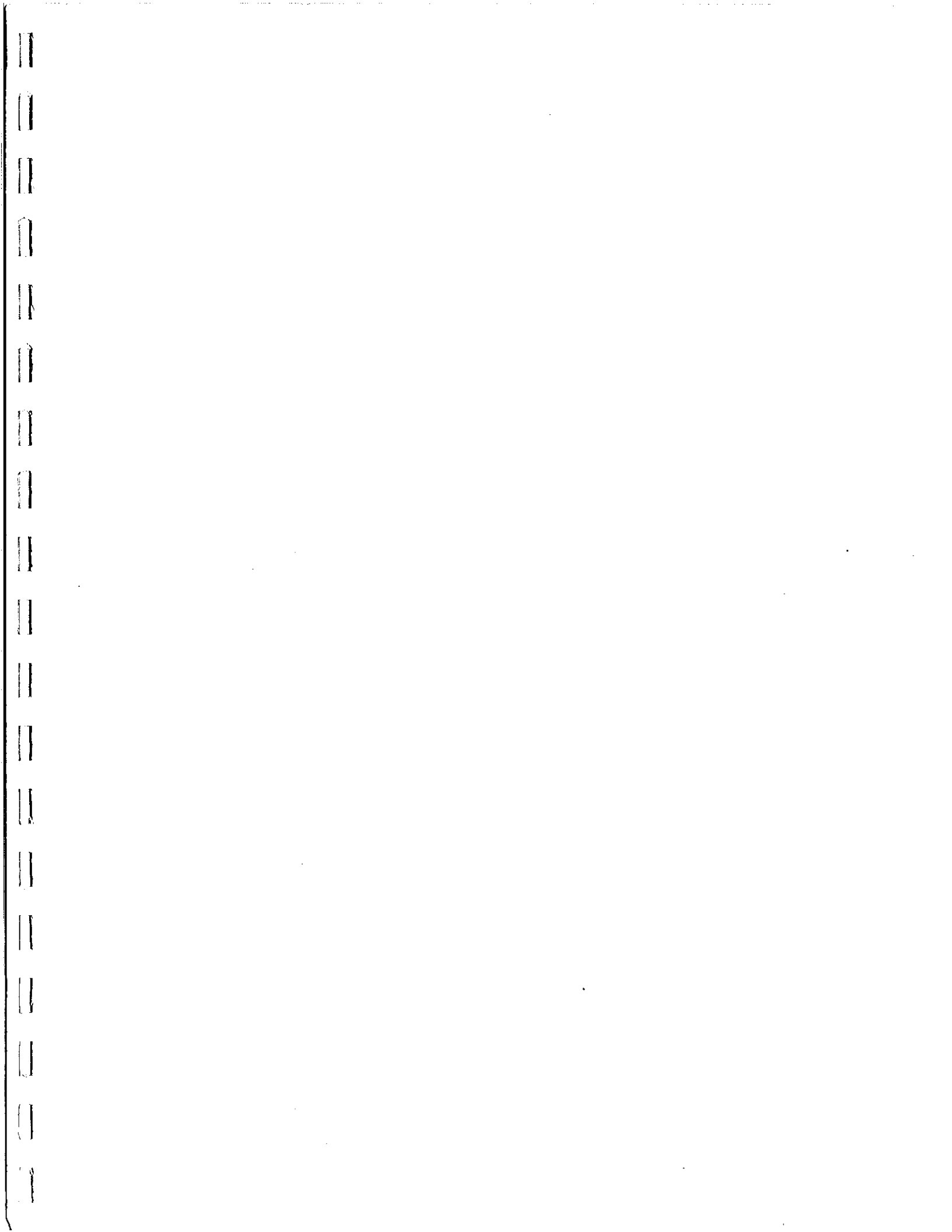


CITY OF NEWPORT, RHODE ISLAND

ANNUAL FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2000



CITY OF NEWPORT, RHODE ISLAND

COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2000

TABLE OF CONTENTS

Financial Section:	PAGE	Supplemental Information (Continued):	PAGE
Independent Auditor's Report	1	Special Revenue Funds (Continued):	52
Financial Statements:		Combining Balance Sheet	53
General Purpose Financial Statements (Combined Overview):		Combining Statement of Revenues, Expenditures and Changes in Fund Balances	54
Combining Balance Sheet - All Fund Types, Account Groups and Discretely Presented Component Units	2-5	Combining Statement of Revenues and Expenditures Budget (Budgetary Basis) and Actual	
Combining Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit) - All Governmental Fund Types, Expendable Trust Funds and Discretely Presented Component Units	6	Capital Projects:	55
Combining Statement of Revenues, Expenses and Changes in Fund Equity (Deficit) - All Proprietary Fund Types and Similar Trust Funds	7	Fund Description	56
Combining Statement of Cash Flows - All Proprietary Fund Types and Similar Trust Funds	8	Combining Balance Sheet	57
Similar Trust Funds	9	Combining Statement of Revenues, Expenditures and Changes in Fund Equity	
Statement of Plan Net Assets - Pension Trust Funds	10	Enterprise Funds:	58
Statement of Changes in Plan Net Assets - Pension Trust Funds	11	Fund Description	59
Combined Statement of Revenues and Expenditures - Budget (Non-GAAP Budgetary Basis) and Actual - General and Special Revenue Funds	12	Combining Balance Sheet	60
Combined Statement of Revenues and Expenses - Budget (Non-GAAP Budgetary Basis) and Actual - Enterprise and Internal Service Funds	13-33	Combining Statement of Revenues, Expenses and Changes in Fund Equity	61
Notes to General Purpose Financial Statements	34-36	Combining Statement of Cash Flows	62-64
Required Supplemental Information		Combining Statement of Revenues and Expenses Budget and Actual (Budgetary Basis)	
Single Audit Reports:		Internal Service Fund:	65
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	37	Fund Description	66
Independent Auditor's Report on Compliance with Requirements Applicable to each Major Program on Internal Control over Compliance in Accordance with OMB A-133	38	Statement of Revenues, Expenses and Changes in Fund Equity	67
Schedule of Expenditures of Federal Awards	39-40	Statement of Cash Flows	68
Notes to the Schedule of Expenditures of Federal Awards	41	Statement of Revenues and Expenses Budget and Actual (Budgetary Basis)	69
Schedule of Findings and Questioned Costs	42-46	Trust and Agency Funds:	70
Supplemental Information:		Fund Description	71
General Fund:	47	Combining Balance Sheet - (Trust and Agency)	72
Fund Description	48	Combining Statement of Revenues, Expenses and Changes in Fund Equity - (Trust Funds)	73
Balance Sheet	49	Combining Statement of Plan Assets (Pension Funds)	74
Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit) Budget (Budgetary Basis) and Actual	50	Combining Statement of Changes in Plan Net Assets (Pension Funds)	75
Special Revenue Funds:	51	Combining Statement of Changes in Assets and Liabilities - (Agency Funds)	
Fund Description		Account Groups:	76
		Account Group Description	77
		Statement of General Fixed Assets by Function and Activity	78
		Statement of Changes in General Fixed Assets by Function and Activity	79
		Statement of Long-Term Obligations	80
		Statement of Changes in Long-Term Obligations	

