

**COMPREHENSIVE  
ANNUAL FINANCIAL REPORT**

**of the**

**CITY OF NEWPORT,  
RHODE ISLAND**

**FOR THE YEAR ENDED**

**JUNE 30, 2007**

**PREPARED BY:**

**LAURA SITRIN, CPA  
DIRECTOR OF FINANCE**

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**CITY OF NEWPORT, RHODE ISLAND**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

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# Introductory Section

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

November 21, 2007

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

State law requires that all 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, 2007.

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 Kostin, Ruffkess & Company, LLC, 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, 2007, 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, 2007, 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 City of Newport**

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 4,000,000 people annually.

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

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

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

The accompanying financial statements present the City 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 by May 14<sup>th</sup> of each year. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents the proposed budget to the City Council for review no later than 45 days prior to June 30. The Council is required to hold 2 public hearings on the proposed budget and to adopt a final budget no later than June 30, the close of the City's fiscal year. The appropriated budget is prepared by fund, function (e.g. public safety) and department. Department heads may make transfers of appropriations within a department with City Manager approval. Transfers of appropriations between departments, however, require the approval of the City Council. Budget-to-actual comparisons are provided in this report for the 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, as last published by the U.S. Bureau of Economic Analysis, is \$43,168 compared to \$35,324 and \$34,471 for Rhode Island and the United States, respectively. The unemployment rate is 4.0% compared to the state unemployment rate of 5.1%. The median selling price of an existing home in 2006 is \$375,000, 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 remain at its current levels, despite a downturn in the housing market across the country. The tourist industry remained stable in 2007 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 \$50M to \$75M 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 approved general obligation bond funds of \$12M to rebuild and repair roadways and sidewalks, in accordance with a pavement management program developed within the last two years.

### ***Relevant financial policies***

The City's financial policies have been applied consistently with the prior year and had no notable current year effect on the financial statements. Rhode Island general laws restrict the City's ability to increase its total tax levy to less than 5.25% for the year ending June 30, 2008 and declining by one-quarter percent for each year thereafter until 4% is reached.

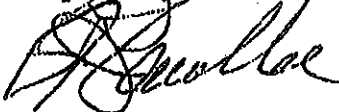
### Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Newport for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2007. This was the first consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

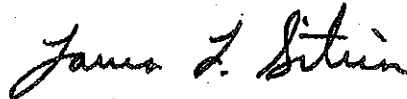
A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

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,

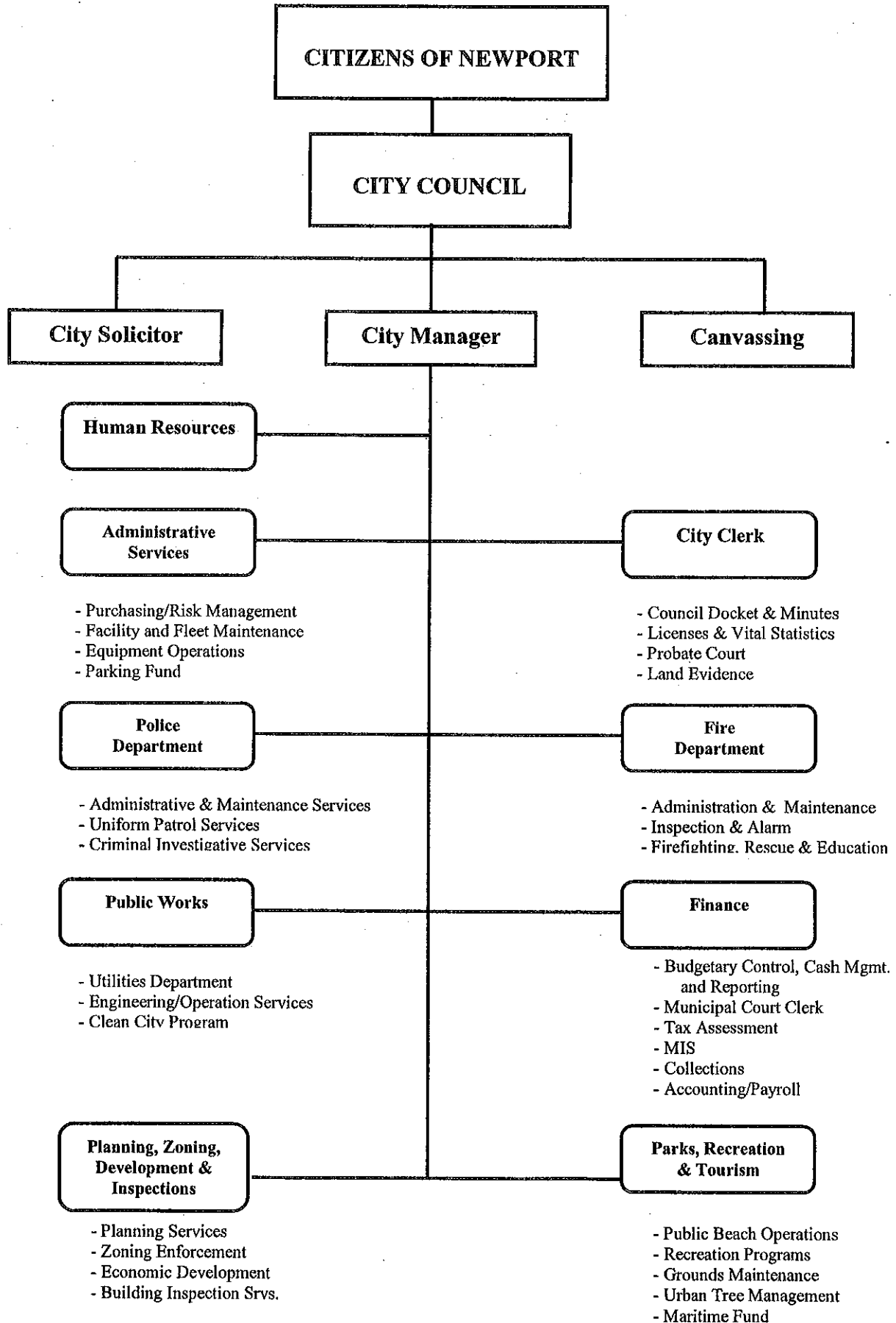


**Edward F. Lavallee**  
City Manager

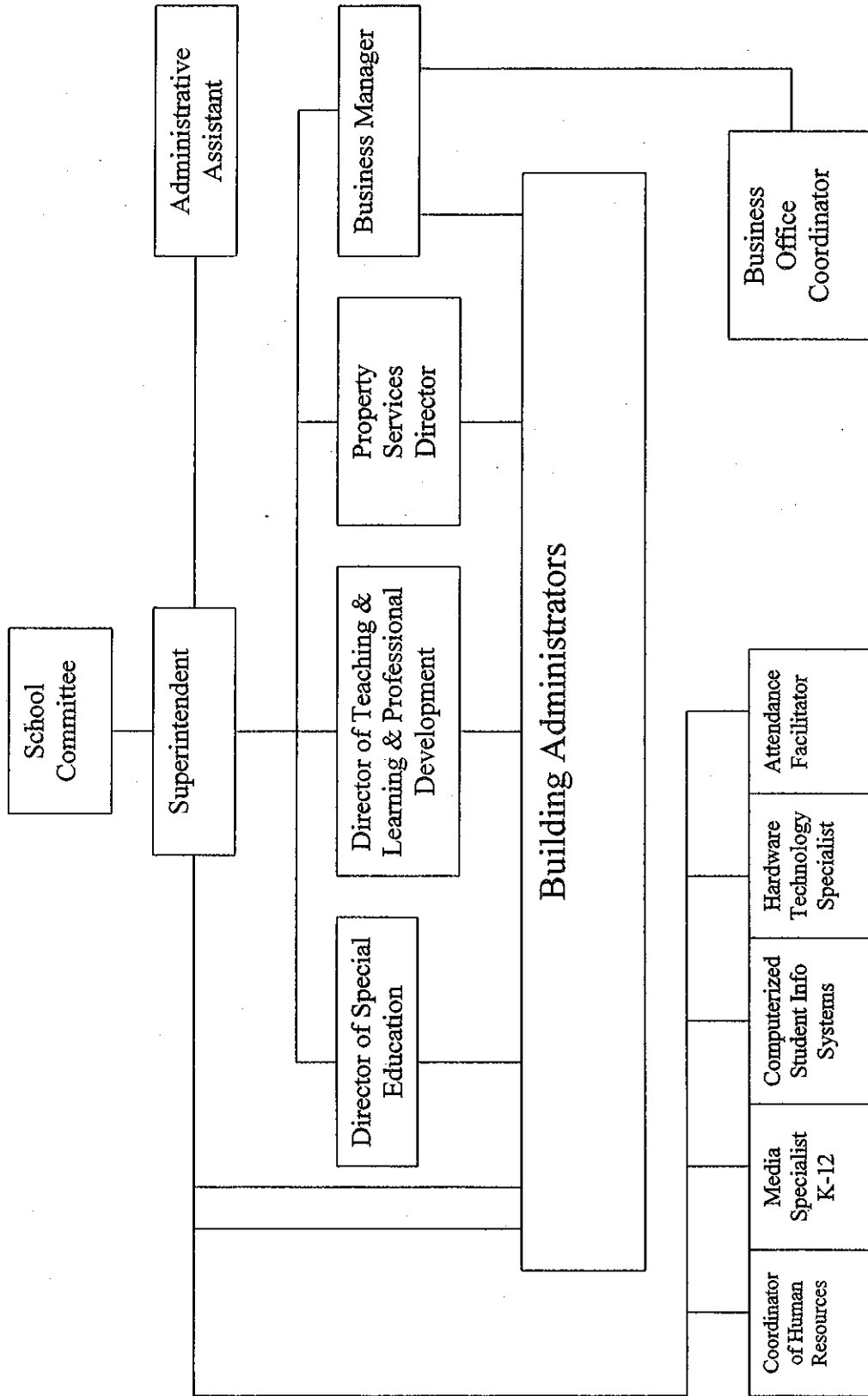


**Laura L. Sitrin, CPA**  
Director of Finance

# THE CITY OF NEWPORT, RI



# NEWPORT PUBLIC SCHOOLS



# CITY OF NEWPORT, RHODE ISLAND

## PRINCIPAL ELECTED AND APPOINTED OFFICIALS

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### Elected Officials:

Honorable Stephen C. Waluk	Mayor
Charles Y. Duncan	1 <sup>st</sup> Ward Councilor
Justin S. McLaughlin	2 <sup>nd</sup> Ward Councilor
Kathryn E. Leonard	3 <sup>rd</sup> Ward Councilor
Mary C. Connolly	Councilor At Large/Vice-Chairman
Jeanne-Marie Napolitano	Councilor At Large
Stephen R. Coyne	Councilor At Large
Dr. Charles P. Shoemaker	School Committee Chair
Jo Eva Gaines	School Committee
Dr. Thomas P. Galvin	School Committee
Hugo J. DeAscentis, Jr.	School Committee
David R. Carlin	School Committee
Robert J. Leary	School Committee/Vice Chair
Thomas S. Phelan	School Committee

### Principal Appointed Officials:

Edward F. Lavallee	City Manager
Laura L. Sitrin	Director of Finance
John H. Ambrogi, Ed.D.	Superintendent of Schools
Michael Saunders	School Business Manager
Joseph J. Nicholson Jr.	City Solicitor
Julia Forgue	Director of Utilities and Public Works
Paige Bronk	Director of Planning
Michael McKenna	Police Chief
Edward McCarthy	Fire Chief
Susan Cooper	Director of Parks/Recreation

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Newport  
Rhode Island

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director



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# Financial Section

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Business Advisors and Certified Public Accountants

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Springfield, MA

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## INDEPENDENT AUDITORS' REPORT

Members of City Council  
City of 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, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic 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, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund and school unrestricted fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 21, 2007 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, 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 Discussion and Analysis and Schedules of Funding Progress - Newport Retirement Systems on pages 11 through 21 and pages 76 through 77, respectively, are not a required part of the basic financial statements but are supplementary information required by 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.

City of Newport, Rhode Island  
Page Two

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Newport, Rhode Island's basic financial statements. The introductory section and the accompanying financial information listed as supplemental schedules in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements and other schedules as listed in the table of contents have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Kostin, Ruffless & Company, LLC*

New London, Connecticut  
November 21, 2007



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2007**

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, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the Introductory section of this report.

**Financial Highlights**

- The assets of the City of Newport exceeded its liabilities at the close of the most recent fiscal year by \$158,566,027 (*net assets*).
- The government's net assets increased by \$7,769,825. Governmental activities net assets increased by \$6,687,274 due primarily to a reduction in school expenses, an increase in investment income and service charges and the sale of a school building. Business-type activities had an increase of \$1,082,551 in net assets due to reduced expenses in the water fund.
- At June 30, 2007, the City of Newport's governmental funds reported a combined ending fund balance of \$28,448,688, an increase of \$4,673,685 in comparison to the prior year fund balance. Approximately 83% of this amount, \$23,661,391, 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 \$3,614,666 or 5.0% of total general fund expenditures and net other financing uses.
- The City of Newport's total debt increased by \$853,852 (1.5%). The increase was attributable to the scheduled repayment of debt, an increase in claims and judgments, and an increase in the City's Net Other Post-Employment Benefit Obligation.

**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.

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. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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### Government-wide financial statements (continued)

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 Exhibit A and B of this report.

### Fund financial statements

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

#### *Governmental funds*

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Newport maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the school unrestricted fund, the Community Development Act fund, and the permanent 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 Schedules 3 and 4 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 Exhibits C and D of this report.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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### Fund financial statements (continued)

#### *Proprietary funds*

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water utilities fund and for the water pollution control operation, both of which are considered to be major funds of the City of Newport. The parking operations fund, maritime fund and beach fund are combined into a single, aggregated presentation in the proprietary fund financial statements. The internal service fund is presented separately in the proprietary fund financial statements.

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

#### *Fiduciary funds*

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

The basic fiduciary fund financial statements can be found on Exhibits K and L 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 Exhibit M 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.

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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### 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 \$158,566,027 at the close of the most recent fiscal year.

By far the largest portion of the City of Newport's net assets (85%) 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.

#### City of Newport's Net Assets

	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 49,844,139	\$ 45,825,875	\$ 10,448,397	\$ 11,425,768	\$ 60,292,536	\$ 57,251,643
Capital assets	67,428,256	63,693,736	103,849,078	102,496,444	171,277,334	166,190,180
Total assets	117,272,395	109,519,611	114,297,475	113,922,212	231,569,870	223,441,823
Long-term liabilities	37,775,558	35,953,344	16,171,152	16,709,032	53,946,710	52,662,376
Other liabilities	14,344,387	15,101,091	4,712,746	4,694,533	19,057,133	19,795,624
Total liabilities	52,119,945	51,054,435	20,883,898	21,403,565	73,003,843	72,458,000
Net assets:						
Invested in capital assets, net of related debt	48,687,951	43,072,452	86,137,192	84,210,144	134,825,143	127,282,596
Restricted	10,668,504	9,991,204	3,054,328	4,401,342	13,722,832	14,392,546
Unrestricted	5,795,995	5,401,520	4,222,057	3,907,161	10,018,052	9,308,681
Total net assets	\$ 65,152,450	\$ 58,465,176	\$ 93,413,577	\$ 92,518,647	\$ 158,566,027	\$ 150,983,823

An additional portion of the City of Newport's net assets (9%) represents resources that are restricted by external parties.

The City's net assets increased by \$7,769,825 during the current fiscal year. This increase is primarily due to the degree to which increases in ongoing revenues have outstripped increases in ongoing expenses.

### Governmental Activities

Governmental activities net assets increased by \$6,687,274. A comparison of FY2007 and FY2006 activity can be found on the next page which indicates increases in property tax revenue of \$2,902,561 and charges for services of \$2,132,777 and the sale of a school building for \$2,168,305. Property tax revenue increased because of an increase in the tax rates of 4.29%. Tax revenues were budgeted to increase by approximately \$2,032,000 over the prior year's budget; however tax revenues while increased from last year, were about \$2,000,000 less than anticipated due primarily to timeshare and other large tax settlements. Charges for services increased due to an increase of approximately \$400,000 in police and fire details, \$470,000 of new service fees related to the sale of Navy housing and the HOPE VI project and reimbursement of prior year expenses of \$542,000. Expenses increased slightly by \$2,629,706. A \$2,090,749 increase in general government expense was offset by a \$599,510 decrease in education expense. There were also programmed increases in public safety, public health and human services. Most of the general government



increase is due to increases in depreciation expense, increases in repairs and maintenance of facilities, increases in claims and judgments and increases in severance payouts due to retirements. The education expense reduction is the result of a decrease in the amount of OPEB expense in the current year and stringent fiscal management.

City of Newport's Changes in Net Assets

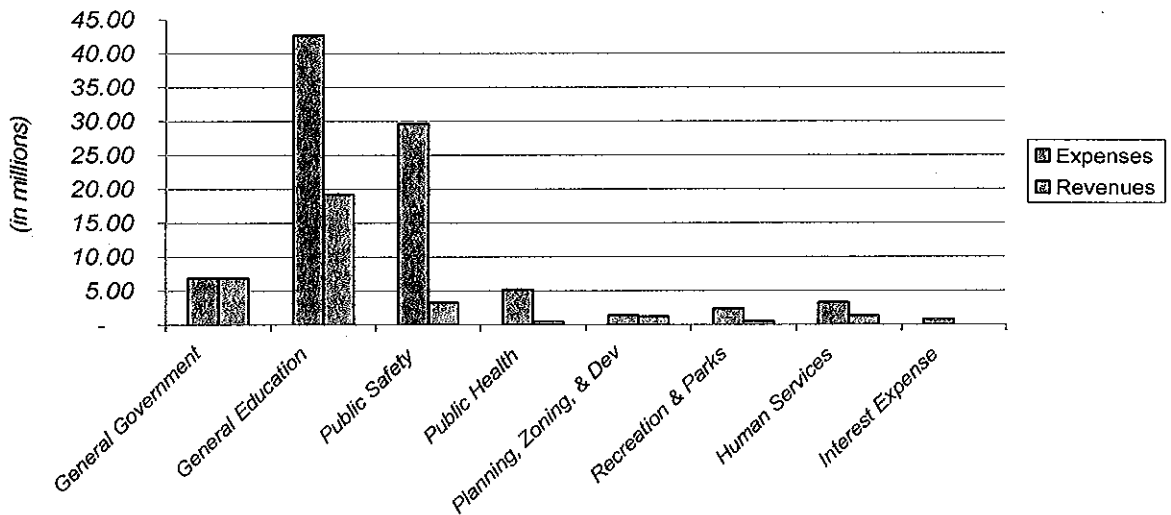
	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$ 12,407,087	\$ 10,274,310	\$ 17,033,733	\$ 18,549,077	\$ 29,440,820	\$ 28,823,387
Operating grants and contributions	21,272,720	21,538,064			21,272,720	21,538,064
Capital grants and contributions	786,166	1,170,076	673,500		1,459,666	1,170,076
General revenues:						
Property taxes	57,736,458	54,833,897			57,736,458	54,833,897
Grants and contributions not restricted to specific programs	4,642,114	4,614,794			4,642,114	4,614,794
Investment income	2,368,396	1,425,620	220,284	175,220	2,588,680	1,600,840
Miscellaneous revenues		133,494				133,494
Capital contributions						
Transfers from primary government	(175,500)		175,500			
Total revenues	99,037,441	93,990,255	18,103,017	18,724,297	117,140,458	112,714,552
Expenses:						
General government	6,904,515	4,813,766			6,904,515	4,813,766
General education	44,860,182	45,460,092			44,860,182	45,460,092
Public safety	29,620,705	29,249,707			29,620,705	29,249,707
Public health	5,179,345	4,564,130			5,179,345	4,564,130
Planning, zoning and development	1,440,553	1,994,692			1,440,553	1,994,692
Recreation and parks	2,415,401	2,121,346			2,415,401	2,121,346
Human services	3,256,251	2,817,926			3,256,251	2,817,926
Interest expense	841,520	867,107			841,520	867,107
Water			7,809,046	7,225,730	7,809,046	7,225,730
Water pollution control			7,051,852	6,781,706	7,051,852	6,781,706
Nonmajor business-type			2,159,568	1,767,218	2,159,568	1,767,218
Total expenses	94,518,472	91,888,766	17,020,466	15,774,654	111,538,938	107,663,420
Increase (decrease) in net assets	4,518,969	2,101,489	1,082,551	2,949,643	5,601,520	5,051,132
Special Item - Sale of School	2,168,305				2,168,305	
Net assets July 1, restated	58,465,176	56,363,687	92,331,026	89,569,004	150,796,202	145,932,691
Net assets June 30	\$ 65,152,450	\$ 58,465,176	\$ 93,413,577	\$ 92,518,647	\$ 158,566,027	\$ 150,983,823

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

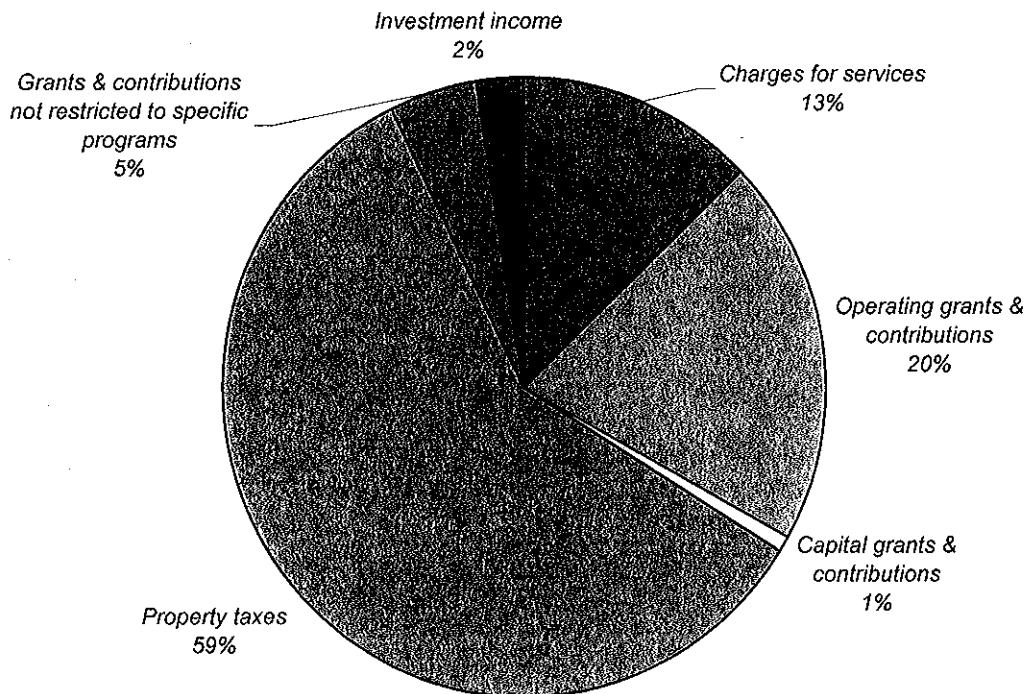
**Government-wide Financial Analysis (continued)**

*Governmental Activities (continued)*

**Expenses and Program Revenues - Governmental Activities**



**Revenues by Source - Governmental Activities**



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

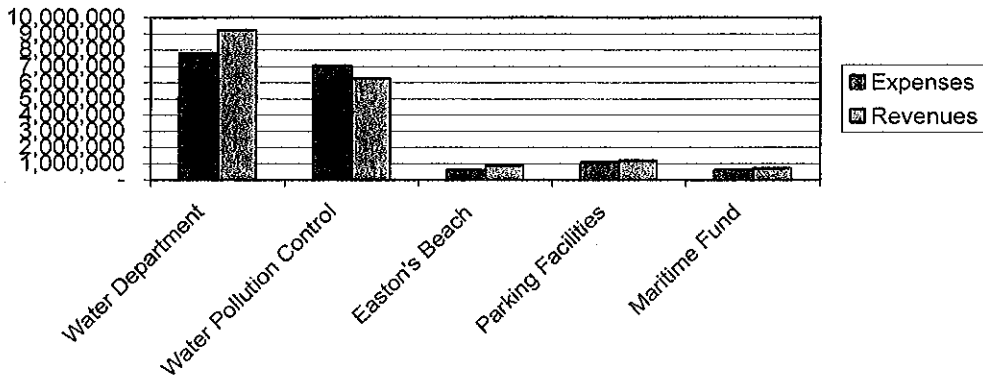
### Government-wide Financial Analysis (continued)

#### Business-type activities

Business-type activities net assets increased by \$1,082,551. Much of the increase (\$673,500) is because the Water Fund received a federal grant for water main improvements. The rest of the increase is due to the fact that water fund expenses were substantially less than budgeted and less than the revenues received. Reduced water fund expenses resulted from significant cash flow issues.

