

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

of the

**CITY OF NEWPORT,
RHODE ISLAND**



FOR THE YEAR ENDED

JUNE 30, 2013

PREPARED BY:

**LAURA SITRIN, CPA
DIRECTOR OF FINANCE**

CITY OF NEWPORT, RHODE ISLAND

COMPREHENSIVE ANNUAL FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

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Introductory Section



THE CITY OF NEWPORT, RHODE ISLAND – AMERICA'S FIRST RESORT

December 30, 2013

To the Honorable Mayor, Councilors, and Citizens of the City of Newport, Rhode Island:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year (June 30) a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Newport, Rhode Island as of and for the fiscal year ended June 30, 2013.

This report consists of management's representations concerning the finances of the City of Newport, Rhode Island. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Newport, Rhode Island has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Newport, Rhode Island's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Newport, Rhode Island's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Newport, Rhode Island's financial statements have been audited by CohnReznick LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Newport, Rhode Island for the fiscal year ended June 30, 2013 were free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Newport, Rhode Island's financial statements as of and for the fiscal year ended June 30, 2013, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Newport, Rhode Island was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Newport, Rhode Island's separately issued Single Audit Report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Newport, Rhode Island's MD&A can be found immediately following the report of the independent auditor.

City Hall, 43 Broadway, Newport, RI 02840-2798
Telephone 401-846-9600 --- Fax 401-848-5750

Profile of the Government

The City of Newport, Rhode Island (City), founded in 1639, incorporated in 1784 and re-chartered in 1853, is located at the southern end of Aquidneck Island in Narragansett Bay, about 30 miles southeast of Rhode Island's capital of Providence. The City is bounded by the Atlantic Ocean on the east and south and Narragansett Bay on the west. The City is 11 square miles in size, with 7.7 square miles of land and 3.3 square miles of inland water. The City has a year-round population of about 25,000, which grows substantially during the summer months. The City is also visited by over 4,000,000 people annually.

The City operates under a Home Rule Charter providing for a Council/City Manager form of government. There is a seven-member City Council serving two-year terms, headed by its Chairperson, who is elected by the at large City Councilors and also holds the title of Mayor. Four of the Councilors are elected at large and three from voting wards. All legislative powers of the City are vested in the City Council by the Charter, including the ordering of any tax, making appropriations, and transacting any other business pertaining to the financial affairs of the City. The City Council is also responsible for passing ordinances, adopting the budget, appointing committees and hiring the City Manager, City Solicitors, Municipal Judges and Canvassing Clerk. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the government, and for appointing all other employees.

An elected seven-member School Committee, all at large and serving two-year terms, is vested with autonomous legislative authority over the public school system. The School Committee appoints the Superintendent of Schools as the chief executive officer for the school system. The school system provides elementary and primary education to City residents and vocational programs to other Newport County residents.

Municipal services include public safety; potable water and wastewater collection, treatment and distribution; solid waste and recyclables collection and disposal; street and sidewalk maintenance; beach, harbor, recreation, tourism and parking operations; and planning, zoning and economic development functions.

The annual budget serves as the foundation for the City's financial planning and control. All departments and the Newport Public Schools are required to submit requests for appropriations to the City Manager by May 14th of each year. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents the proposed budget to the City Council for review no later than 45 days prior to June 30. The Council is required to hold 2 public hearings on the proposed budget and to adopt a final budget no later than June 30, the close of the City's fiscal year. The appropriated budget is prepared by fund, function (e.g. public safety) and department. Department heads may make transfers of appropriations within a department with City Manager approval. Transfers of appropriations between departments, however, require the approval of the City Council. Budget-to-actual comparisons are provided in this report for the City's general operating fund and the school general operating fund.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local economy

From its early years when commerce involved the whale-oil trade, to today's highly sophisticated research in electronic submarine warfare, the seaport has continued to play a vital role in Newport's economy. The U.S. Navy, beginning with the founding of the Naval War College in 1884, influenced the development of the City and continues to do so as one of the major contributors to the local economy.

Newport's location, natural and cultural resources, and sense of history are responsible for the growth of tourism into a primary source of revenue. The third largest economic factor in Newport, the service sector, benefits from both the defense and tourism industries. As the State's principal tourist center and resort community, Newport is visited annually by millions of tourists who attend special events, sail and view the City's mansions and other attractions. The City's popularity has stimulated significant private investment in retail shopping facilities, hotels, timeshare units, restaurants, clubs and other tourist-oriented enterprises.

The personal income per capita in 2011 (latest available data) for Newport County is \$52,038 compared to \$41,995 and \$36,284 for Rhode Island and the United States, respectively. The unemployment rate is 9.7% compared to the state unemployment rate of 10.4%. The median selling price of an existing home in June 2013 is \$398,000, an amount that is fluctuating between \$311,000 and \$400,000 over the past 12 months. The City is attracting older retired residents and empty-nesters, as well as tourists. The value of property has declined due to the poor housing market and the national and local economy, but has started to gain value in the last year. Properties, especially those over \$1 million, continue to maintain value and have not declined to the extent that they have in other parts of the state and country due to the City's proximity to the Narragansett Bay and Atlantic Ocean. The tourist industry recovered in 2012 and showed about a 5% increase in 2013. Tourism is expected to continue to grow.

Long-term financial planning

The City was awarded a federal grant in FY2011 to help evaluate redevelopment options for excessed Navy property including the old naval hospital. A separate island-wide commission has been established to develop plans for the excessed property. Significant work has begun in the Broadway area that includes replacement of all water and sewer utilities; replacement of gas utilities and road and streetscape initiatives that will benefit the local businesses and increase use of a major artery into the City. The City administration and Council are also evaluating ideas for renovation in the Long-Wharf area. These renovation and development initiatives include plans to address parking and traffic issues.

Long-term financial planning includes significant capital renovation and additions in both the Water and Water Pollution Control (sewer) funds in response to new state and federal water quality standards and deteriorating buildings and systems. The replacement of the Lawton Valley Water Treatment Plant and significant long-term improvements to the Station 1 Water Plant in order to comply with new federal drinking water standards are in process. The cost associated with this project is approximately \$85MM.

The City has developed a long-term master plan for Combined Sewer Overflow (CSO), and has undertaken and financed several capital projects in the last few years. Total costs related to the best and most likely options in the master plan at this time are estimated to be \$100 million spread over 30 years. Funds will likely come from a variety of sources including state subsidized revenue bonds, grants, and rates. The City just finished building a new elementary school on the site of an existing school. The cost was \$30 million. Four schools were consolidated into one, leaving three schools that can be used for economic development possibilities.

Financial Policies

The City has a set of Council-approved financial policies that were developed to ensure that financial resources are well managed and available to meet the present and future needs of the citizens of the City of Newport. Financial policies have impacted decisions in both the year under audit (FY2013) and future years.

One key policy is that budgets must balance, which means that budgeted current revenues must be equal to or greater than budgeted current expenditures in governmental funds; revenues and other sources of cash must equal expenditures and other uses of cash in the enterprise funds. In conjunction with this is a policy that revenues must be increased or expenditures decreased in the same fiscal year that deficits appear. A third budget policy states that significant one-time revenues shall only be used for one-time expenditures.

The City Council is required by law to adopt balanced budgets although, at times, fund balance is appropriated for a specific use. Fund balance was appropriated in the school general operating fund in FY2013. The school committee appropriates fund balance in order to balance the school budget; however, they often do not use most of the appropriated fund balance.

Other financial policies deal with debt. These policies state that annual general fund debt service expenditures shall be less than 9% of annual general fund expenditures. The actual general fund debt service expenditures were significantly less than 9%.

A second debt policy says that the term of any bond issue shall not exceed the useful life of the capital project/facility or equipment for which the borrowing is intended. The City borrowed money during FY2013 to fund water capital improvements and to build the new elementary school. The amortization of the bond is less than the expected useful life of the improvements.

There are reporting compliance policies that require the City administration to provide budget to actual reports to the City Council on a monthly basis and to provide quarterly budget, actual and projected revenues and expenditures to the State Office of Municipal Affairs. The City administration complied with these policies during FY2013.

Pension and other post-employment benefits

The City sponsors two single-employer defined benefit pension plans for police and fire employees. Each year, an independent actuary engaged by the pension plans calculates the amount of the annual contribution that the City must make to the pension plans to ensure that the plans will be able to fully meet its obligations to retired employees on a timely basis. As a matter of policy, the City fully funds each year's annual required contributions to the pension plans as determined by the actuary. The City also fully funds the calculation by the actuary of the annual amortization of the unfunded actuarial accrued liability. The liability is being amortized over a closed 30-year period. The City is in the 19th year (declining to 1). The plans are currently funded at 38% for the fire plan and 58% for the police plan.

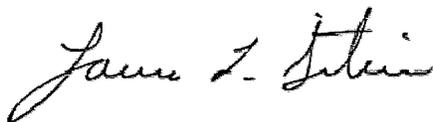
The City provides pension benefits for its non-public safety employees (except teachers) through a state-wide plan managed by the State Treasurer. Newport teachers are members of the State of Rhode Island Employee Retirement System. State-hired actuaries determine the funding level and unfunded actuarial accrued liability for each individual participating employer. The City is 66% funded in the State's municipal employees' retirement plan. The State of Rhode Island General Assembly recently enacted legislation that significantly changes the pension plan for participants in the State Municipal Employees Plan and the State Teachers Plan. The changes are expected to reduce the long-term liability by about 50%. These changes are reflected in the June 30, 2013 notes to the financial statements and required supplementary information.

The City provides postretirement health coverage for all vested retirees, certain dependents and beneficiaries and life insurance benefits to police retirees. Vesting and participation is determined by bargaining contract and varies by length of employment and type of employment. As of June 30, 2013, 528 retirees were eligible to receive health insurance benefits, which are currently financed on a pay-as-you-go basis. The actuarial calculation of the combined municipal and school liability as of June 30, 2013 is \$119 million. The City has established and is funding a trust to accumulate assets for the payment of other post-employment benefits in the future. Assets of \$29 million have been accumulated as of June 30, 2013. Benefits will not be paid from the trust until such time as City management feels that sufficient assets are available to begin paying benefits. Retiree benefits and various options are currently being studied in order to reduce the liability.

Additional information on the City's pension arrangements and post-employment benefits can be found in Note V. B. and V. C. in the notes to the financial statements.

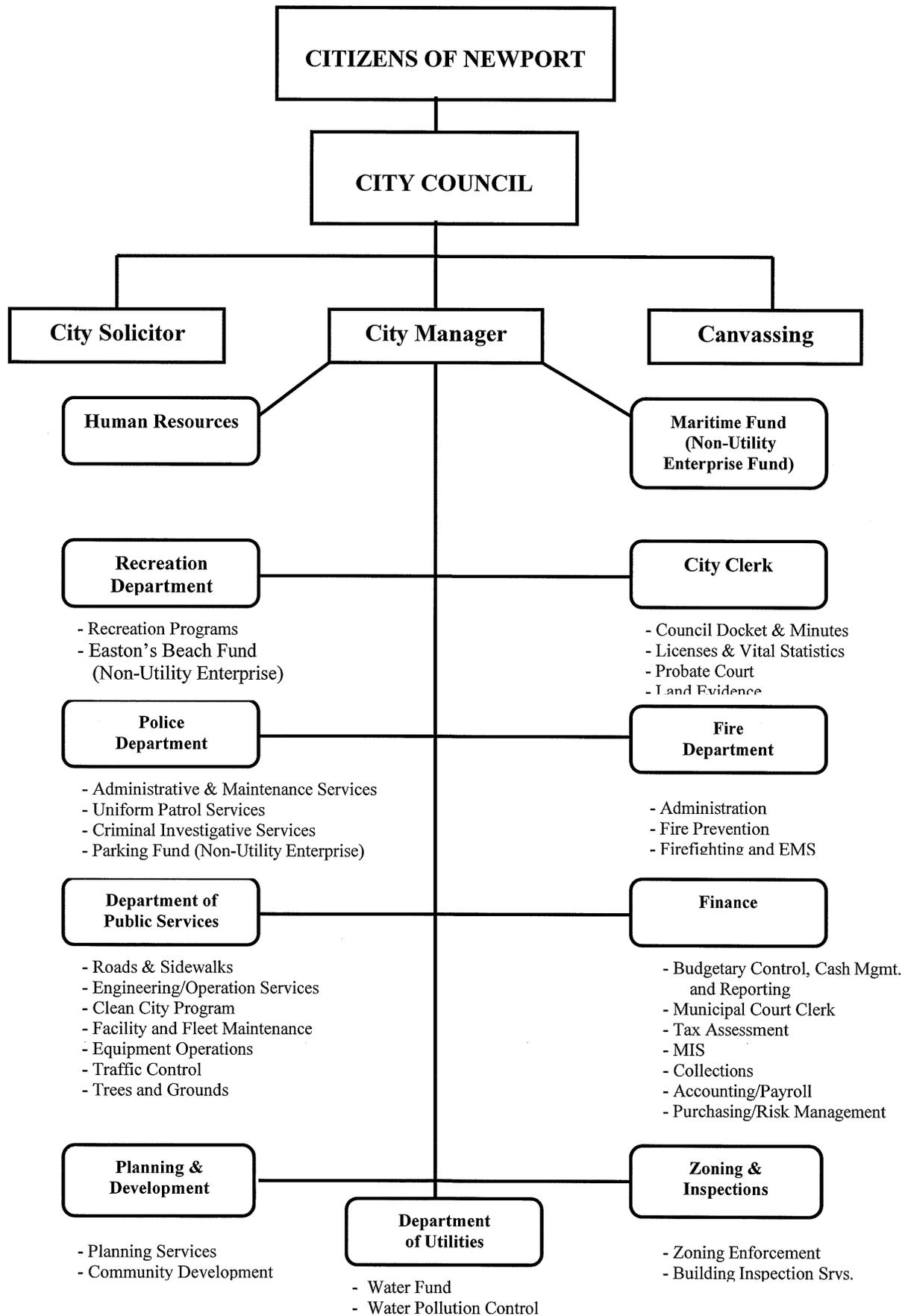
The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance department. We would like to express our appreciation to all members of the department. Credit also must be given to the Mayor and City Council for their unfailing support for achieving and maintaining the highest standards of professionalism in the management of the City of Newport's finances.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Laura L. Sitrin".

Laura L. Sitrin, CPA
Director of Finance

THE CITY OF NEWPORT, RI



CITY OF NEWPORT, RHODE ISLAND

PRINCIPAL ELECTED AND APPOINTED OFFICIALS

Elected Officials:

Honorable Henry F. Winthrop
Naomi L. Neville
Marco T. Camacho
Justin S. McLaughlin
Kathryn E. Leonard
Michael T. Farley
Jeanne Marie Napolitano
Charles P. Shoemaker, MD
Jo Eva Gaines
Robert B. Power, Ed.D.
Thomas S. Phelan
Rebecca Bolan
Sandra J. Flowers, Ph.D.
Robert J. Leary

Mayor
Councilor At Large, Vice-Chair
1st Ward Councilor
2nd Ward Councilor
3rd Ward Councilor
Councilor At Large
Councilor At Large
School Committee Chair
School Committee Vice- Chair
School Committee
School Committee
School Committee
School Committee
School Committee

Principal Appointed Officials:

Jane Howington
Laura L. Sitrin, CPA
John H. Ambrogi, Ed.D.
Joan Tracey, CPA
Joseph J. Nicholson, Jr.
Julia Forgue
William Riccio
Gary Silva
Peter Connerton
Kathy Silvia

City Manager
Director of Finance
Superintendent of Schools
School Business Manager
City Solicitor
Director of Utilities
Director of Public Services
Police Chief
Fire Chief
City Clerk



Government Finance Officers Association

**Certificate of
Achievement
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Reporting**

Presented to

**City of Newport
Rhode Island**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

Financial Section

Independent Auditor's Report

Members of the City Council
City of Newport, Rhode Island

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 the City of Newport, Rhode Island, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Newport, Rhode Island, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of Funding Progress and Employer Contributions – Newport Retirement System and Other Post-Employment Benefit Plans on pages 12 through 24 and pages 83 and 84, respectively, 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 of Newport, Rhode Island's basic financial statements. The introductory section, supplemental schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental 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 supplemental schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December xx, 2013, on our consideration of the City of Newport, Rhode Island's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Newport, Rhode Island's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Cohn Reznick LLP".

New London, Connecticut
December 30, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2013

As management of the City of Newport, we offer readers of the City of Newport's financial statements this narrative overview and analysis of the financial activities of the City of Newport for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the Introductory Section of this report.

Financial Highlights

- The assets of the City of Newport exceeded its liabilities at the close of the most recent fiscal year by \$207,714,451 (*net position*).
- The government's net position increased by \$13,670,966. Governmental activities' net position increased by \$7,845,973 due primarily to increases in property taxes, service charges, especially building permits, and a gain in the market value of Permanent Fund investments. Business-type activities had an increase of \$5,824,993 in net position due to programmed rate increases in the water and water pollution control departments over the last couple of years to pay debt service related to major capital improvements.
- At June 30, 2013, the City of Newport's governmental funds reported a combined ending fund balance of \$34,184,788, an increase of \$2,415,305 in comparison to the prior year fund balance that is in large part due to lower than anticipated expenditures and a gain in the value of investments in the Permanent Fund. Of the total fund balance, \$21,648,868 (63%) is either nonspendable, restricted or committed, leaving \$12,535,920 as available for spending at the City's discretion (assigned and unassigned fund balance).
- At the end of the current fiscal year, total fund balance for the general fund was \$13,630,080, or 11.67%, of total general fund expenditures and net other financing uses. \$847,474 of the fund balance is restricted or committed leaving \$12,782,606 of assigned or unassigned fund balance. The general fund total fund balance is split between the control of the City Council and the School Committee. Assigned and unassigned fund balance under the control of the City Council is \$11,652,316, or 14.6% of City operating expenditures and other financing uses. The School's fund balance is \$1,130,290.
- The City of Newport's long-term liabilities net increase of \$48,147,183 (49%) is attributable to issuing bonds for the new Pell School in the governmental activities and the issuance of additional debt in the water fund for the new water plant and advanced treatment improvements in the second water plant.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Newport's basic financial statements. The City of Newport's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Newport's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City of Newport's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Newport is improving or deteriorating.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-Wide Financial Statements (Continued)

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Newport that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Newport include general government, education, public safety, highways and streets, sanitation, economic development, and culture and recreation. The business-type activities of the City of Newport include water utilities, sewer utilities (water pollution control utilities), parking facilities, harbor facilities and Easton's Beach operations.

The government-wide financial statements can be found on Exhibits A and B of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Newport uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Newport can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of 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 better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Newport maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund (made up of four funds, including the City's General Fund, the School Unrestricted Fund, the Property Acquisition Fund and the Gift Fund), the Community Development Block Grant Fund, the Capital Projects Fund and the Permanent Fund, all of which are considered to be major funds. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for the combined General Fund is included on Schedules 3 and 4 of this report. Individual fund data for each of the nonmajor governmental funds is included on Schedules 8 and 9 of this report.

The City of Newport adopts an annual budget for its General Fund and School Unrestricted Fund. A budgetary comparison statement has been provided for the General Fund on Exhibit F. A budgetary comparison schedule has been included for the School Unrestricted Fund on Schedule 5 to demonstrate compliance with their budgets.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Fund Financial Statements (Continued)

Proprietary funds

The City of Newport maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Newport uses enterprise funds to account for its water operations, water pollution control operations, parking operations, beach operations and its maritime (harbor) operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Newport's various functions. The City of Newport uses an internal service fund to account for its fleet and equipment maintenance operations. Because this fund predominantly benefits governmental rather than business-type functions, it has been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Utilities Fund and for the Water Pollution Control operation, both of which are considered to be major funds of the City of Newport. The Parking Operations Fund, Maritime Fund and Beach Fund are combined into a single, aggregated presentation in the proprietary fund financial statements. The internal service fund is presented separately in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on Exhibits G, H and I of this report.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Newport's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on Exhibits J and K of this report.

Notes to 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.

The notes to the financial statements can be found on Exhibit L of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Newport's progress in funding its obligation to provide pension and other post-employment benefits to its employees.

The combining statements referred to earlier in connection with the general fund, nonmajor governmental funds and proprietary funds are presented immediately following the required supplementary information on pensions.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Newport, assets exceeded liabilities by \$207,714,451 at the close of the most recent fiscal year.

By far the largest portion of the City of Newport's net position (77%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City of Newport uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Newport's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Newport's Net Position

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 52,286,262	\$ 49,622,148	\$ 33,838,431	\$ 28,057,184	\$ 86,124,693	\$ 77,679,332
Capital assets	114,374,832	90,306,013	179,407,896	149,863,953	293,782,728	240,169,966
Total assets	166,661,094	139,928,161	213,246,327	177,921,137	379,907,421	317,849,298
Long-term liabilities	60,443,747	42,996,667	85,286,721	54,586,618	145,730,468	97,583,285
Other liabilities	15,348,552	13,908,672	11,113,950	12,313,856	26,462,502	26,222,528
Total liabilities	75,792,299	56,905,339	96,400,671	66,900,474	172,192,970	123,805,813
Net assets:						
Net investment in capital assets	65,282,126	65,841,497	94,138,176	87,882,885	159,420,302	153,724,382
Restricted	10,792,567	9,632,153	24,286,665	19,534,998	35,079,232	29,167,151
Unrestricted	14,794,102	7,549,172	(1,579,185)	3,602,780	13,214,917	11,151,952
Total net position	\$ 90,868,795	\$ 83,022,822	\$ 116,845,656	\$ 111,020,663	\$ 207,714,451	\$ 194,043,485

An additional portion of the City of Newport's net position (16%) represents resources that are restricted by external parties.

The City's net position increased by \$13,670,966 during the current fiscal year. Several factors contributed to this increase. The FY2013 total tax levy increase was 2.47% leading to an increase of \$1.7 million in property and motor vehicle taxes; the City resolved a dispute and received \$400,000 in back service charges; building permits increased by \$400,000 due to an increase in economic activity in the City; and special detail revenues increased by \$600,000, although most of this is offset by expenses. The Permanent Fund investments had an unrealized gain in investment market value of approximately \$1,000,000. The water fund had an approved rate increase in 2012 that raised rates for all of FY2013, plus the water fund continues to have rate increases in accordance with an approved RIPUC schedule so that funds will be available to pay the debt service on the \$85 million water treatment plants project.

Governmental Activities

Governmental activities' net position increased by \$7,845,973. A comparison of FY2013 and FY2012 activity can be found on the next page which indicates the changes identified above.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

City of Newport's Changes in Net Position

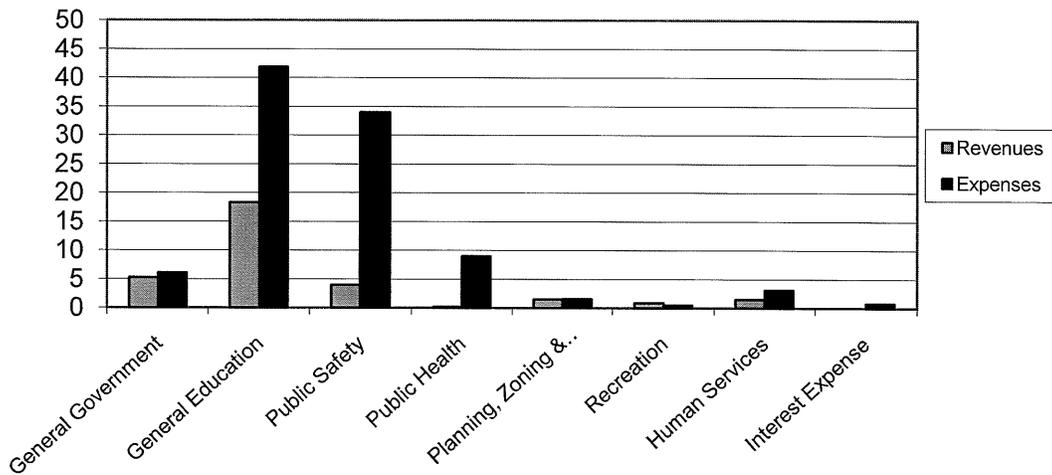
	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 11,703,082	\$ 10,629,484	\$ 29,649,492	\$ 29,147,151	\$ 41,352,574	\$ 39,776,635
Operating grants and contributions	19,682,834	20,050,143	-	-	19,682,834	20,050,143
Capital grants and contributions	648,087	2,423,972	853,295	4,494,396	1,501,382	6,918,368
General revenues:						
Property taxes	69,218,686	67,296,737	-	-	69,218,686	67,296,737
Grants and contributions not restricted to specific programs	1,387,855	1,353,015	-	-	1,387,855	1,353,015
Investment income	1,431,220	692,470	(19,987)	63,198	1,411,233	755,668
Gain on sale of assets	730,000	-	-	-	730,000	-
Total revenues	104,801,764	102,445,821	30,482,800	33,704,745	135,284,564	136,150,566
Expenses:						
General government	6,082,791	6,449,503	-	-	6,082,791	6,449,503
General education	41,859,273	42,960,456	-	-	41,859,273	42,960,456
Public safety	34,008,599	32,531,976	-	-	34,008,599	32,531,976
Public health	8,979,859	8,306,613	-	-	8,979,859	8,306,613
Planning, zoning and development	1,639,008	1,510,493	-	-	1,639,008	1,510,493
Recreation	553,546	477,422	-	-	553,546	477,422
Human services	3,091,514	2,887,012	-	-	3,091,514	2,887,012
Interest expense	717,665	761,420	-	-	717,665	761,420
Water	-	-	11,109,044	9,527,155	11,109,044	9,527,155
Water pollution control	-	-	10,522,134	10,123,815	10,522,134	10,123,815
Nonmajor business-type	-	-	3,050,165	2,946,530	3,050,165	2,946,530
Total expenses	96,932,255	95,884,895	24,681,343	22,597,500	121,613,598	118,482,395
Increase in net position	7,869,509	6,560,926	5,801,457	11,107,245	13,670,966	17,668,171
Transfers	(23,536)	25,200	23,536	(25,200)	-	-
Change in net position	7,845,973	6,586,126	5,824,993	11,082,045	13,670,966	17,668,171
Net position, July 1	83,022,822	76,436,696	111,020,663	99,938,618	194,043,485	176,375,314
Net position, June 30	\$ 90,868,795	\$ 83,022,822	\$ 116,845,656	\$ 111,020,663	\$ 207,714,451	\$ 194,043,485

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

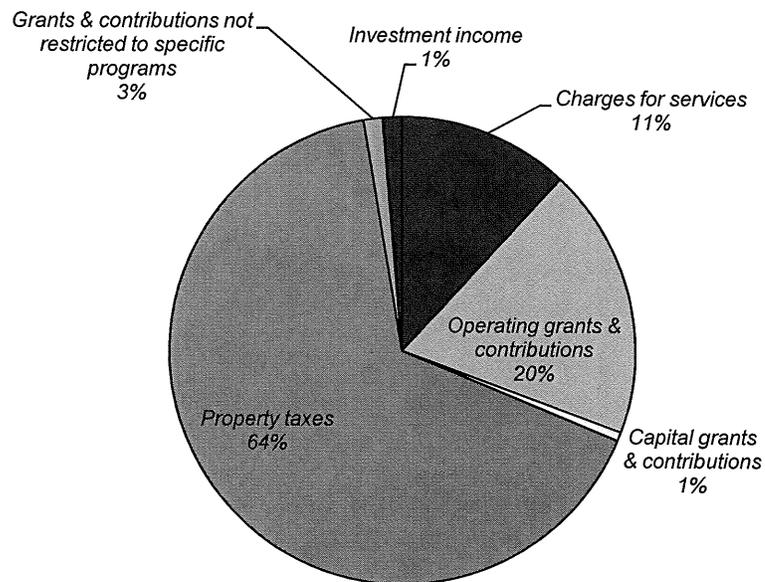
Government-Wide Financial Analysis (Continued)

Governmental Activities (continued)

**Expenses and Program Revenues -
Governmental Activities**



Revenues by Source - Governmental Activities



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

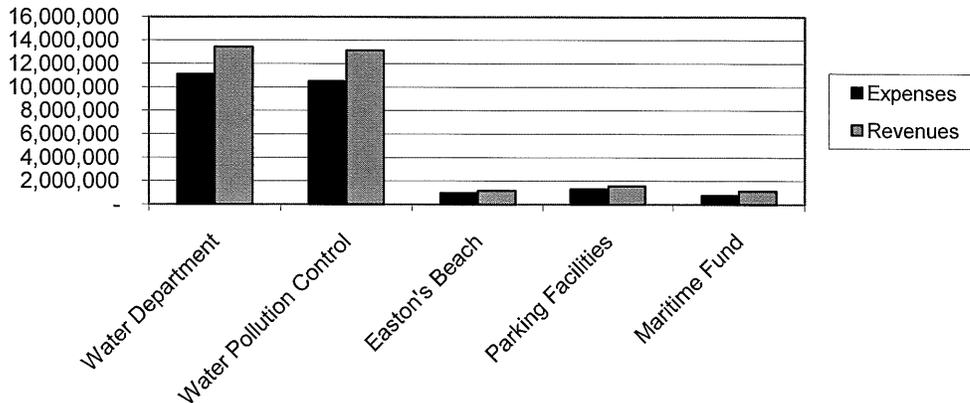
Government-Wide Financial Analysis (Continued)

Business-type activities

Business-type activities' net position increased by \$5,824,993. The increase is due primarily to a full year's increase in water rates of 22.5%. The rate increase in the water fund is to generate monies to pay debt service related to a major project in the Water Fund of \$85 million to rebuild the Lawton Valley Treatment Plant and make major improvements to the Newport Station 1 water treatment plant. The Water Pollution Control Fund has major projects related to main replacements and repairs, sanitary sewer upgrades, storm water upgrades and to eliminate discharges into the harbor from combined sewer overflows (CSO's). A recent system plan estimates the cost of the CSO eliminations at \$100 million to be spread over the next 30 years.

