

City of Newberg, Oregon

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2018



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CITY OF NEWBERG, OREGON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2018

Prepared by:

Matt Zook, Finance Director
Caleb Lippard, Assistant Finance Director
Dan Keuler, Senior Accountant

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CITY OF NEWBERG, OREGON

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2018

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INTRODUCTORY SECTION

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December 26, 2018

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

The Comprehensive Annual Financial Report (CAFR) of the City of Newberg, Oregon (the City) for the fiscal year ended June 30, 2018 is hereby submitted.

State law requires that local governments publish, within six months of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement and presents the financial position of the City as of June 30, 2018 and the results of its government-wide operations as well as the cash flows for its proprietary fund types for the year then ended. The financial statements and supporting schedules have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and meet the requirements of the standards as prescribed by the Secretary of the State of Oregon. We believe the data, as presented, is accurate in all material respects and presented in a manner designed to comply with reporting requirements.

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

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

The City of Newberg's financial statements have been audited by Boldt, Carlisle & Smith LLC, a firm of licensed certified public accountants. They have issued an unmodified opinion on the City of Newberg's financial statements for the fiscal year ended June 30, 2018. The independent auditor's report is located at the front of the financial section of this report, beginning with page A.

Governmental Structure

The City of Newberg was incorporated in 1889. The City is located 23 miles southwest of Portland, Oregon's largest city, and lies on the main east-west route between Portland and the central Oregon coast. It is the second largest city in Yamhill County. Yamhill County is part of the Portland-Vancouver metropolitan statistical area. The City currently has an incorporated land area of 5.93 square miles and an estimated 2018 population of 23,480. The City has the authority to extend its corporate limits by annexation. During the 2017-18 fiscal year the City annexed two parcels for a total of approximately 50 acres.

The City operates under a Council-Manager form of government. Policy making and legislative authority are vested in the Mayor and City Council, which is composed of six members. Each council member represents a City district and is elected at large. Mayor and Council members are non-partisan and serve four-year terms. Terms are staggered with three positions being appointed every other year. The City Manager is appointed by the Council and is responsible for carrying out the policies of the Council, overseeing the day-to-day operations and appointing department heads. Other positions appointed by the City Council are the City Attorney and Municipal Judge.

The City Council is required to adopt a final budget by resolution no later than July 1. This annual budget serves as the foundation of the City of Newberg's financial planning and control. Totals by program (ex. general government, police, fire, etc.), 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.

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

Economic Condition and Outlook

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

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

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

During 2016-17 to 2017-18, the City's assessed value increased 4.1% and the market value also increased 21.2%. The difference between market value and assessed value has widened to \$1,031 million compared to \$600 million the prior year.

Table 1
City of Newberg Assessed and Market Values

	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
Assessed Value	\$ 1,627,595,461	\$ 1,696,556,938	\$ 1,780,615,477	\$ 1,855,195,227
Percent Change	5.2%	4.2%	4.9%	4.2%
Market Value	\$ 2,103,273,498	\$ 2,199,658,073	\$ 2,380,377,182	\$ 2,885,994,061
Percent Change	8.9%	4.5%	8.2%	21.2%

Source: Yamhill County Assessor's Office

During fiscal year 2017-18, the building fund saw a decrease in total values of constructed residential and an increase in commercial properties of -4.5% and 3.0%, respectively, from the prior fiscal year. This translated to an overall increase of 0.2% in permits and fees revenue from 2016-17 to 2017-18. The number of new residential units went from 114 in 2016-17 to 98 in 2017-18. The department also saw an increase in total inspections. Permit revenues in 2018-19 are expected to stay consistent with 2017-18.

The City benefits from its proximity to the Portland Metropolitan Area. The diversified economy of the Tri-county area (Multnomah, Washington, and Clackamas counties) and Yamhill County help the City to maintain a relatively stable economic condition. Agriculture dominates economic activities outside the urban area, particularly nurseries, vineyards and wineries. The City also benefits from A-dec, a family-owned dental manufacturer inside the City. Major employers also include Providence Newberg Medical Center, George Fox University, Fred Meyer, the Allison Inn, Friendsview Retirement Community, the Newberg School district and the City of Newberg. The unemployment rates in the area have been declining at an equal pace with the State of Oregon as well as Nationwide. The unemployment rates for the past four years were the following:

Unemployment Rates (seasonally adjusted as of June):

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Yamhill County	5.5%	4.8%	3.8%	3.5%
State of Oregon	5.7%	5.0%	4.1%	4.0%
National USA	5.3%	4.9%	4.3%	4.0%

Sources: State of Oregon Employment Department at <https://www.qualityinfo.org/home>

Note: The prior years' rates have been restated as sources' statistics are subject to change over time.

Rising retirement costs continue to be an economic challenge. Oregon PERS rates are set for a two-year period. The rates for the 2017-2019 biennium are 20.32% for Tier 1/Tier 2 employees, 10.02% for OPSRP general employees, and 14.79% for OPSRP public safety employees. The Newberg Employees Retirement Plan rates are set annually. The 2017-18 rate was 34.22%.

Relevant Financial Policies

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

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

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

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

Major Activities and Accomplishments

For the Year. The City had a number of citizen groups working on various issues during the year, in addition to the normal, routine citizens groups such as the Planning Commission, Traffic Safety Committee, Library Board, Budget Committee, Transient Lodging Tax Advisory Committee and the Citizens Rate Review Committee.

The Newberg-Dundee area received the designation of the 6th safest city, with over 10,000 population, in Oregon for 2018 by the National Council for Home Safety and Security. The Newberg-Dundee Police Department boasted 1.26 violent crimes per 1,000 persons and 16.97 property crimes per 1,000 persons, less than half of the Oregon average in both categories.

The City of Newberg and Tualatin Valley Fire & Rescue (TVF&R) entered into a two-year intergovernmental agreement effective July 1, 2016 for fire and emergency medical services to determine the feasibility and cost benefit to residents. Newberg faced current and future funding limitations, which had made it difficult to provide adequate fire department staffing, maintain equipment and comply with nationally recommended standards, particularly with increases in demands for service. The agreement provided for a decision by the City Council whether to proceed with an annexation process subsequent to June 30, 2017. In November of 2017, the citizens of Newberg voted to permanently annex into TVF&R for fire and EMS services beginning July 1, 2018.

The citizens also voted yes on instituting an amendment to the city charter which reduces the levy to \$2.50 of the City's permanent ad valorem property tax rate against any property within the District, commencing with the City's 2018-19 fiscal year and continuing in effect as long as the City remains within the boundaries of the District. Commencing with fiscal year 2019-20, and each year thereafter, the City may increase the tax rate limit by 3% of the prior year's limit. The City also may levy in excess of the limit if authorized by a measure approved by the voters.

In May, 2017, City Council approved an ordinance adopting a transportation utility fee (TUF) as a critical piece of maintaining the roadway pavement system in Newberg. It had been determined that approximately \$2.5 million is needed per year to maintain current pavement conditions city-wide. Approximately \$0.6 million is traditionally included as part of the Street Fund state-wide gas tax

revenues. The TUF was fully implemented in 2017-18. The approved TUF is projected to generate approximately \$1.15 million per year. The TUF is paid by residential, commercial, and industrial constituents through the monthly Municipal Services Statement (i.e. utility bill). Collection commenced in September 2017. The City is pleased to see immediate results from the additional funding by completing the first pavement preservation project in the summer of 2017. In 2018, the City has continued to explore sources of revenue for the remaining gap of roughly \$0.8 million.

In 2017-18, the Library began their remodel of the Circulation workroom, which was largely supported by grants and gifts. It included removing all of the old built-in cabinetry, painting, changing the flow by installing a wall, replacing the carpet with anti-fatigue flooring and purchasing new furnishings. In 2019, a new circulation desk will be installed.

City of Newberg Utility Billing department launched the Equal Pay option for paying municipal services bills in June of 2018. Equal Pay is a specialized payment plan that spreads out payments over a year, designed to provide customers an annualized rate for convenient budgeting.

For the Future. In September 2017, City Council took the initial steps in approving the City's commitment to the Emergency Communications System upgrade project in partnership with Washington County Consolidated Communications Agency (WCCCA). The City has partnered with WCCCA since 2009, allowing the City access to WCCCA's 800 MHz Public Safety Voice and Data Communications System rather than operating an independent, standalone system. WCCCA has identified the need for replacements and upgrades to their overall system, including a portion of the system that involves the direct benefit to the City and also requires the City's contribution. Clackamas C800 Radio Group (C800) is also a partner in the upgrade project. The primary scope of the overall project is to replace/upgrade/expand the infrastructure, communication towers, radios and other equipment. The overall project is estimated at \$124 million, with the City's portion as approximately \$3.1 million. The City completed financing of the project through a financing agreement executed in June of 2018. The project has begun and is anticipated to be completed in 2019.

In August 2018, City Council ratified the sale of the Animal Shelter land and building to its long-time community partner, the Newberg Animal Shelter Friends (NASF), who will continue to use the property for its intended purpose in recognition of its significant role. The sale is scheduled to close in December 2018. Net proceeds will be proportionately allocated to the Wastewater Fund and the General Fund.

The Oregon PERS rates for the 2019-21 biennium will be 21.99% for Tier 1/Tier 2 employees, 12.10% for OPSRP general employees, and 16.73% for OPSRP public safety employees. The Newberg Employees Retirement Plan 2018-19 rate is 36.80%. The Newberg Employees Retirement Plan 2019-20 rate will be 37.97%.

The City continues to develop the discipline of long-range financial planning. In 2017-18, the Council focused on the General Fund five-year forecast over multiple sessions, looking ahead to strategically meet the challenges of achieving a structurally-balanced budget. Long-range financial planning will continue to be expanded other key operating funds. In addition, the City will review and enhance financial policies.

In October 2018, Elise Yarnell Hollamon was appointed to the Council to fill the position vacated by Matthew Murray in July 2018. In November 2018, the citizens elected Rick Rogers as Mayor-elect and Elizabeth Gemeroy, Stephanie Findley, and Patrick Johnson (incumbent) as Councilors to new four-year terms beginning January 1, 2019. The City recognizes Mayor Bob Andrews and Councilors Stephen McKinney and Scott Essin for their dedicated service to the citizens of Newberg.

Awards and Acknowledgements

Awards. Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Newberg for its comprehensive annual financial report for the fiscal year ended June 30, 2017. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. The Certificate of Achievement is valid for only one year. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

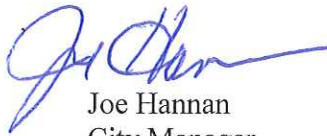
Acknowledgments. The preparation of the comprehensive annual financial report was made possible by the dedicated service of the entire staff of the Finance Department. Additionally, we would like to express our appreciation to all other departments who contributed information and statistics used for the preparation of this report.

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

Respectfully submitted,



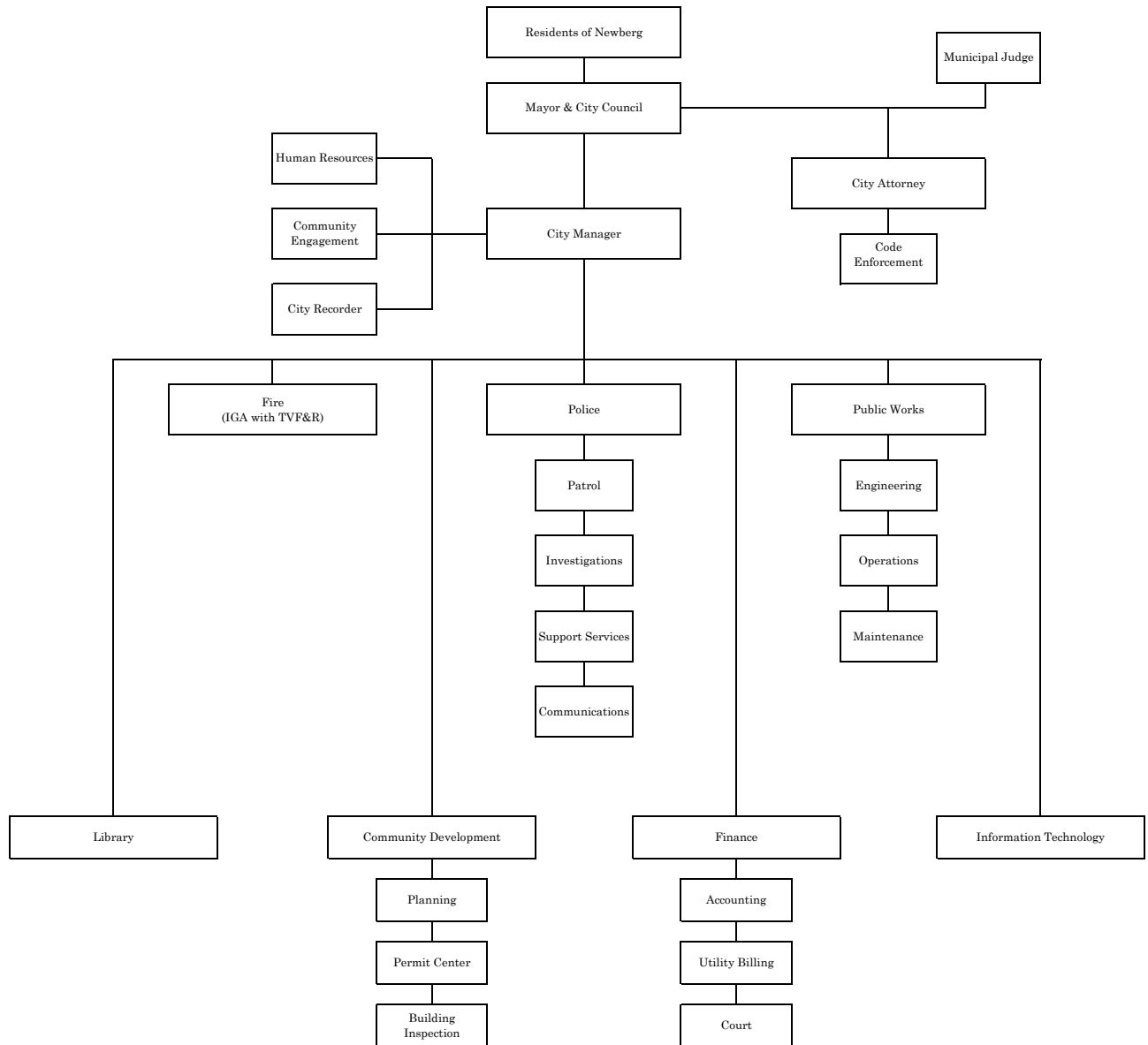
Matt Zook
Finance Director



Joe Hannan
City Manager

City of Newberg, Oregon

Organizational Chart



CITY OF NEWBERG

OFFICERS AND MEMBERS OF THE GOVERNING BODY

June 30, 2018

CITY MANAGER

Joe Hannan

CITY ATTORNEY

Truman A. Stone

MUNICIPAL JUDGE

Larry Blake Jr.

MAYOR

Bob Andrews
PO Box 970
Newberg, OR 97132

TERM EXPIRATION

December 31, 2018

COUNCIL MEMBERS

Denise Bacon
PO Box 970
Newberg, OR 97132

December 31, 2020

Mike Corey
PO Box 970
Newberg, OR 97132

December 31, 2020

Patrick Johnson
PO Box 970
Newberg, OR 97132

December 31, 2018

Stephen McKinney
PO Box 970
Newberg, OR 97132

December 31, 2018

Scott Essin
PO Box 970
Newberg, OR 97132

December 31, 2018

Matt Murray
PO Box 970
Newberg, OR 97132

December 31, 2020



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Newberg
Oregon**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Mayor, City Council and Management
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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

INDEPENDENT AUDITOR'S REPORT (Continued)

Opinion

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, 2018 and 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 accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1R to the financial statements, the City implemented GASB Statement No, 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinion is not modified with respect to this matter.

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 - p and the required supplementary information on pages 75 - 80 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining financial statements and individual fund schedules, the other financial schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements and individual fund schedules 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 financial statements and individual fund schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section, other financial schedules, and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

INDEPENDENT AUDITOR'S REPORT (Continued)

Other Reporting Required by Oregon State Regulations

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 21, 2018, on our consideration of the City's compliance with certain provisions of laws and regulation, 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
December 21, 2018

By:

A handwritten signature in black ink, appearing to read 'B. Bingenheimer', written over a faint, illegible stamp or background.

Bradley G. Bingenheimer, Member

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CITY OF NEWBERG, OREGON

Management's Discussion and Analysis

For the Year Ended June 30, 2018

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, 2018. 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 and deferred outflow of resources exceeded liabilities and deferred inflows of resources by \$150.8 million. Of this amount, \$7.2 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 \$7.4 million, or 5.2%. The positive effect on net position is due to traditional operations of \$5.9 million, decreasing debt of \$0.1 million, an increase in capital assets of \$2.3 million, and a prior period adjustment of \$0.6 million. The negative effect on net position is due to the net change of net pension liability and pension related items of \$1.5 million.
- Revenue from property taxes levied for general purposes increased \$0.2 million or 2.9% during the fiscal year. Franchise and public service taxes increased \$0.4 million or 10.3% over the prior fiscal year.
- Depreciation expense for 2017-18 was \$6,694,413.
- Total cost of all programs was \$38.1 million, an increase of \$1.7 million from the prior year. The increase primarily relates to changes in pension liabilities.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. Within this view, all City operations are categorized and reported as either governmental or business-type activities and are presented using the full accrual basis of accounting. Governmental activities include basic services such as

CITY OF NEWBERG, OREGON
Management's Discussion and Analysis
For the Year Ended June 30, 2018

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

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

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

Governmental Funds. The City maintains 15 individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for those funds that are considered significant (major) to the City taken as a whole. These financial statements report four major funds: General Fund, Street Fund, Street Capital Projects Fund, and Building Inspection Fund. Data from the other 11 governmental funds are combined into a single, aggregated presentation. For each major fund, a separate Statement (or Schedule) of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual is presented. Information on non-major funds can be found in the Combining and Individual Fund Financial Statements and Schedules section of this report.

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

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

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

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

Required Supplementary Information. This section relates to the adoption of GASB Statements 67 and 68 as well as GASB Statements 74 and 75, which require information related to the two pension plans and other postemployment benefits in which the City participates.

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

Other Financial Schedules. This section includes financial schedules related to taxes and outstanding debt.

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

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

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GOVERNMENT-WIDE FINANCIAL ANALYSIS

STATEMENT OF NET POSITION

Net position serves as a useful indicator of a government's financial position especially when viewed over time. In the case of the City, assets exceed liabilities by \$150.8 million at the close of the most recent fiscal year. This represents a \$7.4 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)

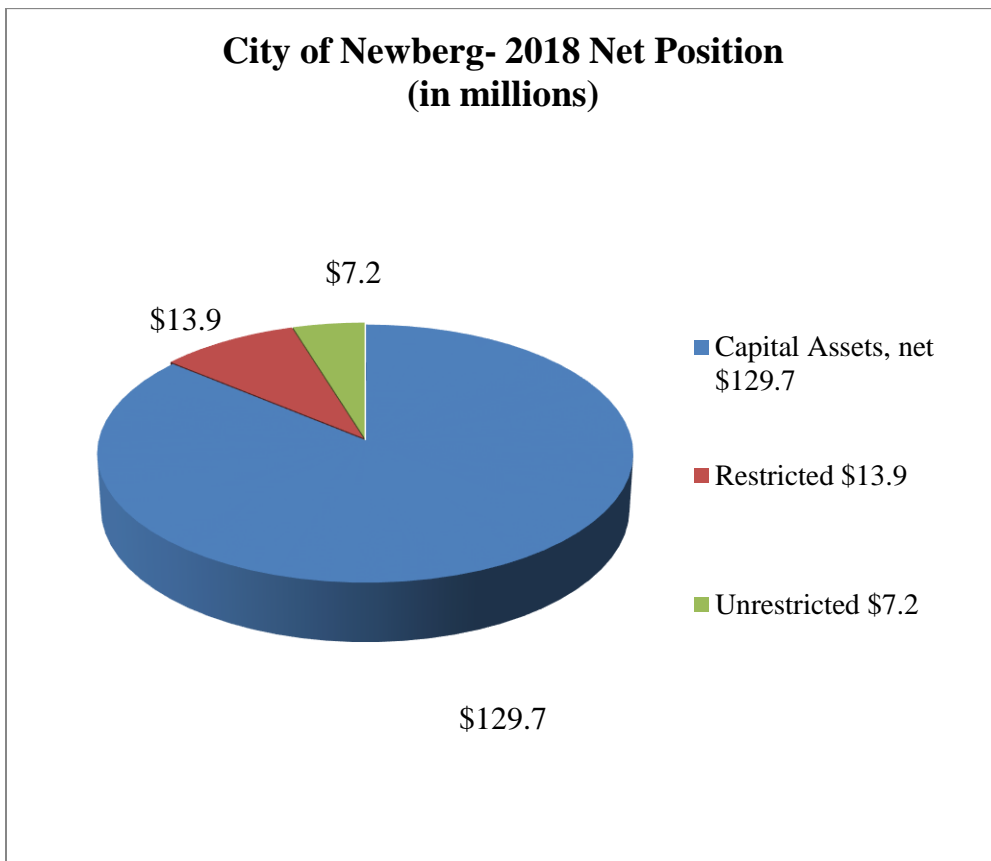
	Governmental		Business-type		Total	
	Activities		Activities		Government	
	2018	2017	2018	2017	2018	2017
Cash and investments	\$ 17.5	\$ 12.0	\$ 29.9	\$ 28.1	\$ 47.4	\$ 40.1
Other assets	1.9	1.1	2.0	2.7	3.9	3.8
Capital assets	76.3	74.7	89.1	88.5	165.4	163.2
Total assets	<u>95.7</u>	<u>87.8</u>	<u>121.0</u>	<u>119.3</u>	<u>216.7</u>	<u>207.1</u>
Deferred Outflows of resources						
Pension related items	5.6	8.2	2.8	4.1	8.4	12.3
Postemployment benefit related items	0.1	-	-	-	-	-
Deferred refunding charge	-	-	0.3	0.3	0.3	0.3
Total deferred outflows of resources	<u>5.7</u>	<u>8.2</u>	<u>3.1</u>	<u>4.4</u>	<u>8.7</u>	<u>12.6</u>
Long-term obligations	25.3	24.2	43.0	47.7	68.3	71.9
Other liabilities	2.8	1.3	0.9	1.1	3.7	2.4
Total liabilities	<u>28.1</u>	<u>25.5</u>	<u>43.9</u>	<u>48.8</u>	<u>72.0</u>	<u>74.3</u>
Deferred inflows of resources						
Pension related items	1.6	1.2	1.0	1.0	2.6	2.2
Postemployment benefit related items	-	-	-	-	-	-
Total deferred inflows of resources	<u>1.6</u>	<u>1.2</u>	<u>1.0</u>	<u>1.0</u>	<u>2.6</u>	<u>2.2</u>
Net position:						
Net investment in capital assets	75.1	73.9	54.6	51.3	129.7	125.2
Restricted	7.5	5.6	6.4	5.8	13.9	11.4
Unrestricted	(10.9)	(10.1)	18.1	16.9	7.2	6.8
Total net position	<u>\$ 71.7</u>	<u>\$ 69.4</u>	<u>\$ 79.1</u>	<u>\$ 74.0</u>	<u>\$ 150.8</u>	<u>\$ 143.4</u>

By far, the largest portion of the City of Newberg's net position (\$129.7 million, or 86.0%) is investment in capital assets (land, building, equipment, infrastructure, net of depreciation and any related outstanding debt used to acquire those capital assets). The City uses these capital assets to provide services to citizens and consequently, they are not available for future spending. Although the City of Newberg's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves can't be used to liquidate these liabilities.

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An additional portion of the City of Newberg's net position represents resources that are subject to external restrictions on how they may be used. Restricted net position totals \$13.9 million or 9.2%, and represent cash and investments that are legally restricted for capital expansion or debt service. The remaining balance of unrestricted net position totaling \$7.2 million, or 4.8%, may be used to meet the City's ongoing obligations.

At the end of the current fiscal year, the City of Newberg is able to report positive balances in most of the reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The sole exception is unrestricted net position in governmental activities, primarily due to the inclusion of net pension liability and related items. The same situation held true for the prior fiscal year.



CITY OF NEWBERG, OREGON
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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, 2018 and 2017
(in millions)

	Governmental Activities		Business-type Activities		Total Government	
	2018	2017	2018	2017	2018	2017
Revenues						
Charges for services	\$ 6.6	\$ 5.3	\$ 15.7	\$ 14.9	22.3	20.2
Operating grants and contributions	1.8	1.7	-	-	1.8	1.7
Capital grants and contributions	3.5	1.1	4.3	2.3	7.8	3.4
Taxes	11.9	11.3	-	-	11.9	11.3
Interest	0.3	0.1	0.5	0.3	0.8	0.4
Total revenues	<u>24.1</u>	<u>19.5</u>	<u>20.5</u>	<u>17.5</u>	<u>44.6</u>	<u>37.0</u>
Expenses						
General government	0.5	0.6	-	-	0.5	0.6
Public safety	14.1	13.6	-	-	14.1	13.6
Library	1.9	1.6	-	-	1.9	1.6
Community development	5.6	4.6	-	-	5.6	4.6
Interest on long-term debt	0.2	0.2	-	-	0.2	0.2
Water	-	-	5.1	4.8	5.1	4.8
Wastewater	-	-	9.0	8.1	9.0	8.1
Stormwater	-	-	1.5	2.0	1.5	2.0
Emergency medical services	-	-	0.3	0.9	0.3	0.9
Other	0.4	-	-	-	0.4	-
Total expenses	<u>22.7</u>	<u>20.6</u>	<u>15.9</u>	<u>15.8</u>	<u>38.6</u>	<u>36.4</u>
Increase (decrease) in net assets						
before transfers and special items	<u>1.4</u>	<u>(1.1)</u>	<u>4.6</u>	<u>1.7</u>	<u>6.0</u>	<u>0.6</u>
Special items	-	-	0.8	-	0.8	-
Transfers	<u>0.3</u>	<u>0.3</u>	<u>(0.3)</u>	<u>(0.3)</u>	-	-
Changes in net position	1.7	(0.8)	5.1	1.4	6.8	0.6
Beginning net position	69.4	70.3	73.9	72.5	143.4	142.8
Prior Period Adjustment	0.5	-	0.1	-	0.6	-
Ending net position	<u>\$ 71.7</u>	<u>\$ 69.4</u>	<u>\$ 79.1</u>	<u>\$ 74.0</u>	<u>\$ 150.8</u>	<u>\$ 143.4</u>

CITY OF NEWBERG, OREGON
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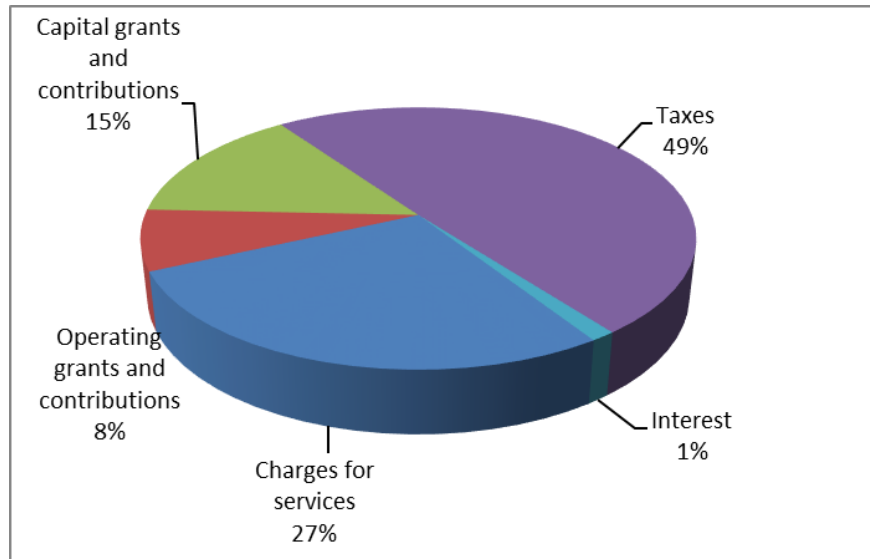
Governmental Activities

During the current fiscal year, the net position for governmental activities increased \$2.2 million from the prior fiscal year for an ending balance of \$71.7 million. The primary reason for this is the combined change of net pension liability and pension related items of \$1.5 million, as well as a prior period adjustment of \$0.5 million, which is further explained in the footnote disclosures. An analysis of the revenues and expenses 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. Charges for services increased over the prior year by \$1.3 million, primarily due to the addition of a new transportation utility fee that generated \$1.0 million toward street improvement and rehabilitation.
- 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, system development charges, and developer infrastructure contributions (e.g. fair market value of subdivision's infrastructure such as streets, roads, and rights-of-way/easements). This category increased by \$2.4 million over the prior year, primarily due to increased street system development charges of \$1.8 million and increased capital contributions of \$0.6 million, due to increased development activity within the City.
- Taxes – These are revenues that consist primarily of property taxes, transient lodging taxes, and franchise fees based on gross revenues. Overall property taxes increased \$0.2 million or 2.8% over the prior fiscal year. Franchise and public service taxes increased by \$0.4 million or 10.3%, primarily due to new state-shared marijuana tax (\$0.1 million) and increased local transient lodging tax activity (\$0.1 million).
- Interest – This is revenue derived from the City's investment of cash and reserves. Due to continued improvement in investment earnings, revenues from this source doubled for the second year in a row as compared to the prior year earnings, totaling \$257,864 in fiscal year 2017-18.
- Other - This is miscellaneous revenue not related to services provided.