The Water Fund had net income of \$1,427,838 for the year ended June 30, 2007, the Water Pollution Control Fund had a deficit of \$816,625 and the non-major proprietary funds had net income of \$471,338 with all individual funds showing a net income.

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



### Financial Analysis of the City's Funds

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

#### Governmental funds

The focus of the City of Newport's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Newport's financing requirements. In particular, 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.

As of the end of the current fiscal year, the City of Newport's governmental funds reported combined ending fund balances of \$28,448,688, an increase of \$4,673,685 in comparison with the prior year fund balance. Most of this total amount (\$23,661,391) 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 (\$4,827,297) 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, it is reserved for debt service or because it is the non-expendable portion of permanent funds.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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

#### Governmental funds (continued)

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 \$3,614,666, while total fund balance was \$5,098,335. 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 5.0% 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 \$256,813. The City Council budgeted an addition to fund balance in FY2007 of \$1,000,000. In actuality, fund balance decreased by \$256,813. This is due to significant tax settlements (\$1.5 million for timeshares) which reduced tax revenues and an arbitration decision on the fire contract for FY2006 with an accrual for retroactive pay. Money has been appropriated in the FY2008 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 (4.29% - residential rate) was anticipated to increase tax revenues by \$2,000,000 over prior year's budgeted property tax revenue. Property tax revenue was higher than FY2006, but \$2,000,000 less than budgeted. Tax abatements totaled \$965,000 for the year. This combined with the continuing impact of the timeshare tax reduction led to a \$2,000,000 shortfall in tax revenues. This was partially offset by an increase in revenues other than taxes (including a one-time reimbursement of prior year expenditures of \$542,000) of \$1,000,000. The rest of the shortfall was covered by expenditure savings.

The school unrestricted fund had an increase in fund balance of \$1,099,679. The increase was due to lower than expected spending in the categories of salaries and benefits for teachers and support staff and in special education tuitions.

The Urban Development Grant Fund purchased land from the State Department of Transportation for future development in the North End for \$1,489,371. The City sold an excess school building for \$2,168,305. This is treated as a special item and sale proceeds have been deposited into the property proceeds fund and can only be spent as the City Council authorizes.

#### Proprietary funds

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

Unrestricted net assets of the Water Fund at the end of the year amounted to a deficit of (\$2,070,688), an addition of \$166,204 to unrestricted fund balance in FY2007. A full year of new rates was offset by significantly decreased consumption forcing the Water Fund to curb operating and maintenance expenses.

Unrestricted net assets of the Water Pollution Control Fund at the end of the year amounted to \$1,070,334, for the parking operations of \$4,568,799, for the Maritime Fund of \$477,588, and for the Easton's Beach operation \$176,024. The total growth in net assets for the Water Fund was \$1,427,838, for the Water Pollution Control Fund a loss of \$816,625. Parking operations, Maritime Fund and Easton's Beach all had growth in net assets of \$89,815, \$96,011 and \$285,512 respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Newport's business-type activities.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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

#### Governmental funds (continued)

#### General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were due to budgetary carryovers from fiscal year 2006 of \$1,318,199.

#### 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, 2007 is \$171,277,334 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and systems, machinery and equipment, vehicles, infrastructure and construction in progress. There was a total increase in the City of Newport's investment in capital assets for the current fiscal year of 3.1%. Individually, governmental activities had a 5.7% increase and business-type activities had a 1% increase.

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

- \$2,149,217 was spent on road and sidewalk reconstruction and repairs.
- \$243,381 was spent on parks and recreation facilities improvements and upgrades of which \$182,744 was funded through state and federal grants.
- \$885,854 was spent on vehicle and equipment replacements.
- \$3,666,772 of additions were made to water infrastructure, mains, buildings and pump stations, of which \$673,500 was funded with federal grant monies.
- \$240,340 of improvements were made to Easton's Beach facilities.
- \$766,400 was spent on combined sewer overflow issues.
- Land was purchased in the North End for redevelopment at a cost of \$1,651,592.

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

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 3,999,605	\$ 2,348,013	\$ 6,379,224	\$ 6,330,521	\$ 10,378,829	\$ 8,678,534
Construction in progress	1,042,372	820,625	2,640,524	946,043	3,682,896	1,766,668
Land improvements	5,889,800	5,914,197	-	-	5,889,800	5,914,197
Buildings & systems	23,914,034	24,425,703	93,649,911	94,634,760	117,563,945	119,060,463
Machinery & equipment	2,417,382	2,620,532	1,179,419	582,378	3,596,801	3,202,910
Vehicles	2,838,647	2,295,962	-	2,739	2,838,647	2,298,701
Infrastructure	27,326,416	25,268,704	-	-	27,326,416	25,268,704
<b>Total</b>	<b>\$ 67,428,256</b>	<b>\$ 63,693,736</b>	<b>\$ 103,849,078</b>	<b>\$ 102,496,441</b>	<b>\$ 171,277,334</b>	<b>\$ 166,190,177</b>

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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

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

##### Long-term debt

At the end of the current fiscal year, the City of Newport had total bonded debt outstanding of \$36,991,629. Of this amount, \$24,740,377 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).

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
General Obligation Bonds	\$ 19,428,813	\$ 20,621,283	\$ 5,311,564	\$ 6,747,251	\$ 24,740,377	\$ 27,368,534
Revenue Bonds	-	-	12,251,252	11,539,048	12,251,252	11,539,048
Total	\$ 19,428,813	\$ 20,621,283	\$ 17,562,816	\$ 18,286,299	\$ 36,991,629	\$ 38,907,582

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

The City of Newport's total bonded debt decreased by \$1,915,953. This decrease was comprised of a reduction of \$3,147,164 (8.8%) during the current fiscal year due to scheduled repayments and increased during the current fiscal year due to water revenue bond issuance of \$1,231,211.

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 \$184,944,976, which is significantly in excess of the City's outstanding general obligation debt.

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

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

- The unemployment rate for the City of Newport is currently 4.0%, which is a decrease of .5% from a rate of 4.5% a year ago. This compares favorably to the state's average unemployment rate of 5.1% and is about equal with the national average rate of 4.6%.
- 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 2008 fiscal year.

Unreserved fund balance in the General Fund at June 30, 2007 is \$3,614,666, 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 \$500,000 of next year's revenues to put back into fund balance.

The Water Pollution Control Fund's rates increased by 16% in FY2008 for usage based on volume. A fixed fee based on meter size was also implemented for the first time with the revenue to be used for combined sewer overflow issues. The Water Fund rates are controlled and set by the Rhode Island Public Utilities Commission. The City received a rate increase of approximately 11% effective September 1, 2007.

#### **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.

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# **Basic Financial Statements**

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## CITY OF NEWPORT, RHODE ISLAND

STATEMENT OF NET ASSETS  
JUNE 30, 2007

	PRIMARY GOVERNMENT			COMPONENT UNITS	
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	NEWPORT PUBLIC LIBRARY	REDEVELOPMENT AGENCY OF NEWPORT
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 13,128,173	\$ 6,043,349	\$ 19,171,522	\$ 409,407	\$ 49,239
Investments	12,480,866		12,480,866	358,704	
Receivables (net)	3,463,255	3,867,693	7,330,953	2,089	4,200
Internal balances (advances)	3,100,949	(3,100,949)			
Inventories		287,389	287,389		
Other	324,847	296,582	621,429	13,745	
Total current assets	32,498,090	7,394,069	39,892,159	783,945	47,439
Noncurrent assets:					
Restricted assets:					
Temporarily restricted, Cash and cash equivalents		3,054,328	3,054,328		
Permanently restricted, Investments	9,158,423		9,158,423		
Receivables (net)	2,421,626		2,421,626		
Pension asset	5,766,000		5,766,000		
Capital assets not being depreciated	5,041,977	9,019,748	14,061,725		
Capital assets (net of accumulated depreciation)	62,386,279	94,829,330	157,215,609	5,910,054	467,083
Total noncurrent assets	84,774,305	106,903,406	191,677,711	5,910,054	467,083
<b>TOTAL ASSETS</b>	<b>117,272,395</b>	<b>114,297,475</b>	<b>231,569,870</b>	<b>6,693,999</b>	<b>514,522</b>
<b>LIABILITIES</b>					
Current liabilities:					
Cash overdraft	8,018,553		8,018,553		
Accounts payable	2,516,251	1,711,380	4,227,631	111,926	352,392
Accrued expenses	1,483,559	1,142,262	2,625,821	9,283	
Unearned revenue	31,598		31,598	19,100	
Other liabilities	274,523		274,523		
Current portion of long-term obligations	2,019,203	1,859,104	3,878,307	8,750	
Total current liabilities	14,344,387	4,712,746	19,057,133	149,059	352,392
Noncurrent liabilities:					
Long-term obligations	37,775,558	16,171,152	53,946,710	329,458	200,000
Total noncurrent liabilities	37,775,558	16,171,152	53,946,710	329,458	200,000
<b>TOTAL LIABILITIES</b>	<b>52,119,945</b>	<b>20,883,898</b>	<b>73,003,843</b>	<b>478,517</b>	<b>552,392</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	47,999,443	86,137,192	134,136,635	5,787,554	267,083
Restricted for:					
Endowments:					
Expendable	7,148,999		7,148,999		
Nonexpendable	1,889,512		1,889,512		
Debt service	676,668	3,054,328	3,730,996	72,888	
Education	953,325		953,325		
Unrestricted	6,484,503	4,222,057	10,706,560	555,040	(284,953)
<b>TOTAL NET ASSETS</b>	<b>\$ 65,152,450</b>	<b>\$ 93,413,577</b>	<b>\$ 158,566,027</b>	<b>\$ 6,215,482</b>	<b>\$ (17,870)</b>

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

CITY OF NEWPORT, RHODE ISLAND

EXHIBIT B

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2007

FUNCTIONS/PROGRAMS	PROGRAM REVENUES						NET EXPENSES AND CHANGES IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES		OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT		COMPONENT UNITS	
						GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	NEWPORT PUBLIC LIBRARY	REDEVELOPMENT AGENCY OF NEWPORT
<b>PRIMARY GOVERNMENT:</b>									
<b>GOVERNMENTAL ACTIVITIES:</b>									
General government	\$ 6,904,515	\$ 5,871,413	\$ 1,112,499	\$	\$ 79,397	\$	\$ 79,397	\$	
General education	44,860,182	1,856,459	18,779,631		(24,224,092)		(24,224,092)		
Public safety	29,620,705	3,087,659	289,066	35,422	(26,208,558)		(26,208,558)		
Public health	5,179,345	26,990	13,755	391,461	(4,747,139)		(4,747,139)		
Planning, zoning and development	1,440,553	1,168,204	5,996		(266,353)		(266,353)		
Recreation and parks	2,415,401	99,126	46,633	359,283	(1,910,359)		(1,910,359)		
Human services	3,256,251	297,236	1,025,140		(1,933,875)		(1,933,875)		
Interest expense	841,520				(841,520)		(841,520)		
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>94,518,472</b>	<b>12,407,087</b>	<b>21,272,720</b>	<b>786,166</b>	<b>(60,052,499)</b>	<b>-</b>	<b>(60,052,499)</b>	<b>-</b>	
<b>BUSINESS-TYPE ACTIVITIES:</b>									
Water Department	7,809,046	8,506,460		673,500		1,370,914	1,370,914		
Water Pollution Control	7,051,852	6,181,907				(869,945)	(869,945)		
Parks and Parking Facilities	2,159,568	2,345,366				185,798	185,798		
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>17,020,466</b>	<b>17,033,733</b>	<b>-</b>	<b>673,500</b>	<b>-</b>	<b>686,767</b>	<b>686,767</b>	<b>-</b>	
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 111,538,938</b>	<b>\$ 29,440,820</b>	<b>\$ 21,272,720</b>	<b>\$ 1,459,666</b>	<b>\$ (60,052,499)</b>	<b>\$ 686,767</b>	<b>\$ (59,365,732)</b>	<b>\$ -</b>	
<b>COMPONENT UNITS:</b>									
Newport Public Library	\$ 2,420,181	\$ 86,490	\$ 1,913,664	\$	\$	\$	\$ (420,027)	\$	
Redevelopment Agency of Newport	112,894	49,150						(63,744)	
<b>TOTAL COMPONENT UNITS</b>	<b>\$ 2,533,075</b>	<b>\$ 135,640</b>	<b>\$ 1,913,664</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (420,027)</b>	<b>\$ (63,744)</b>	
<b>GENERAL REVENUES:</b>									
Property taxes					\$ 57,736,458	\$	\$ 57,736,458	\$	
Grants and contributions not restricted to specific programs					4,642,114		4,642,114		
Investment income					2,588,396	220,284	2,588,680	70,795	
Miscellaneous								11,858	
Transfers in (out)					(175,500)	175,500			
<b>TOTAL GENERAL REVENUES</b>					<b>64,571,468</b>	<b>395,784</b>	<b>64,967,252</b>	<b>82,653</b>	
<b>CHANGE IN NET ASSETS BEFORE SPECIAL ITEMS</b>					<b>4,518,969</b>	<b>1,082,551</b>	<b>5,601,520</b>	<b>(337,374)</b>	
<b>SPECIAL ITEMS:</b>									
Sale of school building					2,168,305		2,168,305		
<b>CHANGE IN NET ASSETS</b>					<b>6,687,274</b>	<b>1,082,551</b>	<b>7,769,825</b>	<b>(63,427)</b>	
<b>NET ASSETS - JULY 1, 2006, (AS RESTATED)</b>					<b>58,465,176</b>	<b>92,331,026</b>	<b>150,796,202</b>	<b>6,552,856</b>	
<b>NET ASSETS - JUNE 30, 2007</b>					<b>\$ 65,152,450</b>	<b>\$ 93,413,577</b>	<b>\$ 158,566,027</b>	<b>\$ 6,215,482</b>	

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

EXHIBIT C

CITY OF NEWPORT, RHODE ISLAND

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007

	GENERAL	SCHOOL UNRESTRICTED FUND	COMMUNITY DEVELOPMENT BLOCK GRANT FUND	PERMANENT FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>						
Cash	\$ 11,815,013		\$ 374,700	\$ 9,158,423	\$ 9,973,726	\$ 13,242,435
Investments		\$ 2,894,009			665,853	21,639,289
Receivables, net:						
Property taxes	1,804,274					1,804,274
Motor vehicle excise	1,295,247					1,293,247
Intergovernmental		31,766	37,712		1,198,832	1,268,330
Note/loan			2,590,067		513,018	3,103,085
Other	942,719				464,256	1,406,975
Due from other funds	1,740,363				122,500	1,862,863
Prepaid expenses		302,859				302,859
Advances to other funds	500,000				737,448	1,237,448
<b>TOTAL ASSETS</b>	<b>\$ 18,095,616</b>	<b>\$ 3,228,634</b>	<b>\$ 3,002,479</b>	<b>\$ 9,158,423</b>	<b>\$ 13,675,653</b>	<b>\$ 47,160,805</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Cash overdraft	\$ 7,903,400	\$ 283,870	\$ 115,099	\$ 55	\$ 55	\$ 8,018,554
Accounts payable	1,336,350			4,813	858,630	2,483,663
Accrued liabilities	927,611	204,497			846	1,132,954
Unearned revenue	2,291,560		2,627,779		1,619,247	6,538,586
Due to other funds	263,837					263,837
Other liabilities	274,523					274,523
<b>Total liabilities</b>	<b>12,997,281</b>	<b>488,367</b>	<b>2,627,779</b>	<b>119,912</b>	<b>2,478,778</b>	<b>18,712,117</b>
Fund balances:						
Reserved for:						
Encumbrances	983,669				676,668	983,669
Debt service						
Endowments				1,889,512		1,889,512
Advances	500,000				737,448	1,237,448
Unreserved, designated for, reported in:						
Subsequent year budget		800,000				800,000
Unreserved, reported in:						
General fund	3,614,666					3,614,666
Special revenue funds		1,940,267	374,700		3,408,719	5,723,686
Capital project funds					6,374,040	6,374,040
Permanent funds				7,148,999		7,148,999
<b>Total fund balances</b>	<b>5,098,335</b>	<b>2,740,267</b>	<b>374,700</b>	<b>9,038,511</b>	<b>11,196,875</b>	<b>28,448,688</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 18,095,616</b>	<b>\$ 3,228,634</b>	<b>\$ 3,002,479</b>	<b>\$ 9,158,423</b>	<b>\$ 13,675,653</b>	<b>\$ 47,160,805</b>
<b>AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS ARE DIFFERENT BECAUSE:</b>						
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds						67,391,741
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds						9,247,094
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.						173,250
Some liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds (Note D)						(40,108,223)
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>						<b>\$ 65,152,450</b>

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

EXHIBIT D

CITY OF NEWPORT, RHODE ISLAND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2007

	GENERAL	SCHOOL UNRESTRICTED FUND	COMMUNITY DEVELOPMENT BLOCK GRANT FUND	PERMANENT FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>						
Local taxes	\$ 57,519,657		\$	\$	\$	\$ 57,519,657
Intergovernmental revenues	5,648,864	14,286,721	602,770		6,542,536	27,080,891
Charges for services	8,592,749		174,358		2,060,674	10,827,781
Use of money and property	914,384		56,500	1,306,218	91,295	2,368,397
Contributions	148,023				31,320	179,343
Other revenues	577,036	990,670	15,000			1,582,706
<b>TOTAL REVENUES</b>	<b>73,400,713</b>	<b>15,277,391</b>	<b>848,628</b>	<b>1,306,218</b>	<b>8,725,825</b>	<b>99,558,775</b>
<b>EXPENDITURES:</b>						
Current:						
General government	5,757,907				6,055,273	5,757,907
General education	27,565,559	37,109,664			146,254	43,164,937
Public safety	4,034,738				13,755	4,048,493
Public health	1,151,803				92,773	1,244,576
Planning, zoning and development	1,701,015				26,197	1,727,212
Recreation and parks	1,707,444				407,110	3,228,649
Human services	1,607,335		473,486	640,609		1,607,335
Pension expenditures						
Debt service:						
Principal	1,204,311					1,204,311
Interest	803,651					803,651
Capital outlay		25,452	128,888		6,226,671	6,381,011
<b>TOTAL EXPENDITURES</b>	<b>45,531,763</b>	<b>37,135,116</b>	<b>602,374</b>	<b>640,609</b>	<b>12,968,033</b>	<b>96,877,895</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>27,868,950</b>	<b>(21,857,725)</b>	<b>246,254</b>	<b>665,609</b>	<b>(4,242,208)</b>	<b>2,680,880</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in		23,317,893			4,992,859	28,310,752
Transfers out	(28,125,763)	(360,489)				(28,486,252)
<b>NET OTHER FINANCING SOURCES (USES)</b>	<b>(28,125,763)</b>	<b>22,957,404</b>			<b>4,992,859</b>	<b>(175,500)</b>
Special Item - Sale of School Building					2,168,305	2,168,305
<b>NET CHANGE IN FUND BALANCES</b>	<b>(256,813)</b>	<b>1,099,679</b>	<b>246,254</b>	<b>665,609</b>	<b>2,918,956</b>	<b>4,673,685</b>
<b>FUND BALANCES - JULY 1, 2006 (AS RESTATED)</b>	<b>5,355,148</b>	<b>1,640,588</b>	<b>128,446</b>	<b>8,372,902</b>	<b>8,277,919</b>	<b>23,775,003</b>
<b>FUND BALANCES - JUNE 30, 2007</b>	<b>\$ 5,098,335</b>	<b>\$ 2,740,267</b>	<b>\$ 374,700</b>	<b>\$ 9,038,511</b>	<b>\$ 11,196,875</b>	<b>\$ 28,448,688</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, 2007**

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

Net Change in Fund Balances-Total Governmental Funds	\$ 4,673,685
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.	3,754,070
Reductions in deferred revenue that provide current financial resources to governmental funds are not reported as revenues in the Statement of Activities.	(345,833)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(2,561,090)
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>1,166,442</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 6,687,274</u>

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, 2007

	ORIGINAL ADOPTED BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<b>REVENUES:</b>				
Local taxes	\$ 59,538,292	\$ 59,538,292	\$ 57,519,657	\$ (2,018,635)
Intergovernmental revenues	5,666,615	5,666,615	5,648,864	(17,751)
Charges for services	8,287,071	8,287,071	8,592,749	305,678
Use of money and property	700,000	700,000	914,384	214,384
Other revenues	166,000	166,000	725,059	559,059
<b>TOTAL REVENUES</b>	<b>74,357,978</b>	<b>74,357,978</b>	<b>73,400,713</b>	<b>(957,265)</b>
<b>EXPENDITURES:</b>				
General government:				
Mayor and city council	149,931	165,966	101,281	64,685
City manager	789,402	789,402	701,671	87,731
City solicitor	390,444	390,444	368,678	21,766
Canvassing	201,911	206,669	193,928	12,741
Finance	2,350,730	2,454,558	2,274,009	180,549
City clerk	538,658	727,023	529,251	197,772
Administrative services	912,528	944,496	932,057	12,439
Reserve accounts	2,402,122	2,402,812	482,196	1,920,616
Public safety:				
Police department	12,805,125	13,286,911	13,492,281	(205,370)
Fire department	13,402,826	13,429,326	14,041,726	(612,400)
Public health	4,271,048	4,504,719	3,965,116	539,603
Planning, zoning, and development	1,067,940	1,149,387	1,151,803	(2,416)
Recreation and parks	1,669,579	1,746,474	1,702,266	44,208
Human services:				
Donations	193,000	193,000	190,980	2,020
Public library	1,516,464	1,516,464	1,516,464	-
Pension expenditures	1,478,977	1,599,231	1,607,335	(8,104)
Debt service	2,189,183	2,141,185	2,007,962	133,223
<b>TOTAL EXPENDITURES</b>	<b>46,329,868</b>	<b>47,648,067</b>	<b>45,259,004</b>	<b>2,389,063</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>28,028,110</b>	<b>26,709,911</b>	<b>28,141,709</b>	<b>1,431,798</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Appropriations of fund balance	-	1,318,199	-	(1,318,199)
Transfers out	(28,028,110)	(28,028,110)	(28,125,763)	(97,653)
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES (BUDGETARY BASIS)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>15,946</b>	<b>\$ 15,946</b>
<b>FUND BALANCE, JULY 1, 2006</b>			<b>4,098,720</b>	
<b>FUND BALANCE, JUNE 30, 2007</b>			<b>\$ 4,114,666</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, 2007

