

**CITY OF NEWPORT, RHODE ISLAND**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2005**



**Prepared by:**  
**Department of Finance**

CITY OF NEWPORT, RHODE ISLAND

YEAR ENDED JUNE 30, 2005

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## **INTRODUCTORY SECTION**



December 16, 2005

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, 2005.

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 Lefkowitz, Garfinkel, Champi & DeRienzo P.C., 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, 2005 were free of 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 reasonable basis for rendering an unqualified opinion that the City of Newport, Rhode Island's financial statements as of and for the fiscal year ended June 30, 2005, are fairly presented in conformity with GAAP. The independent auditors' 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 auditors.

### **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 27,000, which grows substantially during the summer months. The City is also visited by over 1,000,000 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 accompanying financial statements present the government and its component units. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable or for which the nature and significance of its relationship is such that exclusion would lead the primary government's financial statements to be misleading or incomplete. The City identifies and includes two component units; the Newport Public Library and the Redevelopment Agency of Newport. Additional information on these agencies can be found in Note I in the notes to the financial statements.

The annual budget serves as the foundation for the City's financial planning and control. All departments, the Newport Public Schools and the Newport Public Library are required to submit requests for appropriations to the City Manager. 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 general fund and the school unrestricted 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 for Newport County is \$36,908 compared to \$30,859 and \$30,906 for Rhode Island and the United States, respectively. The unemployment rate is 3.7% compared to the state unemployment rate of 5.0%. The median selling price of an existing home in 2004 is \$400,000, an amount that has doubled in 5 years. The City is attracting older retired residents and empty-nesters as well as tourists. The value of property is expected to continue to grow at the rate of 5-15%. The tourist industry remained stable in 2005 and is expected to remain healthy.

#### *Long-term financial planning*

The City Council has focused redevelopment efforts in the City's north end with the assistance of federal and state grants, namely a HOPE VI grant to rebuild outdated housing. The Council will continue efforts in this area and will also focus on redeveloping the old naval hospital and some commercial property in the north end. Additional renovation is planned or in progress for the City's downtown historic Washington Square and Long-Wharf area. These renovation and development initiatives include plans to address parking and traffic issues.

Long-term financial planning also 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. Cost estimates range from \$50 million to \$75 million dollars to address these areas. Funds will likely come from a variety of sources including state subsidized revenue bonds, grants, regionalization of facilities and rates.

The current 5-year capital plan includes possible general obligation bond funds to rebuild and repair roadways and sidewalks, in accordance with a pavement management program developed within the last two years. This cost is estimated at about \$12 million.

### *Cash management policies and practices*

Temporarily idle cash is invested in government money market funds that are fully collateralized, in certificates of deposit and in U.S. treasury obligations. The maturities of investments range mostly from 1 day to 5 years, with a weighted average maturity of 1.395 months on the certificates of deposit. The average yield on investments was 5% for the government, and 14% for pension funds. The higher rate for the pension funds is attributable to the long-term character of most of its investment holdings. Investment income includes appreciation in the fair value of investments. Increases in fair value during the current year, however, do not necessarily represent trends that will continue; nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the government intends to hold to maturity.

### *Pension and other postemployment 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 plan 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 actuarially accrued liability. The liability is being amortized over a closed 30-year period. The City is in the 27<sup>th</sup> year (declining to 1). The plans are currently funded at 33% for the fire plan and 58% for the police plan.

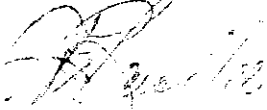
The City also provides pension benefits for its non-public safety employees through a state-wide plan managed by the State Treasurer. The state-hired actuaries determine the funding level and unfunded actuarially accrued liability for each individual participating employer. The City is 79% funded in the State's municipal employees' retirement plan. The State of Rhode Island provides pension benefits to the City of Newport school teachers.

The City also 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, 2005, 431 retirees were eligible to receive health and life insurance benefits, which are currently financed on a pay-as-you-go basis. The City's actuarial calculation of the combined municipal and school liability as of July 1, 2004 is estimated at \$61.6 million. The City Council has approved the formation of a Trust to accumulate assets for the payment of other post-employment benefits in the future. An initial appropriation to the Trust has been approved in FY2006. Retiree benefits and various options are currently being studied in order to reduce the liability.

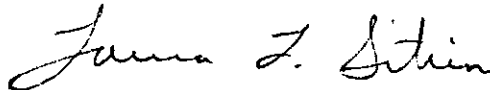
Additional information on the City's pension arrangements and postemployment benefits can be found in Notes 11-13 in the notes to the financial statements.

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,

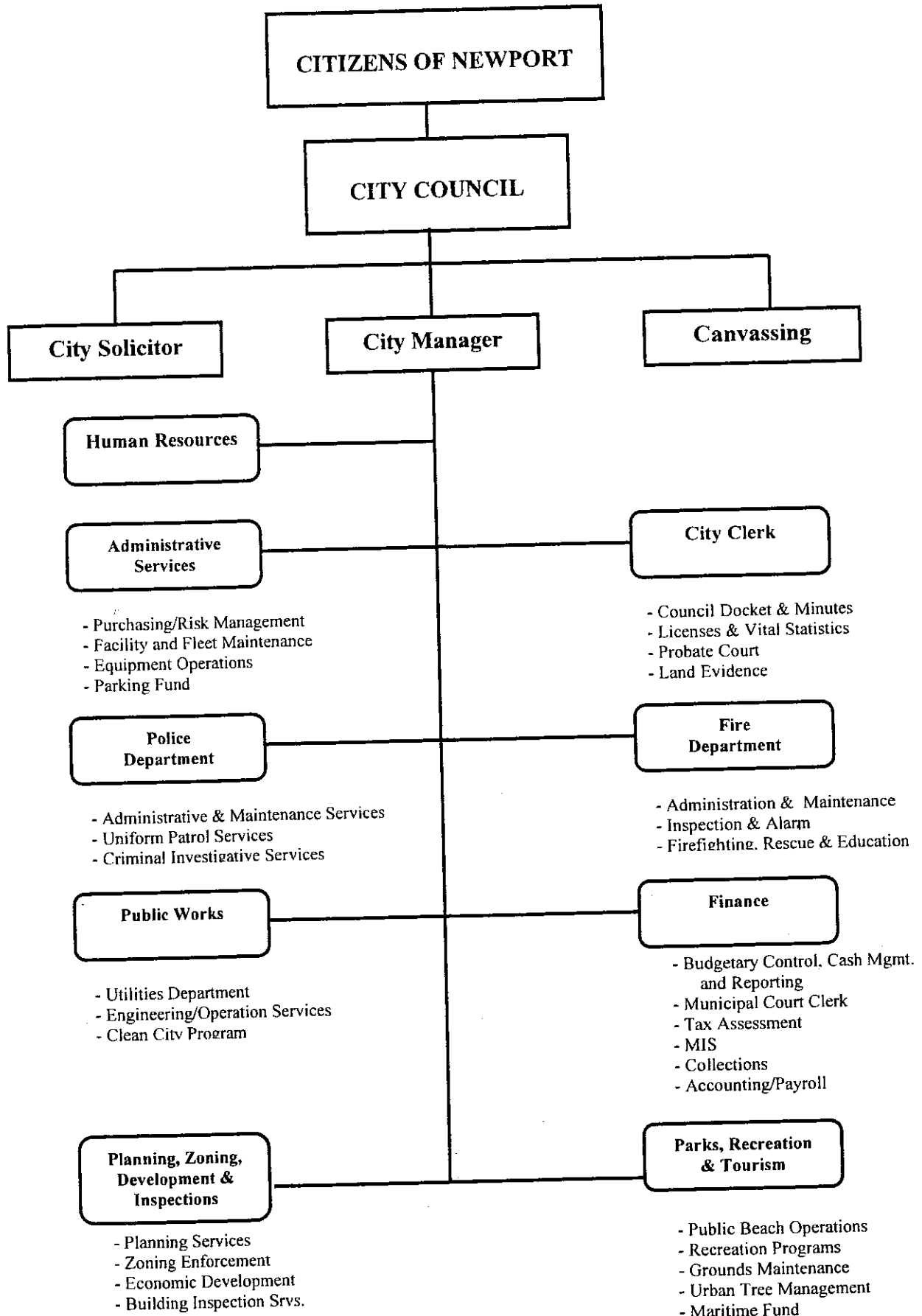


Edward F. Lavalley  
City Manager

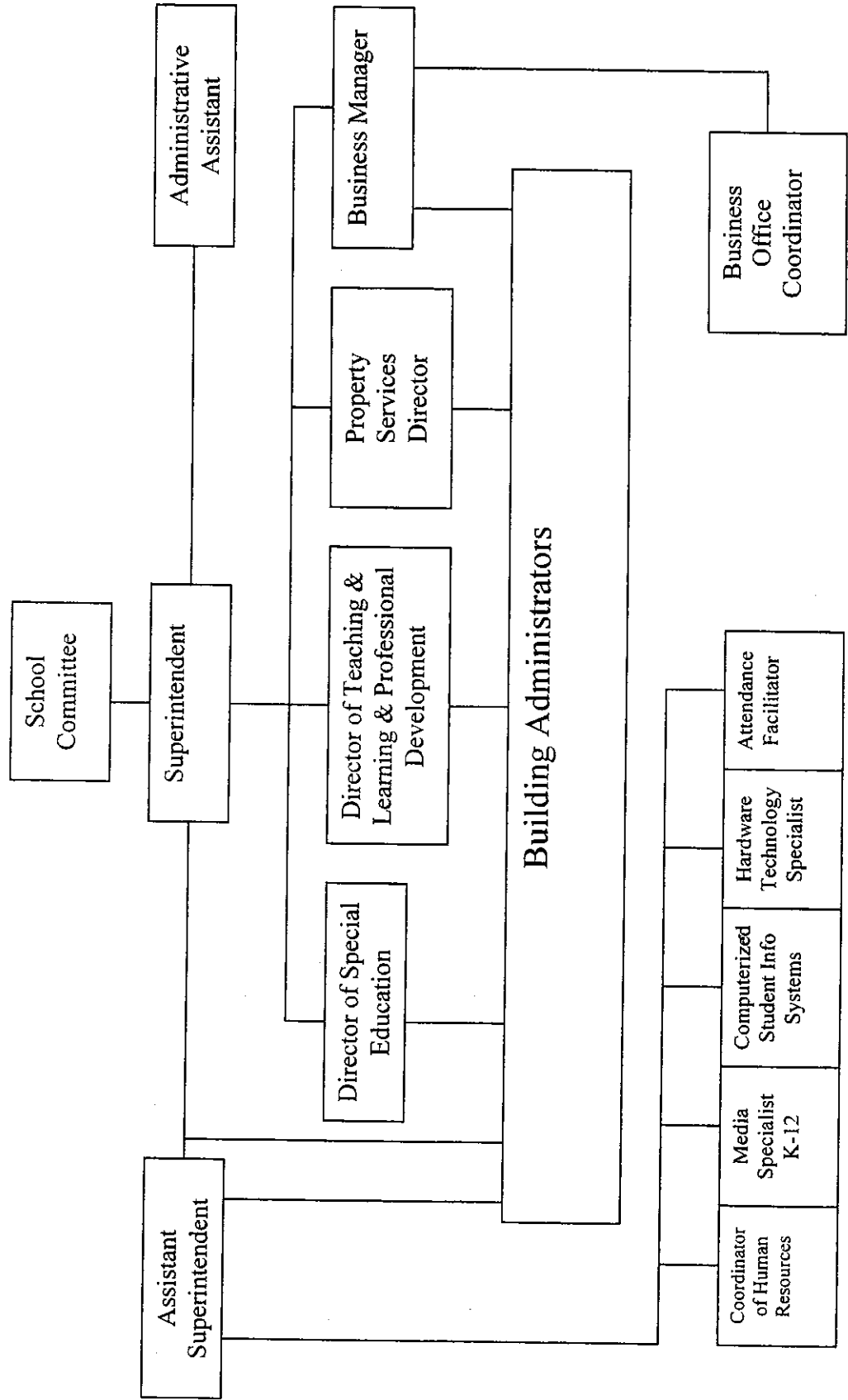


Laura L. Sitrin, CPA  
Director of Finance

# THE CITY OF NEWPORT, RI



# NEWPORT PUBLIC SCHOOLS



## CITY OF NEWPORT, RHODE ISLAND

### Elected Officials:

Honorable John J. Trifero  
Charles Y. Duncan  
Stephen C. Waluk  
Colleen A. McGrath  
Mary C. Connolly  
Jeanne-Marie Napolitano  
Stephen R. Coyne  
Dr. Charles P. Shoemaker  
Jo Eva Gaines  
Dr. O. William Hilton, Jr.  
Hugo J. DeAscentis, Jr.  
David R. Carlin  
Robert J. Leary  
Thomas S. Phelan

Mayor  
1<sup>st</sup> Ward Councilor  
2<sup>nd</sup> Ward Councilor  
3<sup>rd</sup> Ward Councilor  
Councilor At Large  
Councilor At Large/Vice-Chairman  
Councilor At Large  
School Committee Chair  
School Committee  
School Committee  
School Committee  
School Committee  
School Committee/Vice Chair  
School Committee

### Principal Appointed Officials:

Edward F. Lavallee  
Laura L. Sitrin  
John H. Ambrogi, Ed.D.  
Joseph J. Nicholson Jr.  
Julia Forgue  
Edward Draper  
Paige Bronk  
Charles Golden  
Edward McCarthy  
Susan Cooper  
Bruce Alexander

City Manager  
Director of Finance  
Superintendent of Schools  
City Solicitor  
Director of Public Works  
Director of Administrative Services  
Director of Planning  
Police Chief  
Fire Chief  
Director of Parks/Recreation  
School Business Manager

## **FINANCIAL SECTION**





## Independent Auditors' Report

The Honorable Mayor and  
Members of the City Council  
City of Newport, Rhode Island  
Newport, Rhode Island

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Newport, Rhode Island (the City) as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City. 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Newport, Rhode Island as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general and school unrestricted funds for the year then ended, in conformity with accounting principles generally accepted in the United States.

In accordance with Government Auditing Standards, we have also issued our report dated December 16, 2005 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 12 to 23 and historical pension information on pages 70 and 71 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Independent Auditors' Report (Continued)

The Honorable Mayor and  
Members of the City Council  
City of Newport, Rhode Island

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, with the exception of the statistical section, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Jeffowitz, Joseph, Charfi & DeGuzo P.C.*

December 16, 2005

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2005. 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 on pages 1 to 6 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 \$139,535,270 (*net assets*).
- The government's net assets decreased by \$1,413,944. Governmental activities net assets decreased by \$896,995 due primarily to increases in claims and judgments offset by increases in real property taxes and charges for services. Business-type activities had a decrease of \$516,949 in net assets due to losses in the water pollution control fund.
- At June 30, 2005, the City of Newport's governmental funds reported a combined ending fund balance of \$23,057,516, a decrease of \$709,723 in comparison to the prior year fund balance. Approximately 83% of this amount, \$19,051,261, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$3,885,886, or 5.3% of total general fund expenditures and net other financing uses.
- The City of Newport's long-term liabilities net increase of \$505,602 (1.4%) was attributable to accrued claims and judgments less the scheduled repayment of debt partially offset by proceeds of refunding bonds above the refunded principal.

### Overview of the Financial Statements

This discussion and analysis are 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 the 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Government-wide financial statements (continued)

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

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

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, 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 include not only the City of Newport itself (known as the primary government), but also a legally separate redevelopment agency and a legally separate public library for which the City of Newport is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 24-25 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Fund financial statements (continued)

#### *Governmental funds (continued)*

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, the school unrestricted fund, the Community Development Act fund, and the capital projects fund, all of which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is included on pages 75-78 of this report.

The City of Newport adopts an annual budget for its general fund and its school unrestricted fund. Budgetary comparison statements have been provided for the general fund and the school unrestricted fund to demonstrate compliance with their budgets.

The basic governmental fund financial statements can be found on pages 26-30 of this report.

#### *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. This fund charges both governmental and enterprise activities for costs and has therefore been included as a proprietary fund.

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 pages 31-33 of this report.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### **Fund financial statements (continued)**

#### *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 pages 34-35 of this report.

#### *Notes to the financial statements*

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 36-69 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 benefits to its employees. Required supplementary information can be found on pages 70-71 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and proprietary funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 75-81 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net assets 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 \$139,535,270 at the close of the most recent fiscal year.

By far the largest portion of the City of Newport's net assets (89%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Government-wide Financial Analysis (continued)

	City of Newport's Net Assets					
	Governmental activities		Business-type activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 38,572,008	\$ 38,084,742	\$ 10,305,308	\$ 11,582,577	\$ 48,877,316	\$ 49,667,319
Capital assets	60,837,980	59,057,008	102,415,667	102,616,557	163,253,647	161,673,565
Total assets	<u>99,409,988</u>	<u>97,141,750</u>	<u>112,720,975</u>	<u>114,199,134</u>	<u>212,130,963</u>	<u>211,340,884</u>
Long-term liabilities	35,251,728	34,563,806	18,286,300	20,036,261	53,538,028	54,600,067
Other liabilities	14,191,994	11,714,683	4,865,671	4,126,261	19,057,665	15,840,944
Total liabilities	<u>49,443,722</u>	<u>46,278,489</u>	<u>23,151,971</u>	<u>24,162,522</u>	<u>72,595,693</u>	<u>70,441,011</u>
Net assets:						
Invested in capital assets, net of related debt	39,024,226	36,213,472	85,773,241	87,497,297	124,797,467	123,710,769
Restricted	12,664,063	11,817,918	3,624,058	6,612,069	16,288,121	18,429,987
Unrestricted	(1,722,023)	2,831,871	171,705	(4,072,754)	(1,550,318)	(1,240,883)
Total net assets	<u>\$ 49,966,266</u>	<u>\$ 50,863,261</u>	<u>\$ 89,569,004</u>	<u>\$ 90,036,612</u>	<u>\$ 139,535,270</u>	<u>\$ 140,899,873</u>

An additional portion of the City of Newport's net assets (11.7%) represents resources that are restricted by external parties.

The government's net assets decreased by \$1,413,944 during the current fiscal year. Governmental activities net assets decreased by \$896,995. A comparison of FY2005 and FY2004 activity can be found on the next page which indicates increases in property tax revenue of \$4,036,837 and in charges for services of \$968,352. Property tax revenue increased because of an increase in the tax rates of 2.16% which generated an additional \$1,932,433. The City also had a full year of the meals and beverage tax and received additional revenue from an increase of 1% in the rooms tax effective January 2005. Charges for services increased due to an increase of approximately \$340,000 in real estate recording and conveyance fees, substantial increases in permit fees due to increased rates and building and repair requests and an increase in capital project service charges to other funds for leasing fees for vehicles and equipment. These increases offset increased public safety and general government expenses of \$5,072,700. There was essentially no change in general education expenses even though they had been projected to increase.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Government-wide Financial Analysis (continued)

#### City of Newport's Changes in Net Assets

	Governmental activities		Business-type activities		Total	
	2005	2004	2005	2004	2005	2004
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 9,140,131	\$ 7,876,914	\$ 14,957,887	\$ 15,252,752	\$ 24,098,018	\$ 23,129,666
Operating grants and contributions	21,236,496	21,000,389			21,236,496	21,000,389
Capital grants and contributions	846,754	818,007			846,754	818,007
<b>General revenues:</b>						
Property taxes	52,857,093	48,820,256			52,857,093	48,820,256
Grants and contributions not restricted to specific programs	4,059,353	4,097,271			4,059,353	4,097,271
Investment income	1,133,676	1,177,711	98,797	90,236	1,232,473	1,267,947
Miscellaneous revenues	135,206	116,126			135,206	116,126
Loss on disposition of assets	(95,014)	(30,004)			(95,014)	(30,004)
Capital contributions			200,863		200,863	
Transfers from primary government	(190,692)	(436,968)	(10,171)	436,968	(200,863)	-
<b>Total revenues</b>	<b>89,123,003</b>	<b>83,439,702</b>	<b>15,247,376</b>	<b>15,779,956</b>	<b>104,370,379</b>	<b>99,219,658</b>
<b>Expenses:</b>						
General government	8,638,364	5,459,387			8,638,364	5,459,387
General education	42,003,803	42,168,056			42,003,803	42,168,056
Public safety	27,848,257	25,954,534			27,848,257	25,954,534
Public health	4,664,543	4,403,093			4,664,543	4,403,093
Planning, zoning and development	1,681,628	1,028,852			1,681,628	1,028,852
Recreation and parks	1,773,421	2,189,095			1,773,421	2,189,095
Human services	2,520,398	2,543,597			2,520,398	2,543,597
Interest expense	889,584	1,062,259			889,584	1,062,259
Water			7,135,764	6,830,398	7,135,764	6,830,398
Water pollution control			7,050,859	6,432,891	7,050,859	6,432,891
Nonmajor business-type			1,577,702	1,109,229	1,577,702	1,109,229
<b>Total expenses</b>	<b>90,019,998</b>	<b>84,808,873</b>	<b>15,764,325</b>	<b>14,372,518</b>	<b>105,784,323</b>	<b>99,181,391</b>
Increase (decrease) in net assets	(896,995)	(1,369,171)	(516,949)	1,407,438	(1,413,944)	38,267
Net assets July 1	50,863,261	30,895,414	90,036,612	72,247,261	140,899,873	103,142,675
Prior period adjustment/restatement		21,337,018	49,341	16,381,913	49,341	37,718,931
<b>Net assets June 30</b>	<b>\$ 49,966,266</b>	<b>\$ 50,863,261</b>	<b>\$ 89,569,004</b>	<b>\$ 90,036,612</b>	<b>\$ 139,535,270</b>	<b>\$ 140,899,873</b>

