



Newberg, Oregon
ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

This page intentionally left blank

CITY OF NEWBERG

OFFICERS AND MEMBERS OF THE GOVERNING BODY

For the Year Ended June 30, 2014

MAYOR

Bob Andrews
PO Box 970
Newberg, OR 97132

TERM EXPIRATION

December 31, 2014

COUNCIL MEMBERS

Denise Bacon
PO Box 970
Newberg, OR 97132

December 31, 2016

Mike Corey
PO Box 970
Newberg, OR 97132

December 31, 2016

Ryan Howard
PO Box 970
Newberg, OR 97132

December 31, 2014

Stephen McKinney
PO Box 970
Newberg, OR 97132

December 31, 2014

Bart Rierson
PO Box 970
Newberg, OR 97132

December 31, 2014

Lesley Woodruff
PO Box 970
Newberg, OR 97132

December 31, 2016

ADMINISTRATOR

Jacque Betz
PO Box 970
Newberg, OR 97132

LEGAL COUNSEL

Truman A. Stone

This page intentionally left blank

CITY OF NEWBERG

TABLE OF CONTENTS
For the Year Ended June 30, 2014

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	A - D
MANAGEMENT’S DISCUSSION AND ANALYSIS	a - o
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Position.....	1
Statement of Activities.....	2, 3
Fund Financial Statements:	
Governmental Funds	
Balance Sheet.....	4
Reconciliation of the Balance Sheet of Governmental Funds to the	
Statement of Net Position.....	5
Statement of Revenues, Expenditures and Changes in Fund Balances	6
Reconciliation of the Statement of Revenues, Expenditures, and Changes in	
Fund Balances of Governmental Funds to the Statement of Activities	7
Statements of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:	
General.....	8
Street.....	9
Building Inspection.....	10
Proprietary Funds	
Statement of Net Position.....	11
Statement of Revenues, Expenses and Changes in Net Position	12
Statement of Cash Flows.....	13
Fiduciary Funds	
Statement of Net Position.....	14
Statement of Changes in Net Position.....	15
Notes to Basic Financial Statements	16 - 44
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES	
Street Capital Projects Fund Schedule of Revenues, Expenditures and Changes in Fund	
Balance – Budget and Actual.....	45
Nonmajor Governmental Funds	
Combining Balance Sheet	46
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	47
Special Revenue Funds	
Combining Balance Sheet.....	48
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	49
Debt Service Funds	
Combining Balance Sheet.....	50
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	51
Capital Projects Funds	
Combining Balance Sheet.....	52
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	53

TABLE OF CONTENTS (Continued)

	<u>Page</u>
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES	
(Continued)	
Nonmajor Governmental Funds (continued)	
Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	
Special Revenue Funds	
Economic Development	54
911 Emergency.....	55
Civil Forfeiture.....	56
Cable TV	57
Library Gift & Memorial	58
Public Safety Fee.....	59
Debt Service Funds	
Debt Service	60
City Hall	61
Capital Projects Funds	
Street System Development	62
Fire & EMS Equipment Fee.....	63
Enterprise Funds	
Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	
Water	64
Water Replacement Reserve	65
Water System Development.....	66
Wastewater.....	67
Wastewater Replacement Reserve	68
Wastewater System Development.....	69
Wastewater Financed CIP	70
Stormwater	71
Stormwater System Development.....	72
Stormwater Replacement	73
Emergency Medical Services.....	74
Proprietary Capital Projects	75
Reconciliation of Revenues and Expenditures (Budgetary Basis) to	
Revenues and Expenses (Accrual Basis)	76, 77
Internal Service Funds	
Combining Statement of Net Position	78
Combining Statement of Revenues, Expenses and Changes in Net Position	79
Combining Statement of Cash Flows.....	80
Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	
Administrative Support Services.....	81
Vehicle/Equipment Replacement.....	82
Reconciliation of Revenues and Expenditures (Budgetary Basis)	
To Revenues and Expenses (Accrual Basis).....	83
Agency Funds Statement of Changes in Assets and Liabilities.....	84
INDEPENDENT AUDITOR'S REPORT REQUIRED BY	
OREGON STATE REGULATIONS	85, 86

TABLE OF CONTENTS (Continued)

	<u>Page</u>
GRANT COMPLIANCE – SINGLE AUDIT	
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 <i>Government Auditing Standards</i>	87, 88
Independent Auditor's Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	89, 90
Schedule of Findings and Questioned Costs	91, 92
Schedule of Expenditures of Federal Awards	93
Note to Schedule of Expenditures of Federal Awards	94

This page intentionally left blank



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **CITY OF NEWBERG**, as of and for the year ended June 30, 2014, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management.

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. 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.

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

INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's Responsibility (continued)

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.

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, 2014, the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparisons for the General, Street, and Building Inspection Funds, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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* 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.

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

INDEPENDENT AUDITOR'S REPORT (Continued)

Other Matters (continued)

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 the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 the schedule of expenditures of federal awards are fairly stated, in all material respects in relation to the basic financial statements as a whole.

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 March 16, 2015 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 City's internal control over financial reporting and compliance.

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

INDEPENDENT AUDITOR'S REPORT (Continued)

Other Reporting Required by Oregon Minimum Standards

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated March 16, 2015, 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
March 16, 2015

By:

A handwritten signature in black ink, appearing to read 'Bradley G. Bingenheimer', written over a light gray circular stamp.

Bradley G. Bingenheimer, Member

MANAGEMENT'S DISCUSSION AND ANALYSIS

This page intentionally left blank

CITY OF NEWBERG, OREGON
Management's Discussion and Analysis
For the Year Ended June 30, 2014

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, 2014. This Management's Discussion and Analysis (MD&A) is based on currently known facts, decisions, and conditions that existed as of the date of the independent auditor's report.

FINANCIAL HIGHLIGHTS

- Total assets of the City exceeded its liabilities by \$150 million. Of this amount, \$17.7 million is reported as unrestricted net position; 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 \$3.6 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 2013-14 resulting in \$4.6 million in new debt issuance.
- System development fees decreased \$0.3 million during 2013-14.
- Property taxes increased \$0.1 million or 1.4% during the fiscal year. Public service taxes decreased slightly over the prior fiscal year.
- Depreciation expense for 2013-14 was \$5,081,134.
- Total cost of all programs was \$28.8 million, an increase of \$1.3 million.

Overview of the Financial Statements

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

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

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

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. Within this view, all City operations are categorized and reported as either governmental or business-type activities and are presented using the full accrual basis of accounting. Governmental activities include basic services such as public safety, library, community development and general government. Business-type activities are water, wastewater, stormwater and emergency medical services. The

CITY OF NEWBERG, OREGON
Management's Discussion and Analysis
For the Year Ended June 30, 2014

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 fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for those funds that are considered significant (major) to the City taken as a whole. These financial statements report four major funds: General, Street, Street Capital Projects, and Building Inspection. Data from the other 10 governmental funds are combined into a single, aggregated presentation. For each major fund, a budgetary comparison statement is presented. Readers who wish to obtain information on nonmajor funds can find it in the combining schedules of nonmajor funds and/or the budgetary comparison schedules sections of this report.

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

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

CITY OF NEWBERG, OREGON
Management's Discussion and Analysis
For the Year Ended June 30, 2014

fund data for the internal service funds is provided as other supplementary information in the form of combining statements.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City'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 Basic 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 and other financial schedules.

Combining and Individual Fund Financial Statements and Schedules. This section includes combining statements for the non-major governmental funds, combining statements by fund type, and budgetary comparison statements. The combining internal service fund statements are also included in this section.

Independent Auditor's Report Required by Oregon State Regulations. Report on City compliance and internal controls as required by Oregon statutes.

Grant Compliance – Single Audit. This section includes two auditor's reports along with schedules pertaining to the City's expenditures of federal awards.

CITY OF NEWBERG, OREGON
Management's Discussion and Analysis
For the Year Ended June 30, 2014

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 multiple periods of time. In the case of the City, assets exceed liabilities by \$150 million at the close of the most recent fiscal year. This represents a \$3.6 million increase over the prior fiscal year.

The following table reflects the condensed statement of net position compared to prior year.

TABLE 1
NET POSITION AT YEAR END
(in millions)

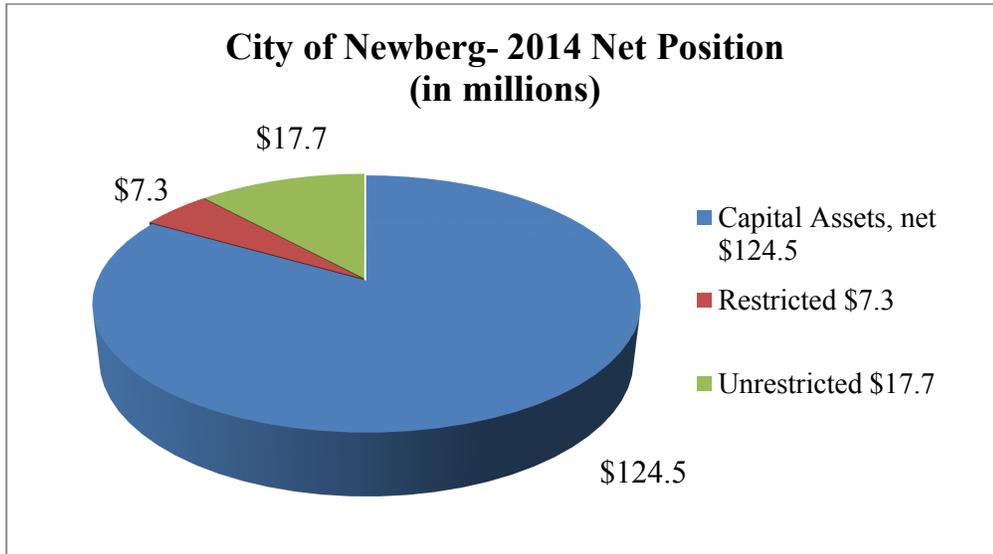
	Governmental Activities		Business-type Activities		Total Government	
	2014	2013	2014	2013	2014	2013
Assets						
Cash and investments	\$ 10.0	\$ 11.0	\$ 21.7	\$ 19.6	\$ 31.7	\$ 30.6
Other assets	2.8	2.9	2.5	1.8	5.3	4.7
Capital assets	76.7	75.9	79.8	71.4	156.5	147.3
Total assets	<u>89.5</u>	<u>89.8</u>	<u>104.0</u>	<u>92.8</u>	<u>193.5</u>	<u>182.6</u>
Liabilities						
Long-term obligations	6.9	7.5	30.1	26.9	37.0	34.4
Other liabilities	1.4	1.0	5.5	1.2	6.9	2.2
Total liabilities	<u>8.3</u>	<u>8.5</u>	<u>35.6</u>	<u>28.1</u>	<u>43.9</u>	<u>36.6</u>
Net position:						
Net investment in capital assets	74.1	72.7	50.4	45.1	124.5	117.8
Restricted	4.0	4.0	3.3	2.6	7.3	6.6
Unrestricted	3.0	4.6	14.7	17.0	17.7	21.6
Total net position	<u>\$ 81.1</u>	<u>\$ 81.3</u>	<u>\$ 68.4</u>	<u>\$ 64.7</u>	<u>\$ 149.5</u>	<u>\$ 146.0</u>

By far, the largest portion of the City's net position (\$124.5 million, or 83.2%) 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.

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 \$7.3 million, or 4.9%, and represent cash and investments that are legally restricted for capital expansion or debt service. The remaining balance of unrestricted net position totaling \$17.7 million, or 11.9%, may be used to meet the City's ongoing obligations.

CITY OF NEWBERG, OREGON
Management's Discussion and Analysis
For the Year Ended June 30, 2014

At the end of the current fiscal year, the City of Newberg 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, 2014

STATEMENT OF ACTIVITIES

The following table reflects the condensed statement of activities and changes in net position compared to prior year.

TABLE 2
ACTIVITIES FOR FISCAL YEARS ENDING JUNE 30, 2014 and 2013
(in millions)

	Governmental		Business-type		Total	
	Activities		Activities		Government	
	2014	2013	2014	2013	2014	2013
Revenues						
Charges for services	\$ 3.8	\$ 3.5	\$ 14.5	\$ 13.7	18.3	17.2
Operating grants and contributions	1.6	1.3	-	-	1.6	1.3
Capital grants and contributions	0.8	0.8	1.1	1.3	1.9	2.1
Taxes	10.3	10.1	-	-	10.3	10.1
Interest	0.1	0.1	0.1	0.1	0.2	0.2
Other	-	-	0.1	-	0.1	-
Total revenues	<u>16.6</u>	<u>15.8</u>	<u>15.8</u>	<u>15.1</u>	<u>32.4</u>	<u>30.9</u>
Expenses						
General government	0.5	0.4	-	-	0.5	0.4
Public safety	10.8	10.2	-	-	10.8	10.2
Library	1.2	1.2	-	-	1.2	1.2
Community development	3.9	3.3	-	-	3.9	3.3
Interest on long-term obligations	0.1	0.3	-	-	0.1	0.3
Water	-	-	4.4	4.3	4.4	4.3
Wastewater	-	-	5.4	5.3	5.4	5.3
Stormwater	-	-	1.0	1.1	1.0	1.1
Emergency medical services	-	-	1.5	1.4	1.5	1.4
Total expenses	<u>16.5</u>	<u>15.4</u>	<u>12.3</u>	<u>12.1</u>	<u>28.8</u>	<u>27.5</u>
Change in net position						
before transfers	<u>0.1</u>	<u>0.4</u>	<u>3.5</u>	<u>3.0</u>	<u>3.6</u>	<u>3.4</u>
Transfers	-	-	-	-	-	-
Changes in net position	0.1	0.4	3.5	3.0	3.6	3.4
Beginning net position	81.3	80.9	64.7	61.7	146.0	142.6
Prior period adjustment	(0.2)	-	0.2	-	-	-
Ending net position	<u>\$ 81.2</u>	<u>\$ 81.3</u>	<u>\$ 68.4</u>	<u>\$ 64.7</u>	<u>\$ 149.6</u>	<u>\$ 146.0</u>

CITY OF NEWBERG, OREGON
Management's Discussion and Analysis
For the Year Ended June 30, 2014

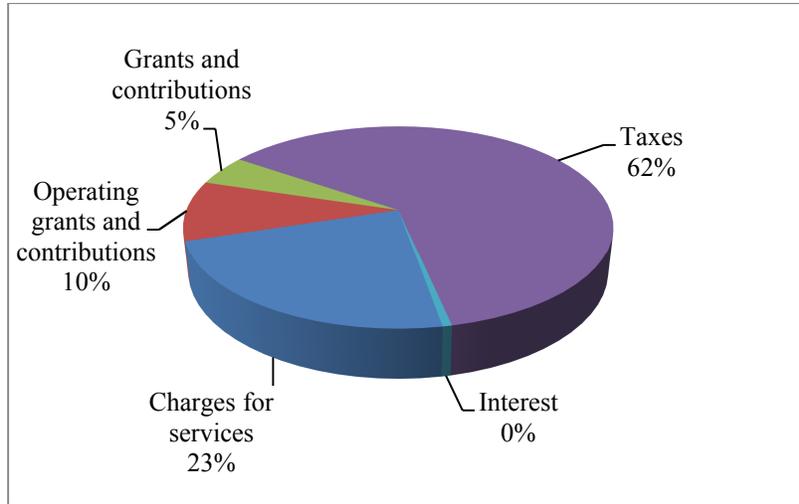
Governmental Activities

During the current fiscal year, the net position for governmental activities decreased \$0.1 million from the prior fiscal year for an ending balance of \$81.2 million. While the current recession certainly had an impact on the City, management was able to take various actions (e.g. forgoing some employee cost of living and merit increases, cuts to services, holding materials and services costs steady) that neutralized its effect on governmental activities. 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.
- Grants and contributions – These are revenues arising from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
- Operating grants/contributions – These revenues primarily consist of state gas tax disbursed to the City to use for road maintenance. Other small state and private contributions are also included in the operating grant category. These funds go to support specific activities within the City.
- Capital grants/contributions – These revenues primarily consist of grants and developer infrastructure contributions (e.g. fair market value of subdivision's infrastructure such as streets, roads, and rights-of-way/easements). Overall grants/contributions were consistent with the prior year. During 2013-14, the City received federal exchange revenues (\$0.7 million) to make road improvements. In addition, significant donations were made to fund the Library Children's Room remodel project (\$0.1 million).
- Taxes – These are revenues that consist primarily of property taxes, transient lodging taxes, and franchise fees based on gross revenues. Property taxes increased \$0.1 million or 1.4% over the prior fiscal year. Public service taxes decreased just slightly.
- Interest – This is revenue derived from the City's investment of temporarily idle assets. Due to poor investment market earnings, revenues from this source were minor.
- Other - This is miscellaneous revenue not related to services provided. Governmental activities had a gain on sale of capital assets and received various other non-recurring revenues.