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Governmental Activities – Revenues by Source



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

Table 3
Governmental Activities - Program Expenses
for the fiscal year ended June 30, 2018
(in millions)

Programs	FY 2017-18		Compared to FY 2016-17	
	Amount	Percent of Total	Amount	Percent
General government	\$ 0.5	2.2%	\$ (0.1)	-16.7%
Public safety	14.1	63.2%	0.5	3.7%
Library	1.9	8.5%	0.3	18.8%
Community development	5.6	25.1%	1.0	21.7%
Interest on long-term debt	0.2	0.9%	-	0.0%
Total expenses	\$ 22.3	100.0%	\$ 1.7	

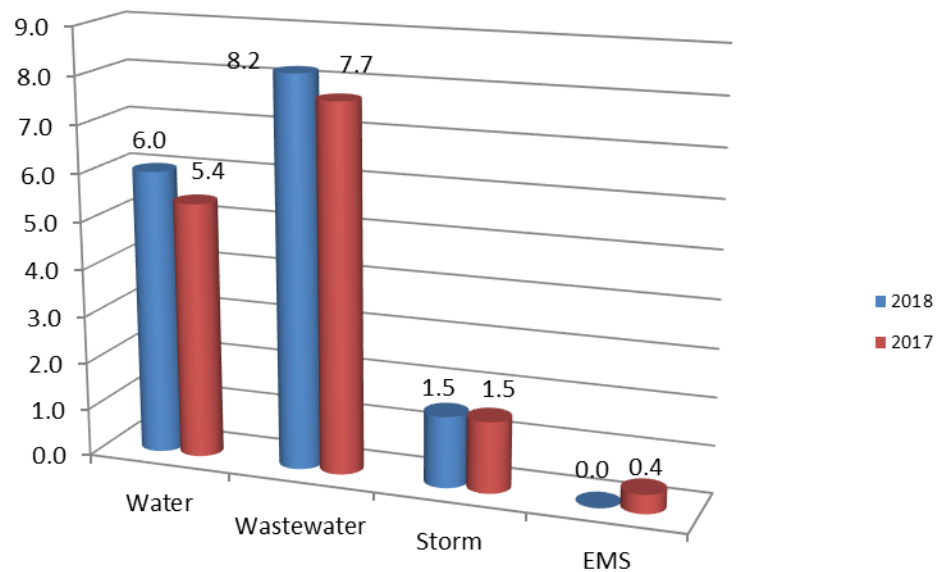
- General government and interest expenses were consistent with the prior fiscal year.
- Public safety consists of the police, fire, court, and 911 operations, and the overall expenses increased nominally.
- Library expenses increased in personnel and administrative costs.
- Community Development expenses increased due to pavement preservation corresponding with the new transportation utility fee, as well as a state housing grant.

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Business-type Activities

During the current fiscal year, the net position for business-type activities increased by \$5.2 million from the prior fiscal year for an ending balance of \$79.1 million. Business-type charges for services experienced modest revenue growth related to annual utility rate increases and activity. Capital grants and contributions experienced a strong increase over the prior year due to both system development charge increases as well as contributed capital due to high development activity. In addition, there was an increase due to a special item pertaining to pension/OPEB related items, which is further explained in footnote disclosure 4.

Business-Type Activities – Operating Revenues by Service



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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, 2018
(in millions)

Programs	FY 2017-18		Compared to FY 2016-17	
	Amount	Percent of Total	Increase/(Decrease) Amount	Percent
Water	5.1	32.1%	0.3	6.3%
Wastewater	9.0	56.6%	0.9	11.1%
Stormwater	1.5	9.4%	(0.5)	-25.0%
Emergency medical services	0.3	1.9%	(0.6)	-66.7%
Total expenses	<u>\$ 15.9</u>	<u>100.0%</u>	<u>\$ 0.1</u>	

- Wastewater expenses increased primarily due to various non-capitalized project costs incurred in 17-18 including sewer pipe maintenance, miscellaneous facility projects, and work on the master plans. Additionally, there was an increase in pension related costs allocated to wastewater from the Admin Support Services Fund, which was not being allocated pension costs in fiscal year 16-17 as well as an increase due to a fiscal year 16-17 misclassification of construction in progress capitalizations related to two storm projects. A correcting entry was made in the form of a prior period adjustment, which is further explained in footnote disclosure 4.
- Stormwater expenses decreased due to a fiscal year 16-17 misclassification of construction in progress capitalizations related to two storm projects. A correcting entry was made in the form of a prior period adjustment, which is further explained in footnote disclosure 4.
- The decrease in the EMS expenses relates to the second and final year of the transfer of services to Tualatin Valley Fire & Rescue.

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FUND-BASED FINANCIAL ANALYSIS

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

Governmental Funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$14.9 million, an increase of \$4.4 million in comparison with the prior year. Approximately 27.9% of this amount (\$4.1 million) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balances is either non-spendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form (\$0.1 million), 2) restricted for particular purposes (\$9.6 million), 3) committed for particular purposes (\$0.9 million) or 4) assigned for particular purposes (\$0.2 million).

The General Fund is the chief operating fund of the City. The fund balance of the City's General Fund increased by \$0.5 million (13.8%) during the current fiscal year. This change in fund balance is consistent with the prior year. Significant changes from the prior year are as follows:

- Property taxes revenues increased \$0.2 million, or 2.3%. This increase is less than the prior year increase in part due to decline in the rate of growth in tax assessed valued, lower collections in prior year taxes, and slightly lower percentage in current year collections.
- Other taxes increased \$0.3 million (9.7%) attributable to new a revenue source (state marijuana tax, which included a retroactive payment as well as current year revenue) and franchise fee revenues attributable to higher utility activity.
- Licenses and permits revenue increased by \$0.3 million (36.9%) due to higher development activity within the City.

The Street Fund ending fund balance increased \$0.5 million (66%) primarily due to a new Transportation Utility Fee (\$1.0 million), of which \$0.6 million was transferred out to the Street Capital Projects Fund. Other notable activity not affecting ending fund balance includes an increase in developer contributions (\$0.3 million) and a decrease in intergovernmental revenue relating to a prior year receipt of Surface Transportation Funds

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(\$0.5 million), both of which were offset equally by transfers to the Street Capital Projects Fund, thus not affecting ending fund balance.

The Building Inspection Fund ending fund balance increased at the same pace as the prior year (\$0.3 million) due to continued strong growth in development activity.

The Street Capital Projects Fund ending fund balance remained flat. However, project activity increased by \$1.5 million in part due to street paving projects funded by the new Transportation Utility Fee.

Other governmental fund balances increased by \$3.1 million. The primary reasons are due to the new Governmental Capital Projects Fund with a fund balance of \$2.3 million (unspent loan proceeds for the public safety communications upgrade project) and the Street System Development Charges Fund increased net activity of \$0.9 million.

Proprietary Funds

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

The net position of the water utility increased by \$2.0 million (7.1%) over the prior fiscal year. Operating costs increased by \$0.2 million during 2017-18. Charges for services increased by \$0.6 million due to increases in utility service activity. Fiscal year 2017-18 also experienced an increase in capital contributions revenue of \$0.3 million.

The net position of the wastewater utility increased by \$1.3 million (3.5%) during fiscal year 2017-18. Charges for services increased by \$0.5 million over the prior year. Operating costs increased by \$1.0 million. Fiscal year 17-18 also experienced an increase in capital contributions revenue of \$1.2 million.

The net position of the stormwater utility increased by \$1.7 million during fiscal year 2017-18. The levels of operational activity remained relatively consistent with prior year with the exception of a decrease in materials and services relating to a fiscal year 2016-17 misclassification of construction in progress capitalizations for which a correcting entry was made in 2017-18 in the form of a prior period adjustment, which is further explained in footnote disclosure 4. Fiscal year 2017-18 also experienced an increase in capital contributions revenue of \$0.5 million.

Net position of the emergency medical services fund increased \$0.2 million during fiscal year 2017-18. The decrease in operating revenues of \$0.4 million was offset by a decrease in operating expenses of \$0.6 million, due to the transfer of services to Tualatin Valley Fire and Rescue. Additionally, a special item of \$0.8 million was recognized pertaining to pension/OPEB related items, which is further explained in the footnote disclosure 4.

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BUDGETARY HIGHLIGHTS

Original budget compared to final budget

The budgetary statements for each fund, shown throughout this report, show the original budget, final budget, actual revenues, expenditures and transfers in and out for the fiscal year ended June 30, 2018. The City executed two supplemental budgets affecting multiple funds to cover minor adjustments for various unanticipated revenues and expenditures within different funds as well as creating the Governmental Capital Projects Fund to account for the new Public Safety Communications Upgrade Project. In addition, a new Transportation Utility Fee was adopted effective September 2017 and was included as a supplemental budget item of approximately \$1.0 million.

General Fund final budget compared to actual results

General fund actual revenues exceeded budget by 5.3%, primarily due to Licenses and Permits revenues exceeding budget by 99.3%, and franchise fee revenues exceeding budget by 8.3%. General fund expenditures were, in aggregate and excluding transfers, 89.0% of budget, with the largest variances in the police, fire, and planning categories due to various salaries and operating expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2018, the City had invested \$165.5 million in capital assets as reflected in the following table, which represents a net increase (additions, deductions and depreciation) of \$2.4 million.

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

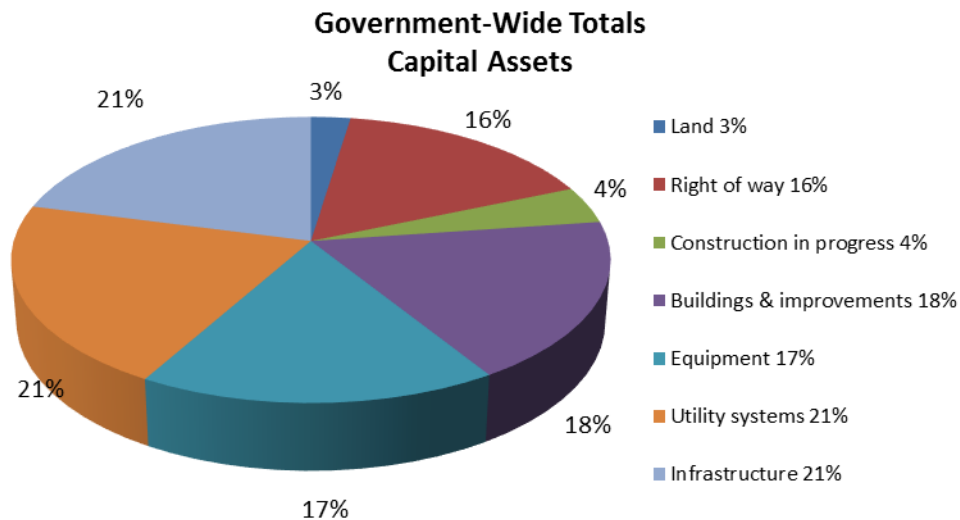
	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Land	\$ 1.2	\$ 1.2	\$ 2.8	\$ 2.8	\$ 4.0	\$ 4.0
Right of way	26.8	26.8	-	-	26.8	26.8
Construction in progress	3.9	1.3	3.0	1.8	6.9	3.1
Buildings & improvements	7.3	7.5	22.9	23.6	30.2	31.1
Equipment	2.6	2.6	25.9	27.0	28.5	29.6
Utility systems	-	-	34.5	33.4	34.5	33.4
Infrastructure	34.6	35.1	-	-	34.6	35.1
Total	<u>\$ 76.4</u>	<u>\$ 74.5</u>	<u>\$ 89.1</u>	<u>\$ 88.6</u>	<u>\$ 165.5</u>	<u>\$ 163.1</u>

CITY OF NEWBERG, OREGON
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Major capital asset events during the current fiscal year included the following:

- The City received developer-contributed infrastructure from five developments, which completed in 2017-18. These developers contributed a total of \$2.8 million of infrastructure in the current year.
- Depreciation expense for 2017-18 was \$6,694,413.
- The City began work on the Public Safety Communication Upgrade, expending a total of \$0.9 million of the anticipated \$3.1 million total project cost.
- The City completed work on the oxidation ditch #2 rebuild and the water treatment plant hypochlorite generator, which totaled \$0.7 and \$0.4 million over the course of the construction, respectively.

Additional information on the City’s capital assets can be found in the Notes to the Basic Financial Statements on page 40 of this report.



Debt. As of June 30, 2018, the City had a total long-term debt obligation of \$42.0 million. Of this amount, \$9.6 million represented outstanding bonded indebtedness. Outstanding bonded debt included \$2.6 million to be serviced by the City Hall fee and internal charges to departments and \$7.0 million serviced by user fees and SDCs. The City incurred a new private placement bank loan for \$3.2 million to the public safety communication upgrade projects to be repaid by General Fund revenue. All of these debts are backed by the full faith and credit of the City.

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TABLE 6
OUTSTANDING DEBT AT YEAR END
(in millions)

	Governmental		Business-type		Totals	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
FF&C Bonds-2015 Refunding	\$ 0.4	\$ 0.7	\$ 7.0	\$ 8.1	\$ 7.4	\$ 8.8
FF&C public safety financing	3.2	-	-	-	3.2	-
Limited tax bonds	2.2	2.3	-	-	2.2	2.3
Notes payable	1.4	1.5	27.8	29.4	29.2	30.9
Capital leases	-	0.1	-	-	-	0.1
Total	<u>\$ 7.2</u>	<u>\$ 4.6</u>	<u>\$ 34.8</u>	<u>\$ 37.5</u>	<u>\$ 42.0</u>	<u>\$ 42.1</u>

The City received an AA credit rating from Standard & Poors on the 2015 Refunding. This is equivalent to a two-notch increase over the rating received by Moody's in 1998. The City's 2004 pension bond was reviewed by Moody's in July 2018 and was upgraded from Aa3 to Aa2.

Additional information on the City's debt and other long-term obligations can be found in the Notes to the Basic Financial Statements on page 43 of this report.

ECONOMIC FACTORS

The following economic factors currently affect the City of Newberg:

- The unemployment rate for Yamhill County is currently 3.5%, which continues a downward trend from prior years. This rate has decreased over the last eight years after spiking at a high around 13.2% in 2009, and the 2018 rate is now the lowest in over 30 years.
- The City's taxable assessed value (TAV) for 2018-19 increased by 2.67% over the 2017-18 certified tax roll. This growth rate was down from the TAV increase of 4.19% in 2017-18 tax year. The 2017-18 TAV was adjusted downward in June 2018 (post-certification) primarily due to the settlement of a longstanding dispute between Comcast and the State of Oregon, as well as an adjustment to Frontier and an assessment error on another Newberg business. The adjustment to the TAV in this magnitude should be considered one-time events, although tax adjustments do occur every year as a normal course of operation. TAV increased by \$73 million (3.98%) between the 2017-18 Adjusted and 2018-19 Certified. The City also received a one-time collection of \$188,480 from the Comcast settlement, which is basically a deferred payment from 2009-2018 tax years.

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For the Year Ended June 30, 2018

- The City's private retirement plan contribution rate increased for 2017-18 from 29.32% to 34.22%. Additionally, this rate increased to 36.8% for the 2018-19 fiscal year. The rate for 2019-20 will be 37.97%.
- Employer contribution rates for Oregon PERS continue to increase. The rates for Oregon PERS increased by an additional 2.91-5.23% of subject payroll for the 2017-19 biennium and will increase an additional 1.67-2.08% of subject payroll for the 2019-21 biennium. In 2017-18, the City used the PERS reserves set aside in 2016-17 to offset the PERS rate increase effective July 1, 2017.
- Health care costs continued to escalate in FY2018-19 by approximately 9%.
- Non-represented employees within the City received a cost of living increase of 2.0% effective July 1, 2018. Police collective bargaining unit employees received a 3.0% cost of living increase. The public works collective bargaining agreement was approved in January 2018 for three years, and a cost of living adjustment of 2.5% will also be applied on January 1, 2019.

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

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

- **Statement of Net Position** - Statement presenting all of the City's assets, net outflows of resources, liabilities, and net inflows of resources, with the difference reported as net position. This statement is split between governmental and business-type activities.
- **Statement of Activities** - Statement reporting the changes in net position of the City's governmental and business-type activities.

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City of Newberg, Oregon

STATEMENT OF NET POSITION

June 30, 2018

	Governmental Activities	Business-Type Activities	Totals
<u>ASSETS</u>			
Cash and cash equivalents	\$ 17,481,262	\$ 29,856,382	\$ 47,337,644
Receivables	1,842,316	1,716,173	3,558,489
Internal balances	(56,659)	56,659	-
Inventories	111,957	228,057	340,014
Capital assets:			
Land and construction in progress	31,938,691	5,804,640	37,743,331
Other capital assets, net of depreciation	44,420,279	83,307,569	127,727,848
Total assets	95,737,846	120,969,480	216,707,326
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension related items	5,609,083	2,795,481	8,404,564
Other postemployment benefits related items	29,910	9,876	39,786
Deferred refunding charge	36,116	277,323	313,439
Total deferred outflows of resources	5,675,109	3,082,680	8,757,789
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	2,271,685	593,283	2,864,968
Contingent liability	446,000	-	446,000
Deposits	50,432	26,603	77,035
Interest payable	37,993	244,461	282,454
Long-term obligations:			
Due within one year	1,692,533	3,101,558	4,794,091
Due in more than one year	23,594,619	39,944,925	63,539,544
Total liabilities	28,093,262	43,910,830	72,004,092
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension related items	1,608,625	993,356	2,601,981
Other postemployment benefits related items	34,376	11,451	45,827
Total deferred inflows of resources	1,643,001	1,004,807	2,647,808
<u>NET POSITION</u>			
Net investment in capital assets	75,051,501	54,630,631	129,682,132
Restricted for:			
Capital projects	3,957,362	6,417,821	10,375,183
Debt service	65,995	-	65,995
Public safety	156,300	-	156,300
Street maintenance	1,222,625	-	1,222,625
Other purposes	2,119,808	-	2,119,808
Unrestricted	(10,896,899)	18,088,071	7,191,172
Total net position	\$ 71,676,692	\$ 79,136,523	\$ 150,813,215

See accompanying notes

City of Newberg, Oregon

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<u>Governmental activities:</u>				
General government	\$ 456,661	\$ 1,164,740	\$ 196,970	\$ -
Public safety	14,122,328	2,036,208	17,254	-
Library	1,880,375	114,132	56,803	-
Community development	5,605,823	3,282,887	1,536,443	3,549,009
Interest on long-term obligations	190,013	-	-	-
Total governmental activities	22,255,200	6,597,967	1,807,470	3,549,009
<u>Business-type activities:</u>				
Water	5,091,557	6,005,357	-	1,205,067
Wastewater	9,015,163	8,165,355	-	2,426,479
Stormwater	1,474,100	1,545,965	-	665,187
Emergency medical services	305,867	26,618	-	-
Total business-type activities	15,886,687	15,743,295	-	4,296,733
Totals	\$ 38,141,887	\$ 22,341,262	\$ 1,807,470	\$ 7,845,742

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

Special item: pension/OPEB related items (see footnote 4)

Contingency loss (see footnote 4)

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
\$ 905,049	\$ -	\$ 905,049
(12,068,866)	-	(12,068,866)
(1,709,440)	-	(1,709,440)
2,762,516	-	2,762,516
(190,013)	-	(190,013)
<u>(10,300,754)</u>	<u>-</u>	<u>(10,300,754)</u>
-	2,118,867	2,118,867
-	1,576,671	1,576,671
-	737,052	737,052
-	(279,249)	(279,249)
-	4,153,341	4,153,341
<u>(10,300,754)</u>	<u>4,153,341</u>	<u>(6,147,413)</u>
7,872,211	-	7,872,211
832	-	832
3,997,659	-	3,997,659
257,864	464,392	722,256
15,193	-	15,193
427	2,909	3,336
-	788,650	788,650
(446,000)	-	(446,000)
337,773	(337,773)	-
<u>12,035,959</u>	<u>918,178</u>	<u>12,954,137</u>
1,735,205	5,071,519	6,806,724
69,448,717	73,950,985	143,399,702
492,770	114,019	606,789
<u>\$ 71,676,692</u>	<u>\$ 79,136,523</u>	<u>\$ 150,813,215</u>

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FUND FINANCIAL STATEMENTS

Governmental Funds

- **General** - accounts for the financial operations of the city that are not required to be accounted for in any other fund. Principal sources of revenue are property taxes, licenses and permits, intergovernmental revenue, and fines and forfeitures.
- **Street** - accounts for revenues received from state gasoline taxes which are to be expended as outlined in the Constitution of the State of Oregon, Article IX, Section 3.
- **Building Inspection** - accounts for fees collected to enforce the state building codes. Fund expenditures are related to the City's building inspection program.
- **Street Capital Projects** - accounts for street capital projects. Resources are derived from transfers from the Street Fund, street systems development charges, and grant revenues.
- **Nonmajor Funds** – includes seven special revenue funds, two debt service funds, and two capital projects funds that are collectively reported as nonmajor funds.

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City of Newberg, Oregon
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	General	Street	Building Inspection	Street Capital Projects	Total Nonmajor Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 4,608,795	\$ 858,589	\$ 1,482,587	\$ 781,686	\$ 8,025,739	\$ 15,757,396
Receivables:						
Accounts	228,751	353,656	-	-	469,124	1,051,531
Loans	-	-	-	-	31,744	31,744
Assessments	-	-	-	-	72,176	72,176
Taxes	663,748	-	-	-	18,186	681,934
Due from other funds	27,181	-	-	-	-	27,181
Inventories	-	90,779	-	-	-	90,779
Total assets	\$ 5,528,475	\$ 1,303,024	\$ 1,482,587	\$ 781,686	\$ 8,616,969	\$ 17,712,741
LIABILITIES						
Accounts payable	\$ 405,003	\$ 53,340	\$ 20,308	\$ 604,882	\$ 101,355	\$ 1,184,888
Other accrued liabilities	194,794	12,725	10,492	-	16,887	234,898
Due to other funds	-	-	-	-	26,826	26,826
Deposits	36,098	14,334	-	-	-	50,432
Interfund loan	63,270	-	-	-	-	63,270
Contingent liabilities (see footnote 4)	-	-	-	-	446,000	446,000
Total liabilities	699,165	80,399	30,800	604,882	591,068	2,006,314
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue-property taxes	663,748	-	-	-	18,186	681,934
Unavailable revenue-loans	-	-	-	-	31,744	31,744
Unavailable revenue-special assessments	-	-	-	-	72,176	72,176
Total deferred inflows of resources	663,748	-	-	-	122,106	785,854
FUND BALANCES						
Nonspendable	-	90,779	-	-	-	90,779
Restricted	-	1,131,846	1,451,787	-	7,054,372	9,638,005
Committed	-	-	-	176,804	682,507	859,311
Assigned	-	-	-	-	166,916	166,916
Unassigned	4,165,562	-	-	-	-	4,165,562
Total fund balances	4,165,562	1,222,625	1,451,787	176,804	7,903,795	14,920,573
Total liabilities, deferred inflows of resources, and fund balances	\$ 5,528,475	\$ 1,303,024	\$ 1,482,587	\$ 781,686	\$ 8,616,969	\$ 17,712,741

See accompanying notes

City of Newberg, Oregon

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

June 30, 2018

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

Total fund balances - governmental funds	\$	14,920,573
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.		785,854
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		74,356,720
Governmental activities report as deferred outflows of resources payments to refunding bond escrow agent		36,116
Governmental activities report as deferred outflows of resources actuarially determined deferred outflows such as changes of assumptions and other actuarially calculated estimates and contributions related to the retirement plans for the year		3,838,103
Governmental activities report as deferred outflows of resources an actuarially calculated implicit employer subsidy for postemployment benefits for the year		24,536
Long-term obligations are not due and payable in the current period and, therefore, are not reported in the funds:		
Long-term debt	\$ (7,234,518)	
Compensated absences	(717,748)	
Other postemployment benefits	(491,701)	
Accrued interest	<u>(37,993)</u>	(8,481,960)
The statement of activities reports the change in net pension liability as additional expenses for increases and a reduction of expenses for decreases		(11,464,650)
Governmental activities report as deferred inflows the effect of differences between projected and actual earnings and changes in proportionate share of contributions to the retirement plans		(1,025,672)
Governmental activities report as deferred inflows the effect of changes of assumptions and inputs for actuarially calculated other postemployment benefit costs		(28,111)
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		(1,284,817)
Net position of governmental activities	\$	71,676,692

See accompanying notes

City of Newberg, Oregon

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

For the Year Ended June 30, 2018

	General	Street	Building Inspection	Street Capital Projects	Total Nonmajor Funds	Total Governmental Funds
Revenues						
Property taxes	\$ 7,864,019	\$ -	\$ -	\$ -	\$ 7,703	\$ 7,871,722
Other taxes	2,990,659	-	-	-	1,118,742	4,109,401
Licenses and permits	938,729	78,884	874,686	-	209,685	2,101,984
Intergovernmental	1,280,473	1,513,868	-	-	586,294	3,380,635
Charges for services	121,921	1,180,114	90,800	-	2,699,398	4,092,233
Fines and forfeitures	593,431	-	-	-	-	593,431
Facilities charge	-	-	-	-	119,492	119,492
Pension bond charge	-	-	-	-	248,417	248,417
Loan collections - principal	-	-	-	-	13,534	13,534
Loan collections - interest	-	-	-	-	1,573	1,573
Assessments	-	-	-	-	5,105	5,105
Donations	-	-	-	-	36,033	36,033
Interest	63,395	13,399	21,315	7,969	97,835	203,913
Miscellaneous	3,046	1,953	60	-	-	5,059
Total revenues	13,855,673	2,788,218	986,861	7,969	5,143,811	22,782,532
Expenditures						
Current:						
General government	195,657	-	-	-	157,377	353,034
Public safety	11,744,964	-	-	-	816,014	12,560,978
Library	1,726,286	-	-	-	65,497	1,791,783
Community development	769,426	1,207,993	626,691	-	220,331	2,824,441
Debt service:						
Principal	-	-	-	-	453,590	453,590
Interest	-	-	-	-	190,743	190,743
Capital outlay	-	-	-	2,708,413	876,452	3,584,865
Total expenditures	14,436,333	1,207,993	626,691	2,708,413	2,780,004	21,759,434
Excess (deficiency) of revenues over expenditures	(580,660)	1,580,225	360,170	(2,700,444)	2,363,807	1,023,098
Other financing sources (uses)						
Developer contribution proceeds	-	342,750	-	-	-	342,750
Sale of capital assets	327	923	-	-	-	1,250
Loan proceeds	45,671	-	-	-	3,151,630	3,197,301
Contingency loss (see footnote 4)	-	-	-	-	(446,000)	(446,000)
Transfers in	1,252,591	2,858	653	2,708,413	133,508	4,098,023
Transfers out	(212,984)	(1,440,387)	(16,810)	-	(2,130,970)	(3,801,151)
Total other financing sources (uses)	1,085,605	(1,093,856)	(16,157)	2,708,413	708,168	3,392,173
Net change in fund balances	504,945	486,369	344,013	7,969	3,071,975	4,415,271
Fund balances, July 1, 2017	3,660,617	736,256	1,107,774	168,835	4,831,820	10,505,302
Fund balances, June 30, 2018	\$ 4,165,562	\$ 1,222,625	\$ 1,451,787	\$ 176,804	\$ 7,903,795	\$ 14,920,573