HAGUE, SAHADY & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS
126 President Avenue
Fall River, MA 02720
TEL. (508) 675-7889
FAX (508) 675-7859

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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying general purpose financial statements of the City of Newport, Rhode Island, as of and for the year ended June 30, 2000. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Newport, Rhode Island as of June 30, 2000, and the results of its operations and cash flows of its proprietary and nonexpendable trust funds for the year ended in conformity with accounting principles generally accepted in the United States of America.

The combining, individual fund, and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Newport, Rhode Island. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented, in all material respects in relation to the general purpose financial statements taken as a whole.

The historical pension information on pages 34 through 36 is not a required part of the general purpose financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and therefore express no opinion on it.

In accordance with Government Auditing Standards, we have also issued reports dated September 6, 2001, on our consideration of the City of Newport, Rhode Island's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the City of Newport, Rhode Island, taken as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and are not a required part of the general purpose financial statements. Such information has been subjected to the audit procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented, in all material respects in relation to the general purpose financial statements taken as a whole.

Hague, Sahady & Co PC

CITY OF NEWPORT, RHODE ISLAND

COMBINING BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)

JUNE 30, 2000

	Governmental Fund Types			Proprietary Fund Types		Fund Types		Account Groups			Subtotal (Memorandum Only)
	General Fund	Special Revenue Funds	Capital Project Funds	Enterprise Funds	Internal Service Funds	Trusts and Agency Funds	General Fixed Asset Account Group	General Long-Term Debt Account Group			
ASSETS											
Cash	\$(10,561,662)	\$ 7,614,434	\$ 3,607,731	\$ 3,701,535	\$ 513,438	\$ 7,183,294	\$	\$	\$	\$ 12,058,770	
Investments	3,603,879	4,397,228		175,269		52,747,970				60,924,346	
Property taxes receivable	3,708,158									3,708,158	
Motor vehicle excise receivable	2,176,605									2,176,605	
Due from federal or state governments	912,755	877,308	14,589	2,843,493						1,804,652	
User charges receivable, net										2,843,493	
Accounts receivable		3,405,712								3,405,712	
Departmental receivables	271,775									271,775	
Notes receivable	374,629									374,629	
Receivable, other	41,114	1,638,928		1,101,013	1,306	2,644				2,785,005	
Accrued interest	2,508			1,718						4,226	
Due from other funds	13,074,026	382,576								13,456,602	
Inventories	12,119			340,536	40,761					393,416	
Prepaid expenses	277,989	62,370		740,896	182,038					1,081,255	
Property and equipment, net				83,108,794			27,300,821			110,591,653	
Amounts to be provided for the retirement of debt											
Total assets	<u>\$ 13,893,895</u>	<u>\$ 18,378,556</u>	<u>\$ 3,622,320</u>	<u>\$ 92,013,254</u>	<u>\$ 737,563</u>	<u>\$ 59,933,908</u>	<u>\$ 27,300,821</u>	<u>\$ 20,886,047</u>	<u>\$ 20,886,047</u>	<u>\$ 236,766,344</u>	

The accompanying notes are an integral part of the general purpose financial statements

CITY OF NEWPORT, RHODE ISLAND

COMBINING BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS AND DISCREETELY PRESENTED COMPONENT UNITS (CONTINUED)

JUNE 30, 2000

	Component Units		Total
	Newport Public Library	Redevelopment Agency of Newport	
ASSETS			
Cash	\$ 747,772	\$ 187,155	\$ 12,993,697
Investments	270,098		61,194,444
Property taxes receivable			3,708,158
Motor vehicle excise receivable	506		2,176,605
Due from federal or state governments			1,805,158
User charges receivable, net			2,843,493
Accounts receivable			3,405,712
Departmental receivables			271,775
Notes receivable	124,520		374,629
Receivable, other	11,909		2,909,525
Accrued interest			16,135
Due from other funds			13,456,602
Inventories			393,416
Prepaid expenses			1,081,255
Property and equipment, net	1,511,898	620,610	112,724,161
Amounts to be provided for the retirement of debt		200,000	
Total assets	\$ 2,666,703	\$ 1,007,765	\$ 240,440,812

The accompanying notes are an integral part of the general purpose financial statements

CITY OF NEWPORT, RHODE ISLAND

COMBINING BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)