The Water Fund had income before transfers of \$2,328,879 for the year ended June 30, 2013, the Water Pollution Control Fund had income before transfers of \$2,618,140, and the nonmajor proprietary funds had income before transfers of \$854,438.

Expenses and Program Revenues - Business-type Activities



Financial Analysis of the City's Funds

As noted earlier, the City of Newport uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the City of Newport's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Newport's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis of the City's Funds (Continued)

Governmental funds (continued)

As of the end of the current fiscal year, the City of Newport's governmental funds reported combined ending fund balances of \$34,184,788, an increase of \$2,415,305 in comparison with the prior year fund balance. Much of the total combined ending fund balance amount (\$21,648,868) constitutes fund balance that is either nonspendable, restricted by outside legal sources or committed for capital or contractual purposes. An additional \$1,534,889 of the fund balance is assigned by the City Council and the balance of \$11,001,031 is unassigned, which is available for spending at the government's discretion.

The General Fund is the combined operating general fund of the City of Newport and the operating general fund of the Newport Public Schools. Two smaller funds are combined into the General Fund as well. They include the property acquisition fund and a gift fund. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$11,247,717, while total fund balance was \$13,630,080. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and transfers out. Unassigned fund balance represents 9.6% of total General Fund expenditures and transfers, while total fund balance represents 11.7% of that same amount.

The total fund balance in the general operating fund of the City (does not include the gift fund and the property acquisition fund also combined into the general fund) under the control of the City Council is \$10,876,61, which is 13.7% of City operating expenditures and other financing uses. The general operating fund of the Newport Public Schools is under the control of the elected School Committee. That fund balance is \$1,130,290. It is not particularly meaningful to compare the school general fund balance to school expenditures.

The fund balance of the City's operating general fund under the control of the City Council increased by \$1,592,564 (not including the property acquisition fund and gift fund) due to a tax rate increase in FY2013 and expenditures that were lower than budgeted. The fund balance of the Newport Schools under the control of the School Committee decreased by \$286,653 due to planned use of fund balance. The table on the next page shows the comparison of revenues and expenditures in the General Fund between FY2013 and FY2012. The property acquisition fund and gift fund were combined with the City's general operating fund for purposes of this comparison, since they are both under the control of the City Council.

There was an overall increase in City general operating fund revenues of \$2,978,818 from the prior year due to an increase in property tax rates and building permits. The School saw a decrease in revenues due to a decrease in federal aid in FY2013.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis of the City's Funds (Continued)

Governmental funds (continued)

**City and School General Funds Comparison
Combining Statement of Revenues, Expenditures and Changes in Fund Balances**

	City General Fund		School General Fund	
	2013	2012	2013	2012
Local Taxes	\$ 69,092,746	\$ 67,395,943	\$ -	\$ -
Intergovernmental Revenues	2,122,630	2,081,897	13,418,814	14,147,313
Charges for Services	9,613,465	7,940,878	713,431	730,112
Use of Money and Property	(92,678)	276,349	86,472	59,564
Contributions	212,234	270,270	182,293	126,771
Other Revenues	126,852	103,017	-	-
Total Revenues	81,075,249	78,068,354	14,401,010	15,063,760
Total Expenditures	54,498,696	53,218,229	37,251,820	37,783,649
Other Financing Sources (Uses)	(24,983,989)	(24,170,364)	22,564,157	22,564,157
Net Change in Fund Balances	1,592,564	679,761	(286,653)	(155,732)
Fund Balance, Beginning	9,284,049	8,604,288	1,416,943	1,572,675
Fund Balance, Ending	\$ 10,876,613	\$ 9,284,049	\$ 1,130,290	\$ 1,416,943

	Combined	
	2013	2012
Local Taxes	\$ 69,092,746	\$ 67,395,943
Intergovernmental Revenues	15,541,444	16,229,210
Charges for Services	10,326,896	8,670,990
Use of Money and Property	(6,206)	335,913
Contributions	394,527	397,041
Other Revenues	126,852	103,017
Total Revenues	95,476,259	93,132,114
Total Expenditures	91,750,516	91,001,878
Other Financing Sources (Uses)	(2,419,832)	(1,606,207)
Net Change in Fund Balances	1,305,911	524,029
Fund Balance, Beginning	10,700,992	10,176,963
Fund Balance, Ending	\$ 12,006,903	\$ 10,700,992

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis of the City's Funds (Continued)

Governmental funds (continued)

The Community Development Block Grant Fund had an increase of fund balance of \$197,651, which is due to timing differences between grant revenues and expenditures.

The Capital Projects Fund had a decrease in fund balance of \$668,386 that is primarily the result of timing differences between revenues and actual expenditures as of June 30, 2013.

The Permanent Fund had an increase in fund balance of \$968,106 due to net results from market returns.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were due to budgetary carryovers from fiscal year 2012 of \$527,574.

Proprietary funds

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

Unrestricted net position of the Water Fund at the end of the year amounted to a deficit of (\$6,071,862) while restricted net position was \$15,062,103 and net position invested in capital assets, net of related debt was \$35,764,139. The Rhode Island Public Utilities Commission sets rates at a level that allows revenues to the extent that they cover approved operating, debt service and capital expenditures. The rates do not allow for reserves, thus any unforeseen expense is covered by curbing operating and maintenance expenses.

Unrestricted net position of the Water Pollution Control Fund at the end of the year amounted to a deficit of (\$38,592) while restricted net position was \$9,125,562 and net position invested in capital assets, net of related debt was \$50,709,706. Much of the revenue in the Water Pollution Control Fund is to fund future debt service related to capital improvements. Cash is restricted in the Water Pollution Control Fund because it is subject to debt covenant requirements. Most of the Water Pollution Control Fund net position is restricted, held in trust or invested in capital assets, net of related debt.

The Parking Fund had unrestricted net position of \$3,419,414; the Maritime Fund had unrestricted net position of \$1,184,830, and the Easton's Beach Fund had unrestricted net position deficit of (\$72,975.) The total growth in net position for the Water Fund was \$2,328,879; for the Water Pollution Control Fund \$2,618,140; for the parking operations fund \$269,543; for the Maritime Fund of \$371,307 and for Easton's Beach of \$237,124. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Newport's business-type activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis of the City's Funds (Continued)

Capital Asset and Debt Administration

Capital assets

The City of Newport's investment in capital assets for its governmental and business-type activities as of June 30, 2013 is \$293,782,728 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and systems, machinery and equipment, vehicles, infrastructure and construction in progress. There was a total increase in the City of Newport's investment in capital assets for the current fiscal year of 22.3%. Individually, governmental activities had a 21.6% increase and business-type activities had a 14.9% increase.

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

- \$1,963,093 was spent on road and sidewalk reconstruction and improvements.
- \$669,215 was spent on equipment replacement.
- \$23,160,069 was spent on the new Pell Elementary School
- \$28,112,629 was spent on water treatment plants, water infrastructure, and mains.
- \$4,875,510 was spent on combined sewer overflow and other water pollution control issues.

City of Newport's Capital Assets
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 4,920,148	\$ 4,920,148	\$ 6,492,359	\$ 6,492,359	\$ 11,412,507	\$ 11,412,507
Construction in progress	28,791,872	6,178,545	39,592,782	12,280,198	68,384,654	18,458,743
Buildings & systems	33,155,218	33,175,042	132,228,849	129,852,026	165,384,067	163,027,068
Machinery & equipment	2,801,314	3,060,851	601,895	709,152	3,403,209	3,770,003
Vehicles	2,749,813	2,486,103	492,011	530,218	3,241,824	3,016,321
Infrastructure	41,956,467	40,485,324	-	-	41,956,467	40,485,324
Total	\$ 114,374,832	\$ 90,306,013	\$ 179,407,896	\$ 149,863,953	\$ 293,782,728	\$ 240,169,966

Additional information on the City of Newport's capital assets can be found in Exhibit L. Note IV. C.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis of the City's Funds (Continued)

Capital Asset and Debt Administration (Continued)

Long-term debt

At the end of the current fiscal year, the City of Newport had total bonded debt outstanding of \$132,016,825. Of this amount, \$20,712,430 comprises debt backed by the full faith and credit of the government. The remainder of the City of Newport's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

General Obligation and Revenue Bonds

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
General Obligation Bonds	\$ 44,873,536	\$ 18,025,361	\$ -	\$ 382,069	\$ 44,873,536	\$ 18,407,430
Revenue Bonds	-	-	87,143,289	56,293,999	87,143,289	56,293,999
Total	\$ 44,873,536	\$ 18,025,361	\$ 87,143,289	\$ 56,676,068	\$ 132,016,825	\$ 74,701,429

The City of Newport's total bonds increased by \$57,315,396 (77%) during the current fiscal year. The increase was the result of issuing bonds for the new Pell School project and for revenue bond drawdowns of \$33,495,199 primarily for the water treatment plants project. Bonds of \$3,027,978 were retired during fiscal year 2013.

The City of Newport maintains an "AA" rating from Standard and Poor for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may have outstanding to 3% of its assessed property values. The current debt limitation for the City is \$159,434,331, which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City of Newport's long-term debt can be found in Exhibit L. Note IV. E. of this report.

Economic Factors and Next Year's Budgets and Rates

- The average annual not seasonally adjusted unemployment rate in 2012 for the City of Newport was 9.7%, which is less than the state's unemployment rate of 10.4% and less than the federal unemployment rate of 7.8% in December 2012.
- The occupancy rate of the government's central business district is about 98% during the summer tourist season (May through October) and 65% in the remaining months.
- Inflationary trends in the region follow national indices.

All of these factors were considered in preparing the City of Newport's budget for the 2014 fiscal year.

Fund balance in the City's general operating fund at June 30, 2013 is \$10,876,613 or 13.7% of City general operating fund expenditures, which is above the City's fiscal policy of maintaining 10% of total General Fund expenditures and transfers out as a reserve.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Economic Factors and Next Year's Budgets and Rates (Continued)

The Water Pollution Control Fund's rates did increase in FY2014 by 5.8% in preparation for projects required under a consent decree with the federal Environmental Protection Agency. The total cost for projects associated with the consent decree is not known but is estimated to be around \$100 million. The Water Fund rates are controlled and set by the Rhode Island Public Utilities Commission. A rate increase was approved effective December 1, 2011 of 22.5%. Rates in both funds are increasing to pay for required capital improvements.

Requests for Information

This financial report is designed to provide a general overview of the City of Newport's finances for all 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 the Finance Director, Laura Sitrin, City of Newport, 43 Broadway, Newport, Rhode Island 02840.

**Basic
Financial
Statements**

CITY OF NEWPORT, RHODE ISLAND

STATEMENT OF NET POSITION
JUNE 30, 2013

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 17,591,207	\$ 3,713,672	\$ 21,304,879
Investments	10,657,843	1,172,555	11,830,398
Receivables (net)	6,204,405	4,815,837	11,020,242
Internal balances (advances)	506,915	(506,915)	-
Inventories	31,343	265,252	296,595
Prepaid expenses	577,536	190,365	767,901
Total current assets	35,569,249	9,650,766	45,220,015
Noncurrent assets:			
Restricted assets:			
Temporarily restricted cash and cash equivalents	-	22,114,096	22,114,096
Permanently restricted investments	9,235,754	-	9,235,754
Bonds proceeds	-	2,073,569	2,073,569
Receivables (net)	1,170,577	-	1,170,577
Net pension asset	6,310,682	-	6,310,682
Capital assets not being depreciated	33,712,020	46,085,141	79,797,161
Capital assets (net of accumulated depreciation)	80,662,812	133,322,755	213,985,567
Total noncurrent assets	131,091,845	203,595,561	334,687,406
TOTAL ASSETS	166,661,094	213,246,327	379,907,421
LIABILITIES			
Current liabilities:			
Accounts payable	4,835,007	6,150,212	10,985,219
Accrued liabilities	1,855,205	2,111,370	3,966,575
Unearned revenue	1,490,782	20,000	1,510,782
Other liabilities	717,642	99,000	816,642
Current portion of long-term obligations	6,449,916	2,733,368	9,183,284
Total current liabilities	15,348,552	11,113,950	26,462,502
Noncurrent liabilities:			
Long-term obligations	60,443,747	85,286,721	145,730,468
Total noncurrent liabilities	60,443,747	85,286,721	145,730,468
TOTAL LIABILITIES	75,792,299	96,400,671	172,192,970
NET POSITION			
Net investment in capital assets	65,282,126	94,138,176	159,420,302
Restricted for:			
Endowments:			
Expendable	6,813,099	-	6,813,099
Nonexpendable	2,181,651	-	2,181,651
Held in trust	-	99,000	99,000
Debt service	1,797,817	24,187,665	25,985,482
Unrestricted (deficit)	14,794,102	(1,579,185)	13,214,917
TOTAL NET POSITION	\$ 90,868,795	\$ 116,845,656	\$ 207,714,451

See Notes to Financial Statements.

CITY OF NEWPORT, RHODE ISLAND

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES:							
General government	\$ 6,082,791	\$ 5,301,995	\$ 899,299	\$ -	\$ 118,503	\$ -	\$ 118,503
General education	41,859,273	837,653	17,482,965	-	(23,538,655)	-	(23,538,655)
Public safety	34,008,599	3,820,994	206,663	44,815	(29,936,127)	-	(29,936,127)
Public health	8,979,859	34,370	-	171,032	(8,774,457)	-	(8,774,457)
Planning, zoning and development	1,639,008	1,318,890	245,472	-	(74,646)	-	(74,646)
Recreation and parks	553,546	144,068	60,152	-	(349,326)	-	(349,326)
Human services	3,091,514	245,112	788,283	432,240	(1,625,879)	-	(1,625,879)
Interest expense	717,665	-	-	-	(717,665)	-	(717,665)
TOTAL GOVERNMENTAL ACTIVITIES	96,932,255	11,703,082	19,682,834	648,087	(64,898,252)	-	(64,898,252)
BUSINESS-TYPE ACTIVITIES:							
Water Department	11,109,044	13,407,886	-	28,762	-	2,327,604	2,327,604
Water Pollution Control	10,522,134	12,850,160	-	290,001	-	2,618,027	2,618,027
Recreational and parking facilities	3,050,165	3,391,446	-	534,532	-	875,813	875,813
TOTAL BUSINESS-TYPE ACTIVITIES	24,681,343	29,649,492	-	853,295	-	5,821,444	5,821,444
TOTAL PRIMARY GOVERNMENT	\$ 121,613,598	\$ 41,352,574	\$ 19,682,834	\$ 1,501,382	\$ (64,898,252)	\$ 5,821,444	\$ (59,076,808)
GENERAL REVENUES:							
Property taxes					\$ 69,218,686	\$ -	\$ 69,218,686
Grants and contributions not restricted to specific programs					1,387,855	-	1,387,855
Investment income (loss)					1,431,220	(19,987)	1,411,233
Gain on sale of assets					730,000	-	730,000
Transfers					(23,536)	23,536	-
TOTAL GENERAL REVENUES AND TRANSFERS					72,744,225	3,549	72,747,774
CHANGE IN NET POSITION					7,845,973	5,824,993	13,670,966
NET POSITION, BEGINNING					83,022,822	111,020,663	194,043,485
NET POSITION, ENDING					\$ 90,868,795	\$ 116,845,656	\$ 207,714,451

See Notes to Financial Statements.

CITY OF NEWPORT, RHODE ISLAND

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	GENERAL FUND	COMMUNITY DEVELOPMENT BLOCK GRANT FUND	PERMANENT FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS						
Cash and cash equivalents	\$ 5,265,458	\$ 443,130	\$ -	\$ 10,494,669	\$ 2,051,469	\$ 18,254,726
Investments	8,860,026	-	9,235,754	-	1,797,817	19,893,597
Receivables, net:						
Property taxes	1,816,653	-	-	-	-	1,816,653
Motor vehicle excise	1,450,094	-	-	-	-	1,450,094
Intergovernmental	-	294,831	-	48,376	1,050,366	1,393,573
Note/loan	-	2,714,051	-	-	255,000	2,969,051
Other	1,740,621	-	-	-	70,000	1,810,621
Due from other funds	123,197	-	-	-	70,000	193,197
Advances to other funds	-	-	-	-	293,350	293,350
TOTAL ASSETS	\$ 19,256,049	\$ 3,452,012	\$ 9,235,754	\$ 10,543,045	\$ 5,588,002	\$ 48,074,862
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES:						
Cash overdraft	\$ -	\$ -	\$ 235,016	\$ -	\$ 474,065	\$ 709,081
Accounts payable	1,352,002	12,751	5,988	3,269,516	144,356	4,784,613
Accrued liabilities	1,232,486	-	-	-	-	1,232,486
Unearned revenue	-	1,475,140	-	-	15,642	1,490,782
Due to other funds	70,000	-	-	-	-	70,000
Other liabilities	717,642	-	-	-	-	717,642
TOTAL LIABILITIES	3,372,130	1,487,891	241,004	3,269,516	634,063	9,004,604
DEFERRED INFLOWS OF RESOURCES:						
Unavailable revenue - property taxes	2,253,839	-	-	-	-	2,253,839
Unavailable revenue - loans receivable	-	1,260,195	-	-	688,350	1,948,545
Unavailable revenue - intergovernmental receivable	-	247,496	-	39,900	395,690	683,086
TOTAL DEFERRED INFLOWS OF RESOURCES	2,253,839	1,507,691	-	39,900	1,084,040	4,885,470
FUND BALANCES:						
Nonspendable	-	-	2,181,651	-	-	2,181,651
Restricted	88,288	456,430	6,813,099	-	4,116,585	11,474,402
Committed	759,186	-	-	7,233,629	-	7,992,815
Assigned	1,534,889	-	-	-	-	1,534,889
Unassigned	11,247,717	-	-	-	(246,686)	11,001,031
TOTAL FUND BALANCES	13,630,080	456,430	8,994,750	7,233,629	3,869,899	34,184,788
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 19,256,049	\$ 3,452,012	\$ 9,235,754	\$ 10,543,045	\$ 5,588,002	

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT
OF NET POSITION ARE DIFFERENT BECAUSE:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	114,329,266
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	9,660,361
Internal service funds are used by management to charge the cost of fleet maintenance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	168,457
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds (Note II).	(67,474,077)

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 90,868,795

See Notes to Financial Statements.

CITY OF NEWPORT, RHODE ISLAND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	GENERAL FUND	COMMUNITY DEVELOPMENT BLOCK GRANT FUND	PERMANENT FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:						
Property taxes	\$ 69,092,746	\$ -	\$ -	\$ -	\$ -	\$ 69,092,746
Intergovernmental revenues	15,541,444	736,571	-	474,951	4,598,698	21,351,664
Charges for services	10,326,896	240,028	-	880,000	173,224	11,620,148
Use of money and property	(6,206)	44,746	1,181,796	20,522	190,362	1,431,220
Contributions	431,044	-	-	-	63,196	494,240
Other revenues	126,852	-	-	-	-	126,852
TOTAL REVENUES	95,512,776	1,021,345	1,181,796	1,375,473	5,025,480	104,116,870
EXPENDITURES:						
Current:						
General government	5,482,360	-	-	-	-	5,482,360
General education	36,642,571	-	-	-	4,151,212	40,793,783
Public safety	32,119,428	-	-	-	335,762	32,455,190
Public health	7,214,122	-	-	-	-	7,214,122
Planning, zoning and development	1,255,404	-	-	-	239,770	1,495,174
Recreation	473,276	-	-	-	23,635	496,911
Human services	1,775,379	496,970	213,690	-	483,952	2,969,991
Pension expenditures	3,388,489	-	-	-	-	3,388,489
Debt service:						
Principal	1,732,932	-	-	-	-	1,732,932
Interest	725,389	-	-	-	-	725,389
Capital outlays	1,037,888	326,724	-	26,467,120	-	27,831,732
TOTAL EXPENDITURES	91,847,238	823,694	213,690	26,467,120	5,234,331	124,586,073
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,665,538	197,651	968,106	(25,091,647)	(208,851)	(20,469,203)
OTHER FINANCING SOURCES (USES):						
Issuance of debt	-	-	-	19,575,000	-	19,575,000
Premium	-	-	-	2,603,044	-	2,603,044
Transfers in	11,183	-	-	2,256,400	133,110	2,400,693
Transfers out	(2,413,046)	-	-	(11,183)	-	(2,424,229)
Proceeds from sale of assets	730,000	-	-	-	-	730,000
NET OTHER FINANCING SOURCES (USES)	(1,671,863)	-	-	24,423,261	133,110	22,884,508
NET CHANGE IN FUND BALANCES	1,993,675	197,651	968,106	(668,386)	(75,741)	2,415,305
FUND BALANCES - JULY 1, 2012	11,636,405	258,779	8,026,644	7,902,015	3,945,640	31,769,483
FUND BALANCES - JUNE 30, 2013	\$ 13,630,080	\$ 456,430	\$ 8,994,750	\$ 7,233,629	\$ 3,869,899	\$ 34,184,788

See Notes to Financial Statements.

CITY OF NEWPORT, RHODE ISLAND

**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, 2013**

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES
ARE DIFFERENT DUE TO:

Net Change in Fund Balances-Total Governmental Funds	\$ 2,415,305
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	24,034,079
Reductions in deferred revenue that provide current financial resources to governmental funds are not reported as revenues in the Statement of Activities.	(45,106)
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.	1,783,886
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>(20,342,191)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 7,845,973</u>

See Notes to Financial Statements.

CITY OF NEWPORT, RHODE ISLAND

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2013

	ORIGINAL ADOPTED BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Property taxes	\$ 69,658,671	\$ 69,658,671	\$ 69,092,746	\$ (565,925)
Intergovernmental revenues	2,156,746	2,156,746	2,122,630	(34,116)
Charges for services	11,025,064	11,025,064	9,613,465	(1,411,599)
Use of money and property	200,000	200,000	(92,678)	(292,678)
Other revenues	144,500	144,500	339,086	194,586
TOTAL REVENUES	83,184,981	83,184,981	81,075,249	(2,109,732)
EXPENDITURES:				
General Government:				
Mayor and City Council	118,449	118,449	110,281	8,168
City Manager	715,564	700,564	702,869	(2,305)
City Solicitor	442,109	442,109	434,266	7,843
Canvassing	255,376	261,475	210,726	50,749
Finance	2,891,955	2,947,575	2,892,286	55,289
City Clerk	528,009	545,364	502,126	43,238
Reserve accounts	406,797	1,017,737	691,268	326,469
Public Safety:				
Police Department	16,125,055	15,888,542	15,685,668	202,874
Fire Department	17,089,520	16,761,245	16,458,831	302,414
Public Health	8,113,157	8,474,945	7,705,852	769,093
Planning, Zoning, and Development	1,307,114	1,336,706	1,255,404	81,302
Recreation	487,404	498,372	441,625	56,747
Beach and Parking Services	2,411,907	2,411,907	-	2,411,907
Human Services:				
Donations	72,650	72,650	70,100	2,550
Public Library	1,687,279	1,687,279	1,687,279	-
Pension expenditures	3,394,498	3,394,498	3,388,489	6,009
Debt service	2,564,581	2,564,581	2,458,321	106,260
TOTAL EXPENDITURES	58,611,424	59,123,998	54,695,391	4,428,607
EXCESS OF REVENUES OVER EXPENDITURES	24,573,557	24,060,983	26,379,858	2,318,875
OTHER FINANCING SOURCES (USES):				
Appropriations of fund balance	250,000	250,000	-	(250,000)
Transfers in	-	-	11,183	11,183
Transfers out	(24,823,557)	(24,838,557)	(25,013,172)	(174,615)
NET OTHER FINANCING SOURCES (USES)	(24,573,557)	(24,588,557)	(25,001,989)	(413,432)
NET CHANGE IN FUND BALANCE	\$ -	\$ (527,574)	1,377,869	\$ 1,905,443
FUND BALANCE, JULY 1, 2012			<u>8,730,573</u>	
FUND BALANCE, JUNE 30, 2013			<u>\$ 10,108,442</u>	

See Notes to Financial Statements.

CITY OF NEWPORT, RHODE ISLAND

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			TOTALS	GOVERNMENTAL ACTIVITIES
	WATER FUND	W.P.C. FUND	NONMAJOR ENTERPRISE FUNDS		INTERNAL SERVICE FUNDS
ASSETS:					
Current assets:					
Cash and cash equivalents	\$ 100,221	\$ -	\$ 3,613,451	\$ 3,713,672	\$ 45,562
Investments	-	-	1,172,555	1,172,555	-
Accounts receivable:					
User fees (net of allowances)	1,898,032	2,341,690	31,792	4,271,514	-
Intergovernmental	-	-	544,323	544,323	-
Other	-	-	-	-	48,321
Due from other funds	-	159,800	-	159,800	90,368
Advances to other funds	-	-	135,868	135,868	-
Inventories	265,252	-	-	265,252	31,343
Prepaid expenses	5,000	185,365	-	190,365	-
Total current assets	2,268,505	2,686,855	5,497,989	10,453,349	215,594
Noncurrent assets:					
Cash and cash equivalents - restricted	13,571,937	8,542,159	-	22,114,096	-
Bond proceeds - restricted	1,490,166	583,403	-	2,073,569	-
Capital assets (net of accumulated depreciation)	86,641,627	84,901,938	7,864,331	179,407,896	45,566
Total noncurrent assets	101,703,730	94,027,500	7,864,331	203,595,561	45,566
TOTAL ASSETS	103,972,235	96,714,355	13,362,320	214,048,910	261,160
LIABILITIES:					
Current liabilities:					
Accounts payable	4,346,610	1,430,606	372,996	6,150,212	50,396
Accrued expenses	1,552,920	413,944	144,506	2,111,370	42,307
Unearned revenue	-	-	20,000	20,000	-
Due to other funds	273,871	99,494	-	373,365	-
Escrow held in trust	-	99,000	-	99,000	-
Current portion advances	-	-	35,897	35,897	-
Current portion bonds payable	808,000	1,925,368	-	2,733,368	-
Total current liabilities	6,981,401	3,968,412	573,399	11,523,212	92,703
Long-term liabilities:					
Advances from other funds	-	-	393,321	393,321	-
Notes payable	-	-	200,000	200,000	-
Bonds payable	51,559,654	32,850,267	-	84,409,921	-
Net other post-employment benefit obligation	676,800	-	-	676,800	-
Total long-term liabilities	52,236,454	32,850,267	593,321	85,680,042	-
TOTAL LIABILITIES	59,217,855	36,818,679	1,166,720	97,203,254	92,703
NET POSITION:					
Net investment in capital assets	35,764,139	50,709,706	7,664,331	94,138,176	45,566
Restricted by regulatory agencies and bond covenants	15,062,103	9,125,562	-	24,187,665	-
Assets held in trust	-	99,000	-	99,000	-
Unrestricted	(6,071,862)	(38,592)	4,531,269	(1,579,185)	122,891
TOTAL NET POSITION	\$ 44,754,380	\$ 59,895,676	\$ 12,195,600	\$ 116,845,656	\$ 168,457

See Notes to Financial Statements.