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, 2018

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

Net change in fund balances - total governmental funds	\$ 4,415,271
Governmental funds deferred revenues that do not provide current financial resources. However, the statement of activities recognizes such revenues at their net realizable value when earned, regardless of when received.	
Property taxes	1,321
Notes and assessments	(18,639)
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.	460,518
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	(20,017)
Interest	(1,685)
Amortization of deferred refunding charges	(4,514)
Change in deferred outflows of resources related to Other postemployment benefits	3,406
Other postemployment benefits	(21,044)
Change in deferred inflows of resources related to Other postemployment benefits	(28,111)
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	(3,197,301)
Donations of capital assets are reported as capital contributions in the Statement of Activities, but do not appear in the governmental funds because they are not financial resources.	891,733
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.	(35,465)
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	2,569,269
Depreciation	(1,795,527)
The amount contributed to defined benefit pension plans is reported as an expenditure in the funds while governmental activities reports pension expense as the change in net pension asset or liability, pension related deferred outflow of resources and deferred inflows of resources.	
Change in deferred outflows of resources	(2,573,186)
Change in net pension asset or liability	1,981,124
Change in deferred inflows of resources	(250,022)
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.	(641,926)
Change in net position of governmental activities	\$ 1,735,205

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, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Property taxes	\$ 7,855,522	\$ 7,855,522	\$ 7,864,019	\$ 8,497
Franchise fees	1,587,223	1,587,223	1,718,256	131,033
Licenses and permits	470,900	470,900	938,729	467,829
Intergovernmental	2,517,633	2,517,633	2,552,876	35,243
Charges for services	124,430	124,430	121,921	(2,509)
Fines and forfeitures	576,440	576,440	593,431	16,991
Interest	21,233	21,233	62,144	40,911
Miscellaneous	4,750	4,750	3,046	(1,704)
Total revenues	13,158,131	13,158,131	13,854,422	696,291
<u>Expenditures</u>				
General government	210,073	210,073	195,657	14,416
Municipal court	312,131	312,131	294,124	18,007
Police	6,835,552	6,871,213	6,511,997	359,216
Fire	3,866,703	3,866,703	3,876,778	(10,075)
Communications	3,509,676	1,317,360	1,062,065	255,295
Library	1,767,171	1,767,171	1,726,286	40,885
Planning	1,262,702	1,262,702	769,426	493,276
Contingency	643,504	607,843	-	607,843
Total expenditures	18,407,512	16,215,196	14,436,333	1,778,863
Excess (deficiency) of revenues over expenditures	(5,249,381)	(3,057,065)	(581,911)	(2,475,154)
<u>Other financing sources (uses)</u>				
Loan Proceeds	2,239,616	47,300	45,671	2,332,587
Sale of capital assets	1,000	1,000	327	2,327
Transfers in	1,174,924	1,174,924	1,252,591	77,667
Transfers out	(143,834)	(143,834)	(52,161)	91,673
Total other financing sources (uses)	3,271,706	1,079,390	1,246,428	2,504,254
Net change in fund balance	(1,977,675)	(1,977,675)	664,517	2,642,192
Fund balance, July 1, 2017	3,077,675	3,077,675	3,564,315	486,640
Fund balance, June 30, 2018	\$ 1,100,000	\$ 1,100,000	4,228,832	\$ 3,128,832
Reconciliation to generally accepted accounting principles				
Interfund loan			(63,270)	
Fund balance, June 30, 2018			<u>\$ 4,165,562</u>	

See accompanying notes

City of Newberg, Oregon

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

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Licenses and permits	\$ 34,875	\$ 34,875	\$ 78,884	\$ 44,009
Intergovernmental	1,573,500	1,573,500	1,513,868	(59,632)
Charges for services	2,500	959,837	1,180,114	220,277
Interest	2,500	2,500	13,399	10,899
Miscellaneous	-	-	1,953	1,953
Total revenues	1,613,375	2,570,712	2,788,218	217,506
<u>Expenditures</u>				
Public works	1,362,441	1,362,441	1,207,993	154,448
Contingency	95,939	95,939	-	95,939
Total expenditures	1,458,380	1,458,380	1,207,993	250,387
Excess (deficiency) of revenues over expenditures	154,995	1,112,332	1,580,225	467,893
<u>Other financing sources (uses)</u>				
Developer projects	340,000	340,000	342,750	2,750
Sale of capital assets	-	-	923	923
Transfers in	2,829	2,829	2,858	29
Transfers out	(987,150)	(1,944,487)	(1,440,387)	504,100
Total other financing sources (uses)	(644,321)	(1,601,658)	(1,093,856)	507,802
Net change in fund balance	(489,326)	(489,326)	486,369	975,695
Fund balance, July 01, 2017	489,326	489,326	736,256	246,930
Fund balance, June 30, 2018	\$ -	\$ -	\$ 1,222,625	\$ 1,222,625

See accompanying notes

City of Newberg, Oregon

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

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Licenses and permits	\$ 775,571	\$ 775,571	\$ 874,686	\$ 99,115
Charges for services	41,900	41,900	90,800	48,900
Interest	7,000	7,000	21,315	14,315
Miscellaneous	200	200	60	(140)
Total revenues	824,671	824,671	986,861	162,190
<u>Expenditures</u>				
Building inspection	689,957	689,957	626,691	63,266
Contingency	1,050,905	1,050,905	-	1,050,905
Total expenditures	1,740,862	1,740,862	626,691	1,114,171
Excess (deficiency) of revenues over expenditures	(916,191)	(916,191)	360,170	1,276,361
<u>Other financing sources (uses)</u>				
Transfers In	647	647	653	6
Transfers Out	(16,810)	(16,810)	(16,810)	-
Total other financing sources (uses)	(16,163)	(16,163)	(16,157)	6
Net change in fund balance	(932,354)	(932,354)	344,013	1,276,367
Fund balance, July 01, 2017	932,354	932,354	1,107,774	175,420
Fund balance, June 30, 2018	\$ -	\$ -	\$ 1,451,787	\$ 1,451,787

See accompanying notes

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FUND FINANCIAL STATEMENTS

Proprietary Funds

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

Enterprise

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

Internal Service

- **Administrative Support Services** (Combined into "Governmental Activities Column")
- **Vehicle/Equipment Replacement** (Combined into "Governmental Activities Column")

For budgetary purposes, the water, wastewater, and stormwater activities are accounted for in the following separate funds:

- **Water**
 - Water (operating)
 - Water System Development
- **Wastewater**
 - Wastewater (operating)
 - Wastewater System Development
- **Stormwater**
 - Stormwater (operating)
 - Stormwater System Development

The **Proprietary Capital Projects Fund** has transactions related to all three enterprise activities. The transactions have been aggregated accordingly, for reporting purposes.

For fund financial statement purposes, these funds and the **Emergency Medical Services Fund** are included as four separate enterprise funds.

City of Newberg, Oregon

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2018

	Business-type Activities					Governmental
	Water	Waste- water	Storm- water	Emergency Medical Services	Total Enterprise Funds	Internal Service
						Funds
ASSETS						
<u>Current assets</u>						
Cash and cash equivalents	\$ 10,321,875	\$ 17,319,714	\$ 666,348	\$ -	\$ 28,307,937	\$ 3,272,311
Accounts and notes receivable, net	785,118	789,035	141,665	355	1,716,173	4,931
Due from other funds	63,270	-	-	-	63,270	-
Inventory	183,608	44,449	-	-	228,057	21,178
Total current assets	11,353,871	18,153,198	808,013	355	30,315,437	3,298,420
<u>Noncurrent assets</u>						
Land and construction in progress	1,128,996	2,772,059	1,903,585	-	5,804,640	-
Other capital assets, net of depreciation	28,049,111	47,460,600	7,571,796	226,062	83,307,569	2,002,250
Total noncurrent assets	29,178,107	50,232,659	9,475,381	226,062	89,112,209	2,002,250
Total assets	40,531,978	68,385,857	10,283,394	226,417	119,427,646	5,300,670
DEFERRED OUTFLOWS OF RESOURCES						
Pension related items	1,001,550	1,370,912	423,019	-	2,795,481	1,770,980
Other postemployment benefits related items	4,355	4,303	1,218	-	9,876	5,374
Deferred refunding charge	249,980	27,343	-	-	277,323	-
Total deferred outflows of resources	1,255,885	1,402,558	424,237	-	3,082,680	1,776,354
LIABILITIES						
<u>Current liabilities</u>						
Accounts payable and accrued liabilities	96,539	371,486	50,623	-	518,648	116,568
Payroll liabilities	35,983	47,898	17,050	-	100,931	735,331
Due to other funds	-	-	-	355	355	-
Interest payable	46,344	198,117	-	-	244,461	-
Deferred revenue	76	231	-	-	307	-
Compensated absences	114,272	131,323	51,598	-	297,193	212,403
Current portion of capital leases payable	-	-	-	-	-	15,988
Current portion of notes payable	1,022,779	1,781,586	-	-	2,804,365	-
Total current liabilities	1,315,993	2,530,641	119,271	355	3,966,260	1,080,290
<u>Long-term obligations</u>						
Notes payable, net of current portion	7,175,156	24,779,380	-	-	31,954,536	-
Net pension liability	2,789,442	3,811,386	1,189,271	-	7,790,099	5,040,566
Other postemployment benefits liability	87,325	87,787	25,178	-	200,290	109,578
Total long-term obligations	10,051,923	28,678,553	1,214,449	-	39,944,925	5,150,144
Total liabilities	11,367,916	31,209,194	1,333,720	355	43,911,185	6,230,434
DEFERRED INFLOWS OF RESOURCES						
Pension related items	356,577	491,058	145,721	-	993,356	582,953
Other postemployment benefits related items	4,993	5,019	1,439	-	11,451	6,265
Total deferred inflows of resources	361,570	496,077	147,160	-	1,004,807	589,218
NET POSITION						
Net investment in capital assets	21,230,152	23,699,036	9,475,381	226,062	54,630,631	1,986,262
Restricted for:						
System expansion	314,198	5,966,311	137,312	-	6,417,821	-
Unrestricted	8,514,027	8,417,797	(385,942)	-	16,545,882	(1,728,890)
Total net position	\$ 30,058,377	\$ 38,083,144	\$ 9,226,751	\$ 226,062	77,594,334	\$ 257,372

Adjustment to reflect the combination of internal service fund activities related to enterprise funds.

Net position of business-type activities

1,542,189

\$ 79,136,523

City of Newberg, Oregon

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

For the Year Ended June 30, 2018

	Business-type Activities					Governmental
	Water	Waste-water	Storm-water	Emergency Medical Services	Total Enterprise Funds	Internal Service Funds
<u>Operating revenues</u>						
Charges for services, net	\$ 5,935,990	\$ 8,137,018	\$ 1,520,380	\$ 26,618	\$ 15,620,006	\$ 5,627,497
Miscellaneous	69,367	28,337	25,585	-	123,289	10,134
Total operating revenues	6,005,357	8,165,355	1,545,965	26,618	15,743,295	5,637,631
<u>Operating expenses</u>						
Personal services	1,583,912	2,287,772	673,790	-	4,545,474	4,082,329
Materials and services	2,012,357	3,162,235	465,156	225,542	5,865,290	1,896,482
Depreciation and amortization	1,265,305	2,819,951	298,382	80,325	4,463,963	434,923
Total operating expenses	4,861,574	8,269,958	1,437,328	305,867	14,874,727	6,413,734
Operating income (loss)	1,143,783	(104,603)	108,637	(279,249)	868,568	(776,103)
<u>Nonoperating revenues (expenses)</u>						
Interest income	170,376	281,029	12,084	903	464,392	52,378
Interest expense	(261,371)	(744,333)	-	-	(1,005,704)	-
Gain (loss) on sale of capital assets	1,063	923	923	-	2,909	34,642
Total nonoperating revenues (expenses)	(89,932)	(462,381)	13,007	903	(538,403)	87,020
Income (loss) before capital contributions and transfers	1,053,851	(566,984)	121,644	(278,346)	330,165	(689,083)
Capital contributions	1,205,067	2,426,479	665,187	-	4,296,733	-
Special item: pension/OPEB related items	-	-	-	788,650	788,650	-
Transfers in	41,511	2,858	2,858	-	47,227	40,901
Transfers out	-	-	-	(381,638)	(381,638)	(3,362)
Change in net position	2,300,429	1,862,353	789,689	128,666	5,081,137	(651,544)
Net position, July 1, 2017	28,071,605	36,786,025	7,479,913	61,635	72,399,178	3,615,722
Prior period adjustment	(313,657)	(565,234)	957,149	35,761	114,019	(2,706,806)
Net position, June 30, 2018	\$30,058,377	\$38,083,144	\$ 9,226,751	\$ 226,062	77,594,334	\$ 257,372
Adjustment to reflect the combination of internal service fund activities related to enterprise funds.					(9,618)	
Change in net position of business-type activities					\$ 5,071,519	

See accompanying notes

City of Newberg, Oregon

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended June 30, 2018

	Business-type Activities					Governmental
	Water	Waste-water	Storm-water	Emergency Medical Services	Total Enterprise Funds	Internal Service Funds
<u>Cash flows from operating activities</u>						
Cash received from customers	\$ 5,822,598	\$ 8,064,441	\$ 1,503,573	\$ 29,419	\$ 15,420,031	\$ -
Cash received from other funds	-	-	-	-	-	5,625,033
Cash paid to suppliers	(2,070,901)	(3,218,652)	(519,313)	271,358	(5,537,508)	(1,894,621)
Cash paid to employees	(1,486,287)	(1,989,330)	(687,282)	-	(4,162,899)	(2,820,677)
Other receipts	69,367	28,337	25,585	-	123,289	10,134
Net cash provided by (used in) operating activities	2,334,777	2,884,796	322,563	300,777	5,842,913	919,869
<u>Cash flows from noncapital financing activities</u>						
Transfers in	61,779	2,858	2,858	-	67,495	40,901
Transfers out	-	-	-	(381,638)	(381,638)	(3,362)
Net cash provided by (used in) noncapital financing activities	61,779	2,858	2,858	(381,638)	(314,143)	37,539
<u>Cash flows from capital and related financing activities</u>						
Principal paid on long-term obligations	(968,932)	(1,787,809)	-	-	(2,756,741)	(66,488)
Interest paid on long-term obligations	(291,501)	(824,190)	-	-	(1,115,691)	-
Purchases of capital assets	(499,585)	(1,798,114)	(883,875)	-	(3,181,574)	(497,086)
Sale of capital assets	1,063	923	923	-	2,909	34,642
Developer contributions	570,829	1,765,467	81,060	-	2,417,356	-
Net cash provided by (used in) capital and related financing activities	(1,188,126)	(2,643,723)	(801,892)	-	(4,633,741)	(528,932)
<u>Cash flows from investing activities</u>						
Interest received on investments	170,376	281,029	12,084	903	464,392	52,378
Net cash provided by investing activities	170,376	281,029	12,084	903	464,392	52,378
Net increase (decrease) in cash and cash equivalents	1,378,806	524,960	(464,387)	(79,958)	1,359,421	480,854
Cash and cash equivalents, July 1, 2017	8,943,069	16,794,754	1,130,735	79,958	26,948,516	2,791,457
Cash and cash equivalents, June 30, 2018	\$ 10,321,875	\$ 17,319,714	\$ 666,348	\$ -	\$ 28,307,937	\$ 3,272,311
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	\$ 1,143,783	\$ (104,603)	\$ 108,637	\$ (279,249)	\$ 868,568	\$ (776,103)
<u>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:</u>						
Depreciation and amortization	1,265,305	2,819,951	298,382	80,325	4,463,963	434,923
(Increase) decrease in OPEB related items	8,172	9,888	3,182	-	21,242	12,291
(Increase) decrease in notes receivable	-	-	-	500,000	500,000	-
(Increase) decrease in accounts receivable	(113,392)	(72,577)	(16,807)	2,446	(200,330)	(2,464)
(Increase) decrease in pension related items	78,403	275,366	(24,252)	-	329,517	1,038,258
(Increase) decrease in inventory	(11,412)	5,994	-	-	(5,418)	88
Increase (decrease) in accounts payable	(47,208)	(62,642)	(54,157)	(3,100)	(167,107)	1,773
Increase (decrease) in payroll liabilities	2,940	5,627	1,480	-	10,047	195,101
Increase (decrease) in due to other funds	-	-	-	355	355	-
Increase (decrease) in deferred revenue	76	231	-	-	307	-
Increase (decrease) in compensated absences	8,110	7,561	6,098	-	21,769	16,002
Net cash provided by (used in) operating activities	\$ 2,334,777	\$ 2,884,796	\$ 322,563	\$ 300,777	\$ 5,842,913	\$ 919,869
<u>Schedule of noncash capital and related financing activities</u>						
Transfers	\$ (20,268)	\$ -	\$ -	\$ -	\$ (20,268)	\$ -
Developer contributed capital assets	643,200	655,551	584,127	-	1,882,878	-

See accompanying notes

FUND FINANCIAL STATEMENTS

Fiduciary Funds

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

City of Newberg, Oregon

STATEMENT OF NET POSITION FIDUCIARY FUNDS

June 30, 2018

	Employees Retirement Plan Trust	Agency
	<u> </u>	<u> </u>
<u>ASSETS</u>		
Cash	\$ -	\$ 71,734
Investments		
Pooled separate accounts with Principal Financial Group	20,628,929	-
Total assets	20,628,929	71,734
<u>LIABILITIES</u>		
Accounts payable	-	7,068
Due to others	-	64,666
Total liabilities	-	\$ 71,734
<u>NET POSITION</u>		
Net position restricted for pensions	\$ 20,628,929	

See accompanying notes

City of Newberg, Oregon

STATEMENT OF CHANGES IN NET POSITION FIDUCIARY FUNDS

For the year ended June 30, 2018

		Employees Retirement Plan Trust
<u>Additions</u>		
Contributions		
Employer	\$	1,304,250
Plan members		235,670
Total contributions		1,539,920
Investment earnings		
Net appreciation in the fair value of investments		1,469,649
Total investment earnings		1,469,649
Total additions		3,009,569
<u>Deductions</u>		
Benefits		
		1,728,432
Administrative expenses		
		46,149
Total deductions		1,774,581
Change in net position		1,234,988
Net position, beginning		19,393,941
Net position, ending	\$	20,628,929

See accompanying notes

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**NOTES TO THE
BASIC FINANCIAL STATEMENTS**

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City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2018

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, amended in November 2006, and again in November 2017. 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, deferred outflows, liabilities, deferred inflows, 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, 2018

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 in 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, as amended by GASB 65, 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 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. Additionally, the PERS Rate Stabilization Reserve Fund, which was budgeted separately in the 2017-18 adopted budget, is included in the General Fund in the fund financial statements.

- *Street*

This special revenue 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 special revenue 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. Resources 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, 2018

The City reports the following proprietary funds:

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

Additionally, the City reports the following fund types:

- *Special Revenue* - 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 the Vehicle/Equipment Replacement Fund. 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 by the City, in a custodial capacity, related to the City's Municipal Court.

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2018

Measurement Focus and Basis of Accounting

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

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

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

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

Unavailable revenue arises in the governmental funds balance sheet when potential revenue does not meet both the measurable and available criteria for recognition in the current period. This unavailable revenue consists primarily of uncollected property taxes and assessments not deemed available to finance operations of the current period. In the government-wide statement of activities, with a full accrual basis of accounting, revenue must be recognized as soon as it is earned regardless of its availability. Thus, the amount reported on the governmental funds balance sheet for unavailable revenue is eliminated in the government-wide financial statements.

Similar to the way their 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, 2018

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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity

Cash and Investments

Investments included in cash and cash equivalents 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 cash equivalents is allocated monthly based on each funds ending cash balance as a proportion of the City's total pooled cash and cash equivalents. 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.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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."

Property taxes that are collected within 30 days after year-end are considered measurable and available and, therefore, are recognized as revenue. The remaining taxes receivable 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

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2018

allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

Assessment liens 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.

Charges for services by 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 past experience, it has concluded that realization of losses on balances outstanding at year-end will be immaterial.

Inventories

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

Capital Assets

Capital assets (including infrastructure) are recorded at historical cost or at estimated historical cost, if actual historical cost is not available. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. 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

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Compensated absences are accrued as earned. There is no liability reported for unpaid accumulated sick leave since the City, by policy, does not pay accumulated sick leave when employees separate from service with the City. Sick leave, which does not vest, is recognized in all funds when leave is taken. All vacation leave is recorded when incurred in the government-wide and proprietary fund financial statements. For governmental activities, compensated absences are generally liquidated by the fund that incurred the liability. The significant fund incurring these liabilities is the General Fund. As compensated absences are due and payable on demand, they are considered due within one year.

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

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2018

activities. Bond premiums, discounts and deferred amounts on refunding are amortized over the life of the bonds, if material. Issuance costs are reported as period costs in the year of issue.

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 activities 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.

Other Postemployment Benefit Obligations – City-County Insurance Services (CCIS)

For purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources to OPEB, and OPEB expense, the City has relied on actuarial reports. The City allows retired employees to purchase health insurance at the same rates as active employees.

Pension Obligations – Oregon Public Employees Retirement System (OPERS)

For purposes of measuring the net pension liability, deferred outflows and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the OPERS and additions to/deductions from OPERS's fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Pension Obligations – Newberg Employees Retirement Plan System (NERPS)

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of NERPS and additions to/deductions from NERPS fiduciary net position have been actuarially determined. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred outflows / inflows of resources

In addition to assets, the statements of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. These include refunded debt charges, OPEB related items, and pension related items.

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. This separate financial statement element represents amounts that apply to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Pension and OPEB related items which are amortized over specified periods are reported as deferred inflows of resources.

The balance sheet for governmental funds reports unavailable revenues from property taxes as deferred inflows. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

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depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

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

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

Fund Balances

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

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

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

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

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

The city council established, by resolution, a stabilization arrangement by way of a new budgetary fund called PERS Rate Stabilization Reserve Fund. The 2016-17 budget included appropriated transfers from various funds for the purpose of setting aside money in advance of anticipated PERS employer rate increases effective July 1, 2017. The reserves budgeted in this fund were appropriated back to the originating funds in the 2017-18 budget. There was no fund balance as of June 30, 2018. This fund was included in the General Fund within the governmental fund financial statements.

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS June 30, 2018

Retirement Plan

Many of the City's employees are participants in the City of Newberg Employees Retirement Plan. Contributions to the plan are made on a current basis as required by the plan and are charged to expenditures or expenses when due and the employer has made a formal commitment to provide the contribution. The assets of the plan are invested in various mutual funds. The City pays the investment expenses of the plan.

Use of Estimates

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

Adoption of New GASB Pronouncements

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, was issued by GASB in June 2015, replacing the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 75 establishes new accounting and financial reporting requirements for OPEB plans. This statement provides guidance for accounting for OPEB assets and liabilities, including definition of balances to be included in deferred inflows and deferred outflows of resources. The City adopted this new pronouncement in the current year and, accordingly, has restated amounts of effected balances within the government-wide financial statements as of June 30, 2017. See prior period adjustment footnote disclosure for more detail.

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 appointed citizens of the City). The City is required to budget all funds (except Fiduciary Funds). For all fund types, interfund loans are budgeted as sources and uses in accordance with state budget laws. Estimated revenues and expenditures are budgeted by fund and object. Information on the past two years' actual revenues and expenditures and current-year estimates are included in the budget document.

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

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

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS June 30, 2018

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 publications in newspapers, hearings before the public, 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, 2018, the city council approved two supplemental budget resolutions.

The following is a reconciliation of the differences between the budgetary basis and accounting principles generally accepted in the United States of America for revenues and other financing sources over (under) expenditures and other financing uses:

	General Fund
Net change in fund balance - GAAP	\$ 504,945
Revenues of separately budgeted fund which is included in the General Fund on the governmental fund statements	(1,251)
Other financing sources of separately budgeted fund which is included in the General Fund on the governmental fund statements	181,091
Transfers out related to repayment of interfund loan to Water SDC fund	(20,268)
Net change in fund balance - budgetary basis	\$ 664,517

In addition, a reconciliation of the differences between budgetary basis and accounting principles generally accepted in the United States of America in beginning and ending fund balances is as follows:

	General Fund
Beginning fund balance - generally accepted accounting principles basis	\$ 3,660,617
Ending balance of separately budgeted funds which are included in the General Fund	(179,840)
Remaining balance of interfund loan as of June 30, 2017	83,538
Beginning fund balance - budgetary basis	\$ 3,564,315

	General Fund
Ending fund balance - generally accepted accounting principles basis	\$ 4,165,562
Remaining balance of interfund loan as of June 30, 2018	63,270
Ending fund balance - budgetary basis	\$ 4,228,832

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS June 30, 2018

Excess of Expenditures over Appropriations

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

	Original Budget	Final Budget	Actual	Variance
General Fund:				
Fire	\$3,866,703	\$3,866,703	\$3,876,778	(\$10,075)

3. DETAILED NOTES ON ALL FUNDS

Pooled Deposits and Investments

The City maintains pooled cash and cash equivalents 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 cash equivalents”. 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 was reviewed 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.

The City has the following recurring fair value measurements as of June 30, 2018:

- Pooled separate accounts with Principal Financial Group of \$20,628,929 are valued using net asset value as a practical expedient to fair value (Level 2 inputs)

Cash, cash equivalents, and investments are comprised of the following at June 30, 2018:

Cash on hand	\$	1,875
Cash with county treasurer		79,468
Deposits with financial institutions		1,095,950
Local government investment pool		46,232,085
Investments		20,628,929
Total cash, cash equivalents, and investments	\$	68,038,307

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS June 30, 2018

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 investment in the LGIP 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, 2018, the City had the following investment:

Investments	Maturities	Total	Fair Value	Credit Risk
Pooled Separate Accounts with Principal Financial Group (Pension Trust)	N/A	\$ 20,628,929	\$ 20,628,929	Various

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. Investments in pooled separate accounts are not evidenced by securities. Accordingly, the custodial credit risk disclosures related to the investments are not applicable. The City does not have a formal policy relating to custodial credit risk.

Custodial Credit Risk – Deposits

This is the risk that, in the event of a bank failure, the City's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the City's deposits with financial institutions up to \$250,000 each for the aggregate of all non-interest bearing accounts and the aggregate of all interest bearing accounts at each institution. Deposits in excess of FDIC coverage with institutions participating in the Oregon Public Funds Collateralization Program are collateralized with securities held by the Federal Home Loan Bank of Des Moines in the name of the institution. As of June 30, 2018, \$1,112,569 of the City's bank balances were exposed to custodial

City of Newberg, Oregon

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June 30, 2018

credit risk as they were collateralized with securities held by the pledging financial institution's agent, but not in the City's name.

The City's deposits and investments by activity/fund are as follows:

Governmental funds/activities

General	\$	4,608,795
Street		858,589
Building inspection		1,482,587
Street capital projects		781,686
Nonmajor governmental		<u>8,025,739</u>
Total governmental funds		15,757,396
Internal service fund cash allocated to governmental activities		<u>1,723,866</u>
Total governmental activities		<u>17,481,262</u>

Business-type activities/Enterprise funds

Enterprise		
Water		10,321,875
Wastewater		17,319,714
Stormwater		<u>666,348</u>
Total enterprise funds		28,307,937
Internal service fund cash allocated to business-type activities		<u>1,548,445</u>
Total business-type activities		<u>29,856,382</u>

Fiduciary funds

Employees retirement plan trust		20,628,929
Agency		<u>71,734</u>
Total fiduciary funds		<u>20,700,663</u>
Total cash and cash equivalents	\$	<u>68,038,307</u>

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS June 30, 2018

Receivables

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. Receivables as of year-end for the City's individual, major, and non-major funds in the aggregate are as follows:

Fund	Accounts	Loans	Assessments	Taxes	Total
Governmental					
General	\$ 228,751	\$ -	\$ -	\$ 663,748	\$ 892,499
Street	353,656	-	-	-	353,656
Nonmajor	469,124	31,744	72,176	18,186	591,230
Business-type/(proprietary)					
Enterprise					
Water	743,147	-	41,971	-	785,118
Wastewater	783,574	-	5,461	-	789,035
Stormwater	141,665	-	-	-	141,665
Emergency Medical Services	355	-	-	-	355
Internal service	4,931	-	-	-	4,931
	<u>\$ 2,725,203</u>	<u>\$ 31,744</u>	<u>\$ 119,608</u>	<u>\$ 681,934</u>	<u>\$ 3,558,489</u>

Court fines in the amount of \$5,770,255 are not included in the General Fund receivable balance due to the uncertainty of collections.