JUNE 30, 2000

	Governmental Fund Types			Proprietary Fund Types		Fund Types		Account Groups		Subtotal
	General Fund	Special Revenue Funds	Capital Project Funds	Enterprise Funds	Internal Service Funds	Trusts and Agency Funds	General Fixed Asset Account Group	General Long-Term Debt Account Group	(Memorandum Only)	
LIABILITIES AND FUND EQUITIES (DEFICITS)										
Liabilities:										
Accounts payable and accrued expenses	\$ 3,037,116	\$ 676,993	\$ 453,766	\$ 1,534,147	\$ 120,105	\$ 383,911	\$	\$	\$	\$ 6,206,038
Due to federal or state governments	227,708									227,708
Bond anticipation notes payable	5,482,763	4,885,693	2,825,000	310,077						2,825,000
Deferred revenue	(134,576)	5,229,298	102,101	1,933,785	391,601	5,799,817				10,678,533
Due to other funds				1,386,000						13,456,602
Amounts held in reserve		1,067		24,120		209,315				1,251,424
Deposits held in custody	48,159			1,147,878						234,502
Other liabilities										1,494,537
Notes payable										790,000
Compensated absences										6,858,901
Serial bonds payable				18,740,957						24,275,001
Net pension obligation										7,404,602
Total liabilities	8,661,170	10,793,051	3,380,867	25,076,964	511,706	6,393,043		20,886,047		75,702,848
Fund equities:										
Investment in general fixed assets										27,300,821
Contributed capital				42,412,543	79,150					42,491,693
Retained earnings:										
Restricted										
Unrestricted				24,523,747	146,687					24,670,434
Fund balances (deficit):										
Reserved	1,037,704									1,037,704
Unreserved	4,195,021	7,585,505	241,453			53,540,865				65,562,844
Undesignated										
Total fund equities and fund balances	5,232,725	7,585,505	241,453	66,936,290	225,837	53,540,865			27,300,821	161,063,496
Total liabilities and fund equities	\$ 13,893,895	\$ 18,378,556	\$ 3,622,320	\$ 92,013,254	\$ 737,543	\$ 59,933,908		\$ 20,886,047		\$ 236,766,344

The accompanying notes are an integral part of the general purpose financial statements

CITY OF NEWPORT, RHODE ISLAND

COMBINING BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNITS

JUNE 30, 2000

	<u>Component Units</u>		<u>Total</u>
	<u>Newport Public Library</u>	<u>Redevelopment Agency of Newport</u>	<u>(Memorandum Only)</u>
LIABILITIES AND FUND EQUITIES (DEFICITS)			
Liabilities:			
Accounts payable and accrued expenses	\$ 884,233	\$ 104,552	\$ 7,194,823
Due to federal or state governments			227,708
Bond anticipation notes payable			2,825,000
Deferred revenue			10,678,533
Due to other funds			13,456,602
Amounts held in reserve			1,251,424
Deposits held in custody			234,502
Other liabilities		322,702	1,817,239
Notes payable		200,000	990,000
Compensated absences			6,858,901
Serial bonds payable			24,275,001
Net pension obligation			<u>7,404,602</u>
Total liabilities	<u>884,233</u>	<u>627,254</u>	<u>77,214,335</u>
Fund equities:			
Investment in general fixed assets		620,610	29,433,329
Contributed capital	1,511,898		42,491,693
Retained earnings:			
Restricted			24,670,434
Unrestricted	64,209		1,101,913
Fund balances (deficit):	74,467		74,467
Reserved	131,896	(240,099)	<u>65,454,641</u>
Unreserved			
Undesignated			
Total fund equities and fund balances	<u>1,782,470</u>	<u>380,511</u>	<u>163,226,477</u>
Total liabilities and fund equities	<u>\$ 2,666,703</u>	<u>\$ 1,007,765</u>	<u>\$ 240,440,812</u>

The accompanying notes are an integral part of the general purpose financial statements

CITY OF NEWPORT, RHODE ISLAND

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (DEFICIT) - ALL GOVERNMENTAL FUND TYPES EXPENDABLE TRUST FUNDS
AND DISCRETELY PRESENTED COMPONENT UNITS**

YEAR ENDED JUNE 30, 2000

	Governmental Fund Types		Fiduciary Fund Types		Component Units		Total
	General Fund	Special Revenue Funds	Capital Projects Funds	Expendable Trusts	Newport Public Library	Redevelopment Agency of Newport	
Revenues	\$ 52,810,389	\$ 16,259,263	\$ 1,192,118	\$ 36,087	\$ 2,233,248	\$ 50,400	\$ 72,581,505
Expenditures	<u>24,353,205</u>	<u>34,909,143</u>	<u>1,095,269</u>	<u>20,495</u>	<u>3,751,936</u>	<u>14,137</u>	<u>64,144,185</u>
Excess (deficiency) of revenues over expenditures	<u>28,457,184</u>	<u>(18,649,880)</u>	<u>96,849</u>	<u>15,592</u>	<u>(1,518,688)</u>	<u>36,263</u>	<u>8,437,320</u>
Other financing sources (uses):							
Proceeds from long term borrowings							
Transfers between funds	<u>(24,922,450)</u>	<u>18,023,698</u>			<u>940,290</u>		<u>(5,958,462)</u>
	<u>(24,922,450)</u>	<u>18,023,698</u>			<u>940,290</u>		<u>(5,958,462)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>3,534,734</u>	<u>(626,182)</u>	<u>96,849</u>	<u>15,592</u>	<u>(578,398)</u>	<u>36,263</u>	<u>2,478,858</u>
Beginning fund equity (deficits)	<u>1,697,991</u>	<u>8,211,687</u>	<u>144,604</u>	<u>151,452</u>	<u>848,970</u>	<u>(276,362)</u>	<u>10,778,342</u>
Ending fund equity (deficit)	<u>\$ 5,232,725</u>	<u>\$ 7,585,505</u>	<u>\$ 241,453</u>	<u>\$ 167,044</u>	<u>\$ 270,572</u>	<u>\$(240,099)</u>	<u>\$ 13,257,200</u>

The accompanying notes are an integral part of the general purpose financial statements

CITY OF NEWPORT, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY (DEFICIT) - ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS

YEAR ENDED JUNE 30, 2000

	Proprietary Fund Types		Fiduciary Fund Type	Total Reporting Entity
	Enterprise Funds	Internal Service Funds	Nonexpendable Trust Funds	(Memorandum Only)
Operating revenues:				
Charges for usage and services	\$ 14,613,999	\$ 729,548	\$	\$ 15,343,547
Contributions (Employee & Employer)				
Intergovernmental			258,844	258,844
Investment income	890,027		449,955	1,339,982
Other				
Total operating revenues	15,504,026	729,548	708,799	16,942,373
Operating expenses:				
Salaries and benefits	4,144,951	276,060		4,421,011
Materials and supplies	16,113	302,023		318,136
Waste disposal	963,207	413		963,620
Repair and maintenance	842,987	44,922		887,909
Depreciation	2,715,597	22,169		2,737,766
Support services	998,480	2,013	869,924	1,870,417
Utilities	1,072,733	12,819		1,085,552
Administrative and other	986,677	94,850		1,081,527
Property taxes	138,177			138,177
Total operating expenses	11,878,922	755,269	869,924	13,504,115
Operating income (loss)	3,625,104	(25,721)	(161,125)	3,438,258
Nonoperating revenues (expenses):				
Earnings on investments	67,479			67,479
Interest expense	(958,642)			(958,642)
Total nonoperating revenues (expenses)	(891,163)			(891,163)
Income (loss) before operating transfers	2,733,941	(25,721)	(161,125)	2,547,095
Operating transfers in (out)	(421,238)			(421,238)
Net income (loss)	2,312,703	(25,721)	(161,125)	2,125,857
Retained earnings/fund equities, July 1, 1999	64,623,587	251,558	7,934,419	72,809,564
Fund equity, June 30, 2000	\$ 66,936,290	\$ 225,837	\$ 7,773,294	\$ 74,935,421