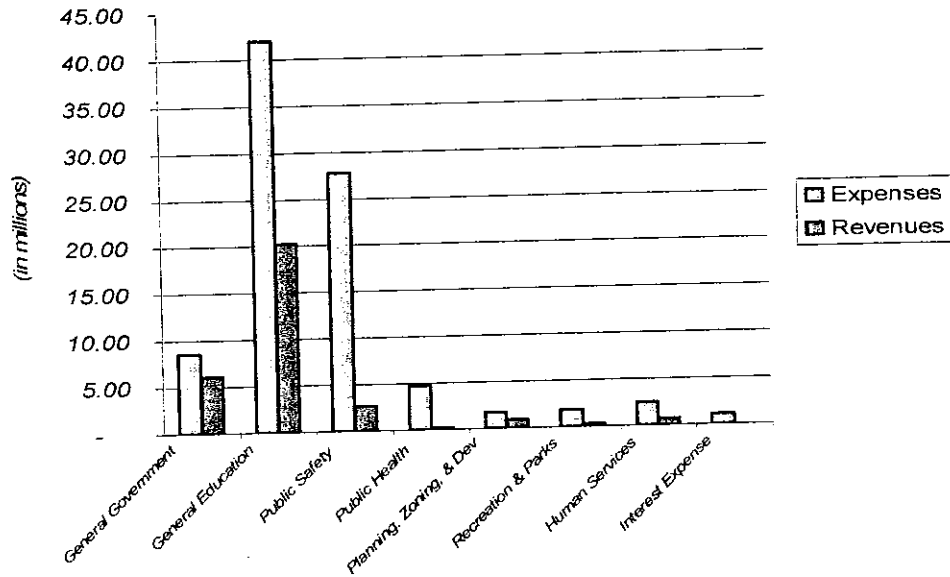


MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

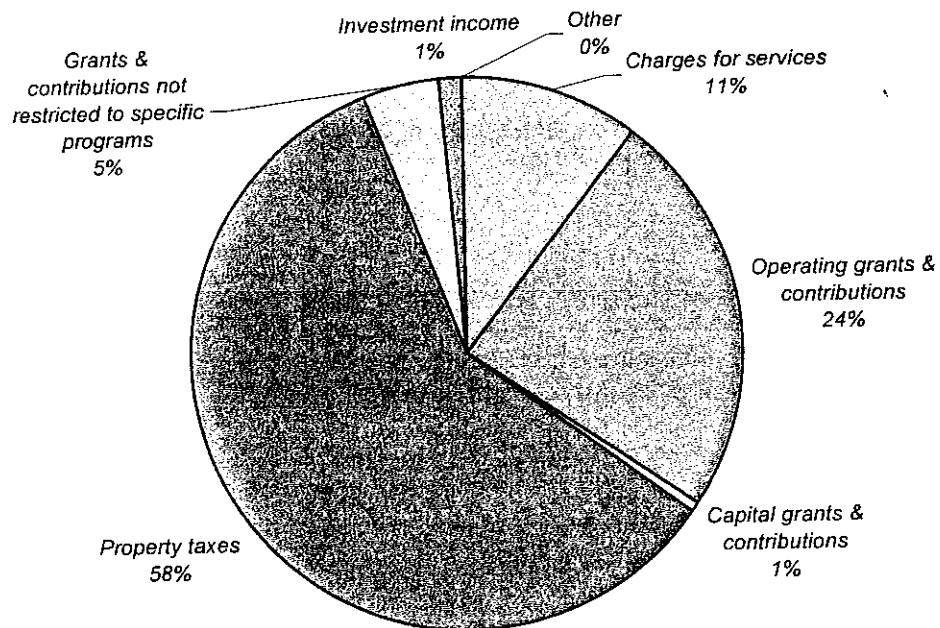
Government-wide Financial Analysis (continued)

Governmental Activities

**Expenses and Program Revenues - Governmental Activities**



**Revenues by Source - Governmental Activities**



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

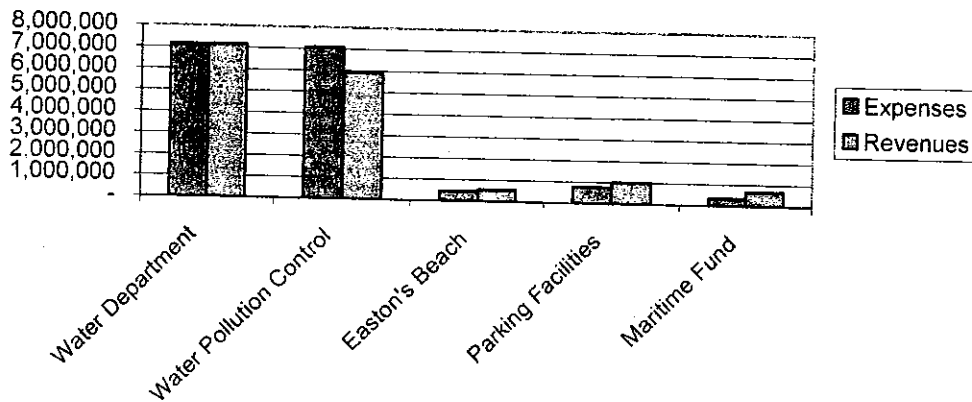
### Government-wide Financial Analysis (continued)

#### Business-type activities

Business-type activities net assets decreased by \$516,949. The Water Pollution Control Fund had a net loss for FY2005 of \$1,150,984. This was due to a revenue shortfall of \$642,518, higher than anticipated interest expense and higher legal and administrative chargebacks.

The Water Fund had net income of \$5,649 for the year ended June 30, 2005, and the non-major proprietary funds had net income of \$628,386 with all individual funds showing a net income.

**Expenses and Program Revenues - Business-type Activities**



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

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Financial Analysis of the Government'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 \$23,057,516, a decrease of \$709,723 in comparison with the prior year fund balance. Most of this total amount (\$19,051,261) constitutes unreserved fund balance, which is available for spending at the government's discretion or in accordance with grant and donor restrictions. The remainder of fund balance (\$4,006,255) is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period.

The General Fund is the operating fund of the City of Newport. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$3,885,886, while total fund balance was \$5,045,005. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures and operating transfers out. Unreserved fund balance represents 6% of total General Fund expenditures and operating transfers, while total fund balance represents 7% of that same amount.

The fund balance of the City of Newport's General Fund decreased by \$3,092,038. The reduction in fund balance was mostly due to a Council appropriated fund balance of \$1,380,000 to be used for capital improvements including road repairs and paving, school capital improvements and a matching grant for the Cliffwalk repair project plus an additional appropriation of fund balance of \$1,075,101 for school operations. The remaining reduction in fund balance of \$636,937 is the result of an accrual for an arbitration award for FY2003-2004 that gave the police union a 4% retroactive salary. Money has been appropriated in the FY2006 budget to restore fund balance to a higher level. Key factors in this year's operations are as follows:

An increase in the property tax rate (2.16%) increased tax revenues by \$1,932,433. Property tax revenue was higher than FY2004, but \$836,636 less than budgeted revenues. This shortfall was offset by bond proceeds (\$3,124,702) and operating transfers in (\$244,145) above what was budgeted. Total revenues and financing sources were higher than budgeted by \$2,704,143 and exceeded prior year revenues by \$4,882,011.

The school unrestricted fund had an increase in fund balance of \$1,494,961 that eliminated the fund deficit of \$1,100,081 from prior years. The increase was due to several reasons. Federal impact aid was \$383,594 higher than anticipated. Expenditures and other financing uses were \$1,003,238 less than budgeted because special education tuitions were lower than expected as were technical and professional services and supplies.

#### 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Financial Analysis of the Government's Funds (continued)

#### Proprietary funds (continued)

Unrestricted net assets of the Water Fund at the end of the year amounted to a deficit of (\$5,227,110), an addition of \$538,471 to unrestricted fund balance in FY2005 resulting primarily from a reduction in the amount of net assets invested in capital assets, net of related debt. Unrestricted net assets of the Water Pollution Control Fund at the end of the year amounted to \$760,057, for the parking operations \$4,487,051, for the Maritime Fund \$1,228,547 and those for the Easton's Beach operation amounted to a deficit of (\$76,840). The total growth in net assets for the Water Fund was \$5,649, for the Water Pollution Control Fund a loss of \$1,150,984 for the parking operations \$246,734, for the Maritime Fund \$313,673 and for Easton's Beach \$67,979. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Newport's business-type activities.

#### General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were due to encumbrance carryovers from fiscal year 2004 of \$2,077,766, offset by a reduction of \$618,190 in appropriations for operations and an increase in appropriations of \$1,075,101 for the school department. The remaining difference of \$196,556 is due to canceled encumbrances.

#### 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, 2005 is \$163,253,645 (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 decrease in the City of Newport's investment in capital assets for the current fiscal year of 1% (a 3% increase for governmental activities and less than a 1% decrease for business-type activities).

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

- \$1,338,335 was spent on road reconstruction and repairs.
- \$1,341,537 was spent on repairs to City-owned buildings and new fire code compliance, including 311,307 for school building repairs.
- \$2,677,000 of additions were made to water infrastructure, mains, buildings and pump stations.

At June, 30, 2005, the City has construction commitments totaling \$4,994,790 for projects including street and sidewalk repaving and reconstruction, repair and reconstruction of the historic Washington Square area and repair and improvement of water plants and mains.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**Financial Analysis of the Government's Funds (continued)**

**Capital Asset and Debt Administration (continued)**

*Capital Assets (continued)*

	City of Newport's Capital Assets (net of depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 2,348,013	\$ 2,348,013	\$ 6,172,190	\$ 5,948,909	\$ 8,520,203	\$ 8,296,922
Construction in progress	473,129	272,709	749,963	959,115	1,223,092	1,231,824
Land improvements	5,357,104	5,473,255	-	-	5,357,104	5,473,255
Buildings & systems	24,171,467	23,640,568	94,905,202	95,149,544	119,076,669	118,790,112
Machinery & equipment	2,655,832	2,774,837	567,168	377,157	3,223,000	3,151,994
Vehicles	2,215,799	1,915,199	21,142	181,832	2,236,941	2,097,031
Infrastructure	23,616,636	22,632,427	-	-	23,616,636	22,632,427
<b>Total</b>	<b>\$ 60,837,980</b>	<b>\$ 59,057,008</b>	<b>\$ 102,415,665</b>	<b>\$ 102,616,557</b>	<b>\$ 163,253,645</b>	<b>\$ 161,673,565</b>

Additional information on the City of Newport's capital assets can be found in Note 3 on pages 52-55 of this report.

*Long-term debt*

At the end of the current fiscal year, the City of Newport had total bonded debt outstanding of \$42,080,238. Of this amount, \$30,038,536 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).

	City of Newport's Outstanding Debt General Obligation and Revenue Bonds					
	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
General Obligation Bonds	\$ 21,813,754	\$ 22,843,536	\$ 8,224,782	\$ 9,515,002	\$ 30,038,536	\$ 32,358,538
Revenue Bonds	-	-	12,041,702	12,216,329	12,041,702	12,216,329
<b>Total</b>	<b>\$ 21,813,754</b>	<b>\$ 22,843,536</b>	<b>\$ 20,266,484</b>	<b>\$ 21,731,331</b>	<b>\$ 42,080,238</b>	<b>\$ 44,574,867</b>

The City of Newport's total bonds decreased by \$2,494,629 (5%) during the current fiscal year. Scheduled repayments reduced the City's general obligation bonds by \$2,775,000. On October 7, 2004, the City of Newport issued \$12,395,000 of general obligation refunding bonds in order to take advantage of lower interest rates. These bonds refinanced several existing bonds and produced an aggregate debt service savings of \$817,012. The annual maturities of bond principal and interest in the notes to the financial statements reflect the changes as a result of this debt issuance.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Financial Analysis of the Government's Funds (continued)

#### Capital Asset and Debt Administration (continued)

##### *Long-term debt (continued)*

The City of Newport maintains an "Aa3" rating from Moody's 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 \$104,366,412, 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 Note 5 on pages 56-58 of this report.

#### Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City of Newport is currently 3.7%, which is a decrease of .4% from a rate of 4.1% a year ago. This compares favorably to the state's average unemployment rate of 5.0% and the national average rate of 5.7%.
- The occupancy rate of the government's central business district has remained at 99% for the past three years.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City of Newport's budget for the 2006 fiscal year.

Unreserved fund balance in the General Fund at June 30, 2005 is \$3,885,886, which is lower than the City's fiscal policy of maintaining 10% of total General Fund expenditures and operating transfers out as a reserve. The City of Newport has appropriated \$1,500,000 of next year's revenues to put back into fund balance.

The Water Pollution Control Fund's rates did not change for the 2005 budget year. The Water Fund rates are controlled and set by the Rhode Island Public Utilities Commission which just approved a rate increase of just over 20%. The new rates will likely be effective with billings in January 2006.

#### 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.

**CITY OF NEWPORT, RHODE ISLAND**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2005**

	PRIMARY GOVERNMENT		TOTAL	COMPONENT UNITS	
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES		NEWPORT PUBLIC LIBRARY	REDEVELOPMENT AGENCY OF NEWPORT
<b>ASSETS</b>					
Current assets					
Cash	\$ 12,080,139	\$ 5,371,942	\$ 17,352,081	\$ 329,495	\$ 117,887
Investments	11,144,000		11,144,000	327,365	
Receivables (net)	3,241,504	3,090,941	6,332,445	2,685	
Internal balances (advances)	2,580,231	(2,580,231)			
Due from component units	67,428	276,017	67,428		
Inventories	43,152	622,581	665,733		
Other				12,035	
Total current assets	29,156,454	6,681,250	35,837,704	671,580	117,887
Noncurrent assets:					
Restricted assets					
Temporarily restricted, Cash	7,822,390	3,624,058	3,624,058		
Permanently restricted, Investments	1,130,562		7,822,290		
Receivables (net)	462,702		1,130,562		
Advances to component units	2,821,142	7,039,354	462,702		
Capital assets (net of accumulated depreciation)	58,016,838	95,376,313	9,860,496	6,552,614	487,393
Total noncurrent assets	70,253,534	106,039,725	176,293,259	6,552,614	487,393
<b>TOTAL ASSETS</b>	99,409,988	112,720,975	212,130,963	7,224,194	605,280
<b>LIABILITIES</b>					
Current liabilities					
Cash overdraft	7,768,114		7,768,114	64,818	172
Accounts payable	1,892,591	1,528,729	3,421,320		
Accrued expenses	1,681,977	985,719	2,667,696	140,000	
Due to primary government	230,820	371,039	601,859		
Deferred revenue	1,664,454		1,664,454		
Other liabilities					
Noncurrent liabilities					
Advances from primary government	2,452,038	1,980,184	4,432,222	53,348	322,702
Due within one year	35,251,728	18,286,300	53,338,028	76,522	200,000
Due in more than one year					
<b>TOTAL LIABILITIES</b>	49,443,722	23,151,971	72,595,693	374,688	522,834
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	39,024,226	85,773,241	124,797,467	6,412,614	287,193
Restricted for:					
Human services	3,633,092		3,633,092		
Permanent funds	7,819,409		7,819,409		
Other purposes	1,211,562	3,624,058	4,835,620	280,446	(204,947)
Unrestricted	(1,722,023)	(171,705)	(1,550,318)	196,446	
<b>TOTAL NET ASSETS</b>	\$ 49,906,266	\$ 89,500,004	\$ 139,535,270	\$ 6,889,506	\$ 82,446

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

**CITY OF NEWPORT, RHODE ISLAND**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2005**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET EXPENSES AND CHANGES IN NET ASSETS			COMPONENT UNITS	
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	NEWPORT PUBLIC LIBRARY	REDEVELOPMENT AGENCY OF NEWPORT
<b>PRIMARY GOVERNMENT:</b>									
<b>GOVERNMENTAL ACTIVITIES</b>									
General government.....	\$ 8,638,364	\$ 4,989,700	\$ 1,050,775	\$ -	\$ (2,597,889)	\$ -	\$ (2,597,889)		
General education.....	42,003,803	940,091	19,272,558	64,902	(21,726,252)	-	(21,726,252)		
Public safety.....	27,848,257	2,003,497	679,754	-	(25,165,006)	-	(25,165,006)		
Public health.....	4,664,543	44,111	39,518	565,036	(4,015,878)	-	(4,015,878)		
Planning, zoning and development.....	1,681,628	720,141	4,895	216,816	(739,776)	-	(739,776)		
Recreation and parks.....	1,773,421	288,077	10,008	-	(1,475,336)	-	(1,475,336)		
Human services.....	2,520,398	154,514	178,988	-	(2,186,896)	-	(2,186,896)		
Interest expense.....	889,584	-	-	-	(889,584)	-	(889,584)		
<b>TOTAL GOVERNMENTAL ACTIVITIES.....</b>	<b>90,019,998</b>	<b>9,140,131</b>	<b>21,236,496</b>	<b>846,754</b>	<b>(58,796,617)</b>	<b>-</b>	<b>(58,796,617)</b>		
<b>BUSINESS-TYPE ACTIVITIES</b>									
Water Department.....	7,135,764	7,100,096	-	-	-	(35,668)	(35,668)		
Water Pollution Control.....	7,050,859	5,885,602	-	-	(1,165,257)	(1,165,257)	(1,165,257)		
Nonmajor.....	1,577,702	1,972,189	-	-	394,487	394,487	394,487		
<b>TOTAL BUSINESS-TYPE ACTIVITIES.....</b>	<b>15,764,325</b>	<b>14,957,887</b>	<b>-</b>	<b>-</b>	<b>(806,438)</b>	<b>(806,438)</b>	<b>(806,438)</b>		
<b>TOTAL PRIMARY GOVERNMENT.....</b>	<b>\$ 105,784,323</b>	<b>\$ 24,098,018</b>	<b>\$ 21,236,496</b>	<b>\$ 846,754</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,689,798)</b>	<b>\$ (1,689,798)</b>	<b>\$ (46,481)</b>
<b>COMPONENT UNITS:</b>									
Newport Public Library.....	\$ 2,132,260	\$ 33,771	\$ 408,691	\$ -	\$ -	\$ -	\$ (1,689,798)	\$ -	\$ (46,481)
Redevelopment Agency of Newport.....	96,131	49,650	-	-	-	-	-	-	-
<b>TOTAL COMPONENT UNITS.....</b>	<b>\$ 2,228,391</b>	<b>\$ 83,421</b>	<b>\$ 408,691</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,689,798)</b>	<b>\$ (1,689,798)</b>	<b>\$ (46,481)</b>
<b>GENERAL REVENUES AND TRANSFERS:</b>									
Property taxes.....					52,857,093		52,857,093		
Grants and contributions not restricted to specific programs.....					4,059,353		4,059,353		
Investment income.....					1,133,676	98,797	1,232,473	23,128	297
Miscellaneous.....					135,206		135,206	47,526	
Net loss on disposal of assets.....					(95,014)		(95,014)		
Capital contributions.....					200,863	200,863	200,863		
Transfers from primary government.....					(190,692)	(10,171)	(200,863)	1,379,758	
<b>TOTAL GENERAL REVENUES AND TRANSFERS.....</b>					<b>57,899,622</b>	<b>289,489</b>	<b>58,189,111</b>	<b>1,450,412</b>	<b>297</b>
<b>CHANGE IN NET ASSETS.....</b>					<b>(896,995)</b>	<b>(516,949)</b>	<b>(1,413,944)</b>	<b>(239,386)</b>	<b>(46,184)</b>
<b>NET ASSETS - JULY 1, 2004.....</b>					<b>50,863,261</b>	<b>90,036,612</b>	<b>140,899,873</b>	<b>7,167,380</b>	<b>128,630</b>
<b>PRIOR PERIOD ADJUSTMENT/RESTATEMENT.....</b>					<b>-</b>	<b>49,341</b>	<b>49,341</b>	<b>(38,488)</b>	<b>-</b>
<b>NET ASSETS - JUNE 30, 2005.....</b>					<b>\$ 49,966,266</b>	<b>\$ 89,569,004</b>	<b>\$ 139,535,270</b>	<b>\$ 6,889,506</b>	<b>\$ 82,446</b>

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



**CITY OF NEWPORT, RHODE ISLAND**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005

	GENERAL	SCHOOL UNRESTRICTED FUND	COMMUNITY DEVELOPMENT ACT	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>						
Cash.....	\$ 10,748,254	\$ 1,074,742	\$ 516,332	\$ 4,683,083	\$ 5,794,341	\$ 12,068,498
Investments.....	-	-	-	-	8,138,727	18,886,981
Receivables, net.....	1,742,936	-	-	-	-	1,742,936
Property taxes.....	1,227,328	-	-	-	-	1,227,328
Motor vehicle excise.....	554,239	131,973	56,134	-	475,255	1,217,601
Intergovernmental.....	-	-	2,556,708	-	570,204	3,126,912
Note/loan.....	163,260	-	-	-	995	164,255
Other.....	472,254	-	-	-	140,000	612,254
Due from other funds.....	1,817,955	-	-	-	436,174	2,254,129
Advances to other funds.....	-	-	-	-	462,702	462,702
Advances to component units.....	-	-	-	-	-	-
Prepaid expenses.....	-	-	-	-	-	-
<b>TOTAL ASSETS</b> .....	\$ 16,726,226	\$ 1,206,715	\$ 3,129,174	\$ 4,683,083	\$ 16,018,398	\$ 41,763,596

**LIABILITIES AND FUND BALANCES**

Liabilities:						
Cash overdraft.....	\$ 6,855,182	\$ -	\$ -	\$ -	\$ 912,932	\$ 7,768,114
Accounts payable.....	971,390	203,961	7,550	412,834	273,558	1,869,293
Accrued expenses.....	982,993	318,452	-	-	4,525	1,305,970
Note payable.....	-	-	-	-	-	-
Deferred revenue.....	2,045,086	-	2,787,528	-	1,724,097	6,556,711
Due to other funds.....	224,733	8,237	-	-	-	232,970
Advances from other funds.....	-	-	90,000	-	-	90,000
Compensated absences.....	435,383	281,185	-	-	-	716,568
Other liabilities.....	166,454	-	-	-	-	166,454
Total liabilities.....	11,681,221	811,835	2,885,078	412,834	2,915,112	18,706,080
Fund balances:						
Reserved.....	1,159,119	-	28,000	2,691,401	127,735	4,006,255
Unreserved, undesignated.....	3,885,886	594,880	216,096	1,578,848	12,975,551	19,051,261
Total fund balances.....	5,045,005	594,880	244,096	4,270,249	13,103,286	23,057,516
<b>TOTAL LIABILITIES AND FUND BALANCES</b> .....	\$ 16,726,226	\$ 1,206,715	\$ 3,129,174	\$ 4,683,083	\$ 16,018,398	\$ 41,763,596

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT

OF NET ASSETS ARE DIFFERENT BECAUSE:  
 Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds  
 Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds  
 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 assets  
 Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds (Note II)