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS June 30, 2018

Interfund Receivables, Payables, and Transfers

The interfund transfer activity for fiscal year ended June 30, 2018 is as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
<u>Governmental funds:</u>		
General	\$ 1,252,591	\$ 212,984
Street	2,858	1,440,387
Building inspection	653	16,810
Street capital projects	2,708,413	-
Nonmajor	133,508	2,130,970
<u>Proprietary funds:</u>		
Water	41,511	-
Wastewater	2,858	-
Stormwater	2,858	-
EMS	-	381,638
Internal service funds	40,901	3,362
Totals	\$ 4,186,151	\$ 4,186,151

Interfund transfers are used to 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 is being repaid with annual payments over 10 fiscal years beginning in June of 2012 at an interest rate of 2%. The balance at June 30, 2018 is \$63,270.

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS June 30, 2018

Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2018 was as follows:

	Beginning Balance July 1, 2017	Additions	Deletions	Ending Balance June 30, 2018
Capital assets not being depreciated:				
Land	\$ 1,248,373	\$ -	\$ -	\$ 1,248,373
Right of way	26,831,118	-	-	26,831,118
Construction in progress	<u>1,290,579</u>	<u>2,595,275</u>	<u>(26,654)</u>	<u>3,859,200</u>
Total capital assets not being depreciated	<u>29,370,070</u>	<u>2,595,275</u>	<u>(26,654)</u>	<u>31,938,691</u>
Capital assets being depreciated:				
Buildings and improvements	12,527,451	41,483	(62,586)	12,506,348
Equipment	10,541,482	456,252	(179,526)	10,818,208
Infrastructure	<u>69,716,071</u>	<u>891,733</u>	<u>-</u>	<u>70,607,804</u>
Total capital assets being depreciated	<u>92,785,004</u>	<u>1,389,468</u>	<u>(242,112)</u>	<u>93,932,360</u>
Less accumulated depreciation for:				
Buildings and improvements	(4,990,831)	(291,178)	27,121	(5,254,888)
Equipment	(7,856,369)	(597,143)	179,525	(8,273,987)
Infrastructure	<u>(34,641,077)</u>	<u>(1,342,129)</u>	<u>-</u>	<u>(35,983,206)</u>
Total accumulated depreciation	<u>(47,488,277)</u>	<u>(2,230,450)</u>	<u>206,646</u>	<u>(49,512,081)</u>
Total capital assets being depreciated, net	<u>45,296,727</u>	<u>(840,982)</u>	<u>(35,466)</u>	<u>44,420,279</u>
Governmental activities capital assets, net	<u>\$ 74,666,797</u>	<u>\$ 1,754,293</u>	<u>\$ (62,120)</u>	<u>\$ 76,358,970</u>

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

General government	\$ 94,537
Public safety	335,688
Library	37,467
Community development	1,327,835
Depreciation incurred in internal service funds charged to various governmental functions/programs	<u>434,923</u>
Total	<u>\$ 2,230,450</u>

Capital assets of the internal service funds are included in the governmental activities. For the fiscal year ended June 30, 2018, internal service fund capital assets, net of depreciation were \$2,002,250.

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS June 30, 2018

Capital asset activity for business-type activities for the year ended June 30, 2018 was as follows:

	Beginning Balance July 1, 2017	Additions	Deletions	Ending Balance June 30, 2018
Capital assets not being depreciated:				
Land	\$ 2,794,292	\$ -	\$ -	\$ 2,794,292
Construction in progress	<u>1,753,292</u>	<u>3,048,051</u>	<u>(1,790,995)</u>	<u>3,010,348</u>
Total capital assets not being depreciated	<u>4,547,584</u>	<u>3,048,051</u>	<u>(1,790,995)</u>	<u>5,804,640</u>
Capital assets being depreciated:				
Buildings and improvements	44,736,354	736,675	-	45,473,029
Equipment	40,765,803	834,324	(35,923)	41,564,204
Utility systems	<u>52,269,663</u>	<u>2,236,397</u>	<u>-</u>	<u>54,506,060</u>
Total capital assets being depreciated	<u>137,771,820</u>	<u>3,807,396</u>	<u>(35,923)</u>	<u>141,543,293</u>
Less accumulated depreciation for:				
Buildings and improvements	(21,124,940)	(1,493,390)	-	(22,618,330)
Equipment	(13,792,358)	(1,917,807)	35,923	(15,674,242)
Utility systems	<u>(18,890,386)</u>	<u>(1,052,766)</u>	<u>-</u>	<u>(19,943,152)</u>
Total accumulated depreciation	<u>(53,807,684)</u>	<u>(4,463,963)</u>	<u>35,923</u>	<u>(58,235,724)</u>
Total capital assets being depreciated, net	<u>83,964,136</u>	<u>(656,567)</u>	<u>-</u>	<u>83,307,569</u>
Business-type activities capital assets, net	<u>\$ 88,511,720</u>	<u>\$ 2,391,484</u>	<u>\$ (1,790,995)</u>	<u>\$ 89,112,209</u>

Depreciation expense for business-type activities for the year ended June 30, 2018 was as follows:

Water	\$ 1,265,305
Wastewater	2,819,951
Stormwater	298,382
Emergency medical services	<u>80,325</u>
Total	<u>\$ 4,463,963</u>

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS June 30, 2018

Operating Leases

The City has entered into noncancellable operating lease agreements for various equipment items. The City's noncancellable operating leases consist principally of the leasing of various types of mail room equipment and printers. These equipment leases expire over the next five years.

The future minimum lease obligations as of June 30, 2018 were as follows:

Year ended June 30,	Lease Obligations
2019	\$ 29,961
2020	16,601
2021	14,494
2022	10,251
2023	2,498
Totals	\$ 73,805

Capital Leases

The City has entered into noncancellable lease agreements for various equipment items. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. Gross assets of \$77,928 and accumulated depreciation of \$38,964 have been recorded under capital leases as of June 30, 2018.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018 were as follows:

Year Ending June 30,	Governmental activities	
	Principal	Interest
2019	\$ 15,988	\$ 424

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS June 30, 2018

Long-term Obligations

In the following paragraphs, long-term obligation 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 July 1, 2017	Increase	Decrease	Ending Balance June 30, 2018	Amounts Due Within One Year
Governmental Activities					
Long-term debt obligations					
Limited tax pension bonds	\$ 2,285,000	\$ -	\$ (110,000)	\$ 2,175,000	\$ 130,000
Full faith and credit refunding bonds	640,000	-	(240,000)	400,000	240,000
Unamortized note premium	46,727	-	(5,192)	41,535	5,192
Full faith and credit public safety communications upgrade financing agreement	-	3,197,301	-	3,197,301	264,940
Oregon Transportation Infrastructure					
Bank loan	1,524,272	-	(103,590)	1,420,682	106,262
Capital lease obligations	84,212	-	(68,224)	15,988	15,988
Total long-term debt obligations	4,580,211	3,197,301	(527,006)	7,250,506	762,382
Other long-term obligations					
Compensated absences	894,133	930,151	(894,133)	930,151	930,151
Net pension liability	17,554,945	-	(1,049,729)	16,505,216	-
Other postemployment benefits liability	573,451	27,828	-	601,279	-
Total Governmental Activities	<u>\$ 23,602,740</u>	<u>\$ 4,155,280</u>	<u>\$ (2,470,868)</u>	<u>\$ 25,287,152</u>	<u>\$ 1,692,533</u>
Business-type Activities					
Long-term debt obligations					
Notes payable, Business Oregon					
Wastewater	\$ 4,147,377	\$ -	\$ (603,163)	\$ 3,544,214	\$ 287,934
Water	1,564,449	-	(227,582)	1,336,867	108,670
Unamortized note premium	177,000	460,588	(14,750)	622,838	56,622
Clean Water State Revolving Fund					
Wastewater	23,160,267	-	(1,033,584)	22,126,683	1,011,852
Notes payable, US Bank					
Wastewater	386,000	-	(193,000)	193,000	193,000
Full faith and credit refunding bonds					
Wastewater	540,585	-	(292,490)	248,095	248,095
Unamortized note discount	(3,672)	-	408	(3,264)	(408)
Water	7,224,415	-	(867,510)	6,356,905	856,905
Unamortized note premium	375,258	-	(41,695)	333,563	41,695
Total long-term debt obligations	37,571,679	460,588	(3,273,366)	34,758,901	2,804,365
Other long-term obligations					
Compensated absences	275,424	297,193	(275,424)	297,193	297,193
Net pension liability	9,433,547	-	(1,643,448)	7,790,099	-
Other postemployment benefits liability	224,850	-	(24,560)	200,290	-
Total Business-type Activities	<u>\$ 47,505,500</u>	<u>\$ 757,781</u>	<u>\$ (5,216,798)</u>	<u>\$ 43,046,483</u>	<u>\$ 3,101,558</u>

Long-term obligations of the internal service funds are included in the governmental activities. As of June 30, 2018, internal service fund long-term obligations were \$5,378,535.

For governmental activities, pension liabilities and other post-employment benefits are generally liquidated by the fund that incurred the liability. The significant fund incurring these liabilities is the General Fund.

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS June 30, 2018

Governmental Activities

Limited Tax Pension Bonds

The City issued Limited Tax Pension Bonds in the amount of \$2,720,000 in March of 2004 to finance a portion of the estimated unfunded actuarial liability with the Oregon Public Employees Retirement System (OPERS). The pension bonds are to be repaid from a monthly payroll charge on OPERS wages. On the government-wide statements, this liability is classified as a governmental activity obligation. The bonds carry interest rates ranging from 4.596% to 6.095%. Final maturity is June 2028. Future debt service payments are as follows:

Year ended June 30,	Principal	Interest
2019	\$ 130,000	\$ 131,882
2020	150,000	124,063
2021	170,000	115,040
2022	190,000	104,815
2023	215,000	93,386
2024-28	1,320,000	237,401
Totals	\$ 2,175,000	\$ 806,587

Full Faith and Credit Refunding Bonds

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

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

Year ended June 30,	Principal	Interest
2019	\$ 240,000	\$ 7,000
2020	160,000	2,000
Totals	\$ 400,000	\$ 9,000

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS June 30, 2018

Full Faith and Credit Public Safety Communications Upgrade Financing Agreement

The City entered into a financing agreement in the amount of \$3,197,301 which was used to finance a Public Safety Communications Upgrade. The financing carries interest at rates from 2.72 to 3.61 percent depending upon the principal maturities. The financing fully matures on June 1, 2028.

Debt service requirements on the Public Safety Communications Upgrade Financing Agreement to maturity are as follows:

June 30,	Principal	Interest
2019	\$ 264,940	\$ 107,635
2020	290,318	82,257
2021	299,655	72,920
2022	307,925	64,650
2023	316,424	56,151
2024-2028	1,718,039	144,835
Totals	\$ 3,197,301	\$ 528,448

Other

The City entered into an agreement with Oregon Department of Transportation (ODOT) in July of 2013 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. Funding for payments shall come from the City's federal surface transportation program allocations being exchanged for state funding on a dollar for dollar basis. If this funding is insufficient to cover the interest, the City must make payment to ODOT for any difference. In January 2018, the City made its annual principal and interest payment of \$142,916. In fiscal year 2017-18, the construction was completed and the City will continue to make installment payments of interest and principal of \$142,916 annually until January of 2036. As of June 30, 2018 drawdowns on the loan totaled \$1,638,910. The City paid \$103,590 toward the principal balance and \$39,326 toward interest. Therefore, as of June 30, 2018 drawdowns less paid principal is \$1,420,682.

Debt service requirements to maturity are as follows:

June 30,	Principal	Interest
2019	\$ 106,262	\$ 36,654
2020	109,004	33,912
2021	111,816	31,100
2022	114,701	28,215
2023	117,660	25,256
2024-2028	635,434	79,146
2029-2031	225,805	8,115
Totals	\$ 1,420,682	\$ 242,398

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS June 30, 2018

Business-type Activities

Notes Payable

The City borrowed \$8,230,632 from Business Oregon in fiscal year 2007-08 to implement effluent reuse capabilities at the Wastewater Treatment Plant and to install a new generator. The project initially was funded via an interim financing agreement with the State of Oregon. Upon conversion of financing to a permanent loan, the State of Oregon issued bonds related to the project at a premium and allocated a portion to each of the participating entities. The City's portion of the premium was \$295,000. This premium will be amortized over the life of the loan. In April of 2018, the City authorized the participation in Business Oregon's refunding of this loan, resulting in an adjustment to the interest rates to a range of 4% to 5% as well as a reduction of principal balance owed for an overall reduction of borrowing costs over the remaining course of the loan. Final maturity is December 1, 2028. At June 30, 2018, the outstanding balance was \$4,881,081. 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
2019	\$ 396,604	\$ 181,873
2020	359,222	219,466
2021	377,112	204,776
2022	394,797	186,591
2023	413,287	166,851
2024-2028	2,387,319	506,623
2029	552,740	27,147
Totals	\$ 4,881,081	\$ 1,493,327

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

Year ended June 30,	Principal	Interest
2019	\$ 193,000	\$ 8,106

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS June 30, 2018

During 2010-11, city council approved a loan through Clean Water State Revolving Loan Fund to complete portions of the Wastewater Treatment Plant Repair, Renovation, and Expansion Project. The loan amount was awarded for up to \$11,409,645. The interest rate on the debt was set at 2.88% to 3.38% annually. Subsequently, during 2014-15, city council approved another loan through Clean Water State Revolving Loan Fund for additional Wastewater Treatment Upgrades. The upgrades include the design and construction of improvements to the wastewater treatment facility, including a secondary clarifier, disinfection, dechlorination, headworks and influent pump station. The loan amount was awarded for up to \$14,484,129. The interest rate on this portion of debt was set at 2.45% annually. Finally, in April of 2018, the City signed an agreement with the Department of Environmental Quality to restructure the two loans into one loan, with a term extension of 3 years, through April 1, 2036, and a new interest rate of 1.75% for the remaining term of the loan. The outstanding balance of this combined loan was \$22,126,683 as of June 30, 2018. The required loan reserve is \$751,564, or one-half the average annual debt service. Future debt payments are as follows:

Year Ending June 30,	Principal	Interest
2019	\$ 1,011,852	\$ 426,490
2020	1,073,509	364,833
2021	1,092,377	345,965
2022	1,111,577	326,765
2023	1,131,115	307,227
2024-2028	5,960,873	1,230,837
2029-2033	6,503,474	688,236
2034-2036	4,241,906	132,129
	<u>\$ 22,126,683</u>	<u>\$ 3,822,482</u>

Full Faith and Credit Refunding Bonds

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

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

June 30,	Principal	Interest
2019	\$ 1,105,000	\$ 199,688
2020	885,000	174,812
2021	910,000	145,550
2022	945,000	108,450
2023	985,000	69,850
2024-2026	1,775,000	77,150
Totals	<u>\$ 6,605,000</u>	<u>\$ 775,500</u>

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS June 30, 2018

Unavailable Revenue

The following represents deferred inflows of resources including those from property taxes, loans, and special assessments as of June 30, 2018:

<u>Fund</u>	<u>Loans</u>	<u>Assessments</u>	<u>Taxes</u>	<u>Total</u>
Governmental				
General	\$ -	\$ -	\$ 663,748	\$ 663,748
Nonmajor	<u>31,744</u>	<u>72,176</u>	<u>18,186</u>	<u>122,106</u>
	<u>\$ 31,744</u>	<u>\$ 72,176</u>	<u>\$ 681,934</u>	<u>\$ 785,854</u>

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS June 30, 2018

4. OTHER INFORMATION

Risk Management

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

A. Plan description

The City provides other postemployment 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 who were hired after July 1, 2003 are allowed to continue, at the retirees' expense, coverage under the group health insurance plan until age 65. The difference between the premium actually paid by the 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 75. The plan does not issue a separate stand-alone financial report.

B. Plan membership

The City's membership in the plan at July 1, 2016 (the date of the most current actuarial valuations) consisted of 119 active employees, 3 eligible retirees, 2 spouses of eligible retirees, and 2 spouses of ineligible retirees for a total of 126 plan members.

C. Contributions

The City funds the plan only to the extent of current year insurance premium requirements on a pay-as-you-go basis. The average monthly premium requirements for the City are as follows:

For retirees	\$ 672
For spouses of retirees	727

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2018

D. Total OPEB liability, changes in total OPEB liability, OPEB expense, deferred outflows of resources and deferred inflows of resources related to OPEB

At June 30, 2018, the City reported a total OPEB liability of \$801,569. The total OPEB liability was measured as of June 30, 2017 and determined by an actuarial valuation as of that date.

Changes in the total OPEB liability is as follows:

	Total OPEB Liability
Balance at June 30, 2017	\$ 798,301
Changes for the year:	
Service cost	64,551
Interest on total OPEB liability	24,107
Effect of assumptions or inputs	(51,156)
Benefit Payments	(34,234)
Ending balances	\$ 801,569

For For the year ended June 30, 2018, the City recognized OPEB expense of \$83,329. At June 30, 2018, the City's reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ --	\$ 45,827
City's contributions subsequent to the measurement Date	39,786	--
	\$ 39,786	\$ 45,827

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS June 30, 2018

Deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date in the amount of \$39,786 will be recognized as an adjustment to the Total OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ends June 30,	
2019	\$ (5,329)
2020	(5,329)
2021	(5,329)
2022	(5,329)
2023	(5,329)
Thereafter	(19,182)

E. Actuarial valuation

The City's contributions are based on the accruing benefit costs measured using the individual entry age normal actuarial cost method. The present value of benefits is allocated over the service for each active employee from their date of hire to their expected retirement age, as a level percent of the employee's pay. This level percent times pay is referred to as the service cost and is that portion of the present value of benefits attributable to an employee's service in a current year. The service cost equals \$0 for retired members. The total OPEB liability is the present value of benefits less the actuarial present value of future normal costs and represents the liabilities allocated to service up to the valuation date. For retirees, the total OPEB liability is equal to the present value of benefits.

F. Actuarial methods and assumptions used in developing total OPEB liability

Valuation Date	July 1, 2016
Actuarial Cost Method	Entry Age Normal, Level Percent of Pay
Actuarial Assumptions:	
Inflation Rate	2.5 percent
Projected Salary Increases	3.5 percent
Mortality	Healthy retirees and beneficiaries: RP-2000 white collar male and female set back one year for male, generational per Scale BB for males and females

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

Discount rate

The discount rate used to measure the total OPEB liability was 3.58 percent. The discount rate is based on the Bond Buyer 20-year General Obligation Bond Index. The discount rate at the prior measurement date was 2.85 percent.

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS June 30, 2018

Healthcare cost trend rate

The assumed healthcare cost trend for medical and vision costs is as follows:

Year	Pre-65 Trend
2016	7.00%
2017	7.50%
2018	6.00%
2019	5.50%
2020-2025	5.25%
2026	5.00%
2027-2029	5.25%
2030	5.75%
2031-2035	6.25%
2036-2040	6.00%
2041-2043	5.75%
2044-2052	5.50%
2053-2063	5.25%
2064+	5.00%

Dental costs are assumed to increase 4.5 percent in all future years.

Sensitivity of the City's total OPEB liability to changes in the discount and healthcare cost trend rates

The following presents the City's total OPEB liability calculated using the discount rate of 3.58 percent, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current rate. A similar sensitivity analysis is then presented for changes in the healthcare cost trend assumption.

	1 Percentage Point Lower	Current Discount Rate	1 Percentage Point Higher
City's total OPEB liability	\$ 873,563	\$ 801,569	\$ 735,279
	1 Percentage Point Lower	Current Trend Rate	1 Percentage Point Higher
City's total OPEB liability	\$ 709,975	\$ 801,569	\$ 909,737

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2018

Other Postemployment Benefits Plan – RHIA

A. Plan description

As a member of Oregon Public Employees Retirement System (OPERS) the City contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700.

B. Funding policy

Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 dollars or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the Retirement Health Insurance Account established by the employer, and any monthly cost in excess of \$60 dollars shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in OPERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in OPERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in an OPERS-sponsored health plan. A surviving spouse or dependent of a deceased OPERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from OPERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Participating cities are contractually required to contribute to RHIA at a rate assessed each year by OPERS. The OPERS Board of Trustees sets the employer contribution rates based on the annual required contribution (ARC) of the employers, an amount actuarially determined in accordance with the parameters of GASB Statement 75. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years.

At June 30, 2018, the City's net OPEB liability/(asset) and deferred inflows and outflows were not considered significant by management and were not accrued on the government wide statements.

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2018

Pension Plans – Single Employer Defined Benefit Retirement Plan

A. Plan description

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

B. Plan membership

The City of Newberg Employees Retirement Plan is closed to new entrants, with the exception of employees hired before August 1, 2016 that become eligible by virtue of changing to full-time status. As of the June 30, 2017 measurement date there were 63 active members, 65 retired members who receive benefits, 33 vested terminated members, for a total membership of 161.

C. Description of benefit terms

Normal retirement

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

Early retirement

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

Late retirement

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

Disability

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

Death benefits

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

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS June 30, 2018

D. Contributions

The employees are required to contribute 6% of gross pay to the plan in order to participate. Currently, the City picks up the member contribution on behalf of eight employees. The City contributes amounts over 6% that are actuarially determined. Employer contributions for the year ended June 30, 2018 were \$1,304,250. The funding method used in this valuation is the 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 6.0% per year; b) projected salary increases of 4.5% per year; c) post-retirement benefit increases of 2.0% per year, and d) inflation rate of 2.0%. As of the July 1, 2017 valuation, the unfunded actuarial liability is amortized as a level percentage of projected payroll over a closed period. The weighted average remaining period is 20 years.

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

At June 30, 2018, the City reported a net pension liability of \$13,659,743. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date as follows:

Total pension liability	\$ 33,053,684
Plan fiduciary net position	<u>19,393,941</u>
 Net pension liability	 <u>\$ 13,659,743</u>
 Fiduciary net position as a percentage of total pension liability	 59%

Changes in the net pension liability is as follows:

	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Beginning balances	\$ 32,356,633	\$ 17,868,023	\$ 14,488,610
Changes for the year:			
Service cost	629,785	--	629,785
Interest on total pension liability	1,923,387	--	1,923,387
Effect of economic/demographic losses	(582,105)	--	(582,105)
Effect of assumption changes or inputs	276,798	--	276,798
Benefit payments	(1,550,814)	(1,550,814)	--
Administrative expenses	--	(36,325)	36,325
Member contributions	--	226,267	(226,267)
Net investment income	--	1,701,706	(1,701,706)
Employer contributions	--	1,185,084	(1,185,084)
 Ending balances	 <u>\$ 33,053,684</u>	 <u>\$ 19,393,941</u>	 <u>\$ 13,659,743</u>

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS June 30, 2018

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

For the year ended June 30, 2018, the City recognized pension expense of \$1,385,948. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 618,235	\$ 447,046
Changes of assumptions	2,641,269	1,347,700
Net difference between projected and actual earnings		
On pension plan investments	371,531	--
City's contributions subsequent to the measurement date	<u>1,304,250</u>	<u>--</u>
	<u>\$ 4,935,285</u>	<u>\$ 1,794,746</u>

\$1,304,250 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ends June 30,	
2019	\$ 280,877
2020	486,494
2021	318,747
2022	131,979
2023	263,969
Thereafter	354,223

F. Actuarial valuation

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

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS June 30, 2018

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

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age, Level Percentage of Pay
Amortization Method	Amortized as a level dollar over a closed period of 20 years
Asset Valuation Method	Market value of assets
Actuarial Assumptions:	
Inflation Rate	2.0 percent
Investment rate of return	6.0 percent
Projected Salary Increases	Salaries for individuals are assumed to grow at 2.0 percent plus assumed rates of merit/longevity increases based on service of 4.5 percent
Mortality	Healthy retirees and beneficiaries: RPEC-2014 Sex-distinct, generational per Scale AA

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

Discount rate

The discount rate used to measure the total pension liability was 5.86 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those the City made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Depletion date projection

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

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2018

Based on these circumstances, it is the Plan's independent actuary's opinion that the detailed depletion date projections outlined in GASB 67 would indicate that the Fiduciary Net Position will be depleted in the 2070-71 fiscal year.

Long-term expected rate of return

The long-term expected rate of return assumption of 6.0 percent is based on a blending of the projected return on plan assets and a 20-year tax-exempt, high quality general obligation municipal bond yield or index rate.

<u>Asset Class</u>	<u>Expected Arithmetic Return</u>	<u>Expected Geometric Return</u>	<u>Target Allocation %</u>
US Equity - Large Cap	7.85%	6.50%	31.92%
US Equity - Mid Cap	8.10%	6.50%	3.65%
US Equity - Small Cap	8.55%	6.50%	1.82%
Non-US Equity	8.10%	6.50%	12.15%
REITs	7.95%	6.10%	0.40%
Real Estate (direct property)	5.80%	5.50%	10.08%
TIPS	3.05%	2.85%	0.60%
Core Bond	3.75%	3.60%	29.38%
High Yield	6.70%	6.30%	10.00%
Total			<u>100.00%</u>

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

The following presents the City net pension liability calculated using the discount rate of 5.86 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.86 percent) or 1-percentage-point higher (6.86 percent) than the current rate:

	<u>1 Percentage Point Lower</u>	<u>Current Discount Rate</u>	<u>1 Percentage Point Higher</u>
City's net pension asset or liability	\$ 17,995,324	\$ 13,659,743	\$ 10,094,142

City of Newberg, Oregon

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Pension Plans - Defined Benefit Plan – Public Employees Retirement System

Plan Description

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

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report which can be found at: <http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>.

Plan Benefits

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

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

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

Pension Benefits

The OPERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results. Monthly payments must be a minimum of \$200 per month or the member will receive a lump-sum payment of the actuarial equivalence of benefits to which he or she is entitled. Police and Fire members may purchase increased benefits that are payable between the date of retirement and age 65. A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60.

Death Benefits

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

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

Disability Benefits

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including OPERS judge members) for disability benefits regardless of the length of OPERS-

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covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

Benefit Changes After Retirement

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

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes (COLA). The COLA is capped at 2.0 percent.

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

Pension Benefits.

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

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

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

Death Benefits

Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member. The surviving spouse or other person may elect to delay payment of the death benefit, but payment must commence no later than December 31 of the calendar year in which the member would have reached 70½ years.

Disability Benefits

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

Benefit Changes After Retirement

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

Contributions

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

Employer contribution rates during the period were based on the December 31, 2015 actuarial valuation, which became effective July 1, 2017.

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Tier 1/tier 2 employer contribution rates are 20.32 percent and the OPSRP employer contribution rates are 10.02 percent for general service employees and 14.79 percent for police and fire. Employer contributions for the year ended June 30, 2018 were \$822,914, excluding amounts to fund employer specific liabilities. The City also internally charged departments a rate sufficient to cover payments on the limited tax pension bonds.

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

At June 30, 2018, the City reported a liability of \$10,635,572 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

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

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

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

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

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

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

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

At June 30, 2017, the City's proportion was .07889868 percent, which was less than its proportion measured as of June 30, 2016 of .08326415 percent.