CITY OF NEWPORT, RHODE ISLAND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			TOTALS	GOVERNMENTAL ACTIVITIES
	WATER FUND	W.P.C. FUND	NONMAJOR ENTERPRISE FUNDS		INTERNAL SERVICE FUNDS
OPERATING REVENUES:					
User fees	\$ 12,992,204	\$ 12,850,160	\$ 3,391,446	\$ 29,233,810	\$ 1,561,194
Other revenues	444,444	290,001	534,532	1,268,977	-
TOTAL OPERATING REVENUES	13,436,648	13,140,161	3,925,978	30,502,787	1,561,194
OPERATING EXPENSES:					
Salaries and benefits	4,228,971	198,804	1,244,240	5,672,015	103,576
Materials and supplies	735,939	-	240,788	976,727	554,017
Repairs and maintenance	530,625	75,437	171,601	777,663	58,723
Support services	233,764	3,993,500	552,336	4,779,600	823,173
Utilities	1,179,464	657,297	73,876	1,910,637	18,063
Administrative and other	755,743	898,943	367,330	2,022,016	208
Property taxes	210,587	-	-	210,587	-
Depreciation	1,663,796	3,566,099	398,075	5,627,970	3,434
TOTAL OPERATING EXPENSES	9,538,889	9,390,080	3,048,246	21,977,215	1,561,194
OPERATING INCOME (LOSS)	3,897,759	3,750,081	877,732	8,525,572	-
NONOPERATING REVENUES AND (EXPENSES):					
Investment income	1,275	113	(21,375)	(19,987)	-
Interest expense	(1,570,155)	(1,132,054)	(1,919)	(2,704,128)	-
NET NONOPERATING REVENUES AND (EXPENSES)	(1,568,880)	(1,131,941)	(23,294)	(2,724,115)	-
INCOME (LOSS) BEFORE TRANSFERS	2,328,879	2,618,140	854,438	5,801,457	-
TRANSFERS:					
Transfers in	-	-	23,536	23,536	-
Transfers out	-	-	-	-	-
NET TRANSFERS	-	-	23,536	23,536	-
CHANGES IN NET POSITION	2,328,879	2,618,140	877,974	5,824,993	-
NET POSITION, BEGINNING	42,425,501	57,277,536	11,317,626	111,020,663	168,457
NET POSITION, ENDING	\$ 44,754,380	\$ 59,895,676	\$ 12,195,600	\$ 116,845,656	\$ 168,457

See Notes to Financial Statements.

CITY OF NEWPORT, RHODE ISLAND

EXHIBIT I

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			TOTALS	GOVERNMENTAL ACTIVITIES
	WATER FUND	W.P.C. FUND	NONMAJOR ENTERPRISE FUNDS		INTERNAL SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	\$ 12,993,587	\$ 13,136,687	\$ 3,948,609	\$ 30,078,883	\$ 1,514,573
Cash payments to suppliers for goods and services	48,405	(4,239,163)	(859,457)	(5,050,215)	(1,440,804)
Cash payments to employees for services	(4,229,393)	(190,811)	(1,224,528)	(5,644,732)	(102,253)
Payment of property taxes	(210,587)	-	-	(210,587)	-
Payment of administrative expense	(755,743)	(898,943)	(367,330)	(2,022,016)	(208)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	7,846,269	7,807,770	1,497,294	17,151,333	(28,692)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Interfund loans and transfers	-	-	23,536	23,536	-
Principal paid on interfund loans and transfers	-	-	(3,554)	(3,554)	-
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	-	-	19,982	19,982	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of capital assets	(29,396,369)	(4,740,629)	(1,034,914)	(35,171,912)	(38,300)
Proceeds from borrowing	31,017,806	403,824	-	31,421,630	-
Principal paid on bonds, notes and loans	(6,270,069)	(1,862,909)	-	(8,132,978)	-
Interest paid on bonds, notes and loans	(1,110,080)	(1,147,079)	(1,919)	(2,259,078)	-
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	(5,758,712)	(7,346,793)	(1,036,833)	(14,142,338)	(38,300)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of investments	-	-	(46,164)	(46,164)	-
Interest on investments	1,275	113	46,322	47,710	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	1,275	113	158	1,546	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,088,832	461,090	480,601	3,030,523	(66,992)
CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED ASSETS) - JULY 1, 2012	11,583,326	8,081,069	3,132,850	22,797,245	112,554
CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED ASSETS) - JUNE 30, 2013	\$ 13,672,158	\$ 8,542,159	\$ 3,613,451	\$ 25,827,768	\$ 45,562
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:					
Operating income	\$ 3,897,759	\$ 3,750,081	\$ 877,732	\$ 8,525,572	\$ -
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:					
Depreciation	1,663,796	3,566,099	398,075	5,627,970	3,434
Changes in assets and liabilities:					
Decrease (Increase) in accounts receivable	(443,061)	6,476	12,631	(423,954)	-
Decrease (Increase) in accounts receivable - other	-	-	-	-	(31,444)
Decrease (Increase) in due from other funds	-	(9,950)	-	(9,950)	(15,177)
Decrease (Increase) in inventory	52,079	-	-	52,079	(13,165)
Decrease (Increase) in prepaid expenses	3,000	18,536	-	21,536	-
(Decrease) Increase in accounts payable	3,107,457	369,041	179,144	3,655,642	26,337
(Decrease) Increase in accrued expenses	62,307	7,993	19,712	90,012	1,323
(Decrease) Increase in unearned revenue	-	-	10,000	10,000	-
(Decrease) Increase in due to other funds	(434,339)	99,494	-	(334,845)	-
(Decrease) Increase net other post employment benefit obligations	(62,729)	-	-	(62,729)	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 7,846,269	\$ 7,807,770	\$ 1,497,294	\$ 17,151,333	\$ (28,692)
NONCASH INVESTING, CAPITAL AND RELATED FINANCING TRANSACTIONS:					
Construction bond closeout; noncash receivable	\$ 1,490,166	\$ 583,403	\$ -	\$ 2,073,569	\$ -
Increase (decrease) in fair value of investments	-	-	(67,697)	(67,697)	-
TOTAL NONCASH INVESTING, CAPITAL AND RELATED FINANCING TRANSACTIONS	\$ 1,490,166	\$ 583,403	\$ (67,697)	\$ 2,005,872	\$ -

See Notes to Financial Statements.

CITY OF NEWPORT, RHODE ISLAND
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	PENSION AND OTHER POST- EMPLOYMENT BENEFIT TRUST FUNDS	PRIVATE- PURPOSE TRUST FUNDS	AGENCY FUNDS
ASSETS			
Cash and cash equivalents	\$ -	\$ 23,581	\$ 312,538
Investments, at fair value:			
Fixed income mutual funds	23,556,818	544,605	-
Domestic equity mutual funds	68,716,396	934,713	-
International equity mutual funds	15,948,017	-	-
Alternative investments	6,945,390	-	-
TOTAL INVESTMENTS	115,166,621	1,479,318	-
TOTAL ASSETS	115,166,621	1,502,899	312,538
LIABILITIES			
Cash overdraft	1,004,364	37,832	-
Accounts payable	105,646	934	-
Amounts held in escrow	-	-	312,538
TOTAL LIABILITIES	1,110,010	38,766	312,538
NET POSITION			
Restricted for pension/other post-employment benefits and other purposes	\$ 114,056,611	\$ 1,464,133	\$ -

See Notes to Financial Statements.

CITY OF NEWPORT, RHODE ISLAND

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

	PENSION AND OTHER POST- EMPLOYMENT BENEFIT TRUST FUNDS	PRIVATE- PURPOSE TRUST FUNDS
ADDITIONS:		
Contributions:		
Employees	\$ 905,598	\$ -
Employer	10,584,683	-
Contributions	-	11,000
Total contributions	<u>11,490,281</u>	<u>11,000</u>
Investment income (loss):		
Net change in fair value of investments	14,780,455	166,649
Interest and dividends	933,356	21,422
Total investment income (loss)	<u>15,713,811</u>	<u>188,071</u>
Less investment expenses	<u>257,642</u>	<u>3,727</u>
Net investment income (loss)	<u>15,456,169</u>	<u>184,344</u>
TOTAL ADDITIONS	<u>26,946,450</u>	<u>195,344</u>
DEDUCTIONS:		
Benefits	9,831,624	-
Administration	171,878	1,785
Awards	-	41,887
TOTAL DEDUCTIONS	<u>10,003,502</u>	<u>43,672</u>
CHANGES IN NET POSITION	16,942,948	151,672
NET POSITION, BEGINNING	<u>97,113,663</u>	<u>1,312,461</u>
NET POSITION, ENDING	<u>\$ 114,056,611</u>	<u>\$ 1,464,133</u>

See Notes to Financial Statements.

CITY OF NEWPORT, RHODE ISLANDNOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013***I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

The financial statements of the City of Newport, Rhode Island (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governmental entities. In certain circumstances, summaries of the City's significant accounting policies have been presented throughout the notes to the financial statements in conjunction with other disclosures to which they relate.

A. Reporting entity

The City was founded in 1639, incorporated under the laws of the State of Rhode Island in 1784 and re-chartered in 1853. The City is governed by a Home Rule Charter which provides for a Council/City Manager form of government. Legislative authority is vested in a seven-member City Council, of which four are elected at large and three from voting wards. The Mayor is chosen by council members from among its four at-large members. A seven-member School Committee, all elected at large, is vested with autonomous legislative authority over the public school system. Members of both the City Council and School Committee are elected to non-partisan biennial terms.

The City Manager is appointed by the Council and serves as the chief executive officer over all municipal services except those performed by the Solicitor, Canvassing Authority, and municipal judges, each of whom is appointed by and reports directly to the Council. Municipal services include public safety; potable water and wastewater collection, treatment and distribution; solid waste recyclables collection and disposal; street and sidewalk maintenance and operations which support economic and residential development, open space preservation and State law and City code enforcement.

The Superintendent of Schools, appointed by the School Committee, is the chief executive officer for the school system. The school system provides elementary and primary education to City residents and vocational programs to other Newport County residents.

The accompanying financial statements present the government. The City does not have any organizations that meet the definition of component unit, entities for which the government is considered to be financially accountable, under the Governmental Accounting Standards Board Statement No. 61.

B. Basis of presentation and measurement focus – government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***B. Basis of presentation and measurement focus – government-wide financial statements
(continued)***

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

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency Funds have no measurement focus but are accounted for using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments for the interfund services provided between the governmental funds and enterprise and internal service funds, and charges for services between the water fund and the water pollution control fund.

C. Basis of presentation and measurement focus – fund financial statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions under capital leases are reported as other financing sources.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**C. *Basis of presentation and measurement focus – fund financial statements (continued)***

Local taxes, including property taxes and franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. It is combined with the School's unrestricted fund, the property acquisition fund and the gift fund for purposes of financial reporting.

The *Community Development Block Grant Fund* (CDBG fund) is a special revenue fund, whereby the City receives federal funding to promote specific types of community and economic development. Funds can only be spent in accordance with a legally binding grant agreement.

The *Permanent Funds* are used to account for resources legally held in trust for specific functions, normally provided by governments. In most cases, only the earnings on the principal can be expended.

The *Capital Projects Fund* is used to account for the acquisition of capital assets or construction of major capital projects other than those financed by proprietary funds.

The City reports the following major proprietary funds:

The *Water Fund* records the costs of collection and treatment of raw water and the distribution of potable water for user consumption and fire protection. The City's water system directly serves retail users throughout Newport and in parts of two neighboring towns. The Water Fund also provides water to the United States Naval Base and customers of a neighboring water and fire district through wholesale contracts. Costs of servicing the users are recovered through both fixed and commodity charges under tariffs regulated by the Rhode Island Public Utilities Commission.

The *Water Pollution Control Fund* records the costs of collection and treatment of wastewater, the extraction and treatment of sludge and the discharge of treated effluent. These costs are recovered from the retail customers through rates assessed on their metered water charges and from contractual agreements with the United States Naval Base and a neighboring town.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**C. *Basis of presentation and measurement focus – fund financial statements (continued)***

Additionally, the City reports the following fund types:

The *Special Revenue Funds* account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes by an external party.

The *Debt Service Fund* accounts for resources accumulated and payments made for principal and interest on a qualified zone (QZAB) bond, the proceeds of which were used to help finance the construction and renovation of Thompson Middle School.

The *Internal Service Fund*, a proprietary type fund, is used to account for fleet management services provided to other departments of the government on a cost reimbursement basis.

The *Enterprise Funds* are used to account for those operations that are financed and operated in a manner similar to private business, primarily through user charges.

The *Private-Purpose Trust Fund* is used to account for resources legally held in trust for use by outside individuals, trusts or organizations to provide awards and scholarships in accordance with a donor's specific instructions or criteria.

The *Pension Trust Fund* accounts for the activities of the Police Retirement Fund and the Fire Retirement Fund, which accumulate resources for pension benefits to qualified police and fire employees.

The *OPEB Trust Fund* accumulates resources for future retiree health benefits and retiree life insurance benefits for eligible teachers and police retirees.

The *Agency Funds* are custodial in nature and do not present results of operations or have a measurement focus. Agency funds include student activity funds and a community group that exists for purposes normally provided by the City.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule include fees for services provided by one fund to another fund, annual lease payments for vehicles paid to the capital projects fund, and other charges between the City's water and water pollution control (sewer) function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**C. *Basis of presentation and measurement focus – fund financial statements (continued)***

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 connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Fund, the Water Pollution Control Fund, the Parking Fund, the Beach Fund, the Maritime Fund and the City's internal service fund are charges to customers for sales and services. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

It is the City's policy for all funds, that when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, the City considers restricted amounts to be spent before any unrestricted amounts are used. Furthermore, it is the City's policy that when an expenditure/expense is incurred for purposes for which committed, assigned or unassigned resources, including fund balances, are available, the City considers committed amounts to be spent first, followed by assigned amounts and lastly unassigned amounts.

D. *Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance***1. *Deposits and investments***

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The City's deposits are subject to certain State and municipal restrictions. Under Rhode Island general laws, depository institutions must insure deposits of the City or pledge eligible collateral equal to 100% of deposits maturing in greater than 60 days. Any institution not meeting certain federally prescribed minimum capital standards must insure deposits or provide collateral regardless of maturities. The City Council has further enacted restrictions which essentially limit short-term investments to U.S. Treasuries or debt instruments issued by agencies of the U.S. Government or certificates of deposit less than or equal to the amount covered by the Federal Deposit Insurance Corporation ("FDIC") or the Federal Savings and Loan Corporation ("FSLIC"). Maturities of these instruments are required to be matched to any underlying liabilities.

Investments

Investments of the City are reported at fair value. The City accounts for the carrying value of investments by utilizing the specific identification method. Fair value is determined by the last reported bid price on the last business day of the year.

The City Council restricts both the type and maturity of instruments in which City assets, other than those of fiduciary funds and deferred compensation plans, may be invested. Acceptable investments include certificates of deposit, debt instruments issued by the U.S. Treasury and agencies of the Federal government, or high grade municipal securities. Maturities must be matched to meet the underlying obligations for which invested proceeds were collected. The authority for investing fiduciary assets is vested with a commission appointed by and accountable to the City Council.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**D. *Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)*****2. Receivables and payables****Interfunds**

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Property taxes and other receivables

All property tax receivables, user fees receivables and notes receivable are shown net of an allowance for uncollectibles. The property tax receivable allowance at June 30, 2013, is equal to 67% of outstanding property taxes. Other allowances vary depending on the nature of the receivable and the history of collections.

Taxes are levied each July 1 on (a) the full and fair value of real and tangible personal property owned within the City the previous December 31 and (b) the value, as determined by the Rhode Island Vehicle Valuation Commission, of vehicles registered within the City the previous calendar year, prorated for the actual number of days so registered. Taxes are levied for the year commencing on that date, payable in equal quarterly installments on the fifth days of August, November, February and May. Taxes are considered overdue on the sixth day of each quarter and are assessed penalties and will be collected through the sale of tax titles, if required. The City has a tax lien on the property as a matter of law on the date the roll is certified, which is December 31 of the previous year.

Rhode Island general laws restrict the City's ability to increase its total tax levy by more than 4%.

3. Inventories and prepaid items

All inventories are valued at cost using the first-in, first-out (FIFO) method of valuation.

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

CITY OF NEWPORT, RHODE ISLAND
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

4. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as machinery and equipment with an initial, individual cost of more than \$10,000, land or building improvements of more than \$20,000 and infrastructure of more than \$25,000, and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The value of both governmental and business-type activities infrastructure is fully reported and depreciated as applicable.

Property, plant and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40 - 125
Building improvements	20 - 40
Water and sewer improvements	20 - 50
Water and sewer infrastructure	50 - 100
Infrastructure	75
Equipment and other capital assets	6 - 30

5. Compensated absences

City and school employees are allowed under various labor agreements and by City ordinance to accumulate earned but unused vacation and sick leave. The City reports a liability based on the various provisions as follows:

- Supervisory (Nonunion); Supervisory (NEA); AFSCME-City
 - maximum sick leave accrual is 960 hours
 - maximum sick leave payout is 65% up to \$7,500 - \$25,000 if 10 years service
 - maximum vacation accrual and payout is 200-300 hours
- Police and Fire:
 - maximum vacation accrual and payout is 400 hours
 - sick leave payout of 65% of accumulated leave up to 2,000 hours and 45% over 2,000 hours for police; no cap for firefighters

CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

5. Compensated absences (continued)

- Teachers:
sick leave payout of 25% of number of days in excess of 50 and up to a maximum of 165
- AFSCME – School:
maximum vacation accrual of 40 days; all accumulated payable upon separation
maximum sick leave accrual of 225 days; payout 30% of days greater than 60 and less than 123

All vacation and sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. The current portion of the leave is determined based on historical and current usage. The current and non-current portion is recorded in the government-wide financial statements. The entire amount is reported as current in the proprietary fund financial statements.

6. Long-term obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the governmental fund financial statements, bond premiums and discounts, as well as bond issuance costs, are recognized during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

In the fund financial statements, expenditures for judgments and claims are recorded on the basis of settlements reached or judgments entered within the current fiscal year. In the government-wide financial statements, the estimated liability for all judgments and claims is recorded as a liability.

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, 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. The City does not currently have any items that qualify for reporting in this category.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**D. *Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)*****7. Deferred outflows/inflows of resources (continued)**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

For governmental funds, the City reports unavailable revenue, which arises only under the modified accrual basis of accounting. Accordingly, unavailable revenue is reported only in the governmental funds' balance sheet. The governmental funds report unavailable revenue from three sources: property taxes, loans receivable, and intergovernmental receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

8. Restricted assets

Certain proceeds of the Water Pollution Control Fund and Water Fund revenue bonds are classified as restricted assets on the statement of net position because they are maintained in separate escrow accounts managed by trustees in accordance with the bond covenants. These include debt service reserves and capitalized interest.

The Water Fund has additional cash on the statement of net position classified as restricted since, by order of the Rhode Island Public Utilities Commission, it may only be used for debt service, capital, electricity; certain specified retiree/new hire benefits, or chemical expenditures.

Endowment funds held by the City for various purposes are restricted to expenditure of the investment income only for the purposes designated by the various donors.

9. Net position flow assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**D. *Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance***
(continued)**10. Fund balance flow assumptions**

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last

11. Fund balance policies

In the fund financial statements, governmental funds report fund balances in one of five categories depending on the purposes of the revenue sources. Nonspendable fund balances include amounts that are legally or contractually required to be maintained intact, for instance the nonexpendable portion of a trust; or are resources in nonspendable form such as inventory and prepaid amounts. Amounts that are legally required by outside parties to be used for a specific purpose; or have restrictions imposed by law through constitutional provisions or enabling legislation, are classified in the restricted category.

Committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. The City's highest level of authority is a city ordinance properly adopted by the City Council. Committed fund balance also includes contractual obligations where resources have been specifically committed for use in satisfying those contractual requirements. Assigned fund balance includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Unassigned fund balance is the residual classification for the general fund, the school unrestricted fund, and deficit fund balances in other funds.

12. Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

CITY OF NEWPORT, RHODE ISLAND
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental funds' balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this difference are as follows:

Bonds payable	\$ 44,873,536
Bond premium	3,344,500
Leases payable	874,670
Claims and judgments	471,940
Compensated absences	7,197,122
Net pension obligation	4,763,871
Net other post-employment benefit obligation	5,368,024
Accrued interest payable	580,414
Net adjustment for long-term liabilities not due and payable in the current period	<u>\$ 67,474,077</u>

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:

Net pension asset	\$ 6,310,682
Prepaid expenses	577,536
Deferred property taxes and unavailable grant revenue	4,885,474
Allowance for doubtful accounts	(6,803,812)
Property tax and loan interest accrual	4,690,481
Net adjustment for long-term assets not available in the current period	<u>\$ 9,660,361</u>

Another element of the reconciliation explains that "Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds." The details of this difference are as follows:

Capital assets as of July 1, 2013, net of accumulated depreciation	\$ 90,306,013
Capital assets of internal service fund accounted for in the net position adjustment for internal service funds	(45,566)
Disposal of capital assets	(126)
Current year capital outlay	27,182,609
Depreciation expense	(3,113,664)
Net adjustment for capital assets	<u>\$ 114,329,266</u>

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
 (CONTINUED)**

Explanation of certain differences between the governmental statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities.

One of the reconciling items on the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities is that governmental funds report capital outlays as expenditures. The Statement of Activities allocates the cost of those assets over their estimated useful lives and reports depreciation expense. The details of this difference are as follows:

Capital additions for the year ended June 30, 2013, excluding internal service funds	\$ 27,144,309
Depreciation expense, excluding internal service funds	<u>(3,110,230)</u>
Net adjustment for capital outlays	<u>\$ 24,034,079</u>

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:

Current year change in compensated absences	\$ 125,360
Current year change in claims and judgments	72,186
Current year change in net pension obligation	30,416
Current year change in net pension asset	(14,574)
Other	(122)
Current year change in net OPEB benefit obligation	<u>1,570,620</u>
Net adjustment for current year expenses	<u>\$ 1,783,886</u>

The repayment of long-term debt uses current financial resources of governmental funds while it has no effect on net position. Interest expense is not accrued in governmental funds while it is in government-wide statements:

Bond proceeds	\$ (28,575,000)
Principal repayment of debt	1,726,825
Amortization of bond premium	227,834
Bond premium proceeds	(2,603,044)
Principal repayment of capital lease	95,195
Bond anticipation note proceeds	(18,444,000)
Bond anticipation note repayment	27,444,000
Amortization of prepaid interest	(72,190)
Current year change in interest accrual	<u>(141,811)</u>
Net adjustment for long-term debt	<u>\$ (20,342,191)</u>

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and budgetary accounting

A budget is adopted for the General and School Unrestricted Funds on the modified accrual basis with the exception that encumbrances are treated as budgeted expenditures in the year of the commitment to purchase.

In accordance with the City Charter, the City Manager must present to the Council a recommended annual budget for the operations of all municipal departments no later than 45 days prior to the commencement of each fiscal year. The recommended budget must include an appropriation to fund mandated contractual obligations in excess of school anticipated revenues. The Council may amend recommended municipal appropriations but not those of the school. The budget must be adopted by ordinance by the last Council meeting prior to the new fiscal year.

- Budgets are adopted on a legally enacted budgetary basis, which differs from generally accepted accounting principles (GAAP) in that budgetary expenditures for goods and non-employment services are recognized when legally binding orders referred to as encumbrances are placed.
- In addition to limits enforced by the budget ordinance, the City Charter further restricts the incurrence of municipal expenditures or expenses to budgeted revenues at the fund level. The City Manager must periodically review revenues and reduce annual appropriations sufficiently to cover any shortfalls in budgeted revenues.
- Costs of operations for all departments established within the City Charter must be appropriated through an annual budget ordinance. These departments are presented within the General Fund and the School Unrestricted Fund.
- Municipal budgetary control is legally enforced at the department level.
- Appropriation transfers between departments require approval by five of the seven-member Council. Other appropriation increases require both the establishment of a funding source and passage of a budget amendment ordinance. Amendments to the budget during the year totaled \$527,574 from fund balance due to prior year appropriation carryovers.
- Intra-departmental transfers of municipal appropriations may be made with the approval of the City Manager or his designee.
- Unencumbered and unexpended appropriations lapse at fiscal year-end. School budgetary control is legally enforced only at the unrestricted fund level; inter-departmental transfers may be made without School Committee approval.

B. Budgetary-GAAP reporting reconciliation

The General Fund Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budgetary Basis) in the financial statements presents comparisons of the legally adopted budget with actual data on a budgetary basis. The budgetary basis differs from GAAP because the GAAP basis includes liquidated encumbrances that are not recognized under the budgetary basis.

CITY OF NEWPORT, RHODE ISLAND
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

B. Budgetary-GAAP reporting reconciliation (continued)

A reconciliation of revenues, expenditures, and fund balance between the accounting treatment required by GAAP (Exhibit D), and budgetary requirements (Exhibit F), is as follows:

	General Fund	
	Expenditures	Fund Balance
Balance, Budgetary Basis, Exhibit F - June 30, 2013	\$ 54,695,391	\$ 10,108,442
Encumbrances outstanding at June 30, 2012 and liquidated during the year ended June 30, 2013	527,574	
Miscellaneous adjustments	34,917	8,985
Encumbrances outstanding at June 30, 2013 charged to budgetary expenditures	(759,186)	759,186
Balance, GAAP Basis, Schedule 4 - June 30, 2013	\$ 54,498,696	\$ 10,876,613

C. Excess of expenditures over appropriations

The legal level of control for which expenditures cannot exceed appropriations is at the category level within a department. The table below shows the amounts by which certain departmental expenditures exceeded fiscal year 2013 appropriations (after approved transfers).

Department	Expenditures in Excess of Budget
City manager	\$ 2,305

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)***D. Donor-restricted endowments***

Investments in marketable equity and all debt securities are carried at market value. The City allocates investment income in accordance with donor restrictions and Rhode Island law, which adopted the provisions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA requires the investment of endowments in good faith and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances. It requires prudence in incurring investment costs, authorizing only costs that are appropriate and reasonable. Factors to be considered in investing are expanded to include, for example, the effects of inflation. UPMIFA emphasizes that investment decisions be made in relation to the overall resources of the City. Net appreciation on investments at June 30, 2013 was \$968,106 and is reported in restricted net position.

IV. DETAILED NOTES ON ALL FUNDS***A. Cash and investments*****Cash and cash equivalents:**

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned. Rhode Island public law requires 100% of public deposits in a qualified public depository with maturities greater than sixty (60) days are collateralized with either bank segregated assets, in a trust department or in custodial accounts at a federal reserve bank or federal home loan bank. Any institution not meeting certain federally prescribed minimum capital standards must insure deposits or provide collateral regardless of maturities. The City Council further restricts deposits and short-term investments (less than 3 months) to insured or collateralized cash accounts, U.S. Treasuries, debt instruments issued by U.S. Government agencies or Certificates of Deposit (CDs) less than or equal to the amount covered by the Federal Deposit Insurance Corporation (FDIC). The City Council also requires that CDs in excess of FDIC limits and any repurchase agreements are collateralized in amounts of at least 102% of the market value of the deposit. At June 30, 2013, the City's deposits are not exposed to custodial risk since most of the above deposits are collateralized at 102% with assets held either in trust or by a third party bank, in U.S. Government National Mortgage Association (GNMA) pass-through pools or Federal Home Loan Mortgage Corporation (FHLMC) securities held in the City's name. The remaining deposits are insured by the FDIC.

CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. *Cash and investments (continued)*

Cash and cash equivalents (continued)

As of June 30, 2013, the City's bank balance of \$64,455,918 was insured and collateralized as follows:

Insured	\$ 1,332,420
Collateralized:	
Collateral held by the pledging bank's trust department in the City's name	63,123,498
Total amount subject to custodial credit risk	\$ 64,455,918

Investments

Certain investments are covered by the Securities Investor Protection Corporation (SIPC) up to \$500,000, including \$100,000 of cash from sale or for purchase of investments, but not cash held solely for the purpose of earning interest. SIPC protects securities such as notes, stocks, bonds, debentures, certificates of deposit and money funds.

At June 30, 2013, the City's investments (including restricted investments) consisted of the following:

Type of Investment	Fair Value	Investment Maturities (In Years)		
		Less Than 1	1 - 5	6 - 10
Debt Securities:				
Money Market Funds	\$ 234,630	\$ 234,630	\$ -	\$ -
Certificates of Deposit	3,662,895	3,662,895	-	-
U.S. Government Agency Securities	7,934,853	-	7,934,853	-
Fixed Income Mutual Funds	27,500,800	-	27,500,800	-
	39,333,178	\$ 3,897,525	\$ 35,435,653	\$ -
Other Investments:				
Alternative Investments	6,945,390			
Equity Mutual Funds	91,433,523			
	\$ 137,712,091			

Interest rate risk - The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

CITY OF NEWPORT, RHODE ISLAND
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. *Cash and investments (continued)*

Investments (continued)

Credit risk - The City Investment Policy requires that at least 90% of investments shall at any time be invested in U.S. Treasury or Agency securities, top grade (AAA, AA and A or those with bond insurance) municipal securities, certificates of deposit backed by collateral consisting of U.S. Treasuries or Agencies or covered by FDIC or FSLIC insurance, and repurchase contracts backed by collateral consisting of U.S. Treasuries or Agencies and delivered to the City or held by an independent third party. The policy also allows for investment in uncollateralized Certificates of Deposit of Rhode Island banks. The policy further restricts investments with a maturity of greater than one year to 10% of total investments or \$2,000,000, whichever is lower. The City's Certificates of Deposit all have maturity dates of less than one year. The State of Rhode Island does not have any pertinent laws on investments that apply to municipalities.

Certificates of Deposit - Certificates of Deposit are all insured by FDIC insurance. The weighted average maturity of all certificates of deposit is .19 years. The City intends to hold all certificates to maturity, although they are subject to interest rate risk in the event that they are sold prior to maturity.

The City's investments in money market funds, government securities and fixed income mutual funds had average ratings as follows by Standard & Poor's.