The accompanying notes are an integral part of the general purpose financial statements

CITY OF NEWPORT, RHODE ISLAND

COMBINING STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS

FOR THE YEAR ENDED JUNE 30, 2000

	Proprietary Fund Types		Fiduciary Fund Type	Total Reporting Entity
	Enterprise Fund	Internal Service Fund	Nonexpendable Trust Fund	(Memorandum Only)
Cash flows from operating activities:				
Operating income (loss)	\$ 3,625,104	\$ (25,721)	\$ (161,125)	\$ 3,438,258
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	2,715,597	22,171		2,737,768
Administrative charges between funds	(421,238)			(421,238)
Changes in operating assets and liabilities:				
(Increase) decrease in accounts receivable	(147,713)	(954)		(148,667)
(Increase) decrease in accrued interest	(1,718)			(1,718)
(Increase) decrease in inventories	(89,611)	(14,780)		(104,391)
(Increase) decrease in prepaid expenses	(23,621)			(23,621)
Increase (decrease) in accounts payable and accrued expenses	(697,771)	(14,881)	12	(712,640)
Increase (decrease) in amounts held in escrow	9,241			9,241
Increase (decrease) in deferred revenues	8,288			8,288
Increase (decrease) in due reserves	1,949,904			1,949,904
Increase (decrease) in due to other funds	(382,268)	391,601	(23,960)	(14,627)
Net cash provided (used) by operating activities	<u>6,544,194</u>	<u>357,436</u>	<u>(185,073)</u>	<u>6,716,557</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(1,161,846)	(11,033)		(1,172,879)
Acquisition and construction in progress	35,181			35,181
Payment of principal debt	(2,603,604)			(2,603,604)
Payment of interest debts	(958,642)			(958,642)
Net cash provided (used) by capital and related financing activities	<u>(4,688,911)</u>	<u>(11,033)</u>		<u>(4,699,944)</u>
Cash flows from investing activities:				
Issuance (payment) on interfund loans and advances	(251,572)		393,106	(251,572)
Decrease in investments	67,479			67,479
Investment income	(184,093)		393,106	209,013
Net cash provided (used) by investing activities	<u>1,671,190</u>	<u>346,403</u>	<u>208,033</u>	<u>2,225,626</u>
Net increase (decrease) in cash	<u>2,081,574</u>	<u>167,035</u>	<u>(222,808)</u>	<u>2,025,801</u>
Cash at beginning of year	<u>\$ 3,752,764</u>	<u>\$ 513,438</u>	<u>\$ (14,775)</u>	<u>\$ 4,251,427</u>
Cash at end of year				

The accompanying notes are an integral part of the general purpose financial statements

CITY OF NEWPORT, RHODE ISLAND

STATEMENT OF PLAN NET ASSETS - PENSION TRUST FUNDS

JUNE 30, 2000

ASSETS	
Cash	\$ 6,820,903
Receivables:	
Employer	
Other	2,644
Interest and dividends	
Total receivables	<u>2,644</u>
Investments, at fair value	
Cash equivalents	1,063,078
Equities:	
Domestic	12,866,434
Mutual Funds	24,509,510
Equities - ADR's	370,547
Equities - International	<u>6,138,657</u>
Total investments	<u>44,948,226</u>
Total assets	51,771,773
LIABILITIES	
Refund payables and other	<u>6,171,246</u>
Net assets held in trust for pension benefits	<u>\$ 45,600,527</u>

The accompanying notes are an integral part of the general purpose financial statements

CITY OF NEWPORT, RHODE ISLAND

STATEMENT OF CHANGES IN PLAN NET ASSETS - PENSION TRUST FUNDS

FOR THE YEAR ENDED JUNE 30, 2000

Additions to Plan Assets:	
Contributions:	
Employee	\$ 789,588
Employer	6,379,700
Other income	<u>238,837</u>
	<u>7,408,125</u>
Investment income:	
Net appreciation (depreciation) in fair value of investments	494,730
Interest and dividends	1,315,849
Realized gain (loss) in investments	<u>825,331</u>
	<u>2,635,910</u>
Less: investment expense	<u>206,902</u>
Total additions	<u>9,837,133</u>
Deductions from Plan Assets:	
Pension benefits	5,075,650
Administrative and other	<u>672,662</u>
Total deductions	<u>5,748,312</u>
Net increase	4,088,821
Net Assets Held in Trust for Pension Benefits:	
Beginning of year, July 1, 1999	<u>41,511,706</u>
End of year, June 30, 2000	<u>\$ 41,600,527</u>

The accompanying notes are an integral part of the general purpose financial statements