CITY OF NEWBERG, OREGON
Management's Discussion and Analysis
For the Year Ended June 30, 2014

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, 2014
(in millions)

Programs	FY 2013-14		Compared to FY 2012-13	
	Amount	Percent of Total	Amount	Percent
General government	\$ 0.5	3.0%	\$ 0.1	25.0%
Public safety	10.8	65.5%	0.6	5.9%
Library	1.2	7.3%	-	0.0%
Community development	3.9	23.6%	0.6	18.2%
Interest on long-term obligations	0.1	0.6%	(0.2)	-66.7%
Total expenses	\$ 16.5	100.0%	\$ 1.1	

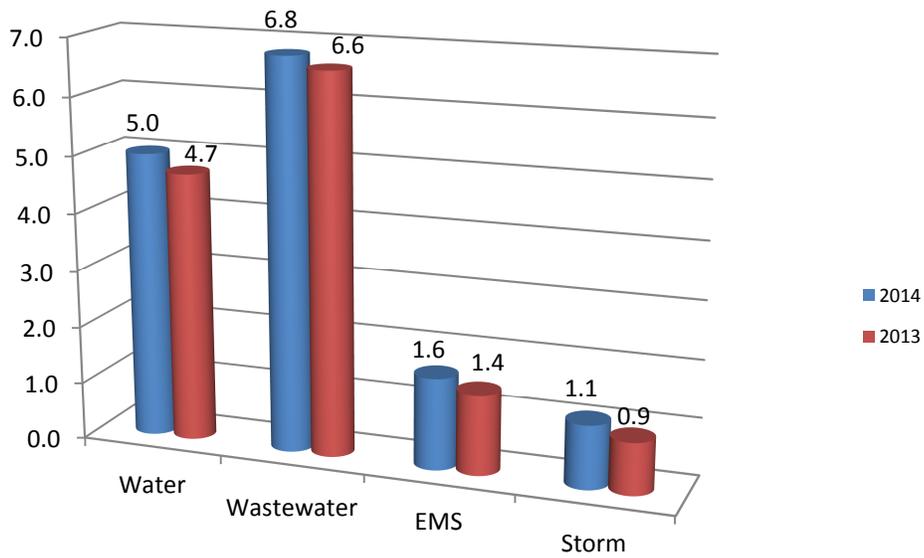
- General government, library, and community development expenses were consistent with the prior fiscal year.
- Public safety consists of the police, fire, court, and 911 operations. The rise in program expense is primarily due to increases in cost of living and merit increases mandated by collective bargaining agreements.

CITY OF NEWBERG, OREGON
Management's Discussion and Analysis
For the Year Ended June 30, 2014

Business-type Activities

Overall revenues increased by \$0.9 million over the prior fiscal year. Every service experienced a modest rise over the prior year.

Business-Type Activities – Operating Revenues by Service



CITY OF NEWBERG, OREGON
Management's Discussion and Analysis
For the Year Ended June 30, 2014

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, 2013
(in millions)

Programs	FY 2013-14		Compared to FY 2012-13	
	Amount	Percent of Total	Increase/(Decrease) Amount	Percent
Water	4.4	35.8%	0.1	2.3%
Wastewater	5.4	43.9%	0.1	1.9%
Stormwater	1.0	8.1%	(0.1)	-9.1%
Emergency medical services	1.5	12.2%	0.1	7.1%
Total expenses	\$ 12.3	100.0%	\$ 0.2	

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 itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City Council.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7.7 million, a decrease of \$0.9 million in comparison with the prior year. Approximately 30.8% of this amount (\$2.4 million) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balances is either nonspendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form (\$0.1 million), 2) restricted for particular purposes (\$3.9 million), 3) committed for particular purposes (\$0.8 million) or 4) assigned for particular purposes (\$0.5 million).

CITY OF NEWBERG, OREGON
Management's Discussion and Analysis
For the Year Ended June 30, 2014

The General Fund is the chief operating fund of the City. The fund balance of the City's General Fund decreased by \$0.5 million, or -16.7%, during the current fiscal year. Key components to the change for the year ended June 30, 2014 are as follows:

- Property taxes increased \$0.1 million, or 2%.
- Expenditures in the General Fund increased by \$0.5 million compared to the prior fiscal year. Public safety personnel costs rose to due cost of living increases and merits mandated in collective bargaining agreements.

The Street Fund ending balance decreased by \$20,230. Revenues and expenditures were relatively consistent with the prior fiscal year. However, more was spent funding capital projects during 2013-14.

The Building Inspection Fund continued to improve during 2013-14 with an ending fund balance increasing from \$339,929 in 2012-13 to \$387,961 by June 30, 2014. Building inspection activity within the City continues to grow at a modest pace.

Other governmental fund balances decreased by \$446,298.

Proprietary Funds

The City'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 \$1.0 million over the prior fiscal year. Operating costs increased \$0.2 million during 2013-14 due to a computer network upgrade. System development fees decreased by \$0.1 million.

The net position of the wastewater utility increased by \$2.2 million (7.9%) during fiscal year 2013-14. Charges for services were consistent with the prior year. Personnel and material services increased slightly while system development revenue decreased by \$54 thousand.

The net position of the stormwater utility slightly increased by \$56 thousand during fiscal year 2013-14. Stormwater charges for services increased 25.8% due to the rate change implemented January 1, 2014.

Net position of the emergency medical services division increased \$84,131 during fiscal year 2013-14. Operating revenues increased 10.5% while operating expenses also increased by 10.4%.

CITY OF NEWBERG, OREGON
Management's Discussion and Analysis
For the Year Ended June 30, 2014

BUDGETARY HIGHLIGHTS

Original budget compared to final budget

The budgetary statement for the General Fund, page 8, shows the original budget, final budget, actual revenues, expenditures and transfers in and out for the fiscal year ended June 30, 2014. The City recognized \$439,138 in additional beginning fund balance through the supplemental budget process. Nearly all of this extra resource was allocated to contingency. Over the course of the fiscal year, other minor changes were made to appropriations to cover unexpected costs.

Final budget compared to actual results

The police department expended \$275,450 less than anticipated in the budget process due to lower personnel services costs. Similarly, the fire department expended \$209,089 less due to conservative projections made for personnel services. General Government expended \$78,433 less than budgeted primarily due to a grant project that was budgeted to expend \$100,000, but only spent \$40,000 during the 2013-14 fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2014, the City had invested \$156.4 million in capital assets as reflected in the following table, which represents a net increase (additions, deductions and depreciation) of \$9.1 million.

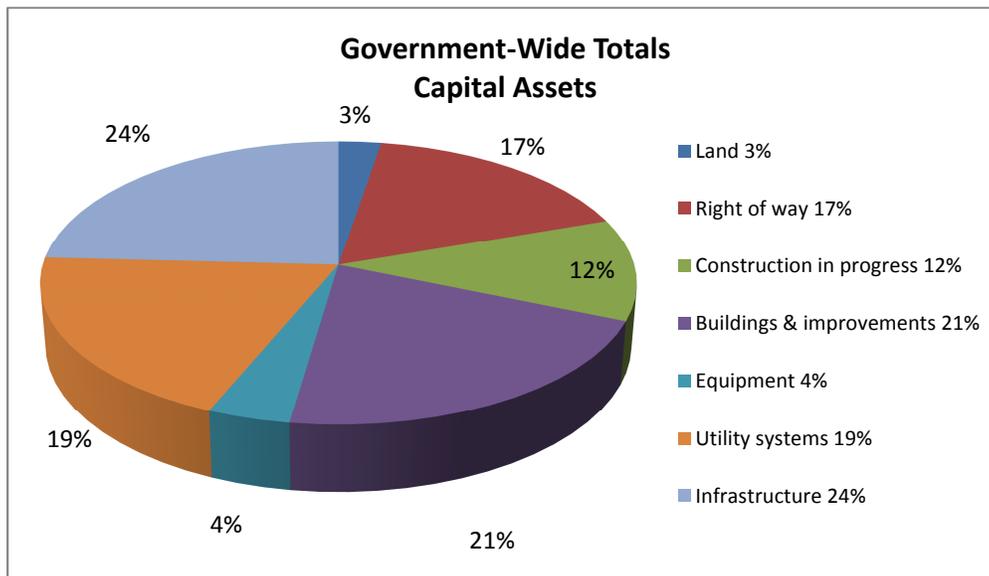
TABLE 5
CAPITAL ASSETS AT YEAR END
(NET OF DEPRECIATION)
(in millions)

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Land	\$ 1.1	\$ 1.1	\$ 3.0	\$ 4.0	\$ 4.1	\$ 5.1
Right of way	26.7	26.7	-	-	26.7	26.7
Construction in progress	-	0.3	18.2	6.7	18.2	7.0
Buildings and improvements	8.2	8.2	24.6	26.0	32.8	34.2
Equipment	2.8	2.2	3.4	3.6	6.2	5.8
Utility systems	-	-	30.6	31.1	30.6	31.1
Infrastructure	37.8	37.4	-	-	37.8	37.4
Total	<u>\$ 76.6</u>	<u>\$ 75.9</u>	<u>\$ 79.8</u>	<u>\$ 71.4</u>	<u>\$ 156.4</u>	<u>\$ 147.3</u>

CITY OF NEWBERG, OREGON
Management's Discussion and Analysis
For the Year Ended June 30, 2014

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

- Sale of 9.74 acres of land for \$961,005
- Depreciation expense for 2013-14 was \$5,081,134
- Continuation of improvements and repairs at the Wastewater Treatment Plant \$9.4 million
- Construction related to the Newberg-Dundee Bypass project \$1.5 million



Additional information on the City's capital assets can be found in the notes to the basic financial statements on pages 29 and 30 of this report.

CITY OF NEWBERG, OREGON
Management's Discussion and Analysis
For the Year Ended June 30, 2014

Debt. As of June 30, 2014, the City had a total long-term debt obligation of \$34.6 million. Of this amount, \$4.8 million represented outstanding bonded indebtedness. Outstanding bonded debt included \$1.0 million to be serviced by property taxes, \$3.8 million to be serviced by the City Hall fee and internal charges to departments. All of these debts are backed by the full faith and credit of the City.

TABLE 6
OUTSTANDING DEBT AT YEAR END
(in millions)

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
General obligation	\$ 1.0	\$ 1.3	\$ -	\$ -	\$ 1.0	\$ 1.3
Certificates of participation	1.3	1.5	-	-	1.3	1.5
Limited tax bonds	2.5	2.6	-	-	2.5	2.6
Notes payable	-	-	29.5	26.3	29.5	26.3
Capital leases	0.3	0.4	-	-	0.3	0.4
Total	<u>\$ 5.1</u>	<u>\$ 5.8</u>	<u>\$ 29.5</u>	<u>\$ 26.3</u>	<u>\$ 34.6</u>	<u>\$ 32.1</u>

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

Additional information on the City's long-term obligations can be found in the notes to the basic financial statements on pages 32 - 36 of this report.

ECONOMIC FACTORS

The following economic factors currently affect the City:

- The unemployment rate for Yamhill County is currently 6.3%, which is a slight decrease from a rate of 7.8% a year ago. While the unemployment rate continues to decrease, it is not expected to reach the pre-recession level for several years.
- Taxable assessed value of properties within the City will increase in the next year. For 2014-15, the assessed value is expected to increase by nearly 5%.
- The City's private retirement plan is budgeted to have a 2.5% increase in the City's contribution rate for the next fiscal year.
- 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 2.0%, but no merit increases for 2014-15.

CITY OF NEWBERG, OREGON
Management's Discussion and Analysis
For the Year Ended June 30, 2014

- 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.

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 2014-15 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

This page intentionally left blank

BASIC FINANCIAL STATEMENTS

This page intentionally left blank

City of Newberg, Oregon

STATEMENT OF NET POSITION

June 30, 2014

	Governmental Activities	Business-Type Activities	Totals
<u>ASSETS</u>			
Cash and investments	\$ 10,012,777	\$ 21,666,718	\$ 31,679,495
Receivables, net	1,629,899	1,853,416	3,483,315
Internal balances	(455,617)	455,617	-
Inventories	80,973	230,831	311,804
Prepaid pension asset	1,527,063	-	1,527,063
Capital assets:			
Land and construction in progress	27,861,204	21,182,305	49,043,509
Other capital assets, net of depreciation	48,873,137	58,654,929	107,528,066
Total assets	89,529,436	104,043,816	193,573,252
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	1,395,222	5,016,414	6,411,636
Deposits	30,823	2,250	33,073
Interest payable	35,235	499,609	534,844
Net pension obligation	-	3,039	3,039
Long-term obligations:			
Due within one year	1,405,083	2,089,735	3,494,818
Due in more than one year	5,470,723	28,017,269	33,487,992
Total liabilities	8,337,086	35,628,316	43,965,402
<u>NET POSITION</u>			
Net investment in capital assets	74,161,008	50,349,199	124,510,207
Restricted for:			
Capital projects	2,375,266	3,324,341	5,699,607
Debt service	249,444	-	249,444
Public safety	256,702	-	256,702
Street maintenance	668,873	-	668,873
Other purposes	474,769	-	474,769
Unrestricted	3,006,288	14,741,960	17,748,248
Total net position	\$ 81,192,350	\$ 68,415,500	\$ 149,607,850

See accompanying notes

City of Newberg, Oregon

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<u>Governmental activities:</u>				
General government	\$ 499,907	\$ 372,919	\$ 263,414	\$ -
Public safety	10,863,373	2,025,314	2,269	-
Library	1,190,740	106,931	28,638	94,322
Community development	3,891,844	1,329,636	1,308,476	675,686
Interest on long-term obligations	83,029	-	-	-
Total governmental activities	16,528,893	3,834,800	1,602,797	770,008
<u>Business-type activities:</u>				
Water	4,375,856	5,024,743	-	293,607
Wastewater	5,380,122	6,809,455	-	773,601
Stormwater	1,033,464	1,098,072	-	21,409
Emergency medical services	1,512,335	1,599,863	-	8,944
Total business-type activities	12,301,777	14,532,133	-	1,097,561
Totals	\$ 28,830,670	\$ 18,366,933	\$ 1,602,797	\$ 1,867,569