Average Rating	U.S.		
	Money Market Mutual Funds	Government Agency Securities	Fixed Income Mutual Funds
AAA	\$ 234,630	\$ 7,934,853	\$ 27,500,800

Custodial credit risk - The City does not have a formal policy regarding custodial credit risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The following City investments are held by the counterparty's trust department or agent but not in the City's name and, therefore, are subject to custodial credit risk.

	Total	Less Insured Amounts	Subject To Custodial Credit Risk
U.S. Government Agency Securities	\$ 7,934,853	\$ 500,000	\$ 7,434,853

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)**A. *Cash and investments (continued)*****Fiduciary and permanent funds**

The City Council and Charter grant authority to a five-member Trust and Investment Commission (Commission) to manage fiduciary fund assets. The members are appointed by the City Council. The fiduciary funds include the police pension plan assets, the fire pension plan assets, the OPEB Trust assets, trust assets and scholarship assets. Separate investment policies exist as these assets are invested for long-term growth and/or to meet specific funding targets. The policies identify the asset allocation plans and objectives developed by the Commission. The absolute objectives are to achieve growth in the principal value of assets while maintaining a level of stability and liquidity sufficient to ensure the timely payment of obligations, and to achieve the target rate of return as defined by the actuarial rate of return, currently 7.5% for the pension plans, the OPEB Trust, and trust investments per year net of investment expenses, over a full market cycle defined as 5 to 7 years. The policies are used to inform investment managers, consultants and custodians of the Commission's goals, objectives, and restrictions. The policies are also designed to identify and mitigate performance risk. Investments are not restricted to any particular type of investment. The investment managers are held to certain performance standards as compared to an appropriate national index. The current asset allocation plans set minimum, maximum and target allocation percentages of assets. The Large Cap Value and Large Cap Growth performances are benchmarked against the Russell 1000 Value and Russell 1000 Growth Indices, respectively. The Mid Cap performance is benchmarked against the S & P 400 Index. The Small Cap is compared to the Russell 2000 Growth, the International Equity to the MSCI All-World Free Ex-US Index, and the Fixed Income to the Barclays Aggregate Index. Further, the Commission instructs managers to invest the equity portion of the portfolio so as to prevent the returns from underperforming the equity index in any three consecutive quarters. Currently, most of the funds are invested in mutual funds or collective trusts. For mutual funds, the managers are subject to the mutual fund prospectus. The assets are rebalanced quarterly as needed.

Fiduciary and Permanent Fund assets included in the financial statements as of June 30, 2013 totaled \$125,881,693.

CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Receivables

At June 30, 2013, receivables, including the applicable allowances for doubtful accounts, are as follows:

Governmental Activities

	General	CDBG Fund	Capital Projects Fund	Other Govern- mental Funds	Total
Taxes	\$ 3,266,747	\$ -	\$ -	\$ -	\$ 3,266,747
Intergovernmental	-	294,831	48,376	1,050,366	1,393,573
Interest	4,079,037	483,143	-	128,301	4,690,481
Other	1,788,942	-	-	70,000	1,858,942
Notes/loans	-	2,714,051	-	255,000	2,969,051
	9,134,726	3,492,025	48,376	1,503,667	14,178,794
Less allowance for doubtful accounts	(5,267,900)	(1,280,912)	-	(255,000)	(6,803,812)
	3,866,826	2,211,113	48,376	1,248,667	7,374,982
Less current portion	3,866,826	1,040,536	48,376	1,248,667	6,204,405
Net long-term portion	\$ -	\$ 1,170,577	\$ -	\$ -	\$ 1,170,577

Business-type Activities

	Water Fund	W.P.C. Fund	Other Enterprise Funds	Total
User fees	\$ 1,973,032	\$ 2,391,690	\$ 31,792	\$ 4,396,514
Less allowance for doubtful accounts	(75,000)	(50,000)	-	(125,000)
Net receivables	1,898,032	2,341,690	31,792	4,271,514
Intergovernmental	-	-	544,323	544,323
Other	-	-	-	-
Net receivables	\$ 1,898,032	\$ 2,341,690	\$ 576,115	\$ 4,815,837

CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. *Receivables (continued)*

At the end of the current fiscal year, the various components of *unearned revenue* and *deferred inflows of resources* reported in the governmental funds were as follows:

UNEARNED REVENUE:	
Loan proceeds not yet earned	\$ 1,475,140
Grant proceeds not yet earned	15,642
TOTAL UNEARNED REVENUE	<u>\$ 1,490,782</u>
DEFERRED INFLOWS OF RESOURCES:	
Delinquent property taxes receivable unavailable	\$ 2,253,839
Loan receivable unavailable	1,948,545
Grant receivable unavailable	683,086
TOTAL DEFERRED INFLOW OF RESOURCES	<u>\$ 4,885,470</u>

C. *Capital assets*

Capital asset activity for the year ended June 30, 2013 was as follows:

	BALANCE JULY 1, 2012	INCREASES	DECREASES	BALANCE JUNE 30, 2013
<u>Governmental Activities</u>				
Capital assets not being depreciated:				
Land	\$ 4,920,148	\$ -	\$ -	\$ 4,920,148
Construction in progress	6,178,545	22,613,327	-	28,791,872
Total capital assets not being depreciated	11,098,693	22,613,327	-	33,712,020
Capital assets being depreciated:				
Buildings and structures	46,627,297	1,020,223	-	47,647,520
Machinery and equipment	7,293,547	223,206	126	7,516,627
Vehicles	8,004,614	693,420	-	8,698,034
Infrastructure	52,626,625	2,632,433	-	55,259,058
Total capital assets being depreciated	114,552,083	4,569,282	126	119,121,239
Total capital assets	125,650,776	27,182,609	126	152,833,259
Less accumulated depreciation:				
Buildings and structures	13,452,255	1,040,047	-	14,492,302
Machinery and equipment	4,232,696	482,617	-	4,715,313
Vehicles	5,518,511	429,710	-	5,948,221
Infrastructure	12,141,301	1,161,290	-	13,302,591
Total accumulated depreciation	35,344,763	3,113,664	-	38,458,427
Total capital assets being depreciated, net	79,207,320	1,455,618	126	80,662,812
Governmental activities capital assets, net	<u>\$ 90,306,013</u>	<u>\$ 24,068,945</u>	<u>\$ 126</u>	<u>\$ 114,374,832</u>

CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital assets (continued)

Depreciation expense was charged to functions/programs of governmental activities as follows:

General government	\$ 308,472
General education	578,442
Public safety	517,971
Public health	1,568,448
Planning, zoning and development	116,413
Human services	1,881
Recreation	18,603
Capital assets held by the City's internal service fund are charged to various functions based on usage of the assets	3,434
	\$ 3,113,664

	BALANCE JULY 1, 2012	INCREASES	DECREASES	BALANCE JUNE 30, 2013
<u>Business-type Activities</u>				
Capital assets not being depreciated:				
Land and land improvements	\$ 6,492,359	\$ -	\$ -	\$ 6,492,359
Construction in progress	12,280,198	27,312,584	-	39,592,782
Total capital assets not being depreciated	18,772,557	27,312,584	-	46,085,141
Capital assets being depreciated:				
Buildings and systems	211,040,813	7,819,653	-	218,860,466
Machinery and equipment	4,775,574	-	-	4,775,574
Vehicles	954,412	39,676	-	994,088
Total capital assets being depreciated	216,770,799	7,859,329	-	224,630,128
Total capital assets	235,543,356	35,171,913	-	270,715,269
Less accumulated depreciation:				
Buildings and systems	81,188,787	5,442,830	-	86,631,617
Machinery and equipment	4,066,422	107,257	-	4,173,679
Vehicles	424,194	77,883	-	502,077
Total accumulated depreciation	85,679,403	5,627,970	-	91,307,373
Total capital assets being depreciated, net	131,091,396	2,231,359	-	133,322,755
Net capital assets, business-type activities	\$ 149,863,953	\$ 29,543,943	\$ -	\$ 179,407,896

CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital assets (continued)

Depreciation expense was charged to functions/programs of the business-type activities as follows:

Water	\$ 1,663,796
Water Pollution Control	3,566,099
Maritime	119,097
Easton's Beach	143,929
Parking	<u>135,049</u>
	<u>\$ 5,627,970</u>

D. Interfund receivables and payables

The composition of interfund balances as of June 30, 2013 is as follows:

	Corresponding Fund	Due From	Due To	Description
Major Governmental Funds				
General Fund				
Water Fund		\$ 23,703	\$ -	Payroll, benefits and overhead
Water Pollution Control Fund		99,494		Expense reimbursement
Nonmajor Governmental Fund		<u>-</u>	70,000	Library parking lot
Total		<u>123,197</u>	<u>70,000</u>	
Nonmajor Governmental Funds				
UDAG Fund				
General Fund		<u>70,000</u>		Library parking lot
Total Governmental Funds		<u>\$ 193,197</u>	<u>\$ 70,000</u>	
Major Enterprise Funds				
Water Fund				
Water Pollution Control Fund		\$ -	\$ 159,800	Sludge charges
General Fund		-	23,703	Payroll, benefits and overhead
Internal Service Fund		<u>-</u>	90,368	Maintenance charges
Total		<u>-</u>	<u>273,871</u>	
Water Pollution Control Fund				
Water Fund		159,800	-	Sludge charges
General Fund		<u>-</u>	99,494	Expense reimbursement
Total		<u>159,800</u>	<u>99,494</u>	
Total Enterprise Funds		<u>\$ 159,800</u>	<u>\$ 373,365</u>	
Internal Service Fund				
Water Fund		<u>\$ 90,368</u>	<u>\$ -</u>	Maintenance charges
Total All Funds		<u>\$ 443,365</u>	<u>\$ 443,365</u>	

All interfund balances resulted from the time lag between the dates payments occurred between funds and services or short-term internal financing were provided.

CITY OF NEWPORT, RHODE ISLAND
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. *Interfund receivables and payables (continued)*

Advances

Advance To	Corresponding Fund	Amount	Description
<u>Nonmajor Funds</u>			
Urban Development	Maritime Fund	\$ 267,459	Loans related to armory building
Parking Fund	Easton's Beach Fund	135,868	Loan for beach equipment
Urban Development	Easton's Beach Fund	<u>25,891</u>	Loans for beach repairs/activities
Total advances to other funds		<u>\$ 429,218</u>	

The Urban Development Grant Fund (UDAG) loaned the City of Newport \$51,876 to remove seaweed from Easton's Beach. The note is a 15-year note bearing interest at 1.0%. The balance due at June 30, 2013 is \$25,891. The Parking Fund loaned the Easton's Beach Fund \$320,000 for the purchase of a seaweed harvester. A contribution was received in fiscal year 2009 that reduced the amount of the note by \$49,800. The note is a 10-year note bearing interest at 1.0%. The balance due at June 30, 2013 is \$135,868.

The following schedule details amounts to be paid per year on the notes:

Year ending June 30,	Beach Seaweed Principal	Beach Equipment Principal	Combined Principal	Interest
2014	\$ 3,589	\$ 26,651	\$ 30,240	\$ 1,619
2015	3,625	26,917	30,542	1,316
2016	3,661	27,186	30,847	1,011
2017	3,698	27,458	31,156	702
2018	3,735	27,656	31,391	391
2019-2020	7,583	-	7,583	114
	<u>\$ 25,891</u>	<u>\$ 135,868</u>	<u>\$ 161,759</u>	<u>\$ 5,153</u>

CITY OF NEWPORT, RHODE ISLAND
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. *Interfund receivables and payables (continued)*

Advances (continued)

The Newport Redevelopment Authority transferred the armory building and related debt to the City of Newport Maritime Fund in April 2010. The related debt includes a loan from the City of Newport urban development special revenue fund. The remaining balance of \$267,459 is due to the urban development grant fund only upon sale of the armory building. No interest accrues on the advance.

Transfers

A summary of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfers To:</u>		<u>Transfers From:</u>	
Governmental Funds:			
Capital Projects Fund	\$ 2,256,400	General Fund	
General Fund	11,183	Capital Projects Fund	
Nonmajor governmental	133,110	General Fund	
	<u>2,400,693</u>		
Business-type Funds:			
Beach Fund	23,536	General Fund	
	<u>23,536</u>		
Total	<u>\$ 2,424,229</u>		
Summary:		<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		\$ 11,183	\$ 2,413,046
Capital Projects Fund		2,256,400	11,183
Nonmajor Business-Type Funds Transfers In		23,536	-
Nonmajor Governmental Fund Transfers In		133,110	-
Nonmajor Governmental Fund Transfers Out		-	-
Total		<u>\$ 2,424,229</u>	<u>\$ 2,424,229</u>

Transfers are generally programmed amounts used to finance capital assets or for other required activities in other funds.

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)***E. Changes in long-term obligations***

The City issues general obligation, Qualified Zone Academy Bonds (QZAB) and revenue bonds to provide funds for the acquisition and construction of major capital facilities. Bonds have been issued for both governmental and business-type activities.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds are generally issued as 20-year serial bonds. Revenue bonds are obligations that pledge the revenues derived from the use of services in that particular fund. These are issued for business-type activities and are generally collateralized by the asset under construction or renovation. The bonds are usually issued as 20-year bonds. The QZAB bond is a 12-year bond, which is supported by annual sinking fund payments to a third-party escrow agent. Changes in bonded debt outstanding during fiscal year 2013 are summarized on the next page as follows:

CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Changes in long-term obligations (continued)

	Date Issued	Maturity Date	Interest Rate (%)	Outstanding July 1, 2012	Additions	Retired	Outstanding June 30, 2013	Interest Expense
Governmental Activities:								
Thompson School QZAB	2001	2013	N/A	\$ 1,863,536	\$ -	\$ -	\$ 1,863,536	\$ -
Thompson School Refunding	2010	2021	1.50 to 5.0	12,000,000	-	1,065,000	10,935,000	410,975
Roadway Improvements	2009	2023	2.50 to 5.0	4,000,000	-	500,000	3,500,000	130,000
Pell School	2013	2033	0.55 to 5.0	-	28,575,000	-	28,575,000	-
Series B Refunding Bonds	2004	2012	2.00 to 3.50	161,825	-	161,825	-	2,939
Total Governmental Activities				\$ 18,025,361	\$ 28,575,000	\$ 1,726,825	\$ 44,873,536	\$ 543,914
Business-type Activities:								
Sewer Improvements - SRF	2002	2023	1.90	\$ 8,160,507	\$ -	\$ 628,909	7,531,598	\$ 143,297
Sewer Improvements - SRF	2009	2029	0.84 to 3.16	5,740,865	335,667	265,000	5,811,532	157,660
Sewer Improvements - SRF	2010	2030	0.55 to 3.25	8,414,956	552,044	363,000	8,604,000	285,892
Sewer Improvements - SRF	2011	2031	0.73 to 3.81	2,994,989	99,516	116,000	2,978,505	105,758
Sewer Improvements	2011	2026	4.30	10,340,000	-	490,000	9,850,000	439,447
Total Water Pollution Control Fund				35,651,317	987,227	1,862,909	34,775,635	1,132,054
Series B Refunding Bonds	2004	2012	2.00 to 3.50	382,069	-	382,069	-	5,014
Water Improvements - SRF	2007	2027	3.28 - 3.72	2,553,000	-	121,000	2,432,000	88,664
Water Improvements - SRF	2012	2033	0.94 - 3.61	7,803,567	26,137,034	-	33,940,601	925,830
Water Improvements - SRF	2013	2034	0.37 - 2.92	-	2,275,831	-	2,275,831	40,896
Water Improvements	2011	2027	3.40	3,172,341	2,559,881	315,000	5,417,222	224,807
Water Improvements - SRF	2008	2029	2.08 - 3.63	4,835,713	636,287	223,000	5,249,000	199,033
Water Improvements - SRF	2009	2030	0.65 to 3.54	2,278,061	898,939	124,000	3,053,000	85,911
Total Water Fund				21,024,751	32,507,972	1,165,069	52,367,654	1,570,155
Total Business-type Activities				\$ 56,676,068	\$ 33,495,199	\$ 3,027,978	\$ 87,143,289	\$ 2,702,209

CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Changes in long-term obligations (continued)

All long-term liabilities listed under Governmental activities are generally liquidated by the General Fund.

The Water Pollution Control Fund borrowed \$6,595,532 in FY2009 from the state revolving loan fund. Of that, \$995,579 of American Reinvestment and Recovery Act (ARRA) funds will be applied against principal over the life of the 20-year bond. The Water Fund borrowed \$3,300,000 in FY2009 from the state revolving loan fund. \$765,452 of ARRA funds will be applied against principal over the 20-year life of the bond. The annual ARRA offset will be taken into revenue each year the bonds are outstanding.

The City of Newport Water and Water Pollution Control Funds have the following outstanding State Revolving Fund (SRF) revenue bonds and non-SRF revenue bonds all issued through the Rhode Island Clean Water Finance Agency (RICWFA). The bond proceeds are held by RICWFA or their escrow agent. Bonds are issued for a specific purpose and for a total approved amount. The revenue bonds are drawdown bonds whereby the City sends vendor invoices to RICWFA for payment and the City's outstanding bond amounts equal the total of the drawdowns less principal payments per a set amortization schedule. The following schedule shows the amounts of the bonds and the purpose for which it was issued. Each revenue bond issue requires a debt service reserve to be held by the City's escrow agent.

Description	Fund	Year Issued	Total Bond	Amount Drawdown To Date	Debt Service Reserve	ARRA Funding
Radio read meter system and improvements to plants	Water	2008	\$ 5,900,000	\$ 5,900,000	\$ 433,173	na
St. Mary's Raw Water Main Project	Water	2007	3,000,000	3,000,000	212,633	na
Distribution improvements	Water	2009	3,300,000	3,300,000	181,313	\$765,452
Easton's Pond Dam and Moat Repairs	Water	2011	6,640,000	5,732,222	544,095	na
Water Treatment Plants	Water	2012	53,100,000	33,940,601	3,476,201	na
Water Treatment Plants	Water	2013	31,000,000	2,275,831	2,275,831	na
Sewer Improvements	WPC	2002	13,000,000	13,000,000	894,371	na
Easton Pond ultraviolet disinfection system; railroad interceptor replacement; combined sewer overflow projects	WPC	2009	6,595,532	6,259,865	384,978	995,579
Thames Street and Wellington Avenue interceptor repairs and replacement; and Long Wharf force main repairs	WPC	2010	9,327,000	9,327,000	650,475	na
Long Wharf force main repairs	WPC	2011	3,095,505	3,095,505	224,754	na
Long Wharf force main repairs	WPC	2011	10,345,000	10,345,000	544,095	na

CITY OF NEWPORT, RHODE ISLAND
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Changes in long-term obligations (continued)

The City has a \$2,337,000 General Obligation Qualified Zone Academy Bond, Series 2001 dated December 14, 2001, due December 14, 2015, which was used to help finance the construction of Thompson Middle School. The bond may not be prepaid prior to the maturity date. The City is required to make annual sinking fund installments of \$133,110 with the trustee, which will be invested with the bank (purchaser of the bond). The total amount to be deposited into the sinking fund is \$1,863,536. The City is responsible for ensuring that the entire \$2,337,000 is repaid. Therefore, if the sinking fund payments plus investment earnings are insufficient to cover the \$2,337,000, the City will be responsible for the balance due. Current fair market value of the sinking fund is \$1,797,817 which amount is reported in the debt service fund, a nonmajor governmental fund.

Bonded indebtedness on June 30, 2013 matures over fiscal years through 2034 as follows:

<u>Year ending June 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 2,880,000	\$ 1,572,013	\$ 2,733,368	\$ 3,516,622
2015	3,050,000	1,632,994	4,889,492	3,939,951
2016	4,703,536	1,531,631	6,251,303	3,828,110
2017	2,875,000	1,424,287	6,397,824	3,693,093
2018	2,875,000	1,337,700	6,553,077	3,545,452
2019-2023	13,640,000	4,872,582	35,630,535	15,031,842
2024-2028	7,675,000	2,543,100	36,074,000	9,491,194
2029-2032	7,175,000	904,050	29,854,532	3,769,790
2033-2034	-	-	7,549,000	195,778
Amounts Not Yet Drawn	-	-	(48,789,842)	-
	<u>\$ 44,873,536</u>	<u>\$ 15,818,357</u>	<u>\$ 87,143,289</u>	<u>\$ 47,011,832</u>

Debt authorized by the City Council and voters, where applicable, and not yet issued at June 30, 2013 is as follows:

Road Improvement Bonds Capital Projects Fund	\$ 7,000,000
Water System Improvements	900,000
Sewer System Improvements	10,673,000

CITY OF NEWPORT, RHODE ISLAND
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Notes payable

Business-type Activities

In 1984, the Redevelopment Agency of Newport purchased a vacant building in an area of the City designed for redevelopment. As part of the financing for this purchase, the State of Rhode Island loaned the Redevelopment Agency \$200,000. The underlying note bears no stated interest rate or maturity and is secured with a mortgage on the building. The Redevelopment Agency turned over the building to the City of Newport Maritime Fund in April, 2010. As of June 30, 2013, \$200,000 was payable. The note is required to be paid only upon the sale of the building.

G. Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2013 was as follows:

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Due Within One Year
Governmental activities:					
Bonds payable	\$ 18,025,361	\$ 28,575,000	\$ 1,726,825	\$ 44,873,536	\$ 2,880,000
Bond premium	969,290	2,603,044	227,834	3,344,500	227,834
Note payable	9,000,000	18,444,000	27,444,000	-	-
Leases payable	969,865	-	95,195	874,670	98,118
Claims and judgments	544,126	-	72,186	471,940	53,190
Compensated absences	7,322,482	3,625,476	3,750,836	7,197,122	3,190,774
Net pension obligation	4,794,287	-	30,416	4,763,871	-
Net OPEB obligation	6,938,644	-	1,570,620	5,368,024	-
TOTAL	\$ 48,564,055	\$ 53,247,520	\$ 34,917,912	\$ 66,893,663	\$ 6,449,916
Business-type activities:					
Bonds payable	\$ 56,676,068	\$ 33,495,199	\$ 3,027,978	\$ 87,143,289	\$ 2,733,368
Note payable	200,000	-	-	200,000	-
Note payable	5,105,000	-	5,105,000	-	-
Net OPEB obligation	739,529	-	62,729	676,800	-
TOTAL	\$ 62,720,597	\$ 33,495,199	\$ 8,195,707	\$ 88,020,089	\$ 2,733,368

CITY OF NEWPORT, RHODE ISLAND
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. *Operating leases*

The City leases certain office equipment under multi-year agreements that are subject to annual appropriation. Additionally, the Water Fund assesses the General Fund an annual lease charge of \$657,123 for providing a public fire protection system owned by the Water Fund pursuant to tariffs mandated by the Rhode Island Public Utilities Commission. For the year ended June 30, 2013, the General Fund incurred expenditures of \$657,123 associated with these agreements. The minimum annual lease obligations of the General Fund related to these agreements are \$657,123 until such time as the Rhode Island Public Utilities Commission approves a rate change.

I. *Capital leases*

The City entered into an agreement to lease purchase a new HVAC system for the School Department in the principal amount of \$1,062,226 at an interest rate of 3.07%. Payments of principal and interest are being amortized as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 98,118	\$ 26,852
2015	101,130	23,840
2016	104,235	20,735
2017	107,435	17,535
2018	110,733	14,237
2019 - 2021	353,019	21,894
	<u>\$ 874,670</u>	<u>\$ 125,093</u>

Equipment under capital leases in capital assets at June 30, 2013 included the following:

Machinery and equipment	\$1,062,226
Less: Accumulated Depreciation	(318,669)
Net	<u>\$ 743,557</u>

Amortization of leased equipment under capital assets is included with depreciation expense.

J. *Statutory debt limitations*

Rhode Island General Laws cap the amount of each municipality's general obligation bonds that may be outstanding to 3% of its assessed property values. Exceptions apply to bonds financed from non-tax revenues and special exemptions are granted for other purposes as well. The assessed value of Newport properties at December 31, 2012 was \$5,314,477,688, limiting the amount of non-excepted general obligation bonds outstanding to \$159,434,331. Bonds of \$44,873,536 outstanding at June 30, 2013 are general obligations and subject to the statutory limitation.

CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

K. Fund balances

The following table details the purposes for which fund balances may be nonspendable, restricted, committed or assigned.

	General Fund	Community Development Block Grant	Permanent Fund	Capital Projects Fund	Other Governmental Funds	Total
Nonspendable:						
Endowments	\$ -	\$ -	\$ 2,181,651	\$ -	\$ -	\$ 2,181,651
Restricted:						
Trust purposes	-	-	6,813,099	-	-	6,813,099
Education	-	-	-	-	209,975	209,975
For recreation by donors	88,288	-	-	-	-	88,288
Planning, urban and economic development	-	-	-	-	1,756,443	1,756,443
Public safety	-	-	-	-	352,350	352,350
Community and social services	-	456,430	-	-	-	456,430
Debt service	-	-	-	-	1,797,817	1,797,817
Total Restricted	88,288	456,430	6,813,099	-	4,116,585	11,474,402
Committed:						
General government	759,186	-	-	-	-	759,186
Capital improvements	-	-	-	7,233,629	-	7,233,629
Total Committed	759,186	-	-	7,233,629	-	7,992,815
Assigned:						
Public improvements	1,534,889	-	-	-	-	1,534,889
Total Assigned	1,534,889	-	-	-	-	1,534,889
Unassigned	11,247,717	-	-	-	(246,686)	11,001,031
Totals	\$ 13,630,080	\$ 456,430	\$ 8,994,750	\$ 7,233,629	\$ 3,869,899	\$ 34,184,788

The restricted amounts consist of state and federal grants as well as the expendable portion of the trust funds. Funds cannot be spent for any purpose other than that specified by the grantor, trust donor or law.

The committed amounts in the general fund are encumbrances wherein the amounts or service has been ordered but not yet delivered.

The assigned amount in the general fund is the balance of proceeds from the sale of Lenthal School. The Council has assigned those amounts by resolution.

V. OTHER INFORMATION

A. Risk management

Through its operations, the City is exposed to various risks of loss related to torts, general liability, errors and omissions, and property losses due to theft, damage, or destruction, each of which is insured through a public entity risk pool; and to employee injuries and claims for unemployment, for which the City retains the risk of loss. Terms of collective bargaining agreements also require the City to assume risks of employee financial losses resulting from health and dental catastrophes and death, each of which the City has transferred to commercial insurers.

The City is a member of the Rhode Island Inter-local Risk Management Trust (the "Trust"), a non-profit public entity risk pool which provides insurance coverage to participants in exchange for an annual premium and a pro-rata share of certain administrative expenses. Coverage is provided in accordance with each member's policy, subject to deductibles, through a pooling of risks among participants, supplemented by commercial reinsurance for excess losses. Management believes the Trust's reserves to be adequate to meet all reported claims, as well as an estimate of potential claims for losses incurred but not reported. Accordingly, no accrual has been made for potential liabilities arising from risks once they have been transferred to the Trust.

The City maintains \$2,000,000 of liability insurance per incident and insures property for replacement cost. Settled claims have not exceeded coverage through the Trust in any of the past three years.

The City self insures certain properties for all or a portion of flood insurance. The following list details the replacement cost of the building and/or contents:

Fully Self-insured:

<u>Property</u>	<u>Building Value</u>	<u>Contents/Other Value</u>	<u>Total Value</u>
America's Cup Parking Garage	\$ 4,015,328	\$	\$ 4,015,328
Cardine's Field Restrooms	224,609		224,609
Cardine's Field Storage Building	18,566		18,566
Easton's Beach Storage Building	95,836		95,836
Eisenhower Park Structures		53,800	53,800
King's Park Restrooms	127,602		127,602
Long Wharf Harbormaster Shed	39,902	4,051	43,953
Easton's Beach Carousel/Concessions	3,408,394	450,000	3,858,394
Gateway Center	3,343,092		3,343,092
Convention Center Canopies	1,113,819		1,113,819
	<u>\$ 12,387,148</u>	<u>\$ 507,851</u>	<u>\$ 12,894,999</u>

Remaining properties are fully or partially insured through the National Flood Insurance Program or through the Trust. Deductibles for the National Flood Insurance Program are either \$2,000 or \$50,000. The exposure of partially insured properties is \$12,894,999 less \$10,000,000 per member annual aggregate. The City has not established reserves and believes that the risk of flood damage to all of the self-insured or partially insured properties at any one time is minimal.

V. OTHER INFORMATION (CONTINUED)**B. *Pension plans***

All eligible employees of the City are covered by one of four pension plans, the Employees' Retirement System of the State of Rhode Island (Teachers' Plan), the Municipal Employees' Retirement System of the State of Rhode Island (Municipal Plan), the Firemen's Pension Plan and the Policemen's Pension Plan. The Teachers' Plan covers all School Department personnel certified by the Rhode Island Department of Education who are or have been engaged in teaching as a principal occupation. The Municipal Plan covers all employees not covered under the Teachers' Plan. However, fire employees and police officers have elected to participate in a single-employer pension plan administered by the City. The Firemen's Pension Plan and Policemen's Pension Plan cover all employees covered under a collective bargaining agreement either with the International Association of Firefighters, Local 1080 or the Fraternal Order of Police, Lodge Number 8. Total covered payroll under all plans during 2013 was \$37,728,040. Total City payroll was \$47,143,306 for the same period.