For the year ended June 30, 2018, the City recognized pension expense (revenue) of \$2,102,601. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 514,341	\$ --
Changes of assumptions	1,938,675	--
Net difference between projected and actual earnings on pension plan investments	109,571	--
Changes in proportionate share	56,862	564,548
Difference between the City's contributions and employer's proportionate share of system contributions	26,916	242,687
Contributions subsequent to measurement date	822,914	--
	\$ 3,469,279	\$ 807,235

\$822,914 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ends June 30,	
2019	\$ 314,696
2020	1,176,854
2021	740,914
2022	(377,651)
2023	(15,683)
	\$ 1,839,130

City of Newberg, Oregon

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Actuarial Valuations

The employer contribution rates effective July 1, 2015, through June 30, 2017, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the OPERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. For the OPSRP Pension Program component of the OPERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

Actuarial Methods and Assumptions Used in Developing Total Pension Liability

Valuation Date	December 31, 2015
Measurement Date	June 30, 2017
Experience Study Report	2014, published September 2015
Actuarial Cost Method	Entry Age Normal
Amortization Method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
Asset Valuation Method	Market value of assets
Actuarial Assumptions:	
Inflation Rate	2.50 percent
Investment rate of return	7.50 percent
Projected Salary Increases	3.50 percent overall payroll growth
Cost of living adjustment (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with Moro decision; blend based on service
Mortality	<p>Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 sex-distinct, generational per Scale BB, disabled mortality table.</p>

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

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actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2014 Experience Study which reviewed experience for the four-year period ending on December 31, 2014.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Depletion Date Projection

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

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

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

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

City of Newberg, Oregon

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Assumed Asset Allocation:

<u>Asset Class / Strategy</u>	<u>Low Range</u>	<u>High Range</u>	<u>OIC Target</u>
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Private Equity	14.0%	21.0%	17.5%
Real Estate	9.5%	15.5%	12.5%
Alternative Equity	0.0%	12.5%	12.5%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			<u>100.0%</u>

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the OPERS Board reviewed long-term assumptions developed by both the actuary's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows the actuary's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

City of Newberg, Oregon

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<u>Asset Class</u>	<u>Target</u>	<u>Compound Annual Return (Geometric)</u>
Core Fixed Income	8.00%	4.00%
Short-term Bonds	8.00%	3.61%
Bank/Leveraged Loans	3.00%	5.42%
High Yield Bonds	1.00%	6.20%
Large/Mid Cap US Equities	15.75%	6.70%
Small Cap US Equities	1.31%	6.99%
Micro Cap US Equities	1.31%	7.01%
Developed Foreign Equities	13.13%	6.73%
Emerging Foreign Equities	4.12%	7.25%
Non-US Small Cap Equities	1.88%	7.22%
Private Equity	17.50%	7.97%
Real Estate (Property)	10.00%	5.84%
Real Estate (REITS)	2.50%	6.69%
Hedge Fund of Funds - Diversified	2.50%	4.64%
Hedge Fund - Event-driven	0.63%	6.72%
Timber	1.88%	5.85%
Farmland	1.88%	6.37%
Infrastructure	3.75%	7.13%
Commodities	1.88%	4.58%
 Assumed Inflation - Mean		 2.50%

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

The following presents the City's proportionate share of the net pension asset (liability) calculated using the discount rate of 7.50 percent, as well as what the City's proportionate share of the net pension asset (liability) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	<u>1 Percentage Point Lower</u>	<u>Current Discount Rate</u>	<u>1 Percentage Point Higher</u>
The City's proportionate share of net pension asset or liability	\$ 18,124,956	\$ 10,635,572	\$ 4,373,060

Changes in Actuarial Methods and Assumptions

There were no changes to the actuarial methods, economic assumptions, or demographic assumptions since the December 31, 2016 valuation.

City of Newberg, Oregon

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Pension Plans - Defined Contribution Plan

Individual Account Program (IAP)

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

Pension Benefits

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

Upon retirement, a member of the IAP may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Installment amounts vary with market returns as the account remains invested while in distribution. When chosen, the distribution option must result in a \$200 minimum distribution amount, or the frequency of the installments will be adjusted to reach that minimum.

Death Benefits

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

Contributions

The City makes the employee contributions of 6 percent of covered payroll to the plan. Contributions for the year ended June 30, 2018 were \$283,954.

Recordkeeping

PERS contracts with VOYA Financial to maintain IAP participant records.

Contingency – Sick leave

Portions of amounts accumulated at any point in time can be expected to be redeemed before termination of employment; however, such redemptions cannot be reasonably estimated. As of June 30, 2018, employees of the City had accumulated 5,522 days of sick leave.

City of Newberg, Oregon

NOTES TO THE BASIC FINANCIAL STATEMENTS

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Governmental Fund Balances

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

	General	Street	Building Inspection	Street Capital Projects	Nonmajor Funds	Total
Fund balances						
Nonspendable:						
Inventory	\$ -	\$ 90,779	\$ -	\$ -	\$ -	\$ 90,779
Restricted:						
Capital projects	-	-	-	-	6,182,242	6,182,242
Debt service	-	-	-	-	47,809	47,809
911 center operations	-	-	-	-	21,628	21,628
Police services	-	-	-	-	134,672	134,672
Tourism	-	-	-	-	586,886	586,886
Street maintenance	-	1,131,846	-	-	-	1,131,846
Building inspection	-	-	1,451,787	-	-	1,451,787
Library services	-	-	-	-	81,135	81,135
Committed:						
Capital projects	-	-	-	176,804	-	176,804
Economic development	-	-	-	-	666,000	666,000
Public communications	-	-	-	-	16,507	16,507
Assigned:						
Debt service	-	-	-	-	166,916	166,916
Unassigned	4,165,562	-	-	-	-	4,165,562
Total fund balances	<u>\$ 4,165,562</u>	<u>\$ 1,222,625</u>	<u>\$ 1,451,787</u>	<u>\$ 176,804</u>	<u>\$ 7,903,795</u>	<u>\$ 14,920,573</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	\$ 3,957,362
Public Safety – Ordinances imposing Public Safety related fees restrict the use of resources to specific public safety services and equipment replacement	156,300
Transient Lodging Tax – Ordinances imposing transient lodging tax restrict the use of these resources to tourism related expenditures	586,886

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	6,417,821
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Special Item – Changes in Pension and OPEB Related Items

As part of the transfer of EMS employees to TVF&R in the prior fiscal year, the City saw decreases in long-term assets and liabilities relating to pensions and other post-employment benefits within the EMS Fund resulting from these employees being removed from the actuarial calculations. The current year decreases in reported EMS pension related items and OPEB related items totaled \$752,912 and \$35,738, respectively, and a special item representing this adjustment is reflected on the proprietary funds Statement of Revenues, Expenses, and Changes in Net Position.

Contingency Loss

The City Hall Fee began in 1999 as an assessment of 0.25% of building permits to help offset the General Fund's portion of debt service payments on the 1999 Certificates of Participation for the City Hall remodel. This revenue is accounted for in the City Hall Fee Fund. The balance of the fund had accumulated sufficient resources by midway through FY 2014-15 to make all future debt service payments through payoff in December 2019. Due to staff transition and subsequent management error, the fee was not terminated until May 2018. The over-collection of fees of approximately \$446,000 is anticipated to be refunded on a last-in, first-out basis in December 2018.

Constitutional Property Tax Limitation

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

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

Significant Commitments

At June 30, 2018, the City had the following significant outstanding commitments:

<u>Contractor</u>	<u>Related Project</u>	<u>Original Contract Amount</u>	<u>Remaining Commitment</u>
K&E Excavating Inc.	Villa Road Improvement Project Phase 2	\$ 2,819,651	\$ 1,435,935
Motorola Solutions Inc.	Public Safety Communication Upgrade	\$ 2,019,577	\$ 1,284,133

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Tax Abatements

As of June 30, 2018, taxes were abated through one program: Housing for Low Income Rentals (ORS 307.517). In 1989, Oregon legislature authorized a property tax exemption for low-income housing held by for profit entities. The tax exemption is intended to benefit low-income renters by alleviating the property tax burden on those entities that provide this type of housing. Entities must own or have a leasehold interest in the property and must lower the rent to reflect the full value of the exemption. The properties must be occupied by renters who are at or below 60% of median. The exemption is also limited to new construction rental units. The abatement for low income housing is reduced through a 100% reduction in assessed value of new construction, so long as the entities continue to meet requirements set by statute. Two entities in 2017 utilized this specific abatement, with a total tax abatement of \$10,377.

City of Newberg tax abatements are also available through the Newberg Enterprise Zone, per ORS 285C.175, which offers traded-sector employers (companies that sell goods or services outside the local area and expand its economic base) and other eligible companies three- to five-year property tax exemptions on certain new capital investments that create jobs in the designated areas. In exchange for receiving property tax exemption, participating firms are required to meet the program requirements set by state statute and the local sponsor. The City of Newberg is the local sponsor for the Newberg Enterprise Zone program. For 2017, the City abated no property taxes under this program.

Subsequent Events

Beginning on July 1, 2016, the City entered into a two-year contract with Tualatin Valley Fire and Rescue (TVF&R) to transfer fire protection and emergency medical services for the City of Newberg and the Newberg Rural Protection District. Under the contract, TVF&R assumed the fire protection and emergency medical services as well as the direct administrative and executive functions of the two fire stations owned by the City. The terms of the contract require the City to pay a total of \$4,832,983 for the period July 1, 2016 through June 30, 2017 and \$3,366,703 for the period July 1, 2017 through June 30, 2018. In November of 2017, the citizens of Newberg voted to permanently annex into TVF&R for fire and EMS services beginning July 1, 2018. The citizens also voted yes on instituting an amendment to the city charter which reduces the levy to \$2.50 of the City's permanent ad valorem property tax rate against any property within the District, commencing with the City's 2018-19 fiscal year and continuing in effect as long as the City remains within the boundaries of the District. Commencing with fiscal year 2019-20, and each year thereafter, the city may increase the tax rate limit by 3% of the prior year's limit. The City also may levy in excess of the limit if authorized by a measure approved by the voters. As a result, there will be a significant decrease in expenses as well as in property tax revenues in future fiscal years as the City will not provide these services or collect the full legal tax levy. Additionally, the terms of the transfer of services include a transfer of all fire assets, excluding Fire Station 20 building and land.

Prior Period Adjustments

The beginning net position of Water, Wastewater, and Stormwater Funds have been adjusted to record a correction to stormwater beginning CIP that was improperly capitalized in prior periods as CIP in Water and Wastewater Funds. This incorrect classification led to an overstatement of prior year net position in the Water and Wastewater Funds and an understatement in stormwater net position. Beginning net position in the Stormwater Fund increased by \$951,646 and Water and Wastewater Funds was decreased by \$357,140 and \$594,506, respectively.

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NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2018

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, was adopted by the City in the current year, resulting in the need for restatements of prior period net position. This statement established new accounting for financial reporting requirements for OPEB plans, including an adjustment to the reported definition and balance of OPEB liability as well as the addition of OPEB related deferred inflows and outflows of resources. The beginning balance of net position was restated through a prior period adjustment to reflect the adjusted prior year balance of total OPEB liability as well as deferred outflows of resources. The net effect of this restatement resulted increases to beginning net position in the governmental activities, Admin Service, Water, Wastewater, Stormwater and EMS Funds of \$492,097; \$107,475; \$87,345; \$86,058; \$24,320; and \$35,761, respectively.

The beginning net position of the General Fund, Admin Service Fund, Water, Wastewater, and Stormwater Funds have been adjusted to reflect two adjustments to prior year allocations of net pension liabilities, deferred inflows and deferred outflows of resources. One adjustment relates to the Admin Services Fund, an internal service fund, not properly reflecting net pension liabilities or related deferred inflows and outflows on the fund financial statements in prior years. This adjustment results in a prior period adjustment decreasing beginning net position reported on the fund financial statements for the admin service fund, but a government-wide net effect of zero due to the internal service fund net position related to these expenses previously being allocated in full to governmental net position on the government-wide financial statements. Additionally, the total NERPS contributions subsequent to the measurement date reported in prior year as deferred outflows of resources, which was allocated amongst the relevant funds, was determined by management to have been overstated by \$226,267 due to the incorrect inclusion of employee contributions. The net effect of this restatement resulted in an increase to beginning net position in the governmental activities of \$2,707,479 and decreases to beginning net position in the Admin Services, Water, Wastewater, and Stormwater Funds of \$2,814,281; \$43,862; \$56,786; and \$18,817, respectively.

The city has restated amounts relating to the above prior period adjustments within the government-wide financial statements as of June 30, 2017. The net effects on are as follows:

	As Originally Reported	As Restated	Effect of Change
Statement of Net Position			
Deferred outflow of resources			
Other postemployment benefits related items	\$ -	\$ 34,234	\$ 34,234
Pension related items	12,336,328	12,110,061	(226,267)
Noncurrent liabilities			
Net other postemployment benefits obligation	1,597,122	-	(1,597,122)
Other postemployment benefits liability	-	798,301	798,301
Net position			
Unrestricted net position: government-wide	6,855,628	7,462,417	606,789
Statement of Activities			
Restatement of beginning net position	\$ -	\$ 606,789	\$ 606,789

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF NEWBERG
SCHEDULE OF NET PENSION LIABILITY AND CHANGES IN NET PENSION LIABILITY
CITY OF NEWBERG RETIREMENT PLAN
Last 10 Plan Fiscal Years*

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Beginning of year				
Total pension liability	\$ 32,356,633	\$ 32,458,220	\$ 28,122,255	\$ 27,296,697
Fiduciary net position	<u>17,868,023</u>	<u>18,294,937</u>	<u>18,271,389</u>	<u>16,452,510</u>
Net pension liability	<u>\$ 14,488,610</u>	<u>\$ 14,163,283</u>	<u>\$ 9,850,866</u>	<u>\$ 10,844,187</u>
Changes in total pension liability				
Service cost	\$ 629,785	\$ 596,760	\$ 463,867	\$ 488,383
Interest on total pension liability	1,923,387	1,809,084	1,734,658	1,612,016
Effect of economic/demographic losses	(582,105)	487,034	22,573	995,297
Effect of assumption changes or inputs	276,798	(1,474,389)	3,539,377	(885,385)
Benefit payments	<u>(1,550,814)</u>	<u>(1,520,076)</u>	<u>(1,424,510)</u>	<u>(1,384,753)</u>
Net change in total pension liability	<u>\$ 697,051</u>	<u>\$ (101,587)</u>	<u>\$ 4,335,965</u>	<u>\$ 825,558</u>
Changes in fiduciary net position				
Employer contributions**	\$ 1,185,084	\$ 906,400	\$ 834,895	\$ 747,915
Member contributions**	226,267	224,049	201,880	202,249
Investment income net of expenses	1,701,706	(7,049)	439,313	2,253,588
Benefit payments	(1,550,814)	(1,520,076)	(1,424,510)	(1,384,753)
Administrative expenses	<u>(36,325)</u>	<u>(30,238)</u>	<u>(28,030)</u>	<u>(120)</u>
Net change in fiduciary net position	<u>\$ 1,525,918</u>	<u>\$ (426,914)</u>	<u>\$ 23,548</u>	<u>\$ 1,818,879</u>
End of year				
Total pension liability	\$ 33,053,684	\$ 32,356,633	\$ 32,458,220	\$ 28,122,255
Fiduciary net position	<u>19,393,941</u>	<u>17,868,023</u>	<u>18,294,937</u>	<u>18,271,389</u>
Net pension liability	<u>\$ 13,659,743</u>	<u>\$ 14,488,610</u>	<u>\$ 14,163,283</u>	<u>\$ 9,850,866</u>
Fiduciary net position as a percent of total pension liability	58.67%	55.22%	56.36%	64.97%
Covered payroll	\$ 3,644,950	\$ 3,572,891	\$ 3,182,471	\$ 3,059,807
Net pension liability as a percent of covered payroll	374.8%	405.5%	445.0%	321.9%

*Information will be accumulated until 10 years are presented.

**Employer and member contribution allocations from June 2016 and 2017 were restated.

**CITY OF NEWBERG
SCHEDULE OF EMPLOYER CONTRIBUTIONS
CITY OF NEWBERG RETIREMENT PLAN
Last 10 Plan Years***

	June 30,			
	2018	2017	2016	2015
Actuarially determined contribution	\$ 1,379,424	\$ 1,257,372	\$ 958,388	\$ 767,576
Actual employer contribution**	1,304,250	1,185,084	906,400	834,895
Contribution deficiency (excess)	75,174	72,288	51,988	(67,319)
Covered payroll***	3,758,417	3,644,950	3,572,891	3,182,471
Contribution as a percent of covered payroll	34.70%	32.51%	25.37%	26.23%
Valuation date	7/1/2017	7/1/2016	7/1/2015	7/1/2014
Assumed investment rate of return	6.00%	6.50%	6.50%	7.00%

Notes to schedule

Methods and assumptions used to determine contribution rates:

Long-term rate of return on investments	6.00%	6.50%	6.50%	7.00%
Discount rate	5.86%	5.98%	5.61%	6.23%
Cost of living increases	2.00%	2.00%	2.00%	2.00%
Salary increases	4.50%	4.50%	4.50%	4.50%

*Information will be accumulated until 10 years are presented.

**Actual employer contribution allocations from June 2016 and 2017 were restated.

*** Covered payroll amounts reported from June 2015, 2016, and 2017 were restated.

**CITY OF NEWBERG
INVESTMENT RETURNS
CITY OF NEWBERG RETIREMENT PLAN
Last 10 Plan Fiscal Years***

<u>Year Ended June 30,</u>	<u>Rate**</u>
2018	7.58%
2017	9.61%
2016	-0.04%
2015	2.50%

*Information will be accumulated until 10 years are presented.

**Rates were restated from prior year.

CITY OF NEWBERG

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
Last 10 Years Ended June 30, ***

	2018	2017	2016	2015
Proportion of the collective net pension liability (asset)	0.07889868%	0.08326415%	0.08977217%	0.08370032%
Proportionate share of the collective net pension liability (asset)	\$ 10,635,572	\$ 12,499,882	\$ 5,154,234	\$ (1,897,247)
Covered payroll**	\$ 4,886,012	\$ 6,707,765	\$ 6,499,152	\$ 6,356,718
Proportionate share of the collective net pension liability (asset) as a percentage of the covered payroll	217.674%	186.349%	79.306%	-29.846%
Pension plan's fiduciary net position as a percentage of the total pension liability	83.119%	80.527%	91.875%	103.590%

* Information will be accumulated annually until 10 years is presented

CITY OF NEWBERG

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 822,914	\$ 605,250	\$ 841,895	\$ 835,001
Contractually required contributions recognized by the pension plan	822,914	605,250	841,895	835,001
Difference	-	-	-	-
Covered payroll	5,047,287	4,886,012	6,707,765	6,499,152
Contractually required contributions as a percentage of covered payroll	16.30409%	12.38740%	12.55105%	12.84785%

* Information will be accumulated until 10 years are presented.

CITY OF NEWBERG
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
Last 10 Plan Fiscal Years*

	<u>June 30,</u> <u>2018</u>
Total OPEB liability	
Service cost	\$ 64,551
Interest on total OPEB liability	24,107
Effect of assumptions or inputs	(51,156)
Benefit payments	<u>(34,234)</u>
Net change in OPEB liability	3,268
Total OPEB liability - beginning	<u>798,301</u>
Total OPEB liability - ending	<u>\$ 801,569</u>
Covered employee payroll	8,530,962
City's total OPEB liability as a percentage of covered employee payroll	9.40%

Notes to schedule

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

* Information will be accumulated until 10 years are presented.

**COMBINING FINANCIAL STATEMENTS
AND INDIVIDUAL FUND SCHEDULES**

City of Newberg, Oregon

STREET CAPITAL PROJECTS FUND (MAJOR FUND) SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2018

	Budget		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Interest	\$ 2,000	\$ 2,000	\$ 7,969	\$ 5,969
Total revenues	2,000	2,000	7,969	5,969
<u>Expenditures</u>				
Capital outlay	4,935,000	5,892,337	2,708,413	3,183,924
Total expenditures	4,935,000	5,892,337	2,708,413	3,183,924
Excess (deficiency) of revenues over expenditures	(4,933,000)	(5,890,337)	(2,700,444)	3,189,893
<u>Other financing sources (uses)</u>				
Transfers in	4,935,000	5,892,337	2,708,413	(3,183,924)
Total other financing sources (uses)	4,935,000	5,892,337	2,708,413	(3,183,924)
Net change in fund balance	2,000	2,000	7,969	5,969
Fund balance, July 01, 2017	168,396	168,396	168,835	439
Fund balance, June 30, 2018	\$ 170,396	\$ 170,396	\$ 176,804	\$ 6,408

City of Newberg, Oregon

COMBINING BALANCE SHEET GENERAL FUNDS

June 30, 2018

	General Fund	PERS Rate Stabilization Reserve Fund	Totals
<u>ASSETS</u>			
Cash and cash equivalents	\$ 4,608,795	\$ -	\$ 4,608,795
Receivables:			
Accounts	228,751	-	228,751
Taxes	663,748	-	663,748
Due from other funds	27,181	-	27,181
Total assets	\$ 5,528,475	\$ -	\$ 5,528,475
 <u>LIABILITIES</u>			
Accounts payable	\$ 405,003	\$ -	\$ 405,003
Other accrued liabilities	194,794	-	194,794
Deposits	36,098	-	36,098
Interfund loan	63,270	-	63,270
Total liabilities	699,165	-	699,165
 <u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable revenue-property taxes	663,748	-	663,748
Total deferred inflows of resources	663,748	-	663,748
 <u>FUND BALANCES</u>			
Unassigned	4,165,562	-	4,165,562
Total fund balances	4,165,562	-	4,165,562
Total liabilities, deferred inflows of resources, and fund balances	\$ 5,528,475	\$ -	\$ 5,528,475

City of Newberg, Oregon

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

For the Year Ended June 30, 2018

	General Fund	PERS Rate Stabilization Reserve Fund	Totals
<u>Revenues</u>			
Property taxes	\$ 7,864,019	\$ -	\$ 7,864,019
Other taxes	2,990,659	-	2,990,659
Licenses and permits	938,729	-	938,729
Intergovernmental	1,280,473	-	1,280,473
Charges for services	121,921	-	121,921
Fines and forfeitures	593,431	-	593,431
Interest	62,144	1,251	63,395
Miscellaneous	3,046	-	3,046
Total revenues	13,854,422	1,251	13,855,673
<u>Expenditures</u>			
General government	195,657	-	195,657
Public safety	11,744,964	-	11,744,964
Library	1,726,286	-	1,726,286
Community development	769,426	-	769,426
Total expenditures	14,436,333	-	14,436,333
Excess (deficiency) of revenues over expenditures	(581,911)	1,251	(580,660)
<u>Other financing sources (uses)</u>			
Loan proceeds	45,671	-	45,671
Sale of capital assets	327	-	327
Transfers in	1,252,591	-	1,252,591
Transfers out	(31,893)	(181,091)	(212,984)
Total other financing sources (uses)	1,266,696	(181,091)	1,085,605
Net change in fund balances	684,785	(179,840)	504,945
Fund balances, July 1, 2017	3,480,777	179,840	3,660,617
Fund balances, June 30, 2018	\$ 4,165,562	\$ -	\$ 4,165,562

City of Newberg, Oregon

PERS RATE STABILIZATION RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Interest	\$ -	\$ 1,600	\$ 1,251	\$ (349)
Total revenues	-	1,600	1,251	(349)
<u>Other financing sources</u>				
Transfers out	(179,255)	(181,440)	(181,091)	349
Total other financing sources	(179,255)	(181,440)	(181,091)	349
Net change in fund balance	(179,255)	(179,840)	(179,840)	-
Fund balance, July 1, 2017	179,255	179,840	179,840	-
Fund balance, June 30, 2018	\$ -	\$ -	\$ -	\$ -

Note: The PERS Rate Stabilization Reserve Fund is combined with the General Fund on the Fund Financial Statements

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Combining Statements

Nonmajor Governmental Funds

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

City of Newberg, Oregon

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS

June 30, 2018

	Special Revenue	Debt Service	Capital Projects	Totals
<u>ASSETS</u>				
Cash and cash equivalents	\$ 1,168,589	\$ 660,725	\$ 6,196,425	\$ 8,025,739
Receivables:				
Accounts	469,124	-	-	469,124
Loans	31,744	-	-	31,744
Assessments	-	-	72,176	72,176
Taxes	-	18,186	-	18,186
Total assets	\$ 1,669,457	\$ 678,911	\$ 6,268,601	\$ 8,616,969
<u>LIABILITIES</u>				
Accounts payable	\$ 87,172	\$ -	\$ 14,183	\$ 101,355
Payroll payables	16,887	-	-	16,887
Due to other funds	26,826	-	-	26,826
Contingent liabilities (see footnote 4)	-	446,000	-	446,000
Total liabilities	130,885	446,000	14,183	591,068
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable revenue-property taxes	-	18,186	-	18,186
Unavailable revenue-loans	31,744	-	-	31,744
Unavailable revenue-special assessments	-	-	72,176	72,176
Total deferred inflows of resources	31,744	18,186	72,176	122,106
<u>FUND BALANCES</u>				
Restricted	824,321	47,809	6,182,242	7,054,372
Committed	682,507	-	-	682,507
Assigned	-	166,916	-	166,916
Total fund balances	1,506,828	214,725	6,182,242	7,903,795
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,669,457	\$ 678,911	\$ 6,268,601	\$ 8,616,969

City of Newberg, Oregon

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

For the Year Ended June 30, 2018

	Special Revenue	Debt Service	Capital Projects	Totals
<u>Revenues</u>				
Property taxes	\$ -	\$ 7,703	\$ -	\$ 7,703
Other taxes	1,118,742	-	-	1,118,742
Licenses and permits	50,403	159,282	-	209,685
Intergovernmental	443,378	142,916	-	586,294
Charges for services	527,788	-	2,171,610	2,699,398
Facilities charge	-	119,492	-	119,492
Pension bond charge	-	248,417	-	248,417
Loan collections - principal	13,534	-	-	13,534
Loan collections - interest	1,573	-	-	1,573
Assessments	-	-	5,105	5,105
Donations	36,033	-	-	36,033
Interest	23,711	11,211	62,913	97,835
Total revenues	2,215,162	689,021	2,239,628	5,143,811
<u>Expenditures</u>				
General government	157,377	-	-	157,377
Public safety	816,014	-	-	816,014
Library	65,497	-	-	65,497
Community development	220,331	-	-	220,331
Debt service:				
Principal	-	453,590	-	453,590
Interest	-	190,743	-	190,743
Capital outlay	21,878	-	854,574	876,452
Total expenditures	1,281,097	644,333	854,574	2,780,004
Excess (deficiency) of revenues over expenditures	934,065	44,688	1,385,054	2,363,807
<u>Other financing sources (uses)</u>				
Contingency loss (see footnote 4)	-	(446,000)	-	(446,000)
Loan proceeds	-	-	3,151,630	3,151,630
Transfers in	-	133,508	-	133,508
Transfers out	(731,308)	(108,486)	(1,291,176)	(2,130,970)
Total other financing sources (uses)	(731,308)	(420,978)	1,860,454	708,168
Net change in fund balances	202,757	(376,290)	3,245,508	3,071,975
Fund balances, July 1, 2017	1,304,071	591,015	2,936,734	4,831,820
Fund balances, June 30, 2018	\$ 1,506,828	\$ 214,725	\$ 6,182,242	\$ 7,903,795

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SPECIAL REVENUE FUNDS

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

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

- Economic Development
- 911 Emergency
- Civil Forfeiture
- Cable TV
- Library Gift and Memorial
- Public Safety Fee
- Transient Lodging Tax

City of Newberg, Oregon

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS

June 30, 2018

	Economic Development	911 Emergency	Civil Forfeiture	Cable TV	Library Gift and Memorial	Public Safety Fee	Transient Lodging Tax	Totals
ASSETS								
Cash and cash equivalents	\$ 665,543	\$ -	\$ 15,313	\$ 16,507	\$ 83,420	\$ 78,165	\$ 309,641	\$ 1,168,589
Receivables:								
Accounts	81,466	57,102	-	-	-	53,311	277,245	469,124
Loans	31,744	-	-	-	-	-	-	31,744
Total assets	\$ 778,753	\$ 57,102	\$ 15,313	\$ 16,507	\$ 83,420	\$ 131,476	\$ 586,886	\$ 1,669,457
LIABILITIES								
Accounts payable	\$ 80,871	\$ 4,090	\$ -	\$ -	\$ 2,211	\$ -	\$ -	\$ 87,172
Payroll payables	138	4,558	-	-	74	12,117	-	16,887
Due to other funds	-	26,826	-	-	-	-	-	26,826
Total liabilities	81,009	35,474	-	-	2,285	12,117	-	130,885
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue-loans	31,744	-	-	-	-	-	-	31,744
Total deferred inflows of resources	31,744	-	-	-	-	-	-	31,744
FUND BALANCES								
Restricted	-	21,628	15,313	-	81,135	119,359	586,886	824,321
Committed	666,000	-	-	16,507	-	-	-	682,507
Total fund balances	666,000	21,628	15,313	16,507	81,135	119,359	586,886	1,506,828
Total liabilities, deferred inflows of resources and fund balances	\$ 778,753	\$ 57,102	\$ 15,313	\$ 16,507	\$ 83,420	\$ 131,476	\$ 586,886	\$ 1,669,457