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

See accompanying notes

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-Type Activities	Totals
\$ 136,426	\$ -	\$ 136,426
(8,835,790)	-	(8,835,790)
(960,849)	-	(960,849)
(578,046)	-	(578,046)
(83,029)	-	(83,029)
<u>(10,321,288)</u>	<u>-</u>	<u>(10,321,288)</u>
-	942,494	942,494
-	2,202,934	2,202,934
-	86,017	86,017
-	96,472	96,472
-	3,327,917	3,327,917
<u>(10,321,288)</u>	<u>3,327,917</u>	<u>(6,993,371)</u>
6,604,074	-	6,604,074
414,729	-	414,729
3,285,287	-	3,285,287
59,666	106,089	165,755
35,534	-	35,534
(3,703)	65,818	62,115
(22,853)	22,853	-
<u>10,372,734</u>	<u>194,760</u>	<u>10,567,494</u>
51,446	3,522,677	3,574,123
81,301,618	64,732,109	146,033,727
(160,714)	160,714	-
<u>\$ 81,192,350</u>	<u>\$ 68,415,500</u>	<u>\$ 149,607,850</u>

City of Newberg, Oregon

BALANCE SHEET GOVERNMENTAL FUNDS

June 30, 2014

	General	Street	Building Inspection	Street Capital Projects	Total Nonmajor Funds	Total Governmental Funds
<u>ASSETS</u>						
Cash and investments	\$ 2,650,805	\$ 515,447	\$ 397,081	\$ -	\$ 4,014,771	\$ 7,578,104
Receivables:						
Accounts, net	257,754	102,700	4,544	242,163	202,762	809,923
Loans	-	-	-	-	97,731	97,731
Assessments	-	-	-	-	38,780	38,780
Taxes	640,352	-	-	-	42,541	682,893
Due from other funds	-	68,712	-	-	-	68,712
Inventories	-	57,685	-	-	-	57,685
Total assets	\$ 3,548,911	\$ 744,544	\$ 401,625	\$ 242,163	\$ 4,396,585	\$ 9,333,828
<u>LIABILITIES</u>						
Accounts payable	\$ 140,201	\$ 60,646	\$ 7,225	\$ 9,962	\$ 127,259	\$ 345,293
Other accrued liabilities	240,910	7,735	6,439	-	10,666	265,750
Due to other funds	-	-	-	68,712	-	68,712
Deposits	23,253	7,290	-	-	-	30,543
Interfund loan	141,989	-	-	-	-	141,989
Total liabilities	546,353	75,671	13,664	78,674	137,925	852,287
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Unavailable revenue-property taxes	640,352	-	-	-	42,541	682,893
Unavailable revenue-loans	-	-	-	-	97,731	97,731
Unavailable revenue-special assessments	-	-	-	-	38,780	38,780
Total deferred inflows of resources	640,352	-	-	-	179,052	819,404
<u>FUND BALANCES</u>						
Nonspendable	-	57,685	-	-	-	57,685
Restricted	-	611,188	387,961	-	2,886,899	3,886,048
Committed	-	-	-	163,489	643,906	807,395
Assigned	-	-	-	-	548,803	548,803
Unassigned	2,362,206	-	-	-	-	2,362,206
Total fund balances	2,362,206	668,873	387,961	163,489	4,079,608	7,662,137
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,548,911	\$ 744,544	\$ 401,625	\$ 242,163	\$ 4,396,585	\$ 9,333,828

See accompanying notes

City of Newberg, Oregon

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

June 30, 2014

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

Total fund balances - governmental funds	\$	7,662,137
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.		819,404
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		75,017,845
The net pension asset and related costs are not an available resources and, therefore, are not reported in the funds.		1,527,063
Long-term obligations are not due and payable in the current period and, therefore, are not reported in the funds:		
Long-term debt	(5,342,566)	
Other postemployment benefits	(917,914)	
Accrued interest	(35,235)	(6,295,715)
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		2,461,616
Net position of governmental activities	\$	81,192,350

See accompanying notes

City of Newberg, Oregon

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

For the Year Ended June 30, 2014

	General	Street	Building Inspection	Street Capital Projects	Total Nonmajor Funds	Total Governmental Funds
Revenues						
Property taxes	\$ 6,589,624	\$ -	\$ -	\$ -	\$ 414,394	\$ 7,004,018
Other taxes	1,945,717	-	-	-	-	1,945,717
Licenses and permits	277,380	15,724	309,976	-	-	603,080
Fees	-	-	-	-	508,004	508,004
Intergovernmental	1,977,338	1,283,368	-	986,364	464,261	4,711,331
Charges for services	133,272	38,570	98,027	-	265,206	535,075
Fines and forfeitures	709,974	-	-	-	15,915	725,889
Facilities charge	-	-	-	-	119,336	119,336
Pension bond charge	-	-	-	-	210,645	210,645
Loan collections - principal	-	-	-	-	10,428	10,428
Loan collections - interest	-	-	-	-	3,987	3,987
Assessments	-	-	-	-	6,183	6,183
Donations	-	-	-	-	119,537	119,537
Interest	9,579	2,706	1,719	535	27,804	42,343
Miscellaneous	1,727	3,105	193	-	8,400	13,425
Total revenues	11,644,611	1,343,473	409,915	986,899	2,174,100	16,558,998
Expenditures						
Current:						
General government	399,921	-	-	-	-	399,921
Public safety	9,785,914	-	-	-	551,918	10,337,832
Library	1,118,260	-	-	-	129,490	1,247,750
Community development	630,808	859,311	361,883	-	362,117	2,214,119
Debt service:						
Principal	-	-	-	-	580,000	580,000
Interest	-	-	-	-	295,870	295,870
Capital outlay	-	-	-	1,965,756	259,286	2,225,042
Total expenditures	11,934,903	859,311	361,883	1,965,756	2,178,681	17,300,534
Excess (deficiency) of revenues over expenditures	(290,292)	484,162	48,032	(978,857)	(4,581)	(741,536)
Other financing sources (uses)						
Capital lease receipt	-	-	-	-	32,748	32,748
Sale of capital assets	322	-	-	-	-	322
Transfers in	-	-	-	1,032,508	133,109	1,165,617
Transfers out	(22,853)	(504,392)	-	-	(661,225)	(1,188,470)
Total other financing sources (uses)	(22,531)	(504,392)	-	1,032,508	(495,368)	10,217
Net change in fund balances	(312,823)	(20,230)	48,032	53,651	(499,949)	(731,319)
Fund balances, July 1, 2013	2,835,743	689,103	339,929	109,838	4,579,557	8,554,170
Prior period adjustment	(160,714)	-	-	-	-	(160,714)
Fund balances, June 30, 2014	\$ 2,362,206	\$ 668,873	\$ 387,961	\$ 163,489	\$ 4,079,608	\$ 7,662,137

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, 2014

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

Net change in fund balances - total governmental funds	\$ (731,319)
Governmental funds defer revenues that do not provide current financial resources. However, the statement of activities recognizes such revenues at their net realizable value when earned, regardless of when received.	
Property taxes	14,785
Notes and assessments	56,389
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.	797,310
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	23,178
Interest	758
Amortization of prepaid pension cost and related bond issuance costs	(109,729)
Other postemployment benefits	(43,084)
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	(32,748)
In the statement of activities, the (loss) on the disposition of capital assets is reported. The (loss) is not a current financial resource and thus is not reported in the funds.	(3,501)
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	1,923,814
Depreciation	(1,842,021)
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.	(2,386)
Change in net position of governmental activities	\$ 51,446

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, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Property taxes	\$ 6,580,274	\$ 6,580,274	\$ 6,589,624	\$ 9,350
Franchise Fees	1,857,500	1,927,500	1,945,717	18,217
Licenses and permits	252,300	273,465	277,380	3,915
Intergovernmental	1,894,577	1,994,577	1,977,338	(17,239)
Charges for services	128,804	128,804	133,272	4,468
Fines and forfeitures	547,000	547,000	709,974	162,974
Interest	7,500	7,500	9,579	2,079
Miscellaneous	2,000	2,000	1,727	(273)
Total revenues	11,269,955	11,461,120	11,644,611	183,491
<u>Expenditures</u>				
General government	359,354	478,354	399,921	78,433
Municipal court	253,855	287,855	275,746	12,109
Police	5,620,501	5,638,087	5,362,637	275,450
Fire	3,350,770	3,405,483	3,196,394	209,089
Communications	981,140	981,140	951,137	30,003
Library	1,175,205	1,176,422	1,118,260	58,162
Planning	644,387	645,604	630,808	14,796
Contingency	139,773	542,343	-	542,343
Total expenditures	12,524,985	13,155,288	11,934,903	1,220,385
Excess (deficiency) of revenues over expenditures	(1,255,030)	(1,694,168)	(290,292)	(1,403,876)
<u>Other financing sources (uses)</u>				
Sale of capital assets	-	-	322	322
Transfers out	(41,575)	(41,575)	(41,578)	(3)
Total other financing sources (uses)	(41,575)	(41,575)	(41,256)	319
Net change in fund balances	(1,296,605)	(1,735,743)	(331,548)	1,404,195
Fund balances, July 1, 2013	2,396,605	2,835,743	2,835,743	-
Fund balances, June 30, 2014	\$ 1,100,000	\$ 1,100,000	\$ 2,504,195	\$ 1,404,195
Reconciliation to generally accepted accounting principles				
Interfund loan			(141,989)	
Fund balances, June 30, 2014			<u>\$ 2,362,206</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, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Permits	\$ -	\$ -	\$ 15,724	\$ 15,724
Intergovernmental	1,268,000	1,268,000	1,283,368	15,368
Charges for services	-	1,300	38,570	37,270
Interest	1,500	1,500	2,706	1,206
Miscellaneous	-	-	3,105	3,105
Total revenues	1,269,500	1,270,800	1,343,473	72,673
<u>Expenditures</u>				
Highways and streets	911,242	912,892	859,311	53,581
Contingency	311,837	387,093	-	387,093
Total expenditures	1,223,079	1,299,985	859,311	440,674
Excess (deficiency) of revenues over expenditures	46,421	(29,185)	484,162	513,347
<u>Other financing sources (uses)</u>				
Transfers out	(651,518)	(659,918)	(504,392)	155,526
Total other financing sources (uses)	(651,518)	(659,918)	(504,392)	155,526
Net change in fund balances	(605,097)	(689,103)	(20,230)	668,873
Fund balance, July 01, 2013	605,097	689,103	689,103	-
Fund balance, June 30, 2014	\$ -	\$ -	\$ 668,873	\$ 668,873

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, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Licenses and permits	\$ 180,000	\$ 200,000	\$ 309,976	\$ 109,976
Charges for services	40,000	40,000	98,027	58,027
Interest	500	500	1,719	1,219
Miscellaneous	150	150	193	43
Total revenues	220,650	240,650	409,915	169,265
<u>Expenditures</u>				
Inspection	304,830	369,627	361,883	7,744
Contingency	229,669	210,952	-	210,952
Total expenditures	534,499	580,579	361,883	218,696
Net change in fund balances	(313,849)	(339,929)	48,032	387,961
Fund balance, July 01, 2013	313,849	339,929	339,929	-
Fund balance, June 30, 2014	\$ -	\$ -	\$ 387,961	\$ 387,961

See accompanying notes

City of Newberg, Oregon

STATEMENT OF NET POSITION PROPRIETARY FUNDS

June 30, 2014

	Business-type Activities					Governmental Activities
	Water	Waste- water	Storm- water	Emergency Medical Services	Total Enterprise Funds	Internal Service Funds
ASSETS						
<u>Current assets</u>						
Cash and investments	\$ 7,844,826	\$ 11,620,534	\$ 1,320,707	\$ 545,647	\$ 21,331,714	\$ 2,769,677
Accounts and notes receivable, net	851,699	764,729	114,821	122,167	1,853,416	572
Due from other funds	141,989	-	-	-	141,989	-
Inventories	173,301	57,530	-	-	230,831	23,288
Total current assets	9,011,815	12,442,793	1,435,528	667,814	23,557,950	2,793,537
<u>Noncurrent assets</u>						
Capital assets, net of depreciation	28,432,066	42,855,570	8,056,080	493,518	79,837,234	1,716,496
Total noncurrent assets	28,432,066	42,855,570	8,056,080	493,518	79,837,234	1,716,496
Total assets	37,443,881	55,298,363	9,491,608	1,161,332	103,395,184	4,510,033
LIABILITIES						
<u>Current liabilities</u>						
Accounts payable and accrued liabilities	645,665	4,201,148	17,838	31,937	4,896,588	380,662
Payroll payables	33,052	42,042	17,216	29,766	122,076	403,797
Interest payable	288,194	211,415	-	-	499,609	-
Compensated absences	58,263	60,338	20,249	42,484	181,334	112,766
Net pension obligation	-	3,039	-	-	3,039	-
Current portion of capital leases payable	-	2,025	-	-	2,025	103,804
Current portion of notes payable	762,928	1,143,448	-	-	1,906,376	-
Total current liabilities	1,788,102	5,663,455	55,303	104,187	7,611,047	1,001,029
<u>Long-term obligations</u>						
Capital leases payable, net of current portion	-	4,494	-	-	4,494	197,929
Notes payable, net of current portion	10,712,402	16,862,738	-	-	27,575,140	-
Other postemployment benefit obligation	164,089	160,270	45,237	68,039	437,635	200,827
Total long-term obligations	10,876,491	17,027,502	45,237	68,039	28,017,269	398,756
Total liabilities	12,664,593	22,690,957	100,540	172,226	35,628,316	1,399,785
<u>Net position</u>						
Net investment in capital assets	16,956,736	24,842,865	8,056,080	493,518	50,349,199	1,414,763
Restricted for:						-
System expansion	-	3,176,180	148,161	-	3,324,341	-
Debt service	-	380,273	-	-	380,273	-
Unrestricted	7,822,552	4,208,088	1,186,827	495,588	13,713,055	1,695,485
Total net position	\$ 24,779,288	\$ 32,607,406	\$ 9,391,068	\$ 989,106	67,766,868	\$ 3,110,248
Adjustment to reflect the combination of internal service fund activities related to enterprise funds.					648,632	
Net position of business-type activities					<u>\$ 68,415,500</u>	

See accompanying notes

City of Newberg, Oregon

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

For the Year Ended June 30, 2014

	Business-type Activities					Governmental Activities
	Water	Waste- water	Storm- water	Emergency Medical Services	Total Enterprise Funds	Internal Service Funds
<u>Operating revenues</u>						
Charges for services, net	\$ 4,703,229	\$ 6,503,215	\$ 1,064,898	\$ 1,599,564	\$ 13,870,906	\$ 3,925,634
Other	321,514	306,240	33,174	299	661,227	24,229
Total operating revenues	5,024,743	6,809,455	1,098,072	1,599,863	14,532,133	3,949,863
<u>Operating expenses</u>						
Personal services	1,248,090	1,591,678	554,770	1,006,313	4,400,851	2,015,353
Materials and services	1,670,545	1,901,012	235,798	430,020	4,237,375	1,364,940
Depreciation and amortization	1,082,182	1,518,839	279,947	90,754	2,971,722	267,391
Total operating expenses	4,000,817	5,011,529	1,070,515	1,527,087	11,609,948	3,647,684
Operating income	1,023,926	1,797,926	27,557	72,776	2,922,185	302,179
<u>Nonoperating revenues (expenses)</u>						
Interest	41,658	55,000	7,020	2,411	106,089	14,316
Grants	-	-	-	8,944	8,944	750
Interest	(502,049)	(503,408)	-	-	(1,005,457)	(5,481)
Gain (loss) on sale of capital assets	7,469	58,349	-	-	65,818	(524)
Total nonoperating revenues (expenses)	(452,922)	(390,059)	7,020	11,355	(824,606)	9,061
Income before capital contributions and transfers	571,004	1,407,867	34,577	84,131	2,097,579	311,240
Capital contributions	293,607	773,601	21,409	-	1,088,617	-
Transfers in (out)	3,214	19,639	-	-	22,853	-
Change in net position	867,825	2,201,107	55,986	84,131	3,209,049	311,240
Net position, July 1, 2013	23,750,749	30,406,299	9,335,082	904,975		2,799,008
Prior period adjustment	160,714	-	-	-		-
Net position, June 30, 2014	\$24,779,288	\$32,607,406	\$ 9,391,068	\$ 989,106		\$ 3,110,248

