variance
<u>Revenues</u>			
Internal service charges	\$ 463,336	\$ 463,336	\$ -
Intergovernmental	490,000	-	(490,000)
Charges for services	16,000	2,549	(13,451)
Interest	6,000	6,142	142
Miscellaneous	-	8,073	8,073
Total revenues	975,336	480,100	(495,236)
<u>Expenditures</u>			
Departmental:			
Information Technology	384,172	202,899	181,273
Police	123,017	89,453	33,564
Fire	543,111	117,474	425,637
Communications	15,000	6,149	8,851
Public Works	174,099	235,617	(61,518)
Fleet Repair/Maintenance	12,500	539	11,961
Facilities Repair/Maintenance	75,000	53,575	21,425
Contingency	1,049,275	-	1,049,275
Total expenditures	2,376,174	705,706	1,670,468
Excess (deficiency) of expenditures over revenues	(1,400,838)	(225,606)	1,175,232
<u>Other financing sources</u>			
Capital lease receipt	-	115,190	115,190
Transfers in	267,128	266,412	(716)
Total other financing sources	267,128	381,602	114,474
Net change in fund balances	(1,133,710)	155,996	1,289,706
Fund balance, July 1, 2014	1,133,710	1,206,430	72,720
Fund balance, June 30, 2015	\$ -	\$ 1,362,426	\$ 1,362,426

City of Newberg, Oregon

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

For the Year Ended June 30, 2015

Fund	Administrative Support Services		Vehicle/ Equipment Replacement		Totals	
	Revenues	Expenditures	Revenues	Expenditures	Revenues	Expenditures
Administrative Support Services	\$ 3,646,348	\$ 3,360,572	\$ -	\$ -	\$ 3,646,348	\$ 3,360,572
Vehicle/Equipment Replacement	-	-	480,100	705,706	480,100	705,706
Total revenues and expenditures (Budgetary Basis)	3,646,348	3,360,572	480,100	705,706	4,126,448	4,066,278
Adjustments						
Depreciation	-	21,391	-	289,800	-	311,191
Expenditures capitalized	-	-	-	(292,147)	-	(292,147)
Change in compensated absences	-	14,418	-	-	-	14,418
Other postemployment benefit expense	-	11,659	-	-	-	11,659
Proceeds from new debt	-	-	-	-	-	-
Payment of capital lease principal	-	-	-	(142,041)	-	(142,041)
Gain (loss) on sale of capital assets	33	-	(2,455)	-	(2,422)	-
Total revenues and expenses (Accrual Basis)	3,646,381	3,408,040	477,645	561,318	4,124,026	3,969,358
Net income before transfers		\$ 238,341		\$ (83,673)		\$ 154,668

City of Newberg, Oregon

AGENCY FUND - BAIL STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

For the Year Ended June 30, 2015

	Balances			Balances
<u>ASSETS</u>	7/1/2014	Additions	Deductions	6/30/2015
Cash and investments	\$ 78,493	\$ 13,123	\$ 12,302	\$ 79,314
<u>LIABILITIES</u>				
Accounts payable	\$ 12,480	\$ 109,786	\$ 111,185	\$ 11,081
Funds held in trust	66,013	2,220	-	68,233
Total liabilities	\$ 78,493	\$ 112,006	\$ 111,185	\$ 79,314

**INDEPENDENT AUDITOR'S REPORT REQUIRED BY
OREGON STATE REGULATIONS**

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INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Members of the City Council
City of Newberg
Newberg, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Newberg as of and for the year ended June 30, 2015, and have issued our report thereon dated January 29, 2016.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-100 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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

**INDEPENDENT AUDITOR'S REPORT REQUIRED BY
OREGON STATE REGULATIONS (Continued)**

Compliance (continued)

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

- A. Expenditures in excess of appropriations (which is prohibited by ORS 294.435) occurred as follows:

<u>Fund / Category</u>	<u>Appropriation</u>	<u>Actual</u>	<u>Variance</u>
Administrative Support Services Public works	512,413	526,712	(14,299)
Vehicle/Equipment Replacement Public works	174,099	235,617	(61,518)

- B. The City did not reasonably estimate the July 1, 2015 beginning fund balances as defined by ORS 294.361(1) as shown below:

<u>Fund</u>	<u>Estimated</u>	<u>Actual</u>	<u>Variance</u>
Street System Development	\$ 1,918,739	\$ 2,574,473	\$ (655,734)
Water System Development	36	1,239,405	(1,239,369)
Wastewater	4,403,799	4,944,662	(540,863)
Wasterwater Replacement Reserve	5,193,602	6,446,100	(1,252,498)
Wasterwater System Development	3,475,181	4,175,483	(700,302)

- C. The excess of actual revenues over actual expenditures in the budget column for the second preceding year does not equal the beginning balance in the budget column for the first preceding year. (as required by ORS 294.358).

**INDEPENDENT AUDITOR'S REPORT REQUIRED BY
OREGON STATE REGULATIONS (Continued)**

Internal Control OAR 162-10-230

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control. Deficiencies in internal control, if any, were communicated separately.

Restriction on Use

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

Boldt Carlisle + Smith
Certified Public Accountants
Salem, Oregon
January 29, 2016

By:

A handwritten signature in black ink, appearing to read 'B. Bingenheimer', written over a light blue horizontal line.