NET ASSETS OF GOVERNMENTAL ACTIVITIES.....	\$ 49,966,266
	\$ 49,966,266

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

**CITY OF NEWPORT, RHODE ISLAND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005**

	GENERAL	SCHOOL UNRESTRICTED FUND	COMMUNITY DEVELOPMENT ACT	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>						
Local taxes.....	\$ 53,081,970	-	\$ -	-	\$ -	\$ 53,081,970
Intergovernmental revenues.....	5,247,343	12,868,139	450,967	565,036	6,458,697	25,590,182
Charges for services.....	7,132,496	940,091	614,591	913,030	136,296	9,736,504
Use of money and property.....	390,564	-	24,684	15,403	703,025	1,133,676
Donations.....	-	100,934	-	-	791,507	892,441
Other revenues.....	134,728	-	-	-	477	135,205
<b>TOTAL REVENUES</b> .....	<b>65,987,101</b>	<b>13,909,164</b>	<b>1,090,242</b>	<b>1,493,469</b>	<b>8,090,002</b>	<b>90,569,978</b>
<b>EXPENDITURES:</b>						
<b>Current:</b>						
General government.....	6,346,749	-	-	-	-	6,346,749
General education.....	26,711,747	34,990,186	-	-	6,364,416	41,354,602
Public safety.....	3,897,270	-	-	-	633,057	27,344,804
Public health.....	940,987	-	-	-	17,176	3,914,446
Planning, zoning and development.....	1,580,298	-	-	-	27,021	968,008
Recreation and parks.....	1,562,257	-	446,564	-	7,969	1,588,267
Human services.....	899,423	-	-	-	501,590	2,510,411
Pension expenses.....	-	-	-	-	-	899,423
Debt service:						
Debt issuance.....	51,929	-	-	-	-	51,929
Principal.....	1,144,484	-	192,622	-	-	1,337,106
Interest.....	830,345	-	-	-	-	830,345
Capital outlay.....	-	63,564	37,651	3,783,504	373,766	4,258,485
<b>TOTAL EXPENDITURES</b> .....	<b>43,965,489</b>	<b>35,053,750</b>	<b>676,837</b>	<b>3,783,504</b>	<b>7,924,995</b>	<b>91,404,575</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b> .....	<b>22,021,612</b>	<b>(21,144,586)</b>	<b>413,405</b>	<b>(2,290,035)</b>	<b>165,007</b>	<b>(834,597)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Refunding bonds issued.....	3,124,702	-	-	-	-	3,124,702
Payment to bond refunding escrow agent.....	(3,010,000)	-	-	-	-	(3,010,000)
Operating transfers in.....	644,145	22,916,497	-	3,096,000	918,436	27,575,078
Operating transfers out.....	(25,872,497)	(1276,950)	-	(367,084)	(1,048,375)	(27,564,906)
<b>NET OTHER FINANCING SOURCES (USES)</b> .....	<b>(25,113,650)</b>	<b>22,639,547</b>	<b>-</b>	<b>2,728,916</b>	<b>(129,939)</b>	<b>124,874</b>
<b>NET CHANGE IN FUND BALANCE (DEFICIT)</b> .....	<b>(3,092,038)</b>	<b>1,494,961</b>	<b>413,405</b>	<b>438,881</b>	<b>35,068</b>	<b>(709,723)</b>
<b>FUND BALANCE (DEFICIT) - JULY 1, 2004</b> .....	<b>8,137,043</b>	<b>(1,100,081)</b>	<b>(169,309)</b>	<b>3,831,368</b>	<b>13,068,218</b>	<b>23,767,239</b>
<b>FUND BALANCE - JUNE 30, 2005</b> .....	<b>\$ 5,045,005</b>	<b>\$ 394,880</b>	<b>\$ 244,096</b>	<b>\$ 4,270,249</b>	<b>\$ 13,103,286</b>	<b>\$ 23,057,516</b>

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

**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, 2005**

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

Net Change in Fund Balances-Total Governmental Funds.....	\$ (709,723)
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.....	2,003,798
The net effect of various miscellaneous transactions involving capital assets (i. e.. sales, trade-ins and donations) is to decrease net assets.....	(95,014)
Reductions in deferred revenue that provide current financial resources to governmental funds are not reported as revenues in the Statement of Activities.....	(1,161,270)
Some expenditures requiring the use of current financial resources in governmental funds were previously accrued in the statement of activities and are not expenses this year.....	(3,078,803)
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 assets. 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>2,144,017</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES .....	<u>\$ (896,995)</u>

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

**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, 2005

	ADOPTED BUDGET	AMENDED BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE WITH AMENDED BUDGET
<b>REVENUES:</b>				
Local taxes.....	\$ 54,123,606	\$ 53,918,606	\$ 53,081,970	\$ (836,636)
Intergovernmental revenues.....	5,395,763	5,395,763	5,247,343	(148,420)
User charges and fees.....	7,432,000	6,952,436	7,132,496	180,060
Use of money and property.....	150,000	300,000	390,564	90,564
Other revenues.....	75,000	85,000	134,728	49,728
<b>TOTAL REVENUES.....</b>	<b>67,176,369</b>	<b>66,651,805</b>	<b>65,987,101</b>	<b>(664,704)</b>
<b>EXPENDITURES:</b>				
General government:				
Mayor and city council.....	100,829	100,829	89,695	11,134
City manager.....	530,930	505,930	514,719	(8,789)
City solicitor.....	337,973	337,973	341,836	(3,863)
Canvassing.....	184,056	192,018	176,421	15,597
Finance.....	2,469,883	2,771,399	2,668,695	102,704
City clerk.....	519,540	606,811	585,099	21,712
Administrative services.....	831,626	834,933	765,286	69,647
Reserve accounts.....	1,654,530	2,002,040	2,174,991	(172,951)
Public safety:				
Police department.....	13,226,608	12,804,052	13,068,878	(264,826)
Fire department.....	13,249,748	13,538,344	13,671,988	(133,644)
Public health:				
Public works.....	1,886,846	2,179,921	2,193,569	(13,648)
Solid waste operations.....	1,921,704	1,833,489	1,863,708	(30,219)
Planning, zoning, and development.....	941,483	940,733	940,987	(254)
Recreation and parks.....	1,592,312	1,595,987	1,580,298	15,689
Human services:				
Donations.....	184,560	184,560	182,499	2,061
Public library.....	1,379,758	1,379,758	1,379,758	-
Pension expenses.....	778,010	828,127	899,423	(71,296)
Debt service.....	2,187,004	2,078,952	2,026,758	52,194
<b>TOTAL EXPENDITURES.....</b>	<b>43,977,400</b>	<b>44,715,856</b>	<b>45,124,608</b>	<b>(408,752)</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>23,198,969</b>	<b>21,935,949</b>	<b>20,862,493</b>	<b>(1,073,456)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Refunding bond issued.....			3,124,702	3,124,702
Payment to bond refunding escrow agent.....			(3,010,000)	(3,010,000)
Transfers from other funds.....	400,000	400,000	644,145	244,145
Transfers to other funds.....	(24,978,969)	(26,054,070)	(25,872,497)	181,573
<b>NET OTHER FINANCING SOURCES (USES).....</b>	<b>(24,578,969)</b>	<b>(25,654,070)</b>	<b>(25,113,650)</b>	<b>540,420</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES (BUDGETARY BASIS).....</b>	<b>\$ (1,380,000)</b>	<b>\$ (3,718,121)</b>	<b>(4,251,157)</b>	<b>\$ (533,036)</b>
<b>ADJUSTMENT OF BUDGETARY BASIS TO U.S. GAAP BASIS, CURRENT YEAR ENCUMBRANCES</b>			<b>1,159,119</b>	
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES U.S. GAAP BASIS.....</b>			<b>(3,092,038)</b>	
<b>FUND BALANCE, BEGINNING OF YEAR.....</b>			<b>8,137,043</b>	
<b>FUND BALANCE, END OF YEAR.....</b>			<b>\$ 5,045,005</b>	

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

**CITY OF NEWPORT, RHODE ISLAND**

SCHOOL UNRESTRICTED FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
FOR THE YEAR ENDED JUNE 30, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET
REVENUES:				
Federal revenues.....	\$ 1,482,371	\$ 1,624,880	\$ 1,807,394	\$ 182,514
State revenues.....	11,060,745	11,060,746	11,060,745	(1)
Contributions.....	-	-	100,934	100,934
Local revenues.....	637,700	860,242	940,091	79,849
TOTAL REVENUES.....	13,180,816	13,545,868	13,909,164	363,296
EXPENDITURES:				
General education.....	36,014,476	36,333,938	35,053,750	1,280,188
TOTAL EXPENDITURES.....	36,014,476	36,333,938	35,053,750	1,280,188
EXCESS OF EXPENDITURES OVER REVENUES.....	(22,833,660)	(22,788,070)	(21,144,586)	1,643,484
OTHER FINANCING SOURCES (USES):				
Transfers from other funds.....	22,964,250	22,916,497	22,916,497	-
Transfers to other funds.....	-	-	(276,950)	(276,950)
NET OTHER FINANCING SOURCES (USES).....	22,964,250	22,916,497	22,639,547	(276,950)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES.....	130,590	128,427	1,494,961	1,366,534
FUND BALANCE - JULY 1, 2004	(1,100,081)	(1,100,081)	(1,100,081)	-
FUND BALANCE - JUNE 30, 2005	\$ (969,491)	\$ (971,654)	\$ 394,880	\$ 1,366,534

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

**CITY OF NEWPORT, RHODE ISLAND**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2005**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
	MAJOR FUNDS			TOTALS	INTERNAL SERVICE FUNDS
	WATER FUND	W P C FUND	OTHER ENTERPRISE FUNDS		
<b>ASSETS:</b>					
<b>Current assets</b>					
Cash and cash equivalents - unrestricted	\$ 272,346	\$ -	\$ 4,999,596	\$ 5,271,942	\$ 90,950
Accounts receivable					
User fees (net of allowances)	1,220,855	1,777,635	79,973	3,078,463	-
Other	-	12,478	-	12,478	63
Due from other funds	-	294,649	-	294,649	104,281
Inventories	276,017	-	-	276,017	43,164
Prepaid expenses	-	622,581	-	622,581	-
<b>Total current assets</b>	<b>1,769,218</b>	<b>2,707,343</b>	<b>5,079,569</b>	<b>9,556,130</b>	<b>238,458</b>
<b>Noncurrent assets</b>					
Cash - restricted	2,535,628	1,088,430	-	3,624,058	-
Capital assets (net of accumulated depreciation)	38,804,249	60,486,400	3,125,018	102,415,667	75,615
<b>Total noncurrent assets</b>	<b>41,339,877</b>	<b>61,574,830</b>	<b>3,125,018</b>	<b>106,039,725</b>	<b>75,615</b>
<b>TOTAL ASSETS</b>	<b>43,109,095</b>	<b>64,282,173</b>	<b>8,204,587</b>	<b>115,595,855</b>	<b>314,073</b>
<b>LIABILITIES:</b>					
<b>Current liabilities:</b>					
Accounts payable	722,959	776,366	29,404	1,528,729	23,298
Accrued expenses	839,326	82,490	63,903	985,719	117,523
Due to other funds	709,421	-	1,331	710,752	-
Deferred revenues	371,039	-	-	371,039	-
Current portion advances	500,000	-	76,265	576,265	-
Current portion bonds payable	995,168	985,016	-	1,980,184	-
<b>Total current liabilities</b>	<b>4,137,913</b>	<b>1,843,872</b>	<b>170,903</b>	<b>6,152,688</b>	<b>140,821</b>
<b>Long-term liabilities:</b>					
Advances from other funds	1,317,955	-	269,908	1,587,863	-
Bonds payable	5,109,519	13,176,781	-	18,286,300	-
<b>Total long-term liabilities</b>	<b>6,427,474</b>	<b>13,176,781</b>	<b>269,908</b>	<b>19,874,163</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>10,565,387</b>	<b>15,020,653</b>	<b>440,811</b>	<b>26,026,851</b>	<b>140,821</b>
<b>NET ASSETS:</b>					
Invested in capital assets, net of related debt	35,235,190	47,413,033	3,125,018	85,773,241	75,615
Restricted	2,535,628	1,088,430	-	3,624,058	-
Unrestricted	(5,227,110)	760,057	4,638,758	171,705	97,637
<b>TOTAL NET ASSETS</b>	<b>\$ 32,543,708</b>	<b>\$ 49,261,520</b>	<b>\$ 7,763,776</b>	<b>\$ 89,569,004</b>	<b>\$ 173,252</b>

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

**CITY OF NEWPORT, RHODE ISLAND**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			TOTALS	GOVERNMENTAL ACTIVITIES
	MAJOR FUNDS		OTHER ENTERPRISE FUNDS		INTERNAL SERVICE FUNDS
	WATER FUND	W.P.C. FUND			
OPERATING REVENUES:					
User fees.....	\$ 6,993,816	\$ 5,885,602	\$ 1,908,321	\$ 14,787,739	\$ 951,497
Other revenues.....	106,280	-	63,868	170,148	-
<b>TOTAL OPERATING REVENUES.....</b>	<b>7,100,096</b>	<b>5,885,602</b>	<b>1,972,189</b>	<b>14,957,887</b>	<b>951,497</b>
OPERATING EXPENSES:					
Salaries and benefits.....	2,875,532	142,887	692,958	3,711,377	328,380
Materials and supplies.....	447,139	-	198,436	645,575	433,925
Repairs and maintenance.....	376,095	-	78,808	454,903	77,544
Depreciation.....	1,232,044	2,079,536	170,491	3,482,071	20,328
Support services.....	331,633	3,356,473	262,880	3,950,986	100,142
Utilities.....	588,594	401,042	30,910	1,020,546	18,368
Administrative and other.....	475,301	653,041	128,264	1,256,606	1,249
Property taxes.....	395,030	-	-	395,030	-
<b>TOTAL OPERATING EXPENSES.....</b>	<b>6,721,368</b>	<b>6,632,979</b>	<b>1,562,747</b>	<b>14,917,094</b>	<b>979,936</b>
<b>OPERATING INCOME (LOSS).....</b>	<b>378,728</b>	<b>(747,377)</b>	<b>409,442</b>	<b>40,793</b>	<b>(28,439)</b>
NONOPERATING REVENUES AND (EXPENSES):					
Bond expenses.....	(242,900)	(94,500)	-	(337,400)	-
Capital contributions.....	-	-	200,863	200,863	-
Transfer in from other funds.....	(10,171)	-	-	(10,171)	-
Interest income.....	51,488	14,273	33,036	98,797	-
Interest expense.....	(171,496)	(323,380)	(14,955)	(509,831)	-
<b>NET NONOPERATING REVENUES AND (EXPENSES).....</b>	<b>(373,079)</b>	<b>(403,607)</b>	<b>218,944</b>	<b>(557,742)</b>	
<b>NET INCOME (LOSS).....</b>	<b>5,649</b>	<b>(1,150,984)</b>	<b>628,386</b>	<b>(516,949)</b>	<b>(28,439)</b>
<b>TOTAL NET ASSETS - JULY 1, 2004.....</b>	<b>32,488,718</b>	<b>50,412,504</b>	<b>7,135,390</b>	<b>90,036,612</b>	<b>201,691</b>
<b>PRIOR PERIOD ADJUSTMENT</b>	<b>49,341</b>	<b>-</b>	<b>-</b>	<b>49,341</b>	<b>-</b>
<b>TOTAL NET ASSETS - JUNE 30, 2005.....</b>	<b>\$ 32,543,708</b>	<b>\$ 49,261,520</b>	<b>\$ 7,763,776</b>	<b>\$ 89,569,004</b>	<b>\$ 173,252</b>

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

**CITY OF NEWPORT, RHODE ISLAND**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			TOTALS	GOVERNMENTAL
	MAJOR FUNDS				INTERNAL
	WATER FUND	W.P.C FUND	OTHER ENTERPRISE FUNDS		SERVICE FUNDS
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers	\$ 7,484,314	\$ 5,276,607	\$ 1,972,335	\$ 14,733,256	\$ 904,593
Cash payments to suppliers for goods and services	(683,227)	(3,334,182)	(571,335)	(4,588,744)	(623,189)
Cash payments to employees for services	(3,110,031)	(142,887)	(714,359)	(3,967,277)	(323,712)
Payment of property taxes	(395,030)	-	(128,264)	(523,294)	-
Payment of administrative expense	(475,301)	(653,041)	-	(1,128,342)	(1,248)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>2,820,725</b>	<b>1,146,497</b>	<b>558,377</b>	<b>4,525,599</b>	<b>(43,556)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Interfund loans and transfers	(1,593,129)		(73,290)	(1,666,419)	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition and construction of capital assets	(2,588,607)	(339,747)	(110,285)	(3,038,639)	-
Prepaid debt expense		(251,854)		(251,854)	-
Proceeds from debt	6,617,934	2,964,555		9,582,489	-
Principal paid on bonds, notes and loans	(7,473,247)	(3,574,087)		(11,047,334)	-
Interest paid on bonds, notes and loans	(414,396)	(353,822)	(14,955)	(783,173)	-
<b>NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(3,858,316)</b>	<b>(1,554,955)</b>	<b>(125,240)</b>	<b>(5,538,511)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest and dividends on investments	51,488	14,273	33,036	98,797	-
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(2,579,232)</b>	<b>(394,185)</b>	<b>392,883</b>	<b>(2,580,534)</b>	<b>(43,556)</b>
<b>CASH AND CASH EQUIVALENTS - JULY 1, 2004</b>	<b>5,387,206</b>	<b>1,482,615</b>	<b>4,606,713</b>	<b>11,476,534</b>	<b>134,506</b>
<b>CASH AND CASH EQUIVALENTS - JUNE 30, 2005</b>	<b>\$ 2,807,974</b>	<b>\$ 1,088,430</b>	<b>\$ 4,999,596</b>	<b>\$ 8,896,000</b>	<b>\$ 90,950</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ 378,728	\$ (747,377)	\$ 409,442	\$ 40,793	(28,439)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	1,232,044	2,079,536	170,491	3,482,071	20,328
Changes in assets and liabilities:					
(Decrease) Increase in accounts payable/other liabilities	584,064	423,333	(21,702)	985,695	15,253
Decrease (Increase) in accounts receivable/other assets	625,889	(608,995)	146	17,040	(50,698)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>\$ 2,820,725</b>	<b>\$ 1,146,497</b>	<b>\$ 558,377</b>	<b>\$ 4,525,599</b>	<b>\$ (43,556)</b>

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



CITY OF NEWPORT, RHODE ISLAND

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2005

	PENSION FUNDS	PRIVATE PURPOSE TRUSTS	AGENCY FUNDS
ASSETS			
Cash.....	\$ -	\$ 31,334	\$ 163,900
Investments.....	60,635,802	973,118	-
TOTAL ASSETS.....	60,635,802	1,004,452	163,900
LIABILITIES			
Cash overdraft.....	978,865	-	-
Accounts payable.....	15,883	383	-
Amounts held in escrow.....	-	-	163,900
TOTAL LIABILITIES.....	994,748	383	163,900
NET ASSETS			
Held in trust for pension benefits and other purposes.....	\$ 59,641,054	\$ 1,004,069	\$ -

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

**CITY OF NEWPORT, RHODE ISLAND**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005

	PENSION TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS
ADDITIONS:		
Contributions and other income:		
Employees.....	\$ 775,526	\$ -
Employer.....	7,508,029	-
Donations.....	-	4,750
Other income.....	1,227	-
Total contributions and other income.....	<u>8,284,782</u>	<u>4,750</u>
Investment income:		
Net appreciation in fair value of investments.....	4,386,942	-
Investment income.....	-	94,141
Interest and dividends.....	840,303	-
Total investment income.....	<u>5,227,245</u>	<u>94,141</u>
Less investment expenses.....	<u>40</u>	<u>2,925</u>
Net investment income.....	<u>5,227,205</u>	<u>91,216</u>
TOTAL ADDITIONS.....	<u>13,511,987</u>	<u>95,966</u>
DEDUCTIONS:		
Benefits.....	6,522,399	-
Administration.....	157,210	-
Awards.....	-	36,490
Scholarships awarded.....	-	-
TOTAL DEDUCTIONS.....	<u>6,679,609</u>	<u>36,490</u>
CHANGES IN NET ASSETS.....	6,832,378	59,476
NET ASSETS - JULY 1, 2004.....	<u>52,808,676</u>	<u>944,593</u>
NET ASSETS - JUNE 30, 2005.....	<u>\$ 59,641,054</u>	<u>\$ 1,004,069</u>

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

*CITY OF NEWPORT, RHODE ISLAND*  
Notes to Financial Statements  
June 30, 2005

**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 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 excepting 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 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 and its component units. In evaluating the inclusion of other separate and distinct legal entities as component units within its financial reporting structure, the City applied the criteria prescribed by Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units." A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable or for which the nature and significance of its relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Blended component units, although legally separate entities, are, in substance, part of the government's operations. The City has no blended component units. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

**Discretely Presented Component Units**

Newport Public Library

Incorporated under Rhode Island law in 1869, the Newport Public Library (the Library) provides free educational and reference resources to residents of the City as well as other patrons. The Library is governed by a Board of Trustees which must be composed of at least nine and no more than fifteen members, one of whom is a member of the City Council. Operations of the Library are primarily financed through an appropriation from the City's General Fund. Complete financial statements for the Library may be obtained from its business office on 300 Spring Street, Newport, RI 02840.

**I. Summary of significant accounting policies (continued)**

**A. Reporting Entity (continued)**

**Discretely Presented Component Units (continued)**

Redevelopment Agency of Newport

The Redevelopment Agency (the Agency) was created and organized as a legally separate public body under the Rhode Island Community Redevelopment Act of 1949 pursuant to the Housing Act of 1949, which charged it with fostering public and private rehabilitation and redevelopment projects in blighted areas within the City. The Agency is governed by its five members who are appointed by the City Council. Officers are elected from among these members. Furthermore, the City exerts significant control over its functions since the Agency is empowered to act in areas only after appropriate designation by the Council. Separate financial statements for the Agency are not issued.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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.

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. Major individual governmental funds and major enterprise funds are reported in separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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. 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.

*CITY OF NEWPORT, RHODE ISLAND*  
Notes to Financial Statements - Continued  
June 30, 2005

**I. Summary of significant accounting policies (continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)**

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 government 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.

Property taxes, 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 government.

The government reports the following major governmental funds:

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The school unrestricted fund, a special revenue fund, is the school's primary operating fund. This is a special revenue fund because the revenue sources are legally restricted to educational expenditures. It accounts for all financial resources of the school, other than those specifically restricted by the provider for certain uses.

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 capital projects fund accounts for the acquisition of fixed assets or construction of major capital projects other than those financed by proprietary funds.

The government 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. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)**

Additionally, the government reports the following fund types:

Special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes.

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.

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.

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 spent.

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 or fire employees.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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, 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.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

*CITY OF NEWPORT, RHODE ISLAND*  
Notes to Financial Statements - Continued  
June 30, 2005

**I. Summary of significant accounting policies (continued)**

**D. Assets, Liabilities and Net Assets or Equity**

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 FDIC or FSLIC. Maturities of these instruments are required to be matched to any underlying liabilities.