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Federal revenues	\$ 1,127,495	\$ 1,127,495	\$ 1,187,277	\$ 59,782
State revenues	11,625,975	11,625,975	11,694,028	68,053
Local revenues	1,445,829	1,445,829	990,670	(455,159)
TOTAL REVENUES	14,199,299	14,199,299	13,871,975	(327,324)
EXPENDITURES:				
General education	37,584,300	37,584,300	35,729,700	1,854,600
EXCESS OF EXPENDITURES OVER REVENUES	(23,385,001)	(23,385,001)	(21,857,725)	1,527,276
OTHER FINANCING SOURCES (USES):				
Transfers in	23,317,893	23,317,893	23,317,893	-
Transfers out	(360,489)	(360,489)	(360,489)	-
NET OTHER FINANCING SOURCES (USES)	22,957,404	22,957,404	22,957,404	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ (427,597)	\$ (427,597)	1,099,679	\$ 1,527,276
FUND BALANCE - JULY 1, 2006 (AS RESTATED)			1,640,588	
FUND BALANCE - JUNE 30, 2007			\$ 2,740,267	

## CITY OF NEWPORT, RHODE ISLAND

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2007

	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>					
Current assets:					
Cash and cash equivalents - unrestricted	\$ 321,761	\$	\$ 5,721,588	\$ 6,043,349	\$
Accounts receivable:					
User fees (net of allowances)	2,011,651	1,789,382	40,592	3,841,625	
Intergovernmental			13,863	13,863	
Other		12,210		12,210	34,863
Due from other funds		37,912		37,912	264,475
Inventories	287,389			287,389	21,988
Prepaid expenses		296,582		296,582	
Total current assets	2,620,801	2,136,086	5,776,043	10,532,930	321,326
Noncurrent assets:					
Cash and cash equivalents - restricted	1,494,979	1,559,349		3,054,328	
Capital assets (net of accumulated depreciation)	42,287,354	57,691,120	3,870,604	103,849,078	36,515
Total noncurrent assets	43,782,333	59,250,469	3,870,604	106,903,406	36,515
<b>TOTAL ASSETS</b>	<b>46,403,134</b>	<b>61,386,555</b>	<b>9,646,647</b>	<b>117,436,336</b>	<b>357,841</b>
<b>LIABILITIES:</b>					
Current liabilities:					
Cash overdraft					114,262
Accounts payable	1,034,356	488,478	188,546	1,711,380	32,588
Accrued expenses	937,350	77,274	127,638	1,142,262	37,741
Due to other funds	1,901,413			1,901,413	
Unearned revenues					
Current portion advances	500,000		86,179	586,179	
Current portion notes payable		40,640		40,640	
Current portion bonds payable	894,389	924,075		1,818,464	
Total current liabilities	5,267,508	1,530,467	402,363	7,200,338	184,591
Long-term liabilities:					
Advances from other funds		500,000	151,269	651,269	
Notes payable		108,430		108,430	
Bonds payable	4,476,935	11,267,417		15,744,352	
Net other post-employment benefits obligation	318,370			318,370	
Total long-term liabilities	4,795,305	11,875,847	151,269	16,822,421	-
<b>TOTAL LIABILITIES</b>	<b>10,062,813</b>	<b>13,406,314</b>	<b>553,632</b>	<b>24,022,759</b>	<b>184,591</b>
<b>NET ASSETS:</b>					
Invested in capital assets, net of related debt	36,916,030	45,350,558	3,870,604	86,137,192	36,515
Restricted	1,494,979	1,559,349		3,054,328	
Unrestricted	(2,070,688)	1,070,334	5,222,411	4,222,057	136,735
<b>TOTAL NET ASSETS</b>	<b>\$ 36,340,321</b>	<b>\$ 47,980,241</b>	<b>\$ 9,093,015</b>	<b>\$ 93,413,577</b>	<b>\$ 173,250</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, 2007

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			TOTALS	GOVERNMENTAL ACTIVITIES
	MAJOR FUNDS				INTERNAL SERVICE FUNDS
	WATER FUND	W.P.C. FUND	OTHER ENTERPRISE FUNDS		
OPERATING REVENUES:					
User fees	\$ 8,140,998	\$ 6,181,907	\$ 2,345,366	\$ 16,668,271	\$ 1,163,470
Other revenues	1,038,962			1,038,962	
<b>TOTAL OPERATING REVENUES</b>	<b>9,179,960</b>	<b>6,181,907</b>	<b>2,345,366</b>	<b>17,707,233</b>	<b>1,163,470</b>
OPERATING EXPENSES:					
Salaries and benefits	3,735,638	163,967	942,249	4,841,854	127,410
Materials and supplies	591,788	58,413	233,705	883,906	456,784
Repairs and maintenance	368,671		72,154	440,825	102,504
Support services	288,434	3,406,370	506,246	4,201,050	434,476
Utilities	512,271	417,165	42,894	972,330	21,142
Administrative and other	732,488	695,474	155,524	1,583,486	1,606
Property taxes	171,803			171,803	
Depreciation	1,263,229	2,042,450	199,354	3,505,033	19,550
<b>TOTAL OPERATING EXPENSES</b>	<b>7,664,322</b>	<b>6,783,839</b>	<b>2,152,126</b>	<b>16,600,287</b>	<b>1,163,472</b>
<b>OPERATING INCOME (LOSS)</b>	<b>1,515,638</b>	<b>(601,932)</b>	<b>193,240</b>	<b>1,106,946</b>	<b>(2)</b>
NONOPERATING REVENUES AND (EXPENSES):					
Investment income	56,924	53,320	110,040	220,284	
Interest expense	(144,724)	(268,013)	(7,442)	(420,179)	
<b>NET NONOPERATING REVENUES AND (EXPENSES)</b>	<b>(87,800)</b>	<b>(214,693)</b>	<b>102,598</b>	<b>(199,895)</b>	<b>-</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>1,427,838</b>	<b>(816,625)</b>	<b>295,838</b>	<b>907,051</b>	<b>(2)</b>
TRANSFERS IN			300,000	300,000	
TRANSFERS OUT			(124,500)	(124,500)	
<b>NET INCOME (LOSS)</b>	<b>1,427,838</b>	<b>(816,625)</b>	<b>471,338</b>	<b>1,082,551</b>	<b>(2)</b>
<b>TOTAL NET ASSETS - JULY 1, 2006 (AS RESTATED)</b>	<b>34,912,483</b>	<b>48,796,866</b>	<b>8,621,677</b>	<b>92,331,026</b>	<b>173,252</b>
<b>TOTAL NET ASSETS - JUNE 30, 2007</b>	<b>\$ 36,340,321</b>	<b>\$ 47,980,241</b>	<b>\$ 9,093,015</b>	<b>\$ 93,413,577</b>	<b>\$ 173,250</b>

## CITY OF NEWPORT, RHODE ISLAND

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2007

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
	MAJOR FUNDS			TOTALS	INTERNAL SERVICE FUNDS
	WATER FUND	W.P.C. FUND	OTHER ENTERPRISE FUNDS		
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash received from customers	\$ 9,142,945	\$ 6,083,304	\$ 2,321,573	\$ 17,547,822	\$ 896,223
Cash payments to suppliers for goods and services	(927,445)	(4,046,276)	(690,198)	(5,663,919)	(985,936)
Cash payments to employees for services	(3,619,328)	(163,967)	(917,417)	(4,700,712)	(168,084)
Payment of property taxes	(171,803)			(171,803)	
Payment of administrative expense	(732,488)	(695,474)	(155,524)	(1,583,486)	(1,606)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>3,691,881</b>	<b>1,177,587</b>	<b>558,434</b>	<b>5,427,902</b>	<b>(259,403)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Interfund loans and transfers		500,000	194,700	694,700	
Principal paid on interfund loans and transfers	(1,000,000)		(82,372)	(1,082,372)	
<b>NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES</b>	<b>(1,000,000)</b>	<b>500,000</b>	<b>112,328</b>	<b>(387,672)</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Acquisition and construction of capital assets	(3,666,771)	(902,096)	(288,800)	(4,857,667)	
Proceeds from borrowing	1,231,210				
Principal paid on bonds, notes and loans	(969,405)	(1,019,800)		(1,989,205)	
Interest paid on bonds, notes and loans	(134,631)	(275,922)	(7,442)	(417,995)	
<b>NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(3,539,597)</b>	<b>(2,197,818)</b>	<b>(296,242)</b>	<b>(7,264,867)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Investment income	56,924	53,320	110,040	220,284	
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(790,792)</b>	<b>(466,911)</b>	<b>484,560</b>	<b>(773,143)</b>	<b>(259,403)</b>
<b>CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED ASSETS) - JULY 1, 2006</b>	<b>2,607,532</b>	<b>2,026,260</b>	<b>5,237,028</b>	<b>9,870,820</b>	<b>145,141</b>
<b>CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED ASSETS) - JUNE 30, 2007</b>	<b>\$ 1,816,740</b>	<b>\$ 1,559,349</b>	<b>\$ 5,721,588</b>	<b>\$ 9,097,677</b>	<b>\$ (114,262)</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$ 1,515,638	\$ (601,932)	\$ 193,240	\$ 1,106,946	\$ (2)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	1,263,229	2,042,450	199,354	3,505,033	19,550
Changes in assets and liabilities:					
Decrease (Increase) in accounts receivable					
Decrease (Increase) in accounts receivable	(37,327)	(176,892)	(23,793)	(238,012)	
Decrease (Increase) in accounts receivable - other		2,389		2,389	(9,417)
Decrease (Increase) in due from other funds	312	75,900		76,212	(257,830)
Decrease (Increase) in inventory	57,619			57,619	18,513
Decrease (Increase) in prepaid expense		18,536		18,536	
(Decrease) Increase in accounts payable	112,754	(182,552)	164,801	95,003	10,457
(Decrease) Increase in accrued liabilities	29,312		24,832	54,144	(40,674)
(Decrease) Increase in due to other funds	663,346	(312)		663,034	
(Decrease) Increase net other post employment benefit obligations	86,998			86,998	
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>\$ 3,691,881</b>	<b>\$ 1,177,587</b>	<b>\$ 558,434</b>	<b>\$ 5,427,902</b>	<b>\$ (259,403)</b>
<b>NON CASH TRANSACTIONS:</b>					
Disposal of capital assets			\$ 49,729		

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, 2007

	PENSION AND OTHER POST- EMPLOYMENT BENEFIT TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS	AGENCY FUNDS
<b>ASSETS</b>			
Cash and cash equivalents	\$ 180,716	\$ 12,081	\$ 228,611
Investments, at fair value:			
Fixed Income Mutual Funds	23,210,129	375,169	
Domestic Equity Mutual Funds	41,054,163	695,265	
International Equity Mutual Funds	13,381,759	229,488	
<b>TOTAL INVESTMENTS</b>	<b>77,646,051</b>	<b>1,299,922</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>77,826,767</b>	<b>1,312,003</b>	<b>228,611</b>
<b>LIABILITIES</b>			
Cash overdraft	999,352	27,080	
Accounts payable	33,035	623	
Amounts held in escrow			228,611
<b>TOTAL LIABILITIES</b>	<b>1,032,387</b>	<b>27,703</b>	<b>228,611</b>
<b>NET ASSETS</b>			
Held in trust for pension/OPEB benefits and other purposes	\$ 76,794,380	\$ 1,284,300	\$ -

## CITY OF NEWPORT, RHODE ISLAND

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2007

	PENSION AND OTHER POST- EMPLOYMENT BENEFITS TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS
<b>ADDITIONS:</b>		
Contributions and other income:		
Employees	\$ 803,220	\$
Employer	12,977,009	
Contributions		23,872
Other income	8,206	
Total contributions and other income	13,788,435	23,872
Investment income:		
Net appreciation in fair value of investments	6,931,780	
Interest and dividends	3,894,255	196,590
Total investment income	10,826,035	196,590
Less investment expenses		3,219
Net investment income	10,826,035	193,371
<b>TOTAL ADDITIONS</b>	<b>24,614,470</b>	<b>217,243</b>
<b>DEDUCTIONS:</b>		
Benefits	12,687,117	
Administration	145,472	
Awards		34,152
<b>TOTAL DEDUCTIONS</b>	<b>12,832,589</b>	<b>34,152</b>
<b>CHANGES IN NET ASSETS</b>	<b>11,781,881</b>	<b>183,091</b>
NET ASSETS - JULY 1, 2006	65,012,499	1,101,209
NET ASSETS - JUNE 30, 2007	\$ 76,794,380	\$ 1,284,300

CITY OF NEWPORT, RHODE ISLANDNOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

The City Manager is appointed by the Council and serves as the chief executive officer over all municipal services except those performed by the Solicitor, Canvassing Authority, and municipal judges, each of whom is appointed by and reports directly to the Council. Municipal services include public safety; potable water and wastewater collection, treatment and distribution; solid waste 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. 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 and the City Council must approve the Library Budget as well as any issuance of debt. The Library capital assets belong to the City. Complete financial statements for the Library may be obtained from its business office on 300 Spring Street, Newport, RI 02840.

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

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**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 BASIC FINANCIAL STATEMENTS (CONTINUED)

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**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. Agency Funds have no measurement focus but are accounted for using the accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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 City.

The City reports the following major governmental funds:

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

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 *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 City reports the following major proprietary funds:

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

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

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

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Additionally, the City 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 *Capital Projects Fund* accounts for the acquisition of capital assets or construction of major capital projects other than those financed by proprietary funds.

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

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

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

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

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise 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.

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

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 City's policy to use restricted resources first, then unrestricted resources as they are needed.

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

**I. 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 City, 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.

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**2. Receivables and Payables**

**a. Interfunds**

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" 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."

**b. Property Taxes and Other Receivables**

All property tax receivables, user fees receivables and notes receivable are shown net of an allowance for uncollectibles. The property tax receivable allowance at June 30, 2007, is equal to 63% of outstanding property taxes. Other allowances vary depending on the nature of the receivable and the history of collections.

Taxes are levied each July 1 on (a) the full and fair value of real and tangible personal property owned within the City the previous December 31; and (b) the value, as determined by the Rhode Island Vehicle Valuation Commission, of vehicles registered within the City the previous calendar year, prorated for the actual number of days so registered. Taxes are levied for the year commencing on that date, payable in equal quarterly installments on the fifth days of August, November, February and May. Taxes are considered overdue on the 6<sup>th</sup> day of each quarter and are assessed penalties and will be collected through the sale of tax titles if required. The City has a tax lien on the property as a matter of law on the date the roll is certified, which is December 31 of the previous year.

Rhode Island general laws restrict the City's ability to increase its total tax levy to less than 5.25% for the year ending June 30, 2008 and declining by one-quarter percent for each year thereafter until 4% is reached.

**3. Inventories and Prepaid Items**

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

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

**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, certain specified retiree/new hire benefits, repayment of a loan to the general fund or chemical expenditures.

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

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**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.

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

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

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

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**6. Compensated Absences (Continued)**

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

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

**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.

**8. Fund Equity and Net Assets**

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. Designations of fund balance represent tentative management plans that are subject to change.

**9. Comparative Data/Reclassifications**

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

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

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

**Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net 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	\$19,428,813
Claims and judgments	1,506,200
Compensated absences	7,445,661
Net pension benefit obligation	4,976,793
Net other post-employment benefit obligation	6,437,994
Accrued interest payable	<u>312,862</u>
Net adjustment for long-term liabilities not due and payable in the current period	<u>\$40,108,323</u>

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

Net pension asset	\$ 5,766,000
Deferred property taxes and unearned grant revenue	6,506,988
Allowance for doubtful accounts	(5,979,635)
Property tax interest accrual	<u>2,953,741</u>
Net adjustment for long-term assets not available in the current period	<u>\$ 9,274,094</u>

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

Capital assets as of July 1, 2006, net of accumulated depreciation	\$63,693,736
Capital assets of internal service funds are accounted for in the net assets adjustment for internal service funds	(36,515)
Current year capital outlay	6,054,856
Disposition of assets	
Depreciation expense	<u>(2,320,336)</u>
Net adjustment for capital assets	<u>\$67,391,741</u>

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

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

**Explanation of certain differences between the statement of revenues, expenditures and changes in fund balances of the governmental funds to the statement of activities for the year ended June 30, 2007.**

One of the reconciling items on the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities for the Year Ended June 30, 2007 is that governmental funds report capital outlays as expenditures. The Statement of Activities allocates the cost of those assets over their estimated useful lives and reports depreciation expense. The details of this difference are as follows:

Capital additions for the year ended June 30, 2007	\$ 6,054,856
Depreciation expense, excluding internal service funds	<u>( 2,300,786)</u>
Net adjustment for capital outlays	<u>\$ 3,754,070</u>

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Current year change in compensated absences	\$( 128,032)
Current year change in claims and judgments	( 501,826)
Current year change in pension benefit obligation	114,966
Current year change in pension asset	156,228
Current year change in OPEB benefit obligation	<u>( 2,202,426)</u>
Net adjustment for current year expenses	<u>\$( 2,561,090)</u>

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

Principal repayment of debt	\$ 1,192,470
Current year change in interest accrual	<u>( 26,028)</u>
Net adjustment for long-term debt	<u>\$ 1,166,442</u>



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

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**III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgets and Budgetary Accounting**

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

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

- Budgets are adopted on a legally enacted budgetary basis, which differs from generally accepted accounting principles (GAAP) in that budgetary expenditures for goods and non-employment services are recognized when legally binding orders referred to as encumbrances are placed.
- In addition to limits enforced by the budget ordinance, the City Charter further restricts the incurrence of municipal expenditures or expenses to budgeted revenues at the fund level. The City Manager must periodically review revenues and reduce annual appropriations sufficiently to cover any shortfalls in budgeted revenues.
- Costs of operations for all departments established within the City Charter must be appropriated through an annual budget ordinance. These departments are presented within the General Fund and the School Unrestricted Fund.
- Municipal budgetary control is legally enforced at the department level.
- Appropriation transfers between departments require approval by five of the seven-member Council. Other appropriation increases require both the establishment of a funding source and passage of a budget amendment ordinance. Amendments to the budget during the year totaled \$1,318,199.
- 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 School Unrestricted Fund Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budgetary Basis) in the financial statements presents comparisons of the legally adopted budget with actual data on a budgetary basis. The budgetary basis differs from GAAP because the GAAP basis includes teachers' retirement on-behalf payments that are not recognized under the budgetary basis.

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

**III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)**

**B. Budgetary-GAAP Reporting Reconciliation (Continued)**

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

	<u>Expenditures</u>	<u>Balance</u>
Balance, Budgetary Basis, Exhibit F- June 30, 2007	\$ 45,259,004	\$ 4,114,666
Encumbrances outstanding at June 30, 2006 and liquidated during the year ended June 30, 2007	1,256,428	
Encumbrances outstanding at June 30, 2007 charged to budgetary expenditures	(983,669)	983,669
Balance, GAAP Basis, Exhibit D - June 30, 2007	<u>\$ 45,531,763</u>	<u>\$ 5,098,335</u>
<u>School Unrestricted Fund</u>		
	<u>Revenues</u>	<u>Expenditures</u>
Balance, Budgetary Basis, Exhibit G- June 30, 2007	\$ 13,871,975	\$ 35,729,700
Teachers' retirement on-behalf payment	1,405,416	1,401,416
Balance,gaap Basis, Exhibit D - June 30, 2007	<u>\$ 15,277,391</u>	<u>\$ 37,131,116</u>

**C. Excess of Expenditures Over Appropriations**

The legal level of control for which expenditures cannot exceed appropriations is at the category level within a department. The table below shows the amounts by which certain departmental expenditures exceeded fiscal year 2007 appropriations (after approved transfers).

<u>Department</u>	<u>Expenditures in Excess of Budget</u>
Police department	\$ 205,370
Fire department	612,400
Planning, zoning and development	2,416
Pension expenditures	8,104
Transfers out	97,653

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

**III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)**

**D. Capital Projects Authorizations**

The following is a summary of Capital Projects at June 30, 2007:

<u>CAPITAL PROJECT</u>	<u>TOTAL PROJECT AUTHORIZATIONS</u>	<u>TOTAL CUMULATIVE EXPENDITURES</u>	<u>BALANCE 6/30/2007</u>
Building, Facilities and Infrastructure Improvements and Renovation Projects .....	\$ 42,587,551	\$ 14,694,221	\$ 27,893,330
Maritime Fund Improvements .....	1,208,083	155,959	1,052,124
Parking Improvements .....	1,360,673	589,889	770,784
Eastons Beach Improvements .....	753,323	264,540	488,783
Water Pollution Control Projects .....	<u>5,019,817</u>	<u>1,455,957</u>	<u>3,563,860</u>
<b>TOTAL .....</b>	<b><u>\$ 50,929,447</u></b>	<b><u>\$ 17,160,566</u></b>	<b><u>\$ 33,768,881</u></b>

**E. Donor Restricted Endowments**

The City has received endowments for various purposes including beautification, elderly care and care for the poor. The amounts are reflected in net assets as restricted for endowments. Investment income is approved for expenditure by the City Council and is included in unreserved fund balance. Investment income including appreciation of \$1,337,739 is approved for disbursement by the City Council.

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Cash and Investments**

**Cash and cash equivalents:**

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. 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 deposits in excess of FDIC limits and any repurchase agreements are collateralized in amounts of at least 102% of the market value of the deposit. The 2a7 Investment pool is regulated and managed by the State of Rhode Island. At June 30, 2007, 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 FDIC.

As of June 30, 2007, the City's bank balance of \$16,811,478 was insured and collateralized as follows:

Insured .....	\$ 421,564
Collateralized:	
Collateral held by the pledging bank's trust department in the City's name .....	<u>16,389,914</u>
Total amount subject to custodial credit risk .....	<b><u>\$ 16,811,478</u></b>

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

**IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Cash and Investments (Continued)**

**Investments**

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

At June 30, 2007, the City's investments (including restricted investments) consisted of the following:

TYPE OF INVESTMENT	FAIR VALUE	INVESTMENT MATURITIES (IN YEARS)			
		N/A	LESS THAN 1	1-5	OVER 10
Equity Mutual Funds .....	\$ 61,875,008	\$61,875,008	\$	\$	\$
Common Stock .....	594	594			
Money Market Funds .....	4,359,016		4,359,016		
Certificates of Deposit .....	7,099,910			7,099,910	
Government Agency Securities.....	499,615		499,615		
Fixed Income Mutual Funds .....	4,420,611				4,420,611
Bond Mutual Funds .....	22,330,508			22,330,508	
<b>TOTAL .....</b>	<b>\$100,585,262</b>	<b>\$61,875,602</b>	<b>\$ 4,858,631</b>	<b>\$29,430,418</b>	<b>\$ 4,420,611</b>

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

Credit risk - The City Investment Policy requires that at least 90% of investments shall at any time be invested in U.S. Treasury or Agency securities, top grade (AAA, AA and A or those with bond insurance) municipal securities, certificates of deposit backed by collateral consisting of U.S. Treasuries or Agencies or covered by FDIC or FSLIC insurance, and repurchase contracts backed by collateral consisting of U.S. Treasuries or Agencies and delivered to the City or held by an independent third party. The policy also allows for investment in uncollateralized Certificates of Deposit of Rhode Island banks. The policy further restricts investments with a maturity of greater than one year to 10% of total investments or \$2,000,000, whichever is lower. The City currently has \$2,280,000 invested in Certificates of Deposit, which have maturity dates of greater than one year. The State of Rhode Island does not have any pertinent laws on investments that apply to municipalities.