CITY OF NEWPORT, RHODE ISLAND

COMBINED STATEMENT OF REVENUES AND EXPENDITURES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL -
GENERAL AND SPECIAL REVENUE FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	General Fund			Special Revenue Fund			Favorable (Unfavorable) Variance
	Adopted Budget	Amended Budget	Actual	Adopted Budget	Amended Budget	Actual	
Revenues:							
Local taxes	\$ 42,451,489	\$ 42,451,489	\$ 44,116,549	\$	\$ 9,238,117	\$ 9,667,690	\$ 429,573
Intergovernmental revenues	2,191,382	2,191,382	2,451,462				
User charges and fees	632,479	632,479	625,965				
Licenses and permits	3,870,725	3,870,725	2,709,514				
Investment income	317,200	317,200	642,802				
Other revenues	1,827,919	1,827,919	1,051,238				
Total revenues	51,291,194	51,291,194	51,597,550	11,146,846	11,146,846	10,241,644	(905,202)
Expenditures:							
General government:							
Mayor and City Council	85,305	85,305	87,582				
City Manager	249,407	249,407	234,267				
City Solicitor	260,684	260,684	271,331				
Canvassing	159,917	159,917	142,789				
Finance and support services	2,369,320	2,369,320	2,272,433				
Fiduciary accounts	27,350	27,350	360,287				
Reverse accounts	1,871,196	1,871,196	632,506				
Public Safety:							
Police Department	7,563,484	7,563,484	7,403,224				
Fire Department	6,386,527	6,386,527	6,271,046				
Education							
Public Health:							
Public Works	2,607,847	2,767,847	1,566,739				
Solid Waste Operations	1,252,357	1,252,357	1,160,169				
Planning, Zoning and Development	411,763	411,763	1,099,992				
Recreation and parks	1,547,960	1,547,960	1,249,249				
Human services	177,310	177,310	168,048				
Debt service	535,058	535,058	487,797				
Total expenditures	25,505,485	25,665,485	23,407,459	28,638,404	28,638,404	29,199,682	(561,278)
Excess of revenues over expenditures	25,785,709	25,625,709	28,190,071	(18,023,698)	(18,023,698)	(19,490,178)	(1,466,480)
Other financing sources (uses):							
Transfers from other funds		160,000	421,238				
Transfers to other funds	(25,785,709)	(25,785,709)	(25,343,688)				
Total other financing sources (uses)	(25,785,709)	(25,625,709)	(24,922,450)				
Excess of revenues and other sources over expenditures and other uses, budgetary basis	\$	\$	\$ 3,267,621	\$	\$	\$ (1,466,480)	\$ (1,466,480)

The accompanying notes are an integral part of the general purpose financial statements

CITY OF NEWPORT, RHODE ISLAND

COMBINED STATEMENT OF REVENUES AND EXPENSES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL -
ENTERPRISE AND INTERNAL SERVICE FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	Enterprise Funds			Internal Service Funds			Favorable (Unfavorable) Variance
	Adopted Budget	Adjusted Budget	Actual	Adopted Budget	Adjusted Budget	Actual	
Revenues:							
User fees	\$ 15,862,044	\$ 15,862,044	\$ 14,613,998	\$ 887,171	\$ 887,171	\$ 729,548	\$ (157,623)
Other revenue	339,110	339,110	280,720				
Total revenue	16,201,154	16,201,154	14,894,718	887,171	887,171	729,548	(157,623)
Expenses:							
Salaries and benefits	4,125,151	4,060,114	4,084,034	274,310	274,310	261,965	12,345
Materials and supplies	46,368	46,958	16,393	305,018	302,788	277,884	24,904
Waste removal	2,736,904	2,835,303	1,614,280	1,000	1,000	332	668
Repair and maintenance	1,304,200	1,299,514	743,150	61,433	60,933	39,007	21,926
Support services	901,888	990,406	1,089,209	1,785	2,115	2,173	(58)
Utilities	971,908	974,908	1,072,733	14,880	14,880	12,819	2,061
Administrative and other	5,881,555	5,759,671	4,997,374	224,060	226,460	94,849	131,611
Property taxes	137,975	137,975	138,177	4,685	4,685	4,200	485
Capital improvements							
Total expenses	16,105,949	16,104,849	13,755,350	887,171	887,171	693,229	193,942
Excess (deficiency) of revenues over expenses	95,205	96,305	1,139,368			36,319	36,319
Other financing sources (uses):							
Transfers between funds	(95,205)	(95,205)	(421,239)				
Net income (loss) - budgetary basis	\$	\$ 1,100	\$ 718,129	\$	\$ 717,029	\$ 36,319	\$ 36,319

The accompanying notes are an integral part of the general purpose financial statements

CITY OF NEWPORT, RHODE ISLAND

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

The City maintains its accounting records in accordance with generally accepted governmental accounting practices. The following is a summary of significant accounting policies.

Reporting Entity

The City of Newport was founded in 1639, incorporated under the laws of the State of Rhode Island in 1784 and rechartered 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 three are elected at large and four from voting wards. The Mayor is chosen by councilmen from among its three at-large members. A seven-member School Committee all elected at large, is vested with autonomous legislative authority over the public school system. Members of both the City Council and School Committee are elected to non-partisan biennial terms.

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

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

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City of Newport (the primary government) and its component units. Blended component units, although legally separate entities, are, in substance part of the City's operations. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize they are legally separate from the City.

Reporting Entity (Continued)

The Governmental Accounting Standards Board through the issuance of GASB-14 established criteria for determining which organizations should be included in a governmental financial reporting entity.

The standards established in GASB-14 are based on the philosophy of "building from the bottom up". GASB Concepts Statement-1 (Objectives of Financial Reporting) asserts that accountability "requires governments to answer to the citizenry - to justify the raising of public resources and the purposes for which they are used". Financial accountability can be satisfied by at least one of the following criteria:

Fiscal Accountability - When management is appointed by and held accountable to a governing authority that is included in the entity, the activity being managed falls within the entity.

Imposition Of Will - This ability includes, but is not limited to, the authority to review and approve budgetary requests, adjustments, and amendments. An authoritative appointment is one where the entity's chief elected official maintains a significant continuing relationship with the appointed officials with respect to carrying out an important public function.

Financial Benefit/Burden - When a separate agency produces a financial benefit for or imposes a financial burden on a unit of government, that agency is part of the reporting entity.

Financial Interest - Fiscal authority normally includes the authority for final approval over budgetary appropriations, responsibility for funding deficits and operating deficiencies, disposal of surplus funds, control over the collection and disbursement of funds, and maintenance of title to assets.

CITY OF NEWPORT, RHODE ISLAND

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Reporting Entity (Continued)

Financial Responsibility - Manifestations of financial inter-dependency include responsibility for financing deficits, entitlements to surpluses, and guarantees of or "moral responsibility" for, debt.

There may be, however, factors other than oversight that are so significant that exclusion of a reporting entity's financial statements would be misleading. These other factors include:

- (a) Scope Of Public Service - Aspects to be considered include who the activity benefits and whether it is conducted within the entity's geographic boundaries and generally available to its citizens.
- (b) Special Financing Relationship - Such a relationship may have been created to benefit the entity by providing for the issuance of debt on behalf of the entity.