Investments

Investments of the primary government, as well as its component units, 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 participates in a cooperative investment pool that operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

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.

2. Receivables and payables

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

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, 2005 is equal to 52% 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. Overdue taxes are assessed penalties and will be collected through the sale of tax titles if required.

Rhode Island general laws restrict the City's ability to increase either its total tax levy or its tax rates by more than 5.5% over those of the preceding year.

CITY OF NEWPORT, RHODE ISLAND  
Notes to Financial Statements - Continued  
June 30, 2005

**I. Summary of significant accounting policies (continued)**

**D. Assets, Liabilities, and Net Assets or Equity (continued)**

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 government-wide and fund financial statements.

4. Restricted assets

Certain proceeds of the water pollution control fund's revenue bonds are classified as restricted assets on the statement of net assets because they are maintained in separate escrow accounts maintained by trustees in accordance with the bond covenants. These include a debt service reserve and capitalized interest.

The water fund has classified cash on the balance sheet as restricted since, by order of the Rhode Island Public Utilities Commission, it may only be used for debt service, capital, electricity or chemical expenditures.

5. 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 City has reported both the current year's infrastructure additions as well as the prior infrastructure in the governmental funds. Prior year infrastructure additions are separately identified and shown as prior period adjustments. The value of business-type fund infrastructure is fully reported and depreciated as applicable.

Property, plant and equipment of the primary government, as well as the component units, is 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 & sewer improvements	20 - 50
Water & sewer infrastructure	50 - 100
Infrastructure	75
Equipment and other capital assets	6 - 30



*CITY OF NEWPORT, RHODE ISLAND*  
Notes to Financial Statements - Continued  
June 30, 2005

**I. Summary of significant accounting policies (continued)**

**D. Assets, Liabilities, and Net Assets or Equity (continued)**

6. 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; Fire employees:
  - 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:
  - 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
  
- 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.

7. 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, as well as issuance costs, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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 paid on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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.

CITY OF NEWPORT, RHODE ISLAND  
Notes to Financial Statements - Continued  
June 30, 2005

**I. Summary of significant accounting policies (continued)**

**D. Assets, Liabilities, and Net Assets or Equity (continued)**

8. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Reserved fund balances in the governmental funds balance sheet are reserved for encumbrances.

**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 assets**

The governmental funds balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. 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	\$ 21,813,754
Claims and judgments	2,725,000
Compensated absences	6,542,951
Net pension benefit obligation	5,905,493
Accrued interest payable	258,484
 Net adjustment for long-term liabilities not due and payable in the current period	 \$ 37,245,682

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:

Prior fixed assets, net of accumulated depreciation	\$ 58,961,053
Current year capital outlay	3,803,955
Disposition of assets	(95,014)
Capital contributions	(200,863)
Depreciation expense	(1,706,778)
 Net adjustment for capital assets	 \$ 60,762,353

*CITY OF NEWPORT, RHODE ISLAND*  
Notes to Financial Statements - Continued  
June 30, 2005

**III. Stewardship, compliance and accountability**

**A. Budgetary information**

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 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 school appropriations in excess of their anticipated revenues as requested by the Superintendent and approved by the School Committee. 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 and expenses 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. Intra-departmental transfers of municipal appropriations may be made with the approval of the City Manager. 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 budgetary basis includes encumbrances that are not recognized under GAAP.

*CITY OF NEWPORT, RHODE ISLAND*  
Notes to Financial Statements - Continued  
June 30, 2005

**III. Stewardship, compliance and accountability (continued)**

**C. Excess of expenditures over appropriations**

The legal level of control for which expenditures cannot exceed appropriation is at the category level within a department. The table below shows the amounts by which certain municipal department expenditures exceed fiscal year 2005 appropriations (after approved transfers) and, where applicable, actual 2005 revenues:

Department	Expenditures in excess of budget
City Manager	\$ 8,789
City Solicitor	3,863
Police Department	264,826
Fire Department	133,644
Reserve accounts	172,951
Public Works	13,648
Clean City	30,219
Planning, Zoning and Development	254
Pension Expenses	71,296
Debt Service	54,371

The School Restricted Fund includes the school lunch program which has a deficit of \$405,469 at June 30, 2005 and will need to be funded with additional revenues or by transfers.

*CITY OF NEWPORT, RHODE ISLAND*  
Notes to Financial Statements - Continued  
June 30, 2005

**IV. Detailed notes on all funds**

**1. Deposits and investments**

**Cash and cash equivalents (deposits)**

As of June 30, 2005, the primary government had the following deposits:

	Bank Balance	Carrying Amount	
Cash	\$ 8,771,792	\$ 6,555,310	Bank Deposits
Money Market Funds	1,786,799	1,786,799	U.S. Treasuries AAA Rated
Repurchase Agreements	3,830,097	3,830,097	Mature July 1, 2005 and invested in Federal Home Loan Mortgages
2a7 Investment Pool	1,035,819	1,035,819	Fully Collateralized
	\$ 15,424,507	\$ 13,208,025	

Rhode Island Public Laws require that 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. Further, 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 agencies of the U.S. Government or Certificates of Deposit less than or equal to the amount covered by Federal Deposit Insurance Corporation (FDIC) limits. The City Council also requires that certificates of deposit in excess of FDIC limits and any repurchase agreements are collateralized in amounts of at least 102% of the market value of the deposit.

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits might not be received. At June 30, 2005, 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 Agencies (FNMA) or Federal Home Loan Mortgages held in the City's name, and the remaining deposits are insured by the FDIC.

CITY OF NEWPORT, RHODE ISLAND  
Notes to Financial Statements - Continued  
June 30, 2005

**IV. Detailed notes on all funds (continued)**

**1. Deposits and investments (continued)**

**Investments other than fiduciary funds**

Investments (other than fiduciary funds listed separately) at June 30, 2005 consist of the following:

<u>Investment Type</u>	<u>Amount</u>	<u>Maturity</u>	<u>Credit Risk Rating</u>
Money Market Funds All collateralized except for \$257,572	\$ 3,831,429	n/a	AAA
U. S. Treasury Strip Fully collateralized	396,470	n/a	not rated
Federal Home Loan Notes Interest rate risk is slight due to short maturity date	599,682	7 days	AAA
Corporate Bonds	3,529,419		
Certificates of Deposit *	<u>2,787,000</u>	Wt Ave 1.395	n/a
	<u>\$ 11,144,000</u>		

\* All insured by FDIC except for \$93,253. Five Certificates (\$487,000) are callable, have step rate increases and mature between 2009 and 2018; it is not assumed the certificates will be called although it is likely. Weighted average maturity drops to .638 if those certificates are removed from the pool. The City intends to hold all certificates until maturity, although they are subject to interest rate risk in the event that they are sold prior to maturity.

The State of Rhode Island does not have any pertinent laws on investments that apply to cities and towns. 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 currently has \$2,134,000 invested in Certificates of Deposit which have maturity dates of greater than one year.

*CITY OF NEWPORT, RHODE ISLAND*  
Notes to Financial Statements - Continued  
June 30, 2005

**IV. Detailed notes on all funds (continued)**

**1. Deposits 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, trust assets and scholarship assets. A separate investment policy exists as these assets are invested for long-term growth and/or to meet specific funding targets. The policy identifies the asset allocation plan 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 8.25% per year net of investment expenses, over a full market cycle defined as 5 to 7 years. The policy is used to inform investment managers, consultants and custodians of the Commission's goals, objectives, and restrictions. The policy is 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 plan sets minimum, maximum and target percentages of assets. Large Cap Value and Large Cap Growth are targeted at 25% each of total assets, Fixed Income is targeted at 30%, International Equity at 10% and Small Cap at 5%. The Large Cap Value and Large Cap Growth performances are benchmarked against the Russell 1000 Value and Russell 1000 Growth, respectively. The Small Cap is compared to the Russell 2000 Growth, the International Equity to the MSCI EAFE and the Fixed Income to the Lehman Brothers Aggregate. 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. At this point in time, most of the funds are invested in mutual funds. In that case, the managers are subject to the mutual fund prospectus. The assets are rebalanced quarterly as needed.

*CITY OF NEWPORT, RHODE ISLAND*  
Notes to Financial Statements - Continued  
June 30, 2005

**IV. Detailed notes on all funds (continued)**

**1. Deposits and investments (continued)**

**Fiduciary and Permanent funds (continued)**

Fiduciary and Permanent Fund Investments include the following as of June 30, 2005:

Merrimac Treasury Plus Money Market	\$ 2,232	AAA rated
Loomis Sayles Investor Tr Fixed Income	3,240,179	BBB with average effective duration 6.2
PIMCO Total Return Fund	17,809,858	AAA with average effective duration 4.5
Western Asset Core Plus Bond Fund	3,083,346	AAA with average effective duration 4.0
ABN AMRO/Montag & Caldwell	7,953,839	Large Cap Growth Mutual Fund
Shares Lucent Tech Ind WTS	2,692	
First Eagle Overseas Fund – CL1	3,529,561	International Equity Mutual Fund
Julius Baer International Equity Fund	3,410,508	International Equity Mutual Fund
SSGA Russell 1000 Value SL CTF	17,665,729	Large Cap Value Mutual Fund
SSGA Russell 1000 GR SL CTF	8,757,742	Large Cap Growth Mutual Fund
Pier Cap Commingled Small Cap Growth	<u>3,896,215</u>	Small Cap Growth Mutual Fund
	<u>\$ 69,351,901</u>	

All Fixed Income investments consisting of the above investments in Loomis Sayles, PIMCO and Western Asset Core Plus are in mutual funds.

**Other**

Pursuant to RI Public Utilities Commission's Docket 3578, which became effective June 28, 2004, certain water fund revenues must be restricted for debt service, IFR/capital spending, electricity, general fund repayment and chemicals. All requirements have been met.

**Component Units:**

**Library cash deposits and cash equivalents**

The Library assumes levels of custodial credit risk for its cash deposits and cash equivalents. Custodial credit risk is the risk that, in the event of a bank failure, the Library's deposits may not be returned to it. Cash deposits and cash equivalents are exposed to credit risk if they are not covered by depository insurance and the deposits are a) uncollateralized, b) collateralized with securities held by the pledging financial institution, or c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the Library's name. The Library does not have a deposit policy for custodial risk.



*CITY OF NEWPORT, RHODE ISLAND*  
Notes to Financial Statements - Continued  
June 30, 2005

**IV. Detailed notes on all funds (continued)**

**1. Deposits and investments (continued)**

**Component Units:**

**Library cash deposits and cash equivalents (continued)**

At June 30, 2005, \$285,809 of the Library's bank balances of \$471,927 was uninsured and uncollateralized.

**Investments**

The Library assumes levels of custodial credit risk for its investments. Custodial credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Library's Board of Directors restricts both the type and maturity of instruments in which Library assets 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.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment in a debt instrument. The Library does not have a policy as it relates to interest rate risk.

At June 30, 2005, the Library's investments consist of the following:

Mutual Funds	\$ 199,592
Restricted Investments	<u>127,773</u>
	<u>\$ 327,365</u>

Investments consist of Wachovia and Bank of Newport funds which include mutual funds made up of cash, equities and debt that are valued daily and have no definitive maturities.

*CITY OF NEWPORT, RHODE ISLAND*  
Notes to Financial Statements - Continued  
June 30, 2005

**IV. Detailed notes on all funds (continued)**

**2. Receivables**

At June 30, 2005, receivables, including the applicable allowances for doubtful accounts, are as follows:

**Governmental activities**

	<b>General</b>	<b>School</b>	<b>Community Development Act</b>	<b>Other Governmental Funds</b>	<b>Total</b>
Taxes	\$ 2,970,264				\$ 2,970,264
Intergovernmental	554,239	\$ 131,973	\$ 56,134	\$ 475,255	1,217,601
Interest	2,036,916		662,180		2,699,096
Other	163,260			995	164,255
Notes/Loans			2,556,708	570,204	3,126,912
	5,724,679	131,973	3,275,022	1,046,454	10,178,128
Less allowance for doubtful accounts	(3,448,387)		(2,242,534)	(115,239)	(5,806,160)
	2,276,292	131,973	1,032,488	931,215	4,371,968
Less current portion	2,276,292	131,973	281,195	551,946	3,241,406
	\$ - 0 -	\$ - 0 -	\$ 751,293	\$ 379,269	\$ 1,130,562

**Business-type activities**

	<b>Water Fund</b>	<b>W.P.C. Fund</b>	<b>Other Enterprise Funds</b>	<b>Total</b>
User fees	\$ 1,445,855	\$ 1,927,635	\$ 79,973	\$ 3,453,463
Less allowance for doubtful accounts	(225,000)	(150,000)		(375,000)
	1,220,855	1,777,635	79,973	3,078,463
Other		12,478		12,478
	\$ 1,220,855	\$ 1,790,113	\$ 79,973	\$ 3,090,941

*CITY OF NEWPORT, RHODE ISLAND*

Notes to Financial Statements - Continued

June 30, 2005

**IV. Detailed notes on all funds continued**

**3. Capital assets**

Capital asset activity for the year ended June 30, 2005 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 2,348,013			\$2,348,013
Construction in progress	272,709	\$ 427,503	\$(227,083)	473,129
<b>Total capital assets not being depreciated</b>	<b>2,620,722</b>	<b>427,503</b>	<b>(227,083)</b>	<b>2,821,142</b>
Capital assets being depreciated:				
Land improvements	6,006,965	25,024	(16,147)	6,015,842
Buildings and structures	30,411,076	1,061,675		31,472,751
Machinery and equipment	4,804,053	456,370	(269,595)	4,990,828
Vehicles	5,244,956	722,132	(617,943)	5,349,145
Infrastructure	30,392,406	1,338,335		31,730,741
<b>Total capital assets being depreciated</b>	<b>76,859,456</b>	<b>3,603,536</b>	<b>(903,685)</b>	<b>79,559,307</b>
Less accumulated depreciation:				
Land improvements	533,710	127,258	(2,230)	658,738
Buildings and structures	6,770,508	530,776		7,301,284
Machinery and equipment	2,029,216	388,428	(82,648)	2,334,996
Vehicles	3,329,757	326,518	(522,929)	3,133,346
Infrastructure	7,759,979	354,126		8,114,105
	20,423,170	1,727,106	(607,807)	21,542,469
<b>Total capital assets being depreciated, net</b>	<b>56,436,286</b>	<b>1,876,430</b>	<b>(295,878)</b>	<b>58,016,838</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 59,057,008</b>	<b>\$2,303,933</b>	<b>\$(522,961)</b>	<b>\$60,837,980</b>

*CITY OF NEWPORT, RHODE ISLAND*  
Notes to Financial Statements - Continued  
June 30, 2005

**IV. Detailed notes on all funds (continued)**

**3. Capital assets (continued)**

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

Governmental activities:

General government	\$ 145,001
General education	470,601
Public safety	361,615
Public health	595,568
Planning, zoning and development	38,569
Human services	9,987
Recreation and parks	85,437
Capital assets held by the government's internal service fund are charged to the various functions based on usage of the assets	20,328
	\$ 1,727,106

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities</b>				
Capital assets not being depreciated:				
Land and land improvements	\$ 6,057,295	\$ 232,096		\$ 6,289,391
Construction in progress	959,115	42,435	\$ (251,587)	749,963
Total capital assets not being depreciated	7,016,410	274,531	(251,587)	7,039,354
Capital assets being depreciated:				
Buildings and systems	150,013,958	3,062,593		153,076,551
Machinery and equipment	4,662,905	306,210	(264,556)	4,704,559
Vehicles	1,601,331		(1,183,639)	417,692
Total capital assets being depreciated	156,278,194	3,368,803	(1,448,195)	158,198,802
Less accumulated depreciation:				
Land and land improvements	108,386	8,815		117,201
Buildings and systems	54,864,414	3,306,934		58,171,348
Machinery and equipment	4,285,748	176,110	(324,467)	4,137,391
Vehicles	1,419,499	75,091	(1,098,040)	396,550
Total capital assets being depreciated, net	60,678,047	3,566,950	(1,422,507)	62,822,490
Total capital assets being depreciated, net	95,600,147	(198,147)	(25,688)	95,376,312
Net capital assets, business-type activities	\$ 102,616,557	\$ 76,384	\$ (277,275)	\$102,415,666

*CITY OF NEWPORT, RHODE ISLAND*  
Notes to Financial Statements - Continued  
June 30, 2005

**IV. Detailed notes on all funds (continued)**

**3. Capital assets (continued)**

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

Business-type activities:	
Water	\$1,232,044
Water pollution control	2,079,536
Easton's Beach	81,560
Parking	70,463
Maritime	<u>18,468</u>
	3,482,071
Prior depreciation on contributed capital	<u>84,879</u>
	<u>\$3,566,950</u>

**Discretely presented component units**

Activity for the Newport Public Library for the year ended June 30, 2005 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated:				
Buildings	\$ 7,701,396	\$ 25,250	\$ - 0 -	\$7,726,646
Improvements other than buildings	378,411			378,411
Machinery and equipment	793,932	22,003		<u>815,935</u>
Total capital assets being depreciated	<u>8,873,739</u>	<u>47,253</u>		<u>8,920,992</u>
Less accumulated depreciation:				
Buildings	1,554,635	239,024		1,793,659
Improvements, other than buildings	68,693	18,921		87,614
Machinery and equipment	390,358	96,747		<u>487,105</u>
	<u>2,013,686</u>	<u>354,692</u>		<u>2,368,378</u>
Net capital assets, Newport Public Library	<u>\$ 6,860,053</u>	<u>\$ (307,439)</u>	<u>\$ - 0 -</u>	<u>\$ 6,552,614</u>

*CITY OF NEWPORT, RHODE ISLAND*  
Notes to Financial Statements - Continued  
June 30, 2005

**IV. Detailed notes on all funds (continued)**

**3. Capital assets (continued)**

**Discretely presented component units (continued):**

Capital asset activity for the Newport Redevelopment Agency for the year ended June 30, 2005 was as follows:

	Beginning balance	Increases	Decreases	Ending Balance
Capital assets being depreciated:				
Buildings	\$ 620,610		\$ - 0 -	\$620,610
Less accumulated depreciation:	123,062	\$ 10,155		133,217
Net capital assets, Redevelopment Agency	\$ 497,548	\$10,155	\$ - 0 -	\$487,393

**4. Interfund receivables and payables**

The composition of interfund balances as of June 30, 2005 is as follows:

<b>Due to:</b>		<b>Due from:</b>
Governmental Funds:		
General	\$ 404,831	Water
UDAG	140,000	General Fund
	\$ 544,831	
Proprietary Funds:		
Water Pollution Control	\$ 296,649	Water
Equipment Operations	\$ 829	Easton's Beach
	235	Maritime
	268	Parking
	84,733	General
	8,237	School Unrestricted
	40	Library
	9,940	Water
	\$ 104,282	
Advances:		
General Fund	\$1,817,955	Water
UDAG	90,000	CDBG
UDAG	346,173	Easton's Beach
	\$2,254,128	

*CITY OF NEWPORT, RHODE ISLAND*  
Notes to Financial Statements - Continued  
June 30, 2005

**IV. Detailed notes on all funds (continued)**

**4. Interfund receivables and payables (continued)**

<b>Due to:</b>		<b>Due from:</b>
To component unit:		
UDAG	\$ 267,459	Redevelopment Agency
UDAG	140,000	Library
EDA	55,243	Redevelopment Agency
	\$ 462,702	

The Urban Development Grant Fund (UDAG) loaned the City of Newport \$1,000,000 for Easton's Beach renovations in July 1994, which amount is recorded as a liability in the Easton's Beach Fund, a non-major proprietary fund. The note is a 15-year note bearing interest at 4.0%. The balance due at June 30, 2005 is \$346,173.

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

Year ending June 30,	Principal	Interest
2006	\$ 76,265	\$ 12,713
2007	79,362	9,616
2008	82,584	6,394
2009	85,938	3,040
2010	22,024	220
	\$ 346,173	\$ 31,983

**5. Long-term debt**

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 government. 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 2005 are summarized on the next page as follows:

**CITY OF NEWPORT, RHODE ISLAND**

Notes to Financial Statements - Continued  
June 30, 2005

**IV. Detailed notes on all funds (continued)**

**5. Long-term debt (continued)**

	Date Issued	Maturity Date	Interest Rate (%)	Outstanding July 1, 2004	Additions	Retired	Outstanding June 30, 2005	Interest Expense
<b>Governmental activities:</b>								
Roadway improvements	1991	2011	5.80 to 6.50	\$ 533,897	\$	533,897	\$	4,242
Triplet School acquisition	1991	2011	5.80 to 6.50	516,103		516,103		4,101
High school renovations	1994	2012	3.30 to 5.13	2,205,000		2,205,000		2,314
Thompson Middle School/Library	2001	2021	3.50 to 5.00	17,725,000		700,000	\$ 17,025,000	780,880
Thompson School QZAB	2001	2013	N/A	1,863,536			1,863,536	33,819
Series A Refunding Bond	2004	2011	2.00 to 4.00	\$	\$ 1,090,012	160,128	929,884	22,881
Series B Refunding Bond	2004	2012	2.00 to 3.50		2,034,690	39,356	1,995,334	41,347
Total governmental activities				\$ 22,843,536	\$ 3,124,702	\$ 4,154,484	\$ 21,813,754	\$ 889,584
<b>Business-type activities:</b>								
Sewer plant construction	1994	2006	3.60 to 4.90	\$ 155,000	\$	155,000	\$	2,819
CSO plant construction	1994	2010	3.60 to 5.13	2,400,000		2,400,000		44,949
Sewer improvements – SRF	2002	2023	1.9	12,216,329	\$ 312,191	486,818	\$ 12,041,702	223,445
Series A Refunding Bond	2004	2011	2.00 to 4.00		2,652,364	532,269	2,120,095	52,167
Total Water Pollution Control Fund				14,771,329	2,964,555	3,574,087	14,161,797	323,380
Water pipeline construction	1992	2011	4.75 to 6.65	1,800,000		1,800,000		14,710
Water plant construction	1994	2010	3.60 to 5.13	1,770,000		1,770,000		33,171
Water pipeline construction	1994	2012	3.30 to 5.13	3,390,000		3,390,000		(8,964)
Series A Refunding Bond	2004	2011	2.00 to 4.00		1,993,166	428,146	1,565,020	38,509
Series B Refunding Bond	2004	2012	2.00 to 3.50		4,624,768	85,101	4,539,667	94,070
Total Water Fund				6,960,000	6,617,934	7,473,247	6,104,687	171,496
Total business-type activities				\$ 21,731,329	\$ 9,582,489	\$ 11,047,334	\$ 20,266,484	\$ 494,876

The City of Newport issued refunding bonds on October 7, 2004 in order to take advantage of lower interest rates. The new bonds replace all of the Water Fund bonds, all of the Water Pollution Control Fund bonds except for the sewer improvements – SRF, the roadway improvements, Triplet School acquisition and high school renovations in the General Fund. The aggregate difference in debt service between the refunded debt and the refunding debt is \$817,012. The par amount of the new bonds is \$12,395,000 and the sale includes a premium of \$183,917. The new bonds mature in November 2012 and have coupon rates of 2% to 4%. The effective interest rate on the refunding bonds is 2.616%, resulting in an economic gain of \$756,680.