Certificates of deposit - All insured by FDIC except for \$396,000. Thirteen certificates (\$976,000) are callable, have step rate increases and mature between 2007 and 2018; it is not assumed the certificates will be called, although it is likely. Weighted average maturity drops to .824 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.

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

**IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Cash and Investments (Continued)**

**Investments (Continued)**

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

AVERAGE RATING	MONEY MARKET FUNDS	GOVERNMENT AGENCY SECURITIES	FIXED INCOME MUTUAL FUND	BOND MUTUAL FUND
AAA.....	\$ 4,359,016	\$ 499,615	\$	\$
BB.....			4,420,611	22,330,508
TOTAL.....	\$ 4,359,016	\$ 499,615	\$ 4,420,611	\$22,330,508

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

	TOTAL	LESS INSURED AMOUNTS	AMOUNT SUBJECT TO CUSTODIAL CREDIT RISK
Common stock.....	\$ 594	\$ 594	\$ -

**Fiduciary and Permanent Funds Investments**

The City Council and Charter grant authority to a five-member Trust and Investment Commission (Commission) to manage fiduciary fund assets. The members are appointed by the City Council. The fiduciary funds include the police pension plan assets, the fire pension plan assets, the OPEB Trust assets, trust assets and scholarship assets. 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.

CITY OF NEWPORT, RHODE ISLAND  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)****A. Cash and Investments (Continued)****Investments (Continued)****Fiduciary and Permanent Funds Investments (Continued)**

The current asset allocation plan sets minimum, maximum and target percentages of assets. Equity Large Cap is targeted at 38% of total assets, Fixed Income is targeted at 35%, International Equity at 15%, Equity Mid Cap at 7%, and Equity 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 Mid Cap performance is benchmarked against the Russell Mid Cap Index. 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.

Fiduciary and Permanent Fund Investments included in the financial statements as of June 30, 2007 totaled \$88,104,396.

**Component Units****Cash and Cash Equivalents****Library**

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.

At June 30, 2007, \$268,881 of the Library's bank balances of \$468,881 was uninsured and uncollateralized.

**Redevelopment Agency of Newport**

The Redevelopment Agency of Newport's cash deposits are held and managed by the City of Newport on behalf of the Redevelopment Agency. The disclosure for cash and cash equivalents described above for the City includes all deposits held on behalf of the Redevelopment Agency.

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

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

Component Units (Continued)

Investments

Library

At June 30, 2007, the Library's investments consist of the following:

TYPE OF INVESTMENT	FAIR VALUE	INVESTMENT MATURITIES (IN YEARS)	
		N/A	LESS THAN 1
Money Market Funds .....	\$ 5,364	\$	\$ 5,364
Certificates of Deposit .....	19,968		19,968
Equity Mutual Funds .....	333,372	333,372	
TOTAL .....	\$ 358,704	\$ 333,372	\$ 25,332

Interest rate risk - 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 with respect to interest rate risk.

Credit risk - 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.

The Library's investments in fixed income mutual funds and bond mutual funds had average ratings as follows by Standard & Poor's.

AVERAGE RATING	MONEY MARKET MUTUAL FUND
AA .....	\$ 5,364

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

	TOTAL	LESS INSURED AMOUNTS	AMOUNT SUBJECT TO CUSTODIAL CREDIT RISK
Money market funds .....	\$ 5,364	\$ 5,364	\$ -
Certificates of deposit .....	19,968	19,968	-
TOTAL .....	\$ 25,332	\$ 25,332	\$ -

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

**IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B. Receivables**

At June 30, 2007, receivables, including the applicable allowances for doubtful accounts, are as follows:

**Governmental Activities**

	GENERAL	SCHOOL	CDBG FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
Taxes	\$ 3,097,521	\$	\$	\$	\$ 3,097,521
Intergovernmental		31,766	37,712	1,198,852	1,268,330
Interest	2,452,747		456,915	44,079	2,953,741
Other	942,720			499,119	1,441,839
Notes/loans			2,590,067	513,018	3,103,085
	6,492,988	31,766	3,084,694	2,255,068	11,864,516
Less allowance for doubtful accounts	(3,827,954)		(2,070,424)	( 81,257)	(5,979,635)
	2,665,034	31,766	1,014,270	2,173,811	5,884,881
Less current portion	1,503,079	31,766	225,909	1,702,501	3,463,255
Net long-term portion	\$ 1,161,955	\$ -	\$ 788,361	\$ 471,310	\$ 2,421,626

**Business-type Activities**

	WATER FUND	W.P.C. FUND	OTHER ENTERPRISE FUNDS	TOTAL
User fees	\$ 2,236,651	\$ 1,939,382	\$ 40,592	\$ 4,216,625
Less allowance for doubtful accounts	( 225,000)	( 150,000)		( 375,000)
	2,011,651	1,789,382	40,592	3,841,625
Other		12,210	13,863	26,073
Net receivables	\$ 2,011,651	\$ 1,801,592	\$ 54,455	\$ 3,867,698



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

**IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C. Capital Assets**

Capital asset activity for the year ended June 30, 2007 was as follows:

	BALANCE JULY 1, 2006	INCREASES	DECREASES	BALANCE JUNE 30, 2007
<b><u>Governmental Activities:</u></b>				
Capital assets not being depreciated:				
Land	\$ 2,348,013	\$ 1,651,592	\$	\$ 3,999,605
Construction in progress	820,625	221,747		1,042,372
Total capital assets not being depreciated	3,168,638	1,873,339	-	5,041,977
Capital assets being depreciated:				
Land improvements	6,714,066	131,741		6,845,807
Buildings and structures	32,517,740	448,374		32,966,114
Machinery and equipment	5,362,602	217,294		5,579,896
Vehicles	5,680,692	927,413		6,608,105
Infrastructure	33,755,995	2,456,695		36,212,690
Total capital assets being depreciated	84,031,095	4,181,517	-	88,212,612
Total capital assets	87,199,733	6,054,856	-	93,254,589
Less accumulated depreciation:				
Land improvements	799,869	156,138		956,007
Buildings and structures	8,092,037	960,043		9,052,080
Machinery and equipment	2,742,070	420,444		3,162,514
Vehicles	3,384,730	384,728		3,769,458
Infrastructure	8,487,291	398,983		8,886,274
Total accumulated depreciation	23,505,997	2,320,336	-	25,826,333
Total capital assets being depreciated, net	60,525,098	1,861,181	-	62,386,279
Governmental activities capital assets, net	\$ 63,693,736	\$ 3,734,520	\$	\$ 67,428,256

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

**IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C. Capital Assets (Continued)**

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

Governmental Activities:

General government	\$ 163,441
General education	510,344
Public safety	380,877
Public health	663,917
Planning, zoning and development	7,980
Human services	9,744
Recreation and parks	564,483
Capital assets held by the City's internal service fund are charged to various functions based on usage of the assets	<u>19,550</u>
	<u>\$ 2,320,336</u>

	BALANCE JULY 1, 2006	INCREASES	DECREASES	BALANCE JUNE 30, 2007
<b><u>Business-Type Activities</u></b>				
Capital assets not being depreciated:				
Land and land improvements	\$ 6,330,524	\$ 48,700	\$	\$ 6,379,224
Construction in progress	<u>946,043</u>	<u>2,467,932</u>	<u>(773,451)</u>	<u>2,640,524</u>
Total capital assets not being depreciated	<u>7,276,567</u>	<u>2,516,632</u>	<u>(773,451)</u>	<u>9,019,748</u>
Capital assets being depreciated:				
Buildings and systems	156,280,031	2,391,262		158,671,293
Machinery and equipment	4,807,406	723,224	(5,640)	5,524,990
Vehicles	<u>417,692</u>		<u>(44,089)</u>	<u>373,603</u>
Total capital assets being depreciated	<u>161,505,129</u>	<u>3,114,484</u>	<u>(49,729)</u>	<u>164,569,886</u>
Less accumulated depreciation:				
Buildings and systems	61,645,271	3,376,111		65,021,382
Machinery and equipment	4,225,028	126,183	(5,640)	4,345,571
Vehicles	<u>414,953</u>	<u>2,739</u>	<u>(44,089)</u>	<u>373,603</u>
Total accumulated depreciation	<u>66,285,252</u>	<u>3,505,033</u>	<u>(49,729)</u>	<u>69,740,556</u>
Total capital assets being depreciated, net	<u>95,219,877</u>	<u>(390,549)</u>	<u>-</u>	<u>94,829,330</u>
Net capital assets, business-type activities	<u>\$102,496,444</u>	<u>\$ 2,126,085</u>	<u>\$ (773,451)</u>	<u>\$103,849,078</u>

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

**IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C. Capital Assets (Continued)**

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

Water	\$ 1,263,229
Water pollution control	2,042,450
Easton's Beach	78,938
Parking	95,807
Maritime	<u>24,609</u>
	<u>\$ 3,505,033</u>

**Discretely Presented Component Units**

Activity for the Newport Public Library for the year ended June 30, 2007 was as follows:

	BALANCE JULY 1, 2006	INCREASES	DECREASES	BALANCE JUNE 30, 2007
Capital assets being depreciated:				
Buildings	\$ 7,726,646	\$ 8,620	\$	\$ 7,735,266
Improvements other than buildings	378,411			378,411
Furniture, fixtures and equipment	<u>832,320</u>	<u>22,226</u>		<u>854,546</u>
Total capital assets being depreciated	<u>8,937,377</u>	<u>30,846</u>	-	<u>8,968,223</u>
Less accumulated depreciation:				
Buildings	2,033,188	236,529		2,272,717
Improvements other than buildings	106,534	18,920		125,454
Furniture, fixtures and equipment	<u>582,196</u>	<u>77,802</u>		<u>659,998</u>
Total accumulated depreciation	<u>2,721,918</u>	<u>336,251</u>	-	<u>3,058,169</u>
Net capital assets, business-type activities	<u>\$ 6,215,459</u>	<u>\$ (305,405)</u>	<u>\$ -</u>	<u>\$ 5,910,054</u>

Capital asset activity for the Newport Redevelopment Agency for the year ended June 30, 2007 was as follows:

	BALANCE JULY 1, 2006	INCREASES	DECREASES	BALANCE JUNE 30, 2007
Capital assets being depreciated:				
Buildings	\$ 620,610	\$	\$	\$ 620,610
Less accumulated depreciation	<u>143,372</u>	<u>10,155</u>		<u>153,527</u>
Net capital assets, Redevelopment Age	<u>\$ 477,238</u>	<u>\$ (10,155)</u>	<u>\$ -</u>	<u>\$ 467,083</u>

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

**IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. Interfund Accounts**

**1. Interfund Receivables and Payables**

The composition of interfund balances as of June 30, 2007 is as follows:

	CORRESPONDING FUND	DUE FROM	DUE TO	DESCRIPTION
<b>Major Funds</b>				
General Fund				
	Water Fund	\$ 356,249	\$	Legal and admin costs
	Water Fund	1,384,114		Payroll and benefit costs
	Internal Service Fund		141,337	Maintenance charges
	Nonmajor Governmental Fund		122,500	Library parking lot
	<b>Total</b>	<u>1,740,363</u>	<u>263,837</u>	
Water Fund				
	Water Pollution Control		37,912	Sludge charges
	General Fund		1,740,363	Payroll and admin costs
	Internal service Fund		123,138	Maintenance charges
	<b>Total</b>	<u>-</u>	<u>1,901,413</u>	
Water Pollution Control Fund				
	Water Fund	<u>37,912</u>		Sludge charges
<b>Nonmajor Funds</b>				
UDAG Fund				
	General Fund	122,500		Library parking lot project
Internal Service Fund				
	General and Water Funds	<u>264,475</u>		Maintenance charges
<b>Total</b>		<u>\$2,165,250</u>	<u>\$2,165,250</u>	

All interfund balances resulted from the time lag between the date payments occurred between funds for short-term internal financing.

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

**IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. Interfund Accounts (Continued)**

**2. Advances**

ADVANCE FROM	CORRESPONDING FUND	AMOUNT	DESCRIPTION
<b>Major Fund</b>			
General Fund	Water Fund	\$ 500,000	Loan repayment
<b>Nonmajor Funds</b>			
Property Acquisition	Water Pollution Control	500,000	Loan for CSO Improvements
Urban Development	Easton's Beach Fund	<u>237,448</u>	Loans for beach repairs/activities
Total advances to other funds		<u>\$ 1,237,448</u>	

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 nonmajor proprietary fund. The note is a 15-year note bearing interest at 4.0%. The balance due at June 30, 2007 is \$190,546. The UDAG fund loaned the City of Newport \$51,876 to remove seaweed from Easton's Beach. The note is a 15-year note bearing interest at 1.0%. The balance due at June 30, 2007 is \$46,902.

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

Year ending June 30,	Easton's Beach Renovations		Easton's Beach Seaweed		Combined Principal
	Principal	Interest	Principal	Interest	
2008	\$ 82,584	\$ 6,394	\$ 3,595	\$ 254	\$ 86,179
2009	85,938	3,040	3,414	435	89,352
2010	22,024	220	3,448	401	25,472
2011	-	-	3,483	366	3,483
2012	-	-	3,517	331	3,517
2013-2017	-	-	18,126	1,119	18,126
2018-2020	-	-	11,319	228	11,319
	<u>\$ 190,546</u>	<u>\$ 9,654</u>	<u>\$ 46,902</u>	<u>\$ 3,134</u>	<u>\$ 237,448</u>

The Property Acquisition Fund loaned the Water Pollution Control Fund \$500,000 for combined sewer overflow (CSO) improvements. The note does not accrue interest and there is no repayment schedule at this time.

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

**IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. Interfund Accounts (Continued)**

**3. Transfers**

A summary of interfund transfers for the year ended June 30, 2007 is as follows:

<u>Transfers To:</u>		<u>Transfers From:</u>
<b>Governmental Funds:</b>		
School Unrestricted Fund	\$ 23,317,893	General Fund
Capital Projects Fund	3,774,760	General Fund
School Restricted Fund	600,000	General Fund
School Restricted Fund	360,489	School Unrestricted Fund
Debt Service Fund	133,110	General Fund
Capital Projects Fund	124,500	Maritime Fund
<b>Business-type Funds:</b>		
Easton's Beach Fund	<u>300,000</u>	General Fund
<b>TOTAL</b>	<b><u>\$ 28,610,752</u></b>	

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

**E. Changes in Long-Term Obligations**

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

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds are generally issued as 20-year serial bonds. Revenue bonds are obligations that pledge the revenues derived from the use of services in that particular fund. These are issued for business-type activities and are generally collateralized by the asset under construction or renovation. The bonds are usually issued as 20-year bonds. The QZAB bond is a 12-year bond, which is supported by annual sinking fund payments to a third-party escrow agent. Changes in bonded debt outstanding during fiscal year 2007 are summarized on the next page as follows:

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

**IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Changes in Long-Term Obligations (Continued)**

	Date Issued	Maturity Date	Interest Rate (%)	Outstanding July 1, 2006	Additions	Retired	Outstanding June 30, 2007	Interest Expense
<b>Governmental Activities:</b>								
Thompson Middle School/ Library	2001	2021	3.50 to 5.00	\$ 16,325,000	\$	\$ 700,000	\$ 15,625,000	\$ 730,213
Thompson School QZAB	2001	2013	N/A	1,863,536			1,863,536	
Series A Refunding Bonds	2004	2011	2.00 to 4.00	718,317		211,566	506,751	22,819
Series B Refunding Bonds	2004	2012	2.00 to 3.50	1,714,430		280,904	1,433,526	46,731
Total Governmental Activities				\$ 20,621,283	\$ -	\$ 1,192,470	\$ 19,428,813	\$ 799,763
<b>Business-type Activities:</b>								
Sewer Improvements - SRF	2002	2023	1.90	\$ 11,539,048	\$	\$ 519,007	11,020,041	\$ 205,991
Series A Refunding Bonds	2004	2011	2.00 to 4.00	1,637,733		466,282	1,171,451	49,695
Total Water Pollution Control Fund				13,176,781	-	985,289	12,191,492	255,686
Series A Refunding Bonds	2004	2011	2.00 to 4.00	1,208,948		344,203	864,745	36,684
Series B Refunding Bonds	2004	2012	2.00 to 3.50	3,900,570		625,202	3,275,368	104,365
Water Improvements - SRF	2007	2027	3.28 - 3.72		1,231,211		1,231,211	13,767
Total Water Fund				5,109,518	1,231,211	969,405	5,371,324	154,816
Total Business-type Activities				\$ 18,286,299	\$ 1,231,211	\$ 1,954,694	\$ 17,562,816	\$ 410,502

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

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

**IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Changes in Long-Term Obligations (Continued)**

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

The City has \$3,000,000 of State Revolving Fund (SRF) revenue bonds issued in March 2007 available to fund water improvements. Amounts of \$1,231,211 have been drawn down as of June 30, 2007. The amounts drawn down include \$212,633 of debt service reserve, which is held in trust by Wells Fargo Bank. The stated interest rate ranges from 3.71% to 4.30% plus a .5% fee; however, due to interest subsidies, the City's effective rate is 2.78% to 3.22% plus the .5% fee.

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 \$676,668, which amount is reported in the debt service fund, a nonmajor governmental fund.

Bonded indebtedness on June 30, 2007 matures over fiscal years through 2028 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>
2008	\$ 1,187,425	\$ 790,126	\$ 1,819,464	\$ 422,581
2009	1,224,266	746,188	1,900,056	410,717
2010	1,237,114	700,635	1,884,207	361,199
2011	1,145,489	652,467	1,358,417	310,718
2012	1,141,211	607,491	1,274,885	275,218
2013-2017	7,181,468	2,303,364	4,386,964	1,025,175
2018-2022	6,311,840	814,344	4,082,419	551,417
2023-2028	-	-	856,404	138,078
	<u>\$ 19,428,813</u>	<u>\$ 6,614,615</u>	<u>\$ 17,562,816</u>	<u>\$ 3,495,103</u>

Authorized and unissued debt at June 30, 2007 is as follows:

The City has contracted with Rhode Island Clean Water Finance Agency in September 2007 for short-term revenue notes of \$585,000 for water improvements. The notes will be paid with proceeds of SRF bonds of \$2,800,000 expected to be issued in March 2008. The SRF bonds are authorized by the City Council, the Public Utilities Commission and the Rhode Island Clean Water Finance Agency.



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

**IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**F. Notes Payable**

**1. Business-type Activities**

In October 2005, the City Water Pollution Control Fund borrowed \$210,000 from Earthtech to provide fire alarm system upgrades required by the Rhode Island State Fire Code. The note is to be repaid over 5 years at an interest rate of 8.0%. The balance of the note at June 30, 2007 is \$149,070.

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 40,640	\$ 10,457
2009	44,013	7,084
2010	47,666	3,431
2011	16,751	280
	<u>\$ 149,070</u>	<u>\$ 21,252</u>

**Component Units**

**2. Library**

In 2001, the Library Association received a \$175,000 interest-free loan from the city of Newport for parking lot renovations. The loan is payable in annual installments of \$8,750 through 2011. The following is a summary of changes in long term debt of the Library Association.

	<u>BALANCE</u>			<u>BALANCE</u>	<u>DUE WITHIN</u>
	<u>JULY 1, 2006</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>JUNE 30, 2007</u>	<u>ONE YEAR</u>
Notes payable	\$ 131,250	\$	\$ 8,750	\$ 122,500	\$ 8,750
Compensated Absences	186,103	34,364	4,759	215,708	
	<u>\$ 317,353</u>	<u>\$ 34,364</u>	<u>\$ 13,509</u>	<u>\$ 338,208</u>	<u>\$ 8,750</u>

**3. Redevelopment Agency**

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, 2006, \$200,000 was payable. The note is required to be paid only upon the sale of the building.

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

**IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**G. Changes in Long-Term Liabilities:**

Long-term liability activity for the year ended June 30, 2007 was as follows:

	BALANCE JULY 1, 2006	ADDITIONS	REDUCTIONS	BALANCE JUNE 30, 2007	DUE WITHIN ONE YEAR
<b>Governmental activities:</b>					
Bonds payable	\$ 20,621,283	\$	\$ 1,192,470	\$ 19,428,813	\$ 1,187,425
Claims and judgments	1,004,374	501,826		1,506,200	221,500
Compensated absences	7,317,629	1,746,607	1,618,575	7,445,661	610,978
Net pension obligation	5,091,759		114,966	4,976,793	
Net OPEB obligation	4,235,568	2,202,426		6,437,994	
<b>TOTAL</b>	<b>\$ 38,270,613</b>	<b>\$ 4,450,859</b>	<b>\$ 2,926,011</b>	<b>\$ 39,795,461</b>	<b>\$ 2,019,903</b>
<b>Business-type activities:</b>					
Bonds payable	\$ 18,286,299	\$ 1,231,211	\$ 1,954,694	\$ 17,562,816	\$ 1,818,464
Notes payable	183,581		34,511	149,070	40,640
Net OPEB obligation	231,372	86,998		318,370	
<b>TOTAL</b>	<b>\$ 18,701,252</b>	<b>\$ 1,318,209</b>	<b>\$ 1,989,205</b>	<b>\$ 18,030,256</b>	<b>\$ 1,859,104</b>

**H. Operating Leases**

The City leases certain office equipment under multi-year agreements that are subject to annual appropriation. Additionally, the Water Fund assesses the General Fund an annual lease charge of \$396,900 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, 2007, the General Fund incurred expenditures of \$396,900 associated with these agreements. The minimum annual lease obligations of the General Fund related to these agreements are \$396,900 until such time as the Rhode Island Public Utilities Commission approves a rate change.

**I. Statutory Debt Limitations**

Rhode Island General Laws cap the amount of each municipality's general obligation bonds that may be outstanding to 3% of its assessed property values. Exceptions apply to bonds financed from non-tax revenues and special exemptions are granted for other purposes as well. The assessed value of Newport properties at December 31, 2005 was \$6,164,832,536, limiting the amount of non-excepted general obligation bonds outstanding to \$184,944,976. Bonds of \$19,428,813 outstanding at June 30, 2007 are general obligations and subject to the statutory limitation.

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

**V. OTHER INFORMATION**

**A. Risk Management**

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

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

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

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

**Fully Self-insured:**

Property	Building Value	Contents/Other Value	Total Value
America's Cup Parking Garage	\$ 3,155,590	\$	\$ 3,155,590
Cardine's Field Restrooms	180,270		180,270
Cardine's Field Storage Building	15,083		15,083
Easton's Beach Storage Building	76,926		76,926
Eisenhower Park Structures		53,800	53,800
King's Park Restrooms	103,396		103,396
Long Wharf Harbormaster Shed	32,301	4,051	36,352
Easton's Beach Rotunda/Carousel	2,498,764	461,426	2,960,190
Gateway Center	2,985,526		2,985,526
Convention Center Canopies	897,631		897,631
	\$ 9,945,487	\$ 519,277	\$ 10,464,764

Remaining properties are fully or partially insured through the National Flood Insurance Program or through the Trust. Deductibles for the National Flood Insurance Program are either \$2,000 or \$50,000. The exposure of partially insured properties is \$58,564,895 less \$10,000,000 per member annual aggregate. Most of the exposure is for the City's wastewater treatment plant (\$49,228,635). The City has not yet established reserves and believes that the risk of flood damage to all of the self-insured or partially insured properties at any one time is minimal.