Adjustment to reflect the combination of internal service fund activities related to enterprise funds.	313,628
Change in net position of business-type activities	<u>\$ 3,522,677</u>

See accompanying notes

City of Newberg, Oregon

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended June 30, 2014

	Business-type Activities					Governmental Activities
	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	\$ 4,509,171	\$ 6,454,849	\$ 1,035,059	\$ 1,553,487	\$ 13,552,566	\$ -
Cash paid to suppliers	(1,103,842)	(1,825,757)	(243,244)	(426,069)	(3,598,912)	(876,818)
Cash received from other funds	-	-	-	-	-	3,928,369
Cash paid to employees	(1,223,381)	(1,580,598)	(547,668)	(991,061)	(4,342,708)	(1,919,252)
Other receipts	321,514	306,240	33,174	299	661,227	24,229
Net cash provided by operating activities	2,503,462	3,354,734	277,321	136,656	6,272,173	1,156,528
<u>Cash flows from noncapital financing activities</u>						
Transfers in	3,214	19,639	-	-	22,853	-
Net cash provided by noncapital financing activities	3,214	19,639	-	-	22,853	-
<u>Cash flows from capital and related financing activities</u>						
Proceeds from loans	-	4,620,523	-	-	4,620,523	-
Principal paid on long-term obligations	(734,451)	(662,234)	-	-	(1,396,685)	(130,234)
Interest paid on long-term obligations	(522,956)	(582,277)	-	-	(1,105,233)	(5,481)
Payments on interfund loan	18,725	-	-	-	18,725	-
Grants	-	-	-	8,944	8,944	750
Purchases of capital assets	(1,326,501)	(6,984,845)	(303,277)	(30,596)	(8,645,219)	(800,474)
Sale of capital assets	7,469	1,019,354	-	-	1,026,823	3,441
Developer contributions	293,607	773,601	21,409	-	1,088,617	-
Net cash (used in) capital and related financing activities	(2,264,107)	(1,815,878)	(281,868)	(21,652)	(4,383,505)	(931,998)
<u>Cash flows from investing activities</u>						
Interest received on investments	41,658	55,000	7,020	2,411	106,089	14,316
Net cash provided by investment activities	41,658	55,000	7,020	2,411	106,089	14,316
Net increase in cash and investments	284,227	1,613,495	2,473	117,415	2,017,610	238,846
Cash and investments, July 1, 2012	7,560,599	10,007,039	1,318,234	428,232	19,314,104	2,751,915
Cash and investments, June 30, 2013	\$ 7,844,826	\$ 11,620,534	\$ 1,320,707	\$ 545,647	\$ 21,331,714	\$ 2,990,761
Reconciliation of operating income to net cash provided by operating activities:						
Operating income	\$ 1,023,926	\$ 1,797,926	\$ 27,557	\$ 72,776	\$ 2,922,185	\$ 302,179
<u>Adjustments to reconcile operating income to net cash provided by operating activities:</u>						
Depreciation	1,082,182	1,518,839	279,947	90,754	2,971,722	267,391
Net other post employment benefits	6,154	7,922	2,556	3,440	20,072	9,955
Net pension obligation	-	22	-	-	22	-
(Increase) decrease in accounts receivable	(194,058)	(48,366)	(29,839)	(46,077)	(318,340)	2,735
(Increase) in inventory	(4,046)	(15,772)	-	-	(19,818)	13,121
Increase in other assets	-	-	-	-	-	2,000
Increase (decrease) in accounts payable	570,749	91,027	(7,446)	3,951	658,281	251,917
Increase (decrease) in payroll payable	6,968	11,878	5,942	10,940	35,728	82,729
Increase (decrease) in compensated absences	11,587	(8,742)	(1,396)	872	2,321	3,417
Net cash provided by operating activities	\$ 2,503,462	\$ 3,354,734	\$ 277,321	\$ 136,656	\$ 6,272,173	\$ 935,444
<u>Schedule of noncash capital and related financing activities</u>						
Borrowing under capital lease	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 250,000

See accompanying notes

City of Newberg, Oregon

STATEMENT OF NET POSITION FIDUCIARY FUNDS

June 30, 2014

	Employees Retirement Plan Trust	Agency
	<hr/>	<hr/>
<u>ASSETS</u>		
Cash	\$ -	\$ 78,493
Large cap stocks	4,605,632	-
Real estate	947,490	-
Bonds & mortgages	9,690,168	-
International stocks	1,894,467	-
Small cap stocks	1,133,632	-
Total assets	18,271,389	78,493
<u>LIABILITIES</u>		
Accounts payable	-	12,480
Funds held in trust	-	66,013
Total liabilities	-	\$ 78,493
<u>NET POSITION</u>		
Net position held in trust for pension benefits	\$ 18,271,389	

See accompanying notes

City of Newberg, Oregon

STATEMENT OF CHANGES IN NET POSITION FIDUCIARY FUNDS

For the year ended June 30, 2014

	Employees Retirement Plan Trust
<u>Additions</u>	
Contributions	
Employer	\$ 806,860
Plan members	143,304
<u>Total contributions</u>	<u>950,164</u>
Investment earnings	
Net appreciation in the fair value of investments	2,307,484
<u>Total investment earnings</u>	<u>2,307,484</u>
<u>Total additions</u>	<u>3,257,648</u>
<u>Deductions</u>	
Benefits	1,384,753
Administrative expenses	54,016
<u>Total deductions</u>	<u>1,438,769</u>
Change in net position	1,818,879
Net position, beginning	16,452,510
<u>Net position, ending</u>	<u>\$ 18,271,389</u>

See accompanying notes

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2014

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, 2014

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, 2014

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, 2014

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.

A deferred revenue liability arises in the governmental funds Balance Sheet when potential revenue does not meet both the measurable and available criteria for recognition in the current period. This unavailable deferred revenue consists primarily of uncollected property taxes and assessments not deemed available to finance 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 liability on the governmental funds balance sheet for unavailable deferred revenue is eliminated.

Similar to the way its revenues are recorded, governmental funds only record those expenditures that affect current financial resources. Principal and interest on long-term obligations are recorded as fund liabilities only 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, 2014

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.

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2014

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

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

Inventories and Prepaid Items

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

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

Capital Assets

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

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

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

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, 2014

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 of ordinance at any time through passage of an additional resolution or ordinance.

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2014

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

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 returning to the Budget Committee for approval. After the Council adopts the budget and certifies the total of *ad valorem* taxes to be levied, no additional tax levy may be made for that fiscal year.

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2014

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

The City Council may change the budget throughout the year by transferring appropriations between levels of control and by adopting supplemental budgets as authorized by the Oregon Revised Statutes. Unexpected additional resources may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers and approval by the City Council. Expenditure appropriations may not be legally over-expended except in the case of grant receipts that could not be reasonably estimated at the time the budget was adopted, and for debt service on new debt issued during the budget year. Management may transfer budget amounts between individual line items within a level of control, but cannot make changes to the level of control totals themselves. During the fiscal year ended June 30, 2014, City Council approved four supplemental budget resolutions and one appropriation transfer resolution.

Deficit Fund Balance

The Wastewater Financed CIP and Water System Development Funds have deficit fund balances of \$(5,104,064) and \$(54,054), respectively. 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. Both deficits are expected to be eliminated during the 2014-15 fiscal year with the fulfillment of funding requests.

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, 2014:

Cash on hand	\$	2,005
Cash with county treasurer		93,264
Deposits with financial institutions		989,179
Investments		<u>48,944,929</u>
Total cash and investments	\$	<u>50,029,377</u>

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2014

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

The City's position in the LGIP at June 30, 2014 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, 2014, the City had the following investments:

Investments	Maturities	Total	Fair Value	Credit Risk
Local Government Investment Pool	Less than 1 year	\$ 30,673,540	\$ 30,673,540	Not rated
Mutual Funds (Pension Trust)	N/A	<u>18,271,389</u>	18,271,382	Various
Total investments		<u>\$ 48,944,929</u>		

Interest Rate Risk

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

Concentration of Credit Risk

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

Custodial Credit Risk – Investments

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

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2014

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, 2014, \$826,887 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:

Governmental funds/activities

General	\$	2,650,805
Street		515,447
Building inspection		397,081
Nonmajor governmental		<u>4,014,771</u>
Total governmental funds		7,578,104
Internal service fund cash allocated to governmental activities		<u>2,434,673</u>
Total governmental activities		<u>10,012,777</u>

Business-type activities/Enterprise funds

Enterprise		
Water		7,844,826
Wastewater		11,620,534
Stormwater		1,320,707
Emergency medical services		<u>545,647</u>
Total enterprise funds		21,331,714
Internal service fund cash allocated to business-type activities		<u>335,004</u>
Total business-type activities		<u>21,666,718</u>

Fiduciary Funds

Employees retirement plan trust		18,271,389
Agency fund - bail		<u>78,493</u>
Total fiduciary funds		<u>18,349,882</u>
Total cash and investments	\$	<u><u>50,029,377</u></u>

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2014

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	\$ 257,754	\$ -	\$ -	\$ 640,352	\$ 898,106
Street	102,700	-	-	-	102,700
Building inspection	4,544	-	-	-	4,544
Street capital projects	242,163	-	-	-	242,163
Nonmajor	202,762	97,731	38,780	42,541	381,814
Business-type/(proprietary)					
Enterprise					
Water	781,559	-	70,140	-	851,699
Wastewater	764,729	-	-	-	764,729
Stormwater	105,401	-	9,420	-	114,821
Emergency Medical Services	122,167	-	-	-	122,167
Internal service	572	-	-	-	572
	<u>\$ 2,584,351</u>	<u>\$ 97,731</u>	<u>\$ 118,340</u>	<u>\$ 682,893</u>	<u>\$ 3,483,315</u>

Court fines in the amount of \$5,023,888 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	526	-
Totals	<u>\$ 526</u>	<u>\$ 22,590</u>

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2014

Interfund Receivables, Payables, and Transfers

The interfund transfer activity for fiscal year ended June 30, 2014 is as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
Governmental funds:		
General	\$ -	\$ 22,853
Street	-	504,392
Street capital projects	1,032,508	-
Nonmajor	133,109	661,225
Enterprise funds:		
Water	3,214	-
Wastewater	19,639	-
Totals	<u>\$ 1,188,470</u>	<u>\$ 1,188,470</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, 2014 is \$141,989.

Prepaid Pension Asset

The City's government-wide statements include a prepaid pension asset of \$1,527,063, as a result of Limited Tax Pension Bonds issued in May 2004 to pay off the estimated unfunded actuarial liability to the OPERS retirees. This prepaid cost is being amortized over the life of the debt and the expense is allocated to the applicable governmental activities.

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS June 30, 2014

Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,123,292	\$ -	\$ (3,501)	\$ 1,119,791
Right of way	26,741,413	-	-	26,741,413
Construction in progress	<u>305,118</u>	<u>-</u>	<u>(305,118)</u>	<u>-</u>
Total capital assets not being depreciated	<u>28,169,823</u>	<u>-</u>	<u>(308,619)</u>	<u>27,861,204</u>
Capital assets being depreciated:				
Buildings and improvements	11,997,822	350,050	(9,700)	12,338,172
Equipment	8,867,110	1,093,866	(124,866)	9,836,110
Infrastructure	<u>66,607,681</u>	<u>1,835,491</u>	<u>-</u>	<u>68,443,172</u>
Total capital assets being depreciated	<u>87,472,613</u>	<u>3,279,407</u>	<u>(134,566)</u>	<u>90,617,454</u>
Less accumulated depreciation for:				
Buildings and improvements	(3,863,245)	(276,165)	9,700	(4,129,710)
Equipment	(6,630,833)	(502,942)	120,901	(7,012,874)
Infrastructure	<u>(29,271,428)</u>	<u>(1,330,305)</u>	<u>-</u>	<u>(30,601,733)</u>
Total accumulated depreciation	<u>(39,765,506)</u>	<u>(2,109,412)</u>	<u>130,601</u>	<u>(41,744,317)</u>
Total capital assets being depreciated, net	<u>47,707,107</u>	<u>1,169,995</u>	<u>(3,965)</u>	<u>48,873,137</u>
Governmental activities capital assets, net	<u>\$ 75,876,930</u>	<u>\$ 1,169,995</u>	<u>\$ (312,584)</u>	<u>\$ 76,734,341</u>

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

General government	\$ 96,985
Public safety	344,380
Library	38,437
Community development	1,362,219
Depreciation incurred in internal service funds charged to various governmental functions/programs	<u>267,391</u>
Total	<u>\$ 2,109,412</u>

Capital assets of the internal service funds are included in the governmental activities. For the fiscal year ended June 30, 2014, internal service fund capital assets, net of depreciation were \$1,716,496.