*CITY OF NEWPORT, RHODE ISLAND*  
Notes to Financial Statements - Continued  
June 30, 2005

**IV. Detailed notes on all funds (continued)**

**5. Long-term debt (continued)**

The City has \$13,000,000 of State Revolving Fund (SRF) revenue anticipation bonds issued in April 2002 available to fund sewer improvements, all of which has been drawn down. The amounts drawn down include \$894,371 of debt service reserve which is held in trust by Citizen's Bank. The stated interest rate is 4.79%, however, due to interest subsidies, the City's effective rate is 1.907%.

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 \$396,470, which amount is reported in the debt service fund, a nonmajor governmental fund.

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, 2004 was \$3,478,880,394, limiting the amount of non-excepted general obligation bonds outstanding to \$104,366,412. Bonds of \$21,813,754 outstanding at June 30, 2005 are general obligations and subject to the statutory limitation.

Bonded indebtedness on June 30, 2005 matures over fiscal years through 2023 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>
2006	\$ 1,192,470	\$ 871,686	\$ 1,980,184	\$ 451,867
2007	1,204,311	834,581	1,954,694	408,411
2008	1,187,425	790,126	1,818,464	350,680
2009	1,224,266	746,188	1,794,056	305,399
2010	1,237,114	700,635	1,774,207	259,450
2011-2015	5,404,632	2,815,135	4,733,139	805,874
2016-2020	7,663,536	1,425,031	3,694,167	413,950
2021-2023	2,700,000	137,500	2,517,573	71,871
	<u>\$21,813,754</u>	<u>\$ 8,320,882</u>	<u>\$20,266,484</u>	<u>\$ 3,067,502</u>

Authorized and unissued debt at June 30, 2005 is as follows:

<u>Purpose</u>	<u>Date Authorized</u>	<u>Amount Authorized</u>	<u>Net Amount</u>
Water improvements	April 1, 2000	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>

*CITY OF NEWPORT, RHODE ISLAND*  
Notes to Financial Statements - Continued  
June 30, 2005

**IV. Detailed notes on all funds (continued)**

**6. Notes payable**

In December 1994, the City borrowed \$1,350,000 from a bank and loaned the proceeds to a developer to finance the purchase and renovation of a former City building. The underlying note receivable has a stated interest rate of 2.2% per annum and provides for annual repayments out of the developer's net cash flow, as defined, until 2012 when all outstanding principal and interest is due. The note receivable is secured by the renovated building and is recorded in the Community Development Act Fund, a special revenue fund. At June 30, 2005, the entire \$1,350,000 was receivable. The City's note payable has been fully repaid.

In 1984, the Redevelopment Agency of Newport, a component unit, 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. As of June 30, 2005, \$200,000 was payable. The note is required to be paid only upon the sale of the building.

**7. Changes in long-term liabilities**

Long-term liability activity for the year ended June 30, 2005 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
<b>Governmental activities:</b>					
Bonds payable	\$22,843,536	\$3,124,702	\$4,154,484	\$21,813,754	\$1,192,470
Notes payable	185,000		185,000		
Claims and judgments	927,500	2,389,250	591,750	2,725,000	543,000
Compensated absences	7,463,825		204,306	7,259,519	716,568
Net pension obligation	5,778,303	127,190		5,905,493	
	<u>\$37,198,164</u>	<u>\$5,641,142</u>	<u>\$5,135,540</u>	<u>\$37,703,766</u>	<u>\$2,452,038</u>
<b>Business-type activities:</b>					
Bonds payable	<u>\$21,731,329</u>	<u>\$9,582,489</u>	<u>\$11,047,334</u>	<u>\$20,266,484</u>	<u>\$1,980,184</u>

*CITY OF NEWPORT, RHODE ISLAND*  
Notes to Financial Statements - Continued  
June 30, 2005

**IV. Detailed notes on all funds (continued)**

**8. Leases**

The City has operating 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 \$324,800 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, 2005, the General Fund incurred expenditures of \$324,800 associated with these agreements. The minimum annual lease obligations of the General Fund related to these agreements are \$324,800 until such time as the Rhode Island Public Utilities Commission approves a rate change.

**9. 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 will have no material adverse effect on the City's financial position.

**10. 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.

*CITY OF NEWPORT, RHODE ISLAND*  
Notes to Financial Statements - Continued  
June 30, 2005

**IV. Detailed notes on all funds (continued)**

**11. Pension plans**

All eligible employees of the City are covered by one of five 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, Policemen's Pension Plan and the Money-Purchase 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, excepting only certain classified positions including the City Manager. 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 2005 was \$36,606,503. Total City payroll was \$52,874,828 for the same period.

**(a) Money-Purchase Pension Plan**

The City Manager is the only employee eligible to participate in the Money-Purchase Pension Plan, a defined contribution plan established in accordance with Internal Revenue Code Section 401(a). The plan is administered by the International City Managers Association and offers its members continuity of participation during changes in employment. Benefits are payable upon retirement from among a variety of options selected by participants. Total covered payroll under this plan during 2005 was \$124,096.

By the terms of an employment contract, the City makes contributions on behalf of the City Manager equal to 10% of his salary. In turn, the City Manager is ineligible to participate in any of the City's defined benefit plans. Terms of this employment contract are subject to review annually.

During 2005, the City's required contribution was \$12,410, all of which was paid. No additional contributions were made by the City Manager.

**(b) Teachers' Plan**

**Plan description:**

The Teachers' Plan is a statutory, mandatory, statewide, cost-sharing multiple employer public employee retirement system administered by the State. 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) 222-2203. Total covered payroll under the plan during 2005 was \$16,741,625, including \$1,147,147 of federally reimbursed payroll.

Participants' rights to pension benefits become fully vested after 10 years of service. Participants are eligible to retire after 10 years of service if they have attained age 60, or after 28 years of service regardless of age. Benefits are equal to 1.7% of final average salary for each of the first 10 years of service, 1.9% for each of the next ten years, 3% for each of the next 14 years thereafter, and 2% for the 35<sup>th</sup> year, resulting in a maximum benefit of 80% of final average salary. Final average salary is computed using the highest three consecutive years of base earnings. Retirees' benefits are subject to a 3% compounded annual cost of living increase, commencing on the January 1<sup>st</sup> following the third anniversary of an employee's retirement. The plan also provides pre-retirement benefits at a minimum of 17% of salary for non-occupational disabilities after 5 years of service, and at 67% of salary for occupational disabilities regardless of service. Surviving spouses are also eligible for both pre- and post-retirement death benefits with minimum amounts established under varying circumstances.

*CITY OF NEWPORT, RHODE ISLAND*  
Notes to Financial Statements - Continued  
June 30, 2005

**IV. Detailed notes on all funds (continued)**

**11. Pension plans (continued)**

(b) Teachers' Plan (continued)

Funding policy:

Rhode Island general laws set the contribution rates of participating employees at 9.5% of salary. 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; and (c) interest on the unfunded frozen actuarial liability. Normal cost is determined using the entry age normal 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.

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 2004, actuarial required contributions were 14.84% of participant salary (also 14.84% for federally reimbursed salary). This resulted in a contribution rate paid by the State on behalf of City teachers of 6.12%. The City's contribution rate was 8.72%. The City's required and actual contributions to the Teachers' Plan for fiscal years 2005, 2004, and 2003 were \$1,570,475, \$1,623,585 and \$1,572,955, respectively.

(c) Municipal Plan

Plan description:

The Municipal Plan is an agent multiple employer public employee retirement system administered by the State. 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) 222-2203. For fiscal year 2005, payroll for employees covered under the plan totaled \$10,495,620.

Participants' rights to pension benefits become fully vested after 10 years of service. They are also eligible to retire after 10 years of service if they have attained age 58 or after 30 years of service regardless of age. Benefits are equal to 2% of final average salary for each year of service, with a maximum benefit of 75% of final average salary. Final average salary is computed using the highest three consecutive years of base earnings, exclusive of overtime. Retiree benefits are adjusted annually by 3% compounded to allow for cost of living increases under an optional benefit provision adopted by the City.

The plan also provides pre-retirement benefits at a minimum of 20% of salary for non-occupational disabilities after 5 years of service, and at 67% of salary for occupational disabilities regardless of service. Surviving spouses are also eligible for both pre- and post-retirement death benefits with minimum amounts established under varying circumstances.

As of June 30, 2005, 307 active employees were members of the Municipal Plan.

*CITY OF NEWPORT, RHODE ISLAND*  
Notes to Financial Statements - Continued  
June 30, 2005

**IV. Detailed notes on all funds (continued)**

**11. Pension plans (continued)**

(c) Municipal Plan (continued)

Funding policy:

Rhode Island general laws set contributions of participating employees at 6% of salary. An additional 1% of salary is assessed to employees under the optional cost-of-living provision. 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 normal costs and, where applicable, a payment to amortize the unfunded actuarial accrued liability as of July 1, 1988 over a closed period of 25 years (or over 25 from date joined if after July 1, 1988). 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.

Annual pension costs and net pension obligations:

The following table summarizes annual pension costs and actual contributions for the plan for the past three years. There was no net pension obligation during the three-year period.

	2005	2004	2003
Annual pension costs	\$1,310,576	\$ 1,057,778	\$ 694,013
Actual contributions:			
Employee	576,210	697,114	657,314
Employer	734,366	360,664	36,699
Percent of annual pension costs contributed	100%	100%	100%

Actuarial methods and significant assumptions:

The State used the entry age normal 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. 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:	8.25% annually
Salary increases:	3.00% annually
Cost of living adjustments:	3.00%, not compounded
Retirement probability:	
100% at age 70 or upon eligibility (100% at age 60 or upon eligibility – police)	

*CITY OF NEWPORT, RHODE ISLAND*  
Notes to Financial Statements - Continued  
June 30, 2005

**IV. Detailed notes on all funds (continued)**

**11. Pension plans (continued)**

(c) Municipal Plan (continued)

Mortality:

Healthy members – 1994 Group Annuity Mortality Table

Disabled members – PBGC Table Va for disabled members eligible for Social Security disability benefits

Disability:

Probabilities ranging from .05% at age 25 to .71% at age 60

(d) Firemen's Pension Plan and Policemen's Pension Plan

The City has separately established the Firemen's Pension Plan (Fire Plan) and the Policemen's Pension Plan (Police Plan). Each is a single-employer defined benefit pension plan which provides retirement, disability and death benefits to its participants. For fiscal year 2005, covered payroll under the plans was \$5,097,320 and \$4,147,842 under the Fire and Police Plans, respectively. Each plan is reported as a pension trust fund in the City's fiduciary fund net assets.

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 firemen 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 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. An additional \$100 per year can be earned for each year of service in excess of 25, to a maximum of \$1,000 per year.

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.

As of June 30, 2005, membership in each plan was as follows:

	<u>Fire Plan</u>	<u>Police Plan</u>
Active employees hired before July 1, 1984	27	13
Active employees hired on or after July 1, 1984	<u>66</u>	<u>72</u>
Total active employees	93	85
Inactive employees with vested rights	1	-0-
Pensioners and beneficiaries	<u>99</u>	<u>119</u>
Total plan members	<u><u>193</u></u>	<u><u>204</u></u>

*CITY OF NEWPORT, RHODE ISLAND*  
Notes to Financial Statements - Continued  
June 30, 2005

**IV. Detailed notes on all funds (continued)**

**11. Pension plans (continued)**

(d) Firemen's Pension Plan and Policemen's Pension Plan (continued)

Funding policy:

Under terms of their collective bargaining agreements, firefighters and policemen are required to contribute 8% of salary to their respective pension plans. For funding purposes, the City divides the membership of each pension plan into two groups, one composed of current and former employees hired prior to July 1, 1984, the other composed of those hired after June 30, 1984. The City's required contributions are separately determined for both membership groups within each plan. For the former, required contributions include normal costs with interest and an amount sufficient to amortize the accrued actuarial liabilities in level dollar amounts over a declining 30-year period. The latter group has never incurred unfunded accrued actuarial liabilities; therefore, required contributions cover only normal costs.

Rhode Island general laws and collective bargaining agreements establish minimum employer funding independent of the City's funding policy, incorporating the collected amounts of certain types of revenues related to public safety services. However, the City's policy results in required contributions in excess of the statutory and contractual minimum levels.

Annual Pension Costs And Net Pension Obligations - Separate actuarial valuations for each plan were performed as of July 1, 2004. The following table summarizes annual pension costs for both the Police Plan and Fire Plan:

	<b>Fire Plan</b>	<b>Police Plan</b>
Annual required contribution (ARC)	\$ 3,317,767	\$ 3,247,875
Amount representing interest on NPO	478,143	(388,208)
Adjustment to ARC	(368,320)	239,023
 Total annual pension costs	 \$ 3,427,590	 \$ 3,098,690



*CITY OF NEWPORT, RHODE ISLAND*  
Notes to Financial Statements - Continued  
June 30, 2005

**IV. Detailed notes on all funds (continued)**

**11. Pension plans (continued)**

(d) Firemen's Pension Plan and Policemen's Pension Plan (continued)

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

	<b>Fire Plan</b>		
	<b>2004</b>	<b>2003</b>	<b>2002</b>
Annual pension costs	\$ 3,427,590	\$ 3,494,779	\$ 3,337,189
Actual contributions	<u>3,317,767</u>	<u>4,062,000</u>	<u>3,977,470</u>
Increase (decrease) in NPO	109,823	(567,221)	(640,281)
Net pension obligation, beginning	<u>5,795,670</u>	<u>6,362,891</u>	<u>7,003,172</u>
Net pension obligation, ending	<u><u>\$ 5,905,493</u></u>	<u><u>\$ 5,795,670</u></u>	<u><u>\$ 6,362,891</u></u>
% of annual pension costs contributed	<u>96.8%</u>	<u>116.2%</u>	<u>119.2%</u>
	<b>Police Plan</b>		
	<b>2004</b>	<b>2003</b>	<b>2002</b>
Annual pension costs	\$ 3,098,690	\$ 1,968,594	\$ 1,867,775
Actual contributions	<u>3,247,875</u>	<u>2,698,300</u>	<u>2,273,062</u>
Decrease in NPO	(149,185)	(729,706)	(405,287)
Net pension obligation, beginning	<u>none</u>	<u>none</u>	<u>none</u>
Net pension obligation, ending	<u><u>none</u></u>	<u><u>none</u></u>	<u><u>none</u></u>
% of annual pension costs contributed	<u>104.8%</u>	<u>137.1%</u>	<u>121.7%</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  
June 30, 2005

**IV. Detailed notes on all funds (continued)**

**11. Pension plans (continued)**

(d) Firemen's Pension Plan and Policemen's Pension Plan (continued)

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

Asset appreciation:	8.25% annually
Salary increases:	
Police:	3.75% annually plus longevity increases of 3% after the sixth year of employment and .05% for each year of employment thereafter through the thirtieth year of employment. No longevity increases are assumed after the thirtieth year of employment.
Fire:	3.25% annually plus longevity increases of 3% after the sixth year of employment and .05% for each year of employment thereafter through the thirty-first year of employment. No longevity increases are assumed after the thirtieth year of employment.
Retirement probability:	5% for fire and 20% for police after 20 years 2% for fire and 10% for police in each of years 21-24 40% for both groups after 25 years 20% for both groups in each of years 26-34 100% for both groups after 35 years
Mortality:	Healthy members – GAM 1983 Mortality table Disabled members – 1985 Wyatt Pension Disability Tables
Disability:	The 1985 Wyatt Pension Disability Tables, unisex rates, 100% of disabilities are assumed to be non-service related.
Surviving Spouses:	90% of active and 75% of retired members are assumed to be married, wives are assumed to be 3 years younger than their husbands

Concentrations – As of June 30, 2005 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.

*CITY OF NEWPORT, RHODE ISLAND*  
Notes to Financial Statements - Continued  
June 30, 2005

**IV. Detailed notes on all funds (continued)**

**12. Other post-employment benefits**

In addition to those retirement, disability and death benefits described in the preceding Note, the City provides health and life insurance benefits to retirees, their dependents and their beneficiaries in accordance with City ordinance and by terms of their collective bargaining agreements. As of June 30, 2005, 431 retirees were eligible to receive health and life insurance benefits. Retirees or their beneficiaries may select from among the same plans offered to active employees until they attain the age of 65, at which time coverage is switched to a City-designated insurer except for teachers. Teachers contribute 3% of their salary to remain in any plan of their choosing. The actuarially calculated liability as of July 1, 2004 related to the teachers' benefits after age 65 is \$38 million. Available assets at that date are \$700,000.

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. Premiums for retirees of both the Teachers' Plan and the Municipal Plan are fully paid by the City, provided the retiree was eligible for retirement at the time of separation from service. Beyond health insurance, the City bears only the cost of providing certain Police Pension Plan members a \$25,000 life insurance policy. Members of each group may elect dental and life insurance coverage at their expense.

During fiscal year 2005, expenditures or expenses of \$4,449,734, net of contributions, were recorded for post-employment benefits of retirees or beneficiaries and their dependents, distributed as follows:

General Fund	\$ 332,738
Special Revenue Funds – School Unrestricted	2,366,489
Enterprise Funds	252,385
Pension Trust Funds	<u>1,498,122</u>
	<u>\$4,449,734</u>

The costs of other post-employment benefits are funded on a "pay-as-you-go" method. The City contracted to have an actuarial study performed of the cost of providing other post-employment benefits in preparation for GASB Statement No. 45, "Accounting and Financial Reporting by Employees for Postemployment Benefits Other Than Pensions," which will be implemented in fiscal year 2009. The actuarially accrued unfunded liability as of July 1, 2004 for all City and School employees is \$61.6 million.

**13. Deferred compensation plans**

The City has established a deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan, available to all municipal employees, permits them to defer a portion of their salaries until termination, retirement or death. In some cases, deferred salary may also be made available to employees who successfully demonstrate unforeseen emergencies after authorization by a committee established under the plan. The annual limitation of salary deferrable under the plan for calendar year 2005 was \$14,000 per employee.

All compensation deferred under the plan, any investments purchased with this compensation and income and gains attributable to those investments are held in a separate trust and are, therefore, not reported on the accompanying financial statements.

*CITY OF NEWPORT, RHODE ISLAND*  
Notes to Financial Statements - Continued  
June 30, 2005

**IV. Detailed notes on all funds (continued)**

**14. Construction commitments**

The City has active construction projects as of June 30, 2005. The projects include street and sidewalk repaving and reconstruction, repair and reconstruction of the historic Washington Square area, renovation of the historic recreation building known as “the cottage,” upgrades and improvements to the two water treatment plants and repair and replacement of water mains. At year end the City’s commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Repaving and reconstruction of roads	\$ 2,343,456	\$1,479,183
Paving of Historic Washington Square	295,976	577,674
Renovation of “the cottage”	118,593	292,300
Upgrades and improvements to Water Plants	1,758,748	2,399,674
Water main improvements	1,522,236	245,959

The paving of historic Washington Square project is being financed entirely from federal and state grants. The rest of the projects are being funded by the City’s resources.