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

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**V. OTHER INFORMATION (CONTINUED)**

**B. Pension Plans**

All eligible employees of the City are covered by one of four pension plans, the Employees' Retirement System of the State of Rhode Island (Teachers' Plan), the Municipal Employees' Retirement System of the State of Rhode Island (Municipal Plan), the Firemen's Pension Plan and the Policemen's Pension Plan. The Teachers' Plan covers all School Department personnel certified by the Rhode Island Department of Education who are or have been engaged in teaching as a principal occupation. The Municipal Plan covers all employees not covered under the Teachers' Plan. However, fire employees and police officers have elected to participate in a single-employer pension plan administered by the City. The Firemen's Pension Plan and Policemen's Pension Plan cover all employees covered under a collective bargaining agreement either with the International Association of Firefighters, Local 1080 or the Fraternal Order of Police, Lodge Number 8. Total covered payroll under all plans during 2007 was \$37,426,999. Total City payroll was \$46,714,505 for the same period.

**1. Teachers' Plan**

**a. 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 2007 was \$17,139,214, including \$1,215,380 of federally reimbursed payroll.

**b. Plan Provisions**

Participants' rights to pension benefits become fully vested after 10 years of service. Participants vested by July 1, 2005, are eligible to retire after 10 years of service if they have attained age 60, or after 28 years of service regardless of age. Participants vested after July 1, 2005, are eligible to retire after 10 years of service if they have attained age 65, or at age 59 with 29 years of service. Benefits for those vested by July 1, 2005, 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 10 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. Benefits for those vested after July 1, 2005, are equal to 1.6% of final average salary for each of the first 10 years of service, 1.8% for each of the next ten years, 2% for each of the next 5 years and 2.25% of the next 5 years and 2.5% for years 31-37, resulting in a maximum benefit of 75% of the 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, if vested before July 1, 2005. For those retirees vested after July 1, 2005, a cost of living increase, which is the lesser of 3%, or the Consumer Price Index for all Urban Consumers as of September 30 of the prior calendar year compounded annually, will be applied beginning the month after the third anniversary of the retirement date. 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.

V. OTHER INFORMATION (CONTINUED)

B. Pension Plans (Continued)

1. Teachers' Plan (Continued)

c. 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 2007, actuarial required contributions were 19.64% of participant salary (also 19.64% for federally reimbursed salary). This resulted in a contribution rate paid by the State on behalf of City teachers of 8.02%. The City's contribution rate was 11.62%. The City's required and actual contributions to the Teachers' Plan for fiscal years 2007, 2006 and 2005 were \$1,544,546, \$1,566,716 and \$1,570,475, respectively.

2. Municipal Plan

a. 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 2007, payroll for employees covered under the plan totaled \$14,013,384.

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 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, 2007, 293 active employees were members of the Municipal Plan.

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

V. OTHER INFORMATION (CONTINUED)

B. Pension Plans (Continued)

2. Municipal Plan (Continued)

b. 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.

c. 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.

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Annual Pension Costs	\$ 1,972,222	\$ 1,629,038	\$ 1,310,576
Actual Contributions:			
Employee	765,347	712,884	576,210
Employer	1,206,875	916,154	734,366
Percent of annual pension costs contributed	100%	100%	100%

d. 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 BASIC FINANCIAL STATEMENTS (CONTINUED)

**V. OTHER INFORMATION (CONTINUED)**

**B. Pension Plans (Continued)**

**2. 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

**3. Firemen's Pension Plan and Policemen's Pension Plan**

**a. Plan Description**

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 2007, covered payroll under the plans was \$4,960,132 and \$5,047,477 for the fire and police plans, respectively. Each plan is reported as a pension trust fund in the City's fiduciary fund net assets. A separate report on these pension plans is not available; they are audited as part of the City's audit.

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 pension plan entitles retirees to benefits equal to 65% of salary for those who retire at 25 years. The percentage increases by 1% per year until the maximum of 70% of salary is attained. 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.

**b. Summary of Significant Accounting Policies and Plan Asset Matters**

**1. Basis of Accounting**

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

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

V. **OTHER INFORMATION (CONTINUED)**

B. **Pension Plans (Continued)**

3. **Firemen's Pension Plan and Policemen's Pension Plan (Continued)**

b. **Summary of Significant Accounting Policies and Plan Asset Matters (Continued)**

2. **Valuation of Investments**

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

c. **Classes of Employees Covered**

As of June 30, 2007, membership in each plan was as follows:

	<b><u>Fire Plan</u></b>	<b><u>Police Plan</u></b>
Active employees hired before July 1, 1984	16	9
Active employees hired on or after July 1, 1984	<u>80</u>	<u>77</u>
Total active employees	96	86
Inactive employees with vested rights	2	-
Pensioners and beneficiaries	<u>105</u>	<u>114</u>
Total plan members	<u>201</u>	<u>200</u>



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

V. OTHER INFORMATION (CONTINUED)

B. Pension Plans (Continued)

3. Firemen's Pension Plan and Policemen's Pension Plan (Continued)

Financial Information:

STATEMENT OF FIDUCIARY NET ASSETS  
 JUNE 30, 2007

	<u>POLICE PENSION FUND</u>	<u>FIRE PENSION FUND</u>
<b>ASSETS</b>		
Cash and investments	\$ 44,239,625	\$ 31,402,402
<b>LIABILITIES</b>		
Cash overdraft and accounts payable	<u>1,016,224</u>	<u>13,527</u>
<b>NET ASSETS</b>		
Net assets held in trust for pension benefits	<u>\$ 43,223,401</u>	<u>\$ 31,389,145</u>

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2007

	<u>POLICE PENSION FUND</u>	<u>FIRE PENSION FUND</u>
<b>ADDITIONS</b>		
Contributions and other income	\$ 2,847,856	\$ 3,947,453
Investment income, net of investment expenses	<u>6,225,550</u>	<u>4,409,121</u>
<b>TOTAL ADDITIONS</b>	<u>9,073,406</u>	<u>8,356,574</u>
<b>DEDUCTIONS</b>		
Benefits	3,480,540	3,712,236
Administration	<u>86,279</u>	<u>59,193</u>
<b>TOTAL DEDUCTIONS</b>	<u>3,566,819</u>	<u>3,771,429</u>
<b>CHANGES IN NET ASSETS</b>	5,506,587	4,585,145
<b>NET ASSETS - JULY 1, 2006</b>	<u>37,716,814</u>	<u>26,804,000</u>
<b>NET ASSETS - JUNE 30, 2007</b>	<u>\$ 43,223,401</u>	<u>\$ 31,389,145</u>

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

V. **OTHER INFORMATION (CONTINUED)**

B. **Pension Plans (Continued)**

3. **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, and 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 closed 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, 2007. The following table summarizes annual pension costs for both the Police Plan and Fire Plan:

	<u>Fire Plan</u>	<u>Police Plan</u>
Annual required contribution (ARC)	\$ 3,352,662	\$ 2,385,996
Amount representing interest on NPO	420,070	(462,806)
Adjustment to ARC	<u>(344,464)</u>	<u>361,231</u>
Total annual pension costs	<u>\$ 3,428,268</u>	<u>\$ 2,284,421</u>

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

V. **OTHER INFORMATION (CONTINUED)**

B. **Pension Plans (Continued)**

3. **Firemen's Pension Plan and Policemen's Pension Plan (Continued)**

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

	<b>Fire Plan</b>		
	<b>2007</b>	<b>2006</b>	<b>2005</b>
Annual pension costs	\$ 3,428,268	\$ 3,624,432	\$ 4,223,612
Actual contributions	3,543,234	3,543,235	5,118,543
Increase (decrease) in NPO	(114,966)	81,197	(894,931)
Net pension obligation, beginning	5,091,759	5,010,562	5,905,493
Net pension obligation, ending	<u>\$ 4,976,793</u>	<u>\$ 5,091,759</u>	<u>\$ 5,010,562</u>
% of annual pension costs contributed	<u>103.4%</u>	<u>97.8%</u>	<u>121.2%</u>
	<b>Police Plan</b>		
	<b>2007</b>	<b>2006</b>	<b>2005</b>
Annual pension costs	\$ 2,284,421	\$ 2,333,367	\$ 3,241,737
Actual contributions	2,440,649	2,440,649	3,889,486
Increase in NPA	(156,228)	(107,282)	(647,749)
Net pension asset, beginning	(5,609,772)	(5,502,490)	(4,854,741)
Net pension asset, ending	<u>\$ (5,766,000)</u>	<u>\$ (5,609,772)</u>	<u>\$ (5,502,490)</u>
% of annual pension costs contributed	<u>106.8%</u>	<u>104.6%</u>	<u>120.0%</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 BASIC FINANCIAL STATEMENTS (CONTINUED)

V. **OTHER INFORMATION (CONTINUED)**

B. **Pension Plans (Continued)**

3. **Firemen's Pension Plan and Policemen's Pension Plan (Continued)**

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

	<u>Fire</u>	<u>Police</u>
Valuation Date	July 1, 2006	July 1, 2006
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Dollar Closed	Level Dollar Closed
Remaining Amortization Period	24 Years	24 Years
Asset appreciation	8.25% annually	8.25% annually
Salary increases	3.25% annually	3.50% annually
Cost of living increase	3.50%	4.00%
Mortality:		
Healthy Members	RP-2000 Combined Mortality Table	RP-2000 Combined Mortality Table
Disabled Members	1985 Wyatt Pension Disability Table	1985 Wyatt Pension Disability Table

Concentrations - As of June 30, 2007, and during the year then ended, no pension assets were invested in any organization which collectively held 5% or more of the total assets of either plan.

C. **Other Post-Employment Benefits (OPEB)**

1. **Plan Description**

The City of Newport offers family or individual health insurance to retirees and life insurance to police retirees. Employees vest for OPEB when they vest for pension benefits. Retired police employees receive \$25,000 in retiree life insurance. Employees can choose individual or family coverage when active, which is paid by the City. Teachers, non-union employees, AFSCME, fire and police employees contribute towards the cost of their health insurance, while active and after retirement. If an employee retires prior to age 65, the employee remains in their pre-retirement medical plan from the date of their retirement until age 65. At age 65, non-teachers enter Plan65 unless they are grandfathered in under another medical plan or are Medicare ineligible. AFSCME employees who retire on or after June 1, 2009 will not be entitled to Plan65. Medicare ineligible participants remain in the medical plan they chose as active employees. Teachers who are in the "Extended Benefit Plan" contribute 5% of their salary and remain in any plan of their choosing at age 65, whether eligible for Medicare or not. The "Extended Benefit Plan" has been closed to new participants and, under the terms of a new contract, teachers can opt-out of the "Extended Benefit Plan". New teachers and teachers who opt-out of the "Extended Benefits Plan" do not receive any City funded benefits once they reach age 65.

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

V. OTHER INFORMATION (CONTINUED)

C. Other Post-Employment Benefits (OPEB) (Continued)

2. Summary of Significant Accounting Policies and Plan Asset Matters

a. Basis of Accounting

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

b. Valuation of Investments

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

c. Classes of Employees Covered

As of July 1, 2006 (date of the last actuarial valuation) membership data was as follows:

Active employees	713
Retirees	<u>470</u>
Total plan members	<u>1183</u>

3. Contributions

The City established an Irrevocable Trust Agreement (OPEB Trust) effective June 30, 2006, and has started to pre-fund OPEB liabilities. 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. The City pays for a \$25,000 life insurance policy for retired police with at least 10 years of service, and for a temporary (until age 65) \$50,000 life insurance policy for retired teachers. Members of each group may elect dental and life insurance coverage at their expense.

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

V. OTHER INFORMATION (CONTINUED)

C. Other Post-Employment Benefits (OPEB) (Continued)

Summary Financial Information

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

STATEMENT OF FIDUCIARY NET ASSETS  
 OTHER POST-EMPLOYMENT BENEFITS TRUST FUND  
 JUNE 30, 2007

	<u>JUNE 30, 2007</u>
<b>ASSETS</b>	
Cash and investments	\$ 2,184,740
<b>LIABILITIES</b>	
Cash overdraft and accounts payable	<u>2,906</u>
<b>NET ASSETS</b>	
Net assets held in trust for pension benefits	<u>\$ 2,181,834</u>

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 OTHER POST-EMPLOYMENT BENEFITS TRUST FUND  
 FOR THE YEAR ENDED JUNE 30, 2007

	<u>FOR THE YEAR ENDED JUNE 30, 2007</u>
<b>ADDITIONS</b>	
Contributions and other income	\$ 6,993,126
Investment income, net of investment expenses	<u>191,364</u>
<b>TOTAL ADDITIONS</b>	<u>7,184,490</u>
<b>DEDUCTIONS</b>	
Benefits	<u>5,494,341</u>
<b>CHANGES IN NET ASSETS</b>	1,690,149
<b>NET ASSETS - JULY 1, 2006</b>	<u>491,685</u>
<b>NET ASSETS - JUNE 30, 2007</b>	<u>\$ 2,181,834</u>

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

**V. OTHER INFORMATION (CONTINUED)**

**C. Other Post-Employment Benefits (OPEB) (Continued)**

**4. Annual OPEB Cost and Net OPEB Obligation**

The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation.

Annual required contribution	\$ 9,282,550
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	9,282,550
Contributions made	<u>6,993,126</u>
Increase in net OPEB obligation	2,289,424
Net OPEB obligation - July 1, 2006	<u>4,466,938</u>
Net OPEB obligation - June 30, 2007	<u>\$ 6,756,362</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2006 and 2007 is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/06	\$ 9,706,604	53.9%	\$ 4,235,568
6/30/07	\$ 9,282,550	75.0%	\$ 6,756,362

**5. Funded Status and Funding Progress**

The actuarial accrued liability for benefits as of July 1, 2006, is \$132 million for City, School and Newport Public Library employees. There were assets of \$1,412,713 as of that date, thus, the funded ratio is 1.07%. The covered payroll (annual payroll of active employees covered by the plan) at July 1, 2006 was \$33,519,292. The ratio of the unfunded actuarially accrued liabilities (UAAL) to covered payroll is 395%.

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

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

V. **OTHER INFORMATION (CONTINUED)**

C. **Other Post-Employment Benefits (OPEB) (Continued)**

6. **Actuarial Methods and Assumptions**

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The projected unit credit cost method was used in the July 1, 2006 actuarial valuation. Actuarial assumptions included a 7.5% investment rate of return (net of administrative expenses). Only assets that have been contributed to the OPEB Trust are considered available for liabilities for purposes of the valuation. The City does use other assets to pay the liabilities on a pay-as-you-go basis at the present time. The actuarial assumptions for healthcare cost trend is growth of 9% for 2007 and declining by 1% per year until 5% is reached. The 5% growth is used on a go-forward basis. The UAAL will be amortized over a closed thirty year period.

D. **Contingencies**

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

E. **On-Behalf Payments**

The amount of the State Teachers' Retirement Plan contribution recognized in the School Unrestricted Fund intergovernmental revenues and education expenditures for contributions made by the State on-behalf of the City's teachers was \$1,405,416.

D. **Restatements**

**Fund Financial Statements**

The beginning net assets for the school unrestricted and the school restricted fund were restated because certain restricted state grant programs had been recorded in the unrestricted fund in prior years. The net assets associated with those grants in the amounts of \$74,036 were transferred to the school restricted fund.

**Business-type Funds**

A prior period adjustment of \$187,621 was made to both the proprietary fund statements and the government-wide statements. The adjustment was made in the Water Pollution Control Fund to correct a prior year overstatement of revenues.



**CITY OF NEWPORT, RHODE ISLAND**

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

JUNE 30, 2007

Municipal Employees Retirement System						
Actuarial Valuation Date July 1	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets as % of AAL	Unfunded AAL	Annual Covered Payroll	Unfunded (Excess) AAL as % of Covered Payroll
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	10,642,607	95.1%
2005	37,380,423	50,823,220	73.5%	13,442,797	10,671,442	126.0%

Fire Pension Plan						
Actuarial Valuation Date July 1	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets as % of AAL	Unfunded AAL	Annual Covered Payroll	Unfunded AAL as % of Covered Payroll
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%
2005	24,426,065	66,806,255	36.6%	42,380,190	5,081,136	834.1%
2006	27,413,402	68,671,042	39.9%	41,257,640	4,827,849	854.6%
2007	31,389,145	72,036,981	43.6%	40,647,836	4,960,132	819.5%

Police Pension Plan						
Actuarial Valuation Date July 1	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets as % of AAL	Unfunded AAL	Annual Covered Payroll	Unfunded AAL as % of Covered Payroll
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%
2005	36,209,737	61,626,704	58.8%	25,416,967	4,890,635	519.7%
2006	39,118,117	62,635,048	62.5%	23,516,931	4,757,611	494.3%
2007	43,223,401	70,038,232	61.7%	26,814,831	5,047,477	531.3%

OPEB Trust Plan						
Actuarial Valuation Date July 1	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets as % of AAL	Unfunded AAL	Annual Covered Payroll	Unfunded AAL as % of Covered Payroll
2005	\$ 491,685	\$ 123,721,034	0.4%	\$ 123,229,349	\$ 44,500,000	276.9%
2006	491,685	132,314,905	0.4%	131,823,220	33,591,292	392.4%

CITY OF NEWPORT, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS

JUNE 30, 2007

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Fire Pension Plan

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<u>Actuarial Valuation Date July 1,</u>	<u>Annual Required Contribution (ARC)</u>	<u>Actual Contribution</u>	<u>% of ARC Contributed</u>
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%
2005	4,118,543	5,118,543	124.3%
2006	3,543,234	3,543,235	100.0%
2007	3,352,662	3,543,234	105.7%

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Police Pension Plan

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<u>Actuarial Valuation Date July 1,</u>	<u>Annual Required Contribution (ARC)</u>	<u>Actual Contribution</u>	<u>% of ARC Contributed</u>
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%
2005	3,389,486	3,889,486	114.8%
2006	2,440,649	2,440,649	100.0%
2007	2,385,996	2,440,649	102.3%

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Other Post-Employment Benefits Plan

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<u>Actuarial Valuation Date July 1,</u>	<u>Annual Required Contribution (ARC)</u>	<u>Actual Contribution</u>	<u>% of ARC Contributed</u>
2005	\$ 9,706,604	\$ 5,239,666	54.0%
2006	9,282,550	6,993,126	75.3%

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# **Supplemental Schedules**

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## **General Fund**

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



**CITY OF NEWPORT, RHODE ISLAND**

**SCHEDULE 1**

(1 of 2)

GENERAL FUND  
SCHEDULE OF REVENUES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2007

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET
<b>PROPERTY TAXES:</b>				
Current taxes - Real Estate	\$ 52,882,292	\$ 52,882,292	\$ 51,198,158	\$ (1,684,134)
Current taxes - MV	2,100,000	2,100,000	1,507,325	(592,675)
Delinquent - Real Estate	1,082,000	1,082,000	982,843	(99,157)
Delinquent taxes - MV	150,000	150,000	158,251	8,251
Hotel occupancy tax	1,500,000	1,500,000	1,694,623	194,623
Meals and beverage tax	1,449,000	1,449,000	1,616,630	167,630
Penalties	350,000	350,000	337,042	(12,958)
Tax lien fees	25,000	25,000	24,785	(215)
<b>TOTAL PROPERTY TAXES</b>	<b>59,538,292</b>	<b>59,538,292</b>	<b>57,519,657</b>	<b>(2,018,635)</b>
<b>INTERGOVERNMENTAL REVENUES:</b>				
Telephone company tax	268,000	268,000	262,039	(5,961)
Police & fire education incentive	45,500	45,500	25,194	(20,306)
PILOT	659,506	659,506	658,326	(1,180)
General aid	1,849,295	1,849,295	1,846,695	(2,600)
MV tax phase out	1,984,389	1,984,389	1,875,054	(109,335)
Tobacco/Underage Drinking Grant	1,800	1,800	8,283	6,483
Festival Fields Grant	7,500	7,500		(7,500)
Misc State Grants			7,023	7,023
Governor's Highway Safety Grant	1,200	1,200	8,797	7,597
School housing aid	650,000	650,000	708,200	58,200
State aid - library construction	199,425	199,425	249,253	49,828
<b>TOTAL INTERGOVERNMENTAL REVENUES</b>	<b>5,666,615</b>	<b>5,666,615</b>	<b>5,648,864</b>	<b>(17,751)</b>
<b>CHARGES FOR SERVICES:</b>				
Computer processing fees	253,486	253,486	348,483	94,997
Police special detail	1,035,000	1,035,000	1,389,712	354,712
Planning Services			685	685
Document prep and handling	75,000	75,000	72,507	(2,493)
Management services	487,405	487,405	630,210	142,805
Community development services	57,680	57,680	57,680	-
Fire alarm assessments	70,000	70,000	96,300	26,300
Recycling bins	2,500	2,500	4,068	1,568
Recording fees	475,000	475,000	392,928	(82,072)
Conveyance tax	830,000	830,000	679,364	(150,636)
Recreation activity fees	80,000	80,000	82,986	2,986
Ballfield rentals	15,000	15,000	16,140	1,140
Parking tickets/rescue fees	1,750,000	1,750,000	1,493,883	(256,117)
Probate fees	52,000	52,000	54,446	2,446
Entertainment	25,000	25,000	19,090	(5,910)
General business	70,000	70,000	62,294	(7,706)
Hotel registration fees	7,500	7,500	7,050	(450)
Liquor	192,000	192,000	185,485	(6,515)
Mech amusement	15,000	15,000	16,900	1,900
Sunday selling	36,000	36,000	27,005	(8,995)
Taxi	1,000	1,000	1,130	130
Victualing	41,500	41,500	51,050	9,550
Animal	5,500	5,500	4,911	(589)
Marriage	5,500	5,500	4,904	(596)
Vendor rights	10,000	10,000	6,828	(3,172)
Building	500,000	500,000	756,649	256,649
Electrical	120,000	120,000	136,682	16,682
Mechanical	200,000	200,000	119,992	(80,008)
Plumbing	40,000	40,000	47,275	7,275
GMH service fees	378,000	378,000	359,000	(19,000)
Hope IV Project service fees	117,000	117,000	109,177	(7,823)

(Continued)

CITY OF NEWPORT, RHODE ISLAND  
GENERAL FUND  
SCHEDULE OF REVENUES - BUDGET AND ACTUAL (CONTINUED)