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2014

Capital asset activity for business-type activities for the year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 3,967,085	\$ -	\$ (961,005)	\$ 3,006,080
Construction in progress	<u>6,658,041</u>	<u>11,518,184</u>	<u>-</u>	<u>18,176,225</u>
Total capital assets not being depreciated	<u>10,625,126</u>	<u>11,518,184</u>	<u>(961,005)</u>	<u>21,182,305</u>
Capital assets being depreciated:				
Buildings and improvements	41,673,048	-	-	41,673,048
Equipment	14,640,465	472,107	(127,797)	14,984,775
Utility systems	<u>46,096,796</u>	<u>360,656</u>	<u>-</u>	<u>46,457,452</u>
Total capital assets being depreciated	<u>102,410,309</u>	<u>832,763</u>	<u>(127,797)</u>	<u>103,115,275</u>
Less accumulated depreciation for:				
Buildings and improvements	(15,647,712)	(1,391,914)	-	(17,039,626)
Equipment	(11,021,543)	(659,861)	127,797	(11,553,607)
Utility systems	<u>(14,947,166)</u>	<u>(919,947)</u>	<u>-</u>	<u>(15,867,113)</u>
Total accumulated depreciation	<u>(41,616,421)</u>	<u>(2,971,722)</u>	<u>127,797</u>	<u>(44,460,346)</u>
Total capital assets being depreciated, net	<u>60,793,888</u>	<u>(2,138,959)</u>	<u>-</u>	<u>58,654,929</u>
Business-type activities capital assets, net	<u>\$ 71,419,014</u>	<u>\$ 9,379,225</u>	<u>\$ (961,005)</u>	<u>\$ 79,837,234</u>

Depreciation expense for business-type activities for the year ended June 30, 2014 was as follows:

Water	\$ 1,082,182
Wastewater	1,518,839
Stormwater	279,947
Emergency Medical Services	<u>90,754</u>
 Total	 <u>\$ 2,971,722</u>

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2014

Capital Leases

The City has entered into noncancellable agreements for the lease of various equipment items. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. Gross assets of \$617,261 and accumulated depreciation of \$150,334 have been recorded under capital leases as of June 30, 2014.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014 were as follows:

Year Ending June 30,	Governmental activities		Business-type activities	
	Principal	Interest	Principal	Interest
2015	\$ 126,351	\$ 8,211	\$ 2,025	\$ 387
2016	111,043	4,939	2,170	242
2017	53,290	2,110	2,324	88
2018	<u>52,649</u>	<u>981</u>	<u>-</u>	<u>-</u>
	<u>\$ 343,333</u>	<u>\$ 16,241</u>	<u>\$ 6,519</u>	<u>\$ 717</u>

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2014

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					
Compensated Absences	\$ 673,493	\$ 653,732	\$ (673,493)	\$ 653,732	\$ 653,732
Other Postemployment Benefits	1,065,702	53,039	-	1,118,741	-
General Obligation Bonds					
Police Building 1997A	660,000	-	(200,000)	460,000	215,000
Fire Facilities 1998A	640,000	-	(150,000)	490,000	155,000
Certificates of Participation	1,455,000	-	(175,000)	1,280,000	185,000
Limited Tax Pension Bonds	2,585,000	-	(55,000)	2,530,000	70,000
Capital Lease Obligations	408,129	282,748	(347,544)	343,333	126,351
Total Notes and Bonds	<u>5,748,129</u>	<u>282,748</u>	<u>(927,544)</u>	<u>5,103,333</u>	<u>751,351</u>
Total Governmental Activities	<u>\$ 7,487,324</u>	<u>\$ 989,519</u>	<u>\$ (1,601,037)</u>	<u>\$ 6,875,806</u>	<u>\$ 1,405,083</u>
Business-type Activities					
Compensated Absences	\$ 179,013	\$ 181,334	\$ (179,013)	\$ 181,334	\$ 181,334
Other Postemployment Benefits	417,563	20,072	-	437,635	-
Notes Payable, Business Oregon					
Wastewater	6,652,154	-	(467,343)	6,184,811	485,887
Water	12,149,159	-	(734,451)	11,414,708	758,886
Unamortized note premium	236,000	-	(14,750)	221,250	14,750
Clean Water State Revolving Fund					
Wastewater	6,075,224	4,620,523	-	10,695,747	453,853
Notes Payable, US Bank					
Wastewater	1,158,000	-	(193,000)	965,000	193,000
Capital Lease Obligations	8,410	-	(1,891)	6,519	2,025
Total Notes and Bonds	<u>26,278,947</u>	<u>4,620,523</u>	<u>(1,411,435)</u>	<u>29,488,035</u>	<u>1,908,401</u>
Total Business-type Activities	<u>\$ 26,875,523</u>	<u>\$ 4,821,929</u>	<u>\$ (1,590,448)</u>	<u>\$ 30,107,004</u>	<u>\$ 2,089,735</u>

Long-term obligations of the internal service funds are included in the governmental activities. As of June 30, 2014, internal service fund long-term obligations were \$615,326 with the increase due to procurement of various network equipment and associated software. Also, for the governmental activities, compensated absences are generally liquidated by the General, Street, Administrative Services, and Building Inspection Funds.

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2014

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%	\$ 460,000
Fire Facilities 1998A	4.0-5.1%	490,000
		<u>\$ 950,000</u>

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

Year Ending	<u>Principal</u>	<u>Interest</u>
<u>June 30,</u>		
2015	\$ 370,000	\$ 44,025
2016	390,000	24,240
2017	190,000	9,210
Totals	<u>\$ 950,000</u>	<u>\$ 77,475</u>

Certificates of Participation

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

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

Year Ending	<u>Principal</u>	<u>Interest</u>
<u>June 30,</u>		
2015	\$ 185,000	\$ 67,725
2016	195,000	57,465
2017	205,000	46,255
2018	220,000	33,930
2019	230,000	20,880
2019-20	245,000	7,105
Totals	<u>\$ 1,280,000</u>	<u>\$ 233,360</u>

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2014

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 Ending June 30,	Principal	Interest
2015	\$ 70,000	\$ 152,581
2016	80,000	148,611
2017	95,000	143,994
2018	110,000	138,418
2019	130,000	131,882
2020-2024	965,000	517,759
2024-2027	1,080,000	156,947
Totals	\$ 2,530,000	\$ 1,390,192

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.

Business-type Activities

Notes Payable

The City borrowed from the State's Special Public Works Fund to develop street, water and wastewater improvements on vacant land at the east end of the City. The note is repaid from user charges by the Water and Wastewater Funds, but a full faith and credit pledge of the City's General Fund backs the obligation. The note carries an interest rate of 4.74% over its twenty-year term. The note has a final maturity date in December 2018, and an outstanding balance of \$283,066 as of June 30, 2014.

The City also borrowed \$4,700,000 from Business Oregon to build a new water reservoir and transmission line. Water service user charges and system development fees provide the funding for debt service payments. This note carries a full faith and credit pledge of the City's General Fund as additional security. The note carries a varying interest rate of 3.0%-4.75% over its twenty-year term. The note has a final maturity date in December 2022, and an outstanding balance of \$2,554,117 as of June 30, 2014.

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2014

The City borrowed \$2,810,000 from Business Oregon to make substantial improvements to the composter odor control mechanism and headworks system at the wastewater treatment plant. Additional improvements were also made to the College Street wastewater system. Wastewater service user charges and system development fees provide the funding for debt service payments. This note carries a full faith and credit pledge of the City's General Fund as additional security. The note carries a varying interest rate of 3.0%-4.30% over its fifteen-year term. The note has a final maturity date in December 2019, and an outstanding balance of \$1,108,698 as of June 30, 2014.

The City borrowed \$6,670,000 from Business Oregon to expand the capacity of the Water Treatment Plant and to drill a new well. Water system development fees will provide the funding for debt service payments, however, water user fees have been specifically pledged. The note also carries a full faith and credit pledge of the City's General Fund as additional security. The note carries a varying interest rate of 4.0%-4.375% over its twenty-year term. The note has a final maturity date in December 2026, and an outstanding balance of \$4,952,215 as of June 30, 2014.

The City also entered into an additional loan agreement with Business Oregon to construct a new water supply pipeline to the Water Treatment Plant. The portion funded by loan proceed was \$2,644,815. Water user charges and system development fees will provide the funding for debt service payments. Water user charges have been pledged as well as the full faith and credit pledge of the City's General Fund. The note carries a varying interest rate of 4.0%-4.375% over its twenty-year term. The note has a final maturity date in December 2026, and an outstanding balance of \$1,963,781 as of June 30, 2014.

The City borrowed \$8,230,632 from Business Oregon 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 the financing to a permanent loan, the State of Oregon issued bonds at a premium related to the project 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, 2014, the outstanding balance was \$6,737,642. 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
<hr/>	<hr/>	<hr/>
2015	\$ 1,244,773	\$ 773,117
2016	1,293,465	722,732
2017	1,357,563	670,078
2018	1,412,135	614,184
2019	1,388,647	555,444
2020-24	6,195,762	1,930,903
2025-29	<hr/> 4,707,174	<hr/> 594,776
Totals	<hr/> \$ 17,599,519	<hr/> \$ 5,861,234

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2014

The 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. As of June 30, 2014, the City had received \$10,695,747 of the loan. Subsequent to year end the City received the final draw down on the loan in the amount of \$713,898. The future debt payments on the total loan amount are as follows:

Year Ending June 30,	Principal	Interest
2015	\$ 453,853	\$ 343,473
2016	456,539	367,042
2017	469,782	351,516
2018	483,409	335,540
2019	497,432	319,100
2020-24	2,712,152	1,331,727
2025-29	3,129,003	843,023
2030-34	3,207,475	279,459
	<u>\$ 11,409,645</u>	<u>\$ 4,170,880</u>

The City Council approved an additional loan through Clean Water State Revolving Loan Fund to perform further work on the Wastewater Treatment Plant Repair, Renovation, and Expansion Project. The loan amount was awarded for up to \$14,484,130. The interest rate on the debt was set at 2.45% to 2.95% annually. As of June 30, 2014, no draw downs have been received by the City on the loan.

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

Year Ending June 30,	Principal	Interest
2015	\$ 193,000	\$ 40,530
2016	193,000	32,424
2017	193,000	24,318
2018	193,000	16,212
2019	193,000	8,106
	<u>\$ 965,000</u>	<u>\$ 121,590</u>

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2014

4. OTHER INFORMATION

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is a member of the Citycounty Insurance Services (CIS) Trust, a public entity risk pool currently operating a common risk management and insurance program. The City pays an annual premium to CIS for its insurance coverage. Under the membership agreement with the Trust, the Trust is to be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain limits.

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

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, 2012 (the date of the most current actuarial valuation) consisted of the following:

Active employees	130
Retirees, spouses or dependents	<u>4</u>
Total	<u><u>134</u></u>

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2014

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 \$598 and \$1,735 during fiscal year 2013-14 for insurance provided by City County Insurance Services. The monthly premium for employees covered by NW Firefighters Relief Association was \$1,300.

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, 2012 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	\$	251,304
Interest on net OPEB obligation		51,914
Adjustment to annual required contribution		(178,350)
Annual OPEB cost		124,868
Contributions made		51,757
Increase in net OPEB obligation		73,111
Net OPEB obligation - beginning of year		1,483,265
Net OPEB obligation - end of year	\$	1,556,376

The City's annual OPEB cost, percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2014 and the preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	\$ 124,868	41%	\$ 1,556,376
June 30, 2013	308,844	23%	1,483,265
June 30, 2012	290,916	22%	1,246,395

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2014

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:

Valuation Date	Assets	Actuarial Accrued Liability	Unfunded Accrued Liability	Funded Ratio	Covered Payroll	UAL/ Payroll
8/1/2012	\$ -	\$ 1,157,131	\$ 1,157,131	0%	\$ 9,382,800	12%
8/1/2010	-	1,758,199	1,758,199	0%	9,153,871	19%
8/1/2008	-	1,897,735	1,897,735	0%	7,959,928	24%

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, 2012 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

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.

The City of Newberg Employees Retirement Plan is open to new entrants, with the exception of management, police and fire employees. There are 59 active members, 62 retired members who receive benefits, 15 vested terminated members, for a total membership of 136.

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2014

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

Funding Policy

The employees are required to contribute 6% of gross pay to the plan in order to participate. Currently, the City picks up the member contribution on behalf of seven employees. The City contributes amounts over 6% that are actuarially determined (see Six-Year Historical Trend Information below). The funding method used in this valuation is the individual entry age normal actuarial cost method. The actuarial value of assets is determined using a five-year smoothing method. Under this method, annual asset gains and losses will be recognized fully after five years. Significant actuarial assumptions used in the valuation include: a) a rate of return on the investment of present and future assets of 7% per year; b) projected salary increases of 4.5% per year; c) post-retirement benefit increases of 2.5% per year, and d) inflation rate of 2.0%. As of the July 1, 2013 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.

The most recent actuarial report was July 1, 2014. The City's annual pension cost and net pension obligation to the plan for the current year were as follows:

Annual required contribution	\$ 806,860
Interest on net pension obligation	217
Adjustment to annual acquired contribution	<u>(195)</u>
Annual pension cost	806,882
Contributions made	<u>(806,860)</u>
Increase in net pension obligation	22
Net pension obligation beginning of year	<u>3,017</u>
Net pension obligation end of year	<u>\$ 3,039</u>

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS June 30, 2014

Schedule of Required Contributions

Year ended June 30,	Annual Required Contribution (ARC)	Percentage Contributed	Net Pension Obligation
2014	\$ 806,860	100%	\$ 3,039
2013	609,488	100%	3,017
2012	598,767	100%	2,995
2011	582,013	100%	3,107
2010	682,205	100%	3,180
2009	591,407	100%	3,134
2008	584,408	100%	3,082

Schedule of Funding Progress:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2014	\$ 17,040,113	\$ 25,890,227	\$ 8,850,114	65.8 %	\$ 3,137,721	282.1
7/1/2013	15,700,414	24,327,200	8,626,786	64.5	3,007,137	286.9
7/1/2012	15,268,424	23,584,352	8,315,928	64.7	3,322,719	250.3
7/1/2011	15,416,052	22,599,364	7,183,312	68.2	3,516,175	204.3
7/1/2010	15,176,384	19,978,083	4,801,699	76.0	3,762,126	127.6
7/1/2009	13,479,701	18,757,264	5,277,563	71.9	3,699,044	142.7
7/1/2008	15,393,876	18,792,955	3,399,079	81.9	3,377,344	100.6

Pension Plans – Oregon Public Employees Retirement System

Plan Description and Provisions

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

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2014

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

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

For PERS, the City is a participant in the State and Local Government Rate Pool, which includes the State, Oregon Community Colleges, and most local governmental entities. Employer rates can be set as a single rate, weighted for police and fire participants, or the government can choose to have separate rates for police and fire participants and general service participants. The City has elected to have a single rate. During the 2013-14 fiscal year, the City's net employer contribution rate was 14.91% for Tier1/Tier 2 employees. For OPSRP, all employers are included in a single pool, with separate rates assigned for police and fire participants and general service participants. For fiscal year 2013-14, the City's contribution rates were 7.73% for general service participants and 10.46% for police and fire participants. The City also internally charged departments a rate of 3.2% to cover payments on the limited tax pension bonds.

The City's contribution to the plan for the years ending June 30, 2014, 2013, and 2012 were equal to the City's required contributions for each year as follows:

<u>Year Ended June 30,</u>	<u>Employer Contribution</u>	<u>Member Contribution</u>	<u>Totals</u>
2014	\$ 821,183	\$ 384,025	\$ 1,205,208
2013	764,183	360,662	1,124,845
2012	736,056	341,036	1,077,092

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS June 30, 2014

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	\$ -	\$ 57,685	\$ -	\$ -	\$ -	\$ 57,685
Restricted:						
Capital projects	-	-	-	-	2,225,545	2,225,545
Debt service	-	-	-	-	206,903	206,903
911 center operations	-	-	-	-	62,606	62,606
Police services	-	-	-	-	194,096	194,096
Fire & EMS equipment	-	-	-	-	110,941	110,941
Street maintenance	-	611,188	-	-	-	611,188
Building inspection	-	-	387,961	-	-	387,961
Library services	-	-	-	-	86,808	86,808
Committed:						
Capital projects	-	-	-	163,489	-	163,489
Economic development	-	-	-	-	601,964	601,964
Public communications	-	-	-	-	41,942	41,942
Assigned:						
Debt service	-	-	-	-	548,803	548,803
Unassigned	2,362,206	-	-	-	-	2,362,206
Total fund balances	<u>\$ 2,362,206</u>	<u>\$ 668,873</u>	<u>\$ 387,961</u>	<u>\$ 163,489</u>	<u>\$ 4,079,608</u>	<u>\$ 7,662,137</u>

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	\$ 2,264,325
The State of Oregon restricts the use of property taxes levied for projects financed by general obligation bonds.	249,444
The State of Oregon restricts the use of 911 taxes	62,606
Highways and streets – Article IX, Section 3a of the Oregon State Constitution Restricts the use of revenues from taxes on motor vehicle fuel use	668,873
The State of Oregon restricts the use of building permit fees	387,961

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2014

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	3,324,341
--	-----------

Contingencies

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

Constitutional Property Tax Limitation

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

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

Prior Period Adjustment

The beginning fund balances of the General and Water Funds have been adjusted to accrue an interfund loan which previously was not reported. Beginning fund balance in the General Fund was decreased \$(160,714) and beginning net position in the Water Fund was increased \$160,714. Due to this, beginning net position in the governmental activities and business-type activities was adjusted accordingly.