CITY OF NEWPORT, RHODE ISLAND  
 REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

YEAR ENDED JUNE 30, 2005

**Municipal Employees Retirement System**

Actuarial Valuation Date	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
1999	\$ 39,390,120	\$ 37,096,146	106.2%	\$ (2,293,974)	\$ 8,862,637	-25.9%
2000	42,186,744	40,314,770	104.6%	(1,871,974)	9,736,206	-19.2%
2001	41,726,725	42,111,299	99.1%	384,574	9,645,954	4.0%
2002	41,024,221	43,891,378	93.5%	2,867,157	9,969,253	28.8%
2003	38,988,455	45,900,955	84.9%	6,912,500	9,879,190	70.0%
2004	37,820,577	47,940,239	78.9%	10,119,662	10,495,620	96.4%

**Fire Pension Plan**

Actuarial Valuation Date	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
1999	\$ 13,386,223	\$ 55,175,126	24.3%	\$ 41,788,903	\$ 3,512,322	1189.8%
2000	15,189,407	55,708,574	27.3%	40,519,167	4,250,751	953.2%
2001	15,364,083	60,698,701	25.3%	45,334,618	4,321,161	1049.1%
2002	15,992,660	57,208,592	28.0%	41,215,932	4,647,200	886.9%
2003	17,726,942	61,509,869	28.8%	43,782,927	4,605,267	950.7%
2004	21,427,871	64,260,714	33.3%	42,832,843	5,097,320	840.3%

**Police Pension Plan**

Actuarial Valuation Date	Actuarial Value of Plan Assets	Accrued Liability (AAL)	Actuarial Value of Assets as % of AAL	Unfunded AAL	Annual Covered Payroll	Unfunded AAL as % of Covered Payroll
1999	\$ 27,697,403	\$ 47,598,787	58.2%	\$ 19,901,384	\$ 3,552,014	560.3%
2000	29,758,830	47,579,511	62.5%	17,820,681	3,838,574	464.3%
2001	28,782,410	51,471,122	55.9%	22,688,712	3,737,343	607.1%
2002	28,060,710	65,986,217	42.5%	37,925,507	3,845,929	986.1%
2003	29,217,703	67,277,252	43.4%	38,059,549	3,867,398	984.1%
2004	33,645,290	58,014,568	58.0%	24,369,278	4,147,842	587.5%

CITY OF NEWPORT, RHODE ISLAND  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS  
 YEAR ENDED JUNE 30, 2005

Fire Pension Plan

Actuarial Valuation Date	Annual Required Contribution (ARC)	Actual Contribution	% of ARC Contributed
1999	\$ 2,961,385	\$ 3,189,319	107.7%
2000	3,003,673	3,860,777	128.5%
2001	3,281,802	3,567,527	108.7%
2002	3,106,881	3,993,315	128.5%
2003	3,285,527	4,062,000	123.6%
2004	3,317,767	3,317,767	100.0%

Police Pension Plan

Actuarial Valuation Date	Annual Required Contribution (ARC)	Actual Contribution	% of ARC Contributed
1999	\$ 2,274,548	\$ 3,137,686	137.9%
2000	2,094,752	2,510,675	119.9%
2001	1,696,189	2,708,167	159.7%
2002	1,985,197	2,853,771	143.8%
2003	2,099,345	2,698,300	128.5%
2004	3,247,875	3,247,875	100.0%

**CITY OF NEWPORT, RHODE ISLAND**

GENERAL FUND  
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET
<b>PROPERTY TAXES:</b>				
Current taxes - Real Estate	\$ 48,652,606	\$ 48,167,606	\$ 47,848,005	\$ (319,601)
Current taxes - MV	1,821,000	1,821,000	1,802,298	(18,702)
Delinquent - Real Estate	1,000,000	1,000,000	478,500	(521,500)
Delinquent taxes - MV	75,000	75,000	166,138	91,138
Hotel occupancy tax	800,000	1,080,000	998,731	(81,269)
Meals and beverage tax	1,400,000	1,400,000	1,358,160	(41,840)
Penalties	350,000	350,000	398,801	48,801
Tax lien fees	25,000	25,000	31,337	6,337
<b>TOTAL PROPERTY TAXES</b>	<b>54,123,606</b>	<b>53,918,606</b>	<b>53,081,970</b>	<b>(836,636)</b>
<b>INTERGOVERNMENTAL REVENUES:</b>				
Telephone company tax	412,290	412,290	363,581	(48,709)
Police & fire education incentive	42,000	42,000	42,629	629
PILOT	488,585	488,585	511,083	22,498
General aid	1,695,772	1,695,772	1,728,739	32,967
MV tax phase out	1,455,950	1,455,950	1,455,950	-
Federal Blizzard Reimbursement			43,474	43,474
COPS That CARE, RI Justice Comm	1,000	1,000	1,335	335
Tobacco/Underage Drinking Grant			1,104	1,104
Festival Fields Grant	2,500	2,500	8,567	6,067
RI Economic Development Grant			3,303	3,303
RI Justice Comm Network Grant	27,000	27,000		(27,000)
Governor's Highway Safety Grant	1,200	1,200		(1,200)
LLEBG Grant - Federal	35,000	35,000	36,803	1,803
Statistical Update Reimbursement	200,000	200,000		(200,000)
School housing aid	834,466	834,466	790,722	(43,744)
State aid - library construction	200,000	200,000	260,053	60,053
<b>TOTAL INTERGOVERNMENTAL REVENUES</b>	<b>5,395,763</b>	<b>5,395,763</b>	<b>5,247,343</b>	<b>(148,420)</b>
<b>CHARGES FOR SERVICES:</b>				
Computer processing fees	400,000	234,000	235,543	1,543
Police special detail	900,000	900,000	847,056	(52,944)
Planning services			1,125	1,125
Document prep and handling	45,000	45,000	74,448	29,448
Management services	1,150,000	675,000	673,914	(1,086)
Community development services	56,000	56,000	56,000	-
Fire alarm assessments	120,000	120,000	69,600	(50,400)
Recycling bins	2,000	2,000	2,568	568
Recording fees	350,000	425,000	480,856	55,856
Conveyance tax	600,000	700,000	848,295	148,295
Recreation activity fees	50,000	70,000	82,357	12,357
Ballfield rentals	65,000	25,000	14,919	(41,081)
Parking tickets/rescue fees	1,350,000	1,350,000	1,010,676	(339,324)
Probate fees	60,000	60,000	46,399	(13,601)
Entertainment	22,000	22,000	25,640	3,640
General business	53,000	53,000	73,391	20,391
Hotel registration fees	7,500	7,500	7,520	20
Liquor	155,000	175,000	191,130	16,130
Mech amusement	10,000	18,000	16,425	(1,575)
Sunday selling	30,000	30,000	36,345	6,345
Taxi	1,000	1,000	1,280	280
Victualing	50,000	50,000	41,465	(8,535)
Animal	5,500	5,500	5,379	(121)
Marriage	6,000	6,000	5,040	(960)
Vendor rights	25,000	15,000	10,207	(4,793)
Building	200,000	252,436	381,619	129,183
Electrical	45,000	50,000	104,005	54,005
Mechanical	25,000	30,000	100,103	70,103
Plumbing	15,000	15,000	40,729	25,729

(Continued)

**CITY OF NEWPORT, RHODE ISLAND**

GENERAL FUND  
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
BUDGET AND ACTUAL (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET
<b>CHARGES FOR SERVICES (Continued):</b>				
Road opening	\$ 35,000	\$ 41,000	\$ 41,543	\$ 543
Board of Appeals	10,000	10,000	23,065	13,065
HDC application fee	15,000	15,000	14,620	(380)
Municipal court cost assessment	175,000	175,000	191,440	16,440
Harbor fines and fees	150,000	150,000	123,801	(26,199)
Payphone commissions			888	888
Fire - sundry	50,000	50,000	26,872	(23,128)
Fire inspection fees	125,000	25,000	32,130	7,130
Police - sundry	12,000	12,000	17,163	5,163
Cruise ship	67,000	67,000	67,000	-
Rental of property	100,000	100,000	100,710	710
Jai Alai pari-mutual	20,000			-
Jai Alai video	850,000	850,000	791,916	(58,084)
Other miscellaneous	25,000	65,000	217,314	152,314
<b>TOTAL CHARGES FOR SERVICES</b>	<b>7,432,000</b>	<b>6,952,436</b>	<b>7,132,496</b>	<b>180,060</b>
<b>USE OF MONEY AND PROPERTY:</b>				
Investment interest	150,000	300,000	390,564	90,564
<b>OTHER REVENUES:</b>				
Public donations	50,000	50,000	95,267	45,267
Sale of surplus equipment	25,000	35,000	39,461	4,461
<b>TOTAL OTHER REVENUES</b>	<b>75,000</b>	<b>85,000</b>	<b>134,728</b>	<b>49,728</b>
<b>TOTAL REVENUES</b>	<b>67,176,369</b>	<b>66,651,805</b>	<b>65,987,101</b>	<b>(664,704)</b>
<b>OTHER FINANCING SOURCES:</b>				
Appropriated fund balance	1,380,000	3,718,121	3,718,121	-
Refunding bonds issued			3,124,702	3,124,702
Operating transfers in	400,000	400,000	644,145	244,145
<b>Total other financing sources</b>	<b>1,780,000</b>	<b>4,118,121</b>	<b>7,486,968</b>	<b>3,368,847</b>
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<b>\$ 68,956,369</b>	<b>\$ 70,769,926</b>	<b>\$ 73,474,069</b>	<b>\$ 2,704,143</b>

(Concluded)



**CITY OF NEWPORT, RHODE ISLAND**

GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET
<b>EXPENDITURES:</b>				
General Government:				
Mayor and City Council..... \$	100,829	\$ 100,829	\$ 89,695	\$ 11,134
City Manager.....	530,930	505,930	514,719	(8,789)
City Solicitor.....	337,973	337,973	341,836	(3,863)
Canvassing.....	184,056	192,018	176,421	15,597
Finance .....	2,469,883	2,771,399	2,668,695	102,704
City Clerk.....	519,540	606,811	585,099	21,712
Administrative Services.....	831,626	834,933	765,286	69,647
Reserve Accounts.....	1,654,530	2,002,040	2,174,991	(172,951)
Public Safety:				
Police Department.....	13,226,608	12,804,052	13,068,878	(264,826)
Fire Department.....	13,249,748	13,538,344	13,671,988	(133,644)
Public Health:				
Public Works.....	1,886,846	2,179,921	2,193,569	(13,648)
Solid Waste Operations.....	1,921,704	1,833,489	1,863,708	(30,219)
Planning, Zoning, and Development.....	941,483	940,733	940,987	(254)
Recreation and Parks.....	1,592,312	1,595,987	1,580,298	15,689
Human services:				
Donations.....	184,560	184,560	182,499	2,061
Public Library.....	1,379,758	1,379,758	1,379,758	-
Pension expenses.....	778,010	828,127	899,423	(71,296)
Debt service.....	2,187,004	2,078,952	2,026,758	52,194
<b>TOTAL EXPENDITURES.....</b>	<b>43,977,400</b>	<b>44,715,856</b>	<b>45,124,608</b>	<b>(408,752)</b>
<b>OTHER FINANCING USES:</b>				
Transfers to other funds.....	24,978,969	26,054,070	25,872,497	181,573
Payments to bond refunding escrow agent.....			3,010,000	(3,010,000)
<b>TOTAL OTHER FINANCING USES.....</b>	<b>24,978,969</b>	<b>26,054,070</b>	<b>28,882,497</b>	<b>(2,828,427)</b>
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES.....</b>	<b>\$ 68,956,369</b>	<b>\$ 70,769,926</b>	<b>\$ 74,007,105</b>	<b>\$ (3,237,179)</b>

**CITY OF NEWPORT, RHODE ISLAND**

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2005

	SCHOOL RESTRICTED FUNDS	SPECIAL REVENUE					TOTAL	
		UDAG FUND	STATE GRANTS FUND	EDA REVOLVING FUND	PROPERTY ACQUISITION FUND	COMMUNITY DONATION FUND		BRAMLEY BILL FUND
Cash.....	\$ 1,584,860	\$ 2,835,087	\$ 194,124	\$ 178,982	\$ 683,319	\$ 219,055	\$ 18,881	\$ 5,714,308
Investments.....	-	-	-	-	-	-	-	-
Receivables.....	322,556	-	152,699	-	-	-	-	475,255
Intergovernmental.....	-	398,269	-	171,935	-	-	-	570,204
Loan.....	-	-	-	-	-	-	995	995
Other.....	-	-	-	-	-	-	-	140,000
Due from other funds.....	-	140,000	-	-	-	-	-	140,000
Advances to other funds.....	-	436,174	-	-	-	-	-	436,174
Advances to component units.....	-	407,459	-	55,243	-	-	-	462,702
<b>TOTAL ASSETS.....</b>	<b>\$ 1,907,416</b>	<b>\$ 4,216,989</b>	<b>\$ 346,823</b>	<b>\$ 406,160</b>	<b>\$ 683,319</b>	<b>\$ 219,055</b>	<b>\$ 19,876</b>	<b>\$ 7,799,638</b>

**ASSETS**

**LIABILITIES AND FUND BALANCE**

Cash overdraft.....	\$ 912,932	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 912,932
Accounts payable.....	179,392	-	89,998	837	-	-	450	270,677
Accrued expenses.....	-	3,462	1,063	-	-	-	-	4,525
Due to other funds.....	-	-	-	-	-	-	-	-
Deferred revenue.....	-	1,288,440	208,479	227,178	-	-	-	1,724,097
<b>TOTAL LIABILITIES.....</b>	<b>1,092,324</b>	<b>1,291,902</b>	<b>299,540</b>	<b>228,015</b>	<b>-</b>	<b>-</b>	<b>450</b>	<b>2,912,231</b>
<b>FUND BALANCE.....</b>	<b>-</b>	<b>-</b>	<b>124,305</b>	<b>-</b>	<b>-</b>	<b>3,430</b>	<b>-</b>	<b>127,735</b>
Reserved.....	-	-	(77,022)	178,145	683,319	215,625	19,426	4,759,672
Unreserved and undesignated.....	815,092	2,925,087	-	-	-	-	-	-
<b>TOTAL FUND BALANCE.....</b>	<b>815,092</b>	<b>2,925,087</b>	<b>47,283</b>	<b>178,145</b>	<b>683,319</b>	<b>219,055</b>	<b>19,426</b>	<b>4,887,407</b>
<b>TOTAL LIABILITIES AND FUND BALANCE.....</b>	<b>\$ 1,907,416</b>	<b>\$ 4,216,989</b>	<b>\$ 346,823</b>	<b>\$ 406,160</b>	<b>\$ 683,319</b>	<b>\$ 219,055</b>	<b>\$ 19,876</b>	<b>\$ 7,799,638</b>

(Continued)

**CITY OF NEWPORT, RHODE ISLAND**

COMBINING BALANCE SHEET (CONTINUED)  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2005

	PERMANENT FUND			TOTAL NONMAJOR GOVERNMENTAL FUNDS
	DEBT SERVICE FUND	OTHER TRUST FUNDS		
<u>ASSETS</u>				
Cash.....	\$ 724	\$ 79,309	\$	\$ 5,794,341
Investments.....	395,746	7,742,981		8,138,727
Receivables:				
Intergovernmental.....	-	-		475,255
Loan.....	-	-		570,204
Other.....	-	-		995
Due from other funds.....	-	-		140,000
Advances to other funds.....	-	-		436,174
Advances to component units.....	-	-		462,702
<b>TOTAL ASSETS.....</b>	<b>\$ 396,470</b>	<b>\$ 7,822,290</b>	<b>\$</b>	<b>\$ 16,018,398</b>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES:</u>				
Cash overdraft.....	-	-	\$	\$ 912,932
Accounts payable.....	-	2,881		273,558
Accrued expenses.....	-	-		4,525
Due to other funds.....	-	-		-
Deferred revenue.....	-	-		1,724,097
<b>TOTAL LIABILITIES.....</b>	<b>-</b>	<b>2,881</b>	<b>\$</b>	<b>2,915,112</b>
<u>FUND BALANCE:</u>				
Reserved.....	-	-		127,735
Unreserved and undesignated.....	396,470	7,819,409		12,975,551
<b>TOTAL FUND BALANCES.....</b>	<b>396,470</b>	<b>7,819,409</b>		<b>13,103,286</b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ 396,470</b>	<b>\$ 7,822,290</b>	<b>\$</b>	<b>\$ 16,018,398</b>

(Concluded)

**CITY OF NEWPORT, RHODE ISLAND**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005

	SCHOOL RESTRICTED FUNDS	UDAG FUND	STATE GRANTS FUND	EDA REVOLVING FUND	SPECIAL REVENUE				BRAMLEY BILL FUND	TOTAL
					PROPERTY ACQUISITION FUND	COMMUNITY DONATION FUND	COMMUNITY DONATION FUND	COMMUNITY DONATION FUND		
<b>REVENUES:</b>										
Intergovernmental.....	\$ 5,613,852	\$ -	\$ 791,932	\$ -	\$ -	\$ -	\$ -	\$ 52,913	\$ -	\$ 6,458,697
Charges for services .....	-	115,789	-	20,507	-	-	-	-	-	136,296
Investment income.....	-	22,843	691	5,661	2,328	-	-	-	-	31,523
Donations.....	754,535	-	-	-	-	36,972	-	-	-	791,507
Other .....	-	-	-	-	-	477	-	-	-	477
<b>TOTAL REVENUES.....</b>	<b>6,368,387</b>	<b>138,632</b>	<b>792,623</b>	<b>26,168</b>	<b>2,328</b>	<b>37,449</b>	<b>52,913</b>	<b>52,913</b>	<b>7,418,500</b>	
<b>EXPENDITURES:</b>										
Current:										
General education.....	6,364,416	-	-	-	-	-	-	-	-	6,364,416
Public safety .....	-	-	605,587	-	-	27,470	-	-	-	633,057
Public health.....	-	-	17,176	-	-	-	-	-	-	17,176
Planning, zoning and development.....	-	-	27,021	-	-	-	-	-	-	27,021
Recreation and parks.....	-	-	7,969	-	-	-	-	-	-	7,969
Human services.....	-	-	325,323	-	-	-	-	-	-	397,785
Capital outlay.....	373,766	-	-	30,844	-	-	-	-	-	373,766
<b>TOTAL EXPENDITURES.....</b>	<b>6,738,182</b>	<b>-</b>	<b>983,076</b>	<b>30,844</b>	<b>-</b>	<b>27,470</b>	<b>41,618</b>	<b>41,618</b>	<b>7,821,190</b>	
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>(369,795)</b>	<b>138,632</b>	<b>(190,453)</b>	<b>(4,676)</b>	<b>2,328</b>	<b>9,979</b>	<b>11,295</b>	<b>11,295</b>	<b>(402,690)</b>	
<b>OTHER FINANCING SOURCES (USES):</b>										
Transfers in.....	785,326	-	-	-	-	-	-	-	-	785,326
Transfers out.....	(48,375)	(600,000)	-	-	(400,000)	-	-	-	-	(1,048,375)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>736,951</b>	<b>(600,000)</b>	<b>-</b>	<b>-</b>	<b>(400,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(263,049)</b>	
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES.....</b>	<b>367,156</b>	<b>(461,368)</b>	<b>(190,453)</b>	<b>(4,676)</b>	<b>(397,672)</b>	<b>9,979</b>	<b>11,295</b>	<b>11,295</b>	<b>(665,739)</b>	
<b>FUND BALANCE, JULY 1, 2004.....</b>	<b>447,936</b>	<b>3,386,455</b>	<b>237,736</b>	<b>182,821</b>	<b>1,080,991</b>	<b>209,076</b>	<b>8,131</b>	<b>8,131</b>	<b>5,553,146</b>	
<b>FUND BALANCE, JUNE 30, 2005.....</b>	<b>\$ 815,092</b>	<b>\$ 2,925,087</b>	<b>\$ 47,283</b>	<b>\$ 178,145</b>	<b>\$ 683,319</b>	<b>\$ 219,055</b>	<b>\$ 19,426</b>	<b>\$ 19,426</b>	<b>\$ 4,887,407</b>	<b>(Continued)</b>

**CITY OF NEWPORT, RHODE ISLAND**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (CONTINUED)  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005

	PERMANENT FUND			TOTAL NONMAJOR GOVERNMENTAL FUNDS
	DEBT SERVICE FUND	OTHER TRUST FUNDS		
<b>REVENUES</b>				
Intergovernmental.....	\$ -	\$ -	\$ -	6,458,697
Charges for services.....	-	-	-	136,296
Investment income.....	35,562	635,940	-	703,025
Donations.....	-	-	-	791,507
Other.....	-	-	-	477
<b>TOTAL REVENUES</b> .....	<b>35,562</b>	<b>635,940</b>	<b>35,562</b>	<b>8,090,002</b>
<b>EXPENDITURES:</b>				
Current:				
General education.....	-	-	-	6,364,416
Public safety.....	-	-	-	633,057
Public health.....	-	-	-	17,176
Planning, zoning and development.....	-	-	-	27,021
Recreation and parks.....	-	-	-	7,969
Human services.....	-	103,805	-	501,590
Capital outlay.....	-	-	-	373,766
<b>TOTAL EXPENDITURES</b> .....	<b>-</b>	<b>103,805</b>	<b>103,805</b>	<b>7,924,995</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b> .....	<b>35,562</b>	<b>532,135</b>	<b>35,562</b>	<b>165,007</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in.....	133,110	-	-	918,436
Operating transfers out.....	-	-	-	(1,048,375)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	<b>133,110</b>	<b>-</b>	<b>-</b>	<b>(129,939)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b> .....	<b>168,672</b>	<b>532,135</b>	<b>168,672</b>	<b>35,068</b>
<b>FUND BALANCES, JULY 1, 2004</b> .....	<b>227,798</b>	<b>7,287,274</b>	<b>227,798</b>	<b>13,068,218</b>
<b>FUND BALANCES, JUNE 30, 2005</b> .....	<b>\$ 396,470</b>	<b>\$ 7,819,409</b>	<b>\$ 396,470</b>	<b>\$ 13,103,286</b>

(Concluded)

**CITY OF NEWPORT, RHODE ISLAND**

**COMBINING STATEMENT OF NET ASSETS  
NONMAJOR PROPRIETARY FUNDS  
JUNE 30, 2005**

	MARITIME FUND	EASTON'S BEACH FUND	PARKING OPERATIONS FUND	TOTALS
<b>ASSETS:</b>				
Current assets:				
Cash and cash equivalents.....	\$ 239,730	\$ 319,280	\$ 4,440,586	\$ 4,999,596
Accounts receivable:				
User fees (net of allowances).....	-	7,473	72,500	79,973
Total current assets.....	239,730	326,753	4,513,086	5,079,569
Noncurrent assets:				
Capital assets.....	285,742	2,601,181	2,129,235	5,016,158
Less accumulated depreciation.....	(103,347)	(809,446)	(978,347)	(1,891,140)
Total noncurrent assets.....	182,395	1,791,735	1,150,888	3,125,018
TOTAL ASSETS.....	422,125	2,118,488	5,663,974	8,204,587
<b>LIABILITIES:</b>				
Current liabilities:				
Accounts payable.....	704	7,055	21,645	29,404
Due to other funds.....	235	829	267	1,331
Accrued expenses.....	10,244	49,536	4,123	63,903
Current portion advances.....	-	76,265	-	76,265
Total current liabilities.....	11,183	133,685	26,035	170,903
Long-term liabilities:				
Advances from other funds.....	-	269,908	-	269,908
TOTAL LIABILITIES.....	11,183	403,593	26,035	440,811
<b>NET ASSETS:</b>				
Invested in capital assets (net of related debt)	182,395	1,791,735	1,150,888	3,125,018
Unrestricted.....	228,547	(76,840)	4,487,051	4,638,758
TOTAL NET ASSETS.....	\$ 410,942	\$ 1,714,895	\$ 5,637,939	\$ 7,763,776

**CITY OF NEWPORT, RHODE ISLAND**

**COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET ASSETS  
NONMAJOR PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005**

	MARITIME FUND	EASTON'S BEACH FUND	PARKING OPERATIONS FUND	TOTALS
OPERATING REVENUES:				
User fees.....	\$ 464,507	\$ 536,219	\$ 907,595	\$ 1,908,321
Other revenues.....	-	-	63,868	63,868
TOTAL OPERATING REVENUES.....	464,507	536,219	971,463	1,972,189
OPERATING EXPENSES:				
Salaries and benefits.....	219,798	238,140	235,020	692,958
Materials and supplies.....	47,981	33,453	117,002	198,436
Repairs and maintenance.....	19,311	43,476	16,021	78,808
Depreciation.....	18,468	81,560	70,463	170,491
Support services.....	28,314	7,572	226,994	262,880
Utilities.....	3,122	22,787	5,001	30,910
Administrative and other.....	14,703	27,402	86,159	128,264
TOTAL OPERATING EXPENSES.....	351,697	454,390	756,660	1,562,747
OPERATING INCOME.....	112,810	81,829	214,803	409,442
NONOPERATING REVENUES AND (EXPENSES):				
Capital contributions.....	200,863	-	-	200,863
Interest income.....	-	1,105	31,931	33,036
Interest expense.....	-	(14,955)	-	(14,955)
NET NONOPERATING REVENUES AND (EXPENSES).....	200,863	(13,850)	31,931	218,944
NET INCOME.....	313,673	67,979	246,734	628,386
TOTAL NET ASSETS - JULY 1, 2004.....	97,269	1,646,916	5,391,205	7,135,390
TOTAL NET ASSETS - JUNE 30, 2005.....	\$ 410,942	\$ 1,714,895	\$ 5,637,939	\$ 7,763,776