Bradley G. Bingenheimer, Member

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GRANT COMPLIANCE – SINGLE AUDIT

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

To the City Council
City of Newberg
Newberg, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newberg, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements and have issued our report thereon dated January 29, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did identify a deficiency in internal control that we consider to be a material weakness, described in the accompanying schedule of findings and questioned costs as item 2015-1. We also identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2015-2 through 2015-4 that we consider to be significant deficiencies.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (Continued)

Compliance and Other Matters

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

City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Boldt Carlisle & Smith

Boldt Carlisle + Smith
Certified Public Accountants
Salem, Oregon
January 29, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY OMB CIRCULAR A-133**

To the City Council
City of Newberg
Newberg, Oregon

Report on Compliance for Each Major Federal Program

We have audited the City of Newberg's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2015. City of Newberg's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Newberg, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY OMB CIRCULAR A-133 (Continued)**

Other Matters

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

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Boldt Carlisle & Smith

Boldt Carlisle + Smith
Certified Public Accountants
Salem, Oregon
January 29, 2016

CITY OF NEWBERG

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2015

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
♦ Material weakness(es) identified?	Yes
♦ Significant deficiency(ies) identified?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
♦ Material weakness(es) identified?	No
♦ Significant deficiency(ies) identified?	None reported
Type of auditor’s report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	No
Identification of major federal programs:	

CFDA Number(s)

Name of Federal Program or Cluster

66.458

Capitalization Grants for Clean Water
State Revolving Funds

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Section II – Financial Statement Findings

Material Weakness:

2015-1 Cash Reconciliation

- Criteria: Internal controls should include processes for accurately reconciling the bank accounts to the general ledger on a monthly basis. Without this reconciliation there is a significant risk of a material misstatement, caused by either error or fraud, occurring and not being detected or corrected in a timely manner.
- Condition: The City’s internal controls do not provide for an accurate reconciliation of bank accounts to the general ledger.
- Cause: The City was not able to accurately reconcile bank accounts to the general ledger on a monthly basis.
- Effect: An employee could commit fraud and it would not be detected or corrected in a timely manner.
- Recommendation: The City should establish policies and procedures that provide for accurate reconciliations of the bank accounts to the general ledger on a monthly basis.
- Response:

Significant Deficiencies:

2015-2 Preparation of the Financial Statements

- Criteria: The preparation of the financial statements is the responsibility of management. Management is also responsible for designing and implementing internal controls over the preparation of the financial statements.
- Condition: The auditor has prepared the financial statements (a nonattest service) on behalf of management. Therefore, management has not designed or implemented internal controls over the preparation of the financial statements. Management has identified the Finance Director as having suitable skills, knowledge or experience to accept responsibility for the financial statements.
- Cause: Management has performed a cost-benefit analysis and determined it is most efficient to have the auditors prepare the financial statements in conjunction with the audit of the financial statements.
- Effect: Management believes there are no negative effects, or potentially negative effects, on the financial statements.
- Response: Management has determined that it is not cost effective to correct this deficiency in internal controls.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Section II – Financial Statement Findings

2015-3 Utility Billing

- Criteria: Internal Controls should provide for adequate segregation of duties in connection with the collection of utility billings and monitoring of adjustments to assessed fees to ensure assets are safeguarded and revenues are properly reported
- Condition: The City’s internal controls do not provide for adequate segregation of duties in connection with utility billing receipts, nor do they provide for adequate monitoring of adjustments to customer accounts.
- Cause: Utility billing clerk has the ability to make adjustments in utility billing software without adequate monitoring
- Effect: An employee, who participates in the utility billing process, could make adjustments to accounts without authorization, or commit fraud
- Recommendation: The City should establish policies and procedures that provide for adequate segregation of duties and monitoring over the utility billing and receipting process.
- Response:

2015-4 Municipal Court Fines

- Criteria: Internal Controls should provide for adequate segregation of duties in connection with the collection of municipal court fines and monitoring of adjustments to assessed fines to ensure assets are safeguarded and revenues are properly reported.
- Condition: The City’s internal controls do not provide for adequate segregation of duties in connection with municipal court receipts, nor do they provide for adequate monitoring of adjustments to municipal court fines receivable.
- Cause: All municipal court fine receipts which are collected are recorded using a single log-in with no adequate monitoring of this activity. This includes the receipt of original citations for entry into the court computer system, the posting of assessed fines, posting of cash receipts, posting of adjustments to accounts, and preparing daily bank deposits and reconciliations.
- Effect: An employee, who participates in the municipal court receipts process, could make adjustments to court receivables accounts without authorization, or commit fraud.
- Recommendation: The City should establish policies and procedures that provide for adequate segregation of duties and monitoring over the municipal court receipts process.
- Response:

Section III – Federal Award Findings and Questioned Costs

None

CITY OF NEWBERG, OREGON

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2015**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<hr/>			
<u>Department of Housing and Urban Development</u>			
Passed through Business Oregon IFA Community Development Block Grants	14.228	H12007	\$ <u>125,176</u>
<hr/>			
<u>Department of Justice</u>			
Direct Program: Bulletproof Vest Partnership Program	16.607	OMB#1121-0235	<u>815</u>
<hr/>			
<u>US Environmental Protection Agency</u>			
Passed through Oregon Department of Environmental Quality Capitalization Grants for Clean Water State Revolving Funds	66.458	R68821	<u>6,435,543</u>
<hr/>			
<u>Department of Health and Human Services</u>			
Passed through Oregon Department of Human Services Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	93.817		2,916
National Bioterrorism Hospital Preparedness Program	93.889	144031	<u>5,100</u>
Total Department of Health and Human Services			<u>8,016</u>
Total Expenditures of Federal Awards			<u>\$ 6,569,550</u>

CITY OF NEWBERG

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2015

Basis of Presentation

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