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

This page intentionally left blank

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, 2014

	Budget		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Grants	\$ 585,000	\$ 1,169,243	\$ 986,364	\$ (182,879)
Interest	500	500	535	35
Total revenues	585,500	1,169,743	986,899	(182,844)
<u>Expenditures</u>				
Capital outlay	1,283,500	2,377,988	1,965,756	412,232
Contingency	158,493	158,493	-	158,493
Total expenditures	1,441,993	2,536,481	1,965,756	570,725
Excess (deficiency) of revenues over expenditures	(856,493)	(1,366,738)	(978,857)	387,881
<u>Other financing sources (uses)</u>				
Transfers in	698,500	1,256,900	1,032,508	(224,392)
Total other financing sources (uses)	698,500	1,256,900	1,032,508	(224,392)
Net change in fund balances	(157,993)	(109,838)	53,651	163,489
Fund balance, July 01, 2013	157,993	109,838	109,838	-
Fund balance, June 30, 2014	\$ -	\$ -	\$ 163,489	\$ 163,489

City of Newberg, Oregon

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS

June 30, 2014

	Special Revenue	Debt Service	Capital Projects	Totals
<u>ASSETS</u>				
Cash and investments	\$ 936,514	\$ 753,820	\$ 2,324,437	\$ 4,014,771
Receivables:				
Accounts	188,827	1,886	12,049	202,762
Loans	97,731	-	-	97,731
Assessments	-	-	38,780	38,780
Taxes	-	42,541	-	42,541
Total assets	\$ 1,223,072	\$ 798,247	\$ 2,375,266	\$ 4,396,585
<u>LIABILITIES</u>				
Accounts payable	\$ 127,259	\$ -	\$ -	\$ 127,259
Payroll payables	10,666	-	-	10,666
Total liabilities	137,925	-	-	137,925
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable revenue-property taxes	-	42,541	-	42,541
Unavailable revenue-loans	97,731	-	-	97,731
Unavailable revenue-special assessments	-	-	38,780	38,780
Total deferred inflows of resources	97,731	42,541	38,780	179,052
<u>FUND BALANCES</u>				
Restricted	343,510	206,903	2,336,486	2,886,899
Committed	643,906	-	-	643,906
Assigned	-	548,803	-	548,803
Total fund balances	987,416	755,706	2,336,486	4,079,608
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,223,072	\$ 798,247	\$ 2,375,266	\$ 4,396,585

City of Newberg, Oregon

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

For the Year Ended June 30, 2014

	Special Revenue	Debt Service	Capital Projects	Totals
<u>Revenues</u>				
Property taxes	\$ -	\$ 414,394	\$ -	\$ 414,394
Fees	307,310	46,937	153,757	508,004
Intergovernmental	464,261	-	-	464,261
Charges for services	42,843	-	222,363	265,206
Fines and forfeitures	15,915	-	-	15,915
Facilities charge	-	119,336	-	119,336
Pension bond charge	-	210,645	-	210,645
Loan collections - principal	10,428	-	-	10,428
Loan collections - interest	3,987	-	-	3,987
Assessments	-	-	6,183	6,183
Donations	119,537	-	-	119,537
Interest	4,748	8,605	14,451	27,804
Miscellaneous	-	-	8,400	8,400
Total revenues	969,029	799,917	405,154	2,174,100
<u>Expenditures</u>				
Public safety	551,918	-	-	551,918
Library	129,490	-	-	129,490
Community development	362,117	-	-	362,117
Debt service:				
Principal	-	580,000	-	580,000
Interest	-	295,870	-	295,870
Capital outlay	-	-	259,286	259,286
Total expenditures	1,043,525	875,870	259,286	2,178,681
Excess (deficiency) of revenues over expenditures	(74,496)	(75,953)	145,868	(4,581)
<u>Other financing sources (uses)</u>				
Capital lease	-	-	32,748	32,748
Transfers in	-	133,109	-	133,109
Transfers out	(1,868)	(108,223)	(551,134)	(661,225)
Total other financing sources (uses)	(1,868)	24,886	(518,386)	(495,368)
Net change in fund balances	(76,364)	(51,067)	(372,518)	(499,949)
Fund balances, July 1, 2013	1,063,780	806,773	2,709,004	4,579,557
Fund balances, June 30, 2014	\$ 987,416	\$ 755,706	\$ 2,336,486	\$ 4,079,608

City of Newberg, Oregon

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS

June 30, 2014

	Economic Development	911 Emergency	Civil Forfeiture	Cable TV	Library Gift & Memorial	Public Safety Fee	Totals
ASSETS							
Cash and investments	\$ 602,099	\$ 21,646	\$ 15,974	\$ 41,942	\$ 101,827	\$ 153,026	\$ 936,514
Receivables:							
Accounts, net	108,698	49,485	-	-	-	30,644	188,827
Loans	97,731	-	-	-	-	-	97,731
Total assets	\$ 808,528	\$ 71,131	\$ 15,974	\$ 41,942	\$ 101,827	\$ 183,670	\$ 1,223,072
LIABILITIES							
Accounts payable	\$ 108,602	\$ 3,638	\$ -	\$ -	\$ 15,019	\$ -	\$ 127,259
Payroll payables	231	4,887	-	-	-	5,548	10,666
Total liabilities	108,833	8,525	-	-	15,019	5,548	137,925
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue-loans	97,731	-	-	-	-	-	97,731
Total deferred inflows of resources	97,731	-	-	-	-	-	97,731
FUND BALANCES							
Restricted	-	62,606	15,974	-	86,808	178,122	343,510
Committed	601,964	-	-	41,942	-	-	643,906
Total fund balances	601,964	62,606	15,974	41,942	86,808	178,122	987,416
Total liabilities, deferred inflows of resources and fund balances	\$ 808,528	\$ 71,131	\$ 15,974	\$ 41,942	\$ 101,827	\$ 183,670	\$ 1,223,072

City of Newberg, Oregon

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

For the Year Ended June 30, 2014

	Economic Development	911 Emergency	Civil Forfeiture	Cable TV	Library Gift & Memorial	Public Safety Fee	Totals
<u>Revenues</u>							
Public safety fee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 307,310	\$ 307,310
Intergovernmental	262,664	198,174	-	-	3,423	-	464,261
Charges for services	42,843	-	-	-	-	-	42,843
Fines and forfeitures	-	-	15,915	-	-	-	15,915
Loan collections - principal	10,428	-	-	-	-	-	10,428
Loan collections - interest	3,987	-	-	-	-	-	3,987
Donations	-	-	-	-	119,537	-	119,537
Interest	2,844	205	59	195	715	730	4,748
Total revenues	322,766	198,379	15,974	195	123,675	308,040	969,029
<u>Expenditures</u>							
Public safety	-	224,834	-	-	-	327,084	551,918
Library	-	-	-	-	129,490	-	129,490
Community development	362,117	-	-	-	-	-	362,117
Total expenditures	362,117	224,834	-	-	129,490	327,084	1,043,525
Excess (deficiency) of revenues over expenditures	(39,351)	(26,455)	15,974	195	(5,815)	(19,044)	(74,496)
<u>Other financing uses</u>							
Transfers out	(1,868)	-	-	-	-	-	(1,868)
Total other financing uses	(1,868)	-	-	-	-	-	(1,868)
Net change in fund balances	(41,219)	(26,455)	15,974	195	(5,815)	(19,044)	(76,364)
Fund balances, July 1, 2013	643,183	89,061	-	41,747	92,623	197,166	1,063,780
Fund balances, June 30, 2014	\$ 601,964	\$ 62,606	\$ 15,974	\$ 41,942	\$ 86,808	\$ 178,122	\$ 987,416

City of Newberg, Oregon

COMBINING BALANCE SHEET NONMAJOR DEBT SERVICE FUNDS

June 30, 2014

	Debt Service	City Hall	Totals
<u>ASSETS</u>			
Cash and cash equivalents	\$ 206,903	\$ 546,917	\$ 753,820
Receivables:			
Accounts, net	-	1,886	1,886
Taxes	42,541	-	42,541
Total assets	\$ 249,444	\$ 548,803	\$ 798,247
 <u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable revenue-property taxes	\$ 42,541	\$ -	\$ 42,541
Total deferred inflows of resources	42,541	-	42,541
 <u>FUND BALANCES</u>			
Restricted	206,903	-	206,903
Assigned	-	548,803	548,803
Total fund balances	206,903	548,803	755,706
Total liabilities, deferred inflows of resources, and fund balances	\$ 249,444	\$ 548,803	\$ 798,247

City of Newberg, Oregon

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

For the Year Ended June 30, 2014

	Debt Service	City Hall	Totals
<u>Revenues</u>			
Property taxes	\$ 414,394	\$ -	\$ 414,394
City Hall fee	-	46,937	46,937
Facilities charge	119,336	-	119,336
Pension bond charge	210,645	-	210,645
Interest	5,974	2,631	8,605
Total revenues	750,349	49,568	799,917
 <u>Expenditures</u>			
Debt service:			
Principal	580,000	-	580,000
Interest	295,870	-	295,870
Total expenditures	875,870	-	875,870
 Excess (deficiency) of revenues over expenditures	 (125,521)	 49,568	 (75,953)
 <u>Other financing sources (uses)</u>			
Transfers in	133,109	-	133,109
Transfers out	-	(108,223)	(108,223)
Total other financing sources (uses)	133,109	(108,223)	24,886
 Net change in fund balances	 7,588	 (58,655)	 (51,067)
Fund balances, July 1, 2013	199,315	607,458	806,773
Fund balances, June 30, 2014	\$ 206,903	\$ 548,803	\$ 755,706

City of Newberg, Oregon

COMBINING BALANCE SHEET NONMAJOR CAPITAL PROJECTS FUNDS

June 30, 2014

	Street System Development	Fire & EMS Equipment Fee	Totals
<u>ASSETS</u>			
Cash and investments	\$ 2,225,545	\$ 98,892	\$ 2,324,437
Receivables:			
Accounts, net	-	12,049	12,049
Assessments	38,780	-	38,780
Total assets	\$ 2,264,325	\$ 110,941	\$ 2,375,266
 <u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable revenue-special assessments	\$ 38,780	\$ -	\$ 38,780
Total deferred inflows of resources	38,780	-	38,780
 <u>FUND BALANCES</u>			
Restricted	2,225,545	110,941	2,336,486
Total fund balances	2,225,545	110,941	2,336,486
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,264,325	\$ 110,941	\$ 2,375,266

City of Newberg, Oregon

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

For the Year Ended June 30, 2014

	Street System Development	Fire & EMS Equipment Fee	Totals
<u>Revenues</u>			
Fees	\$ -	\$ 153,757	\$ 153,757
Charges for services	222,363	-	222,363
Assessments	6,183	-	6,183
Interest	13,582	869	14,451
Miscellaneous	-	8,400	8,400
Total revenues	242,128	163,026	405,154
<u>Expenditures</u>			
Capital outlay	-	259,286	259,286
Total expenditures	-	259,286	259,286
Excess (deficiency) of revenues over expenditures	242,128	(96,260)	145,868
<u>Other financing sources (uses)</u>			
Capital lease receipt	-	32,748	32,748
Transfers out	(551,134)	-	(551,134)
Total other financing sources (uses)	(551,134)	32,748	(518,386)
Net change in fund balances	(309,006)	(63,512)	(372,518)
Fund balances, July 1, 2013	2,534,551	174,453	2,709,004
Fund balances, June 30, 2014	\$ 2,225,545	\$ 110,941	\$ 2,336,486

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, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Business license fee	\$ 60,000	\$ 60,000	\$ 42,843	\$ (17,157)
Loan collections - principal	6,076	6,076	10,428	4,352
Loan collections - interest	995	995	3,987	2,992
Grants	-	387,840	262,664	(125,176)
Interest	3,000	3,000	2,844	(156)
Total revenues	70,071	457,911	322,766	(135,145)
<u>Expenditures</u>				
Economic development	288,048	675,888	362,117	313,771
Contingency	392,851	423,338	-	423,338
Total expenditures	680,899	1,099,226	362,117	737,109
Excess (deficiency) of revenues over expenditure	(610,828)	(641,315)	(39,351)	601,964
<u>Other financing sources (uses)</u>				
Transfers out	(1,868)	(1,868)	(1,868)	-
Total other financing sources (uses)	(1,868)	(1,868)	(1,868)	-
Net change in fund balances	(612,696)	(643,183)	(41,219)	601,964
Fund balance, July 01, 2013	612,696	643,183	643,183	-
Fund balance, June 30, 2014	\$ -	\$ -	\$ 601,964	\$ 601,964

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, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
911 telephone excise tax	\$ 188,894	\$ 188,894	\$ 198,174	\$ 9,280
Interest	350	350	205	(145)
Total revenues	189,244	189,244	198,379	9,135
<u>Expenditures</u>				
Public safety	235,009	235,009	224,834	10,175
Contingency	40,455	43,296	-	43,296
Total expenditures	275,464	278,305	224,834	53,471
Net change in fund balances	(86,220)	(89,061)	(26,455)	62,606
Fund balance, July 01, 2013	86,220	89,061	89,061	-
Fund balance, June 30, 2014	\$ -	\$ -	\$ 62,606	\$ 62,606

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, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Forfeitures	\$ 5,000	\$ 10,000	\$ 15,915	\$ 5,915
Interest	-	-	59	59
Total revenues	5,000	10,000	15,974	5,974
<u>Expenditures</u>				
Public safety	5,000	10,000	-	10,000
Total expenditures	5,000	10,000	-	10,000
Net change in fund balances	-	-	15,974	15,974
Fund balance, July 01, 2013	-	-	-	-
Fund balance, June 30, 2014	\$ -	\$ -	\$ 15,974	\$ 15,974

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, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Interest	\$ 150	\$ 150	\$ 195	\$ 45
Total revenues	150	150	195	45
<u>Expenditures</u>				
General government	15,000	15,000	-	15,000
Contingency	26,894	26,894	-	26,894
Total expenditures	41,894	41,894	-	41,894
Net change in fund balances	(41,744)	(41,744)	195	41,939
Fund balance, July 01, 2013	41,744	41,744	41,747	3
Fund balance, June 30, 2014	\$ -	\$ -	\$ 41,942	\$ 41,942

City of Newberg, Oregon

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

For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Grants	\$ 17,600	\$ 32,600	\$ 3,423	\$ (29,177)
Donations	90,000	183,000	119,537	(63,463)
Interest	500	500	715	215
Total revenues	108,100	216,100	123,675	(92,425)
<u>Expenditures</u>				
Library	148,600	263,600	129,490	134,110
Contingency	28,517	35,123	-	35,123
Total expenditures	177,117	298,723	129,490	169,233
Net change in fund balances	(69,017)	(82,623)	(5,815)	76,808
Fund balance, July 01, 2013	79,017	92,623	92,623	-
Fund balance, June 30, 2014	\$ 10,000	\$ 10,000	\$ 86,808	\$ 76,808

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, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Public safety fee	\$ 281,400	\$ 281,400	\$ 307,310	\$ 25,910
Interest	1,000	1,000	730	(270)
Total revenues	282,400	282,400	308,040	25,640
<u>Expenditures</u>				
Public safety	338,441	338,441	327,084	11,357
Contingency	140,112	140,112	-	140,112
Total expenditures	478,553	478,553	327,084	151,469
Net change in fund balances	(196,153)	(196,153)	(19,044)	177,109
Fund balance, July 01, 2013	196,153	196,153	197,166	1,013
Fund balance, June 30, 2014	\$ -	\$ -	\$ 178,122	\$ 178,122