City of Newberg, Oregon

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

For the Year Ended June 30, 2018

	Economic Development	911 Emergency	Civil Forfeiture	Cable TV	Library Gift and Memorial	Public Safety Fee	Transient Lodging Tax	Totals
<u>Revenues</u>								
Other taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,118,742	\$ 1,118,742
Licenses and permits	50,403	-	-	-	-	-	-	50,403
Intergovernmental	196,970	225,638	-	-	20,770	-	-	443,378
Charges for services	-	-	-	-	-	527,788	-	527,788
Loan collections - principal	13,534	-	-	-	-	-	-	13,534
Loan collections - interest	1,573	-	-	-	-	-	-	1,573
Donations	-	-	-	-	36,033	-	-	36,033
Interest	10,975	99	393	488	1,331	2,187	8,238	23,711
Total revenues	273,455	225,737	393	488	58,134	529,975	1,126,980	2,215,162
<u>Expenditures</u>								
General government	-	-	-	-	-	-	157,377	157,377
Public safety	-	223,190	10,348	-	-	582,476	-	816,014
Library	-	-	-	-	65,497	-	-	65,497
Community development	220,331	-	-	-	-	-	-	220,331
Capital outlay	-	-	-	21,878	-	-	-	21,878
Total expenditures	220,331	223,190	10,348	21,878	65,497	582,476	157,377	1,281,097
Excess (deficiency) of revenues over expenditures	53,124	2,547	(9,955)	(21,390)	(7,363)	(52,501)	969,603	934,065
<u>Other financing sources (uses)</u>								
Transfers out	(4,872)	-	-	-	-	-	(726,436)	(731,308)
Total other financing sources (uses)	(4,872)	-	-	-	-	-	(726,436)	(731,308)
Net change in fund balances	48,252	2,547	(9,955)	(21,390)	(7,363)	(52,501)	243,167	202,757
Fund balances, July 1, 2017	617,748	19,081	25,268	37,897	88,498	171,860	343,719	1,304,071
Fund balances, June 30, 2018	\$ 666,000	\$ 21,628	\$ 15,313	\$ 16,507	\$ 81,135	\$ 119,359	\$ 586,886	\$ 1,506,828

City of Newberg, Oregon

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

For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Licenses and permits	\$ 43,000	\$ 43,000	\$ 50,403	\$ 7,403
Intergovernmental	390,000	390,000	196,970	(193,030)
Loan collections - principal	12,828	12,828	13,534	706
Loan collections - interest	6,933	6,933	1,573	(5,360)
Interest	5,000	5,000	10,975	5,975
Miscellaneous	10	10	-	(10)
Total revenues	457,771	457,771	273,455	(184,316)
<u>Expenditures</u>				
Planning	79,123	84,123	15,168	68,955
Contingency	132,569	130,423	-	130,423
Total expenditures	211,692	214,546	15,168	199,378
Excess (deficiency) of revenues over expenditures	246,079	243,225	258,287	15,062
<u>Other financing sources (uses)</u>				
Special payments - loans	(366,473)	(387,538)	-	387,538
Special payments - grants	(396,864)	(405,641)	(205,163)	200,478
Transfers out	(4,872)	(4,872)	(4,872)	-
Total other financing sources (uses)	(768,209)	(798,051)	(210,035)	588,016
Net change in fund balance	(522,130)	(554,826)	48,252	603,078
Fund balance, July 01, 2017	522,130	554,826	617,748	62,922
Fund balance, June 30, 2018	\$ -	\$ -	\$ 666,000	\$ 666,000

City of Newberg, Oregon

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

For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Intergovernmental	\$ 221,000	\$ 225,027	\$ 225,638	\$ 611
Interest	-	-	99	99
Total revenues	221,000	225,027	225,737	710
<u>Expenditures</u>				
Communications	224,876	228,903	223,190	5,713
Contingency	19,481	19,481	-	19,481
Total expenditures	244,357	248,384	223,190	25,194
Net change in fund balance	(23,357)	(23,357)	2,547	25,904
Fund balance, July 01, 2017	23,357	23,357	19,081	(4,276)
Fund balance, June 30, 2018	\$ -	\$ -	\$ 21,628	\$ 21,628

City of Newberg, Oregon

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

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Interest	\$ 200	\$ 200	\$ 393	\$ 193
Total revenues	200	200	393	193
<u>Expenditures</u>				
Police	25,434	25,434	10,348	15,086
Total expenditures	25,434	25,434	10,348	15,086
Net change in fund balance	(25,234)	(25,234)	(9,955)	15,279
Fund balance, July 01, 2017	25,234	25,234	25,268	34
Fund balance, June 30, 2018	\$ -	\$ -	\$ 15,313	\$ 15,313

City of Newberg, Oregon

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

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Interest	\$ 200	\$ 200	\$ 488	\$ 288
Total revenues	200	200	488	288
<u>Expenditures</u>				
Capital Outlay	38,025	38,025	21,878	16,147
Total expenditures	38,025	38,025	21,878	16,147
Net change in fund balance	(37,825)	(37,825)	(21,390)	16,435
Fund balance, July 01, 2017	37,825	37,825	37,897	72
Fund balance, June 30, 2018	\$ -	\$ -	\$ 16,507	\$ 16,507

City of Newberg, Oregon

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

For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Intergovernmental	\$ 62,000	\$ 62,000	\$ 20,770	\$ (41,230)
Donations	73,000	73,000	36,033	(36,967)
Interest	600	600	1,331	731
Total revenues	135,600	135,600	58,134	(77,466)
<u>Expenditures</u>				
Library	160,000	160,000	65,497	94,503
Contingency	39,116	39,116	-	39,116
Total expenditures	199,116	199,116	65,497	133,619
Net change in fund balance	(63,516)	(63,516)	(7,363)	56,153
Fund balance, July 01, 2017	63,516	63,516	88,498	24,982
Fund balance, June 30, 2018	\$ -	\$ -	\$ 81,135	\$ 81,135

City of Newberg, Oregon

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

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Charges for services	\$ 496,209	\$ 507,142	\$ 527,788	\$ 20,646
Interest	600	2,158	2,187	29
Total revenues	496,809	509,300	529,975	20,675
<u>Expenditures</u>				
Police	354,914	354,914	347,142	7,772
Communications	187,878	233,235	235,334	(2,099)
Contingency	63,629	63,629	-	63,629
Total expenditures	606,421	651,778	582,476	69,302
Net change in fund balance	(109,612)	(142,478)	(52,501)	89,977
Fund balance, July 01, 2017	109,612	142,478	171,860	29,382
Fund balance, June 30, 2018	\$ -	\$ -	\$ 119,359	\$ 119,359

City of Newberg, Oregon

TRANSIENT LODGING TAX FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2018

	Budget		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Other taxes	\$ 1,044,863	\$ 1,079,863	\$ 1,118,742	\$ 38,879
Interest	2,564	2,564	8,238	5,674
Total revenues	1,047,427	1,082,427	1,126,980	44,553
<u>Expenditures</u>				
General government	166,673	260,391	139,886	120,505
Contingency	-	12,250	-	12,250
Total expenditures	166,673	272,641	139,886	132,755
Excess (deficiency) of revenues over expenditures	880,754	809,786	987,094	177,308
<u>Other financing sources (uses)</u>				
Grants	(450,622)	(450,622)	(17,491)	433,131
Transfers out	(680,132)	(702,882)	(726,436)	(23,554)
Total other financing sources (uses)	(1,130,754)	(1,153,504)	(743,927)	409,577
Net change in fund balance	(250,000)	(343,718)	243,167	586,885
Fund balance, July 01, 2017	250,000	343,718	343,719	1
Fund balance, June 30, 2018	\$ -	\$ -	\$ 586,886	\$ 586,886

DEBT SERVICE FUNDS

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

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

- Debt Service
- City Hall

City of Newberg, Oregon

COMBINING BALANCE SHEET NONMAJOR DEBT SERVICE FUNDS

June 30, 2018

	Debt Service	City Hall	Totals
<u>ASSETS</u>			
Cash and cash equivalents	\$ 47,809	\$ 612,916	\$ 660,725
Receivables:			
Taxes	18,186	-	18,186
Total assets	\$ 65,995	\$ 612,916	\$ 678,911
<u>LIABILITIES</u>			
Contingent liabilities (see footnote 4)	\$ -	\$ 446,000	\$ 446,000
Total liabilities	-	446,000	446,000
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable revenue-property taxes	18,186	-	18,186
Total deferred inflows of resources	18,186	-	18,186
<u>FUND BALANCES</u>			
Restricted	47,809	-	47,809
Assigned	-	166,916	166,916
Total fund balances	47,809	166,916	214,725
Total liabilities, deferred inflows of resources, and fund balances	\$ 65,995	\$ 612,916	\$ 678,911

City of Newberg, Oregon

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

For the Year Ended June 30, 2018

	Debt Service	City Hall	Totals
<u>Revenues</u>			
Property taxes	\$ 7,703	\$ -	\$ 7,703
Licenses and permits	-	159,282	159,282
Intergovernmental	142,916	-	142,916
Facilities charge	119,492	-	119,492
Pension bond charge	248,417	-	248,417
Interest	1,836	9,375	11,211
Total revenues	520,364	168,657	689,021
<u>Expenditures</u>			
Debt service:			
Principal	453,590	-	453,590
Interest	190,743	-	190,743
Total expenditures	644,333	-	644,333
Excess (deficiency) of revenues over expenditures	(123,969)	168,657	44,688
<u>Other financing sources (uses)</u>			
Contingency loss (see footnote 4)	-	(446,000)	(446,000)
Transfers in	133,508	-	133,508
Transfers out	-	(108,486)	(108,486)
Total other financing sources (uses)	133,508	(554,486)	(420,978)
Net change in fund balances	9,539	(385,829)	(376,290)
Fund balances, July 1, 2017	38,270	552,745	591,015
Fund balances, June 30, 2018	\$ 47,809	\$ 166,916	\$ 214,725

City of Newberg, Oregon

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

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Property taxes	\$ 6,138	\$ 6,138	\$ 7,703	\$ 1,565
Intergovernmental	142,916	142,916	142,916	-
Facilities charge	119,492	119,492	119,492	-
Pension bond charge	249,398	249,398	248,417	(981)
Interest	300	300	1,836	1,536
Total revenues	518,244	518,244	520,364	2,120
<u>Expenditures</u>				
Debt service				
Principal	533,774	533,774	453,590	80,184
Interest	202,232	202,232	190,743	11,489
Total expenditures	736,006	736,006	644,333	91,673
Excess (deficiency) of revenues over expenditures	(217,762)	(217,762)	(123,969)	93,793
<u>Other financing sources (uses)</u>				
Transfers in	225,181	225,181	133,508	(91,673)
Total other financing sources (uses)	225,181	225,181	133,508	(91,673)
Net change in fund balance	7,419	7,419	9,539	2,120
Fund balance, July 01, 2017	36,946	36,946	38,270	1,324
Fund balance, June 30, 2018	\$ 44,365	\$ 44,365	\$ 47,809	\$ 3,444

City of Newberg, Oregon

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

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Licenses and permits	\$ 90,000	\$ 90,000	\$ 159,282	\$ 69,282
Interest	3,000	3,000	9,375	6,375
Total revenues	93,000	93,000	168,657	75,657
<u>Other financing sources (uses)</u>				
Transfers out	(108,486)	(108,486)	(108,486)	-
Total other financing sources (uses)	(108,486)	(108,486)	(108,486)	-
Net change in fund balance	(15,486)	(15,486)	60,171	75,657
Fund balance, July 01, 2017	512,086	512,086	552,745	40,659
Fund balance, June 30, 2018	\$ 496,600	\$ 496,600	\$ 612,916	\$ 116,316
Reconciliation to generally accepted accounting principles				
Contingency loss			(446,000)	
Fund balance, June 30, 2018			\$ 166,916	

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CAPITAL PROJECTS FUNDS

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

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

- Street System Development
- Governmental Capital Projects

City of Newberg, Oregon

COMBINING BALANCE SHEET NONMAJOR CAPITAL PROJECTS FUNDS

June 30, 2018

	Street System Development	Governmental Capital Projects	Totals
<u>ASSETS</u>			
Cash and cash equivalents	\$ 3,885,186	\$ 2,311,239	\$ 6,196,425
Receivables:			
Assessments	72,176	-	72,176
Total assets	\$ 3,957,362	\$ 2,311,239	\$ 6,268,601
<u>LIABILITIES</u>			
Accounts payable	\$ -	\$ 14,183	\$ 14,183
Total liabilities	-	14,183	14,183
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable revenue-special assessments	72,176	-	72,176
Total deferred inflows of resources	72,176	-	72,176
<u>FUND BALANCES</u>			
Restricted	3,885,186	2,297,056	6,182,242
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,957,362	\$ 2,311,239	\$ 6,268,601

City of Newberg, Oregon

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

For the Year Ended June 30, 2018

	<u>Street System Development</u>	<u>Governmental Capital Projects</u>	<u>Totals</u>
<u>Revenues</u>			
Charges for services	\$ 2,171,610	\$ -	\$ 2,171,610
Assessments	5,105	-	5,105
Interest	62,913	-	62,913
Total revenues	2,239,628	-	2,239,628
<u>Expenditures</u>			
Capital outlay	-	854,574	854,574
Total expenditures	-	854,574	854,574
 Excess (deficiency) of revenues over expenditures	 2,239,628	 (854,574)	 1,385,054
<u>Other financing sources (uses)</u>			
Loan proceeds	-	3,151,630	3,151,630
Transfers out	(1,291,176)	-	(1,291,176)
Total other financing sources (uses)	(1,291,176)	3,151,630	1,860,454
 Net change in fund balances	 948,452	 2,297,056	 3,245,508
Fund balances, July 1, 2017	2,936,734	-	2,936,734
Fund balances, June 30, 2018	\$ 3,885,186	\$ 2,297,056	\$ 6,182,242

City of Newberg, Oregon

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

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Charges for services	\$ 1,600,000	\$ 1,600,000	\$ 2,171,610	\$ 571,610
Grants	740,000	740,000	-	(740,000)
Assessments	3,800	3,800	5,105	1,305
Interest	21,325	21,325	62,913	41,588
Total revenues	2,365,125	2,365,125	2,239,628	(125,497)
<u>Expenditures</u>				
Contingency	1,359,238	1,359,238	-	1,359,238
Total expenditures	1,359,238	1,359,238	-	1,359,238
Excess (deficiency) of revenues over expenditures	1,005,887	1,005,887	2,239,628	1,233,741
<u>Other financing sources (uses)</u>				
Transfers out	(3,971,000)	(3,971,000)	(1,291,176)	2,679,824
Total other financing sources (uses)	(3,971,000)	(3,971,000)	(1,291,176)	2,679,824
Net change in fund balance	(2,965,113)	(2,965,113)	948,452	3,913,565
Fund balance, July 01, 2017	2,965,113	2,965,113	2,936,734	(28,379)
Fund balance, June 30, 2018	\$ -	\$ -	\$ 3,885,186	\$ 3,885,186

City of Newberg, Oregon

GOVERNMENTAL CAPITAL PROJECTS FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2018

	Budget		Actual	Variance
	Original	Final		
<u>Expenditures</u>				
Capital outlay	\$ -	\$ 3,151,630	\$ 854,574	\$ 2,297,056
Total expenditures	-	3,151,630	854,574	2,297,056
Excess (deficiency) of revenues over expenditures	-	(3,151,630)	(854,574)	2,297,056
<u>Other financing sources (uses)</u>				
Proceeds from long-term debt, net	-	3,151,630	3,151,630	-
Total other financing sources (uses)	-	3,151,630	3,151,630	-
Net change in fund balance	-	-	2,297,056	2,297,056
Fund balance, July 01, 2017	-	-	-	-
Fund balance, June 30, 2018	\$ -	\$ -	\$ 2,297,056	\$ 2,297,056

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PROPRIETARY FUNDS

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

For budgetary purposes, the water, wastewater, stormwater, and emergency medical services activities are accounted for in the following separate funds:

Water

Water (operating)
Water System Development

Wastewater

Wastewater (operating)
Wastewater System Development

Stormwater

Stormwater (operating)
Stormwater System Development

Other

Proprietary Capital Projects

Emergency Medical Services

Reconciliations

Reconciliation of Revenues and Expenditures (budgetary basis) to Revenues and Expenses (accrual basis)

City of Newberg, Oregon

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

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Charges for services	\$ 5,757,214	\$ 5,757,214	\$ 5,935,990	\$ 178,776
Interest	50,000	50,000	163,387	113,387
Miscellaneous	30,500	30,500	69,367	38,867
Total revenues	5,837,714	5,837,714	6,168,744	331,030
<u>Expenditures</u>				
Public works	3,779,337	3,779,337	3,527,798	251,539
Debt service:				
Principal	342,172	342,172	342,172	-
Interest	72,431	72,431	72,430	1
Contingency	2,084,343	2,084,343	-	2,084,343
Total expenditures	6,278,283	6,278,283	3,942,400	2,335,883
Excess (deficiency) of revenues over expenditures	(440,569)	(440,569)	2,226,344	2,666,913
<u>Other financing sources (uses)</u>				
Sale of capital assets	-	-	1,063	1,063
Special payments - loans	(25,000)	(25,000)	-	25,000
Transfers In	39,811	39,811	39,840	29
Transfers Out	(1,805,174)	(1,805,174)	(461,033)	1,344,141
Total other financing sources (uses)	(1,790,363)	(1,790,363)	(420,130)	1,370,233
Net change in fund balance	(2,230,932)	(2,230,932)	1,806,214	4,037,146
Fund balance, July 1, 2017	8,874,908	8,874,908	8,995,620	120,712
Fund balance, June 30, 2018	\$ 6,643,976	\$ 6,643,976	\$10,801,834	\$ 4,157,858

City of Newberg, Oregon

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

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Development fees	\$ 500,000	\$ 500,000	\$ 559,688	\$ 59,688
Assessments	1,400	1,400	11,141	9,741
Interest	3,100	3,100	6,989	3,889
Total revenues	504,500	504,500	577,818	73,318
<u>Expenditures</u>				
Debt service:				
Principal	626,762	626,762	626,762	-
Interest	219,069	219,069	219,069	-
Contingency	4,300	4,300	-	4,300
Total expenditures	850,131	850,131	845,831	4,300
Excess (deficiency) of revenues over expenditures	(345,631)	(345,631)	(268,013)	77,618
<u>Other financing sources (uses)</u>				
Transfers in	230,213	230,213	21,939	(208,274)
Transfers out	(183,100)	(183,100)	(12,338)	170,762
Total other financing sources (uses)	47,113	47,113	9,601	(37,512)
Net change in fund balance	(298,518)	(298,518)	(258,412)	40,106
Fund balance, July 1, 2017	298,518	298,518	572,610	274,092
Fund balance, June 30, 2018	\$ -	\$ -	\$ 314,198	\$ 314,198

City of Newberg, Oregon

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

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Charges for services	\$ 8,068,030	\$ 8,068,030	\$ 8,137,018	\$ 68,988
Interest	65,000	65,000	193,065	128,065
Miscellaneous	11,300	11,300	28,337	17,037
Total revenues	8,144,330	8,144,330	8,358,420	214,090
<u>Expenditures</u>				
Public works	5,661,477	5,661,477	4,864,336	797,141
Debt service:				
Principal	1,600,925	1,600,925	1,600,925	-
Interest	726,348	726,348	726,348	-
Contingency	1,979,530	1,875,475	-	1,875,475
Total expenditures	9,968,280	9,864,225	7,191,609	2,672,616
Excess (deficiency) of revenues over expenditures	(1,823,950)	(1,719,895)	1,166,811	2,886,706
<u>Other financing sources (uses)</u>				
Special payments - loans	(50,000)	(50,000)	-	50,000
Sale of capital assets	-	-	923	923
Transfers in	2,829	2,829	2,858	29
Transfers out	(3,110,000)	(3,214,055)	(1,382,165)	1,831,890
Total other financing sources (uses)	(3,157,171)	(3,261,226)	(1,378,384)	1,882,842
Net change in fund balance	(4,981,121)	(4,981,121)	(211,573)	4,769,548
Fund balance, July 1, 2017	10,812,028	10,812,028	11,973,384	1,161,356
Fund balance, June 30, 2018	\$ 5,830,907	\$ 5,830,907	\$11,761,811	\$ 5,930,904

City of Newberg, Oregon

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

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Development fees	\$ 800,000	\$ 800,000	\$ 1,764,862	\$ 964,862
Assessments	-	-	605	605
Interest	30,000	30,000	87,964	57,964
Total revenues	830,000	830,000	1,853,431	1,023,431
<u>Expenditures</u>				
Debt service:				
Principal	186,882	186,882	186,882	-
Interest	97,842	97,842	97,842	-
Contingency	3,766,802	3,766,802	-	3,766,802
Total expenditures	4,051,526	4,051,526	284,724	3,766,802
Excess (deficiency) of revenues over expenditures	(3,221,526)	(3,221,526)	1,568,707	4,790,233
<u>Other financing sources (uses)</u>				
Transfers out	(1,295,000)	(1,295,000)	(708,807)	586,193
Total other financing sources (uses)	(1,295,000)	(1,295,000)	(708,807)	586,193
Net change in fund balance	(4,516,526)	(4,516,526)	859,900	5,376,426
Fund balance, July 1, 2017	4,516,526	4,516,526	5,106,411	589,885
Fund balance, June 30, 2018	\$ -	\$ -	\$ 5,966,311	\$ 5,966,311

City of Newberg, Oregon

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

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Charges for services	\$ 1,477,595	\$ 1,477,595	\$ 1,545,957	\$ 68,362
Interest	8,500	8,500	10,211	1,711
Miscellaneous	-	-	8	8
Total revenues	1,486,095	1,486,095	1,556,176	70,081
<u>Expenditures</u>				
Public works	1,279,253	1,279,253	1,128,143	151,110
Contingency	212,823	173,411	-	173,411
Total expenditures	1,492,076	1,452,664	1,128,143	324,521
Excess (deficiency) of revenues over expenditures	(5,981)	33,431	428,033	394,602
<u>Other financing sources (uses)</u>				
Sale of capital assets	-	-	923	923
Transfers in	2,829	2,829	2,858	29
Transfers out	(895,000)	(934,412)	(857,745)	76,667
Total other financing sources (uses)	(892,171)	(931,583)	(853,964)	77,619
Net change in fund balance	(898,152)	(898,152)	(425,931)	472,221
Fund balance, July 1, 2017	898,152	898,152	1,028,959	130,807
Fund balance, June 30, 2018	\$ -	\$ -	\$ 603,028	\$ 603,028

City of Newberg, Oregon

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

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Development fees	\$ 70,000	\$ 70,000	\$ 81,060	\$ 11,060
Interest	1,200	1,200	1,873	673
Total revenues	71,200	71,200	82,933	11,733
<u>Expenditures</u>				
Contingency	96,772	96,772	-	96,772
Total expenditures	96,772	96,772	-	96,772
Excess (deficiency) of revenues over expenditures	(25,572)	(25,572)	82,933	108,505
<u>Other financing sources (uses)</u>				
Transfers out	(55,000)	(55,000)	(51,905)	3,095
Total other financing sources (uses)	(55,000)	(55,000)	(51,905)	3,095
Net change in fund balance	(80,572)	(80,572)	31,028	111,600
Fund balance, July 1, 2017	94,806	94,806	106,284	11,478
Fund balance, June 30, 2018	\$ 14,234	\$ 14,234	\$ 137,312	\$ 123,078

City of Newberg, Oregon

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

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Expenditures</u>				
Capital outlay	\$ 7,135,000	\$ 7,278,467	\$ 3,473,993	\$ 3,804,474
Total expenditures	7,135,000	7,278,467	3,473,993	3,804,474
Excess (deficiency) of revenues over expenditures	(7,135,000)	(7,278,467)	(3,473,993)	3,804,474
<u>Other financing sources (uses)</u>				
Transfers in	7,135,000	7,278,467	3,473,993	(3,804,474)
Total other financing sources (uses)	7,135,000	7,278,467	3,473,993	(3,804,474)
Net change in fund balance	-	-	-	-
Fund balance, July 1, 2017	-	-	-	-
Fund balance, June 30, 2018	\$ -	\$ -	\$ -	\$ -

City of Newberg, Oregon

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

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Charges for services	\$ -	\$ 30,000	\$ 26,618	\$ (3,382)
Interest	1,000	1,200	903	(297)
Total revenues	1,000	31,200	27,521	(3,679)
<u>Expenditures</u>				
Fire	200,000	230,000	225,542	4,458
Contingency	36,295	-	-	-
Total expenditures	236,295	230,000	225,542	4,458
Excess (deficiency) of expenditures over revenues	(235,295)	(198,800)	(198,021)	779
<u>Other financing sources (uses)</u>				
Transfers out	(351,741)	(380,859)	(381,638)	(779)
Loans	500,000	500,000	500,000	-
Total other financing sources (uses)	148,259	119,141	118,362	(779)
Net change in fund balance	(87,036)	(79,659)	(79,659)	-
Fund balance, July 1, 2017	87,036	79,659	79,659	-
Fund balance, June 30, 2018	\$ -	\$ -	\$ -	\$ -

City of Newberg

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

For the Year Ended June 30, 2018

Fund	Water		Wastewater	
	Revenues	Expenditures	Revenues	Expenditures
Water	\$ 6,168,744	\$ 3,942,400	\$ -	\$ -
Water System Development	577,818	845,831	-	-
Wastewater	-	-	8,358,420	7,191,609
Wastewater System Development	-	-	1,853,431	284,724
Stormwater	-	-	-	-
Stormwater System Development	-	-	-	-
Proprietary Capital Projects	-	473,371	-	2,090,972
Emergency Medical Services	-	-	-	-
Total revenues and expenditures (budgetary basis)	6,746,562	5,261,602	10,211,851	9,567,305
Adjustments				
Depreciation	-	1,265,305	-	2,819,951
Contributed capital	(559,688)	-	(1,764,862)	-
Gain on sale of capital assets	1,063	-	923	-
Principal payments	-	(968,934)	-	(1,787,807)
Interest accrual	-	(30,128)	-	(79,857)
Assessment receivable collections	(11,141)	-	(605)	-
Expenditures capitalized	-	(499,585)	-	(1,798,116)
Change in compensated absences	-	8,110	-	7,561
Change in pension related activities	-	78,403	-	275,366
Change in other postemployment benefit related activities	-	8,172	-	9,888
Total revenues and expenses (accrual basis)	6,176,796	5,122,945	8,447,307	9,014,291
Net income (loss) before contributions and transfers		<u>\$ 1,053,851</u>		<u>\$ (566,984)</u>

Stormwater		Emergency Medical Services		Totals	
Revenues	Expenditures	Revenues	Expenditures	Revenues	Expenditures
\$ -	\$ -	\$ -	\$ -	\$ 6,168,744	\$ 3,942,400
-	-	-	-	577,818	845,831
-	-	-	-	8,358,420	7,191,609
-	-	-	-	1,853,431	284,724
1,556,176	1,128,143	-	-	1,556,176	1,128,143
82,933	-	-	-	82,933	-
-	909,650	-	-	-	3,473,993
-	-	27,521	225,542	27,521	225,542
1,639,109	2,037,793	27,521	225,542	18,625,043	17,092,242
-	298,382	-	80,325	-	4,463,963
(81,060)	-	-	-	(2,405,610)	-
923	-	-	-	2,909	-
-	-	-	-	-	(2,756,741)
-	-	-	-	-	(109,985)
-	-	-	-	(11,746)	-
-	(883,875)	-	-	-	(3,181,576)
-	6,098	-	-	-	21,769
-	(24,252)	-	-	-	329,517
-	3,182	-	-	-	21,242
1,558,972	1,437,328	27,521	305,867	16,210,596	15,880,431
	<u>\$ 121,644</u>		<u>\$ (278,346)</u>		<u>\$ 330,165</u>

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INTERNAL SERVICE FUNDS

- Combining Statement of Net Position
- Combining Statement of Revenues, Expenses and Changes in Net Position
- Combining Statement of Cash Flows

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

- Administrative Support Services
- Vehicle/Equipment Replacement

Reconciliation of Revenues and Expenditures (budgetary basis) to Revenues and Expenses (accrual basis)