Teachers' Plan**Plan Description**

The Teachers' Plan is a combined (hybrid) statutory, mandatory, statewide, cost-sharing multiple employer public employee retirement system plus a defined contribution plan administered by the State. The plan provides retirement, death and disability benefits as outlined in Chapters 36-10 and 16-16 of the Rhode Island General laws. The benefits may be amended by the Rhode Island General Assembly. Financial statements for the plan are issued separately and may be obtained by writing to Employees' Retirement System of Rhode Island, 40 Fountain Street, Providence, Rhode Island, 02903 or by calling (401) 457-3900. Total covered payroll under the plan during 2013 was \$16,258,866, including \$1,046,557 of federally reimbursed payroll.

Funding Policy

Rhode Island general laws set the contribution rates of participating employees at 10.75% of salary (3.75% to the defined benefit trust and 7.0% to the defined contribution plan) effective July 1, 2012. Annual required contributions by both employers and the State on behalf of those employees are determined by actuaries and assessed as a percentage of participants' payroll. The required contributions include (a) normal costs; (b) payments to amortize the unfunded frozen actuarial accrued liability as of July 1, 1985 over 30 years; (c) interest on the unfunded frozen actuarial liability; and a percentage of payroll contribution into the defined contribution plan. Normal cost is determined using the individual entry age cost method with frozen initial liability. The City participates in the optional Teachers Survivor Benefits Fund whereby both the employer and the employee contribute 1% of the first \$9,600 of each participating employee's salary for survival benefits.

CITY OF NEWPORT, RHODE ISLAND
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

V. OTHER INFORMATION (CONTINUED)

B. Pension plans (continued)

Teachers' Plan (continued)

Funding Policy (continued)

As prescribed by Rhode Island general law, the State pays the entire portion of the annual required contribution attributable to the costs of contributions deferred by the State in prior years, plus 40% of contributions assessed to employers on payroll not reimbursable through federal programs. For fiscal year 2013, actuarial required contributions were 14.41% of participants' salary (also 22.29% for federally reimbursed salary). This resulted in a contribution rate paid by the State on behalf of City teachers of 7.88%. In accordance with the provisions of GASB Statement No. 24, the City has recorded "on-behalf" payments of \$1,198,424 for amounts paid by the State on behalf of City teachers. The City's contribution rate was 14.41%. The City's required and actual contributions to the Teachers' Plan for fiscal years 2013, 2012, and 2011 were \$2,424,934, \$2,274,802, and \$1,952,662, respectively.

Municipal Plan

Plan Description

The Municipal Plan is a combined (hybrid) agent multiple employer public employee retirement system plus a defined contribution plan administered by the State. The plan provides retirement, death and disability benefits as outlined in Chapters 36-10 and 16-16 of the Rhode Island General laws. The benefits may be amended by the Rhode Island General Assembly. Financial statements for the plan are issued separately and may be obtained by writing to the Employees' Retirement System, 40 Fountain Street, Providence, Rhode Island, 02903-1854 or by calling (401) 457-3900. For fiscal year 2013, payroll for employees covered under the plan totaled \$10,891,431. As of June 30, 2013, 263 active employees were members of the Municipal Plan.

Funding Policy

Rhode Island general laws set contributions of participating employees at 6% of salary (1% to the defined benefit plan and 5% to the defined contribution plan). The City participates in an optional cost-of-living provision which assesses an additional 1% of salary to the participants. Annual required contributions are actuarially determined for each separate employer and are assessed to each as a percentage of their participating employees' payroll. The annual required contribution covers a percentage of payroll into the defined contribution plan. The annual required contribution into the defined benefit plan includes normal costs and, where applicable, a payment to amortize the unfunded actuarial accrued liability (UAAL) as of June 30, 1999, over a closed period of 30 years. There are 16 years remaining as of June 30, 2013. The amortization contribution rate is level percentage of payroll required to reduce the UAAL to zero over the remaining amortization period. Normal cost is determined using the entry age normal cost method. Unlike in the Teachers' Plan, the State makes no contributions to the Municipal Plan on behalf of the City, nor does it assume any liability for funding pension benefits for the City's participants. The City's required and actual contributions to the Municipal Plan for fiscal years 2013, 2012, and 2011 were \$2,045,444, \$1,803,085, and \$1,556,090, respectively.

V. **OTHER INFORMATION (CONTINUED)**

B. ***Pension plans (continued)***

Municipal Plan (continued)

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2012 was as follows:

Actuarial Valuation Date	(A) Actuarial Value of Assets	(B) Actuarial Accrued Liability (AAL) Projected Unit Credit	(A - B) Under Funded AAL	(A/B) Funded AAL Ratio	(C) Covered Payroll	[(A-B)/C] Underfunded AAL as a Percentage of Covered Payroll
June 30, 2012	\$ 44,368,246	\$ 67,347,521	\$ 22,979,275	65.9%	\$ 10,681,628	215.1%

Actuarial valuations involve the estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress, immediately following the notes to the financial statements (RSI) presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarial accrued liability for benefits.

V. OTHER INFORMATION (CONTINUED)**B. *Pension plans (continued)*****Municipal Plan (continued)****Actuarial Methods and Significant Assumptions**

The State used the projected unit credit actuarial cost method to determine both the actuarial accrued liabilities and annual required contributions to each member of the plan. Pension assets are valued at their fair value as established by quotations from applicable national securities exchanges. The actuarial value of pension assets is used in the calculation of the actuarial accrued liabilities and funding requirements. The actuarial value of pension assets means that the value is smoothed over 5 years. Valuations of accrued liabilities, pension assets, and annual required contributions for the Municipal Plan are performed annually as of June 30.

Significant actuarial assumptions used in each valuation are summarized as follows:

Asset appreciation	7.50% annually
Salary increases	4.00% annually, plus a service component
Payroll growth rate (for amortization)	3.75% annually
Cost of living adjustments	2.00%, not compounded
Inflation rate	2.75% annually
Retirement probability	100% at age 75 or upon eligibility

Mortality:

Healthy members – Males: pre-retirement 75% and post retirement 115% of RP2000 Combined Healthy with White Collar Adjustments Mortality Table; Females pre-retirement 75% and postretirement 95% of RP2000 Combined Healthy with White Collar Adjustments Table;

Disabled members – 60% of the PBGC Table Va for disabled male members eligible for Social Security disability benefits and 60% of the PBGC Table Via for disabled female members eligible for Social Security

Disability: Probabilities ranging from .06% at age 25 to .98% at age 60

CITY OF NEWPORT, RHODE ISLAND
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

V. OTHER INFORMATION (CONTINUED)

B. *Pension plans (continued)*

Fire Pension Plan and Police Pension Plan

The City has separately established and administers two defined benefit pension plans; the Firemen's Pension Plan (Fire Plan) and the Policemen's Pension Plan (Police Plan). Each plan is reported as a pension trust fund in the City's fiduciary fund net assets. A separate report on these pension plans is not available; they are audited as part of the City's audit.

Summary of Significant Accounting Policies and Plan Asset Matters

1. Basis of Accounting

The pension trust fund financial statements are prepared on the accrual basis of accounting. Revenues (contributions and investment income) are recognized when they are earned and expenses (benefits and administration) are recognized when they are due and payable in accordance with the terms of the plan.

2. Valuation of Investments

Investments are valued at fair value. Securities traded on national exchanges are valued at the last reported sales price. There are no investments of 5% or greater in any one organization. The City does not use an actuarial smoothing process in determining value of assets.

Plan Descriptions and Contribution Information

As of June 30, 2013, membership in each plan was as follows:

	<u>Fire Plan</u>	<u>Police Plan</u>
Active employees hired before July 1, 1984	3	1
Active employees hired on or after July 1, 1984	<u>82</u>	<u>76</u>
Total active employees	85	77
Inactive employees with vested rights	1	1
Pensioners and beneficiaries	<u>122</u>	<u>120</u>
Total plan members	<u>208</u>	<u>198</u>

V. OTHER INFORMATION (CONTINUED)**B. *Pension plans (continued)*****Fire Pension Plan and Police Pension Plan (continued)****Plan Descriptions and Contribution Information (continued)**

Each plan is a single-employer defined benefit pension plan which provides retirement, disability and death benefits to its participants. For fiscal year 2013, covered payroll under the plans was \$5,509,307 and \$5,147,999 for the fire and police plans, respectively. Rights to pension benefits become fully vested for fire and police participants after 10 years of service. Police are eligible to retire after 20 years of service, and firefighters are eligible to retire after 25 years of service. Police benefits are equal to 50% of salary with an additional 2.5% for each year of service after 20 years and up to 25 years of service, with the total benefit not to exceed 62.5% of salary. Police retirees who work more than 25 years are entitled to an additional 1.5%, with the total benefit not to exceed 70% of salary. The fire pension plan entitles retirees to benefits equal to 65% of salary for those who retire at 25 years. The percentage increases by 1% per year until the maximum of 70% of salary is attained. Fire employees hired after July 1, 2011 cannot receive pension benefits until they reach the age of 58.

Pre-retirement benefits at a minimum of 25% and 50% of salary are provided to disabled fire and police participants, respectively. However, fire employees are eligible for an additional 2.5% of salary for each year of service in excess of 10 years until a maximum benefit of 62.5% of salary is attained. Surviving spouses under both plans are also eligible for pre-retirement death benefits of 67.5% of salary, subject to a pro-rata reduction for participants having fewer than 20 years of service.

Contributions and Funding Policy – Under terms of their collective bargaining agreements, firefighters are required to contribute 9% of salary and policemen are required to contribute 8% of salary to their respective pension plans. The City policy is to fund a minimum of 100% of the annual required contribution as determined by an independent actuary. Rhode Island general laws, City ordinances and collective bargaining agreements establish minimum employer funding. However, the City's policy results in required contributions in excess of the statutory and contractual minimum levels. The City is amortizing the unfunded accrued liability over a closed 30 year period, of which 18 years remain.

CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

V. **OTHER INFORMATION (CONTINUED)**

B. ***Pension plans (continued)***

Fire Pension Plan and Police Pension Plan (continued)

Financial Information

STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2013

	<u>POLICE PENSION FUND</u>	<u>FIRE PENSION FUND</u>
ASSETS		
Cash and investments	\$ 48,458,987	\$ 36,763,263
LIABILITIES		
Accounts payable	47,033	35,339
NET POSITION		
Net position held in trust for pension benefits	<u>\$ 48,411,954</u>	<u>\$ 36,727,924</u>

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

	<u>POLICE PENSION FUND</u>	<u>FIRE PENSION FUND</u>
ADDITIONS		
Contributions	\$ 3,865,952	\$ 5,324,329
Investment income (loss), net of investment expenses	6,688,040	5,183,591
TOTAL ADDITIONS	<u>10,553,992</u>	<u>10,507,920</u>
DEDUCTIONS		
Benefits	4,431,444	5,400,180
Administration	76,740	57,917
TOTAL DEDUCTIONS	<u>4,508,184</u>	<u>5,458,097</u>
CHANGES IN NET POSITION	6,045,808	5,049,823
NET POSITION - JULY 1, 2012	<u>42,366,146</u>	<u>31,678,101</u>
NET POSITION - JUNE 30, 2013	<u>\$ 48,411,954</u>	<u>\$ 36,727,924</u>

CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

V. OTHER INFORMATION (CONTINUED)

B. Pension plans (continued)

Fire Pension Plan and Police Pension Plan (continued)

Funded Status and Funding Progress

The funded status of the plans as of July 1, 2013 (the date of the most recent actuarial valuation) was as follows:

Actuarial Valuation Date	(A) Actuarial Value of Assets	(B) Actuarial Liability (AAL) Projected Unit Credit	(A - B) Under Funded AAL	(A/B) Funded AAL Ratio	(C) Covered Payroll	[(A-B)/C] Underfunded AAL as a Percentage of Covered Payroll
<u>FIRE PLAN</u>						
July 1, 2013	\$ 36,727,924	\$ 93,822,904	\$ 57,094,980	39.1%	\$ 5,509,307	1036.3%
<u>POLICE PLAN</u>						
July 1, 2013	\$ 48,411,954	\$ 82,838,152	\$ 34,426,198	58.4%	\$ 5,147,999	668.7%

Actuarial valuations involve the estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress, immediately following the notes to the financial statements (RSI) presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarial accrued liability for benefits.

Annual Pension Costs and Net Pension Obligations

Separate actuarial valuations for each plan were performed as of July 1, 2013. The following table summarizes annual pension costs for both the Police Plan and Fire Plan:

	<u>Fire Plan</u>	<u>Police Plan</u>
Annual required contribution (ARC)	\$ 4,822,711	\$ 3,461,972
Amount representing interest on NPO	358,823	(473,419)
Adjustment to ARC	(379,252)	474,984
Total annual pension costs	<u>\$ 4,802,282</u>	<u>\$ 3,463,537</u>

CITY OF NEWPORT, RHODE ISLAND
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

V. **OTHER INFORMATION (CONTINUED)**

B. ***Pension plans (continued)***

Fire Pension Plan and Police Pension Plan (continued)

Annual Pension Costs and Net Pension Obligations (continued)

A summary of annual pension costs, contributions, and net pension obligations (NPO) and net pension asset (NPA) of each plan over the preceding three years is as follows:

	Fire Plan		
	2013	2012	2011
Annual pension costs	\$ 4,802,282	\$ 4,562,203	\$ 4,370,773
Actual contributions	4,822,711	4,560,741	4,359,109
Increase (decrease) in NPO	(20,429)	1,462	11,664
Net pension obligation, July 1	4,784,300	4,782,838	4,771,174
Net pension obligation, June 30	<u>\$ 4,763,871</u>	<u>\$ 4,784,300</u>	<u>\$ 4,782,838</u>
% of annual pension costs contributed	<u>100.4%</u>	<u>100.0%</u>	<u>99.7%</u>
	Police Plan		
	2013	2012	2011
Annual pension costs	\$ 3,463,537	\$ 2,886,091	\$ 3,089,660
Actual contributions	3,461,972	2,899,579	3,116,642
Increase in NPA	1,565	(13,488)	(26,982)
Net pension asset, July 1	(6,312,247)	(6,298,759)	(6,271,777)
Net pension asset, June 30	<u>\$ (6,310,682)</u>	<u>\$ (6,312,247)</u>	<u>\$ (6,298,759)</u>
% of annual pension costs contributed	<u>100.0%</u>	<u>100.5%</u>	<u>100.9%</u>

Actuarial Methods and Significant Assumptions

Actuarial valuations utilize the projected unit credit method to determine both the actuarial accrued liabilities and annual required contributions to each plan. Pension assets are valued at their fair market value as established by quotations from applicable national securities exchanges. Valuations of accrued liabilities, pension assets, and annual required contributions for both plans are performed annually as of July 1.

CITY OF NEWPORT, RHODE ISLAND
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

V. **OTHER INFORMATION (CONTINUED)**

B. ***Pension plans (continued)***

Fire Pension Plan and Police Pension Plan (continued)

Actuarial Methods and Significant Assumptions (continued)

Significant actuarial assumptions used in each valuation are summarized as follows:

	<u>Fire</u>	<u>Police</u>
Valuation Date	July 1, 2013	July 1, 2013
Actuarial Cost Method	Individual Entry Age	Individual Entry Age
Amortization Method	Level Dollar Closed	Level Dollar Closed
Remaining Amortization Period	20 Years	20 Years
Asset appreciation	7.50% annually	7.50% annually
Salary increases	3.00% annually	3.00% annually
Cost of living increase:	3.00%	3.00%
Members retired prior to 8/21/11	3.00%	
Members retiring after 8/21/11	Bureau of Labor CPI for Northeast Urban Wage Earners, not exceeding 3.00% or less than .05%	
Inflation	3.00%	3.00%
Mortality:		
Healthy Members (police and fire)	RP2000 Combined Healthy Mortality Table, applied on a Fully generational basis using Mortality Projection Scale AA.	
Disabled Members (police and fire)	1985 Wyatt Pension Disability Table	

Concentrations - As of June 30, 2013, and during the year then ended, no pension assets were invested in any organization which collectively held 5% or more of the total assets of either plan.

C. ***Other post-employment benefit (OPEB)***

Plan description

The City of Newport offers family or individual health insurance to retirees and life insurance to police retirees. The plan is reported as an OPEB trust fund in the City's financial statements. The plan does not issue separate financial statements. Employees vest for OPEB when they vest for pension benefits. Retired police employees receive \$25,000 in retiree life insurance. Employees can choose individual or family coverage when active, which is paid by the City. All employees contribute towards the cost of their health insurance, while active and after retirement. If an employee retires prior to age 65, the employee remains in their pre-retirement medical plan from the date of their retirement until age 65. At age 65, non-teachers enter Plan65 unless they are grandfathered in under another medical plan or are Medicare ineligible. AFSCME and NEA employees, police employees hired after July 1, 2009, and fire employees hired after July 1, 2011 are not entitled to Plan65. Medicare ineligible participants remain in the medical plan they chose as active employees. Teachers who are in the "Extended Benefit Plan" contribute 5% of their salary in order to receive Plan65 when eligible. The "Extended Benefit Plan" has been closed to new participants and teachers can opt-out of the "Extended Benefit Plan". New teachers and teachers who opt-out of the "Extended Benefits Plan" do not receive any City funded benefits once they reach age 65.

V. OTHER INFORMATION (CONTINUED)

C. Other post-employment benefit (OPEB) (continued)

Summary of significant accounting policies and plan asset matters

Basis of Accounting

The OPEB trust fund financial statements are prepared on the accrual basis of accounting. Contributions are recognized when they are due, pursuant to formal commitments and contractual requirements. Investment income is recognized when earned. Expenses (benefits and administration) are recognized when they are due and payable in accordance with terms of the plan.

Valuation of Investments

Investments are valued at fair value. Securities traded on national exchanges are valued at the last reported sales price. There are no investments of 5% or greater in any one organization.

Classes of Employees Covered

As of July 1, 2013 membership data was as follows:

Active employees	622
Retirees	<u>528</u>
Total plan members	<u>1,150</u>

Benefit provisions and contributions

A portion of health insurance premiums is borne by the City, dependent upon each retiree's covered group, date of retirement and credited service. For members covered under the Police Pension Plan retiring after June 30, 1987, the City pays 50% of premiums plus an additional 5% of premiums for each year of service between 11 and 20 years, until 100% is paid. Retirees prior to that date are responsible for premiums for each year between 11 and 25 years, until 100% is paid. Employees hired after July 1, 2009 are not eligible for Plan65. For members covered under the Fire Pension Plan that retired prior to September 12, 2007, the City pays 100% of health insurance premiums for members, provided that the retiree was eligible for retirement (25 years of service) at the date of separation from service. Members that retire after September 12, 2007 contribute 1% of their pension benefit towards the cost of retiree health insurance. For retirees with less than 25 years of service, the City contribution is reduced 4% per year of service less than 25. Members hired after July 1, 2011 are not eligible for Plan65. Premiums for retirees of both the Teachers' Plan and the Municipal Plan are fully paid by the City (less a retiree premium share) until age 65, provided the retiree was eligible for retirement at the time of separation from service. The City pays for a \$25,000 life insurance policy for retired police with at least 10 years of service, and for a temporary (until age 65) \$50,000 life insurance policy for retired teachers. Members of each group may elect dental and life insurance coverage at their expense.

CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

V. **OTHER INFORMATION (CONTINUED)**

C. ***Other post-employment benefit (OPEB) (continued)***

Summary financial information

The Other Post-Employment Benefit Trust summary financial information reported in the financial statements is as follows:

STATEMENT OF FIDUCIARY NET POSITION
OTHER POST-EMPLOYMENT BENEFIT TRUST FUND
JUNE 30, 2013

ASSETS	
Cash and investments	\$ 28,940,007
LIABILITIES	
Accounts payable	<u>23,274</u>
NET POSITION	
Net position held in trust for OPEB benefits	<u><u>\$ 28,916,733</u></u>

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
OTHER POST-EMPLOYMENT BENEFIT TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2013

ADDITIONS	
Contributions	\$ 2,300,000
Investment income (loss), net of investment expenses	<u>3,584,538</u>
TOTAL ADDITIONS	<u>5,884,538</u>
DEDUCTIONS	
Benefits	-
Administration	<u>37,221</u>
TOTAL DEDUCTIONS	<u>37,221</u>
CHANGE IN NET POSITION	5,847,317
NET POSITION - JULY 1	<u>23,069,416</u>
NET POSITION - JUNE 30	<u><u>\$ 28,916,733</u></u>

CITY OF NEWPORT, RHODE ISLAND
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

V. OTHER INFORMATION (CONTINUED)

C. *Other post-employment benefit (OPEB) (continued)*

Annual OPEB cost and net OPEB obligation

The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. 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 over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation.

Annual required contribution	\$ 7,544,617
Interest on net OPEB obligation	575,863
Adjustment to annual required contribution	<u>(433,228)</u>
Annual OPEB cost (expense)	7,687,252
Contributions made	<u>9,320,601</u>
Increase (decrease) in net OPEB obligation	<u>(1,633,349)</u>
Net OPEB obligation - July 1, 2012	<u>7,678,173</u>
Net OPEB obligation - June 30, 2013	<u><u>\$ 6,044,824</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the previous five years is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2008	\$ 9,997,870	72.3%	\$ 9,521,806
June 30, 2009	10,615,386	104.6%	9,037,637
June 30, 2010	9,243,181	121.6%	7,429,179
June 30, 2011	11,191,505	90.0%	8,420,493
June 30, 2012	9,519,080	107.7%	7,678,173
June 30, 2013	7,687,252	121.2%	6,044,824

V. OTHER INFORMATION (CONTINUED)

C. *Other post-employment benefit (OPEB) (continued)*

Funded status and funding progress

The funded status of the plan as of July 1, 2013 (the date of the most recent actuarial valuation) was as follows:

Actuarial Valuation Date	(A) Actuarial Value of Plan Assets	(B) Actuarial Liability (AAL) Projected Unit Credit	(A-B) Unfunded Funded AAL	(A/B) Funded AAL Ratio	(C) Covered Payroll	[(A-B)/C] Under Funded AAL as a Percentage of Covered Payroll
July 1, 2013	\$ 29,027,818	\$ 119,400,005	\$ 90,372,187	24.3%	\$ 37,728,040	239.5%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

Actuarial methods and assumptions

The accompanying schedules of employer contributions present trend information about the amounts contributed to the plan by employers in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

V. OTHER INFORMATION (CONTINUED)**C. *Other post-employment benefit (OPEB) (continued)*****Actuarial methods and assumptions (continued)**

The projected unit credit cost method was used in the July 1, 2013 actuarial valuation. Actuarial assumptions included a 7.5% investment rate of return (net of administrative expenses). Only assets that have been contributed to the OPEB Trust are considered available for liabilities for purposes of the valuation. Assets are valued at Fair Market Value. The actuarial assumptions for healthcare cost trend is growth of 4.8% for 2013, 5.2% for 2014, 5.7% for 2015 and ultimately 3.8%. The UAAL is being amortized over a closed thirty year period using a level percent of pay. The City is in year 24 of the amortization schedule.

D. *Contingencies*

The City is involved in several lawsuits and claims. Both City officials and their legal counsel are unable to express an opinion as to the ultimate outcome of the cases, and no provision for loss has been made in the accompanying financial statements. It is the opinion of both the City officials and their legal counsel that the results of the cases would have no materially adverse effect on the City's financial position.

E. *On-Behalf Payments*

The amount recognized in the general fund intergovernmental revenues and education expenditures for contribution made by the state on-behalf of the City's teachers to the State Employees' Retirement System of Rhode Island was \$1,198,424.

**Required
Supplementary
Information**

CITY OF NEWPORT, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 JUNE 30, 2013

Fire Pension Plan							
Actuarial Valuation Date July 1	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets as % of AAL	Unfunded AAL	Annual Covered Payroll	Unfunded AAL as % of Covered Payroll	
2008	\$ 29,605,715	\$ 74,885,370	39.5%	\$ 45,279,655	\$ 5,294,240	855.3%	
2009	27,980,459	78,870,565	35.5%	50,890,106	5,047,963	1008.1%	
2010	30,820,663	82,030,956	37.6%	51,210,293	5,526,615	926.6%	
2011	32,832,334	82,907,130	39.6%	50,074,796	4,891,283	1023.8%	
2012	32,552,813	93,772,470	34.7%	61,219,657	5,532,707	1106.5%	
2013	36,727,924	93,822,904	39.1%	57,094,980	5,509,307	1036.3%	
Police Pension Plan							
Actuarial Valuation Date July 1	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets as % of AAL	Unfunded AAL	Annual Covered Payroll	Unfunded AAL as % of Covered Payroll	
2008	\$ 41,952,553	\$ 68,177,847	61.5%	\$ 26,225,294	\$ 4,979,082	526.7%	
2009	37,852,800	73,443,988	51.5%	35,591,188	5,064,850	702.7%	
2010	42,240,992	74,866,848	56.4%	32,625,856	5,023,341	649.5%	
2011	43,693,248	76,570,775	57.1%	32,877,527	5,048,815	651.2%	
2012	43,320,088	82,684,359	52.4%	39,364,271	5,033,625	782.0%	
2013	48,411,954	82,838,152	58.4%	34,426,198	5,147,999	668.7%	

(Continued)

CITY OF NEWPORT, RHODE ISLAND
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS (CONTINUED)
 JUNE 30, 2013

Municipal Employees Retirement System							
Actuarial Valuation Date June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets as % of AAL	Unfunded AAL	Annual Covered Payroll	Unfunded (Excess) AAL as % of Covered Payroll	
2007	\$ 42,883,619	\$ 57,719,476	74.3%	\$ 14,835,857	\$ 10,913,761	135.9%	
2008	46,324,266	60,565,718	76.5%	14,241,452	11,396,167	125.0%	
2009	46,291,715	65,391,781	70.8%	19,100,066	11,855,170	161.1%	
2010	45,258,714	75,087,374	60.3%	29,828,660	11,778,197	253.3%	
2011	44,242,231	67,501,891	65.5%	23,259,660	10,971,505	212.0%	
2012	44,368,246	67,347,521	65.9%	22,979,275	10,681,628	215.1%	
OPEB Trust Plan							
Actuarial Valuation Date July 1	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets as % of AAL	Unfunded AAL	Annual Covered Payroll	Unfunded AAL as % of Covered Payroll	
2008	\$ 4,476,103	\$ 142,838,552	3.1%	\$ 138,362,449	\$ 38,914,022	355.6%	
2009	8,486,653	125,947,132	6.7%	117,460,479	38,541,599	304.8%	
2010	13,952,666	150,082,585	9.3%	136,129,919	38,198,664	356.4%	
2011	20,075,296	146,820,053	13.7%	126,744,757	37,623,567	336.9%	
2012	23,113,176	119,342,233	19.4%	96,229,057	38,064,841	252.8%	
2013	29,027,818	119,400,005	24.3%	90,372,187	37,728,040	239.5%	

(Concluded)

CITY OF NEWPORT, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
JUNE 30, 2013

Fire Pension Plan

<u>Year ended June 30</u>	<u>Annual Required Contribution (ARC)</u>	<u>Actual Contribution</u>	<u>% of ARC Contributed</u>
2008	\$ 3,291,226	\$ 3,291,234	100.0%
2009	3,310,557	3,491,226	105.5%
2010	3,781,258	3,981,258	105.3%
2011	4,359,109	4,359,109	100.0%
2012	4,560,741	4,560,741	100.0%
2013	4,822,711	4,822,711	100.0%

Police Pension Plan

<u>Year ended June 30</u>	<u>Annual Required Contribution (ARC)</u>	<u>Actual Contribution</u>	<u>% of ARC Contributed</u>
2008	\$ 2,272,177	\$ 2,272,049	100.0%
2009	2,406,091	2,472,177	102.7%
2010	2,470,822	2,670,822	108.1%
2011	3,116,642	3,116,642	100.0%
2012	2,899,579	2,899,580	100.0%
2013	3,461,972	3,461,972	100.0%

Other Post-Employment Benefit Plan

<u>Year ended June 30</u>	<u>Annual Required Contribution (ARC)</u>	<u>Actual Contribution</u>	<u>% of ARC Contributed</u>
2008	\$ 9,997,870	\$ 7,232,426	72.3%
2009	10,238,391	11,099,555	108.4%
2010	9,050,275	11,241,301	124.2%
2011	10,751,437	9,810,529	91.2%
2012	9,380,150	10,422,684	111.1%
2013	7,544,617	9,320,601	123.5%

Supplemental Schedules

General Fund

The General Fund is composed of four separate funds. Schedules 1 and 2 show activity from the City's general operating fund only. Schedules 3 and 4 are General Fund combining schedules which combine four separate funds into one General Fund.