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET
CHARGES FOR SERVICES: (Continued)				
Road opening	\$ 40,000	\$ 40,000	\$ 22,922	\$ (17,078)
Board of Appeals	20,000	20,000	19,326	(674)
HDC application fee	10,000	10,000	15,600	5,600
Municipal court cost assessment	200,000	200,000	146,586	(53,414)
Payphone Commissions			1,479	1,479
Fire - sundry	20,000	20,000	10,128	(9,872)
Fire Inspection Fees	60,000	60,000	86,683	26,683
Police - sundry	15,000	15,000	10,953	(4,047)
Rental of property	100,000	100,000	109,131	9,131
Jai Alai and Slot Machines	800,000	800,000	765,501	(34,499)
Other miscellaneous	75,000	75,000	169,626	94,626
<b>TOTAL CHARGES FOR SERVICES</b>	<b>8,287,071</b>	<b>8,287,071</b>	<b>8,592,749</b>	<b>305,678</b>
USE OF MONEY AND PROPERTY:				
Investment interest	700,000	700,000	914,384	214,384
<b>INCOME FROM INVESTMENTS</b>	<b>700,000</b>	<b>700,000</b>	<b>914,384</b>	<b>214,384</b>
OTHER REVENUES:				
Public donations	131,000	131,000	148,023	17,023
Trust fund revenue	-	-	542,010	542,010
Sale of surplus equipment	35,000	35,000	35,026	26
<b>TOTAL OTHER REVENUES</b>	<b>166,000</b>	<b>166,000</b>	<b>725,059</b>	<b>559,059</b>
<b>TOTAL REVENUES</b>	<b>74,357,978</b>	<b>74,357,978</b>	<b>73,400,713</b>	<b>(957,265)</b>
OTHER FINANCING SOURCES:				
Appropriation of fund balance		1,318,199		(1,318,199)
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<b>\$ 74,357,978</b>	<b>\$ 75,676,177</b>	<b>\$ 73,400,713</b>	<b>\$ (2,275,464)</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, 2007

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET
<b>EXPENDITURES:</b>				
<b>General Government:</b>				
Mayor and City Council	\$ 149,931	\$ 165,966	\$ 101,281	\$ 64,685
City Manager	789,402	789,402	701,671	87,731
City Solicitor	390,444	390,444	368,678	21,766
Canvassing	201,911	206,669	193,928	12,741
Finance	2,350,730	2,454,558	2,274,009	180,549
City Clerk	538,658	727,023	529,251	197,772
Administrative Services	912,528	944,496	932,057	12,439
Reserve Accounts	2,402,122	2,402,812	482,196	1,920,616
<b>Public Safety:</b>				
Police Department	12,805,125	13,286,911	13,492,281	(205,370)
Fire Department	13,402,826	13,429,326	14,041,726	(612,400)
Public Health	4,271,048	4,504,719	3,965,116	539,603
Planning, Zoning, and Development	1,067,940	1,149,387	1,151,803	(2,416)
Recreation and Parks	1,669,579	1,746,474	1,702,266	44,208
<b>Human services:</b>				
Donations	193,000	193,000	190,980	2,020
Public Library	1,516,464	1,516,464	1,516,464	-
Pension expenditures	1,478,977	1,599,231	1,607,335	(8,104)
Debt service	2,189,183	2,141,185	2,007,962	133,223
<b>TOTAL EXPENDITURES</b>	<b>46,329,868</b>	<b>47,648,067</b>	<b>45,259,004</b>	<b>2,389,063</b>
<b>OTHER FINANCING USES:</b>				
Transfers out	28,028,110	28,028,110	28,125,763	(97,653)
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ 74,357,978</b>	<b>\$ 75,676,177</b>	<b>\$ 73,384,767</b>	<b>\$ 2,291,410</b>

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## **Permanent Funds**

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



SCHEDULE 3

CITY OF NEWPORT, RHODE ISLAND

COMBINING BALANCE SHEET  
PERMANENT FUNDS  
JUNE 30, 2007

	CASH AND INVESTMENTS	RESERVED FOR ENDOWMENTS	PERMANENT FUND BALANCE
David Sears Trusts 1 - 9 (City Portion)	\$ 3,005,390	\$ 450,000	\$ 2,555,390
David Sears Trust - Heirs of David Sears	747,242	747,242	-
David Sears Trust - Public Improvements	50,272		50,272
Joseph Hammett Fund (1892)	31,529	1,500	30,029
Henderson Home Fund (1980)	1,134,906	139,781	995,125
Freebody Fund	129,344	97,000	32,344
EV Coles Fund (1899)	335,705	61,321	274,384
Hunter Industrial Fund (1942)	110,431	25,000	85,431
King School Fund (1864)	231,478	8,914	222,564
City Burial Lots	354,011		354,011
Private Burial Lots	7,105		7,105
Belmont Memorial Fund (1950)	30,607	2,000	28,607
Judah Touro M & C Fund (1879)	183,619	10,000	173,619
Touro Street Fund (1823)	61,804	5,000	56,804
Derby Fuel Fund (1849)	20,359	500	19,859
Fry Orphan Fund (1859)	30,310	5,131	25,179
R & E Bullock Fund (1944)	78,266	1,000	77,266
Poor and Aged Fund (1863)	1,720,222	100,000	1,620,222
Alexander Agassiz Fund (1901)	173,198	31,087	142,111
George H Norman Foundation Fund (1901)	59,373	6,899	52,474
Barbara Chapman Fund (1990)	3,581	2,000	1,581
E Townsend Fund (1889)	196,028	155,137	40,891
George N Buckout Fund (1955)	93,615	15,000	78,615
Edward Newton Fund (1959)	31,445		31,445
Braman Cemetery	152,359		152,359
Louis H Hobbs Fund (1988)	58,907	25,000	33,907
RIICAN Fund	7,405		7,405
Total Permanent Trust Funds	\$ 9,038,511	\$ 1,889,512	\$ 7,148,999

**CITY OF NEWPORT, RHODE ISLAND**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
PERMANENT FUNDS  
FOR THE YEAR ENDED JUNE 30, 2007

	FUND BALANCE JULY 1, 2006	REVENUES USE OF MONEY AND PROPERTY	TRANSFERS	EXPENDITURES HUMAN SERVICES	FUND BALANCE JUNE 30, 2007
David Sears Trusts 1 - 9 (City Portion)	\$ 3,805,166	\$ 410,648	\$(1,210,424)		\$ 3,005,390
David Sears Trust - Heirs of David Sears		120,963	626,279		747,242
David Sears Trust - Public Improvements		8,137	584,145	(542,010)	50,272
Joseph Hammett Fund (1892)	25,133	7,346		(950)	31,529
Henderson Home Fund (1980)	1,002,919	169,557		(37,570)	1,134,906
Freebody Fund	113,946	19,668		(4,270)	129,344
EV Coles Fund (1899)	296,710	49,915		(10,920)	335,705
Hunter Industrial Fund (1942)	97,602	16,419		(3,590)	110,431
King School Fund (1864)	205,623	33,175		(7,320)	231,478
City Burial Lots	304,764	49,247			354,011
Private Burial Lots	6,160	1,175		(230)	7,105
Belmont Memorial Fund (1950)	26,349	4,258			30,607
Judah Touro M & C Fund (1879)	160,562	29,077		(6,020)	183,619
Touro Street Fund (1823)	53,206	8,598			61,804
Derby Fuel Fund (1849)	17,929	3,100		(670)	20,359
Fry Orphan Fund (1859)	26,740	4,570		(1,000)	30,310
R & E Bullock Fund (1944)	68,922	11,924		(2,580)	78,266
Poor and Aged Fund (1863)	1,488,399	247,742		(15,919)	1,720,222
Alexander Agassiz Fund (1901)	153,077	25,751		(5,630)	173,198
George H Norman Foundation Fund (1901)	52,475	8,828		(1,930)	59,373
Barbara Chapman Fund (1990)	3,083	498			3,581
E Townsend Fund (1889)	168,766	27,262			196,028
George N Buckout Fund (1955)	80,592	13,023			93,615
Edward Newton Fund (1959)	26,528	4,917			31,445
Braman Cemetery	131,164	21,195			152,359
Louis H Hobbs Fund (1988)	50,712	8,195			58,907
RIICAN Fund	6,375	1,030			7,405
<b>Total Permanent Trust Funds</b>	<b>\$ 8,372,902</b>	<b>\$ 1,306,218</b>	<b>\$ -</b>	<b>\$ (640,609)</b>	<b>\$ 9,038,511</b>

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# Nonmajor Governmental Funds

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## Special Revenue Funds

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

### School Restricted Fund

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

### UDAG Fund

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

### State Grants Fund

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

### EDA Revolving Fund

This fund is used to account for economic development activities funded by the Federal Government and restricted for specific purposes.

### Property Acquisition Fund

This fund is used to accumulate assets to purchase property on-behalf of the City.

### Community Donation Fund

This fund is used to account for donations received by the city from various donors for both specific or general purposes.

### Bramley Bill Fund

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

## Debt Service Fund

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

## Capital Projects Fund

This fund is used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.





**CITY OF NEWPORT, RHODE ISLAND**  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2007

	SPECIAL REVENUE							TOTAL
	SCHOOL RESTRICTED FUND	UDAG FUND	STATE GRANTS FUND	EDA REVOLVING FUND	PROPERTY ACQUISITION FUND	COMMUNITY DONATION FUND	BRAMLEY BILL FUND	
<b>ASSETS</b>								
Cash	\$ 468,557	\$ 269,865	\$ 23,426	\$ 207,948	\$ 1,962,183	\$ 223,987	\$ 25,244	\$ 3,181,210
Investments								
Receivables:								
Intergovernmental	683,422		73,013	104,388				756,435
Loan		408,630		55,243			2,877	513,018
Other		406,136						464,256
Due from other funds		122,500						122,500
Advances to other funds		237,448			500,000			737,448
<b>TOTAL ASSETS</b>	\$ 1,151,979	\$ 1,444,579	\$ 96,439	\$ 367,579	\$ 2,462,183	\$ 223,987	\$ 28,121	\$ 5,774,867
<b>LIABILITIES AND FUND BALANCES</b>								
LIABILITIES:								
Cash overdraft								
Accounts payable	\$ 198,654							\$ 55
Accrued expenses			364				722	199,740
Unearned revenue		1,174,714	93,714	159,631				846
<b>TOTAL LIABILITIES</b>	198,654	1,174,714	94,924	159,631		55	722	1,628,700
<b>FUND BALANCES:</b>								
Reserved for advances		237,448			500,000			737,448
Unreserved, reported in:								
Special revenue funds	953,325	32,417	1,515	207,948	1,962,183	223,932	27,399	3,408,719
<b>TOTAL FUND BALANCES</b>	953,325	32,417	1,515	207,948	1,962,183	223,932	27,399	3,408,719
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	\$ 1,151,979	\$ 1,207,131	\$ 96,439	\$ 367,579	\$ 1,962,183	\$ 223,987	\$ 28,121	\$ 5,037,419

(Continued)

CITY OF NEWPORT, RHODE ISLAND  
COMBINING BALANCE SHEET (CONCLUDED)  
NONMAJOR GOVERNMENTAL FUNDS

	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
Cash	\$ 10,815	\$ 6,781,701	\$ 9,973,726
Investments	665,853		665,853
Receivables:			
Intergovernmental		442,417	1,198,852
Loan			513,018
Other			464,256
Due from other funds			122,500
Advances to other funds			737,448
<b>TOTAL ASSETS</b>	<b>\$ 676,668</b>	<b>\$ 7,224,118</b>	<b>\$ 13,675,653</b>

LIABILITIES AND FUND BALANCES

<b>LIABILITIES:</b>			
Cash overdraft	\$	\$	\$ 55
Accounts payable		658,890	858,630
Accrued expenses			846
Deferred revenue		191,188	1,619,247
<b>TOTAL LIABILITIES</b>	<b>\$ -</b>	<b>\$ 850,078</b>	<b>\$ 2,478,778</b>
<b>FUND BALANCES:</b>			
Reserved for advances			737,448
Reserved for debt service	676,668		676,668
Unreserved, reported in:			
Special revenue funds			3,408,719
Capital projects funds		6,374,040	6,374,040
<b>TOTAL FUND BALANCES</b>	<b>\$ 676,668</b>	<b>\$ 6,374,040</b>	<b>\$ 11,196,875</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 676,668</b>	<b>\$ 7,224,118</b>	<b>\$ 13,675,653</b>

(Concluded)

CITY OF NEWPORT, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2007

	SCHOOL RESTRICTED FUND	UDAG FUND	STATE GRANTS FUND	EDA REVOLVING FUND	SPECIAL REVENUE PROPERTY ACQUISITION FUND	COMMUNITY DONATION FUND	BRAMLEY BILL FUND	TOTAL
REVENUES:								
Intergovernmental	\$ 4,492,910		\$ 961,274				\$ 44,990	\$ 5,499,174
Changes for services	865,789	105,672		20,606				992,067
Use of money and property		15,038	359	9,170	7,546	959		33,072
Contributions						31,320		31,320
<b>TOTAL REVENUES</b>	<b>5,358,699</b>	<b>120,710</b>	<b>961,633</b>	<b>29,776</b>	<b>7,546</b>	<b>32,279</b>	<b>44,990</b>	<b>6,555,633</b>
EXPENDITURES:								
Current:								
General education	6,055,273		141,904			4,350		6,055,273
Public safety			13,755					146,254
Public health			5,997					13,755
Planning, zoning and development		86,776	5,171					92,773
Recreation and parks			346,060	20,516			40,034	26,197
Human services	466,426	1,489,371	173,014					407,110
Capital outlay				20,516				2,190,811
<b>TOTAL EXPENDITURES</b>	<b>6,521,699</b>	<b>1,576,147</b>	<b>687,901</b>	<b>20,516</b>		<b>25,876</b>	<b>40,034</b>	<b>8,872,173</b>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,163,000)	(1,455,437)	273,732	9,260	7,546	6,403	4,956	(2,316,540)
OTHER FINANCING SOURCES (USES):								
Transfers in	960,489							960,489
Transfers out								
<b>NET OTHER FINANCING SOURCES (USES)</b>	<b>960,489</b>							<b>960,489</b>
<b>SPECIAL ITEM - SALE OF SCHOOL BUILDING</b>								<b>2,168,305</b>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(202,511)	(1,455,437)	273,732	9,260	2,175,851	6,403	4,956	812,254
FUND BALANCES, JULY 1, 2006 (AS RESTATED)	1,155,836	1,725,302	(272,217)	198,688	286,332	217,529	22,443	3,333,913
FUND BALANCES, JUNE 30, 2007	\$ 953,325	\$ 269,865	\$ 1,515	\$ 207,948	\$ 2,462,183	\$ 223,932	\$ 27,399	\$ 4,146,167

(Continued)

SCHEDULE 6  
(2 of 2)

CITY OF NEWPORT, RHODE ISLAND  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONCLUDED)  
FOR THE YEAR ENDED JUNE 30, 2007

	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES:			
Intergovernmental	\$	\$ 1,043,362	\$ 6,542,536
Charges for services		1,068,607	2,060,674
Use of money and property	32,107	26,116	91,295
Contributions			31,320
<b>TOTAL REVENUES</b>	<b>32,107</b>	<b>2,138,085</b>	<b>8,725,825</b>
EXPENDITURES:			
Current:			
General education			6,055,273
Public safety			146,254
Public health			13,755
Planning, zoning and development			92,773
Recreation and parks			26,197
Human services			407,110
Capital outlay		4,095,860	6,226,671
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>4,095,860</b>	<b>12,968,033</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>32,107</b>	<b>(1,957,775)</b>	<b>(4,242,208)</b>
OTHER FINANCING SOURCES (USES):			
Transfers in	133,110	3,899,260	4,992,859
Transfers out			
<b>NET OTHER FINANCING SOURCES (USES)</b>	<b>133,110</b>	<b>3,899,260</b>	<b>4,992,859</b>
<b>SPECIAL ITEMS - SALE OF SCHOOL BUILDING</b>			<b>2,168,305</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>165,217</b>	<b>1,941,485</b>	<b>2,918,956</b>
<b>FUND BALANCES, JULY 1, 2006, (AS RESTATED)</b>	<b>511,451</b>	<b>4,432,555</b>	<b>8,277,919</b>
<b>FUND BALANCES, JUNE 30, 2007</b>	<b>\$ 676,668</b>	<b>\$ 6,374,040</b>	<b>\$ 11,196,875</b>

(Concluded)

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## **Nonmajor Proprietary Funds**

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

### **Maritime Fund**

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

### **Eastons’s Beach Fund**

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

### **Parking Operations Fund**

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



**CITY OF NEWPORT, RHODE ISLAND**

**COMBINING STATEMENT OF NET ASSETS  
NONMAJOR PROPRIETARY FUNDS  
JUNE 30, 2007**

	MARITIME FUND	EASTON'S BEACH FUND	PARKING OPERATIONS FUND	TOTALS
<b>ASSETS:</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 499,320	\$ 631,253	\$ 4,591,015	\$ 5,721,588
Accounts receivable:				
User fees (net of allowances)	12,523	13,049	15,020	40,592
Intergovernmental	13,863			13,863
<b>Total current assets</b>	<b>525,706</b>	<b>644,302</b>	<b>4,606,035</b>	<b>5,776,043</b>
<b>Noncurrent assets:</b>				
Capital assets	411,850	2,806,433	2,876,110	6,094,393
Less accumulated depreciation	(149,317)	(922,102)	(1,152,370)	(2,223,789)
<b>Total noncurrent assets</b>	<b>262,533</b>	<b>1,884,331</b>	<b>1,723,740</b>	<b>3,870,604</b>
<b>TOTAL ASSETS</b>	<b>788,239</b>	<b>2,528,633</b>	<b>6,329,775</b>	<b>9,646,647</b>
<b>LIABILITIES:</b>				
<b>Current liabilities:</b>				
Accounts payable	6,153	152,842	29,551	188,546
Accrued expenses	41,965	77,988	7,685	127,638
Current portion advances		86,179		86,179
<b>Total current liabilities</b>	<b>48,118</b>	<b>317,009</b>	<b>37,236</b>	<b>402,363</b>
<b>Long-term liabilities:</b>				
Advances from other funds		151,269		151,269
<b>TOTAL LIABILITIES</b>	<b>48,118</b>	<b>468,278</b>	<b>37,236</b>	<b>553,632</b>
<b>NET ASSETS:</b>				
Invested in capital assets, net of related debt	262,533	1,884,331	1,723,740	3,870,604
Unrestricted	477,588	176,024	4,568,799	5,222,411
<b>TOTAL NET ASSETS</b>	<b>\$ 740,121</b>	<b>\$ 2,060,355</b>	<b>\$ 6,292,539</b>	<b>\$ 9,093,015</b>

**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, 2007**

	MARITIME FUND	EASTON'S BEACH FUND	PARKING OPERATIONS FUND	TOTALS
<b>OPERATING REVENUES:</b>				
User fees	\$ 705,855	\$ 573,495	\$ 1,066,016	\$ 2,345,366
Other revenues				
<b>TOTAL OPERATING REVENUES</b>	<b>705,855</b>	<b>573,495</b>	<b>1,066,016</b>	<b>2,345,366</b>
<b>OPERATING EXPENSES:</b>				
Salaries and benefits	254,412	352,099	335,738	942,249
Materials and supplies	138,193	38,518	56,994	233,705
Repairs and maintenance	33,076	23,248	15,830	72,154
Support services	1,451	26,207	478,588	506,246
Utilities	3,597	29,256	10,041	42,894
Administrative and other	31,326	37,181	87,017	155,524
Depreciation	24,609	78,938	95,807	199,354
<b>TOTAL OPERATING EXPENSES</b>	<b>486,664</b>	<b>585,447</b>	<b>1,080,015</b>	<b>2,152,126</b>
<b>OPERATING INCOME (LOSS)</b>	<b>219,191</b>	<b>(11,952)</b>	<b>(13,999)</b>	<b>193,240</b>
<b>NONOPERATING REVENUES AND (EXPENSES):</b>				
Investment income	1,320	4,906	103,814	110,040
Interest expense		(7,442)		(7,442)
<b>NET NONOPERATING REVENUES AND (EXPENSES)</b>	<b>1,320</b>	<b>(2,536)</b>	<b>103,814</b>	<b>102,598</b>
<b>INCOME BEFORE TRANSFERS</b>	<b>220,511</b>	<b>(14,488)</b>	<b>89,815</b>	<b>295,838</b>
Transfers in		300,000		300,000
Transfers out	(124,500)			(124,500)
<b>NET TRANSFER</b>	<b>(124,500)</b>	<b>300,000</b>	<b>-</b>	<b>175,500</b>
<b>NET INCOME</b>	<b>96,011</b>	<b>285,512</b>	<b>89,815</b>	<b>471,338</b>
<b>TOTAL NET ASSETS - JULY 1, 2006</b>	<b>644,110</b>	<b>1,774,843</b>	<b>6,202,724</b>	<b>8,621,677</b>
<b>TOTAL NET ASSETS - JUNE 30, 2007</b>	<b>\$ 740,121</b>	<b>\$ 2,060,355</b>	<b>\$ 6,292,539</b>	<b>\$ 9,093,015</b>



## CITY OF NEWPORT, RHODE ISLAND

COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2007

	MARITIME FUND	EASTON'S BEACH FUND	PARKING OPERATIONS FUND	TOTALS
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers	\$ 701,671	\$ 565,406	\$ 1,054,496	\$ 2,321,573
Cash payments to suppliers for goods and services	(171,125)	31,476	(550,549)	(690,198)
Cash payments to employees for services	(242,037)	(340,686)	(334,694)	(917,417)
Payment of administrative expense	(31,326)	(37,181)	(87,017)	(155,524)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>257,183</b>	<b>219,015</b>	<b>82,236</b>	<b>558,434</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Interfund loans and transfers	(124,500)	319,200		194,700
Principal paid on interfund loans and transfers		(82,372)		(82,372)
<b>NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES</b>	<b>(124,500)</b>	<b>236,828</b>	<b>-</b>	<b>112,328</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Acquisition and construction of capital assets	(24,351)	(240,339)	(24,110)	(288,800)
Interest paid on bonds, notes and loans		(7,442)		(7,442)
<b>NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(24,351)</b>	<b>(247,781)</b>	<b>(24,110)</b>	<b>(296,242)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Investment income	1,320	4,906	103,814	110,040
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>109,652</b>	<b>212,968</b>	<b>161,940</b>	<b>484,560</b>
<b>CASH AND CASH EQUIVALENTS - JULY 1, 2006</b>	<b>389,668</b>	<b>418,285</b>	<b>4,429,075</b>	<b>5,237,028</b>
<b>CASH AND CASH EQUIVALENTS - JUNE 30, 2007</b>	<b>\$ 499,320</b>	<b>\$ 631,253</b>	<b>\$ 4,591,015</b>	<b>\$ 5,721,588</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ 219,191	\$ (11,952)	\$ (13,999)	193,240
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	24,609	78,938	95,807	199,354
Changes in assets and liabilities:				
Decrease (Increase) in accounts receivable	(4,184)	(8,089)	(11,520)	(23,793)
(Decrease) Increase in accounts payable	5,192	148,705	10,904	164,801
(Decrease) Increase in accrued liabilities	12,375	11,413	1,044	24,832
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 257,183</b>	<b>\$ 219,015</b>	<b>\$ 82,236</b>	<b>\$ 558,434</b>
<b>NON CASH TRANSACTIONS:</b>				
Disposal of capital assets		\$ 44,089	\$ 5,640	\$ 49,729