City of Newberg, Oregon

COMBINING STATEMENT OF NET POSITION INTERNAL SERVICE FUNDS

June 30, 2018

	Administrative Support Services	Vehicle/ Equipment Replacement	Totals
<u>ASSETS</u>			
<u>Current assets</u>			
Cash and investments	\$ 1,277,319	\$ 1,994,992	\$ 3,272,311
Accounts and other receivables	4,931	-	4,931
Inventory	21,178	-	21,178
Total current assets	1,303,428	1,994,992	3,298,420
<u>Noncurrent assets</u>			
Capital assets, net of depreciation	169,667	1,832,583	2,002,250
Total noncurrent assets	169,667	1,832,583	2,002,250
Total assets	1,473,095	3,827,575	5,300,670
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension related items	1,770,980	-	1,770,980
Other postemployment benefits related items	5,374	-	5,374
Total deferred outflows of resources	1,776,354	-	1,776,354
<u>LIABILITIES</u>			
<u>Current liabilities</u>			
Accounts payable	79,672	36,896	116,568
Payroll payables	735,331	-	735,331
Compensated absences	212,403	-	212,403
Current portion of capital leases payable	-	15,988	15,988
Total current liabilities	1,027,406	52,884	1,080,290
<u>Long-term obligations</u>			
Net pension liability	5,040,566	-	5,040,566
Other postemployment benefits liability	109,578	-	109,578
Total long-term obligations	5,150,144	-	5,150,144
Total liabilities	6,177,550	52,884	6,230,434
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension related items	582,953	-	582,953
Other postemployment benefits related items	6,265	-	6,265
Total deferred inflows of resources	589,218	-	589,218
<u>NET POSITION</u>			
Net investment in capital assets	169,667	1,816,595	1,986,262
Unrestricted	(3,686,986)	1,958,096	(1,728,890)
Total net position	\$ (3,517,319)	\$ 3,774,691	\$ 257,372

City of Newberg, Oregon

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

For the Year Ended June 30, 2018

	<u>Administrative Support Services</u>	<u>Vehicle/ Equipment Replacement</u>	<u>Totals</u>
<u>Operating revenues</u>			
Internal service charge	\$ 4,519,705	\$ 1,081,665	\$ 5,601,370
Charges for services	22,462	3,665	26,127
Miscellaneous	3,942	6,192	10,134
Total operating revenues	4,546,109	1,091,522	5,637,631
<u>Operating expenses</u>			
Personal services	4,082,329	-	4,082,329
Materials and services	1,786,932	109,550	1,896,482
Depreciation	16,223	418,700	434,923
Total operating expenses	5,885,484	528,250	6,413,734
Operating income (loss)	(1,339,375)	563,272	(776,103)
<u>Nonoperating revenues (expenses)</u>			
Interest	22,485	29,893	52,378
Gain (loss) on sale of capital assets	10	34,632	34,642
Total nonoperating revenues (expenses)	22,495	64,525	87,020
Income (loss) before transfers	(1,316,880)	627,797	(689,083)
Transfers in	24,489	16,412	40,901
Transfers out	(3,362)	-	(3,362)
Change in net position	(1,295,753)	644,209	(651,544)
Total net position, July 1, 2017	485,240	3,130,482	3,615,722
Prior period adjustment	(2,706,806)	-	(2,706,806)
Total net position, June 30, 2018	\$ (3,517,319)	\$ 3,774,691	\$ 257,372

City of Newberg, Oregon

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2018

	Administrative Support Services	Vehicle/ Equipment Replacement	Totals
<u>Cash flows from operating activities</u>			
Cash received from other funds	\$ 4,539,703	\$ 1,085,330	\$ 5,625,033
Cash paid to suppliers	(1,787,325)	(107,296)	(1,894,621)
Cash paid to employees	(2,820,677)	-	(2,820,677)
Other receipts	3,942	6,192	10,134
Net cash provided by operating activities	(64,357)	984,226	919,869
<u>Cash flows from noncapital financing activities</u>			
Transfers in	24,489	16,412	40,901
Transfers out	(3,362)	-	(3,362)
Net cash provided by (used in) noncapital financing activities	21,127	16,412	37,539
<u>Cash flows from capital and related financing activities</u>			
Sale of capital assets	10	34,632	34,642
Principal paid on long-term obligations	-	(66,488)	(66,488)
Purchase of capital assets	(27,456)	(469,630)	(497,086)
Net cash provided by (used in) capital and related financing activities	(27,446)	(501,486)	(528,932)
<u>Cash flows from investing activities</u>			
Interest received on investments	22,485	29,893	52,378
Net cash provided by investing activities	22,485	29,893	52,378
Net increase (decrease) in cash	(48,191)	529,045	480,854
Cash and investments, July 1, 2017	1,325,510	1,465,947	2,791,457
Cash and investments, June 30, 2018	\$ 1,277,319	\$ 1,994,992	\$ 3,272,311
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (1,339,375)	\$ 563,272	\$ (776,103)
<u>Adjustments to reconcile operating income (loss) to net cash provided by operating activities:</u>			
Depreciation and amortization	16,223	418,700	434,923
(Increase) decrease in OPEB related items	12,291	-	12,291
(Increase) decrease in accounts receivable	(2,464)	-	(2,464)
(Increase) decrease in inventory	88	-	88
Increase (decrease) in accounts payable	(481)	2,254	1,773
Increase (decrease) in payroll payable	195,101	-	195,101
Increase (decrease) in compensated absences	16,002	-	16,002
Increase (decrease) in pension related items	1,038,258	-	1,038,258
Net cash provided by operating activities	\$ (64,357)	\$ 984,226	\$ 919,869

City of Newberg, Oregon

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

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Internal service charges	\$ 4,694,705	\$ 4,694,705	\$ 4,519,705	\$ (175,000)
Intergovernmental	6,106	6,106	4,674	(1,432)
Charges for services	15,300	15,300	17,788	2,488
Interest	10,000	10,000	22,485	12,485
Miscellaneous	-	-	3,942	3,942
Total revenues	4,726,111	4,726,111	4,568,594	(157,517)
<u>Expenditures</u>				
Departmental:				
City manager	857,482	857,482	802,249	55,233
Finance	1,057,762	1,057,762	1,019,352	38,410
General office	177,289	177,289	151,203	26,086
Information services	1,071,444	1,071,444	1,049,021	22,423
Legal	480,443	480,443	448,083	32,360
Public works	1,044,410	1,055,134	1,010,296	44,838
Insurance	366,446	376,446	349,962	26,484
Contingency	244,898	224,174	-	224,174
Total expenditures	5,300,174	5,300,174	4,830,166	470,008
Excess (deficiency) of revenues over expenditures	(574,063)	(574,063)	(261,572)	312,491
<u>Other financing sources (uses)</u>				
Transfers in	24,241	24,241	24,489	248
Transfers out	(3,362)	(3,362)	(3,362)	-
Proceeds from sale of capital assets	-	-	10	10
Total other financing sources (uses)	20,879	20,879	21,137	258
Net change in fund balance	(553,184)	(553,184)	(240,435)	312,749
Fund balance, July 1, 2017	553,184	553,184	728,860	175,676
Fund balance, June 30, 2018	\$ -	\$ -	\$ 488,425	\$ 488,425

City of Newberg, Oregon

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

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Internal service charges	\$ 1,081,665	\$ 1,081,665	\$ 1,081,665	\$ -
Charges for services	4,000	4,000	3,665	(335)
Interest	12,000	12,000	29,893	17,893
Miscellaneous	-	-	6,192	6,192
Total revenues	1,097,665	1,097,665	1,121,415	23,750
<u>Expenditures</u>				
Departmental:				
Manager	2,481	2,481	-	2,481
Finance	17,496	17,496	-	17,496
Municipal court	4,114	4,114	-	4,114
Information technology	76,396	76,396	68,272	8,124
Legal	423	423	-	423
Police	461,425	461,425	128,185	333,240
Communications	153,488	153,488	-	153,488
Library	13,103	13,103	-	13,103
Planning	2,975	2,975	-	2,975
Building inspection	26,412	26,412	-	26,412
Public works	1,567,572	1,567,572	378,978	1,188,594
Facilities repair/maintenance	160,940	160,940	70,233	90,707
Total expenditures	2,486,825	2,486,825	645,668	1,841,157
Excess (deficiency) of revenues over expenditures	(1,389,160)	(1,389,160)	475,747	1,864,907
<u>Other financing sources</u>				
Sale of capital assets	-	-	34,632	34,632
Transfers in	16,412	16,412	16,412	-
Total other financing sources	16,412	16,412	51,044	34,632
Net change in fund balance	(1,372,748)	(1,372,748)	526,791	1,899,539
Fund balance, July 1, 2017	1,372,748	1,372,748	1,431,305	58,557
Fund balance, June 30, 2018	\$ -	\$ -	\$ 1,958,096	\$ 1,958,096

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, 2018

Fund	Administrative Support Services		Vehicle/ Equipment Replacement		Totals	
	Revenues	Expenditures	Revenues	Expenditures	Revenues	Expenditures
Administrative Support Services	\$ 4,568,594	\$ 4,830,166	\$ -	\$ -	\$ 4,568,594	\$ 4,830,166
Vehicle/Equipment Replacement	-	-	1,121,415	645,668	1,121,415	645,668
Total revenues and expenditures (budgetary basis)	4,568,594	4,830,166	1,121,415	645,668	5,690,009	5,475,834
Adjustments						
Depreciation	-	16,223	-	418,700	-	434,923
Expenditures capitalized	-	(27,456)	-	(469,630)	-	(497,086)
Change in compensated absences	-	16,002	-	-	-	16,002
Change in other postemployment benefit related items	-	12,291	-	-	-	12,291
Change in pension related items	-	1,038,258	-	-	-	1,038,258
Payment of capital lease principal	-	-	-	(66,488)	-	(66,488)
Gain (loss) on sale of capital assets	10	-	34,632	-	34,642	-
Total revenues and expenses (accrual basis)	4,568,604	5,885,484	1,156,047	528,250	5,724,651	6,413,734
Net income before transfers		<u>\$ (1,316,880)</u>		<u>\$ 627,797</u>		<u>\$ (689,083)</u>

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AGENCY FUND

Statement of Changes in Assets and Liabilities

- Bail Fund

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City of Newberg, Oregon

AGENCY FUND - BAIL STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

For the Year Ended June 30, 2018

	Balances			Balances
<u>ASSETS</u>	7/1/2017	Additions	Deductions	6/30/2018
Cash	\$ 74,046	\$ 4,168	\$ 6,480	\$ 71,734
<u>LIABILITIES</u>				
Accounts payable	\$ 7,502	\$ 100,538	\$ 100,972	\$ 7,068
Due to others	66,544	-	1,878	64,666
Total liabilities	\$ 74,046	\$ 100,538	\$ 102,850	\$ 71,734

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Other Financial Schedules

- Schedule of Property Tax Transactions and Outstanding Balances
- Schedule of Outstanding Obligations

City of Newberg, Oregon

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES

For the Year Ended June 30, 2018

<u>Levy Year</u>	<u>Taxes Uncollected July 1, 2017</u>	<u>Levy As Extended By Assessor</u>	<u>Discounts Allowed</u>	<u>Interest Charged</u>	<u>Cancellations and Adjustments</u>	<u>Interest and Tax Collected</u>	<u>Taxes Uncollected June 30, 2018</u>
2017-18	\$ -	\$ 8,130,780	\$ (209,736)	\$ 3,067	\$ (32,662)	\$ (7,661,009)	\$ 230,441
2016-17	250,593	-	2	5,286	(3,955)	(108,333)	143,593
2015-16	138,313	-	2	6,823	(1,251)	(61,372)	82,515
2014-15	89,506	-	4	7,536	(924)	(42,914)	53,208
2013-14	62,054	-	3	5,307	(859)	(24,867)	41,638
Prior to 2013	140,147	-	2	2,180	(3,866)	(7,923)	130,540
Totals	\$ 680,613	\$ 8,130,780	\$ (209,723)	\$ 30,198	\$ (43,517)	\$ (7,906,417)	\$ 681,934

<u>Fund</u>	<u>Revenue</u>			<u>Receivable June 30, 2018</u>
	<u>Current Levy</u>	<u>Prior Years</u>	<u>Total</u>	
General	\$ 7,661,009	\$ 237,705	\$ 7,898,714	\$ 663,748
Debt Service	-	7,703	7,703	18,186
Totals	\$ 7,661,009	\$ 245,408	\$ 7,906,417	\$ 681,934

City of Newberg, Oregon

OUTSTANDING OBLIGATIONS

June 30, 2018

Class and Series	Dated Date	Maturity Date	Amount of Original Issue	Outstanding
Full Faith and Credit Obligations				
Limited Tax Pension Bonds	5/27/04	6/1/28	\$ 2,720,000	\$ 2,175,000
ODOT-OTIB Loan*	7/1/13	1/25/36	2,211,200	1,420,682
2015 Refunding Bonds**	6/29/15	12/1/25	11,616,270	7,376,834
2018 Communications Upgrade Financing Agreement	3/29/18	6/1/28	3,197,301	3,197,301
Total Full Faith and Credit Obligations			<u>19,744,771</u>	<u>14,169,817</u>
Revenue Obligations				
Notes Payable, Public Works, Business Oregon**	5/31/07	12/1/28	8,525,632	5,503,919
Notes Payable, Public Works, U.S. Bank	7/7/09	4/1/19	1,930,000	193,000
Clean Water State Revolving Loan, Public Works, DEQ	2/14/11***	4/1/36	24,810,545	22,126,683
Total Revenue Obligations			<u>35,266,177</u>	<u>27,823,602</u>
Capital Leases				
MDT	7/29/14	7/15/18	77,928	15,988
Total Capital Leases			<u>77,928</u>	<u>15,988</u>
Total Outstanding Obligations			<u>\$ 55,088,876</u>	<u>\$ 42,009,407</u>

* Loan still in drawdown status. Outstanding amount represents current loan balance.

** Unamortized note premium/discount included in outstanding total

*** Two separate Clean Water State Revolving Loans were refinanced and restructured into one loan in Fiscal Year 17-18. They were combined on this report to reflect the restructuring, noting the dated date of the first of the two loans.

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STATISTICAL SECTION

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STATISTICAL SECTION

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

Contents	Page
Financial Trends	
These schedules contain trend information to help the reader understand how financial performance has changed over time.	142
Revenue Capacity	
These schedules contain information to help the reader assess the City's most significant local revenue source, which is property taxes.	152
Debt Capacity	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	157
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	163
Operating Information	
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	165

City of Newberg, Oregon

NET POSITION BY COMPONENT

Last Ten Fiscal Years
(Accrual basis of accounting)

	Fiscal Year				
	2009	2010	2011	2012	2013
Governmental Activities					
Net investment in capital assets*	\$ 72,529,510	\$ 71,760,718	\$ 71,853,007	\$ 72,772,287	\$ 72,713,803
Restricted	2,470,899	2,346,040	4,552,371	4,027,009	4,031,753
Unrestricted*	<u>7,035,935</u>	<u>6,110,359</u>	<u>4,089,120</u>	<u>4,119,630</u>	<u>4,556,067</u>
Total governmental activities net position	<u>82,036,344</u>	<u>80,217,117</u>	<u>80,494,498</u>	<u>80,918,926</u>	<u>81,301,623</u>
Business-type activities					
Net investment in capital assets	46,588,143	46,663,993	46,835,580	46,213,627	45,140,069
Restricted	4,432,518	3,680,309	2,989,978	2,281,995	2,614,036
Unrestricted	<u>8,955,775</u>	<u>8,735,201</u>	<u>9,836,775</u>	<u>13,214,045</u>	<u>16,978,006</u>
Total business-type activities net of related debt	<u>59,976,436</u>	<u>59,079,503</u>	<u>59,662,333</u>	<u>61,709,667</u>	<u>64,732,111</u>
Total government					
Net investment in capital assets	119,117,653	118,424,711	118,688,587	118,985,914	117,853,872
Restricted	6,903,417	6,026,349	7,542,349	6,309,004	6,645,789
Unrestricted	<u>15,991,710</u>	<u>14,845,560</u>	<u>13,925,895</u>	<u>17,333,675</u>	<u>21,534,073</u>
Total government net position	<u>\$ 142,012,780</u>	<u>\$ 139,296,620</u>	<u>\$ 140,156,831</u>	<u>\$ 142,628,593</u>	<u>\$ 146,033,734</u>

*During preparation of 2016 CAFR, an error in the calculation of 2015 net investment in capital assets was noted. The 2015 net investment in capital assets and unrestricted net position above are as restated.

Fiscal Year				
2014	2015	2016	2017	2018
\$ 74,161,008	\$ 73,333,280	\$ 73,904,455	\$ 73,936,943	\$ 75,051,501
4,025,054	5,698,807	5,602,325	5,569,797	7,522,090
<u>3,006,288</u>	<u>(4,946,877)</u>	<u>(9,185,414)</u>	<u>(10,058,023)</u>	<u>(10,896,899)</u>
<u>81,192,350</u>	<u>74,085,210</u>	<u>70,321,366</u>	<u>69,448,717</u>	<u>71,676,692</u>
50,349,199	47,953,509	50,238,503	51,252,029	54,630,631
3,324,341	4,306,900	5,516,693	5,785,305	6,417,821
<u>14,741,960</u>	<u>18,042,289</u>	<u>16,783,799</u>	<u>16,913,651</u>	<u>18,088,071</u>
<u>68,415,500</u>	<u>70,302,698</u>	<u>72,538,995</u>	<u>73,950,985</u>	<u>79,136,523</u>
124,510,207	121,286,789	124,142,958	125,188,972	129,682,132
7,349,395	10,005,707	11,119,018	11,355,102	13,939,911
<u>17,748,248</u>	<u>13,095,412</u>	<u>7,598,385</u>	<u>6,855,628</u>	<u>7,191,172</u>
<u>\$ 149,607,850</u>	<u>\$ 144,387,908</u>	<u>\$ 142,860,361</u>	<u>\$ 143,399,702</u>	<u>\$ 150,813,215</u>

City of Newberg, Oregon

CHANGES IN NET POSITION

Last Ten Fiscal Years
(Accrual basis of accounting)

Expenses	Fiscal Year				
	2009	2010	2011	2012	2013
Governmental activities:					
General government	\$ 331,085	\$ 361,813	\$ 417,234	\$ 411,536	\$ 436,083
Public safety	8,710,044	9,086,595	9,683,875	9,871,835	10,152,102
Library	1,205,124	1,183,292	1,186,342	1,183,478	1,174,400
Community development	4,529,013	4,085,772	3,608,329	3,324,353	3,297,494
Interest on long-term debt	430,164	404,098	378,151	353,888	341,909
Total governmental activities expenses	15,205,430	15,121,570	15,273,931	15,145,090	15,401,988
Business-type activities:					
Water	4,744,738	4,739,890	4,707,573	4,742,088	4,329,778
Wastewater	4,388,208	5,682,979	5,294,525	5,150,703	5,269,139
Stormwater	865,427	952,843	912,775	896,620	1,100,967
EMS	1,254,774	1,270,558	1,359,094	1,345,821	1,381,016
Total business-type activities expenses	11,253,147	12,646,270	12,273,967	12,135,232	12,080,900
Total government expenses	\$ 26,458,577	\$ 27,767,840	\$ 27,547,898	\$ 27,280,322	\$ 27,482,888
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 203,234	\$ 197,832	\$ 203,527	\$ 184,110	\$ 204,820
Public safety	1,635,102	1,885,978	1,927,700	1,880,349	1,858,515
Library	109,555	110,247	121,091	104,548	109,537
Community development	1,353,248	891,764	909,194	1,258,592	1,334,617
Operating grants and contributions	1,015,120	1,025,250	1,225,730	1,247,155	1,258,935
Capital grants and contributions	1,596,081	92,765	1,515,682	778,224	777,117
Total governmental activities program revenues	5,912,340	4,203,836	5,902,924	5,452,978	5,543,541
Business-type activities:					
Charges for services:					
Water	4,041,065	3,981,095	4,271,320	4,628,754	4,744,342
Wastewater	4,018,207	4,784,182	5,718,881	6,541,498	6,590,995
Stormwater	527,617	575,295	673,550	776,785	866,371
EMS	1,233,055	1,155,323	1,211,671	1,291,679	1,447,325
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	1,732,206	1,031,100	920,964	761,804	1,336,257
Total business-type activities program revenues	11,552,150	11,526,995	12,796,386	14,000,520	14,985,290
Total government program revenues	\$ 17,464,490	\$ 15,730,831	\$ 18,699,310	\$ 19,453,498	\$ 20,528,831

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Fiscal Year				
2014	2015	2016	2017	2018
\$ 499,907	\$ 422,183	\$ 632,904	\$ 614,756	\$ 456,661
10,863,373	9,155,182	14,665,091	13,566,131	14,122,328
1,190,740	1,196,717	1,418,213	1,641,950	1,880,375
3,891,844	3,698,872	4,956,971	4,637,468	5,605,823
83,029	234,723	232,287	220,534	190,013
<u>16,528,893</u>	<u>14,707,677</u>	<u>21,905,466</u>	<u>20,680,839</u>	<u>22,255,200</u>
4,375,856	4,179,182	4,519,569	4,764,433	5,091,557
5,380,122	5,616,297	6,189,926	8,118,983	9,015,163
1,033,464	1,121,214	1,823,882	1,999,951	1,474,100
1,512,335	1,533,734	2,327,754	896,225	305,867
<u>12,301,777</u>	<u>12,450,427</u>	<u>14,861,131</u>	<u>15,779,592</u>	<u>15,886,687</u>
<u>\$ 28,830,670</u>	<u>\$ 27,158,104</u>	<u>\$ 36,766,597</u>	<u>\$ 36,460,431</u>	<u>\$ 38,141,887</u>
\$ 372,919	\$ 1,000,426	\$ 1,069,564	\$ 1,097,664	\$ 1,164,740
2,025,314	2,078,460	2,107,389	1,984,542	2,036,208
106,931	153,649	106,993	125,236	114,132
1,329,636	1,890,405	1,903,759	2,094,345	3,282,887
1,602,797	1,522,076	1,597,758	1,654,806	1,807,470
770,008	-	206,672	1,117,673	3,549,009
<u>6,207,605</u>	<u>6,645,016</u>	<u>6,992,135</u>	<u>8,074,266</u>	<u>11,954,446</u>
5,024,743	6,055,711	5,456,414	5,393,100	6,005,357
6,809,455	8,593,486	7,367,995	7,724,042	8,165,355
1,098,072	1,186,699	1,292,069	1,464,203	1,545,965
1,599,863	1,960,321	2,225,533	354,158	26,618
-	-	-	-	-
1,097,561	1,833,719	1,082,540	2,285,508	4,296,733
<u>15,629,694</u>	<u>19,629,936</u>	<u>17,424,551</u>	<u>17,221,011</u>	<u>20,040,028</u>
<u>\$ 21,837,299</u>	<u>\$ 26,274,952</u>	<u>\$ 24,416,686</u>	<u>\$ 25,295,277</u>	<u>\$ 31,994,474</u>

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City of Newberg, Oregon

CHANGES IN NET POSITION (Continued)

Last Ten Fiscal Years
(Accrual basis of accounting)

	Fiscal Year				
	2009	2010	2011	2012	2013
Net (Expense)/Revenue					
Governmental activities	\$ (9,293,090)	\$ (10,917,734)	\$ (9,371,007)	\$ (9,692,112)	\$ (9,858,447)
Business-type activities	299,003	(1,119,275)	522,419	1,865,288	2,904,390
Total government net (expense)/revenue	<u>\$ (8,994,087)</u>	<u>\$ (12,037,009)</u>	<u>\$ (8,848,588)</u>	<u>\$ (7,826,824)</u>	<u>\$ (6,954,057)</u>
General Revenues and Other Changes in Net Position					
Governmental activities					
Taxes					
Property taxes	\$ 5,868,949	\$ 5,868,949	\$ 6,671,777	\$ 6,855,630	\$ 6,949,123
Franchise and public service taxes	2,691,385	2,691,385	2,889,224	3,119,051	2,325,471
Interest and investment earnings	225,064	225,064	45,373	45,339	53,407
Other revenues	65,961	65,961	38,653	175,632	45,486
Contingency loss	-	-	-	-	-
Transfers	10,023	10,023	3,361	(79,112)	(21,078)
Total governmental activities	<u>8,861,382</u>	<u>8,861,382</u>	<u>9,648,388</u>	<u>10,116,540</u>	<u>9,352,409</u>
Business-type activities:					
Interest and investment earnings	307,681	307,681	58,772	67,729	92,954
Other revenues	12,971	12,971	5,000	35,205	4,022
Special items	-	-	-	-	-
Transfers	(10,023)	(10,023)	(3,361)	79,112	21,078
Total business-type activities	<u>310,629</u>	<u>310,629</u>	<u>60,411</u>	<u>182,046</u>	<u>118,054</u>
Total primary government	<u>\$ 9,172,011</u>	<u>\$ 9,172,011</u>	<u>\$ 9,708,799</u>	<u>\$ 10,298,586</u>	<u>\$ 9,470,463</u>
Change in Net Position					
Governmental activities	\$ (431,708)	\$ (2,056,352)	\$ 277,381	\$ 424,428	\$ (506,038)
Business-type activities	609,632	(808,646)	582,830	2,047,334	3,022,444
Total primary government	<u>\$ 177,924</u>	<u>\$ (2,864,998)</u>	<u>\$ 860,211</u>	<u>\$ 2,471,762</u>	<u>\$ 2,516,406</u>

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Fiscal Year				
2014	2015	2016	2017	2018
\$ (10,321,288)	\$ (8,062,661)	\$ (14,913,331)	\$ (12,606,573)	\$ (10,300,754)
3,327,917	7,179,509	2,563,420	1,441,419	4,153,341
<u>\$ (6,993,371)</u>	<u>\$ (883,152)</u>	<u>\$ (12,349,911)</u>	<u>\$ (11,165,154)</u>	<u>\$ (6,147,413)</u>
\$ 7,018,803	\$ 7,426,611	\$ 7,629,811	\$ 7,654,999	\$ 7,873,043
3,285,287	2,994,336	3,400,088	3,625,530	3,997,659
59,666	53,041	73,928	127,580	257,864
31,831	21,498	43,168	27,251	15,620
-	-	-	-	(446,000)
(22,853)	(227,840)	(2,458)	298,564	337,773
<u>10,372,734</u>	<u>10,267,646</u>	<u>11,144,537</u>	<u>11,733,924</u>	<u>12,035,959</u>
106,089	115,218	167,226	288,095	464,392
65,818	(79,234)	3,990	(18,960)	2,909
-	-	-	-	788,650
22,853	227,840	2,458	(298,564)	(337,773)
<u>194,760</u>	<u>263,824</u>	<u>173,674</u>	<u>(29,429)</u>	<u>918,178</u>
<u>\$ 10,567,494</u>	<u>\$ 10,531,470</u>	<u>\$ 11,318,211</u>	<u>\$ 11,704,495</u>	<u>\$ 12,954,137</u>
\$ 51,446	\$ 2,204,985	\$ (3,768,794)	\$ (872,649)	\$ 1,735,205
3,522,677	7,443,333	2,737,094	1,411,990	5,071,519
<u>\$ 3,574,123</u>	<u>\$ 9,648,318</u>	<u>\$ (1,031,700)</u>	<u>\$ 539,341</u>	<u>\$ 6,806,724</u>

City of Newberg, Oregon

FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(Modified accrual basis of accounting)

	Fiscal Year				
	2009	2010	2011	2012	2013
General Fund					
Unreserved	\$ 3,137,138	\$ 2,778,800	\$ -	\$ -	\$ -
Committed	-	-	-	-	-
Unassigned	-	-	2,503,809	2,674,367	2,835,743
Total General Fund	<u>\$ 3,137,138</u>	<u>\$ 2,778,800</u>	<u>\$ 2,503,809</u>	<u>\$ 2,674,367</u>	<u>\$ 2,835,743</u>
All Other Governmental Funds					
Reserved	\$ 2,510,970	\$ 2,368,927	\$ -	\$ -	\$ -
Unreserved, reported in:					
Special revenue funds	3,137,138	2,839,521	-	-	-
Capital project funds	3,218,015	416,968	-	-	-
Debt service funds	447,201	-	-	-	-
Nonspendable	-	-	49,468	61,362	57,729
Restricted	-	-	4,453,982	3,932,838	4,258,474
Committed	-	-	762,978	687,274	684,930
Assigned	-	-	806,601	766,877	717,296
Total all other governmental funds	<u>\$ 9,313,324</u>	<u>\$ 5,625,416</u>	<u>\$ 6,073,029</u>	<u>\$ 5,448,351</u>	<u>\$ 5,718,429</u>