In accordance with these criteria, the City includes all of the funds and account groups of the City and the following component units in the general purpose financial statements:

Newport Public Library

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

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 separately issued.

Not included is the following entity which is considered autonomous for financial reporting purposes:

Newport Housing Authority

The City Council is responsible for appointing members to the Board of Directors of the Newport Housing Authority (the Authority). However, the City's jurisdiction does not extend beyond such appointments, nor does it subsidize any of its operating or capital budgets. Accordingly, the Authority has not been included within the City's financial reporting entity.

Fund Accounting

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and means by which spending activities are controlled.

CITY OF NEWPORT, RHODE ISLAND

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Fund Accounting (Continued)

The following fund types and account groups are used by the City:

GOVERNMENTAL FUND -

Governmental funds are used to account for the City's expendable financial resources and related liabilities (except those accounted for as pension trust and nonexpendable trust funds). The following are the City's governmental fund types:

General Fund - The General Fund is the general operating fund of the City. It is used to account for resources devoted to financing the general services that the City provides for its citizens. General tax revenues and other sources of revenue not required to be accounted for in another fund are included in this fund. The fund is charged with all costs of operating the government for which a separate fund has not been established.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or capital projects) that are restricted by law or administrative action, to expenditures for a specific purpose.

Capital Project Funds - Capital Projects are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

PROPRIETARY FUNDS -

Proprietary funds are used to measure the flow of economic resources provided for and consumed by operations characteristic of private business. Here, the measurement focus is on changes in total current assets which have occurred over the fiscal year, regardless of their current availability. In lieu of a profit motive, these funds strive for

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Fund Accounting (Continued)

PROPRIETARY FUNDS (CONTINUED) -

self-sufficiency by recovering costs through charges assessed to principal beneficiaries. The following proprietary funds are used by the City:

Enterprise Funds - Enterprise funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises - where the intent of the governing body 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 (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose.

Internal Service Fund - Internal Service Funds account for the furnishing of services to other City government users. The principal objective of these funds is to allocate the costs, both operational and capital, of centralized services to the City government users.

FIDUCIARY FUNDS -

Fiduciary funds are used to account for assets held by the City in a trustee or agency capacity. Measurement of the flow of resources is secondary and its focus varies among these funds. The following types of fiduciary funds are used by the City:

Nonexpendable Trust Funds - are used to account for funds whereby only investment earnings can be used for expenditures. The decedent's original bequest cannot be used.

Expendable Trust Funds - are monies received by third parties and used to account for a variety of designated purposes. Both the corpus and earnings can be used.

CITY OF NEWPORT, RHODE ISLAND

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Fund Accounting (Continued)

Pension and Similar Trust Funds - are used to account for contributions made by the City and its participating employees to provide retirement and other post employment benefits to the participating employees.

Agency Funds - are established when the City holds custody to assets of others in an agency capacity. Unlike other fiduciary funds, City ownership interest does not exist in the assets held by agency funds.

Account Groups -

Account groups are a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the governmental funds because they do not affect net expendable available financial resources.

General Fixed Assets - The accounting and reporting treatment applied to the fixed assets associated with a fund are determined by its measurement focus. All governmental funds are accounted for in a spending or "financial flow" measurement focus. When purchased, such assets are recorded as expenditures in the governmental type funds. Fixed assets in the proprietary funds are capitalized in the funds in which they are utilized.

General Long-Term Debt Account Group - The General Long-Term Debt Account Group reflects liability of the City's long-term debt. The balance payable is offset by resources to be provided through taxation and assessment in future years for the retirement of such debt.

Basis Of Accounting And Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The City applies all applicable FASB pronouncements in accounting and reporting for its proprietary operations issued before December 1, 1989, unless those principles conflict with pronouncements of the GASB. After that date, the City has elected to apply only GASB pronouncements.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

ALL GOVERNMENTAL FUNDS AND EXPENDABLE TRUST FUNDS - are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual i.e., both measurable and available. Licenses and permits, charges for services, fines, forfeits, and miscellaneous revenues are recorded when received in cash. General property taxes and investment earnings are recorded when earned (when they are measurable and available). The City considers property taxes available if they are collected within 60 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for debt

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

JUNE 30, 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Basis Of Accounting and Measurement Focus (Continued)

service, prepaid expenses, and other long-term obligations which are recognized when paid. Purchases of property, equipment and inventory items are recorded as expenditures when they are incurred.

In applying the "susceptible to accrual" concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. For one type, monies must be expended on the specific purpose or project before any amounts will be paid to the City, therefore, revenues are recognized based upon expenditures recorded. For the other type, revenues are virtually unrestricted as to purpose of expenditure and nearly irrevocable or revocable only for failure to comply with the prescribed requirements. These resources are represented by non-current receivables and are deferred until they become current receivables.

Non-current portions of long-term receivables of governmental fund types are reported on their balance sheets, in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered "available spendable resources" since they do not represent net current assets. Recognition of governmental fund type revenues represented by non-current receivables is deferred until they become current receivables.

Because of their spending measurement focus, expenditure recognition for governmental fund types includes amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the general long-term obligation account group.

THE PROPRIETARY FUNDS AND NONEXPENDABLE TRUST FUNDS - use the accrual basis of accounting and the flow of all economic resources. This basis of accounting and measurement focus emphasizes the measurement of net income similar to the approach used by commercial enterprises, and its revenues are recognized when they are earned and its expenses are recognized when they are incurred.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Basis Of Accounting and Measurement Focus (Continued)

The City of Newport's Pension Trust maintains its records on the accrual basis of accounting. Contributions from the City and the City's employees are recognized as revenue in the period in which employees provide services to the City. Investment income is recognized in the period earned. The net appreciation (depreciation) in the fair value of investment income is based on the valuation of investments as of the balance sheet date.

AGENCY FUNDS - The assets and liabilities are held in an agency capacity and accordingly, there is no measurement of economic resources.