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, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Property taxes	\$ 409,000	\$ 409,000	\$ 414,394	\$ 5,394
Facilities charge	119,336	119,336	119,336	-
Pension bond charge	216,232	216,232	210,645	(5,587)
Interest	500	500	5,974	5,474
Total revenues	745,068	745,068	750,349	5,281
<u>Expenditures</u>				
Debt service				
Principal	580,000	580,000	580,000	-
Interest	295,871	295,871	295,870	1
Total expenditures	875,871	875,871	875,870	1
Excess (deficiency) of revenues over expenditures	(130,803)	(130,803)	(125,521)	5,282
<u>Other financing sources (uses)</u>				
Transfers in	133,109	133,109	133,109	-
Total other financing sources (uses)	133,109	133,109	133,109	-
Net change in fund balances	2,306	2,306	7,588	5,282
Fund balance, July 01, 2013	195,259	195,259	199,315	4,056
Fund balance, June 30, 2014	\$ 197,565	\$ 197,565	\$ 206,903	\$ 9,338

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, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
City Hall fee	\$ 44,667	\$ 44,667	\$ 46,937	\$ 2,270
Interest	-	-	2,631	2,631
Total revenues	44,667	44,667	49,568	4,901
Excess of revenues over (under) expenditures	44,667	44,667	49,568	4,901
<u>Other financing sources (uses)</u>				
Transfers out	(108,223)	(108,223)	(108,223)	-
Total other financing sources (uses)	(108,223)	(108,223)	(108,223)	-
Net change in fund balances	(63,556)	(63,556)	(58,655)	4,901
Fund balance, July 01, 2013	576,115	576,115	607,458	31,343
Fund balance, June 30, 2014	\$ 512,559	\$ 512,559	\$ 548,803	\$ 36,244

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, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Charges for services	\$ 480,000	\$ 480,000	\$ 222,363	\$ (257,637)
Assessments	5,000	5,000	6,183	1,183
Interest	10,500	10,500	13,582	3,082
Total revenues	495,500	495,500	242,128	(253,372)
<u>Expenditures</u>				
Contingency	3,236,025	2,410,051	-	2,410,051
Total expenditures	3,236,025	2,410,051	-	2,410,051
Excess (deficiency) of revenues over expenditures	(2,740,525)	(1,914,551)	242,128	2,156,679
<u>Other financing sources (uses)</u>				
Transfers out	(70,000)	(620,000)	(551,134)	68,866
Total other financing sources (uses)	(70,000)	(620,000)	(551,134)	68,866
Net change in fund balances	(2,810,525)	(2,534,551)	(309,006)	2,225,545
Fund balance, July 01, 2013	2,810,525	2,534,551	2,534,551	-
Fund balance, June 30, 2014	\$ -	\$ -	\$ 2,225,545	\$ 2,225,545

City of Newberg, Oregon

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

For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Fire truck fee	\$ 140,000	\$ 140,000	\$ 153,757	\$ 13,757
Interest	1,500	1,500	869	(631)
Miscellaneous	-	-	8,400	8,400
Total revenues	141,500	141,500	163,026	21,526
<u>Expenditures</u>				
Capital outlay	256,483	259,231	259,286	(55)
Contingency	72,400	86,722	-	86,722
Total expenditures	328,883	345,953	259,286	86,667
Excess (deficiency) of revenues over expenditures	(187,383)	(204,453)	(96,260)	108,193
<u>Other financing sources (uses)</u>				
Capital lease receipt	30,000	30,000	32,748	2,748
Total other financing sources (uses)	30,000	30,000	32,748	2,748
Net change in fund balances	(157,383)	(174,453)	(63,512)	110,941
Fund balance, July 01, 2013	157,383	174,453	174,453	-
Fund balance, June 30, 2014	\$ -	\$ -	\$ 110,941	\$ 110,941

City of Newberg, Oregon

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

June 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Charges for services	\$ 4,430,889	\$ 4,430,889	\$ 4,703,229	\$ 272,340
Interest	15,000	15,000	13,242	(1,758)
Other	10,000	10,000	56,060	46,060
Total revenues	4,455,889	4,455,889	4,772,531	316,642
<u>Expenditures</u>				
Treatment plant operations and maintenance	3,225,021	3,225,371	2,883,303	342,068
Debt service:				
Principal	263,277	263,277	263,277	-
Interest	149,355	149,355	149,355	-
Contingency	1,905,209	2,449,329	-	2,449,329
Total expenditures	5,542,862	6,087,332	3,295,935	2,791,397
Excess (deficiency) of revenues over expenditures	(1,086,973)	(1,631,443)	1,476,596	3,108,039
<u>Other financing sources (uses)</u>				
Sale of capital assets	-	-	7,469	7,469
Transfers Out	(3,140,444)	(3,152,444)	(3,140,444)	12,000
Total other financing sources (uses)	(3,140,444)	(3,152,444)	(3,132,975)	19,469
Net change in fund balances	(4,227,417)	(4,783,887)	(1,656,379)	3,127,508
Fund balance, July 1, 2013	4,227,417	4,783,887	4,783,887	-
Fund balance, June 30, 2014	\$ -	\$ -	\$ 3,127,508	\$ 3,127,508

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, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Interest	\$ 13,000	\$ 13,000	\$ 22,103	\$ 9,103
Total revenues	13,000	13,000	22,103	9,103
Excess of revenues over (under) expenditures	13,000	13,000	22,103	9,103
<u>Other financing sources (uses)</u>				
Transfers in	2,295,669	2,295,669	2,295,669	-
Transfers out	(2,038,250)	(2,480,850)	(496,719)	1,984,131
Total other financing sources (uses)	257,419	(185,181)	1,798,950	1,984,131
Net change in fund balances	270,419	(172,181)	1,821,053	1,993,234
Fund balance, July 1, 2013	2,961,173	2,961,007	2,961,007	-
Fund balance, June 30, 2014	\$ 3,231,592	\$ 2,788,826	\$ 4,782,060	\$ 1,993,234

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, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Development fees	\$ 590,000	\$ 590,000	\$ 293,607	\$ (296,393)
Special assessments	1,000	1,000	2,543	1,543
Interest	4,500	4,500	6,313	1,813
Total revenues	595,500	595,500	302,463	(293,037)
<u>Expenditures</u>				
Debt service:				
Principal	471,174	471,174	471,174	-
Interest	373,601	373,601	373,601	-
Contingency	1,701,421	454,808	-	454,808
Total expenditures	2,546,196	1,299,583	844,775	454,808
Excess (deficiency) of revenues over expenditures	(1,950,696)	(704,083)	(542,312)	161,771
<u>Other financing sources (uses)</u>				
Transfers in	866,715	866,715	866,714	(1)
Transfers out	(203,750)	(631,550)	(847,373)	(215,823)
Total other financing sources (uses)	662,965	235,165	19,341	(215,824)
Net change in fund balances	(1,287,731)	(468,918)	(522,971)	(54,053)
Fund balance, July 1, 2013	1,287,731	468,918	468,918	-
Fund balance, June 30, 2014	\$ -	\$ -	\$ (54,053)	\$ (54,053)

City of Newberg, Oregon

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

For Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Charges for services	\$ 6,581,480	\$ 6,581,480	\$ 6,503,215	\$ (78,265)
Interest	15,000	15,000	18,942	3,942
Other	15,300	15,300	91,737	76,437
Total revenues	6,611,780	6,611,780	6,613,894	2,114
<u>Expenditures</u>				
Plant operations and maintenance	4,506,446	4,506,796	4,003,217	503,579
Debt service:				
Principal	506,232	506,232	506,232	-
Interest	218,027	455,094	455,094	-
Contingency	3,869,023	4,040,682	-	4,040,682
Total expenditures	9,099,728	9,508,804	4,964,543	4,544,261
Excess (deficiency) of revenues over expenditures	(2,487,948)	(2,897,024)	1,649,351	4,546,375
<u>Other financing sources (uses)</u>				
Sale of capital assets	-	20,000	30,000	10,000
Transfers in	19,635	19,635	19,639	4
Transfers out	(4,698,795)	(4,718,795)	(4,698,795)	20,000
Total other financing sources (uses)	(4,679,160)	(4,679,160)	(4,649,156)	30,004
Net change in fund balances	(7,167,108)	(7,576,184)	(2,999,805)	4,576,379
Fund balance, July 1, 2013	7,167,108	7,576,184	7,576,184	-
Fund balance, June 30, 2014	\$ -	\$ -	\$ 4,576,379	\$ 4,576,379

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, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Interest	\$ 5,000	\$ 5,000	\$ 23,501	\$ 18,501
Miscellaneous	-	-	28,496	28,496
Total revenues	5,000	5,000	51,997	46,997
Excess of revenues over (under) expenditures	5,000	5,000	51,997	46,997
<u>Other financing sources (uses)</u>				
Transfers in	4,698,795	4,698,795	4,698,795	-
Transfers out	(857,500)	(960,500)	(620,593)	339,907
Total other financing sources (uses)	3,841,295	3,738,295	4,078,202	339,907
Net change in fund balances	3,846,295	3,743,295	4,130,199	386,904
Fund balance, July 1, 2013	1,234,745	1,234,745	1,234,902	157
Fund balance, June 30, 2014	\$ 5,081,040	\$ 4,978,040	\$ 5,365,101	\$ 387,061

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, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Development fees	\$ 685,000	\$ 685,000	\$ 773,601	\$ 88,601
Assessment installments	1,500	1,500	2,360	860
Interest	4,250	4,250	12,557	8,307
Total revenues	690,750	690,750	788,518	97,768
<u>Expenditures</u>				
Debt service:				
Principal	154,111	154,111	154,111	-
Interest	127,183	127,183	127,183	-
Contingency	2,732,884	1,692,068	-	1,692,068
Total expenditures	3,014,178	1,973,362	281,294	1,692,068
Excess (deficiency) of revenues over expenditures	(2,323,428)	(1,282,612)	507,224	1,789,836
<u>Other financing sources (uses)</u>				
Sale of Assets	-	-	989,354	989,354
Transfers out	(202,500)	(511,500)	(114,510)	396,990
Total other financing sources (uses)	(202,500)	(511,500)	874,844	1,386,344
Net change in fund balances	(2,525,928)	(1,794,112)	1,382,068	3,176,180
Fund balance, July 1, 2013	2,525,928	1,794,112	1,794,112	-
Fund balance, June 30, 2014	\$ -	\$ -	\$ 3,176,180	\$ 3,176,180

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, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Expenditures</u>				
Capital projects	\$ 8,100,000	\$ 11,000,000	\$ 9,447,632	\$ 1,552,368
Total expenditures	8,100,000	11,000,000	9,447,632	1,552,368
Excess of revenues over (under) expenditures	(8,100,000)	(11,000,000)	(9,447,632)	1,552,368
<u>Other financing sources (uses)</u>				
Financing agreements	8,100,000	11,000,000	4,620,523	6,379,477
Total other financing sources (uses)	8,100,000	11,000,000	4,620,523	6,379,477
Net change in fund balances	-	-	(4,827,109)	(4,827,109)
Fund deficit, June 30, 2013	-	-	(276,955)	(276,955)
Fund deficit, June 30, 2014	\$ -	\$ -	\$(5,104,064)	\$(5,104,064)

City of Newberg, Oregon

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

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Charges for services	\$ 977,354	\$ 977,354	\$ 1,098,072	\$ 120,718
Interest	3,000	3,000	1,682	(1,318)
Total revenues	980,354	980,354	1,099,754	119,400
<u>Expenditures</u>				
Operation and maintenance	892,203	908,553	864,660	43,893
Contingency	178,352	267,531	-	267,531
Total expenditures	1,070,555	1,176,084	864,660	311,424
Excess of revenues over (under) expenditures	(90,201)	(195,730)	235,094	430,824
<u>Other financing sources (uses)</u>				
Transfers out	(809,000)	(809,000)	(809,000)	-
Total other financing sources (uses)	(809,000)	(809,000)	(809,000)	-
Net change in fund balances	(899,201)	(1,004,730)	(573,906)	430,824
Fund balance, July 1, 2013	899,201	1,004,730	1,004,730	-
Fund balance, June 30, 2014	\$ -	\$ -	\$ 430,824	\$ 430,824

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, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Development fees	\$ 42,000	\$ 42,000	\$ 21,409	\$ (20,591)
Assessments	1,000	1,000	1,502	502
Interest	1,900	1,900	2,269	369
Total revenues	44,900	44,900	25,180	(19,720)
<u>Expenditures</u>				
Contingency	244,607	145,907	-	145,907
Total expenditures	244,607	145,907	-	145,907
Excess (deficiency) of revenues over expenditures	(199,707)	(101,007)	25,180	126,187
<u>Other financing sources (uses)</u>				
Transfers out	(150,000)	(250,000)	(228,026)	21,974
Total other financing sources (uses)	(150,000)	(250,000)	(228,026)	21,974
Net change in fund balances	(349,707)	(351,007)	(202,846)	148,161
Fund balance, July 1, 2013	349,707	351,007	351,007	-
Fund balance, June 30, 2014	\$ -	\$ -	\$ 148,161	\$ 148,161

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, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Interest	\$ 2,000	\$ 2,000	\$ 3,069	\$ 1,069
Total revenues	2,000	2,000	3,069	1,069
Excess (deficiency) of revenues over expenditures	2,000	2,000	3,069	1,069
<u>Other financing sources (uses)</u>				
Transfers in	809,000	809,000	809,000	-
Transfers out	(70,000)	(70,000)	-	70,000
Total other financing sources (uses)	739,000	739,000	809,000	70,000
Net change in fund balances	741,000	741,000	812,069	71,069
Fund balance, July 1, 2013	-	-	-	-
Fund balance, June 30, 2014	\$ 741,000	\$ 741,000	\$ 812,069	\$ 71,069

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, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Charges for services	\$ 1,443,000	\$ 1,443,000	\$ 1,599,564	\$ 156,564
Grants	5,000	13,944	8,944	(5,000)
Interest	1,000	1,000	2,411	1,411
Other	-	-	299	299
Total revenues	1,449,000	1,457,944	1,611,218	153,274
<u>Expenditures</u>				
Fire	1,556,721	1,571,476	1,462,616	108,860
Contingency	149,702	343,977	-	343,977
Total expenditures	1,706,423	1,915,453	1,462,616	452,837
Net change in fund balances	(257,423)	(457,509)	148,602	606,111
Fund balance, July 1, 2013	257,423	457,509	457,509	-
Fund balance, June 30, 2014	\$ -	\$ -	\$ 606,111	\$ 606,111

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, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Miscellaneous	\$ -	\$ 2,165,500	\$ 451,461	\$ (1,714,039)
Total revenues	-	2,165,500	451,461	(1,714,039)
<u>Expenditures</u>				
Capital outlay	3,522,000	7,069,900	2,307,221	4,762,679
Total expenditures	3,522,000	7,069,900	2,307,221	4,762,679
Excess (deficiency) of revenues over expenditure	(3,522,000)	(4,904,400)	(1,855,760)	3,048,640
<u>Other financing sources (uses)</u>				
Transfers in	3,522,000	4,904,400	2,307,221	(2,597,179)
Total other financing sources (uses)	3,522,000	4,904,400	2,307,221	(2,597,179)
Net change in fund balances	-	-	451,461	451,461
Fund balance, July 1, 2013	-	-	-	-
Fund balance, June 30, 2014	\$ -	\$ -	\$ 451,461	\$ 451,461