**CITY OF NEWPORT, RHODE ISLAND**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	MARITIME FUND	EASTON'S BEACH FUND	PARKING OPERATIONS FUND	TOTALS
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers.....	\$ 464,507	\$ 539,865	\$ 967,963	\$ 1,972,335
Cash payments to suppliers for goods and services.....	(97,789)	(108,570)	(364,976)	(571,335)
Cash payments to employees for services.....	(209,554)	(259,576)	(245,229)	(714,359)
Payment of administrative expense.....	(14,703)	(27,402)	(86,159)	(128,264)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES.....</b>	<b>142,461</b>	<b>144,317</b>	<b>271,599</b>	<b>558,377</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Interfund loans and transfers.....	-	(73,290)	-	(73,290)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Acquisition and construction of capital assets.....	-	-	(110,285)	(110,285)
Interest paid on bonds, notes and loans.....	-	(14,955)	-	(14,955)
<b>CASH USED IN CAPITAL AND RELATED FINANCIAL ACTIVITIES.....</b>	<b>-</b>	<b>(14,955)</b>	<b>(110,285)</b>	<b>(125,240)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest and dividends on investments.....	-	1,105	31,931	33,036
<b>NET INCREASE IN CASH.....</b>	<b>142,461</b>	<b>57,177</b>	<b>193,245</b>	<b>392,883</b>
<b>CASH AND CASH EQUIVALENTS - JULY 1, 2004.....</b>	<b>97,269</b>	<b>262,103</b>	<b>4,247,341</b>	<b>4,606,713</b>
<b>CASH AND CASH EQUIVALENTS- JUNE 30, 2005.....</b>	<b>\$ 239,730</b>	<b>\$ 319,280</b>	<b>\$ 4,440,586</b>	<b>\$ 4,999,596</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>				
Operating income.....	\$ 112,810	\$ 81,829	\$ 214,803	\$ 409,442
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>				
Depreciation and amortization.....	18,468	81,560	70,463	170,491
<b>Changes in assets and liabilities:</b>				
(Decrease) Increase in accounts payable/other liabilities.....	11,183	(22,718)	(10,167)	(21,702)
Decrease (Increase) in accounts receivable/other assets.....	-	3,646	(3,500)	146
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES.....</b>	<b>\$ 142,461</b>	<b>\$ 144,317</b>	<b>\$ 271,699</b>	<b>\$ 558,377</b>



**CITY OF NEWPORT, RHODE ISLAND**

COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2005

	PENSION TRUST FUNDS		PRIVATE PURPOSE TRUST FUNDS			AGENCY FUNDS
	POLICE PENSION FUND	FIRE PENSION FUND	TOTAL PENSION TRUST FUNDS	EXPENDABLE SCHOLARSHIP FUNDS	NONEXPENDABLE SCHOLARSHIP TRUSTS	
ASSETS						
Cash.....	\$ -	\$ -	\$ -	\$ 1,081	\$ 30,253	\$ 31,334
Investments.....	36,209,737	24,426,065	60,635,802	-	973,118	973,118
TOTAL ASSETS.....	36,209,737	24,426,065	60,635,802	1,081	1,003,371	1,004,452
LIABILITIES						
Cash overdraft.....	764,432	214,433	978,865	-	-	-
Accounts payable.....	10,444	5,439	15,883	-	383	383
Amounts held in escrow.....	-	-	-	-	-	163,900
TOTAL LIABILITIES.....	774,876	219,872	994,748	-	383	163,900
NET ASSETS						
Net assets held in trust for pension benefits.....	35,434,861	24,206,193	59,641,054	1,081	1,002,988	1,004,069
Net assets held in trust for other benefits.....	-	-	-	-	-	-
TOTAL NET ASSETS.....	\$ 35,434,861	\$ 24,206,193	\$ 59,641,054	\$ 1,081	\$ 1,002,988	\$ 1,004,069

CITY OF NEWPORT, RHODE ISLAND

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005

	PENSION TRUST FUNDS			PRIVATE PURPOSE TRUST FUNDS			TOTAL PRIVATE PURPOSE TRUST FUNDS
	POLICE PENSION FUND	FIRE PENSION FUND	TOTAL PENSION TRUST FUNDS	EXPENDABLE SCHOLARSHIP FUNDS	NON- EXPENDABLE SCHOLARSHIP TRUSTS		
<b>ADDITIONS:</b>							
Contributions and other income							
Employees	\$ 367,561	\$ 407,965	\$ 775,526	\$ -	\$ -	\$ -	
Employer	3,389,486	4,118,543	7,508,029	-	-	-	
Donations	-	-	-	-	4,750	-	4,750
Other income	371	856	1,227	-	-	-	
Total contributions and other income	3,757,418	4,527,364	8,284,782	-	4,750	-	4,750
Investment income							
Net appreciation in fair value of investments	2,602,912	1,784,030	4,386,942	-	-	-	
Investment income	-	-	-	-	94,141	-	94,141
Interest and dividends	507,081	333,222	840,303	-	-	-	
Total investment income	3,109,993	2,117,252	5,227,245	-	94,141	-	94,141
Less investment expenses	24	16	40	-	2,925	-	2,925
Net investment income	3,109,969	2,117,236	5,227,205	-	91,216	-	91,216
TOTAL ADDITIONS	6,867,387	6,644,600	13,511,987	-	95,966	-	95,966
<b>DEDUCTIONS:</b>							
Benefits	3,203,873	3,318,526	6,522,399	-	-	-	
Administration	101,454	55,756	157,210	-	-	-	
Awards	-	-	-	8,000	28,490	-	36,490
Support services	-	-	-	-	-	-	
TOTAL DEDUCTIONS	3,305,327	3,374,282	6,679,609	8,000	28,490	-	36,490
CHANGES IN NET ASSETS	3,562,060	3,270,318	6,832,378	(8,000)	67,476	-	59,476
NET ASSETS - JULY 1, 2004	31,872,801	20,935,875	52,808,676	9,081	935,512	-	944,593
NET ASSETS - JUNE 30, 2005	\$ 35,434,861	\$ 24,206,193	\$ 59,641,054	\$ 1,081	\$ 1,002,988	\$ -	\$ 1,004,069

**CITY OF NEWPORT, RHODE ISLAND**

AGENCY FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FOR THE YEAR ENDED JUNE 30, 2005

	BALANCE JULY 1, 2004	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2005
<u>ASSETS</u>				
CASH:				
Student activity funds.....	\$ 224,859	\$ 375,521	\$ 466,054	\$ 134,326
Brick Market Foundation Inc.....	853	-	-	853
Newport Municipal Charitable Improvement Fund, Inc..	28,811	-	-	28,811
TOTAL ASSETS.....	<u>\$ 254,523</u>	<u>\$ 375,521</u>	<u>\$ 466,054</u>	<u>\$ 163,990</u>
<u>LIABILITIES</u>				
AMOUNTS HELD IN ESCROW:				
Student activity funds.....	\$ 224,859	\$ 375,521	\$ 466,054	\$ 134,326
Brick Market Foundation Inc.....	853	-	-	853
Newport Municipal Charitable Improvement Fund, Inc..	28,811	-	-	28,811
TOTAL LIABILITIES.....	<u>\$ 254,523</u>	<u>\$ 375,521</u>	<u>\$ 466,054</u>	<u>\$ 163,990</u>

CITY OF NEWPORT, RHODE ISLAND

**CAPITAL ASSETS USED IN OPERATION OF GOVERNMENTAL FUNDS**

**JUNE 30, 2005**

CAPITAL ASSETS

Land.....	\$ 2,348,013
Land improvements.....	6,015,842
Construction in progress.....	473,129
Infrastructure.....	31,730,741
Building and structures.....	31,219,609
Machinery and equipment.....	4,899,873
Rolling Stock.....	<u>5,336,681</u>
TOTAL CAPITAL ASSETS.....	<u>\$ 82,023,888</u>

CITY OF NEWPORT, RHODE ISLAND

SCHEDULE OF CAPITAL ASSETS USED IN OPERATIONS OF GOVERNMENTAL FUNDS BY FUNCTION AND ACTIVITY

JUNE 30, 2005

FUNCTION / ACTIVITY	LAND & IMPROVEMENTS	INFRA - STRUCTURE	BUILDINGS & STRUCTURES	MACHINERY & EQUIPMENT	CONSTRUCTION IN PROGRESS	ROLLING STOCK	TOTAL
GENERAL GOVERNMENT:							
Mayor and city council.....	\$ -	\$ -	\$ -	\$ 6,279	\$ -	\$ -	\$ 6,279
City manager.....	-	-	-	41,608	-	-	41,608
City solicitor.....	-	-	-	9,025	-	-	9,025
Canvassing.....	-	-	-	24,105	-	-	24,105
Finance.....	-	-	-	1,396,863	-	-	1,396,863
City clerk.....	-	-	31,800	-	-	23,281	91,095
Administrative services.....	-	-	-	36,014	-	-	-
Reserve accounts.....	-	-	-	-	-	-	-
Planning.....	1,341,159	1,543,481	1,829,815	-	-	-	4,714,455
TOTAL GENERAL GOVERNMENT.....	1,341,159	1,543,481	1,861,615	1,513,894	-	23,281	6,283,430
PUBLIC SAFETY:							
Police department.....	12,013	-	2,579,109	508,572	-	791,221	3,890,915
Fire department.....	1,000	-	1,129,018	566,504	14,423	2,441,408	4,152,353
TOTAL PUBLIC SAFETY.....	13,013	-	3,708,127	1,075,076	14,423	3,232,629	8,043,268
PUBLIC HEALTH:							
Public works.....	5,550,214	30,187,260	1,117,454	422,590	340,114	1,329,035	38,946,667
Solid waste operations.....	-	-	15,915	22,216	-	-	38,131
TOTAL PUBLIC HEALTH.....	5,550,214	30,187,260	1,133,369	444,806	340,114	1,329,035	38,984,798
RECREATION AND PARKS.....	1,259,998	-	795,261	169,072	118,592	563,744	2,906,667
GENERAL EDUCATION.....	196,471	-	23,404,093	1,659,818	-	187,992	25,448,374
HUMAN SERVICES.....	3,000	-	317,144	37,207	-	-	357,351
GRAND TOTALS.....	\$ 8,363,855	\$ 31,730,741	\$ 31,219,609	\$ 4,899,873	\$ 473,129	\$ 5,336,681	\$ 82,023,888

**CITY OF NEWPORT, RHODE ISLAND**

**SCHEDULE OF CHANGES IN CAPITAL ASSETS USED IN OPERATIONS OF GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2005**

<b>FUNCTION / ACTIVITY</b>	<b>BALANCE JULY 1, 2004</b>	<b>ADDITIONS</b>	<b>DEDUCTIONS</b>	<b>BALANCE JUNE 30, 2005</b>
<b>GENERAL GOVERNMENT:</b>				
Mayor and council.....	\$ 6,279	\$ -	\$ -	\$ 6,279
City manager.....	41,608	-	-	41,608
City solicitor.....	9,025	-	-	9,025
Canvassing.....	24,105	-	-	24,105
Finance .....	1,297,921	98,942	-	1,396,863
City clerk.....	-	-	-	-
Administrative services.....	-	91,095	-	91,095
Fiduciary accounts.....	-	-	-	-
Planning.....	4,673,294	41,161	-	4,714,455
<b>TOTAL GENERAL GOVERNMENT</b>	<b>6,052,232</b>	<b>231,198</b>	<b>-</b>	<b>6,283,430</b>
<b>PUBLIC SAFETY:</b>				
Police department.....	3,800,236	248,112	157,433	3,890,915
Fire department.....	3,816,900	481,001	145,548	4,152,353
<b>TOTAL PUBLIC SAFETY.....</b>	<b>7,617,136</b>	<b>729,113</b>	<b>302,981</b>	<b>8,043,268</b>
<b>PUBLIC HEALTH:</b>				
Public works.....	37,003,691	2,275,151	332,175	38,946,667
Solid waste operations.....	38,131	-	-	38,131
<b>TOTAL PUBLIC HEALTH.....</b>	<b>37,041,822</b>	<b>2,275,151</b>	<b>332,175</b>	<b>38,984,798</b>
<b>RECREATION AND PARKS.....</b>	<b>3,050,154</b>	<b>352,126</b>	<b>495,612</b>	<b>2,906,668</b>
<b>GENERAL EDUCATION.....</b>	<b>25,137,067</b>	<b>311,307</b>	<b>-</b>	<b>25,448,374</b>
<b>HUMAN SERVICES.....</b>	<b>225,207</b>	<b>132,144</b>	<b>-</b>	<b>357,351</b>
<b>GRAND TOTALS.....</b>	<b>\$ 79,123,618</b>	<b>\$ 4,031,039</b>	<b>\$ 1,130,768</b>	<b>\$ 82,023,889</b>

CITY OF NEWPORT, RHODE ISLAND

TAX COLLECTOR'S ANNUAL REPORT

YEAR ENDED JUNE 30, 2005

Real and personal property taxes receivable:

Year	Balance, July 1, 2004	Current year assessment	Adjustments/ abatements	Amount to be collected	Collections	Balance, July 1, 2005
2004		\$ 50,905,266	\$ 638,141	\$ 50,267,125	\$ 48,961,116	\$ 1,306,009
2003	\$ 1,179,513	774	2,466	1,177,821	1,023,295	154,526
2002	230,162		78,362	151,800	34,089	117,711
2001	251,325		97,855	153,470	10,578	142,892
2000	277,877		88,417	189,460	7,537	181,923
1999	274,230		90,541	183,689	18,374	165,315
1998	348,627		158,889	189,738	21,506	168,232
1997	190,387		5,256	185,131	19,859	165,272
1996	202,544		1,142	201,402	18,192	183,210
1995	209,666		920	208,746	13,262	195,484
1994	190,369		421	189,948	3,268	186,680
Prior	3,902			3,902	892	3,010
	<u>\$ 3,358,602</u>	<u>\$ 50,906,040</u>	<u>\$ 1,162,410</u>	<u>\$ 53,102,232</u>	<u>\$ 50,131,968</u>	<u>2,970,264</u>
					Accrued interest	2,036,916
					Less allowance for doubtful accounts	<u>(3,448,387)</u>
						<u>\$ 1,558,793</u>



**Independent Auditors' Report on Internal Control over  
 Financial Reporting and on Compliance and Other Matters  
 Based on an Audit of Financial Statements Performed in  
 Accordance with Government Auditing Standards**

The Honorable Mayor and  
 Members of the City Council  
 City of Newport, Rhode Island  
 Newport, Rhode Island

We have audited the financial statements of the City of Newport, Rhode Island (the City) as of and for the year ended June 30, 2005, and have issued our report thereon dated December 16, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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



**Independent Auditors' Report on Internal Control over Financial Reporting and  
on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards (Continued)**

The Honorable Mayor and  
Members of the City Council  
City of Newport, Rhode Island

This report is intended solely for the information and use of the City of Newport, Rhode Island, its management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Lefkowitz, Jacobson, Gansel & DeGuzman P.C.*

December 16, 2005

## **STATISTICAL SECTION**

**CITY OF NEWPORT, RHODE ISLAND**

**SCHEDULE 1  
NET ASSETS BY COMPONENT  
LAST THREE FISCAL YEARS**

	<b>2003</b>	<b>Fiscal Year</b>	<b>2005</b>
	<b>(Restated)</b>	<b>2004</b>	
Governmental activities			
Invested in capital assets, net of related debt	\$ 33,319,657	\$ 36,213,472	\$ 39,024,226
Restricted for:			
Human services	4,138,028	3,854,910	3,633,092
Permanent funds	6,458,150	7,287,274	7,819,409
Other purposes	441,806	675,734	1,211,562
Unrestricted	7,874,791	2,831,871	(1,722,023)
Total governmental activities net assets	<u>52,232,432</u>	<u>50,863,261</u>	<u>49,966,266</u>
Business-type activities			
Invested in capital assets, net of related debt	86,599,396	87,497,297	85,773,241
Restricted - Other purposes	6,385,522	6,612,069	3,624,058
Unrestricted	(4,355,744)	(4,072,754)	171,705
Total business-type activities net assets	<u>88,629,174</u>	<u>90,036,612</u>	<u>89,569,004</u>
Primary government			
Invested in capital assets, net of related debt	119,919,053	123,710,769	124,797,467
Restricted for:			
Human services	4,138,028	3,854,910	3,633,092
Permanent funds	6,458,150	7,287,274	7,819,409
Other purposes	6,827,328	7,287,803	4,835,620
Unrestricted	3,519,047	(1,240,883)	(1,550,318)
Total primary government net assets	<u>\$ 140,861,606</u>	<u>\$ 140,899,873</u>	<u>\$ 139,535,270</u>

CITY OF NEWPORT, RHODE ISLAND

**SCHEDULE 2  
CHANGES IN NET ASSETS, LAST THREE FISCAL YEARS  
GOVERNMENTAL ACTIVITIES  
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year		
	2003	2004	2005
<b>Expenses</b>			
Governmental activities:			
General government	\$ 5,261,563	\$ 5,459,387	\$ 8,638,364
General education	39,039,945	42,168,056	42,003,803
Public safety	23,098,422	25,954,534	27,848,257
Public health	3,649,735	4,403,093	4,664,543
Planning, zoning and development	855,293	1,028,852	1,681,628
Recreation and parks	1,868,074	2,189,095	1,773,421
Human services	2,475,041	2,543,597	2,520,398
Interest expense	1,166,764	1,062,259	889,584
Total governmental activities	<u>77,414,837</u>	<u>84,808,873</u>	<u>90,019,998</u>
Business-type activities:			
Water	6,726,482	6,830,398	7,135,764
Water Pollution Control	5,806,015	6,432,891	7,050,859
Nonmajor	974,819	1,109,229	1,577,702
Total business-type activities	<u>13,507,316</u>	<u>14,372,518</u>	<u>15,764,325</u>
Total primary government expense	<u>90,922,153</u>	<u>99,181,391</u>	<u>105,784,323</u>
<b>Program Revenues</b>			
Governmental activities:			
Charges for services:			
General government	2,354,118	3,865,133	4,989,700 (1)
General education	79,913	735,868	940,091
Public safety	2,339,389	1,828,283	2,003,497
Public health	44,819	44,435	44,111
Planning, zoning and development	286,715	327,609	720,141
Recreation and parks	686,522	741,853	288,077
Human services	744,901	333,733	154,514
Operating grants and contributions	21,279,957	21,000,389	21,236,496
Capital grants and contributions	1,683,441	818,007	846,754
Total governmental activities program revenues	<u>29,499,775</u>	<u>29,695,310</u>	<u>31,223,381</u>
Business-type activities:			
Charges for services:			
Water	7,778,407	7,795,582	7,100,096
Water Pollution Control	5,796,526	6,049,193	5,885,602
Nonmajor	1,441,015	1,407,977	1,972,189
Total business-type activities	<u>15,015,948</u>	<u>15,252,752</u>	<u>14,957,887</u>
Total primary government program revenues	<u>44,515,723</u>	<u>44,948,062</u>	<u>46,181,268</u>
<b>Net (Expense)/Revenue</b>			
Governmental activities	(47,915,062)	(55,113,563)	(58,796,617)
Business-type activities	1,508,632	880,234	(806,438)
Total primary government net expense	<u>(46,406,430)</u>	<u>(54,233,329)</u>	<u>(59,603,055)</u>

(continued)

**CITY OF NEWPORT, RHODE ISLAND**

**SCHEDULE 2  
CHANGES IN NET ASSETS, LAST THREE FISCAL YEARS  
GOVERNMENTAL ACTIVITIES  
(ACCRUAL BASIS OF ACCOUNTING)**

	<b>Fiscal Year</b>		
	<b>2003</b>	<b>2004</b>	<b>2005</b>
<b>General Revenues and Other Changes in Net Assets</b>			
Governmental activities:			
Property taxes	\$ 49,281,985	\$ 48,820,256	\$ 52,857,093
Unrestricted grants and contributions	4,155,936	4,097,271	4,059,353
Investment income	693,902	1,177,711	1,133,676
Miscellaneous	107,862	116,126	135,206
Loss on disposition of assets		(30,004)	(95,014)
Transfer from primary government		(436,968)	(190,692)
Total governmental activities	<u>54,239,685</u>	<u>53,744,392</u>	<u>57,899,622</u>
Business-type activities:			
Investment income	79,810	90,236	98,797
Capital contributions			200,863
Transfer from primary government		436,968	(10,171)
Total business type activities	<u>79,810</u>	<u>527,204</u>	<u>289,489</u>
Total primary government	<u>54,319,495</u>	<u>54,271,596</u>	<u>58,189,111</u>
Change in Net Assets			
Governmental activities	6,324,623	(1,369,171)	(896,995)
Business-type activities	1,588,442	1,407,438	(516,949)
Total primary government	<u>\$ 7,913,065</u>	<u>\$ 38,267</u>	<u>\$ (1,413,944)</u>

(1) - General government service charges increased significantly in FY2005 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

CITY OF NEWPORT, RHODE ISLAND

SCHEDULE 3

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

	Fiscal Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
General Fund										
Reserved	\$ 249,855	\$ 370,906	\$ 694,838	\$ 1,037,704	\$ 1,037,704	\$ 683,898	\$ 1,276,106	\$ 1,229,965	\$ 2,077,766	\$ 1,159,119
Unreserved	425,902	122,734	1,649,837	660,287	4,195,021	7,619,776	10,307,069	11,311,680	6,059,277	3,885,886
Total General Fund	<u>\$ 675,757</u>	<u>\$ 493,640</u>	<u>\$ 2,344,675</u>	<u>\$ 1,697,991</u>	<u>\$ 5,232,725</u>	<u>\$ 8,303,674</u>	<u>\$ 11,583,175</u>	<u>\$ 12,541,645</u>	<u>\$ 8,137,043</u>	<u>\$ 5,045,005</u>
All Other Governmental Funds										
Reserved		\$ 5,418,357	\$ 6,161,631	\$ 5,066,091			\$ 203,674	\$ 1,036,361	\$ 1,848,481	\$ 2,847,136
Unreserved, reported in:										
Special revenue funds	\$ 4,769,925	5,251,618	6,347,660	8,211,592	7,585,505	7,192,830	7,028,012	6,076,879	4,156,807	5,370,648
Capital project funds	314,772	150,523	76,823	144,604	241,453	(5,521,154)	3,948,343	(600,158)	2,109,836	1,578,848
Permanent funds								6,458,150	7,287,274	7,819,409
Debt service funds								124,922	227,798	396,470
Total all other governmental funds	<u>\$ 5,084,697</u>	<u>\$ 10,820,498</u>	<u>\$ 12,586,114</u>	<u>\$ 13,422,287</u>	<u>\$ 7,826,958</u>	<u>\$ 1,671,676</u>	<u>\$ 11,180,029</u>	<u>\$ 13,096,154</u>	<u>\$ 15,630,196</u>	<u>\$ 18,012,511</u>

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 FY2003.