Budget and Budgetary Accounting

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

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

Assets are adopted on a legally enacted budgetary basis which differs from generally accepted accounting principles (GAAP) in several regards. Budgetary revenues are recognized on a cash basis and include subsidies from fund equity previously recognized under GAAP. Budgetary expenditures and expenses for goods and non-employment services are recognized when legally binding orders referred to as encumbrances are placed. All other expenditures and expenses are recognized on the cash

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

JUNE 30, 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Budget and Budgetary Accounting (Continued)

basis. Governmental fund budgetary expenditures include funding of reserves in advance of the periods when recognized under GAAP. Proprietary fund budgetary expenses include capital improvements and debt principal payments not recognized under GAAP but exclude depreciation, a GAAP-recognized expense.

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, the School Unrestricted Fund (a special revenue fund), and all proprietary funds. Municipal budgetary control is legally enforced at the department level. Appropriation transfers between departments require approval by five of the seven-member Council. Other appropriation increases require both the establishment of a funding source and passage of a budget amendment ordinance. Intra-departmental transfers of municipal appropriations may be made with the approval of the City Manager. Unencumbered and unexpended appropriations lapse at fiscal year-end. School budgetary control is legally enforced only at the Unrestricted fund level; inter-departmental transfers may be made without School Committee approval.

The actual expenditures in the Combined Statement of Revenue and Expenditures - Budget and Actual - General Fund and Enterprise Fund are presented on the budgetary basis which includes the net effect of not budgeting for certain other items. Thus, the actual revenue and expenditures differ from those in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Retained Earnings/Fund Balances - All Proprietary Funds and Similar Trust Funds which are presented in accordance with accounting principles generally accepted in the United States of America.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to

Budget and Budgetary Accounting (Continued)

reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and the Enterprise Fund. Encumbrances are commitments related to unperformed contracts for goods or services. When a purchase order or commitment is placed, the City reduces the amount of budgetary authority remaining in a budget category and records an encumbrance. When goods or services are received, the encumbrance balance is reduced and an expenditure and liability is recorded. Encumbrances outstanding at year-end are reported as a reservation of fund balance since they do not constitute expenditures or liabilities.

Cash and Cash Equivalents

Deposits (cash and certificates of deposits) are carried at cost which approximates market. All highly liquid investments with a maturity of three months or less when purchased, are considered to be cash equivalents.

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 only U.S. Treasuries or in debt instruments issued by agencies of the U.S. Government. There is also a requirement that maturities of these instruments be matched to any underlying liabilities.

Investments

Investments of the primary government are record at market value as required by GASB-31. All other investments are stated at cost or amortized cost. The City accounts for the carrying value of investments by utilizing the specific identification method. Market value is determined by the last reported bid price on the last business day of the year. Gains or losses on the sale of investments are recognized, as investment income on the first-in, first-out (FIFO) method.

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

JUNE 30, 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Investments (Continued)

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 the invested proceeds were collected. Authority for investing fiduciary fund assets is vested with a citizens' commission appointed by and accountable to the City Council.

There is inherent custodial credit risk in each of the City's investments. This risk can be categorized in three levels. Level A risk includes securities that are either insured, registered in the City's name, or held by an agent under the City's name. Securities not satisfying Level A risk criteria but held by the counterparty's trust department or agent under the City's name are of Level B risk. Finally, securities not satisfying Level A risk criteria and held by the counterparty, its trust department, or its agent under other than the City's name are of Level C risk.

Property Taxes

Real estate, personal property and other excise tax levies are recorded as receivables in the fiscal year of the levy and as revenues when collected within the current year or expected to be collected within 60 days after the end of the current year. Taxes not collected within this time period are classified as deferred revenue. Deferred revenues are those where asset recognition criteria have been met but for which revenue criteria have not been met.

Taxes are levied and lien'd each July 1 on (a) the full and fair value of real and tangible personal property owned within the City the previous December 31; and (b) the value, as determined by the Rhode Island Vehicle Valuation Commission, of vehicles registered within the City the previous calendar year, prorated for the actual number of days so registered. Taxes are levied for the year commencing on that date, payable in equal quarterly installments on the fifth days of August, November, February and May. Overdue taxes are assessed penalties and will be collected through the sale of tax titles if required. For that reason, no allowances are made for uncollectible accounts.

Property Taxes (Continued)

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

Inventory

Inventories which are not significant in the General and Special Revenue Funds are considered to be expenditures at the time of purchase. Proprietary Internal Service Fund inventories are valued at cost using the first-in, first-out method of valuation.

Property, Plant and Equipment

(a) General Fixed Assets and Capital Improvement Expenditures

Costs incurred by governmental and fiduciary funds for the purchase or construction of property, plant and equipment which benefit three or more accounting periods are recorded net of trade-in value as capital improvement expenditures in each acquiring fund and at gross cost in the General Fixed Assets Account Group. Interest incurred during construction is not capitalized as part of general fixed asset costs. Donated property, plant and equipment which benefit three or more accounting periods are recorded as general fixed assets at their fair market value on the date of donation. Capital improvement expenditures for infrastructural assets and other immovable assets which are of value only to the City are not recorded as general fixed assets. Depreciation is not recognized on assets within the General Fixed Assets Account Group.

(b) Property, Plant and Equipment and Contributed Equity

Costs incurred by proprietary funds for the purchase or construction of capital assets, including interest costs during construction, which benefit three or more accounting periods are capitalized as property, plant and equipment by each acquiring fund. Donated property, plant and equipment which benefit three or more accounting periods are capitalized at their fair market value on the date of donation.

CITY OF NEWPORT, RHODE ISLAND

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Property, Plant and Equipment (Continued)

(b) Property, Plant and Equipment and Contributed Equity (Continued)

Amounts assessed by proprietary funds for the acquisition of property, plant and equipment and externally restricted for such purposes are recorded as contributed capital. Contributed capital is also recognized for the fair market value of property, plant and equipment donated to proprietary funds. Property, plant, and equipment of proprietary funds are depreciated over their estimated lives using the straight-line method of depreciation. Depreciation recognized on assets financed through restricted assessments or acquired by donation is reported as a reduction in contributed capital.

Deferred Revenues

Deferred revenues represent funds received in advance of being owed or receivables which will be collected and included in revenues of future fiscal years.

In the General Fund, deferred revenues relate to revenue that is measurable, but not available.