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# Fiduciary Funds

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

## **Pension Trust Funds**

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

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

## **Post-employment Healthcare Trust Fund**

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

## **Private Purpose Trust Funds**

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

## **Agency Funds**

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

### **Student Activity Funds**

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

### **Newport Municipal Charitable Improvement Fund, Inc.**

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



CITY OF NEWPORT, RHODE ISLAND

COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2007

	PENSION TRUST FUNDS			OTHER POST- EMPLOYMENT BENEFITS TRUST FUND	TOTAL PENSION AND OTHER POST- EMPLOYMENT BENEFITS TRUST FUNDS
	POLICE PENSION FUND	FIRE PENSION FUND	TOTAL PENSION TRUST FUNDS		
<b>ASSETS:</b>					
Cash	\$	\$ 180,716	\$ 180,716	\$	\$ 180,716
Investments, at fair value:					
Fixed Income Mutual Funds	13,144,530	9,264,297	22,408,827	801,302	23,210,129
Domestic Equity Mutual Funds	23,415,281	16,535,719	39,951,000	1,103,163	41,054,163
International Equity Mutual Funds	7,679,814	5,421,670	13,101,484	280,275	13,381,759
<b>TOTAL ASSETS</b>	<b>44,239,625</b>	<b>31,402,402</b>	<b>75,642,027</b>	<b>2,184,740</b>	<b>77,826,767</b>
<b>LIABILITIES:</b>					
Cash overdraft	997,298		997,298	2,054	999,352
Accounts payable	18,926	13,257	32,183	852	33,035
<b>TOTAL LIABILITIES</b>	<b>1,016,224</b>	<b>13,257</b>	<b>1,029,481</b>	<b>2,906</b>	<b>1,032,387</b>
<b>NET ASSETS:</b>					
Net assets held in trust for pension benefits	43,223,401	31,389,145	74,612,546		74,612,546
Net assets held in trust for other post-employment benefits				2,181,834	2,181,834
<b>TOTAL NET ASSETS</b>	<b>\$ 43,223,401</b>	<b>\$ 31,389,145</b>	<b>\$ 74,612,546</b>	<b>\$ 2,181,834</b>	<b>\$ 76,794,380</b>

(Continued)

**SCHEDULE 10**  
(2 of 2)

CITY OF NEWPORT, RHODE ISLAND  
COMBINING STATEMENT OF FIDUCIARY NET ASSETS (CONCLUDED)

	PRIVATE PURPOSE TRUST FUNDS			AGENCY FUNDS
	EXPENDABLE SCHOLARSHIP FUNDS	NONEXPENDABLE SCHOLARSHIP TRUSTS	TOTAL PRIVATE PURPOSE TRUST FUNDS	VARIOUS
<b>ASSETS:</b>				
Cash	\$ 12,081	\$	\$ 12,081	\$ 228,611
Investments, at fair value:				
Fixed Income Mutual Funds		375,169	375,169	
Domestic Equity Mutual Funds		695,265	695,265	
International Equity Mutual Funds		229,488	229,488	
<b>TOTAL ASSETS</b>	<u>12,081</u>	<u>1,299,922</u>	<u>1,312,003</u>	<u>228,611</u>
<b>LIABILITIES:</b>				
Cash overdraft		27,080	27,080	
Accounts payable		623	623	
Amounts held in escrow			-	228,611
<b>TOTAL LIABILITIES</b>		<u>27,703</u>	<u>27,703</u>	<u>228,611</u>
<b>NET ASSETS:</b>				
Net assets held in trust for purposes	<u>12,081</u>	<u>1,272,219</u>	<u>1,284,300</u>	
<b>TOTAL NET ASSETS</b>	<u>\$ 12,081</u>	<u>\$ 1,272,219</u>	<u>\$ 1,284,300</u>	<u>\$ -</u>

(Concluded)

## CITY OF NEWPORT, RHODE ISLAND

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2007

	PENSION TRUST FUNDS			OTHER POST- EMPLOYMENT BENEFITS TRUST FUND	TOTAL PENSION AND OTHER POST- EMPLOYMENT BENEFITS TRUST FUNDS
	POLICE PENSION FUND	FIRE PENSION FUND	TOTAL PENSION TRUST FUNDS		
<b>ADDITIONS:</b>					
Employees	\$ 405,547	\$ 397,673	\$ 803,220	\$	\$ 803,220
Employer	2,440,649	3,543,234	5,983,883	6,993,126	12,977,009
Other income	1,660	6,546	8,206		8,206
<b>Total contributions and other income</b>	<b>2,847,856</b>	<b>3,947,453</b>	<b>6,795,309</b>	<b>6,993,126</b>	<b>13,788,435</b>
<b>Investment income:</b>					
Net appreciation in fair value of investments	4,001,638	2,839,468	6,841,106	90,674	6,931,780
Interest and dividends	2,223,912	1,569,653	3,793,565	100,690	3,894,255
<b>Total investment income</b>	<b>6,225,550</b>	<b>4,409,121</b>	<b>10,634,671</b>	<b>191,364</b>	<b>10,826,035</b>
<b>TOTAL ADDITIONS</b>	<b>9,073,406</b>	<b>8,356,574</b>	<b>17,429,980</b>	<b>7,184,490</b>	<b>24,614,470</b>
<b>DEDUCTIONS:</b>					
Benefits	3,480,540	3,712,236	7,192,776	5,494,341	12,687,117
Administration	86,279	59,193	145,472		145,472
<b>TOTAL DEDUCTIONS</b>	<b>3,566,819</b>	<b>3,771,429</b>	<b>7,338,248</b>	<b>5,494,341</b>	<b>12,832,589</b>
<b>CHANGES IN NET ASSETS</b>	<b>5,506,587</b>	<b>4,585,145</b>	<b>10,091,732</b>	<b>1,690,149</b>	<b>11,781,881</b>
<b>NET ASSETS - JULY 1, 2006</b>	<b>37,716,814</b>	<b>26,804,000</b>	<b>64,520,814</b>	<b>491,685</b>	<b>65,012,499</b>
<b>NET ASSETS - JUNE 30, 2007</b>	<b>\$ 43,223,401</b>	<b>\$ 31,389,145</b>	<b>\$ 74,612,546</b>	<b>\$ 2,181,834</b>	<b>\$ 76,794,380</b>

(Continued)

CITY OF NEWPORT, RHODE ISLAND  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS (CONCLUDED)

	PRIVATE PURPOSE TRUST FUNDS		
	EXPENDABLE SCHOLARSHIP FUNDS	NON- EXPENDABLE SCHOLARSHIP TRUSTS	TOTAL PRIVATE PURPOSE TRUST FUNDS
ADDITIONS:			
Contributions	\$ 10,000	\$ 13,872	\$ 23,872
Investment income:			
Investment income		196,590	196,590
Less investment expenses		3,219	3,219
Net investment income		193,371	193,371
TOTAL ADDITIONS	10,000	207,243	217,243
DEDUCTIONS:			
Awards	9,000	25,152	34,152
CHANGES IN NET ASSETS	1,000	182,091	183,091
NET ASSETS - JULY 1, 2006	11,081	1,090,128	1,101,209
NET ASSETS - JUNE 30, 2007	\$ 12,081	\$ 1,272,219	\$ 1,284,300

(Concluded)



CITY OF NEWPORT, RHODE ISLAND

AGENCY FUNDS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED JUNE 30, 2007

	BALANCE JULY 1, 2006	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2007
<u>ASSETS</u>				
CASH:				
Student activity funds	\$ 178,420	\$ 408,907	\$ 387,527	\$ 199,800
Newport Municipal Charitable Improvement Fund, Inc.	28,811			28,811
<b>TOTAL ASSETS</b>	<b>\$ 207,231</b>	<b>\$ 408,907</b>	<b>\$ 387,527</b>	<b>\$ 228,611</b>
<u>LIABILITIES</u>				
AMOUNTS HELD IN ESCROW:				
Student activity funds	\$ 178,420	\$ 408,907	\$ 387,527	\$ 199,800
Newport Municipal Charitable Improvement Fund, Inc.	28,811			28,811
<b>TOTAL LIABILITIES</b>	<b>\$ 207,231</b>	<b>\$ 408,907</b>	<b>\$ 387,527</b>	<b>\$ 228,611</b>

**SCHEDULE 13**

**CITY OF NEWPORT, RHODE ISLAND**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONEXPENDABLE SCHOLARSHIP TRUSTS  
FOR THE YEAR ENDED JUNE 30, 2007**

	Net Assets Held In Trust For Purposes July 1, 2006	REVENUES		EXPENDITURES	Net Assets Held In Trust For Purposes June 30, 2007
		Donations	Investment Income	Awards	
Peter P Integlia Physical Education Scholarship	\$ -	\$ 11,047	\$ 2,130	\$ -	\$ 13,177
American Culinary Federation Award	20,468		4,407		24,875
Eileen Jeanes Jachna Award	23,553	2,000	5,374		30,927
William T Bull Award	30,432		6,660	(1,000)	36,092
Mercedes S Coulombe Award	69,978		11,033		81,011
Carol Ann Page Award	5,814		1,000	(100)	6,714
Avis G Marden Award	4,258		711		4,969
Class of 41 American Government Award	4,397		754	(125)	5,026
PF Carroll Scholarship	25,081		4,276	(800)	28,557
J Fitzgerald Scholarship	2,256		376		2,632
Smales Scholarship	12,904		2,115		15,019
Henry Vaughn Memorial Award	4,118		702	(22)	4,798
Adelson Biology Award	3,566		609	(120)	4,055
Leavitt Trust Award	17,061		2,979	(550)	19,490
Alliance Francaise Award	1,689		280	(32)	1,937
Lalli Trust Award	4,766		1,015	(160)	5,621
Goldstein Music Award	5,378		846		6,224
MB Howard Award	15,183		2,697	(500)	17,380
Newport School Book Award	270		42		312
Edward King Medal Award	76,600		15,194	(2,933)	88,861
Koehne Latin Award	3,621		611	(120)	4,112
Mirman Math Award	3,063		465		3,528
GH Norman Award	6,717		1,104	(40)	7,781
Peckham Award	84,869		14,180	(650)	98,399
Pell Medal	2,037		333		2,370
Read Medal #1	676		109		785
Read Medal #2	761		117		878
Charles B King Award	19,023		1,748	(300)	20,471
Rogers High School Centennial Award	45,854		8,181	(1,500)	52,535
Almira Coffin Award	4,677		854	(150)	5,381
HH Toole Scholarship	16,308		2,834	(550)	18,592
Henry Heffernan Award	77,183		13,369	(2,500)	88,052
Bruen Scholarship	23,851		4,367	(800)	27,418
Sullivan Scholarship	39,570		6,616		46,186
Joseph P Cotton Memorial Award	23,057		3,542		26,599
Rufus E Darrah Memorial Award	7,831		1,348	(250)	8,929
Margaret P Stevens Award	630		97		727
Christine Meek Sullivan/Marx Award	14,487	325	2,644		17,456
Zelda Mirman Music/Drama Award	31,611		5,199	(1,000)	35,810
Wosencroft Scholarship	6,802		1,190	(200)	7,792
M/M Thomas Archambault Award	16,089		2,829	(500)	18,418
Class of 46 Rogers High School DLS Award	17,644		3,075	(550)	20,169
General Contractors Association Award	24,970		4,582	(800)	28,752
Cohen Scholarship	6,037		1,039	(200)	6,876
Townsend Scholarship	7,970		1,417	(250)	9,137
Dorothy Drinkwater Lecraw Award	53,514		9,435	(1,700)	61,249
Nicholas Logothets Award	3,858		636		4,494
Helene Lewis Memorial Scholarship	80,125		13,935	(2,600)	91,460
Kristen Jorge Memorial Scholarship	17,811		2,980	(550)	20,241
James Colton Crowley Award	88,437		15,839	(2,900)	101,376
Florence J Alofsin English Award	6,071		966	(200)	6,837
Sandra Clooney Memorial Scholarship	27,202	500	4,530	(500)	31,732
<b>Total Permanent Trust Funds</b>	<b>\$ 1,090,128</b>	<b>\$ 13,872</b>	<b>\$ 193,371</b>	<b>\$ (25,152)</b>	<b>\$ 1,272,219</b>

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**Capital Assets  
Used in the  
Operation of  
Governmental  
Funds**

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CITY OF NEWPORT, RHODE ISLAND

CAPITAL ASSETS USED IN OPERATION OF GOVERNMENTAL FUNDS  
 SCHEDULE BY FUNCTION AND ACTIVITY  
 JUNE 30, 2007

FUNCTION / ACTIVITY	LAND & IMPROVEMENTS	INFRA - STRUCTURE	BUILDINGS & STRUCTURES	MACHINERY & EQUIPMENT	CONSTRUCTION IN PROGRESS	ROLLING STOCK	TOTAL
<b>GENERAL GOVERNMENT:</b>							
Mayor and City council	\$	\$	\$	\$	\$	\$	\$
City manager				7,131			7,131
Finance				18,124			18,124
Administrative services			2,199,156	1,556,146			1,556,146
Planning	2,992,752	1,564,459	235,054	148,884	144,762	35,747	2,383,787
<b>TOTAL GENERAL GOVERNMENT</b>	<b>2,992,752</b>	<b>1,564,459</b>	<b>2,434,210</b>	<b>1,730,285</b>	<b>144,762</b>	<b>35,747</b>	<b>8,902,215</b>
<b>PUBLIC SAFETY:</b>							
Police department	12,013	376,777	2,579,109	767,736		958,934	4,694,569
Fire department	1,000		1,134,773	808,179	17,301	2,713,360	4,674,613
<b>TOTAL PUBLIC SAFETY</b>	<b>13,013</b>	<b>376,777</b>	<b>3,713,882</b>	<b>1,575,915</b>	<b>17,301</b>	<b>3,672,294</b>	<b>9,369,182</b>
<b>PUBLIC HEALTH</b>	<b>5,589,201</b>	<b>34,271,454</b>	<b>1,144,879</b>	<b>444,806</b>	<b>866,877</b>	<b>1,903,865</b>	<b>44,221,082</b>
<b>RECREATION AND PARKS</b>	<b>2,050,976</b>		<b>1,255,639</b>	<b>169,072</b>	<b>13,432</b>	<b>761,867</b>	<b>4,250,986</b>
<b>GENERAL EDUCATION</b>	<b>196,470</b>		<b>24,085,360</b>	<b>1,659,818</b>		<b>234,332</b>	<b>26,175,980</b>
<b>HUMAN SERVICES</b>	<b>3,000</b>		<b>332,144</b>				<b>335,144</b>
<b>TOTALS</b>	<b>\$ 10,845,412</b>	<b>\$ 36,212,690</b>	<b>\$ 32,966,114</b>	<b>\$ 5,579,896</b>	<b>\$ 1,042,372</b>	<b>\$ 6,608,105</b>	<b>\$ 93,254,589</b>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

**CITY OF NEWPORT, RHODE ISLAND**

**CAPITAL ASSETS USED IN OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY  
FOR THE YEAR ENDED JUNE 30, 2007**

FUNCTION / ACTIVITY	BALANCE JULY 1, 2006	ADDITIONS	BALANCE JUNE 30, 2007
<b>GENERAL GOVERNMENT:</b>			
Mayor and City council	\$ 7,131	\$	\$ 7,131
City manager	18,124		18,124
Finance	1,556,146		1,556,146
Administrative services	2,307,671	76,116	2,383,787
Planning	3,119,695	1,817,332	4,937,027
<b>TOTAL GENERAL GOVERNMENT</b>	<b>7,008,767</b>	<b>1,893,448</b>	<b>8,902,215</b>
<b>PUBLIC SAFETY:</b>			
Police department	4,295,136	399,433	4,694,569
Fire department	4,268,611	406,002	4,674,613
<b>TOTAL PUBLIC SAFETY</b>	<b>8,563,747</b>	<b>805,435</b>	<b>9,369,182</b>
<b>PUBLIC HEALTH</b>	<b>41,535,229</b>	<b>2,685,853</b>	<b>44,221,082</b>
<b>RECREATION AND PARKS</b>	<b>4,058,642</b>	<b>192,344</b>	<b>4,250,986</b>
<b>GENERAL EDUCATION</b>	<b>25,698,204</b>	<b>477,776</b>	<b>26,175,980</b>
<b>HUMAN SERVICES</b>	<b>335,144</b>		<b>335,144</b>
<b>TOTALS</b>	<b>\$ 87,199,733</b>	<b>\$ 6,054,856</b>	<b>\$ 93,254,589</b>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

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# Statistical Section

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

## **Contents**

### Financial Trends (Tables 1-4)

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

### Revenue Capacity (Tables 5-7)

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

### Debt Capacity (Tables 8-11)

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

### Demographic and Economic Information (Tables 12-13)

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

### Operating Information (Tables 14-16)

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.





TABLE 1

CITY OF NEWPORT, RHODE ISLAND

**NET ASSETS BY COMPONENT  
LAST FIVE FISCAL YEARS  
(UNAUDITED)**

	Fiscal Year				
	2003	2004	2005	2006	2007
<b>Governmental activities:</b>					
Invested in capital assets, net of related debt	\$ 33,319,657	\$ 36,213,472	\$ 39,024,214	\$ 43,072,452	\$ 47,999,443
Restricted for:					
Human services	4,138,028	3,854,910	3,633,092	-	-
Permanent Funds:					
Expendable	5,315,880	6,145,004	6,677,139	7,255,682	7,148,999
Nonexpendable	1,142,270	1,142,270	1,142,270	1,142,270	1,889,512
Debt service			396,470	511,451	676,668
Education	441,806	675,734	815,092	1,081,801	953,325
Unrestricted	7,874,791	2,831,871	(1,722,023)	5,401,520	6,484,503
<b>Total governmental activities net assets</b>	<u>52,232,432</u>	<u>50,863,261</u>	<u>49,966,254</u>	<u>58,465,176</u>	<u>65,152,450</u>
<b>Business-type activities:</b>					
Invested in capital assets, net of related debt	86,599,396	87,497,297	85,773,241	84,210,144	86,137,192
Restricted - Other purposes	6,385,522	6,612,069	3,624,058	4,401,342	3,054,328
Unrestricted	(4,355,744)	(4,072,754)	171,705	3,719,540	4,222,057
<b>Total business-type activities net assets</b>	<u>88,629,174</u>	<u>90,036,612</u>	<u>89,569,004</u>	<u>92,331,026</u>	<u>93,413,577</u>
<b>Primary government:</b>					
Invested in capital assets, net of related debt	119,919,053	123,710,769	124,797,467	127,282,596	134,136,635
Restricted for:					
Human services	4,138,028	3,854,910	3,633,092	-	-
Permanent Funds:					
Expendable	5,315,880	6,145,004	6,677,139	7,255,682	7,148,999
Nonexpendable	1,142,270	1,142,270	1,142,270	1,142,270	1,889,512
Debt service			4,835,620	1,081,801	953,325
Education	6,827,328	7,287,803	(1,550,318)	9,121,060	10,706,560
Unrestricted	3,519,047	(1,240,883)	-	-	-
<b>Total primary government net assets</b>	<u>\$ 140,861,606</u>	<u>\$ 140,899,873</u>	<u>\$ 139,535,270</u>	<u>\$ 150,796,202</u>	<u>\$ 158,566,027</u>

TABLE 2  
(1 of 7)

CITY OF NEWPORT, RHODE ISLAND

CHANGES IN NET ASSETS, LAST FIVE FISCAL YEARS  
GOVERNMENTAL ACTIVITIES  
(ACCRUAL BASIS OF ACCOUNTING)  
(UNAUDITED)

	Fiscal Year				
	2003	2004	2005	2006	2007
<b>Expenses:</b>					
Governmental activities:					
General government	\$ 5,261,563	\$ 5,459,387	\$ 8,638,364	\$ 4,201,754	(2) \$ 6,904,515
General education	39,039,945	42,168,056	42,003,803	42,119,068	44,860,182
Public safety	23,098,422	25,954,534	27,848,257	27,932,352	29,620,705
Public health	3,649,735	4,403,093	4,664,543	4,564,130	5,179,345
Planning, zoning and development	855,293	1,028,852	1,681,628	1,994,692	1,440,553
Recreation and parks	1,868,074	2,189,095	1,773,421	2,121,346	2,415,401
Human services	2,475,041	2,573,601	2,615,412	2,720,900	3,256,251
Interest expense	1,166,764	1,062,259	889,584	867,107	841,520
Total governmental activities	77,414,837	84,838,877	90,115,012	86,521,349	94,518,472
Business-type activities:					
Water	6,726,482	6,830,398	7,135,764	6,994,360	7,809,046
Water Pollution Control	5,806,015	6,432,891	7,050,839	6,781,706	7,051,852
Nonmajor	974,819	1,109,229	1,577,702	1,767,218	2,159,588
Total business-type activities	13,507,316	14,372,518	15,764,325	15,543,284	17,020,466
Total primary government expenses	90,922,153	99,211,395	105,879,337	102,064,633	111,538,938
<b>Program Revenues:</b>					
Governmental activities:					
Charges for services:					
General government	2,354,118	3,865,133	4,989,700	4,592,923	5,871,413
General education	79,913	735,863	940,091	1,538,629	1,856,459
Public safety	2,339,389	1,828,283	2,003,497	2,679,694	3,087,639
Public health	44,819	44,435	44,111	31,560	26,990
Planning, zoning and development	286,715	327,609	720,141	1,184,118	1,168,204
Recreation and parks	686,522	741,853	288,077	96,764	99,126
Human services	744,901	333,733	154,514	150,622	297,236
Operating grants and contributions	21,279,957	21,000,389	21,236,496	20,380,130	21,274,720
Capital grants and contributions	1,683,441	818,007	846,754	1,170,076	786,166
Total governmental activities program revenues	29,499,775	29,695,510	31,223,381	31,824,516	34,465,973
Business-type activities:					
Charges for services:					
Water	7,778,407	7,795,582	7,100,096	9,514,397	8,506,460
Water Pollution Control	5,796,526	6,049,193	5,885,602	6,462,089	6,181,907
Nonmajor	1,441,015	1,407,977	1,972,189	2,572,591	2,545,366
Capital grants and contributions					673,500
Total business-type activities	15,015,948	15,252,752	14,957,887	18,549,077	17,707,233
Total primary government program revenues	44,515,723	44,948,262	46,181,268	50,373,593	52,173,206
<b>Net (Expense)/Revenue:</b>					
Governmental activities	(47,915,062)	(55,143,567)	(58,891,631)	(54,696,833)	(60,052,499)
Business-type activities	1,508,632	880,234	(806,438)	3,005,793	686,767
Total primary government net expense	(46,406,430)	(54,263,333)	(59,698,069)	(51,691,040)	(59,365,732)

(Continued)

TABLE 2  
(c of 2)

CITY OF NEWPORT, RHODE ISLAND  
CHANGES IN NET ASSETS, LAST FIVE FISCAL YEARS  
GOVERNMENTAL ACTIVITIES  
(ACCRUAL BASIS OF ACCOUNTING)  
(UNAUDITED)

	Fiscal Year				
	2003	2004	2005	2006	2007
<b>General Revenues and Other Changes in Net Assets:</b>					
Governmental activities:					
Property taxes	\$ 49,281,985	\$ 48,820,256	\$ 52,857,093	\$ 54,833,897	\$ 57,736,458
Unrestricted grants and contributions	4,155,936	4,097,271	4,059,353	4,614,794	4,642,114
Investment income	693,902	1,177,711	1,133,676	1,425,620	2,368,396
Miscellaneous	107,862	116,126	135,206	133,494	(175,500)
Transfers	-	(436,968)	(190,692)		
Total governmental activities	54,239,685	53,774,396	57,994,636	61,007,805	64,571,468
Business-type activities:					
Investment income	79,810	90,236	98,797	175,220	220,284
Capital contributions			200,863		
Transfer from primary government		436,968	(10,171)		175,500
Total business-type activities	79,810	527,204	289,489	175,220	395,784
Special Item - Sale of School Building					2,168,305
Total primary government	54,319,495	54,301,600	58,284,125	61,183,025	67,135,557
Change in Net Assets					
Governmental activities	6,324,623	(1,369,171)	(896,995)	6,310,972	6,687,274
Business-type activities	1,588,442	1,407,438	(516,949)	3,181,013	1,082,551
Total primary government	\$ 7,913,065	\$ 38,267	\$ (1,413,944)	\$ 9,491,985	\$ 7,769,825

(Concluded)

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

TABLE 3

## CITY OF NEWPORT, RHODE ISLAND

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

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>General Fund:</b>										
Reserved	\$ 694,838	\$ 1,037,704	\$ 1,037,704	\$ 683,898	\$ 1,276,106	\$ 1,229,965	\$ 2,077,766	\$ 1,159,119	\$ 1,256,428	\$ 1,483,669
Unreserved	1,649,837	660,287	4,195,021	7,619,776	10,307,069	11,311,680	6,059,277	3,885,886	4,098,720	3,614,666
Total general fund	\$ 2,344,675	\$ 1,697,991	\$ 5,232,725	\$ 8,303,674	\$ 11,583,175	\$ 12,541,645	\$ 8,137,043	\$ 5,045,005	\$ 5,355,148	\$ 5,098,335
<b>All Other Governmental Funds:</b>										
Reserved	\$ 6,161,631	\$ 5,066,091	\$	\$	\$ 203,674	\$ 1,161,283	\$ 2,076,279	\$ 3,243,606	\$ 1,653,721	\$ 3,303,628
Unreserved, reported in:										
School unrestricted fund						410,396	(1,100,081)	394,880	1,714,624	2,740,267
Special revenue funds	6,347,660	8,211,592	7,585,505	7,192,830	7,028,012	5,666,483	5,257,888	4,975,768	3,388,324	3,783,419
Capital project funds	76,823	144,604	241,453	(5,521,154)	3,948,343	(600,158)	2,109,836	1,578,848	4,432,555	6,374,040
Permanent funds						6,458,150	7,287,274	7,819,409	7,230,632	7,148,999
Total all other governmental funds	\$ 12,586,114	\$ 13,422,287	\$ 7,826,958	\$ 1,671,676	\$ 11,180,029	\$ 13,096,154	\$ 15,631,196	\$ 18,012,511	\$ 18,419,856	\$ 23,350,353
<b>Grand Total</b>	<b>\$ 14,930,789</b>	<b>\$ 15,120,278</b>	<b>\$ 13,059,683</b>	<b>\$ 9,975,350</b>	<b>\$ 22,763,204</b>	<b>\$ 25,637,799</b>	<b>\$ 23,768,239</b>	<b>\$ 23,057,516</b>	<b>\$ 23,775,004</b>	<b>\$ 28,448,688</b>

## 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. Capital project fund balance also includes a reserve for equipment and vehicle replacement.