The City's general operating fund is used to account for all activities of the City, except those required to be accounted for in another fund. The City's general operating fund accounts for the normal recurring activities of the City (i.e., general government, public safety, public works, health, social services, recreation, etc.). These activities are funded principally by property taxes, user fees and grants from other governmental units. This fund is under the control of the City Council.

The School Unrestricted Fund is under control of the elected School Committee and is used to account for all activities of the school except for those required to be accounted for in the School Restricted Fund (primarily federal and state aid).

The City's Property Acquisition Fund is used to account for proceeds from the sale of City-owned properties. These funds are assigned by Council resolution for one-time expenditures or capital improvements.

The City's Gift Fund is used to account for monies given by outside donors for specific activities provided by the City. Examples include basketball tournaments, evening and children's programs and public safety equipment. These funds are considered restricted by donors.

CITY OF NEWPORT, RHODE ISLAND

GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET
PROPERTY TAXES:				
Current taxes - Real Estate	\$ 63,298,671	\$ 63,298,671	\$ 61,912,158	\$ (1,386,513)
Current taxes - MV	1,700,000	1,700,000	1,793,340	93,340
Delinquent - Real Estate	1,300,000	1,300,000	1,250,559	(49,441)
Delinquent taxes - MV	85,000	85,000	77,124	(7,876)
Penalties	350,000	350,000	341,959	(8,041)
Tax lien fees	25,000	25,000	26,932	1,932
Tax Abatements	(1,000,000)	(1,000,000)	-	1,000,000
Meals and beverage tax	1,900,000	1,900,000	1,912,423	12,423
Hotel occupancy tax	2,000,000	2,000,000	1,778,251	(221,749)
TOTAL PROPERTY TAXES	69,658,671	69,658,671	69,092,746	(565,925)
INTERGOVERNMENTAL REVENUES:				
Telephone company tax	275,000	275,000	296,928	21,928
Miscellaneous state and federal aid	-	-	47,710	47,710
MV tax phase out	137,290	137,290	130,825	(6,465)
School housing aid	631,256	631,256	473,812	(157,444)
PILOT	900,000	900,000	960,102	60,102
State aid - library construction	213,200	213,200	213,253	53
TOTAL INTERGOVERNMENTAL REVENUES	2,156,746	2,156,746	2,122,630	(34,116)
CHARGES FOR SERVICES:				
GMH service fees	350,000	350,000	526,932	176,932
Hope IV Project service fees	160,000	160,000	123,025	(36,975)
Salve Regina service charges	6,902	6,902	6,902	-
Police special detail	1,780,000	1,780,000	2,014,760	234,760
Document prep and handling	72,000	72,000	61,659	(10,341)
Planning Services	400	400	949	549
Solid waste hauler fees	4,500	4,500	5,000	500
Community development services	59,629	59,629	59,629	-
Computer processing fees	334,567	334,567	320,477	(14,090)
Management services	932,877	932,877	854,679	(78,198)
Fire alarm assessments	147,900	147,900	154,800	6,900
Recycling bins	-	-	1,970	1,970
HR regional testing	3,500	3,500	2,900	(600)
Recreation activity fees	100,000	100,000	116,477	16,477
Ballfield rentals	20,000	20,000	27,591	7,591
Parking tickets	900,000	900,000	836,498	(63,502)
Recording fees	300,000	300,000	346,340	46,340
Conveyance tax	450,000	450,000	621,011	171,011
Probate fees	40,000	40,000	46,465	6,465
Rescue fees	700,000	700,000	662,514	(37,486)
General business	75,000	75,000	129,356	54,356
Hotel registration fees	6,000	6,000	7,050	1,050
Entertainment	20,000	20,000	23,555	3,555
Liquor	185,000	185,000	190,935	5,935
Mech amusement	15,000	15,000	11,625	(3,375)
Sunday selling	26,000	26,000	23,500	(2,500)
Taxi	1,000	1,000	1,340	340
Victualing	55,000	55,000	56,650	1,650
Animal	4,400	4,400	4,096	(304)
Marriage	5,000	5,000	5,550	550
Building	500,000	500,000	846,305	346,305
Plumbing	40,000	40,000	52,133	12,133
Mechanical	115,000	115,000	169,223	54,223
Electrical	103,000	103,000	156,520	53,520
Board of Appeals	17,000	17,000	17,580	580
HDC application fee	16,000	16,000	17,500	1,500
Road opening	60,000	60,000	32,400	(27,600)
Fire inspection fees	45,000	45,000	112,244	67,244
Fire - sundry	12,000	12,000	17,120	5,120
Police - sundry	8,000	8,000	23,058	15,058
Municipal court cost assessment	210,000	210,000	172,140	(37,860)
Payphone commissions	-	-	320	320
Vendor rights	8,800	8,800	9,187	387
Newport Grand Slot Machines	498,331	498,331	484,299	(14,032)
Other miscellaneous	50,000	50,000	165,735	115,735
Beach and Parking Expenses	2,492,258	2,492,258	-	(2,492,258)
Rental of property	95,000	95,000	93,466	(1,534)
TOTAL CHARGES FOR SERVICES	11,025,064	11,025,064	9,613,465	(1,411,599)
USE OF MONEY AND PROPERTY:				
Investment interest	200,000	200,000	(92,678)	(292,678)
OTHER REVENUES:				
Salary Reimbursements	-	-	100,000	100,000
Sale of surplus equipment	3,000	3,000	26,852	23,852
Public donations	141,500	141,500	212,234	70,734
TOTAL OTHER REVENUES	144,500	144,500	339,086	194,586
TOTAL REVENUES	83,184,981	83,184,981	81,075,249	(2,109,732)
OTHER FINANCING SOURCES:				
Appropriations of fund balance	250,000	250,000	-	(250,000)
Transfers in	-	-	11,183	11,183
TOTAL OTHER FINANCING SOURCES	250,000	250,000	11,183	(238,817)
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 83,434,981	\$ 83,434,981	\$ 81,086,432	\$ (2,348,549)

CITY OF NEWPORT, RHODE ISLAND

GENERAL FUND
 SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2013

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET
EXPENDITURES:				
General Government:				
Mayor and City Council	\$ 118,449	\$ 118,449	\$ 110,281	\$ 8,168
City Manager	715,564	700,564	702,869	(2,305)
City Solicitor	442,109	442,109	434,266	7,843
Canvassing	255,376	261,475	210,726	50,749
City Clerk	528,009	545,364	502,126	43,238
Finance	2,891,955	2,947,575	2,892,286	55,289
Reserve accounts	406,797	1,017,737	691,268	326,469
Public Safety:				
Police Department	16,125,055	15,888,542	15,685,668	202,874
Fire Department	17,089,520	16,761,245	16,458,831	302,414
Public Health	8,113,157	8,474,945	7,705,852	769,093
Planning, Zoning, and Development	1,307,114	1,336,706	1,255,404	81,302
Recreation	487,404	498,372	441,625	56,747
Beach and Parking Services	2,411,907	2,411,907	-	2,411,907
Human Services:				
Donations	72,650	72,650	70,100	2,550
Public Library	1,687,279	1,687,279	1,687,279	-
Pension expenditures	3,394,498	3,394,498	3,388,489	6,009
Debt service	2,564,581	2,564,581	2,458,321	106,260
TOTAL EXPENDITURES	58,611,424	59,123,998	54,695,391	4,428,607
OTHER FINANCING USES:				
Transfers out	24,823,557	24,838,557	25,013,172	(174,615)
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 83,434,981	\$ 83,962,555	\$ 79,708,563	\$ 4,253,992

CITY OF NEWPORT, RHODE ISLANDCOMBINING BALANCE SHEET
GENERAL FUND
JUNE 30, 2013

	GENERAL FUNDS				TOTAL GOVERNMENTAL GENERAL FUNDS
	CITY GENERAL FUND	SCHOOL UNRESTRICTED FUND	PROPERTY ACQUISITION FUND	GIFT FUND	
<u>ASSETS</u>					
Cash and cash equivalents	\$ 2,376,755	\$ 1,383,120	\$ 1,410,947	\$ 94,636	\$ 5,265,458
Investments	8,860,026	-	-	-	8,860,026
Receivables, net:					
Property taxes	1,816,653	-	-	-	1,816,653
Motor vehicle excise	1,450,094	-	-	-	1,450,094
Intergovernmental	-	-	-	-	-
Note/loan	-	-	-	-	-
Other	1,219,796	396,521	124,304	-	1,740,621
Due from other funds	123,197	-	-	-	123,197
Advances to other funds	-	-	-	-	-
TOTAL ASSETS	\$ 15,846,521	\$ 1,779,641	\$ 1,535,251	\$ 94,636	\$ 19,256,049
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>					
<u>LIABILITIES:</u>					
Accounts payable	\$ 837,063	\$ 508,229	\$ 362	\$ 6,348	\$ 1,352,002
Accrued liabilities	1,091,364	141,122	-	-	1,232,486
Due to other funds	70,000	-	-	-	70,000
Other liabilities	717,642	-	-	-	717,642
TOTAL LIABILITIES	2,716,069	649,351	362	6,348	3,372,130
<u>DEFERRED INFLOWS OF RESOURCES:</u>					
Unavailable revenue - property taxes	2,253,839				2,253,839
<u>FUND BALANCES:</u>					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	88,288	88,288
Committed	759,186	-	-	-	759,186
Assigned	-	-	1,534,889	-	1,534,889
Unassigned	10,117,427	1,130,290	-	-	11,247,717
TOTAL FUND BALANCES	10,876,613	1,130,290	1,534,889	88,288	13,630,080
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 15,846,521	\$ 1,779,641	\$ 1,535,251	\$ 94,636	\$ 19,256,049

CITY OF NEWPORT, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	GENERAL FUNDS				TOTAL GOVERNMENTAL GENERAL FUNDS
	CITY GENERAL FUND	SCHOOL UNRESTRICTED FUND	PROPERTY ACQUISITION FUND	GIFT FUND	
REVENUES:					
Local taxes	\$ 69,092,746	\$ -	\$ -	\$ -	\$ 69,092,746
Intergovernmental revenues	2,122,630	13,418,814	-	-	15,541,444
Charges for services	9,613,465	713,431	-	-	10,326,896
Use of money and property	(92,678)	86,472	-	-	(6,206)
Contributions	212,234	182,293	-	36,517	431,044
Other revenues	126,852	-	-	-	126,852
TOTAL REVENUES	81,075,249	14,401,010	-	36,517	95,512,776
EXPENDITURES:					
Current:					
General government	5,417,289	-	65,071	-	5,482,360
General education	-	36,642,571	-	-	36,642,571
Public safety	32,119,428	-	-	-	32,119,428
Public health	7,214,122	-	-	-	7,214,122
Planning, zoning and development	1,255,404	-	-	-	1,255,404
Recreation	441,625	-	-	31,651	473,276
Human services	1,775,379	-	-	-	1,775,379
Pension expenditures	3,388,489	-	-	-	3,388,489
Debt service:					
Principal	1,732,932	-	-	-	1,732,932
Interest	725,389	-	-	-	725,389
Capital outlays	428,639	609,249	-	-	1,037,888
TOTAL EXPENDITURES	54,498,696	37,251,820	65,071	31,651	91,847,238
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	26,576,553	(22,850,810)	(65,071)	4,866	3,665,538
OTHER FINANCING SOURCES (USES):					
Transfers out	(24,995,172)	-	-	-	(24,995,172)
Transfers in	11,183	22,564,157	-	17,969	22,593,309
Proceeds from sale of assets	-	-	730,000	-	730,000
NET OTHER FINANCING SOURCES (USES)	(24,983,989)	22,564,157	730,000	17,969	(1,671,863)
NET CHANGE IN FUND BALANCES	1,592,564	(286,653)	664,929	22,835	1,993,675
FUND BALANCES, BEGINNING	9,284,049	1,416,943	869,960	65,453	11,636,405
FUND BALANCES, ENDING	\$ 10,876,613	\$ 1,130,290	\$ 1,534,889	\$ 88,288	\$ 13,630,080

CITY OF NEWPORT, RHODE ISLAND

SCHEDULE 5

SCHOOL UNRESTRICTED FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2013

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Federal revenues	\$ 1,136,817	\$ 1,136,817	\$ 1,213,449	\$ 76,632
State revenues	10,661,062	10,661,062	11,006,941	345,879
Local revenues	1,185,189	1,368,524	982,196	(386,328)
TOTAL REVENUES	12,983,068	13,166,403	13,202,586	36,183
EXPENDITURES:				
General education	36,150,122	36,333,457	36,053,396	280,061
EXCESS OF EXPENDITURES OVER REVENUES	(23,167,054)	(23,167,054)	(22,850,810)	316,244
OTHER FINANCING SOURCES (USES):				
Transfers in	22,564,158	22,564,158	22,564,157	(1)
NET CHANGE IN FUND BALANCE	<u>\$ (602,896)</u>	<u>\$ (602,896)</u>	<u>(286,653)</u>	<u>\$ 316,243</u>
FUND BALANCE - JULY 1, 2012			<u>1,416,943</u>	
FUND BALANCE - JUNE 30, 2013			<u>\$ 1,130,290</u>	

Budget - GAAP Reconciliation: A reconciliation of revenues and expenditures between the accounting treatment required by GAAP (Schedule 4) and budgetary requirements (Schedule 5) is as follows:

	School Unrestricted	
	Revenues	Expenditures
Balance, Budgetary Basis, Schedule 5 - June 30, 2013	\$ 13,202,586	\$ 36,053,396
State teachers' retirement on-behalf payments	1,198,424	1,198,424
Balance, GAAP Basis, Schedule 4 - June 30, 2013	<u>\$ 14,401,010</u>	<u>\$ 37,251,820</u>

Permanent Funds

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting City's programs.

CITY OF NEWPORT, RHODE ISLAND

COMBINING BALANCE SHEET
PERMANENT FUNDS
JUNE 30, 2013

	CASH AND INVESTMENTS NET OF LIABILITIES	NONSPENDABLE FUND BALANCE	RESTRICTED FUND BALANCE
David Sears Trusts 1 - 9 (City Portion)	\$ 2,884,365	\$ 450,000	\$ 2,434,365
David Sears Trust - Heirs of David Sears	1,152,111	1,039,381	112,730
David Sears Trust - Public Improvements	120,748	-	120,748
Joseph Hammett Fund (1892)	36,203	1,500	34,703
Henderson Home Fund (1980)	1,063,229	139,781	923,448
Freebody Fund	115,117	97,000	18,117
EV Coles Fund (1899)	345,321	61,321	284,000
Hunter Industrial Fund (1942)	113,592	25,000	88,592
King School Fund (1864)	234,784	8,914	225,870
City Burial Lots	426,725	-	426,725
Private Burial Lots	7,704	-	7,704
Belmont Memorial Fund (1950)	36,973	2,000	34,973
Judah Touro M & C Fund (1879)	175,161	10,000	165,161
Touro Street Fund (1823)	74,657	5,000	69,657
Derby Fuel Fund (1849)	19,888	500	19,388
Fry Orphan Fund (1859)	25,990	5,131	20,859
R & E Bullock Fund (1944)	76,479	1,000	75,479
Poor and Aged Fund (1863)	1,246,669	100,000	1,146,669
Alexander Agassiz Fund (1901)	178,155	31,087	147,068
George H Norman Foundation Fund (1901)	61,069	6,899	54,170
Barbara Chapman Fund (1990)	4,730	2,000	2,730
E Townsend Fund (1889)	236,254	155,137	81,117
George N Buckout Fund (1955)	113,365	15,000	98,365
Edward Newton Fund (1959)	39,478	-	39,478
Braman Cemetery	183,792	-	183,792
Louis H Hobbs Fund (1988)	42,331	25,000	17,331
RIICAN Fund	8,945	-	8,945
Unallocated Expense	(29,085)	-	(29,085)
Total Permanent Trust Funds	\$ 8,994,750	\$ 2,181,651	\$ 6,813,099

CITY OF NEWPORT, RHODE ISLANDCOMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	FUND BALANCE JULY 1, 2012	REVENUES Use of Money & Property and Investment Changes	EXPENDITURES Human Services	FUND BALANCE JUNE 30, 2013
David Sears Trusts 1 - 9 (City Portion)	\$ 2,571,057	\$ 313,308	\$ -	\$ 2,884,365
David Sears Trust - Heirs of David Sears	1,030,208	121,903	-	1,152,111
David Sears Trust - Public Improvements	73,741	119,657	(72,650)	120,748
Joseph Hammett Fund (1892)	32,368	5,065	(1,230)	36,203
Henderson Home Fund (1980)	956,113	143,376	(36,260)	1,063,229
Freebody Fund	102,442	14,550	(1,875)	115,117
EV Coles Fund (1899)	311,989	45,162	(11,830)	345,321
Hunter Industrial Fund (1942)	102,626	14,856	(3,890)	113,592
King School Fund (1864)	212,128	30,706	(8,050)	234,784
City Burial Lots	370,810	55,915	-	426,725
Private Burial Lots	6,887	1,077	(260)	7,704
Belmont Memorial Fund (1950)	32,122	4,851	-	36,973
Judah Touro M & C Fund (1879)	158,252	22,909	(6,000)	175,161
Touro Street Fund (1823)	64,862	9,795	-	74,657
Derby Fuel Fund (1849)	17,777	2,781	(670)	19,888
Fry Orphan Fund (1859)	23,741	3,419	(1,170)	25,990
R & E Bullock Fund (1944)	68,371	10,698	(2,590)	76,479
Poor and Aged Fund (1863)	1,128,626	147,983	(29,940)	1,246,669
Alexander Agassiz Fund (1901)	160,955	23,300	(6,100)	178,155
George H Norman Foundation Fund (1901)	55,174	7,985	(2,090)	61,069
Barbara Chapman Fund (1990)	4,109	621	-	4,730
E Townsend Fund (1889)	205,256	30,998	-	236,254
George N Buckout Fund (1955)	98,492	14,873	-	113,365
Edward Newton Fund (1959)	34,298	5,180	-	39,478
Braman Cemetery	159,678	24,114	-	183,792
Louis H Hobbs Fund (1988)	36,791	5,540	-	42,331
RIICAN Fund	7,771	1,174	-	8,945
Unallocated expense	-	-	(29,085)	(29,085)
Total Permanent Trust Funds	\$ 8,026,644	\$ 1,181,796	\$ (213,690)	\$ 8,994,750

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

School Restricted Fund

This fund is used to account for educational grants that are restricted by the federal government or the State of Rhode Island for specific programs.

UDAG Fund

This fund is used to account for urban development grant activities.

State Grants Fund

This fund is used to account for grants received from the State of Rhode Island that are restricted for specific programs or purposes.

Office of Economic Adjustment (OEA) Grant Fund

This fund is used to account for activities funded by the OEA grant and in-kind services for specific purposes.

Bramley Bill Fund

This fund is used to account for activities funded by grants and private donations for specific purposes.

Debt Service Fund

This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

CITY OF NEWPORT, RHODE ISLAND

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	SPECIAL REVENUE					DEBT SERVICE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
	SCHOOL RESTRICTED FUND	UDAG FUND	STATE GRANTS FUND	ECONOMIC ADJUSTMENT GRANT	BRAMLEY BILL FUND		
ASSETS							
Cash and cash equivalents	\$ -	\$ 1,756,443	\$ 254,057	\$ -	\$ 40,969	\$ -	\$ 2,051,469
Investments	-	-	-	-	-	1,797,817	1,797,817
Receivables:							
Intergovernmental	573,146	-	228,108	246,618	2,494	-	1,050,366
Loan	-	255,000	-	-	-	-	255,000
Other	-	70,000	-	-	-	-	70,000
Due from other funds	-	70,000	-	-	-	-	70,000
Advances to other funds	-	293,350	-	-	-	-	293,350
TOTAL ASSETS	\$ 573,146	\$ 2,444,793	\$ 482,165	\$ 246,618	\$ 43,463	\$ 1,797,817	\$ 5,588,002
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
LIABILITIES:							
Cash overdraft	\$ 303,369	\$ -	\$ -	\$ 170,696	\$ -	\$ -	\$ 474,065
Accounts payable	59,802	-	6,744	75,990	1,820	-	144,356
Unearned revenue	-	-	-	-	15,642	-	15,642
TOTAL LIABILITIES	363,171	-	6,744	246,686	17,462	-	634,063
DEFERRED INFLOWS OF RESOURCES:							
Unavailable revenue - loans receivable	-	688,350	-	-	-	-	688,350
Unavailable revenue - intergovernmental receivable	-	-	149,072	246,618	-	-	395,690
TOTAL DEFERRED INFLOWS OF RESOURCES	-	688,350	149,072	246,618	-	-	1,084,040
FUND BALANCES:							
Nonspendable	-	-	-	-	-	-	-
Restricted	209,975	1,756,443	326,349	-	26,001	1,797,817	4,116,585
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	(246,686)	-	-	(246,686)
TOTAL FUND BALANCES	209,975	1,756,443	326,349	(246,686)	26,001	1,797,817	3,869,899
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 573,146	\$ 2,444,793	\$ 482,165	\$ 246,618	\$ 43,463	\$ 1,797,817	\$ 5,588,002

SCHEDULE 9

CITY OF NEWPORT, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	SPECIAL REVENUE FUNDS						TOTAL NONMAJOR GOVERNMENTAL FUNDS
	SCHOOL RESTRICTED FUND	UDAG FUND	STATE GRANTS FUND	ECONOMIC ADJUSTMENT GRANT	BRAMLEY BILL FUND	DEBT SERVICE FUND	
REVENUES:							
Intergovernmental revenues	\$ 3,846,748	\$ -	\$ 737,665	\$ -	\$ 14,285	\$ -	\$ 4,598,698
Charges for services	124,222	49,002	-	-	-	-	173,224
Use of money and property	-	112,177	18,987	-	-	59,198	190,362
Contributions	35,110	-	5,770	20,316	2,000	-	63,196
TOTAL REVENUES	4,006,080	161,179	762,422	20,316	16,285	59,198	5,025,480
EXPENDITURES:							
Current:							
General government	-	-	-	-	-	-	-
General education	4,151,212	-	-	-	-	-	4,151,212
Public safety	-	-	335,762	-	-	-	335,762
Public health	-	-	-	-	-	-	-
Planning, zoning and development	-	-	1,496	238,274	-	-	239,770
Recreation	-	-	23,635	-	-	-	23,635
Human services	-	-	467,667	-	16,285	-	483,952
Pension expenditures	-	-	-	-	-	-	-
Capital outlays	-	-	-	-	-	-	-
TOTAL EXPENDITURES	4,151,212	-	828,560	238,274	16,285	-	5,234,331
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(145,132)	161,179	(66,138)	(217,958)	-	59,198	(208,851)
OTHER FINANCING SOURCES (USES):							
Transfers out	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	133,110	133,110
NET CHANGE IN FUND BALANCES	(145,132)	161,179	(66,138)	(217,958)	-	192,308	(75,741)
FUND BALANCES, BEGINNING	355,107	1,595,264	392,487	(28,728)	26,001	1,605,509	3,945,640
FUND BALANCES, ENDING	\$ 209,975	\$ 1,756,443	\$ 326,349	\$ (246,686)	\$ 26,001	\$ 1,797,817	\$ 3,869,899

Nonmajor Proprietary Funds

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the City’s Council is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the City’s Council has decided that periodic determination of net income is appropriate for accountability purposes.

Maritime Fund

This fund is used to account for the activity associated with the City’s harbor operations.

Easton’s Beach Fund

This fund is used to account for the activity associated with the City’s beach operations.

Parking Operations Fund

This fund is used to account for the activity associated with the City’s parking operations.

CITY OF NEWPORT, RHODE ISLAND

COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
JUNE 30, 2013

	MARITIME FUND	EASTON'S BEACH FUND	PARKING OPERATIONS FUND	TOTALS
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 1,337,815	\$ 49,631	\$ 2,226,005	\$ 3,613,451
Investments	-	-	1,172,555	1,172,555
Accounts receivable:				
User fees (net of allowances)	20,000	11,792	-	31,792
Intergovernmental	198,760	345,563	-	544,323
Advances to other funds	-	-	135,868	135,868
Total current assets	<u>1,556,575</u>	<u>406,986</u>	<u>3,534,428</u>	<u>5,497,989</u>
Noncurrent assets:				
Capital assets	4,284,853	4,040,739	3,331,107	11,656,699
Less accumulated depreciation	(371,864)	(1,576,783)	(1,843,721)	(3,792,368)
Total noncurrent assets	<u>3,912,989</u>	<u>2,463,956</u>	<u>1,487,386</u>	<u>7,864,331</u>
TOTAL ASSETS	<u>5,469,564</u>	<u>2,870,942</u>	<u>5,021,814</u>	<u>13,362,320</u>
LIABILITIES:				
Current liabilities:				
Accounts payable	61,733	237,135	74,128	372,996
Accrued expenses	42,553	81,067	20,886	144,506
Unearned revenue	-	-	20,000	20,000
Current portion advances	-	35,897	-	35,897
Total current liabilities	<u>104,286</u>	<u>354,099</u>	<u>115,014</u>	<u>573,399</u>
Long-term liabilities:				
Notes payable	200,000	-	-	200,000
Advances from other funds	267,459	125,862	-	393,321
Total long-term liabilities	<u>467,459</u>	<u>125,862</u>	<u>-</u>	<u>593,321</u>
TOTAL LIABILITIES	<u>571,745</u>	<u>479,961</u>	<u>115,014</u>	<u>1,166,720</u>
NET POSITION:				
Net investment in capital assets	3,712,989	2,463,956	1,487,386	7,664,331
Unrestricted	1,184,830	(72,975)	3,419,414	4,531,269
TOTAL NET POSITION	<u>\$ 4,897,819</u>	<u>\$ 2,390,981</u>	<u>\$ 4,906,800</u>	<u>\$ 12,195,600</u>

CITY OF NEWPORT, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 NONMAJOR PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

	MARITIME FUND	EASTON'S BEACH FUND	PARKING OPERATIONS FUND	TOTALS
OPERATING REVENUES:				
User fees	\$ 955,271	\$ 833,870	\$ 1,602,305	\$ 3,391,446
Other revenues	188,969	345,563	-	534,532
TOTAL OPERATING REVENUES	1,144,240	1,179,433	1,602,305	3,925,978
OPERATING EXPENSES:				
Salaries and benefits	302,225	509,678	432,337	1,244,240
Materials and supplies	101,900	121,631	17,257	240,788
Repairs and maintenance	68,158	67,564	35,879	171,601
Support services	38,250	59,672	454,414	552,336
Utilities	27,549	34,830	11,497	73,876
Administrative and other	115,754	26,622	224,954	367,330
Depreciation	119,097	143,929	135,049	398,075
TOTAL OPERATING EXPENSES	772,933	963,926	1,311,387	3,048,246
OPERATING INCOME (LOSS)	371,307	215,507	290,918	877,732
NONOPERATING REVENUES AND (EXPENSES):				
Investment income	-	-	(21,375)	(21,375)
Interest expense	-	(1,919)	-	(1,919)
NET NONOPERATING REVENUES AND (EXPENSES)	-	(1,919)	(21,375)	(23,294)
INCOME (LOSS) BEFORE TRANSFERS	371,307	213,588	269,543	854,438
TRANSFERS:				
Transfers in	-	23,536	-	23,536
Transfers out	-	-	-	-
NET TRANSFERS	-	23,536	-	23,536
CHANGES IN NET POSITION	371,307	237,124	269,543	877,974
NET POSITION, BEGINNING	4,526,512	2,153,857	4,637,257	11,317,626
NET POSITION, ENDING	\$ 4,897,819	\$ 2,390,981	\$ 4,906,800	\$ 12,195,600

CITY OF NEWPORT, RHODE ISLAND

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	MARITIME FUND	EASTON'S BEACH FUND	PARKING OPERATIONS FUND	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 1,503,674	\$ 823,880	\$ 1,621,055	\$ 3,948,609
Cash payments to suppliers for goods and services	(269,130)	(118,910)	(471,417)	(859,457)
Cash payments to employees for services	(296,602)	(495,841)	(432,085)	(1,224,528)
Payment of administrative expense	(115,754)	(26,622)	(224,954)	(367,330)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	822,188	182,507	492,599	1,497,294
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Interfund loans and transfers	-	23,536	-	23,536
Principal paid on interfund loans and transfers	-	(29,940)	26,386	(3,554)
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	-	(6,404)	26,386	19,982
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	(510,236)	(485,001)	(39,677)	(1,034,914)
Interest paid on bonds, notes and loans	-	(1,919)	-	(1,919)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(510,236)	(486,920)	(39,677)	(1,036,833)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of investments	-	-	(46,164)	(46,164)
Interest on investments	-	-	46,322	46,322
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	-	-	158	158
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	311,952	(310,817)	479,466	480,601
CASH AND CASH EQUIVALENTS - JULY 1, 2012	1,025,863	360,448	1,746,539	3,132,850
CASH AND CASH EQUIVALENTS - JUNE 30, 2013	\$ 1,337,815	\$ 49,631	\$ 2,226,005	\$ 3,613,451
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Operating income (loss)	\$ 371,307	\$ 215,507	\$ 290,918	877,732
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	119,097	143,929	135,049	398,075
Changes in assets and liabilities:				
Decrease (Increase) in accounts receivable	359,434	(355,553)	8,750	12,631
(Decrease) Increase in accounts payable	(33,273)	164,787	47,630	179,144
(Decrease) Increase in unearned revenue	-	-	10,000	10,000
(Decrease) Increase in accrued expenses	5,623	13,837	252	19,712
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 822,188	\$ 182,507	\$ 492,599	\$ 1,497,294
NONCASH INVESTING, CAPITAL AND RELATED FINANCING TRANSACTIONS:				
Increase (decrease) in fair value of investments	\$ -	\$ -	\$ (67,697)	\$ (67,697)
TOTAL NONCASH INVESTING, CAPITAL AND RELATED FINANCING TRANSACTIONS	\$ -	\$ -	\$ (67,697)	\$ (67,697)

Fiduciary Funds

Fiduciary funds are used to account for assets held by the City in a trustee capacity for individuals, private organizations or other governments.