The reduction of general fund balance in FY2004 was due to the use of appropriated fund balance for capital improvements.

The reduction of general fund balance in FY2005 was due to the use of appropriated fund balance for capital improvements and a projected school deficit.

CITY OF NEWPORT, RHODE ISLAND

SCHEDULE 4  
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS, LAST TEN FISCAL YEARS  
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
<b>Revenues:</b>										
Taxes	\$ 38,825,446	\$ 41,624,502	\$ 42,072,424	\$ 43,134,151	\$ 44,116,519	\$ 46,206,830	\$ 47,160,364	\$ 48,164,505	\$ 51,117,203	\$ 53,081,970
Intergovernmental revenues	13,872,885	13,908,717	13,929,702	14,691,355	34,260,479	17,986,128	21,066,569	25,506,817	25,013,440	25,590,182
Charges for services	1,579,078	3,992,920	4,102,928	4,976,913	5,356,088	5,241,294	4,629,532	6,528,107	7,803,657	9,736,504
Use of money and property	643,621	481,511	1,173,536	824,350	1,035,931	1,457,595	912,779	693,902	1,177,711	1,133,676
Donations	840,515	1,488,972	1,018,028	1,583,705	1,113,000	12,455	77,476	1,425,623	770,880	892,441
Other revenues	2,241,755	61,496,622	62,296,618	65,210,474	88,225,020	75,420,964	78,017,946	82,426,816	85,998,883	135,205
<b>Total revenues</b>	<b>58,003,300</b>	<b>61,496,622</b>	<b>62,296,618</b>	<b>65,210,474</b>	<b>88,225,020</b>	<b>75,420,964</b>	<b>78,017,946</b>	<b>82,426,816</b>	<b>85,998,883</b>	<b>90,569,978</b>
<b>Expenditures:</b>										
Current:										
General government	2,186,981	2,797,116	3,166,390	3,511,210	4,981,704	4,140,436	5,141,663	4,919,181	5,192,168	6,346,749
General education	29,020,149	28,337,800	29,087,604	29,479,433	32,947,156	35,337,981	36,442,150	38,551,595	42,680,573	41,354,602
Public safety	12,086,628	13,709,826	13,574,935	15,041,800	14,285,703	14,986,866	15,099,678	16,122,841	25,302,125	27,344,804
Public health	2,633,912	4,011,441	2,886,328	2,955,981	2,943,825	4,007,800	3,776,096	3,243,475	3,655,093	3,914,446
Planning, zoning and development	1,961,519	1,299,477	1,111,800	1,175,338	1,462,253	1,965,201	1,726,323	1,692,203	2,236,838	968,008
Recreation and parks	2,399,203	1,312,337	1,096,099	1,128,210	2,716,170	8,780,684	14,483,725	2,466,177	2,534,733	1,588,267
Human services	4,266,609	5,915,845				7,682,350	6,741,096	7,279,340	436,421	899,423
Pension expenses										
Debt service:										
Debt issuance	737,495	728,531	725,513	687,968	696,459	586,011	566,484	1,041,361	1,386,069	1,337,106
Principal	103,200	489,078	437,872	377,542	323,478	285,206	256,268	1,463,856	1,033,255	830,345
Interest	184,708	2,076,837	2,676,837	3,593,895	869	446,539	6,808,830	2,689,063	88,459,476	4,258,485
Capital outlay	55,580,404	58,601,451	54,763,378	57,951,377	60,357,617	78,983,649	86,267,092	81,415,228		91,404,575
<b>Total expenditures</b>	<b>2,422,896</b>	<b>2,895,171</b>	<b>7,533,240</b>	<b>7,259,097</b>	<b>27,867,403</b>	<b>(3,562,685)</b>	<b>(8,249,146)</b>	<b>(1,988,412)</b>	<b>(2,460,593)</b>	<b>(834,597)</b>
Excess of revenues over (under) expenditures										
<b>Other Financing Sources (Uses):</b>										
Proceeds from borrowing										
Payment to refunding escrow agent					60,448		21,037,000		1,027,000	3,124,702
Sale of property	18,862,611	18,859,084	19,906,305	18,854,242	421,238	19,958,668	20,609,955	22,034,907	27,129,054	(3,040,000)
Operating transfers in	(18,386,894)	(19,432,915)	(25,540,086)	(26,093,802)	(25,343,688)	(19,958,668)	(20,609,955)	(22,034,907)	(27,566,022)	27,575,078
Operating transfers out	475,717	(573,831)	(5,633,781)	(7,239,650)	(24,862,002)		21,037,000		590,032	(27,564,906)
<b>Total other financing sources (uses)</b>	<b>\$ 2,898,613</b>	<b>\$ 2,321,340</b>	<b>\$ 1,899,459</b>	<b>\$ 19,447</b>	<b>\$ 3,105,401</b>	<b>\$ (3,562,685)</b>	<b>\$ 12,787,854</b>	<b>\$ (1,988,412)</b>	<b>\$ (1,870,561)</b>	<b>\$ (709,723)</b>
Net change in fund balances										
Debt service as a percentage of noncapital expenditures	1.52%	2.08%	2.23%	1.96%	1.69%	1.10%	0.96%	3.2%	2.82%	2.55%

Notes:  
 \* Contributions were for renovations to the Thompson Middle School in FY2000  
 \*\* 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 FY2004 because pension expenses related to public safety were reclassified to here from pension expenses

CITY OF NEWPORT, RHODE ISLAND

**SCHEDULE 5  
ASSESSED VALUES AND ACTUAL VALUES OF TAXABLE PROPERTY  
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30	Assessed Value						Total Taxable Assessed Value	Total Direct Tax Rate Residential	Total Direct Tax Rate Commercial	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property	Personal Property	Inventory	Motor Vehicles	Less Exemptions					
1996	\$ 1,665,815,670		\$ 82,911,519		\$ 80,791,390	\$ 23,908,236	\$ 1,805,610,343	\$	\$	1,852,459,178	97.47%
1997	1,640,530,442		85,438,373		87,069,573	23,674,605	1,789,303,783	23.20		2,084,391,343	85.84%
1998	1,643,616,255		84,925,868		90,740,462	21,767,448	1,797,515,137	23.45		2,331,213,174	77.11%
1999	1,652,057,233		86,794,207		97,308,482	20,288,987	1,815,870,935	23.69		2,535,227,098	71.63%
2000	1,697,661,754		89,327,769		93,151,178	20,630,934	1,859,509,767	23.90		1,933,870,184	96.15%
2001	1,712,348,318		96,595,767		127,579,988	20,580,640	1,915,943,433	24.29		2,174,244,906	88.12%
2002	1,719,510,154		82,688,796		117,766,454	52,413,176	1,867,552,228	25.10		2,597,800,538	71.89%
2003	2,287,770,460	\$ 1,048,703,200	82,740,975	\$ 22,684,956	120,829,611	69,118,210	3,493,610,992	12.85	15.27	3,493,610,992	100.00%
2004	2,471,644,000	837,597,500	80,834,657	24,128,568	126,420,029	76,353,633	3,464,271,121	13.43	15.96	4,016,247,021	86.26%
2005	2,470,649,500	854,054,700	81,894,726	23,351,240	125,903,945	76,973,716	3,478,880,395	13.72	16.30	5,287,898,200	65.79%

Source: City of Newport, Rhode Island Assessor

Notes:  
 The City's tax rate increase cannot exceed 5.5% of the prior year's rate and/or the total levy cannot exceed 5.5% of the prior year's total levy unless the State of Rhode Island approves such increase.  
 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 FY 2002.  
 The City had a full revaluation of real property in 2002 (effective 2003). The full revaluation is required by state law every 9 years. Statistical updates are required every 3 years.



CITY OF NEWPORT, RHODE ISLAND

SCHEDULE 6

PRINCIPAL PROPERTY TAX PAYERS  
CURRENT YEAR AND NINE YEARS AGO

	2005			1997		
	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	\$ 50,275,600	1	1.45%	\$ 52,000,000	1	2.91%
H E Newport, LLC	41,649,000	2	1.20%	27,819,068	2	1.55%
Eastern Resorts Company	37,164,300	3	1.07%			
Newport Restoration Foundation						
Historic Homes own/rent	35,284,000	4	1.02%	17,450,300	3	0.98%
LHO Viking Hotel, LLC	31,014,000	5	0.90%			
Shaner Hotel Group	22,540,000	6	0.65%	10,450,180	4	0.58%
RK Newport, LLC	22,526,800	7	0.65%			
Newport On Shore	18,226,400	8		8,696,600	6	0.49%
Wellington Hotel Association	13,450,500	9	0.39%	9,720,100	5	0.54%
Newport Jai Alai, LLC	13,418,600	10	0.39%	6,880,630	7	0.38%
AL Ballard (Edgehill)				6,650,000	8	0.37%
Franklin Simon/Bayside Village				6,082,000	9	0.34%
American Shipyard				6,600,000	10	0.37%
Total	\$ 285,549,200		8.24%	\$ 152,348,878		8.51%

Source: City of Newport Assessor

**CITY OF NEWPORT, RHODE ISLAND**

**SCHEDULE 7  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1996	\$ 38,813,497	\$ 38,215,084	98.5%	\$ 554,502	\$ 38,769,586	99.9%
1997	41,272,982	39,224,500	95.0%	2,017,595	41,242,095	99.9%
1998	41,916,824	39,811,764	95.0%	1,916,580	41,728,344	99.6%
1999	42,980,413	40,798,810	94.9%	2,046,880	42,845,690	99.7%
2000	44,376,017	42,083,037	94.8%	2,138,193	44,221,230	99.7%
2001	45,435,317	43,500,305	95.7%	1,786,391	45,286,696	99.7%
2002	47,052,966	45,377,615	96.4%	1,553,681	46,931,296	99.7%
2003	47,892,028	45,366,713	94.7%	1,541,598	46,908,311	97.9%
2004	49,843,820	47,843,987	96.0%	956,020	48,800,007	97.9%
2005	49,086,156	47,321,908	96.4%		47,321,908	96.4%

Source: City of Newport Tax Collector

CITY OF NEWPORT, RHODE ISLAND

SCHEDULE 8

RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS

Fiscal Year June 30,	Governmental Activities			Business-Type Activities				Net Bonded Debt as % of Taxable Assessed Value
	General Obligation Bonds	QZAB (1)	Water		Pollution Control		Total Primary Government	
			Bonds		Bonds			
			Water	Bonds	Water	Bonds		
1996	\$ 8,372,515	\$ -	\$ 20,185,361	\$ 10,684,009	\$ 39,241,885	\$ 1,470	\$ 1,805,610,343	2.17%
1997	7,643,984	-	17,013,625	9,487,390	34,144,999	1,277	1,789,303,783	1.91%
1998	6,918,471	-	15,440,946	8,430,583	30,790,000	1,152	1,797,515,137	1.71%
1999	6,230,503	-	13,928,695	7,355,802	27,515,000	1,039	1,815,870,935	1.52%
2000	5,534,044	-	12,427,530	6,313,427	24,275,001	917	1,859,509,767	1.31%
2001	4,948,033	-	11,035,648	5,331,321	21,315,002	809	1,915,943,433	1.11%
2002	23,081,549	-	9,617,022	10,228,198	42,926,769	1,634	1,867,552,228	2.30%
2003	22,195,538	1,863,536	8,260,140	15,112,707	47,431,921	1,820	3,493,610,992	1.36%
2004	20,980,000	1,863,536	6,960,000	14,771,329	44,574,865	1,722	3,464,271,121	1.29%
2005	19,950,218	1,863,536	6,104,687	14,161,797	42,080,238	1,626	3,478,880,395	1.21%
								Not available

Notes:

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

\* See Schedule 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.

CITY OF NEWPORT, RHODE ISLAND

SCHEDULE 9

RATIOS OF GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS

Fiscal Year June 30,	Governmental Activities			Total	Percentage of Actual Taxable Value of Property *	Per Capita **
	General Obligation Bonds	QZAB				
1996	\$ 8,372,515	\$ -	\$ -	8,372,515	0.46%	\$ 313.58
1997	7,643,984	-	-	7,643,984	0.43%	285.93
1998	6,918,471	-	-	6,918,471	0.38%	258.79
1999	6,230,503	-	-	6,230,503	0.34%	235.34
2000	5,534,044	-	-	5,534,044	0.30%	209.03
2001	4,948,033	-	-	4,948,033	0.26%	187.82
2002	23,081,549	-	-	23,081,549	1.24%	878.66
2003	22,195,538	1,863,536	-	24,059,074	0.69%	878.66
2004	20,980,000	1,863,536	-	22,843,536	0.66%	878.66
2005	19,950,218	1,863,536	-	21,813,754	0.63%	923.25

Notes:

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

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

\* See Schedule 5 for property value data.

\*\* Population data can be found in Schedule 12.

CITY OF NEWPORT, RHODE ISLAND

SCHEDULE 10  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Total assessed value	\$ 1,805,610,343	\$ 1,789,303,783	\$ 1,797,515,137	\$ 1,815,870,935	\$ 1,859,509,767	\$ 1,876,786,550	\$ 1,886,642,052	\$ 3,493,610,922	\$ 3,464,271,121	\$ 3,478,880,394
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	\$ 54,168,310	\$ 53,679,113	\$ 53,925,454	\$ 54,476,138	\$ 55,785,293	\$ 56,303,596	\$ 56,599,262	\$ 104,808,328	\$ 103,928,134	\$ 104,366,412
Debt applicable to limit: General obligation bonds	8,372,515	7,643,984	6,918,471	6,230,503	5,534,044	4,948,033	23,081,549	24,059,074	22,843,536	21,813,754
Bonded debt subject to limit	8,372,515	7,643,984	6,918,471	6,230,503	5,534,044	4,948,033	23,081,549	24,059,074	22,843,536	21,813,754
Legal debt limit	54,168,310	53,679,113	53,925,454	54,476,138	55,785,293	56,303,596	56,599,262	104,808,328	103,928,134	104,366,412
Total net debt applicable to the limit	8,372,515	7,643,984	6,918,471	6,230,503	5,534,044	4,948,033	23,081,549	24,059,074	22,843,536	21,813,754
Legal debt margin	\$ 45,795,795	\$ 46,035,129	\$ 47,006,983	\$ 48,245,635	\$ 50,251,249	\$ 51,355,563	\$ 33,517,713	\$ 80,749,254	\$ 81,084,598	\$ 82,552,658
Total net debt applicable to the limit as a percentage of debt limit	18.28%	16.60%	14.72%	12.91%	11.01%	9.63%	68.86%	29.79%	28.17%	26.42%

CITY OF NEWPORT, RHODE ISLAND

SCHEDULE II

PLEGGED REVENUE COVERAGE  
LAST TEN FISCAL YEARS

Fiscal Year June 30,	Water Revenue Bonds						Water Pollution Control Revenue Bonds					
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Coverage	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Coverage	Debt Service		Coverage	
									Principal	Interest		Principal
1996	\$ 6,788,651	\$ 3,709,942	\$ 3,078,709	1.01	\$ 5,462,678	\$ 3,135,553	\$ 2,327,125	\$ 1,150,997	\$ 563,665	1.36		
1997	6,657,846	3,586,695	3,071,151	1.20	5,362,607	3,563,128	1,799,479	1,196,619	478,830	1.07		
1998	6,642,380	3,490,607	3,151,773	1.28	5,666,429	3,579,687	2,086,742	1,056,807	432,069	1.40		
1999	6,970,072	3,996,610	2,973,462	1.28	5,557,536	3,606,871	1,950,665	1,074,781	398,387	1.32		
2000	8,081,317	4,254,528	3,826,789	1.87	6,034,623	4,495,432	1,539,191	1,042,375	337,848	1.12		
2001	8,281,934	4,305,387	3,976,547	1.97	5,837,598	4,871,796	965,802	982,106	370,128	0.71		
2002	7,058,277	4,486,057	2,572,220	1.31	5,912,202	3,628,010	2,284,192	924,891	426,846	1.69		
2003	7,693,021	5,187,938	2,505,083	1.37	5,796,526	3,821,404	1,975,122	907,107	434,383	1.47		
2004	7,666,798	5,223,972	2,442,826	1.44	6,049,193	4,233,667	1,815,526	1,415,804	328,162	1.04		
2005	7,100,096	5,489,324	1,610,772	1.57	5,885,602	4,553,443	1,332,159	921,723 *	323,326	1.07		

Notes:  
 Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements.  
 Operating expenses do not include interest or depreciation expense.  
 \* Net of refunding

CITY OF NEWPORT, RHODE ISLAND

SCHEDULE 12  
 DEMOGRAPHIC AND ECONOMIC STATISTICS  
 LAST TEN FISCAL YEARS

Fiscal Year June 30,	Population	Per Capita		School Enrollment ^	Unemployment Rate <
		Personal Income >	Income >		
1996	26,700 **	\$	27,781	2,994	4.4%
1997	26,734 **		29,221	2,985	4.3%
1998	26,734 **		31,457	2,836	4.0%
1999	26,475 **		33,100	2,866	3.3%
2000	26,475 **		35,159	2,815	3.2%
2001	26,345 **		36,242	2,895	3.5%
2002	26,269 **		36,720	2,917	3.0%
2003	26,059 **		37,851	2,890	4.1%
2004	25,879 **		36,908	2,796	4.6%
2005	- *	Not Available		2,524	Not Available

\* Source: Rhode Island Department of Planning.

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

SCHEDULE 13  
 PRINCIPAL EMPLOYERS  
 CURRENT YEAR AND SIX YEARS AGO

Employer	2005			1999		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Naval Undersea Warfare Center	2,824	1	18.7%	2,939	1	21.7%
Naval Education and Training Center (NETC)	950	2	6.3%	933	2	6.9%
Newport Hospital	804	3	5.3%	771	3	5.7%
City of Newport	786	4	5.2%	765	4	5.6%
James L. Maher Center	700	5	4.6%	500	5	3.7%
Salve Regina University	500	6	3.3%	330	6	2.4%
Preservation Society of Newport County	440	7	2.9%	300	7	2.2%
Newport LLC	330	8	2.2%	260	8	1.9%
Newport Marriott Hotel	300	9	2.0%	250	9	1.8%
Child & Family Services of Newport County	280	10	1.9%	225	10	1.7%
Total	7,914		52.4%	7,273		53.7%

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

Source: Rhode Island Economic Development Corporation



CITY OF NEWPORT, RHODE ISLAND

SCHEDULE 14  
**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM**  
 LAST TEN FISCAL YEARS

	Fiscal Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
General government:										
Mayor and Council	7	7	7	7	7	7	7	7	7	7
City Manager	3	3	3	3	3	3	3	3	3	3
City Solicitor	4	4	4	4	4	4	3	3	3	3
Canvassing	2	2	2	2	2	2	2	2	2	2
Finance	30	28	26	28	29	29	29	22	22	22
City Clerk								6	6	6
Administrative services								10	10	10
Planning	10	14	14	15	15	16	16	12	12	12
Total general government	56	58	56	59	60	61	60	67	67	67
Public safety:										
Police	114	114	109	111	111	111	111	114.5	114.5	114.5
Fire	98	98	98	98	98	98	98	99	98	99
Total	212	212	207	209	209	209	209	213.5	212.5	213.5
Public health:										
Public works	26	25	25	24	24	24	24	24	24	24
Water	48	46	44	45	43	43	44	46	46	46
Wastewater	35	35	35	35	35	0	0	0	0	0
Total	109	106	104	104	102	67	68	70	70	70
Public welfare:										
Recreation and parks	17	18	19	19	19	19	19	19	19	19
Public education:										
Teachers	247	237	238	237	233	234	213	228	227	219
Pupil support	57	57	59	59	68	71	74	73	75	64
Executive and administrative	95	92	90	91	90	90	88	90	90	90
Total	399	386	387	387	391	395	375	391	392	373
<b>Total</b>	<b>793</b>	<b>780</b>	<b>773</b>	<b>778</b>	<b>781</b>	<b>751</b>	<b>731</b>	<b>760.5</b>	<b>760.5</b>	<b>742.5</b>

Source: City budgets

CITY OF NEWPORT, RHODE ISLAND

**SCHEDULE 15  
OPERATING INDICATORS BY FUNCTION/PROGRAM**

<u>Function/Program</u>	<u>Fiscal Year</u>	
	<u>2004*</u>	<u>2005</u>
Police:		
Physical arrests	1,649	1,837
Parking violations	38,273	34,775
Traffic violations	7,563	8,740
Fire:		
Emergency responses	3,838	3,653
Fires extinguished	144	107
Inspections	250	385
Refuse collection:		
Refuse collected (tons/day, average)	21.71	30.92
Recyclables collected (tons/day, average)	6.43	8.31
Other public works:		
Street resurfacing (miles)	4.4	2.9
Parks and recreation:		
Athletic field rentals	47	25
Library:		
Volumes in collections	124,000	133,573
Water:		
New connections	91	96
Water mains breaks	20	16
Average daily production (thousands of gallons)	6,648	6,860
Wastewater:		
Average daily sewage treatment (thousands of gallons)	9,700	10,900 **

Note:

\* First year information is available

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

Sources: Various city departments

CITY OF NEWPORT, RHODE ISLAND

**SCHEDULE 16  
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM**

<u>Function/Program</u>	<u>Fiscal Year 2004*</u>	<u>Fiscal Year 2005</u>
Police:		
Stations	1	1
Patrol units	87	87
Fire stations	3	3
Public works:		
Streets (miles)	94	94
Streetlights	465	465
Traffic signals	5	5
Parks and recreation:		
Acreage	15	15
Playgrounds	13	13
Multi purpose playing fields	7	7
Tennis courts	18	18
Community centers	1	1
Water:		
Water mains (miles)	162	162
Fire hydrants	975	983
Storage capacity (thousands of gallons-treated)	10,500	10,500
Wastewater:		
Sanitary sewers (miles)	88	88
Storm sewers (miles)	46	46
Treatment capacity (thousands of gallons) (daily)	10,700	10,700

Note:

\* First year information is available

Source: Various city departments