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

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

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

TABLE 4

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

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Revenues:</b>										
Taxes	\$ 42,072,424	\$ 43,134,151	\$ 44,116,549	\$ 46,206,830	\$ 47,160,364	\$ 48,164,505	\$ 51,117,203	\$ 53,081,970	\$ 54,767,961	\$ 57,519,657
Intergovernmental revenues	13,929,702	14,691,355	34,260,479	17,986,128	21,066,569	25,506,817	25,013,440	25,590,182	25,499,996	27,080,891
Charges for services	4,102,928	4,976,913	5,356,088	5,241,294	4,629,552	6,528,107	7,803,657	9,756,504	8,829,175	10,827,781
Use of money and property	1,175,536	824,350	1,035,931	1,457,595	912,779	693,902	1,171,711	1,133,676	1,425,620	2,368,397
Donations	1,018,028	1,583,705	1,113,000	12,455	77,476	1,425,623	770,880	892,441	29,347	179,343
Other revenues	62,296,618	65,210,474	38,225,020	75,420,964	4,171,226	107,862	115,992	135,205	1,672,123	1,582,706
<b>Total revenues</b>	<b>62,296,618</b>	<b>65,210,474</b>	<b>38,225,020</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>92,224,222</b>	<b>99,558,775</b>
<b>Expenditures:</b>										
<b>Current:</b>										
General government	3,166,390	3,511,210	4,981,704	4,140,436	5,141,663	4,919,181	5,192,168	6,346,749	5,248,504	5,757,907
General education	29,087,604	29,479,433	32,947,156	35,337,981	36,442,150	38,551,595	42,680,573	41,354,602	41,206,509	43,164,937
Public safety	13,574,935	15,041,800	14,283,703	14,986,866	15,099,678	16,122,841	25,302,125	27,344,804	26,806,416	27,709,813
Public health	2,886,328	2,955,981	2,943,825	4,007,800	3,776,096	3,248,475	3,655,093	3,914,446	3,710,241	4,048,493
Planning, zoning and development	1,111,800	1,175,338	1,462,253	1,211,114	1,587,070	826,369	1,313,138	968,008	1,909,891	1,244,576
Recreation and parks	1,096,099	1,128,210	2,716,170	1,965,201	1,736,323	1,692,203	2,236,838	1,588,267	1,729,893	1,727,212
Human services				8,780,884	14,483,725	2,466,177	2,534,733	2,510,411	2,650,902	3,228,649
Pension expenses				7,682,350	6,741,096	7,279,340	436,421	899,423	1,136,621	1,607,335
Debt service:										
Debt issuance								51,929		
Principal	725,513	687,968	696,459	586,011	566,484	1,041,361	1,386,069	1,337,106	1,192,470	1,204,311
Interest	437,872	377,542	323,478	285,206	256,258	1,463,856	1,033,255	830,345	838,757	803,651
Capital outlay	2,676,837	3,593,895	869	2,676,837	446,539	6,808,830	2,689,063	4,258,485	5,096,730	6,381,011
<b>Total expenditures</b>	<b>54,763,378</b>	<b>57,951,377</b>	<b>60,357,617</b>	<b>78,983,649</b>	<b>86,267,092</b>	<b>84,415,228</b>	<b>88,459,476</b>	<b>91,404,575</b>	<b>91,506,734</b>	<b>96,877,893</b>
Excess (deficiency) of revenues over expenditures	7,533,240	7,259,097	27,867,403	(3,562,685)	(8,249,146)	(1,988,412)	(2,460,593)	(834,597)	717,488	2,680,880
<b>Other Financing Sources (Uses):</b>										
Proceeds from borrowing					21,037,000			3,124,702		2,168,305
Payment to refunding escrow agent								(3,010,000)		
Sale of property			60,448				1,027,000			
Operating transfers in	19,906,305	18,854,242	421,238	19,958,668	20,609,955	22,094,907	27,129,054	27,575,078	27,695,528	28,310,752
Operating transfers out	(25,540,086)	(26,093,892)	(25,343,688)	(19,958,668)	(20,609,955)	(22,094,907)	(27,566,022)	(27,564,906)	(27,695,528)	(28,486,252)
Total other financing sources (uses)	(5,633,781)	(7,239,650)	(24,862,002)	-	21,037,000	-	590,032	124,874	-	1,992,805
<b>Net change in fund balances</b>	<b>\$ 1,899,459</b>	<b>\$ 19,447</b>	<b>\$ 3,005,401</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>	<b>\$ 717,488</b>	<b>\$ 4,673,685</b>
Debt service as a percentage of noncapital expenditures	2.23%	1.96%	1.69%	1.10%	0.96%	3.23%	2.82%	2.55%	2.55%	2.22%

Notes:  
 \* Contributions were for renovations to the Thompson Middle School in FY 2000  
 \*\* Federal and state grants to the schools were significantly higher  
 \*\*\* Local donations and grants to the schools vary from year to year  
 ^ Public Safety expenses were significantly higher in FY 2004 because pension expenses related to public safety were reclassified to here from pension expenses  
 (1) Reclassified school restricted revenues from donations to other revenues  
 (2) Increase in loans and grants made from UDAG monies for Ranger Road Infrastructure and The Opera House

TABLE 5

CITY OF NEWPORT, RHODE ISLAND  
 ASSESSED VALUES AND ACTUAL VALUES OF TAXABLE PROPERTY  
 LAST TEN FISCAL YEARS  
 (UNAUDITED)

Fiscal Year Ended June 30	Assessed Value										Total 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	Total Taxable Assessed Value	Total Direct Tax Rate Residential	Total Direct Tax Rate Commercial	Estimated Actual Taxable Value				
1997	\$ 1,640,530,442	\$	\$ 83,438,373	\$	\$ 87,009,573	\$ 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	1,652,037,233		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	1,867,532,228	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	76,553,633	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%	
2006	2,510,163,253	834,407,847	86,997,316	22,949,498	138,954,444	81,242,277	3,512,230,081	14.29	17.00			5,169,960,239	67.94%	
2007	4,659,124,549	1,245,531,051	87,315,021	23,293,927	149,567,988	113,777,545	6,051,054,991	8.02	11.96			8,000,651,088	75.63%	

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.

**TABLE 6**

**CITY OF NEWPORT, RHODE ISLAND**

**PRINCIPAL PROPERTY TAXPAYERS  
CURRENT YEAR AND TEN YEARS AGO  
(UNAUDITED)**

	2007				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	\$ 67,256,200	1	1.11%		\$ 52,000,000	1	2.91%	
Newport Restoration Foundation								
Historic Homes own/rent	62,627,172	2	1.03%		17,450,300	3	0.98%	
HE Newport, LLC	57,784,990	3	0.95%		27,819,068	2	1.55%	
LHO Viking Hotel, LLC	44,800,681	4	0.74%					
RK Newport, LLC	33,265,300	5	0.55%					
Eastern Resorts Company	27,542,133	6	0.46%					
Shaner Hotel Group	27,323,897	7	0.45%		10,450,180	4	0.58%	
Newport Jai Alai, LLC	19,062,200	8	0.32%		6,880,630	7	0.38%	
Newport On Shore	14,872,300	9	0.25%		8,696,600	6	0.49%	
Hammersmith Preservation Assoc.	14,203,100	10	0.23%					
Wellington Hotel Association					9,720,100	5	0.54%	
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%	
<b>Total</b>	<b>\$ 368,737,973</b>		<b>6.09%</b>		<b>\$ 152,348,878</b>		<b>8.51%</b>	

Source: City of Newport Assessor

**TABLE 7**

**CITY OF NEWPORT, RHODE ISLAND**

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

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year (net abatements)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1998	\$ 41,916,824	\$ 39,811,764	95.0%	\$ 1,921,786	\$ 41,733,550	99.6%
1999	42,980,413	40,798,810	94.9%	2,058,092	42,856,902	99.7%
2000	44,376,017	42,083,037	94.8%	2,149,865	44,232,902	99.7%
2001	45,435,317	43,500,305	95.7%	1,804,958	45,305,263	99.7%
2002	47,052,966	45,377,615	96.4%	1,573,082	46,950,697	99.8%
2003	47,892,028	45,366,713	94.7%	1,562,293	46,929,006	98.0%
2004	49,028,731	47,848,444	97.6%	1,076,078	48,924,522	99.8%
2005	50,838,373	47,843,987	94.1%	1,207,895	49,051,882	96.5%
2006	52,053,701	50,818,303	97.6%	1,036,685	51,854,988	99.6%
2007	54,164,573	52,784,152	97.5%			

Source: City of Newport Tax Collector



**TABLE 8**

**CITY OF NEWPORT, RHODE ISLAND**

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

Fiscal Year June 30,	Governmental Activities			Business-Type Activities			Total	Percentage of Personal Income *	Net Bonded Debt per Capita	Taxable Assessed Value	Net Bonded Debt as % of Taxable Assessed Value
	General Obligation Bonds	Water		Pollution Control	Bonds	Water					
		OZAB (1)	Bonds								
1998	\$ 6,918,471	\$ 15,440,946	\$ 8,430,583	\$ 30,790,000	0.1022%	\$ 1,152	\$ 1,797,515,137	1.71%			
1999	6,230,503	13,928,695	7,355,802	27,515,000	0.1203%	1,039	1,815,870,935	1.52%			
2000	5,534,044	12,427,530	6,313,427	24,275,001	0.1448%	917	1,859,509,767	1.31%			
2001	4,948,033	11,035,648	5,331,321	21,315,002	0.1700%	809	1,915,943,433	1.11%			
2002	23,081,549	9,617,022	10,228,198	42,926,769	0.0868%	1,634	1,867,552,228	2.30%			
2003	22,195,538	8,260,140	15,112,707	47,431,921	0.0823%	1,820	3,493,610,992	1.36%			
2004	20,980,000	6,960,000	14,771,329	44,574,865	0.0921%	1,722	3,464,271,121	1.29%			
2005	19,950,218	6,104,687	14,161,797	42,080,238	0.1026%	1,661	3,478,880,395	1.21%			
2006	18,757,747	5,109,518	13,176,781	38,907,582	Not available	1,535	3,512,230,080	1.11%			
2007	17,565,277	5,371,324	12,191,492	36,991,629	Not available	1,460	6,051,054,991	0.61%			

**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.

**TABLE 9**

**CITY OF NEWPORT, RHODE ISLAND**

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

Fiscal Year June 30,	Governmental Activities			Total	Percentage of Actual Taxable Value of Property *	Per Capita **
	General Obligation Bonds	QZAB				
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
2006	18,757,747	1,863,536		20,621,283	0.59%	882.71
2007	17,565,277	1,863,536		19,428,813	0.32%	860.84

**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.

TABLE 10

CITY OF NEWPORT, RHODE ISLAND

LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS  
(UNAUDITED)

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Total assessed value	\$ 1,797,515,137	\$ 1,815,870,935	\$ 1,859,509,767	\$ 1,876,786,530	\$ 1,886,642,052	\$ 3,562,729,202	\$ 3,464,271,121	\$ 3,555,854,111	\$ 3,593,472,358	\$ 6,164,832,536
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	53,925,454	54,476,128	55,785,293	56,303,596	56,599,262	106,881,876	103,928,134	106,675,623	107,804,171	184,944,976
Debt applicable to limit:										
General obligation bonds	6,918,471	6,250,503	5,534,044	4,948,033	23,081,549	24,059,074	22,843,536	21,813,754	20,621,283	19,428,813
Legal debt limit	53,925,454	54,476,128	55,785,293	56,303,596	56,599,262	106,881,876	103,928,134	106,675,623	107,804,171	184,944,976
Total net debt applicable to the limit	6,918,471	6,230,503	5,534,044	4,948,033	23,081,549	24,059,074	22,843,536	21,813,754	20,621,283	19,428,813
Legal debt margin	\$ 47,006,983	\$ 48,245,625	\$ 50,251,249	\$ 51,355,563	\$ 33,517,713	\$ 82,822,802	\$ 81,084,598	\$ 84,861,869	\$ 87,182,888	\$ 165,516,163
Total net debt applicable to the limit as a percentage of debt limit	14.72%	12.91%	11.01%	9.63%	68.86%	29.05%	28.17%	25.71%	23.65%	11.74%

CITY OF NEWPORT, RHODE ISLAND

FLEDGED REVENUE COVERAGE  
LAST TEN FISCAL YEARS  
(UNAUDITED)

Fiscal Year June 30,	Water Revenue Bonds					Water Pollution Control Revenue Bonds					
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Coverage	Debt Service Principal	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Coverage	Debt Service Principal	Coverage
1998	\$ 6,642,380	\$ 3,490,607	\$ 3,151,773	1.28	\$ 1,572,679	\$ 5,666,429	\$ 3,579,687	\$ 2,086,742	1.40	\$ 1,056,807	1.40
1999	6,970,072	3,996,610	2,973,462	1.28	1,512,251	5,557,536	3,606,871	1,950,665	1.32	1,074,781	1.32
2000	8,081,317	4,254,528	3,826,789	1.87	1,501,165	6,034,623	4,495,432	1,539,191	1.12	1,042,375	1.12
2001	8,281,934	4,305,387	3,976,547	1.97	1,391,882	5,837,598	4,871,796	965,802	0.71	982,106	0.71
2002	7,058,277	4,486,057	2,572,220	1.31	1,418,626	5,912,202	3,628,010	2,284,192	1.69	924,891	1.69
2003	7,693,021	5,187,938	2,505,083	1.37	1,356,882	5,796,526	3,821,404	1,975,122	1.47	907,107	1.47
2004	7,666,798	5,223,972	2,442,826	1.44	1,300,140	6,049,193	4,233,667	1,815,526	0.93	1,721,182	0.93
2005	7,100,096	5,489,324	1,610,772	1.57	855,313 *	5,885,602	4,553,443	1,332,159	1.07	921,723 *	1.07
2006	9,514,397	5,603,064	3,911,333	2.82	995,169	6,462,089	4,430,338	2,031,751	1.27	985,016	1.27
2007	9,179,960	6,401,093	2,778,867	2.52	969,405	6,181,907	4,741,389	1,440,518	1.14	985,289	1.14

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

**TABLE 12**

**CITY OF NEWPORT, RHODE ISLAND**

**DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

Fiscal Year June 30,	Population	Per Capita		School Enrollment ^	Unemployment Rate <
		Personal Income >			
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 **	37,268		2,917	3.0%
2003	26,059 **	39,018		2,890	4.1%
2004	25,879 **	41,044		2,796	4.6%
2005	25,340 **	43,168		2,524	4.4%
2006	25,340 *	Not Available		2,386	4.5%
2007	25,340 *	Not Available		2,380	4.0%

\* 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.

TABLE 13

CITY OF NEWPORT, RHODE ISLAND

PRINCIPAL EMPLOYERS  
CURRENT YEAR AND EIGHT YEARS AGO  
(UNAUDITED)

Employer	2007			1999			
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment	
Naval Undersea Warfare Center	2,824	1	18.7%	Naval Undersea Warfare Center	2,939	1	21.7%
Naval Education and Training Center (NETC)	950	2	6.3%	Newport Hospital	933	2	6.9%
Newport Hospital	878	3	5.8%	Naval Education and Training Center (NETC)	771	3	5.7%
City of Newport	800	4	5.3%	City of Newport	765	4	5.6%
James L. Maher Center	700	5	4.6%	Salve Regina University	500	5	3.7%
Salve Regina University	500	6	3.3%	Newport Islander Doubletree Hotel	330	6	2.4%
Preservation Society of Newport County	440	7	2.9%	Newport Marriott Hotel	300	7	2.2%
Hyatt Regency Newport	330	8	2.2%	Child & Family Services of Newport County	260	8	1.9%
Newport Marriott Hotel	289	9	1.9%	Naval War College	250	9	1.8%
Child & Family Services of Newport County	280	10	1.9%	The Stop & Shop Co., Inc.	225	10	1.7%
<b>Total</b>	<b>7,991</b>		<b>52.9%</b>	<b>Total</b>	<b>7,273</b>		<b>53.7%</b>

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

Source: Rhode Island Economic Development Corporation.

TABLE 14

CITY OF NEWPORT, RHODE ISLAND

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

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>General government:</b>										
Mayor and City Council	7	7	7	7	7	7	7	7	7	7
City Manager	3	3	3	3	3	5	5	5	5	6
City Solicitor	4	4	4	4	3	3	3	3	3	3
Canvassing	2	2	2	2	2	2	2	2	2	2
Finance	26	28	29	29	29	22	22	22	21	21
City Clerk						6	6	6	6	6
Administrative services						17	17	17	17	18
Planning	14	15	15	16	16	12	12	12.5	13.5	13
<b>Total General Government</b>	<b>56</b>	<b>59</b>	<b>60</b>	<b>61</b>	<b>60</b>	<b>74</b>	<b>74</b>	<b>74.5</b>	<b>74.5</b>	<b>76</b>
<b>Public safety:</b>										
Police	109	111	111	111	111	114.5	114.5	114.5	114.5	114.5
Fire	98	98	98	98	98	99	99	99	99	99
<b>Total</b>	<b>207</b>	<b>209</b>	<b>209</b>	<b>209</b>	<b>209</b>	<b>213.5</b>	<b>213.5</b>	<b>213.5</b>	<b>213.5</b>	<b>213.5</b>
<b>Public health:</b>										
Public works	25	24	24	24	24	18.6	18.6	18.6	18.6	18.6
Water	44	45	43	43	44	46	45.7	45.7	46.3	46.3
Wastewater	35	35	35	0.7	0.7	0.7	0.7	0.7	1.1	1.1
<b>Total</b>	<b>104</b>	<b>104</b>	<b>102</b>	<b>67.7</b>	<b>68.7</b>	<b>65.3</b>	<b>65</b>	<b>65</b>	<b>66</b>	<b>66</b>
<b>Public welfare:</b>										
Recreation and parks	19	19	19	19	19	19	19	19	19	19
<b>Public education:</b>										
Teachers	238	237	233	234	213	228	227	219	219	219
Pupil support	59	59	68	71	74	73	75	64	64	64
Executive and administrative	90	91	90	90	88	90	90	90	90	90
<b>Total</b>	<b>387</b>	<b>387</b>	<b>391</b>	<b>395</b>	<b>375</b>	<b>391</b>	<b>392</b>	<b>373</b>	<b>373</b>	<b>373</b>
<b>Total</b>	<b>773</b>	<b>778</b>	<b>781</b>	<b>751.7</b>	<b>731.7</b>	<b>762.8</b>	<b>763.5</b>	<b>745</b>	<b>746</b>	<b>747.5</b>

Source: City budgets

**TABLE 15**

**CITY OF NEWPORT, RHODE ISLAND**

**OPERATING INDICATORS BY FUNCTION/PROGRAM  
(UNAUDITED)**

	Fiscal Year			
	2004*	2005	2006	2007
<b><u>Function/Program</u></b>				
<b>Police:</b>				
Physical arrests	1,649	1,837	1,789	1,599
Parking violations	38,273	34,775	50,623	39,423
Traffic violations	7,563	8,740	10,119	10,386
<b>Fire:</b>				
Emergency responses	3,838	3,653	3,959	5,079
Fires extinguished	144	107	95	102
Inspections	250	385	1,338	1,681
<b>Refuse collection:</b>				
Refuse collected (tons/day, average)	21.71	30.92	33.17	30.99
Recyclables collected (tons/day, average)	6.43	8.31	9.32	8.63
<b>Other public works:</b>				
Street resurfacing (miles)	4.4	2.9	0.9	1.4
<b>Parks and recreation:</b>				
Athletic field rentals	47	25	22	38
<b>Library:</b>				
Volumes in collections	124,000	133,573	142,323	153,197
<b>Water:</b>				
New connections	91	96	69	148
Water mains breaks	20	16	23	32
Average daily production (thousands of gallons)	7,234	7,092	6,973	6,700
<b>Wastewater:</b>				
Average daily sewage treatment (thousands of gallons)	9,700	10,900 **	9,872	9,800

**Notes:**

\* 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**



TABLE 16

## CITY OF NEWPORT, RHODE ISLAND

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM  
(UNAUDITED)

	Fiscal Year 2004*	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007
<b>Function/Program</b>				
Police:				
Stations	1	1	1	1
Patrol units	87	87	87	87
Fire stations	3	3	3	3
Public works:				
Streets (miles)	94	94	94	94
Streetlights	465	465	465	465
Traffic signals	5	5	5	5
Parks and recreation:				
Acreage	15	15	15	15
Playgrounds	13	13	13	13
Multi purpose playing fields	7	7	7	7
Tennis courts	18	18	18	18
Community centers	1	1	1	1
Water:				
Water mains (miles)	162	162	162	163
Fire hydrants	975	983	987	996
Storage capacity (thousands of gallons-treated)	10,500	10,500	10,500	10,500
Wastewater:				
Sanitary sewers (miles)	88	88	88	88
Storm sewers (miles)	46	46	46	46
Treatment capacity (thousands of gallons) (daily)	10,700	10,700	10,700	10,700

## Note:

\* First year information is available.

Source: Various city departments

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