Pension Trust Funds

A fiduciary fund type used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans.

The City has two pension plans covering police and fire department employees. Substantially all of its other employees, except teachers, are covered by the Municipal Employees' Retirement System of the State of Rhode Island (Municipal Plan). Teachers are covered by the Employees' Retirement System of the State of Rhode Island (Teachers' Plan). The Firemen's Pension Plan and the Policemen's Pension Plan are contributory defined benefit plans.

Other Post-Employment Benefit Trust Fund

This fund is used to account for post-employment benefits provided to eligible retirees of the City.

Private-Purpose Trust Funds

These funds are used to account for and report all trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

Agency Funds

Agency funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities).

Student Activity Funds

These funds are used to account for expenditures for educational extracurricular activities at various schools. Financing is provided by individual fundraising projects and private donations.

Newport Municipal Charitable Improvement Fund, Inc.

These funds are used to account for expenditures for municipal improvement projects. Financing is provided by fundraising and private donations.

CITY OF NEWPORT, RHODE ISLAND

 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 PENSION AND OTHER POST-EMPLOYMENT BENEFIT TRUST FUND
 JUNE 30, 2013

	PENSION TRUST FUNDS			OTHER POST- EMPLOYMENT BENEFIT TRUST FUND	TOTAL PENSION AND OTHER POST- EMPLOYMENT BENEFIT TRUST FUNDS
	POLICE PENSION FUND	FIRE PENSION FUND	TOTAL PENSION TRUST FUNDS		
ASSETS					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Investments, at fair value:					
Fixed income mutual funds	9,708,693	7,295,583	17,004,276	6,552,542	23,556,818
Domestic equity mutual funds	29,635,233	22,269,350	51,904,583	16,811,813	68,716,396
International equity mutual funds	6,718,777	5,048,815	11,767,592	4,180,425	15,948,017
Alternative investments	3,125,295	2,348,498	5,473,793	1,471,597	6,945,390
TOTAL ASSETS	49,187,998	36,962,246	86,150,244	29,016,377	115,166,621
LIABILITIES					
Cash overdraft	729,011	198,983	927,994	76,370	1,004,364
Accounts payable	47,033	35,339	82,372	23,274	105,646
TOTAL LIABILITIES	776,044	234,322	1,010,366	99,644	1,110,010
NET POSITION					
Net position - restricted for pension benefits	48,411,954	36,727,924	85,139,878	-	85,139,878
Net position - restricted for other post-employment benefit	-	-	-	28,916,733	28,916,733
TOTAL NET POSITION	\$ 48,411,954	\$ 36,727,924	\$ 85,139,878	\$ 28,916,733	\$ 114,056,611

CITY OF NEWPORT, RHODE ISLAND

COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUNDS
JUNE 30, 2013

	PRIVATE-PURPOSE TRUST FUNDS		
	EXPENDABLE SCHOLARSHIP FUNDS	NONEXPENDABLE SCHOLARSHIP TRUSTS	TOTAL PRIVATE PURPOSE TRUST FUNDS
ASSETS			
Cash	\$ 23,581	\$ -	\$ 23,581
Investments, at fair value:			
Fixed income mutual funds	-	544,605	544,605
Domestic equity mutual funds	-	934,713	934,713
TOTAL ASSETS	23,581	1,479,318	1,502,899
LIABILITIES			
Cash overdraft	-	37,832	37,832
Accounts payable	-	934	934
TOTAL LIABILITIES	-	38,766	38,766
NET POSITION			
Net position - restricted for trust purposes	23,581	1,440,552	1,464,133
TOTAL NET POSITION	\$ 23,581	\$ 1,440,552	\$ 1,464,133

CITY OF NEWPORT, RHODE ISLANDCOMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION AND OTHER POST-EMPLOYMENT BENEFIT TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	PENSION TRUST FUNDS			OTHER POST- EMPLOYMENT BENEFIT TRUST FUND	TOTAL PENSION AND OTHER POST- EMPLOYMENT BENEFIT TRUST FUNDS
	POLICE PENSION FUND	FIRE PENSION FUND	TOTAL PENSION TRUST FUNDS		
ADDITIONS:					
Contributions:					
Employees	\$ 403,980	\$ 501,618	\$ 905,598	\$ -	\$ 905,598
Employer	3,461,972	4,822,711	8,284,683	2,300,000	10,584,683
Total contributions	3,865,952	5,324,329	9,190,281	2,300,000	11,490,281
Investment income:					
Net change in fair value of investments	6,477,082	5,025,055	11,502,137	3,278,318	14,780,455
Interest and dividends	325,350	244,484	569,834	363,522	933,356
Total investment income (loss)	6,802,432	5,269,539	12,071,971	3,641,840	15,713,811
Less investment expenses	114,392	85,948	200,340	57,302	257,642
Net investment income (loss)	6,688,040	5,183,591	11,871,631	3,584,538	15,456,169
TOTAL ADDITIONS	10,553,992	10,507,920	21,061,912	5,884,538	26,946,450
DEDUCTIONS:					
Benefits	4,431,444	5,400,180	9,831,624	-	9,831,624
Administration	76,740	57,917	134,657	37,221	171,878
TOTAL DEDUCTIONS	4,508,184	5,458,097	9,966,281	37,221	10,003,502
CHANGES IN NET POSITION	6,045,808	5,049,823	11,095,631	5,847,317	16,942,948
NET POSITION - BEGINNING	42,366,146	31,678,101	74,044,247	23,069,416	97,113,663
NET POSITION - ENDING	\$ 48,411,954	\$ 36,727,924	\$ 85,139,878	\$ 28,916,733	\$ 114,056,611

CITY OF NEWPORT, RHODE ISLAND

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE- PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	EXPENDABLE SCHOLARSHIP FUNDS	NON- EXPENDABLE SCHOLARSHIP TRUSTS	TOTAL PRIVATE- PURPOSE TRUST FUNDS
ADDITIONS:			
Contributions	\$ 10,000	\$ 1,000	\$ 11,000
Investment income:			
Net appreciation in fair value of investments	-	166,649	166,649
Interest and dividends	-	21,422	21,422
Total investment income	-	188,071	188,071
Less investment expenses	-	3,727	3,727
Net investment income	-	184,344	184,344
TOTAL ADDITIONS	10,000	185,344	195,344
DEDUCTIONS:			
Awards	9,000	32,887	41,887
Administration	-	1,785	1,785
TOTAL DEDUCTIONS	9,000	34,672	43,672
CHANGES IN NET POSITION	1,000	150,672	151,672
NET POSITION, BEGINNING	22,581	1,289,880	1,312,461
NET POSITION, ENDING	\$ 23,581	\$ 1,440,552	\$ 1,464,133

CITY OF NEWPORT, RHODE ISLAND

 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FIDUCIARY NET POSITION
 NONEXPENDABLE SCHOLARSHIP TRUSTS
 FOR THE YEAR ENDED JUNE 30, 2013

	Net Position Held In Trust For Purposes Beginning	ADDITIONS:		DEDUCTIONS:		Net Position Held In Trust For Purposes Ending
		Donations	Investment Income (Loss)	Awards and Investment Expense		
Peter P Integlia Physical Education Scholarship	\$ 14,661	\$ -	\$ 2,160	\$ (540)	\$	16,281
American Culinary Federation Award	31,851	1,000	3,790	-		36,641
Eileen Jeanes Jachna Award	29,420	-	4,464	-		33,884
William T Bull Award	31,243	-	4,533	(1,150)		34,626
Mercedes S Coulombe Award	78,294	-	10,980	(2,760)		86,514
Carol Ann Page Award	6,382	-	968	(200)		7,150
Avis G Marden Award	4,780	-	726	(170)		5,336
Class of 41 American Government Award	4,845	-	737	-		5,582
PF Carroll Scholarship	25,733	-	4,055	(465)		29,323
J Fitzgerald Scholarship	2,394	-	362	(90)		2,666
Smales Scholarship	14,215	-	2,158	(500)		15,873
Henry Vaughn Memorial Award	4,891	-	742	-		5,633
Adelson Biology Award	3,670	-	579	(130)		4,119
Leavitt Trust Award	17,082	-	2,479	(630)		18,931
Alliance Francaise Award	1,839	-	274	(512)		1,601
Lalli Trust Award	5,501	-	866	(200)		6,167
Goldstein Music Award	5,433	-	791	(200)		6,024
MB Howard Award	15,691	-	2,285	(580)		17,396
Newport School Book Award	329	-	48	-		377
Edward King Medal Award	72,627	-	9,985	(2,353)		80,259
Koehne Latin Award	3,843	-	570	(150)		4,263
Mirman Math Award	3,176	-	459	(120)		3,515
GH Norman Award	7,962	-	1,254	(290)		8,926
Peckham Award	90,366	-	12,749	(1,692)		101,423
Pell Medal	2,472	-	376	-		2,848
Read Medal #1	831	-	126	-		957
Read Medal #2	921	-	141	-		1,062
Charles B King Award	19,350	-	2,815	(710)		21,455
Rogers High School Centennial Award	44,797	-	6,483	(1,600)		49,680
Almira Coffin Award	4,871	-	707	(180)		5,398
HH Toole Scholarship	15,721	-	2,274	(580)		17,415
Henry Heffernan Award	71,545	-	10,798	300		82,643
Bruen Scholarship	24,802	-	3,620	(900)		27,522
Sullivan Scholarship	40,045	-	5,907	(1,490)		44,462
Joseph P Cotton Memorial Award	23,247	-	3,377	(850)		25,774
Rufus E Darrah Memorial Award	8,177	-	1,143	(290)		9,030
Margaret P Stevens Award	763	-	116	-		879
Christine Meek Sullivan/Marx Award	16,892	-	2,360	(600)		18,652
Zelda Mirman Music/Drama Award	31,629	-	4,789	(575)		35,843
Wosencroft Scholarship	6,934	-	1,008	(250)		7,692
M/M Thomas Archambault Award	15,673	-	2,268	(580)		17,361
Class of 46 Rogers High School DLS Award	16,910	-	2,449	-		19,359
General Contractors Association Award	24,717	-	3,578	(900)		27,395
Cohen Scholarship	6,121	-	966	(220)		6,867
Townsend Scholarship	7,789	-	1,127	-		8,916
Dorothy Drinkwater Lecraw Award	51,969	-	7,517	-		59,486
Nicholas Logothets Award	4,574	-	643	-		5,217
Helene Lewis Memorial Scholarship	81,721	-	11,903	(3,000)		90,624
Kristen Jorge Memorial Scholarship	17,847	-	2,594	-		20,441
James Colton Crowley Award	88,444	-	12,833	(3,200)		98,077
Florence J Alofsin English Award	6,208	-	943	(220)		6,931
Sandra Clooney Memorial Scholarship	26,695	-	3,863	-		30,558
Allan Family Scholarship	98,242	-	15,482	(3,560)		110,164
Loeb/George Washington Essay Award	8,748	-	999	(750)		8,997
Tift-Oxley Scholarship Fund	44,997	-	6,852	-		51,849
Unallocated Expense	-	-	-	(5,512)		(5,512)
Total Nonexpendable Scholarship Trusts	\$ 1,289,880	\$ 1,000	\$ 188,071	\$ (38,399)	\$	1,440,552

CITY OF NEWPORT, RHODE ISLAND

AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2013

	BALANCE BEGINNING	ADDITIONS	DEDUCTIONS	BALANCE ENDING
<u>ASSETS</u>				
CASH:				
Student activity funds	\$ 266,870	\$ 437,623	\$ 391,955	\$ 312,538
Newport Municipal Charitable Improvement Fund, Inc.	28,811		28,811	
TOTAL ASSETS	<u>\$ 295,681</u>	<u>\$ 437,623</u>	<u>\$ 420,766</u>	<u>\$ 312,538</u>
<u>LIABILITIES</u>				
AMOUNTS HELD IN ESCROW:				
Student activity funds	\$ 266,870	\$ 437,623	\$ 391,955	\$ 312,538
Newport Municipal Charitable Improvement Fund, Inc.	28,811		28,811	
TOTAL LIABILITIES	<u>\$ 295,681</u>	<u>\$ 437,623</u>	<u>\$ 420,766</u>	<u>\$ 312,538</u>

Statistical Section

This part of the City of Newport, Rhode Island'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	<u>Page</u>
<u>Financial Trends</u> (Tables 1-4)	104
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
<u>Revenue Capacity</u> (Tables 5-7)	109
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	
<u>Debt Capacity</u> (Tables 8-11)	112
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.	
<u>Demographic and Economic Information</u> (Tables 12-13)	116
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
<u>Operating Information</u> (Tables 14-16)	118
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.	

TABLE 1

CITY OF NEWPORT, RHODE ISLAND

NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(UNAUDITED)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities:										
Net investment in capital assets	\$ 36,213,472	\$ 39,024,214	\$ 43,072,452	\$ 47,999,443	\$ 52,461,114	\$ 59,259,977	58,114,920	62,576,195	65,841,497	65,282,126
Restricted for:										
Human services	3,854,910	3,633,092	-	-	-	-	-	-	-	-
Permanent Funds:										
Expendable	6,145,004	6,677,139	7,255,682	7,148,999	6,281,490	4,356,646	4,753,846	5,955,530	5,844,993	6,813,099
Nonexpendable	1,142,270	1,142,270	1,142,270	1,889,512	1,937,467	1,890,210	1,976,581	2,181,651	2,181,651	2,181,651
Debt service	-	396,470	511,451	676,668	878,998	1,065,923	1,228,776	1,400,360	1,605,509	1,797,817
Education	675,734	815,092	1,081,801	953,325	-	-	-	-	-	-
Unrestricted	2,831,871	(1,722,023)	5,401,520	6,484,503	8,364,508	5,807,577	9,706,280	4,508,285	7,549,172	14,794,102
Total governmental activities net position	<u>50,863,261</u>	<u>49,966,254</u>	<u>58,465,176</u>	<u>65,152,450</u>	<u>69,923,577</u>	<u>72,380,333</u>	<u>75,780,403</u>	<u>76,622,021</u>	<u>83,022,822</u>	<u>90,868,795</u>
Business-type activities:										
Net investment in capital assets	87,497,297	85,773,241	84,210,144	86,137,192	87,063,157	90,719,216	87,919,616	91,514,668	87,882,885	94,138,176
Held in trust	-	-	-	-	-	-	99,000	99,000	99,000	99,000
Restricted - Other purposes	6,612,069	3,624,058	4,401,342	3,054,328	4,749,967	3,900,192	8,825,854	9,074,231	19,435,998	24,187,665
Unrestricted	(4,072,754)	171,705	3,719,540	4,222,057	2,365,226	1,207,853	2,214,069	(749,281)	3,602,780	(1,579,185)
Total business-type activities net position	<u>90,036,612</u>	<u>89,569,004</u>	<u>92,331,026</u>	<u>93,413,577</u>	<u>94,178,350</u>	<u>95,827,261</u>	<u>99,058,539</u>	<u>99,938,618</u>	<u>111,020,663</u>	<u>116,845,656</u>
Primary government:										
Net investment in capital assets	123,710,769	124,797,467	127,282,596	134,136,635	139,524,271	149,979,193	146,034,536	154,090,863	153,724,382	159,420,302
Restricted for:										
Human services	3,854,910	3,633,092	-	-	-	-	-	-	-	-
Permanent Funds:										
Expendable	6,145,004	6,677,139	7,255,682	7,148,999	6,281,490	4,356,646	4,753,846	5,955,530	5,844,993	6,813,099
Nonexpendable	1,142,270	1,142,270	1,142,270	1,889,512	1,937,467	1,890,210	1,976,581	2,181,651	2,181,651	2,181,651
Held in trust	-	-	-	-	-	-	99,000	99,000	99,000	99,000
Debt service	-	-	4,912,793	3,730,996	5,628,965	4,966,115	10,054,630	10,474,591	21,041,507	25,985,482
Education	7,287,803	4,835,620	1,081,801	953,325	-	-	-	-	-	-
Unrestricted	(1,240,883)	(1,550,318)	9,121,060	10,706,560	10,729,734	7,015,430	11,920,349	3,759,004	11,151,952	13,214,917
Total primary government net position	<u>\$ 140,899,873</u>	<u>\$ 139,535,270</u>	<u>\$ 150,796,202</u>	<u>\$ 158,566,027</u>	<u>\$ 164,101,927</u>	<u>\$ 168,207,594</u>	<u>\$ 174,838,942</u>	<u>\$ 176,560,639</u>	<u>\$ 194,043,485</u>	<u>\$ 207,714,451</u>

TABLE 2
(1 of 2)

CITY OF NEWPORT, RHODE ISLAND

CHANGES IN NET POSITION, LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses:										
Governmental activities:										
General government	\$ 5,459,387	\$ 8,638,364	\$ 4,201,754 (2)	\$ 6,904,515	\$ 5,664,619	\$ 5,638,586	\$ 6,782,232	\$ 6,197,935	\$ 6,449,503	\$ 6,082,791
General education	42,168,056	42,003,803	42,119,068	44,860,182	45,420,073	45,273,034	43,071,429	43,124,023	42,960,456	41,859,273
Public safety	25,954,534	27,848,257	27,932,352	29,620,705	30,005,098	30,380,376	31,829,739	35,191,714	32,531,976	34,008,599
Public health	4,403,093	4,664,543	4,564,130	5,179,345	7,000,668	8,396,219	8,023,199	8,240,164	8,306,613	8,979,859
Planning, zoning and development	1,028,852	1,681,628	1,994,692	1,440,553	1,604,671	1,829,568	1,363,899	1,744,516	1,510,493	1,639,008
Recreation	2,189,095	1,773,421	2,121,346	2,415,401	622,368	1,092,871	769,888	753,272	477,422	553,546
Human services	2,573,601	2,615,412	2,720,900	3,256,251	3,248,665	3,361,996	3,241,886	3,207,552	2,887,012	3,091,514
Interest expense	1,062,259	889,584	867,107	841,520	782,723	682,805	863,546	626,020	761,420	717,665
Total governmental activities	84,838,877	90,115,012	86,521,349	94,518,472	94,348,885	96,655,455	95,945,818	99,085,196	95,884,895	96,932,255
Business-type activities:										
Water	6,830,398	7,135,764	6,994,360	7,809,046	7,719,962	9,003,205	8,982,066	10,528,183	9,527,155	11,109,044
Water Pollution Control	6,432,891	7,050,859	6,781,706	7,051,852	7,559,615	7,428,839	8,108,213	10,114,458	10,123,815	10,522,134
Recreational and parking facilities	1,109,229	1,577,702	1,767,218	2,159,568	2,568,503	2,662,517	2,914,382	2,718,580	2,946,530	3,050,165
Total business-type activities	14,372,518	15,764,325	15,543,284	17,020,466	17,848,080	19,094,561	20,004,661	23,361,221	22,597,500	24,681,343
Total primary government expenses	99,211,395	105,879,337	102,064,633	111,538,938	112,196,965	115,750,016	115,950,479	122,446,417	118,482,395	121,613,598
Program Revenues:										
Governmental activities:										
Charges for services:										
General government	3,865,133	4,989,700 (1)	4,592,923	5,871,413	5,508,299	4,395,451	4,207,690	4,343,388	4,014,183	5,301,995
General education	735,868	940,091	1,538,629	1,856,459	1,356,264	1,782,477	1,790,646	1,440,324	1,321,351	837,653
Public safety	1,828,283	2,003,497	2,679,694	3,087,659	3,056,098	3,574,759	3,874,660	3,484,757	3,192,258	3,820,994
Public health	44,435	44,111	31,560	26,990	85,761	94,164	57,937	99,195	87,460	34,370
Planning, zoning and development	327,609	720,141	1,184,118	1,168,204	1,601,347	947,823	868,638	908,497	925,484	1,318,890
Recreation	741,853	288,077	96,764	99,126	105,010	129,025	117,510	113,660	137,297	144,068
Human services	333,733	154,514	150,622	297,236	439,667	238,794	(22,957)	(262,752)	951,451	245,112
Operating grants and contributions	21,000,389	21,236,496	20,380,130	21,272,720	20,851,435	20,403,551	20,039,597	21,164,485	20,050,143	19,682,834
Capital grants and contributions	818,007	846,754	1,170,076	786,166	469,484	2,981,072	1,773,730	551,913	2,423,972	648,087
Total governmental activities program revenues	29,695,310	31,223,381	31,824,516	34,465,973	33,473,365	34,547,116	32,707,451	31,843,467	33,103,599	32,034,003
Business-type activities:										
Charges for services:										
Water	7,795,582	7,100,096	9,514,397 (3)	8,506,460	9,025,966	9,614,675	10,466,106	10,270,053	12,257,011	13,407,886
Water Pollution Control	6,049,193	5,885,602	6,462,089	6,181,907	7,337,836	7,865,579	7,951,054	10,530,416	13,486,581	12,850,160
Recreational and parking facilities	1,407,977	1,972,189	2,572,591	2,345,366	2,833,916	2,922,394	3,068,368	3,322,473	3,403,559	3,391,446
Capital grants and contributions			673,500	305,849	305,849	154,107	154,107	78,856	4,494,396	853,295
Total business-type activities	15,252,752	14,957,887	18,549,077	17,707,233	19,503,567	20,556,755	21,639,635	24,201,798	33,641,547	30,502,787
Total primary government program revenues	44,948,062	46,181,268	50,373,593	52,173,206	52,976,932	55,103,871	54,347,086	56,045,265	66,745,146	62,536,790
Net (Expense)/Revenue:										
Governmental activities	(55,143,567)	(58,891,631)	(54,696,833)	(60,052,499)	(60,875,520)	(62,108,339)	(63,238,367)	(67,241,729)	(62,781,296)	(64,898,252)
Business-type activities	880,234	(806,438)	3,005,793	686,767	1,655,487	1,462,194	1,634,974	840,577	11,044,047	5,821,444
Total primary government net (expense) revenue	(54,263,333)	(59,698,069)	(51,691,040)	(59,365,732)	(59,220,033)	(60,646,145)	(61,603,393)	(66,401,152)	(51,737,249)	(59,076,808)

(Continued)

CITY OF NEWPORT, RHODE ISLAND

CHANGES IN NET POSITION, LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	2004	2005	2006	2007	2008	Fiscal Year 2009	2010	2011	2012	2013
General Revenues and Other Changes in Net Assets:										
Governmental activities:										
Property taxes	\$ 48,820,256	\$ 52,857,093	\$ 54,833,897	\$ 57,736,458	\$ 60,005,572	\$ 62,169,011	\$ 63,583,199	\$ 64,518,899	\$ 67,296,737	\$ 69,218,686
Unrestricted grants and contributions	4,097,271	4,059,353	4,614,794	4,642,114	4,330,807	3,506,886	2,540,966	1,257,171	1,353,015	1,387,855
Investment income	1,177,711	1,133,676	1,425,620	2,368,396	641,453	(1,008,699)	1,257,806	1,989,248 (4)	692,470	1,431,220
Miscellaneous	116,126	135,206	133,494	-	-	-	-	-	-	-
Gain on sale of assets	-	-	-	-	-	-	-	-	-	730,000
Transfers	(436,968)	(190,692)	-	(175,500)	1,053,250	(102,103)	(743,534)	-	25,200	(23,536)
Total governmental activities	53,774,396	57,994,636	61,007,805	64,571,468	66,031,082	64,565,095	66,638,437	67,765,318	69,367,422	72,744,225
Business-type activities:										
Investment income	90,236	98,797	175,220	220,284	162,538	84,612	78,285	39,502	63,198	(19,987)
Capital contributions	-	200,863	-	-	-	-	320,000	-	-	-
Transfer from primary government	436,968	(10,171)	-	175,500	(1,053,250)	102,103	743,534	-	(25,200)	23,536
Total business-type activities	527,204	289,489	175,220	395,784	(890,712)	186,715	1,141,819	39,502	37,998	3,549
Special Item - Sale of School Building										
Special Item - Forgiveness of debt	-	-	-	2,168,305	-	-	-	-	-	-
Total primary government	54,301,600	58,284,125	61,183,025	67,135,557	65,140,370	64,751,810	68,234,741	67,804,820	69,405,420	72,747,774
Change in Net Position										
Governmental activities	(1,369,171)	(896,995)	6,310,972	6,687,274	5,155,562	2,456,756	3,400,070	523,589	6,586,126	7,845,973
Business-type activities	1,407,438	(516,949)	3,181,013	1,082,551	764,775	1,648,909	3,231,278	880,079	11,082,045	5,824,993
Total primary government	\$ 38,267	\$ (1,413,944)	\$ 9,491,985	\$ 7,769,825	\$ 5,920,337	\$ 4,105,665	\$ 6,631,348	\$ 1,403,668	\$ 17,668,171	\$ 13,670,966

(Concluded)

- (1) - General government service charges increased significantly in FY 2005 in the following categories:
Management and Computer Processing Charges increased by \$277,000
Fees and charges associated with the sale of residential and commercial property in the City increased by \$340,000
Fees for the use of vehicles increased in the capital fund by \$285,000
- (2) - Reduction in claims and judgments; reduction in the use of salary reserves as a result of open contracts
- (3) - Increase in water rates of 20%
- (4) - Realized and unrealized losses in permanent fund due to significant market declines

TABLE 3

CITY OF NEWPORT, RHODE ISLAND

FUND BALANCES, GOVERNMENTAL FUNDS, LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund:										
Restricted by Donors	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 65,453	\$ 88,288
Committed	2,077,766	1,159,119	1,256,428	983,669	860,549	773,846	838,101	1,157,839	554,702	759,186
Assigned	-	-	-	-	-	-	-	864,852	869,960	1,534,889
Unassigned	6,059,277	3,885,886	4,098,720	4,114,666	5,974,689	8,011,145	9,175,856	7,646,392	10,146,290	11,247,717 (1)
Total general fund	8,137,043	5,045,005	5,355,148	5,098,335	6,835,238	8,784,991	10,013,957	9,669,083	11,636,405	13,630,080
All Other Governmental Funds:										
Nonspendable	1,142,270	1,142,270	1,142,270	1,889,512	1,937,467	1,890,210	1,976,581	2,181,651	2,181,651	2,181,651
Restricted for Trusts	6,145,004	6,677,139	7,230,632	7,148,999	6,281,490	4,356,646	4,753,846	5,955,530	5,844,993	6,813,099
Restricted for Debt Service	227,798	396,470	511,451	676,668	878,998	1,065,923	1,228,776	1,400,360	1,605,509	1,797,817
Restricted by Grants	4,472,155	4,448,184	3,101,992	2,058,684	2,442,682	3,358,230	3,131,649	2,630,585	2,627,638	2,775,198
Committed for Capital Projects	2,109,836	1,578,848	4,432,555	6,374,040	7,017,849	885,671	4,994,692	3,052,879	7,902,015	7,233,629
Committed for Encumbrances	1,735,562	2,691,401	60,503	-	-	-	-	-	-	-
Assigned by City Council	1,080,991	683,319	286,332	2,462,183	2,518,604	1,816,113	863,630	-	-	-
Assigned by School Committee	-	-	960,489	800,000	800,000	1,200,000	1,153,152	1,370,211	-	-
Unassigned	(183,339)	-	-	-	-	-	-	(71,296)	(28,728)	(246,686)
School Unassigned	(1,100,081)	394,880	693,632	1,940,267	2,838,529	1,785,759	292,259	202,464	-	- (1)
Total all other governmental funds	15,630,196	18,012,511	18,419,856	23,350,353	24,715,619	16,358,552	18,394,585	16,722,384	20,133,078	20,554,708
Grand Total	\$ 23,767,239	\$ 23,057,516	\$ 23,775,004	\$ 28,448,688	\$ 31,550,857	\$ 25,143,543	\$ 28,408,542	\$ 26,391,467	\$ 31,769,483	\$ 34,184,788

Notes:

Capital project fund balance depends on timing of state and federal reimbursements and type of temporary or permanent debt that may exist. These items cause the fund balance to fluctuate from year to year.