City of Newberg

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

For the Year Ended June 30, 2014

Fund	Water		Wastewater	
	Revenues	Expenditures	Revenues	Expenditures
Water	\$ 4,772,531	\$ 3,295,935	\$ -	\$ -
Water Replacement Reserve	22,103	-	-	-
Water System Development	302,463	844,775	-	-
Wastewater	-	-	6,613,894	4,964,543
Wastewater Replacement Reserve	-	-	51,997	-
Wastewater System Development	-	-	788,518	281,294
Wastewater Financed CIP	-	-	-	9,447,632
Stormwater	-	-	-	-
Stormwater System Development	-	-	-	-
Stormwater Replacement	-	-	-	-
Proprietary Capital Projects	265,454	1,344,092	186,007	735,103
Emergency Medical Services	-	-	-	-
Total revenues and expenditures (Budgetary Basis)	5,362,551	5,484,802	7,640,416	15,428,572
Adjustments				
Depreciation	-	1,082,182	-	1,518,839
Contributed capital	(293,607)	-	(773,601)	-
Gain on sale of capital assets	7,469	-	58,349	-
Principal payments	-	(734,451)	-	(660,343)
Interest accrual	-	(20,907)	-	(78,869)
Assessment receivable collections	(2,543)	-	(2,360)	-
Expenditures capitalized	-	(1,326,501)	-	(10,690,573)
Change in compensated absences	-	11,587	-	(8,742)
Net pension obligation expense	-	-	-	22
Capital lease expenditures	-	-	-	(1,891)
Other postemployment benefit expense	-	6,154	-	7,922
Total revenues and expenses (Accrual Basis)	5,073,870	4,502,866	6,922,804	5,514,937
Net income (loss) before contributions and transfers		\$ 571,004		\$ 1,407,867

Stormwater		Emergency Medical Services		Totals	
Revenues	Expenditures	Revenues	Expenditures	Revenues	Expenditures
\$ -	\$ -	\$ -	\$ -	\$ 4,772,531	\$ 3,295,935
-	-	-	-	22,103	-
-	-	-	-	302,463	844,775
-	-	-	-	6,613,894	4,964,543
-	-	-	-	51,997	-
-	-	-	-	788,518	281,294
-	-	-	-	-	9,447,632
1,099,754	864,660	-	-	1,099,754	864,660
25,180	-	-	-	25,180	-
3,069	-	-	-	3,069	-
-	228,026	-	-	451,461	2,307,221
-	-	1,611,218	1,462,616	1,611,218	1,462,616
1,128,003	1,092,686	1,611,218	1,462,616	15,742,188	23,468,676
-	279,947	-	90,754	-	2,971,722
(21,409)	-	-	-	(1,088,617)	-
-	-	-	-	65,818	-
-	-	-	-	-	(1,394,794)
-	-	-	-	-	(99,776)
(1,502)	-	-	-	(6,405)	-
-	(303,278)	-	(30,595)	-	(12,350,947)
-	(1,396)	-	872	-	2,321
-	-	-	-	-	22
-	-	-	-	-	(1,891)
-	2,556	-	3,440	-	20,072
1,105,092	1,070,515	1,611,218	1,527,087	14,712,984	12,615,405
	<u>\$ 34,577</u>		<u>\$ 84,131</u>		<u>\$ 2,097,579</u>

City of Newberg, Oregon

COMBINING STATEMENT OF NET POSITION INTERNAL SERVICE FUNDS

June 30, 2014

	<u>Administrative Support Services</u>	<u>Vehicle/ Equipment Replacement</u>	<u>Totals</u>
<u>ASSETS</u>			
<u>Current assets</u>			
Cash and investments	\$ 1,554,673	\$ 1,215,004	\$ 2,769,677
Accounts and other receivables	572	-	572
Inventory	23,288	-	23,288
Other assets - prepaid items	-	-	-
Total current assets	1,578,533	1,215,004	2,793,537
<u>Noncurrent assets</u>			
Capital assets, net of depreciation	191,531	1,524,965	1,716,496
Total noncurrent assets	191,531	1,524,965	1,716,496
Total assets	1,770,064	2,739,969	4,510,033
<u>LIABILITIES</u>			
<u>Current liabilities</u>			
Accounts payable	372,088	8,574	380,662
Payroll payables	403,797	-	403,797
Compensated absences	112,766	-	112,766
Current portion of capital leases payable	-	103,804	103,804
Total current liabilities	888,651	112,378	1,001,029
<u>Long-term obligations</u>			
Capital leases payable, net of current portion	-	197,929	197,929
Other postemployment benefits obligation	200,827	-	200,827
Total long-term obligations	200,827	197,929	398,756
Total liabilities	1,089,478	310,307	1,399,785
<u>NET POSITION</u>			
Net investment in capital assets	191,531	1,223,232	1,414,763
Unrestricted	489,055	1,206,430	1,695,485
Total net position	\$ 680,586	\$ 2,429,662	\$ 3,110,248

City of Newberg, Oregon

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

For the Year Ended June 30, 2014

	<u>Administrative Support Services</u>	<u>Vehicle/ Equipment Replacement</u>	<u>Totals</u>
<u>Operating revenues</u>			
Charges for services	\$ 3,304,500	\$ 621,134	\$ 3,925,634
Other operating revenues	24,229	-	24,229
Total operating revenues	3,328,729	621,134	3,949,863
<u>Operating expenses</u>			
Personal services	2,015,353	-	2,015,353
Materials and services	1,143,856	221,084	1,364,940
Depreciation	36,540	230,851	267,391
Total operating expenses	3,195,749	451,935	3,647,684
Operating income	132,980	169,199	302,179
<u>Nonoperating revenues (expenses)</u>			
Interest	7,463	6,853	14,316
Grants	750	-	750
Interest	-	(5,481)	(5,481)
(Loss) on sale of assets	-	(524)	(524)
Total nonoperating revenues (expenses)	8,213	848	9,061
Change in net position	141,193	170,047	311,240
Total net position, July 1, 2013	539,393	2,259,615	2,799,008
Total net position, June 30, 2014	\$ 680,586	\$ 2,429,662	\$ 3,110,248

City of Newberg, Oregon

COMBINING STATEMENT OF CASH FLOWS INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2014

	Administrative Support Services	Vehicle/ Equipment Replacement	Totals
<u>Cash flows from operating activities</u>			
Cash received from other funds	\$ 3,305,545	\$ 622,824	\$ 3,928,369
Cash paid to suppliers	(881,417)	4,599	(876,818)
Cash paid to employees	(1,919,252)	-	(1,919,252)
Other receipts	24,229	-	24,229
Net cash provided by operating activities	529,105	627,423	1,156,528
<u>Cash flows from capital and related financing activities</u>			
Principal paid on long-term obligations	-	(130,234)	(130,234)
Interest paid on long-term obligations	-	(5,481)	(5,481)
Sale of capital assets	-	3,441	3,441
Grants	750	-	750
Purchase of capital assets	(73,307)	(727,167)	(800,474)
Net cash (used in) capital and related financing activities	(72,557)	(859,441)	(931,998)
<u>Cash flows from investing activities</u>			
Interest received on investments	7,463	6,853	14,316
Net cash provided by investing activities	7,463	6,853	14,316
Net increase (decrease) in cash	464,011	(225,165)	238,846
Cash and investments, July 1, 2013	1,090,662	1,661,253	2,751,915
Cash and investments, June 30, 2014	\$ 1,554,673	\$ 1,436,088	\$ 2,990,761

Reconciliation of operating income
to net cash provided by operating activities:

Operating income	\$ 132,980	\$ 169,199	\$ 302,179
------------------	------------	------------	------------

Adjustments to reconcile operating income to net cash
provided by operating activities:

Depreciation	36,540	230,851	267,391
Net other post-employment benefits	9,955	-	9,955
Increase in accounts receivable	1,045	1,690	2,735
(Increase) decrease in prepaid expense	-	2,000	2,000
(Increase) decrease in inventory	13,121	-	13,121
Increase (decrease) in accounts payable	249,318	2,599	251,917
Increase (decrease) in payroll payable	82,729	-	82,729
Increase (decrease) in compensated absences	3,417	-	3,417
Net cash provided by operating activities	\$ 529,105	\$ 406,339	\$ 935,444

Noncash capital activities

Borrowing under capital lease	\$ -	\$ 250,000	\$ 250,000
-------------------------------	------	------------	------------

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, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Internal service charges	\$ 3,309,861	\$ 3,309,861	\$ 3,314,359	\$ 4,498
Charges for services	10,200	10,200	12,784	2,584
Grants	-	-	750	750
Other	-	-	1,586	1,586
Interest	4,000	4,000	7,463	3,463
Total revenues	3,324,061	3,324,061	3,336,942	12,881
<u>Expenditures</u>				
Departmental:				
City Manager	567,878	567,878	550,674	17,204
Finance	786,641	799,440	716,378	83,062
General Office	153,000	153,000	132,097	20,903
Information Services	598,536	699,813	597,993	101,820
Legal	454,528	454,528	387,675	66,853
Public Works	528,347	528,347	536,128	(7,781)
Insurance	240,000	295,000	298,200	(3,200)
Contingency	491,831	510,906	-	510,906
Total expenditures	3,820,761	4,008,912	3,219,145	789,767
Net change in fund balances	(496,700)	(684,851)	117,797	802,648
Fund balance, July 1, 2013	496,700	684,851	684,851	-
Fund balance, June 30, 2014	\$ -	\$ -	\$ 802,648	\$ 802,648

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, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Equipment replacement charges	\$ 612,164	\$ 622,164	\$ 621,134	\$ (1,030)
Interest	6,000	6,000	6,853	853
Total revenues	618,164	628,164	627,987	(177)
<u>Expenditures</u>				
Departmental:				
General Government	-	1,348	-	1,348
Manager	-	1,365	1,632	(267)
Information Technology	541,000	581,000	538,634	42,366
Police	190,000	220,500	88,255	132,245
Fire	10,000	10,000	-	10,000
Communications	19,000	19,000	19,000	-
Public Works	267,500	672,152	666,649	5,503
Fleet Repair/Maintenance	-	-	264	(264)
Facilities Repair/Maintenance	30,000	30,000	19,532	10,468
Contingency	1,112,006	1,113,767	-	1,113,767
Total expenditures	2,169,506	2,649,132	1,333,966	1,315,166
Excess (deficiency) of expenditures over revenues	(1,551,342)	(2,020,968)	(705,979)	1,314,989
<u>Other financing sources</u>				
Capital lease receipt	300,000	330,000	250,000	(80,000)
Sale of capital assets	-	-	3,441	3,441
Transfers in	-	32,000	-	(32,000)
Total other financing sources	300,000	362,000	253,441	(108,559)
Net change in fund balances	(1,251,342)	(1,658,968)	(452,538)	1,206,430
Fund balance, July 1, 2013	1,251,342	1,658,968	1,658,968	-
Fund balance, June 30, 2014	\$ -	\$ -	\$ 1,206,430	\$ 1,206,430

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, 2014

Fund	Administrative Support Services		Vehicle/ Equipment Replacement		Totals	
	Revenues	Expenditures	Revenues	Expenditures	Revenues	Expenditures
Administrative Support Services	\$ 3,336,942	\$ 3,219,145	\$ -	\$ -	\$ 3,336,942	\$ 3,219,145
Vehicle/Equipment Replacement	-	-	627,987	1,333,966	627,987	1,333,966
Total revenues and expenditures (Budgetary Basis)	3,336,942	3,219,145	627,987	1,333,966	3,964,929	4,553,111
<u>Adjustments</u>						
Depreciation	-	36,540	-	230,851	-	267,391
Expenditures capitalized	-	(73,308)	-	(977,167)	-	(1,050,475)
Change in compensated absences	-	3,417	-	-	-	3,417
Other postemployment benefit expense	-	9,955	-	-	-	9,955
Payment of capital lease principal	-	-	-	(130,234)	-	(130,234)
(Loss) on disposition of capital assets	-	-	-	524	-	524
Total revenues and expenses (Accrual Basis)	3,336,942	3,195,749	627,987	457,940	3,964,929	3,653,689
Net income before transfers		<u>\$ 141,193</u>		<u>\$ 170,047</u>		<u>\$ 311,240</u>

City of Newberg, Oregon

AGENCY FUND - BAIL STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

For the Year Ended June 30, 2014

	Balances			Balances
<u>ASSETS</u>	7/1/2013	Additions	Deductions	6/30/2014
Cash and investments	\$ 69,091	\$ 879,629	\$ 870,227	\$ 78,493
<u>LIABILITIES</u>				
Accounts payable	\$ 9,318	\$ 139,422	\$ 136,260	\$ 12,480
Funds held in trust	59,773	6,240	-	66,013
Total liabilities	\$ 69,091	\$ 145,662	\$ 136,260	\$ 78,493

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

This page intentionally left blank

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Honorable Mayor and 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, 2014, and have issued our report thereon dated March 16, 2015.

Compliance

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

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

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

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

In connection with our testing nothing came to our attention that caused us to believe the City was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations except that expenditure in excess of appropriations occurred 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>
Fire & EMS Equipment Fee Capital outlay	\$ 259,231	\$ 259,286	\$ (55)
Administrative Support Services Public works	528,347	536,128	(7,781)
Insurance	295,000	298,200	(3,200)
Vehicle/Equipment Replacement Manager	1,365	1,632	(267)
Fleet repair/maintenance	--	264	(264)

- B. Notifications of supplemental budget hearings were not published in accordance with ORS 294.473.

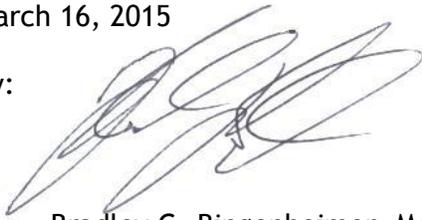
OAR 162-10-0230 Internal Control

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
March 16, 2015

By: 

Bradley G. Bingenheimer, Member

GRANT COMPLIANCE – SINGLE AUDIT

This page intentionally left blank



**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**

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 CITY OF NEWBERG, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 16, 2015.

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 not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2014-1 and 2014-2 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
March 16, 2015



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

City Council
CITY OF NEWBERG
Newberg, Oregon

Report on Compliance for Each Major Federal Program

We have audited the City's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of the City's major federal programs for the year ended June 30, 2014. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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, 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, 2014.

**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 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
March 16, 2015

CITY OF NEWBERG

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014**

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?	No
♦ 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?	Yes
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?	No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Section II – Financial Statement Findings

Significant Deficiencies:

2014-1 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.

2014-2 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.

Section III – Federal Award Findings and Questioned Costs

None

CITY OF NEWBERG, OREGON

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the 'Year Ended June 30, 2014**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<hr/>			
Department of Housing and Urban Development			
<hr/>			
Passed through Business Oregon IFA Community Development Block Grants	14.228	H12007	<u>262,664</u>
<hr/>			
Department of Justice			
<hr/>			
Direct Program: Bulletproof Vest Partnership Program	16.607	OMB#1121-0235	<u>760</u>
<hr/>			
National Endowment for the Arts			
<hr/>			
Direct Program: Promotion of the Arts (Design - Our Town)	45.024	13-4292-7053	<u>22,763</u>
<hr/>			
US Environmental Protection Agency			
<hr/>			
Passed through Oregon Department of Environmental Quality Capitalization Grants for Clean Water State Revolving Funds	66.458	R68820	2,857,269
Capitalization Grants for Clean Water State Revolving Funds	66.458	R68821	<u>3,851,887</u>
Total US Environmental Protection Agency			<u>6,709,156</u>
<hr/>			
Department of Health and Human Services			
<hr/>			
Passed through Oregon Department of Human Services National Bioterrorism Hospital Preparedness Program	93.889	144031	<u>8,944</u>
Total Expenditures of Federal Awards			<u>\$ 7,004,287</u>

CITY OF NEWBERG

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2014

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.