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

Fiscal Year				
2014	2015	2016	2017	2018
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	179,840	-
2,362,206	2,674,785	3,209,623	3,480,777	4,165,562
<u>\$ 2,362,206</u>	<u>\$ 2,674,785</u>	<u>\$ 3,209,623</u>	<u>\$ 3,660,617</u>	<u>\$ 4,165,562</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
57,685	53,792	54,587	64,850	90,779
3,886,048	4,721,327	5,361,925	5,402,640	9,638,005
807,395	848,020	773,340	824,480	859,311
548,803	535,601	509,076	552,745	166,916
<u>\$ 5,299,931</u>	<u>\$ 6,158,740</u>	<u>\$ 6,698,928</u>	<u>\$ 6,844,715</u>	<u>\$ 10,755,011</u>

City of Newberg, Oregon

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(Modified accrual basis of accounting)

Revenues	Fiscal Year		
	2009	2010	2011
Property taxes	\$ 5,771,564	\$ 6,116,052	\$ 6,629,781
Other taxes	1,540,473	1,785,188	1,735,291
Licenses and permits	1,035,880	438,833	376,568
Fees	262,592	448,378	475,736
Intergovernmental	3,710,471	2,889,274	3,209,095
Charges for services	515,779	507,505	637,049
Fines and forfeitures	718,032	702,616	685,684
Facilities charge	111,584	112,910	119,546
Pension bond charge	172,510	182,172	186,189
Assessments	95,898	66,251	131,627
Donations	167,242	67,347	529,588
Interest	177,690	47,415	31,170
Miscellaneous	24,702	26,686	7,899
Total revenues	<u>14,304,417</u>	<u>13,390,627</u>	<u>14,755,223</u>
Expenditures			
General Government	258,720	269,939	323,249
Public safety	8,626,587	9,102,481	9,494,385
Library	1,160,795	1,128,967	1,136,938
Community development	3,006,150	2,532,012	2,267,846
Capital outlay	405,319	467,193	512,627
Debt service:			
Principal	810,000	445,000	475,000
Interest	424,862	398,504	375,917
Total expenditures	<u>14,692,433</u>	<u>14,344,096</u>	<u>14,585,962</u>
Excess of revenues over expenditures	<u>\$ (388,016)</u>	<u>\$ (953,469)</u>	<u>\$ 169,261</u>
Other Financing Sources (Uses)			
Bond Proceeds	\$ -	\$ -	\$ -
Payment to bond excrow agent	-	-	-
Lease Proceeds	-	-	-
Developer contribution proceeds	-	-	-
Proceeds from sale of assets	11,929	-	-
Contingency loss	-	-	-
Transfers in	474,013	592,145	456,409
Transfers out	(463,990)	(547,784)	(453,048)
Total other financing sources (uses)	<u>21,952</u>	<u>44,361</u>	<u>3,361</u>
Net Change in Fund Balances	<u>\$ (366,064)</u>	<u>\$ (909,108)</u>	<u>\$ 172,622</u>
Debt service as a percentage of noncapital expenditures	<u>8.60%</u>	<u>6.21%</u>	<u>6.62%</u>

		Fiscal Year					
2012	2013	2014	2015	2016	2017	2018	
\$ 6,814,277	\$ 6,933,299	\$ 7,004,018	\$ 7,376,480	\$ 7,628,659	\$ 7,708,562	\$ 7,871,722	
1,844,391	1,869,556	1,945,717	2,704,418	3,112,765	3,722,487	4,109,401	
843,466	916,400	603,080	1,404,062	1,498,722	1,652,558	2,101,984	
514,986	517,118	508,004	-	-	-	-	
3,982,000	3,810,606	4,711,331	2,575,355	2,679,966	3,791,599	3,380,635	
533,780	572,701	535,075	1,849,380	1,860,647	1,174,546	4,092,233	
623,455	614,150	725,889	685,679	605,215	615,698	593,431	
120,498	118,936	119,336	119,460	116,863	117,543	119,492	
194,890	203,052	210,645	222,499	228,612	238,995	248,417	
5,439	8,905	6,183	5,967	76,174	66,305	5,105	
53,530	325,352	119,537	27,269	44,468	39,597	36,033	
32,300	40,357	42,343	36,913	53,865	95,986	203,913	
23,419	23,532	27,840	34,358	30,583	32,557	20,166	
<u>15,586,431</u>	<u>15,953,964</u>	<u>16,558,998</u>	<u>17,041,840</u>	<u>17,936,539</u>	<u>19,256,433</u>	<u>22,782,532</u>	
330,951	338,828	399,921	378,822	356,689	361,938	353,034	
9,494,447	9,133,580	10,337,832	10,775,424	11,233,236	11,916,380	12,560,978	
1,268,749	1,357,655	1,247,750	1,209,602	1,323,251	1,566,849	1,791,783	
1,868,672	1,930,845	2,214,119	2,054,285	2,276,773	2,717,196	2,824,441	
2,543,631	2,456,050	2,225,042	578,717	761,896	1,593,837	3,584,865	
510,000	540,000	580,000	625,000	702,572	622,066	453,590	
351,313	324,593	295,870	264,332	207,432	207,930	190,743	
<u>16,367,763</u>	<u>16,081,551</u>	<u>17,300,534</u>	<u>15,886,182</u>	<u>16,861,849</u>	<u>18,986,196</u>	<u>21,759,434</u>	
<u>\$ (781,332)</u>	<u>\$ (127,587)</u>	<u>\$ (741,536)</u>	<u>\$ 1,155,658</u>	<u>\$ 1,074,690</u>	<u>\$ 270,237</u>	<u>\$ 1,023,098</u>	
\$ -	\$ -	\$ -	\$ 1,152,111	\$ -	\$ -	\$ 3,197,301	
-	-	-	(1,144,658)	-	-	-	
-	619,407	32,748	-	-	-	-	
-	-	-	-	-	-	342,750	
-	712	322	2,529	10,167	20,188	1,250	
-	-	-	-	-	-	(446,000)	
1,339,655	242,567	1,165,617	720,687	1,499,445	2,517,297	4,098,023	
(1,012,443)	(303,645)	(1,188,470)	(714,939)	(1,514,226)	(2,210,971)	(3,801,151)	
327,212	559,041	10,217	15,730	(4,614)	326,514	3,392,173	
<u>\$ (454,120)</u>	<u>\$ 431,454</u>	<u>\$ (731,319)</u>	<u>\$ 1,171,388</u>	<u>\$ 1,070,076</u>	<u>\$ 596,751</u>	<u>\$ 4,415,271</u>	
<u>6.04%</u>	<u>5.69%</u>	<u>5.70%</u>	<u>5.90%</u>	<u>5.68%</u>	<u>4.67%</u>	<u>3.35%</u>	

City of Newberg, Oregon

MARKET AND ASSESSED VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

Fiscal Year	Real Property	Personal Property	Public Utilities	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Real Market Value (RMV)	Assessed Value as a Percentage of RMV
2009	\$ 1,196,243,394	\$ 44,117,744	\$ 31,560,500	\$ 1,271,921,638	\$4.6971	\$ 2,239,316,374	56.80%
2010	1,270,463,103	45,435,953	48,310,950	1,364,210,006	4.6942	2,187,831,882	62.35%
2011	1,345,572,085	47,136,128	49,215,300	1,441,923,513	4.6947	2,193,902,961	65.72%
2012	1,339,662,755	43,510,458	58,750,300	1,479,778,703	4.6699	1,956,379,200	75.64%
2013	1,434,318,187	43,595,375	51,552,400	1,529,465,962	4.6605	1,912,302,698	79.98%
2014	1,462,861,480	45,241,848	38,064,650	1,546,167,978	4.6575	1,929,918,978	80.12%
2015	1,535,242,192	53,950,069	38,403,200	1,627,595,461	4.6438	2,103,273,498	77.38%
2016	1,602,235,701	51,624,237	42,697,000	1,696,556,938	4.6332	2,199,658,073	77.13%
2017	1,676,693,349	57,582,528	46,339,600	1,780,615,477	4.3827	2,380,377,182	74.80%
2018	1,755,208,908	54,704,504	45,281,815	1,855,195,227	4.3827	2,885,994,061	64.28%

Information from the Yamhill County Assessment and Taxation Department

City of Newberg, Oregon

PRINCIPAL TAXPAYERS

Current Year and Nine Years Ago

2017-18		Taxable Assessed Valuation	% of City Taxable Assessed Valuation (a)
Taxpayer	Type of Business		
Adec, Inc.	Dental Equipment	\$ 27,719,814	1.49%
Allison Inn & Spa LLC	Hotel/Hospitality Services	26,892,935	1.45%
K&J Real Estate LLC	Real Estate	20,016,332	1.08%
Fred Meyer Stores Inc.	Retail, Mixed	17,194,939	0.93%
Friendsview Manor	Retirement Community	15,265,843	0.82%
Comcast Corporation	Telecommunications Utility	15,225,500	0.82%
Aspen Way West LLC	Land Development/Hospitality	14,655,818	0.79%
Portland General Electric Co.	Electric Utility	13,757,000	0.74%
Allison Properties LLC	Land Development/Hospitality	12,196,928	0.66%
Springbrook Investment LLC	Land Development/Hospitality	11,818,576	0.64%
TOTAL		<u>\$ 174,743,685</u>	<u>9.42%</u>

2008-09		Taxable Assessed Valuation	% of City Taxable Assessed Valuation (b)
Taxpayer	Type of Business		
George K. Jr and Joan D. Austin	Land Development	\$ 37,958,533	2.98%
Portland General Electric Co.	Electric Utility	13,548,000	1.07%
Fred Meyer	Retail, Mixed	10,913,648	0.86%
Friendsview Manor	Retirement Residence	9,009,932	0.71%
Verizon	Telecommunications Utility	8,578,700	0.67%
NW Natural Gas	Natural Gas Utility	8,342,200	0.66%
Adec, Inc.	Dental Equipment	7,882,450	0.62%
Chehalem Springs	Retirement Residence	7,724,825	0.61%
Ushio Oregon, Inc.	Halogen lamps for copiers	7,452,477	0.59%
Astor House	Retirement Residence	7,283,282	0.57%
TOTAL		<u>\$ 118,694,047</u>	<u>9.33%</u>

(a) City of Newberg's 2017-18 assessed valuation was \$1,855,195,227

(b) City of Newberg's 2008-09 assessed/market valuation was \$1,271,921,638

Information from the Yamhill County Department of Assessment and Taxation

City of Newberg, Oregon

PROPERTY TAX RATES (1) - DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Fiscal Years

Fiscal Year Ending June 30,	Direct Rate			Overlapping Rates			
	City of Newberg			County	Park District		
	Operating	Debt	Total	Operating	Operating	Debt	Total
2009	\$ 4.3827	\$ 0.3144	\$ 4.6971	\$ 2.5775	\$ 0.9076	\$ -	\$ 0.9076
2010	4.3827	0.3115	4.6942	2.5775	0.9076	-	0.9076
2011	4.3827	0.3120	4.6947	2.5775	0.9076	-	0.9076
2012	4.3827	0.2872	4.6699	2.5775	0.9076	-	0.9076
2013	4.3827	0.2778	4.6605	2.5775	0.9076	-	0.9076
2014	4.3827	0.2748	4.6575	2.5775	0.9076	-	0.9076
2015	4.3827	0.2611	4.6438	2.5775	0.9076	-	0.9076
2016	4.3827	0.2505	4.6332	2.5775	0.9076	0.4190	1.3266
2017	4.3827	-	4.3827	2.5775	0.9076	0.4202	1.3278
2018	4.3827	-	4.3827	2.5775	0.9076	0.4132	1.3208

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

Source: Yamhill County Assessor

<u>School District</u>			<u>Other Districts</u>	<u>Total Direct & Overlapping Rates</u>
<u>Operating</u>	<u>Debt</u>	<u>Total</u>	<u>Total</u>	
\$ 4.6616	\$ 3.6400	\$ 8.3016	\$ 0.8801	\$ 17.3639
4.6616	3.5787	8.2403	1.0095	17.4291
4.6616	3.6674	8.3290	1.0129	17.5217
4.6616	2.7937	7.4553	0.9751	16.5854
4.6616	2.7784	7.4400	1.0421	16.6277
4.6616	2.7621	7.4237	1.1112	16.6775
4.6616	2.8462	7.5078	1.0992	16.7359
4.6616	3.2568	7.9184	0.9625	17.4182
4.6616	3.2139	7.8755	1.0555	17.2190
4.6616	3.1420	7.8036	0.9820	17.0666

City of Newberg, Oregon

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

Fiscal Year Ending June 30,	Total Tax Levy	Collected within the Fiscal Year of the Levy		Collected in Subsequent Years	Amount	Percentage of Levy
		Amount*	Percentage of Levy			
2009	\$ 6,024,153	\$ 5,731,671	95.14%	\$ 271,572	\$ 6,003,243	99.65%
2010	6,404,370	6,074,648	94.85%	292,029	6,366,677	99.41%
2011	6,811,289	6,469,505	94.98%	274,360	6,743,865	99.01%
2012	7,023,545	6,710,741	95.55%	270,825	6,981,566	99.40%
2013	7,128,492	6,797,684	95.36%	275,211	7,072,895	99.22%
2014	7,172,276	6,940,323	96.77%	181,119	7,121,442	99.29%
2015	7,589,743	7,280,650	95.93%	244,204	7,524,854	99.15%
2016	7,864,660	7,585,511	96.45%	181,674	7,767,185	98.76%
2017	7,857,109	7,606,516	96.81%	100,679	7,707,195	98.09%
2018	8,130,756	7,900,339	97.17%	-	7,900,339	97.17%

Source: Tax Turnover report from Yamhill County

* Includes discount allowed and adjustments to tax roll

City of Newberg, Oregon

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

Last Ten Fiscal Years

Fiscal Year Ending June 30,	Population (1)	Assessed Value (2)	General Bonded Debt Outstanding				Total	Percentage of Assessed Value	Per Capita
			Net General Obligation Bonds (3)	Certificates of Participation	Full Faith & Credit Obligations (4)	Limited Tax Bonds			
2009	22,645	1,271,921,638	2,378,181	2,075,000	-	2,710,000	7,163,181	0.56	316.33
2010	23,150	1,364,210,006	2,094,776	1,930,000	-	2,690,000	6,714,776	0.49	290.06
2011	22,110	1,441,923,513	1,763,384	1,780,000	-	2,665,000	6,208,384	0.43	280.80
2012	22,230	1,479,778,703	1,437,241	1,620,000	-	2,630,000	5,687,241	0.38	255.84
2013	22,300	1,529,465,962	1,100,684	1,455,000	-	2,585,000	5,140,684	0.34	230.52
2014	22,580	1,546,167,978	743,097	1,280,000	-	2,530,000	4,553,097	0.29	201.64
2015	22,765	1,627,595,461	369,779	-	11,616,271	2,460,000	14,446,050	0.89	634.57
2016	22,900	1,696,556,938	-	-	10,229,792	2,380,000	12,609,792	0.74	550.65
2017	23,465	1,780,615,477	-	-	8,823,313	2,285,000	11,108,313	0.62	473.40
2018	23,480	1,855,195,227	-	-	7,376,834	2,175,000	9,551,834	0.51	406.81

(1) Portland State University, Annual Population Statistics

(2) Yamhill County Assessor

(3) Net of Debt Service Fund balance

(4) Includes Business-type Activity portion of the 2015 FFCO Refunding Bonds, which is \$6,935,299. See Ratios of Outstanding Debt by Type chart on following page. City included former Certificates of Participation (Governmental-type Activity) and five Business Oregon loans (Business-type Activity) into one issuance. Governmental-type activity of \$441,535 alone on the chart above would result in 0.14% Percentage of Assessed Value and 111.44 Per Capita. Outstanding total includes unamortized note premium.

City of Newberg, Oregon

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Governmental Activities					
	General Obligation Bonded Debt	Certificates of Participation	Full Faith & Credit Obligations (2)	Limited Tax Pension Bonds	Notes	Capital Leases
2009	\$ 2,525,000	\$ 2,075,000	\$ -	\$ 2,710,000	\$ -	\$ 205,265
2010	2,245,000	1,930,000	-	2,690,000	-	161,717
2011	1,945,000	1,780,000	-	2,665,000	-	86,692
2012	1,630,000	1,620,000	-	2,630,000	-	281,773
2013	1,300,000	1,455,000	-	2,585,000	-	408,129
2014	950,000	1,280,000	-	2,530,000	-	343,333
2015	580,000	-	1,152,111	2,460,000	320,139	302,925
2016	190,000	-	921,919	2,380,000	1,367,101	165,090
2017	-	-	686,727	2,285,000	1,524,272	84,212
2018	-	-	3,638,836	2,175,000	1,420,682	15,988

- (1) See the Demographics page for personal income and per capita information
(2) Total outstanding includes unamortized note premium/discount

Business-type Activities

<u>Full Faith & Credit Obligations (2)</u>	<u>Notes (2)</u>	<u>Capital Leases</u>	<u>Total Government</u>	<u>(1) Percentage of Personal Income</u>	<u>(1) Per Capita</u>
\$ -	\$ 23,487,962	\$ 201	\$ 31,003,428	4.07%	\$ 1,369
-	24,170,735	-	31,197,452	4.11%	1,348
-	22,882,305	-	29,358,997	3.91%	1,328
-	22,431,841	-	28,593,614	3.75%	1,286
-	26,270,537	8,410	32,027,076	4.13%	1,436
-	29,481,516	6,519	34,591,368	4.20%	1,532
10,464,160	30,560,788	4,494	45,844,617	5.11%	2,014
9,307,873	30,740,380	2,324	45,074,687	4.92%	1,968
8,136,586	29,435,093	-	42,151,890	N/A	1,796
6,935,299	27,823,602	-	42,009,407	N/A	1,789

City of Newberg, Oregon

LEGAL DEBT MARGIN INFORMATION GENERAL OBLIGATION BONDED DEBT

Last Ten Fiscal Years

	2009	2010	2011	2012	2013
Real Market Value	\$ 2,239,316,374	\$ 2,187,831,882	\$ 2,193,902,961	\$ 1,956,379,200	\$ 1,912,302,698
Debt Limit (3% real market value)	67,179,491	65,634,956	65,817,089	58,691,376	57,369,081
Debt Applicable to Limit:					
General Obligation Bonds	2,525,000	2,245,000	1,945,000	1,630,000	1,300,000
Less: Amounts reserved for debt service	(146,819)	(150,224)	(181,616)	(192,759)	(199,316)
Total net debt applicable to limit	2,378,181	2,094,776	1,763,384	1,437,241	1,100,684
Legal debt margin	<u>\$ 64,801,310</u>	<u>\$ 63,540,180</u>	<u>\$ 64,053,705</u>	<u>\$ 57,254,135</u>	<u>\$ 56,268,397</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>3.54%</u>	<u>3.19%</u>	<u>2.68%</u>	<u>2.45%</u>	<u>1.92%</u>

Notes

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

Data Sources

Yamhill County Tax Assessor
City of Newberg Finance Department

2014	2015	2016	2017	2018
\$ 1,929,918,978	\$ 2,103,273,498	\$ 2,199,658,073	\$ 2,380,377,182	\$ 2,885,994,061
57,897,569	63,098,205	65,989,742	71,411,315	86,579,822
950,000	580,000	190,000	-	-
(206,903)	(210,211)	(216,729)	(38,270)	(47,809)
743,097	369,789	(26,729)	(38,270)	(47,809)
<u>\$ 57,154,472</u>	<u>\$ 62,728,416</u>	<u>\$ 66,016,471</u>	<u>\$ 71,449,585</u>	<u>\$ 86,627,631</u>
<u>1.28%</u>	<u>0.59%</u>	<u>-0.04%</u>	<u>-0.05%</u>	<u>-0.06%</u>

City of Newberg, Oregon

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

June 30, 2018

Governmental Unit	Debt Outstanding	Percentage Applicable to City (1)	Amount Applicable to City
Direct			
City of Newberg	\$ 7,250,506	100.00%	\$ 7,250,506
Less: Funds available for principal payment			(47,809)
City of Newberg net direct debt			7,202,697
Overlapping			
Chehalem Park & Recreation	27,760,000	58.84%	16,333,762
Portland Community College	461,071,466	1.29%	5,942,750
Willamette ESD	9,309,144	5.51%	512,571
Yamhill County	7,608,556	23.69%	1,802,581
School District 29J	38,945,220	55.69%	21,689,489
Total overlapping debt			46,281,153
Total direct and overlapping debt			\$ 53,483,850

Sources: Oregon State Treasury Debt Management Division
 City of Newberg Finance Department

(1) Based upon assessed value of properties

City of Newberg, Oregon

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Fiscal Years

Fiscal Year Ending June 30,	(1) Population	(2) Per Capita Income	(3) Total Personal Income	(4) School Enrollment	(5) Unemployment Rate
2009	22,645	\$ 32,894	\$ 761,496,100	5,163	12.30%
2010	23,150	32,768	758,579,200	5,175	10.50%
2011	22,110	33,980	751,297,800	5,252	9.20%
2012	22,230	34,330	763,155,900	5,169	8.40%
2013	22,300	34,751	774,947,300	5,155	7.60%
2014	22,580	36,488	823,899,040	5,130	6.40%
2015	22,765	39,391	896,736,115	5,066	5.50%
2016	22,900	39,974	915,404,600	5,104	4.80%
2017	23,465	NA	NA	5,106	3.80%
2018	23,480	NA	NA	5,010	3.50%

(1) Portland State University Population Research Center; www.pdx.edu/prc/file/orannualpopreport2017tablesxlsx

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

- There is no available data on per capita income and total personal income for 2017 or 2018.
- Estimated data was revised in November 2014. Per Capita income is prepared on a calendar year.
- Per capita income from 2012-2014 uses the revised numbers using different methodological procedures.
- Prior year 2012 used data that was not revised.

(3) Estimation; Calculated, Population multiplied by Per Capital Personal Income

<http://www.bea.gov/regional/bearfacts/action.cfm?geoType=4&fips=41071&areatype=41071>

http://www.bea.gov/newsreleases/regional/lapi/lapi_newsrelease.htm

(4) Newberg School District

(5) State of Oregon, Employment Division,

<https://www.qualityinfo.org/ed-uesti/?at=1&t1=4104000071~unemprate~y~2000~2018>

(Yamhill County) for June seasonally adjusted

Note: The prior years' rates have been restated as sources' statistics are subject to change over time.

City of Newberg, Oregon

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

	2018			2009		
	(1) Employees	Rank	Percentage of Total City Employment	(3) Employees	Rank	Percentage of Total City Employment
A-dec	1000	1	10.70%	960	1	9.80%
George Fox University (4)	650	2	6.96%	412	4	4.21%
Newberg Public Schools (4)	600	3	6.42%	601	2	6.14%
Providence Newberg Hospital (4)	500	4	5.35%	525	3	5.36%
Fred Meyer (4)	360	5	3.85%	236	6	2.41%
A-dec Global	240	6	2.57%			
Allison Inn & Spa	235	7	2.52%			
Friendsview Retirement Community (4)	160	8	1.66%	150	9	1.53%
City of Newberg	155	9	1.71%	190	7	1.94%
Dental Components LLC	111	10	1.66%			
Climax Portable Machine Tools				134	10	1.37%
SP Newsprint Co.				255	5	2.60%
Suntron				185	8	1.89%
Total Employment 2017 (2)	9,343		43.40%	9,796		37.24%

(1) City of Newberg Business License Section - Doug Rux - 503 537-1212 - Doug.Rux@newbergoregon.gov

(2) Oregon Employment Department - Patrick O'connor - Patrick.S.OConnor@Oregon.gov - 503 400-4374

Total Employment: 2017 Oregon Employment Department Statistics, Place Name Data for "Newberg, Oregon"

(3) Newberg Area Chamber of Commerce Business & Community Directory 2009-10, City of Newberg Finance Dept, & Newberg School District

(4) Newberg Area Chamber of Commerce - 2018-19 Chehalem Valley Directory

City of Newberg, Oregon

FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION/PROGRAM

Last Ten Fiscal Years

<u>Function/Program</u>	Full-time Equivalent Employees as of June 30									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	General government	19.80	19.30	18.30	16.50	15.80	20.40	21.70	21.98	25.26
Public safety	67.96	70.76	70.76	69.12	69.12	68.52	66.88	66.88	50.75	49.75 *
Library	13.14	13.36	12.14	11.64	11.34	11.34	11.94	11.94	12.44	12.44
Community development	22.23	18.73	16.51	13.55	13.2	11.08	11.6	12.11	14.77	16.53
Water	18.88	18.88	19.44	18.72	13.63	12.96	13.21	13.61	13.90	14.00
Wastewater	17.61	17.61	17.40	17.44	16.13	16.96	18.21	17.86	18.61	20.26
Stormwater	4.68	4.68	5.41	4.54	6.0	5.38	6.04	6.66	6.59	7.09
Emergency medical services	6.60	6.60	6.60	7.24	7.24	7.24	8.88	8.88	0.00	0.00 *
TOTAL	170.90	169.92	166.56	158.75	152.46	153.88	158.46	159.92	142.32	144.33

Source: City of Newberg Finance Department - Budgets

* Fire and EMS services provided by Tualatin Valley Fire and Rescue on contract basis as of July 1, 2016.

City of Newberg, Oregon

OPERATING INDICATORS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government										
Number of Council resolutions	61	51	49	51	42	96	38	106	62	74
Public safety										
Number of adult arrests	1,252	1,458	1,459	1,016	1,017	962	770	846	1,066	1,255
Number of citations	4,326	6,364	7,717	6,831	7,456	7,830	6,621	5,364	10,521*	8272*
Library										
Annual Checkouts	256,689	280,202	288,555	291,071	270,974	291,850	281,064	309,147	294,412	310,638
Reference Questions Answered	15,555	15,715	11,033	9,191	9,023	8,154	7,958	8,097	8,381	7,950
Event Attendance	19,638	18,065	18,324	20,285	14,648	17,288	16,998	20,126	20,830	17,371
Community development										
Building Inspections	10,646	7,922	3,925	4,038	4,998	3,867	3,827	3,585	6,354	6,816
Building Permits - Residential New Single family	153	58	25	40	36	44	46	62	63	89
Water										
Water-# of accounts	6,318	6,471	6,529	6,585	6,594	6,712	6,715	6,814	6,841	6,959
Water-total gallons treated (millions)	968	951	936	939	969	848	912	903	915	964
Wastewater										
Wastewater Total gallons treated (millions)	1,023	1,221	1,354	1,190	1,165	1,067	1,091	1,389	1,600	1,260

Source: Various City of Newberg departments

* Citations statistics methodology changed in fiscal year 16-17. Total charges now tallied compared to total tickets tallied prior (between 1 and 3 charges per ticket).

City of Newberg, Oregon

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Public safety										
Police related vehicles	24	26	29	29	27	26	26	26	25	26
Number of fire stations	2	2	2	2	2	2	2	2	2	2
Library										
Library building	1	1	1	1	1	1	1	1	1	1
Community development										
Miles of road	70.5	70.8	71.9	71.9	71.9	72.0	72.0	72.0	72.0	72.9
Water										
Total water reservoir capacity (millions of gallons)	12	12	12	12	12	12	12	12	12	12
Number of reservoirs	3	3	3	3	3	3	3	3	3	3
Wastewater										
Miles of wastewater lines	80.4	80.6	80.9	81.7	81.9	81.8	81.8	81.8	82.29	84.14
Stormwater										
Miles of storm lines	64.7	65.9	65.9	65.9	59.3	59.6	59.6	59.6	61.32	62.72

Source: Various City of Newberg departments

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COMPLIANCE SECTION

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INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Members of the City Council
City of Newberg
Newberg, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Newberg as of and for the year ended June 30, 2018, and have issued our report thereon dated December 21, 2018.

Compliance

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

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

- Deposit of public funds with financial institutions (ORS Chapter 295)
- Indebtedness limitations, restrictions and repayment
- Programs funded from outside sources
- Budgets legally required (ORS Chapter 294)
- Insurance and fidelity bonds in force or required by law
- 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)**

Compliance (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 162-10-240 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except for the following:

Expenditures in excess of appropriations (which is prohibited by ORS 294.456) were made in the following categories:

<u>Fund/Category</u>	<u>Appropriation</u>	<u>Actual</u>	<u>Variance</u>
General			
Fire	\$ 3,866,703	\$ 3,876,778	\$ (10,075)
Public Safety Fee			
Communications	233,235	235,334	(2,099)

Internal Control OAR 162-10-230

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

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
December 21, 2018

By:



Bradley G. Bingenheimer, Member