Permanent funds were reported as trust and agency funds prior to FY 2003.

The reduction of general fund balance in FY 2004 was due to the use of appropriated fund balance for capital improvements.

The reduction of general fund balance in FY 2005 was due to the use of appropriated fund balance for capital improvements and a projected school deficit.

(1) - The School Unrestricted Fund was combined with the City's General Fund, Property Acquisition Fund and Gifts Fund in FY2012.

TABLE 4

CITY OF NEWPORT, RHODE ISLAND

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS, LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues:										
Local taxes	\$ 51,117,203	\$ 53,081,970	\$ 54,767,961	\$ 57,519,657	\$ 60,115,303	\$ 62,081,094	\$ 63,485,526	\$ 64,411,792	\$ 67,395,943	\$ 69,092,746
Intergovernmental revenues	25,013,440	25,590,182	25,499,996	27,080,891	25,587,672	25,556,603	25,058,739	23,285,265	23,508,604	21,351,664
Charges for services	7,803,657	9,736,504	8,829,175	10,827,781	10,924,457	10,258,966	9,975,467	9,541,761	9,721,040	11,620,148
Use of money and property	1,177,711	1,133,676	1,425,620	2,368,397	641,456	(1,008,699)	1,257,726	2,014,016	692,470	1,431,220
Donations	770,880	892,441	29,347 (1)	179,343	198,608	95,493	52,253	161,507	625,959	494,240
Other revenues	115,992	135,205	1,672,123 (1)	1,582,706	1,144,697	1,194,553	1,273,953	1,128,835	108,017	126,852
Total revenues	<u>85,998,883</u>	<u>90,569,978</u>	<u>92,224,222</u>	<u>99,558,775</u>	<u>98,612,193</u>	<u>98,178,010</u>	<u>101,103,664</u>	<u>100,543,176</u>	<u>102,052,033</u>	<u>104,116,870</u>
Expenditures:										
Current:										
General government	5,192,168	6,346,749	5,248,504	5,757,907	5,459,164	5,558,102	5,931,444	5,435,280	5,691,806	5,482,360
General education	42,680,573	41,354,602	41,206,309	43,164,937	42,382,522	43,227,289	44,349,792	42,740,185	41,921,694	40,793,783
Public safety	25,302,125	27,344,804	26,806,416	27,709,813	27,463,039	28,267,498	30,194,522	32,635,798	30,683,872	32,455,190
Public health	3,655,093	3,914,446	3,710,241	4,048,493	6,428,621 (3)	6,963,674	6,767,348	7,331,032	6,558,789	7,214,122
Planning, zoning and development	1,313,138	968,008	1,909,891 (2)	1,244,576	1,229,936	1,271,653	1,187,737	1,601,554	1,322,831	1,495,174
Recreation	2,236,838	1,588,267	1,729,893	1,727,212	558,059 (3)	653,419	600,505	590,817	426,155	496,911
Human services	2,534,733	2,510,411	2,630,902	3,228,649	3,163,997	3,358,488	3,087,205	3,033,732	2,781,564	2,969,991
Pension expenditures	436,421	899,423	1,136,621	1,607,335	2,453,316	5,206,245	3,247,795	2,722,514	3,935,092	3,388,489
Debt service:										
Debt issuance	-	51,929	-	-	-	-	-	-	-	-
Principal	1,386,069	1,337,106	1,192,470	1,204,311	1,187,425	1,224,266	1,237,114	1,040,489	1,756,211	1,732,932
Interest	1,033,255	830,345	838,757	803,651	755,657	712,750	896,577	693,395	616,534	725,389
Capital outlay	2,689,063	4,258,485	5,096,730	6,381,011	5,097,103	8,039,837	5,231,327	5,974,911	9,922,125	27,831,732
Total expenditures	<u>88,459,476</u>	<u>91,404,575</u>	<u>91,506,734</u>	<u>96,877,895</u>	<u>96,178,839</u>	<u>104,483,221</u>	<u>102,731,366</u>	<u>103,799,707</u>	<u>105,616,673</u>	<u>124,586,073</u>
Excess (deficiency) of revenues over expenditures	<u>(2,460,593)</u>	<u>(834,597)</u>	<u>717,488</u>	<u>2,680,880</u>	<u>2,433,354</u>	<u>(6,305,211)</u>	<u>(1,627,702)</u>	<u>(3,256,531)</u>	<u>(3,564,640)</u>	<u>(20,469,203)</u>
Other Financing Sources (Uses):										
Proceeds from borrowing	-	3,124,702	-	-	-	-	18,285,000	-	9,000,000	19,575,000
Bond premium	-	-	-	-	-	-	1,149,278	-	102,780	2,603,044
Payment to refunding escrow agent	-	(3,010,000)	-	-	-	-	(14,091,304)	-	-	-
Sale of property	1,027,000	-	-	2,168,305	-	-	-	-	-	730,000
Lease proceeds	-	-	-	-	-	-	-	1,239,457	-	-
Transfers in	27,129,054	27,575,078	27,695,528	28,310,752	28,427,088	25,924,266	24,606,361	24,517,821	24,387,564	24,982,918
Transfers out	(27,566,022)	(27,564,906)	(27,695,528)	(28,486,252)	(27,373,838)	(26,026,369)	(25,349,895)	(24,517,821)	(24,362,364)	(25,006,454)
Total other financing sources (uses)	<u>590,032</u>	<u>124,874</u>	<u>-</u>	<u>1,992,805</u>	<u>1,053,250</u>	<u>(102,103)</u>	<u>4,599,440</u>	<u>1,239,457</u>	<u>9,127,980</u>	<u>22,884,508</u>
Net change in fund balances	<u>\$ (1,870,561)</u>	<u>\$ (709,723)</u>	<u>\$ 717,488</u>	<u>\$ 4,673,685</u>	<u>\$ 3,486,604</u>	<u>\$ (6,407,314)</u>	<u>\$ 2,971,738</u>	<u>\$ (2,017,074)</u>	<u>\$ 5,563,340</u>	<u>\$ 2,415,305</u>
Debt service as a percentage of noncapital expenditures	<u>2.82%</u>	<u>2.55%</u>	<u>2.35%</u>	<u>2.22%</u>	<u>2.13%</u>	<u>2.01%</u>	<u>2.19%</u>	<u>1.77%</u>	<u>2.48%</u>	<u>2.54%</u>

Notes:

* Contributions were for renovations to the Thompson Middle School in FY 2000

** Federal and state grants to the schools were significantly higher

*** Local donations and grants to the schools vary from year to year

^ Public Safety expenses were significantly higher in FY 2004 because pension expenses related to public safety were reclassified to here from pension expenses

(1) Reclassified school restricted revenues from donations to other revenues

(2) Increase in loans and grants made from UDAG monies for Ranger Road Infrastructure and The Opera House

(3) Reorganization that moved parks and grounds into public services

CITY OF NEWPORT, RHODE ISLAND

ASSESSED VALUES AND ACTUAL VALUES OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year Ended June 30	Assessed Value						Total Taxable Assessed Value	Total	Total	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property	Personal Property	Inventory	Motor Vehicles	Less Exemptions		Direct Tax Rate Residential	Direct Tax Rate Commercial		
2004	\$ 2,287,770,460	\$ 1,048,703,200	\$ 82,740,975	\$ 22,684,956	\$ 120,829,611	\$ 69,118,210	\$ 3,493,610,992	13.43	15.96	\$ 3,562,729,202	98.06%
2005	2,471,644,000	837,597,500	80,834,657	24,128,568	126,420,029	76,353,633	3,464,271,121	13.72	16.30	3,540,624,754	97.84%
2006	2,470,649,500	854,054,700	81,894,726	23,351,240	125,903,945	76,973,716	3,478,880,395	14.29	17.00	3,555,854,111	97.84%
2007	2,510,163,253	834,407,847	86,997,316	22,949,498	138,954,444	81,242,277	3,512,230,081	8.02	11.96	3,593,472,358	97.74%
2008	4,659,124,549	1,245,531,051	87,315,021	23,293,927	149,567,988	113,777,545	6,051,054,991	8.34	12.44	6,164,832,536	98.15%
2009	4,709,562,778	1,201,925,122	88,011,158	26,281,325	147,144,534	120,615,344	6,052,309,573	8.67	12.93	6,172,924,917	98.05%
2010	4,408,295,797	1,241,526,100	114,604,821	-	131,104,659	118,475,513	5,777,055,864	9.52	13.20	5,895,531,377	97.99%
2011	4,403,658,951	1,212,935,549	108,725,938	-	152,504,333	120,086,201	5,757,738,570	9.56	13.25	5,877,824,771	97.96%
2012	4,427,191,489	1,194,775,611	127,148,070	-	151,523,236	118,811,520	5,781,826,886	9.93	13.76	5,900,638,406	97.99%
2013	3,966,146,314	1,071,247,506	117,777,139	-	159,306,729	119,297,700	5,195,179,988	11.36	15.75	5,314,477,688	97.76%

Source: City of Newport, Rhode Island Assessor

Notes:

The City's total levy cannot exceed 4.00% of the prior year's total levy.

The City of Newport has no overlapping debt nor does it collect taxes for any other entity.

The City switched to a two-tiered tax in FY2002.

The City had a full revaluation of real property in 2010 (effective 2011). The full revaluation is required by state law every 9 years. Statistical updates are required every 3 years.

TABLE 6**CITY OF NEWPORT, RHODE ISLAND**

PRINCIPAL PROPERTY TAX PAYERS
 CURRENT YEAR AND TEN YEARS AGO
 (UNAUDITED)

	2013			2004		
	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value
Mass Mutual Life (Marriott)	\$ 49,971,700	1	0.96%	\$ 51,425,863	1	1.48%
Newport Restoration Foundation	49,967,772	2	0.96%	36,153,672	4	1.04%
One Goat Island	48,491,205	3	0.93%			
LHO Viking Hotel, LLC	46,176,261	4	0.89%	31,792,200	5	0.92%
RK Newport, LLC	27,851,400	5	0.54%	20,511,400	7	0.59%
Narraganset Gas	25,760,906	6	0.50%			
Newport Jai Alai, LLC	24,029,800	7	0.46%	13,928,600	9	0.40%
Narraganset Electric	23,372,460	8	0.45%			
Shaner SPE Associates	22,970,000	9	0.44%	23,455,058	6	0.68%
Eastern Resorts Company	21,331,700	10	0.41%	38,003,296	3	1.10%
Newport on Shore Hotel				18,494,400	8	0.53%
H E Newport, LLC				44,366,514	2	1.28%
Hamilton Mary Ann Stevens				13,857,500	10	0.40%
Total	\$ 339,923,204		6.54%	\$ 291,988,503		8.43%

Source: City of Newport Assessor

TABLE 7**CITY OF NEWPORT, RHODE ISLAND**

PROPERTY TAX LEVIES AND COLLECTIONS
 LAST TEN FISCAL YEARS
 (UNAUDITED)

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year (net abatements)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2004	\$ 49,028,731	\$ 47,848,444	97.6%	\$ 1,079,500	\$ 48,927,944	99.8%
2005	50,838,373	48,961,086	96.3%	1,224,169	50,144,380	98.6%
2006	52,053,701	50,818,303	97.6%	1,095,288	51,913,591	99.7%
2007	54,164,573	52,784,152	97.5%	1,297,369	54,081,521	99.8%
2008	56,325,863	55,036,635	97.7%	1,222,743	56,259,378	99.9%
2009	58,617,626	57,082,656	97.4%	1,498,774	58,581,430	99.9%
2010	60,163,158	58,578,657	97.4%	1,521,155	60,099,812	99.9%
2011	60,831,265	59,194,513	97.3%	1,568,167	60,762,680	99.9%
2012	63,291,283	61,974,383	97.9%	1,182,686	63,157,069	99.8%
2013	65,143,925	63,789,524	97.9%		65,143,925	97.9%

Source: City of Newport Tax Collector

CITY OF NEWPORT, RHODE ISLAND

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year June 30,	Governmental Activities			Business-Type Activities			Percentage of Personal Income *	Net Bonded Debt per Capita	Taxable Assessed Value	Net Bonded Debt as % of Taxable Assessed Value
	General Obligation Bonds (2)	QZAB (1)	Capital Leases	Water	Water					
				Bonds (2)	Pollution Control	Bonds (2)				
2004	\$ 20,980,000	\$ 1,863,536	\$ -	\$ 6,960,000	\$ 14,771,329	\$ 44,574,865	0.0921%	\$ 1,722	\$ 3,493,610,992	1.28%
2005	19,950,218	1,863,536	-	6,104,687	14,161,797	42,080,238	0.1026%	1,661	3,464,271,121	1.21%
2006	18,757,747	1,863,536	-	5,109,518	13,176,781	38,907,582	0.1180%	1,594	3,478,880,395	1.12%
2007	17,565,277	1,863,536	-	5,371,324	12,191,492	36,991,629	0.1414%	1,515	3,512,230,080	1.05%
2008	16,377,852	1,863,536	-	7,098,563	11,267,416	36,607,367	0.1399%	1,500	6,051,054,991	0.60%
2009	15,153,587	1,863,536	-	7,909,210	10,341,988	35,268,321	0.1426%	1,445	6,015,352,876	0.59%
2010	18,951,472	1,863,536	-	9,274,225	26,433,662	56,522,895	0.0889%	2,316	5,777,055,863	0.98%
2011	17,918,036	1,863,536	1,239,457	13,829,917	34,705,503	69,556,449	0.0748%	2,819	5,757,738,570	1.21%
2012	25,161,825	1,863,536	969,865	26,129,751	35,651,317	89,776,294	Not available	3,639	5,781,826,886	1.55%
2013	43,010,000	1,863,536	874,670	52,367,654	34,775,635	132,891,495	Not available	5,386	5,314,477,688	2.50%

Notes:

Details regarding the City's outstanding debt can be found in the Notes to Financial Statements.

* See Table 12 for personal income and population data used to calculate these ratios.

(1) The City of Newport is paying annual sinking fund payments of \$133,110 to a bank for repayment of the QZAB bond. Please see the Notes to Financial Statements for additional information.

(2) Includes outstanding bond anticipation notes and revenue anticipation notes.

TABLE 9

CITY OF NEWPORT, RHODE ISLAND

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year June 30,	Governmental Activities					Percentage of Actual Taxable Value of Property *	Percentage of Personal Income	U.S. Census Estimated Population	Per Capita **
	General Obligation Bonds	Bond Anticipation Notes	Capital Leases	QZAB	Total				
2004	\$ 20,980,000	\$ -	\$ -	\$ 1,863,536	\$ 22,843,536	0.65%	0.65%	25,879	\$ 882.71
2005	19,950,218	-	-	1,863,536	21,813,754	0.54%	0.59%	25,340	860.84
2006	18,757,747	-	-	1,863,536	20,621,283	0.39%	0.54%	24,409	844.82
2007	17,565,277	-	-	1,863,536	19,428,813	0.38%	0.47%	24,409	795.97
2008	16,377,852	-	-	1,863,536	18,241,388	0.31%	0.44%	24,409	747.32
2009	15,153,587	-	-	1,863,536	17,017,123	0.28%	0.42%	24,409	697.17
2010	18,951,472	-	-	1,863,536	20,815,008	0.36%	0.48%	24,409	852.76
2011	17,899,756	-	1,239,457	1,863,536	21,002,749	0.37%	0.49%	24,672	851.28
2012	16,161,825	9,000,000	969,865	1,863,536	27,995,226	0.48%	Not Available	24,672	1,134.70
2013	43,010,000	-	874,670	1,863,536	45,748,206	0.79%	Not Available	24,672	1,854.26

Notes:

Details regarding the City's outstanding debt can be found in the Notes to Financial Statements.

The City of Newport has no overlapping debt nor does it collect taxes for any other entity.

* See Table 5 for property value data.

** Population data can be found in Table 12.

CITY OF NEWPORT, RHODE ISLAND

LEGAL DEBT MARGIN INFORMATION
(UNAUDITED)

	2004	2005	2006	Fiscal Year 2007	2008	2009	2010	2011	2012	2013
Total assessed value	\$ 3,464,271,121	\$ 3,555,854,111	\$ 3,593,472,358	\$ 6,164,832,536	\$ 6,134,949,078	\$ 6,172,924,917	\$ 5,895,531,377	\$ 5,724,320,438	\$ 5,900,638,406	\$ 5,314,477,688
Rhode Island General Law debt limitation as % of assessed value	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Debt limit	<u>103,928,134</u>	<u>106,675,623</u>	<u>107,804,171</u>	<u>184,944,976</u>	<u>184,048,472</u>	<u>185,187,748</u>	<u>176,865,941</u>	<u>171,729,613</u>	<u>177,019,152</u>	<u>159,434,331</u>
Debt applicable to limit:										
General obligation bonds	<u>22,843,536</u>	<u>21,813,754</u>	<u>20,621,283</u>	<u>19,428,813</u>	<u>18,241,388</u>	<u>17,017,123</u>	<u>20,815,008</u>	<u>20,712,430</u>	<u>18,407,430</u>	<u>44,873,536</u>
Legal debt limit	103,928,134	106,675,623	107,804,171	184,944,976	184,048,472	185,187,748	176,865,941	171,729,613	177,019,152	159,434,331
Total net debt applicable to the limit	<u>22,843,536</u>	<u>21,813,754</u>	<u>20,621,283</u>	<u>19,428,813</u>	<u>18,241,388</u>	<u>17,017,123</u>	<u>20,815,008</u>	<u>20,712,430</u>	<u>18,407,430</u>	<u>44,873,536</u>
Legal debt margin	<u>\$ 81,084,598</u>	<u>\$ 84,861,869</u>	<u>\$ 87,182,888</u>	<u>\$ 165,516,163</u>	<u>\$ 165,807,084</u>	<u>\$ 168,170,625</u>	<u>\$ 156,050,933</u>	<u>\$ 151,017,183</u>	<u>\$ 158,611,722</u>	<u>\$ 114,560,795</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>28.17%</u>	<u>25.71%</u>	<u>23.65%</u>	<u>11.74%</u>	<u>11.00%</u>	<u>10.12%</u>	<u>13.34%</u>	<u>13.72%</u>	<u>11.61%</u>	<u>39.17%</u>

TABLE 11

CITY OF NEWPORT, RHODE ISLAND

PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year June 30,	Water Revenue Bonds						Water Pollution Control Revenue Bonds					
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest					Principal	Interest	
2004	\$ 7,666,798	\$ 5,223,972	\$ 2,442,826	\$ 1,300,140	\$ 396,557	1.44	\$ 6,049,193	\$ 4,233,667	\$ 1,815,526	\$ 1,721,182	\$ 224,795	0.93
2005	7,100,096	5,489,324	1,610,772	855,313	171,496 *	1.57	5,885,602	4,553,443	1,332,159	921,723 *	323,326	1.07
2006	9,514,397	5,603,064	3,911,333	995,169	389,981	2.82	6,462,089	4,430,338	2,031,751	985,016	615,547	1.27
2007	9,179,960	6,428,093	2,751,867	969,405	134,631	2.49	6,181,907	4,741,389	1,440,518	985,289	275,922	1.14
2008	9,025,966	6,673,460	2,352,506	894,389	197,959	2.15	7,337,836	4,986,402	2,351,434	924,076	230,054	2.04
2009	9,614,675	7,351,579	2,263,096	974,627	280,770	1.80	7,865,579	5,167,234	2,698,345	925,429	209,504	2.38
2010	10,466,106	7,241,885	3,224,221	1,362,914	368,855	1.86	7,951,054	5,507,303	2,443,751	977,313	567,363	1.58
2011	10,270,053	7,570,428	2,699,625	927,679	416,452	2.01	10,530,416	6,854,557	3,675,859	901,737	638,443	2.39
2012	12,257,011	7,186,396	5,070,615	1,004,789	719,275	2.94	13,486,581	5,576,173	7,910,408	1,235,096	1,131,893	3.34
2013	13,407,886	7,875,093	5,532,793	1,165,069	1,570,155	2.02	12,850,160	5,823,981	7,026,179	1,862,909	1,132,054	2.35

Notes:

Details regarding the City's outstanding debt can be found in the Notes to Financial Statements.

Operating expenses do not include interest or depreciation expense.

* Net of refunding

TABLE 12**CITY OF NEWPORT, RHODE ISLAND**

DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN FISCAL YEARS
 (UNAUDITED)

Fiscal Year June 30,	Population		Per Capita Personal Income >	Total County Personal Income > (thousands)	Total State Personal Income > (thousands)	School Enrollment ^	Unemployment Rate <
2004	25,879 **	\$	41,044	\$ 3,539,984	\$ 36,818,389	2,796	4.6%
2005	25,340 **		43,168	3,688,006	37,876,045	2,524	4.4%
2006	24,409 **		45,894	3,824,537	39,911,244	2,386	4.5%
2007	24,409 *		52,311	4,118,890	42,008,417	2,380	4.0%
2008	24,409 *		51,224	4,133,741	43,468,678	2,208	6.2%
2009	24,409 *		50,290	4,038,311	43,594,132	2,134	9.9%
2010	24,409 *		50,259	4,295,271	44,200,452	2,132	9.7%
2011	24,672 ***		52,038	4,303,320	46,125,394	2,119	8.6%
2012	24,672 ***	Not Available	Not Available	Not Available	Not Available	2,029	8.2%
2013	24,672 ***	Not Available	Not Available	Not Available	Not Available	2,097	7.3%

* Source: Rhode Island Department of Planning.

** Source: U.S. Bureau of the Census.

*** Source: 2010 US Census

> Source: U.S. Bureau of Economic Analysis, Regional Economic Information System.
 The City's population is 31.0% of the County.

^ Source: City School Department.

< Source: RI Department of Labor & Training.

CITY OF NEWPORT, RHODE ISLAND

PRINCIPAL EMPLOYERS
CURRENT YEAR AND TEN YEARS AGO
(UNAUDITED)

2013				2004			
Employer	Employees	Rank	Percentage of Total City Employment	Employees	Employees	Rank	Percentage of Total City Employment
Naval Station Newport	4,500	1	34.8%	Naval Undersea Warfare Center	2,824	1	18.7%
Newport Hospital	802	2	6.2%	Newport Hospital	804	3	5.3%
City of Newport	622	3	4.8%	City of Newport	786	4	5.2%
James L. Maher Center	571	4	4.4%	James L. Maher Center	700	5	4.6%
Salve Regina University	543	5	4.2%	Salve Regina University	500	6	3.3%
Newport Restaurant Group	506	6	3.9%				
Preservation Society	399	7	3.1%	Preservation Society of Newport County	440	7	2.9%
Hyatt Regency-Newport	317	8	2.5%				
Newport Harbor Corporation	297	9	2.3%				
Marriott International Inc.	212	10	1.6%	Newport Marriott Hotel	300	9	2.0%
				Naval Education and Training Center (NETC)	950	2	6.3%
Total	<u>8,769</u>		<u>67.9%</u>	Newport LLC	330	8	2.2%
				Child & Family Services of Newport County	280	10	1.9%
				Total	<u>7,914</u>		<u>52.4%</u>

Note: No reductions in the Naval Undersee Warfare Center or Naval Education and Training Center are recommended by the Base Realignment & Closing Commission (BRAC).

TABLE 14

CITY OF NEWPORT, RHODE ISLAND

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(UNAUDITED)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government:										
Mayor and Council	7	7	7	7	7	7	7	7	7	7
City Manager	5	5	5	6	6	5.5	5.5	5.5	5.5	5.5
City Solicitor	3	3	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Canvassing	2	2	2	2	2	2	2	2	2	2
Finance	22	22	21	21	23	22	22	22	21	21
City Clerk	6	6	6	6	6	6	6	6	6	6
Administrative services	17	17	17	18	n/a	n/a	n/a	n/a	n/a	n/a
Planning	12	12.5	13.5	13	13	13	13	13	14	4
Zoning & Inspections										10
Total General Government	74	74.5	75	76.5	60.5	59	59	59	59	59
Public safety:										
Police	114.5	114.5	114.5	111.5	111.5	111.5	104.5	104.5	104.5	104.5
Fire	99	99	99	99	99	99	99	99	99	99
	213.5	213.5	213.5	210.5	210.5	210.5	203.5	203.5	203.5	203.5
Public health:										
Public works	18.6	18.6	18.6	18.6	39	40	40	40	40	40
Water	45.7	45.7	46.3	46.3	46.4	46.4	46.4	46.4	46.4	46.4
Wastewater	0.7	0.7	1.1	1.1	1.6	1.6	1.6	1.6	1.6	1.6
	65	65	66	66	87	88	88	88	88	88
Public welfare:										
Recreation and parks	19	19	19	16.28	4	4	4	4	3	3
Public education:										
Teachers	227	219	219	219	210	201	197.5	211.5	212.1	208.4
Pupil support	75	64	64	64	62	60	58.5	45.5	48	51
Executive and administrative	90	90	90	90	76	74	69	63	59.5	56.4
	392	373	373	373	348	335	325	320	319.6	315.8
Total	763.5	745	746.5	742.28	710	696.5	679.5	674.5	673.1	669.3

Source: City budgets and School Business Manager

TABLE 15

CITY OF NEWPORT, RHODE ISLAND

OPERATING INDICATORS BY FUNCTION/PROGRAM
(UNAUDITED)

Function/Program	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police:										
Arrests	1,649	1,837	1,789	1,599	1,943	1,777	1,723	1,827	1,185	1,372
Parking violations	38,273	34,775	50,623	39,423	39,968	40,962	35,535	31,679	34,765	28,804
Calls for Service	39,186	38,310	36,465	33,597	34,015	35,677	30,058	29,220	28,785	28,620
Fire:										
Emergency responses	3,838	3,653	3,959	5,079	5,625	5,891	3,675	3,719	4,162	4,340
Fires extinguished	144	107	95	102	116	78	109	78	123	156
Inspections	250	385	1,338	1,681	1,151	948	1,414	1,136	1,545	1,466
Refuse collection:										
Refuse collected (tons/day, average)	21.71	30.92	33.17	30.99	29.66	29.30	28.22	27.57	27.58	26.68
Recyclables collected (tons/day, average)	6.43	8.31	9.32	8.63	8.91	8.94	8.66	8.64	8.59	8.69
Other public works:										
Street resurfacing (miles)	4.4	2.9	0.9	1.4	1.92	1.90	4.2	9.43	6.5	9.26
Parks and recreation:										
Athletic field and facility rentals	47	25	22	38	87	309	325 ***	331	335	415
Library:										
Volumes in collections	143,965	186,605	189,727	189,405	205,914	211,767	167,209 ****	183,506 *****	172,814 *****	195,105 ^
Water:										
New connections	91	96	69	148	57	35	30	30	44	55
Water mains breaks	20	16	23	32	31	25	35	24	19	28
Average daily production (avail for sale) (million gallons per day)	7.54	7.11	6.99	6.69	6.87	6.93	6.65	6	5.9	5.67
Wastewater:										
Average daily sewage treatment (thousands of gallons)	9,700	10,900 **	9,872	9,800	7,820	10,000	11,100	8,550	9,463	8,240

Note:

** Capacity exceeded in an effort to reduce CSO's. A CSO abatement program under RIDEM approval is currently underway.

*** In addition to tracking Salve Regina University and the Gulls' renters, this information now includes newly tracked use of Cardine's Field by sunset league and also 2-hr field use rentals for various practices/functions.

**** The bulk of the difference is back issues of periodicals that were discarded.

***** Includes 11,180 electronic holdings.

^ Includes 21,447 e books purchased consorcially through Ocean State Libraries.

Sources: Various City departments

TABLE 16

CITY OF NEWPORT, RHODE ISLAND

**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
(UNAUDITED)**

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	86	86	86	86	86	86	79	79	79	79
Fire stations	3	3	3	3	3	3	3	3	3	3
Public works:										
Streets (miles)	94	94	94	94	94	94	94	94	94	94
Streetlights	1,976	1,976	1,976	1,976	1,976	1,974	1,974	1,918	1,918	1,918
Traffic signals	5	5	5	5	5	5	5	5	5	5
Parks and recreation:										
Acreage	15	15	15	15	15	15	15	15	15	15
Playgrounds	13	13	13	13	13	13	13	13	13	13
Multi purpose playing fields	7	7	7	7	7	7	7	7	7	7
Tennis courts	18	18	18	18	18	18	18	18	18	18
Community centers	1	1	1	1	1	1	1	1	1	1
Water:										
Water mains (miles)	162	162	162	163	163	163	163	163	163	163
Fire hydrants	975	983	987	996	999	999	1,034	1,034	1,034	1,037
Storage capacity (thousands of gallons-treated)	10,500	10,500	10,500	10,500	10,500	10,500	10,500	10,500	10,500	7,500
Wastewater:										
Sanitary sewers (miles)	88	88	88	88	88	88	88	88	88	88
Storm sewers (miles)	46	46	46	46	46	46.5	46.5	46.5	46.5	46.5
Treatment capacity (thousands of gallons) (daily)	10,700	10,700	10,700	10,700	10,700	10,700	10,700	10,700	10,700	10,700

Source: Various City departments.