In the Special Revenue Funds, deferred revenue represents amounts received in advance of expenditures incurred for certain grants.

Accrued Expenses

Expenses are recognized in the proprietary, pension trust, and non-expendable trust funds in the period in which a liability is incurred. In governmental and expendable trust funds, expenditures are generally recognized when a liability is incurred, except for interest payments which are recognized when paid, and for liabilities for certain claims and judgments, accrued compensated absences, and unfunded pension contributions, each of which are recognized to the extent they will be paid using expendable available financial resources. Financial resources are considered expendable if they have been appropriated in the current or preceding accounting period. Financial resources are considered available if they will be used to liquidate the liability within 60 days subsequent to the accounting period.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Accrued Expenses (Continued)

Governmental funds' actuarial pension benefit obligations not recognized as liabilities in the general long-term obligations account group only to the extent of the unpaid annually required contributions. All other obligations incurred by governmental and expendable trusts which have not been recognized as expenditures are recorded as a liability in the general long-term obligations account group.

Fund Equity

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. Unreserved retained earnings for proprietary funds represent the net assets available on future operations or distribution. The reserved fund balances for government funds represent the amount that has been legally identified for specific purposes. Unreserved retained earnings for proprietary funds represent the net assets available for future operations or distributions. Reserved retained earnings for proprietary funds represent the net assets that have been legally identified for specific purposes.

Capital Leases

Property, plant and equipment acquired by governmental and fiduciary funds through lease-purchase financing is recorded in the General Fixed Assets Account Group using criteria established by the Financial Accounting Standards Board's Statement No. 13. A liability for the same amount is recorded in the General Long-Term Obligations Account Group. Property, plant and equipment acquired by proprietary funds through lease-purchase financing is capitalized, and a corresponding liability recorded, by each acquiring fund.

Bond and Loans Authorized, and Loans Authorized and Unissued

Bonds issued to finance activities of governmental funds are reported at face value in the General Long-Term Debt Account Group, while those financing proprietary funds activities are carried as liabilities of the recipient funds.

CITY OF NEWPORT, RHODE ISLAND

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Interfund Transactions

Quasi-external transactions are accounted for as fund revenues, expenditures or expenses. Transactions which constitute reimbursement of a fund for expenditures or expenses initially made from it which are properly applicable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditure or expense in the fund that is reimbursed.

All interfund transactions except advances, quasi-external transactions and reimbursements are accounted for as transfers. All other interfund transactions are treated as operating transfers.

Total Columns On Combined Statement

Amounts in the "Totals (Memorandum Only)" columns in the preceding financial statements represent a summation of the combined financial statement line of the fund types and account groups and are presented for analytical purposes only. The summation includes fund types and account groups that use different basis of accounting, include interfund transactions that have not been eliminated and the caption "amounts to be provided" which is not an asset in the usual sense. Consequently, amounts shown in the "Totals (Memorandum Only)" columns are not comparable to a consolidation and do not represent the total resources available or total revenues and expenditures/expenses of the City.

2. BUDGETARY-GAAP REPORTING RECONCILIATION

The accompanying Combined Statement of Revenues, Expenditures or Expenses - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund and Wastewater Treatment Plant Special Revenue Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major difference between the budgetary basis and the Generally Accepted Accounting Principles ("GAAP") basis are that:

A) Revenues are recorded when received in cash (budgetary basis) as opposed to when susceptible to accrual (GAAP basis), except for real estate and personal property taxes which are recorded when committed;

2. BUDGETARY-GAAP REPORTING RECONCILIATION (CONTINUED)

- B) Expenditures are recorded when paid in cash (budgetary basis) as opposed to when liability is incurred (GAAP basis);
- C) Encumbrances are reported as expenditures (budgetary basis) as opposed to a reservation of fund balance (GAAP basis).

Therefore, timing, perspective, and entity differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2000 are as follows:

	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
	<u>General</u>	<u>Internal</u>
	<u>Fund</u>	<u>Service</u>
	<u>Revenue</u>	<u>Enterprise</u>
Excess of revenues and other sources over expenditures and other uses (budgetary basis)		
Net income (loss) (budgetary basis)	\$ 3,267,621	\$ (1,466,480)
Adjustments of budgetary basis to GAAP basis:		
Net increase (reduction) for encumbrances previously recognized under GAAP	(499,361)	(36,809)
Net increase (reduction) for accrued revenues recognized under GAAP but not yet budgeted	(262,332)	(14,095)
		71,534

CITY OF NEWPORT, RHODE ISLAND

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2000

2. BUDGETARY-GAAP REPORTING RECONCILIATION (CONTINUED)

	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
	<u>General Fund</u>	<u>Internal Service</u>
	<u>Special Revenue</u>	<u>Enterprise</u>
Additional for principal payment on capital leases	531,907	149,128
Additional for principal payments on long term debt		2,941,089
Additional for capital improvements capitalized under GAAP		11,033
Reduction for depreciation expense recognized under GAAP		(22,169)
To record net effect of nonbudgeted accounts	<u>496,899</u>	<u>647,175</u>
Excess of revenues and other sources over expenditures and other uses (GAAP basis)	<u>\$ 3,534,734</u>	<u>\$(1,466,480)</u>
Net income (loss) (GAAP basis)		<u>\$(25,721)</u>
		<u>\$ 2,312,704</u>

3. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The legal level of control for which expenditures can not exceed appropriation is at the category level within a department.

3. EXCESS OF EXPENDITURES OVER APPROPRIATIONS (CONTINUED)

The table below shows the amounts by which certain municipal department expenditures exceeded fiscal year 1999 appropriations (after approved transfers) and, where applicable, actual 2000 revenues:

<u>Department</u>	<u>Fund or Fund-Type</u>	<u>Expenditures in Excess of Budget</u>
Mayor and City Council	General	\$ 2,277
Fiduciary	General	332,937
City Solicitor	General	10,647
Planning, Zoning and Development	General	688,229
Equipment operations	Internal Service	58
Water Fund	Enterprise	232,970
Water Pollution Control	Enterprise	328,440
Easton Beach	Enterprise	14,133

4. CASH, CASH EQUIVALENTS AND DEPOSITS:

Pursuant to its Docket 2985, effective April 1, 2000, \$2,701,874, \$1,401,154 and \$292,186 of annual revenues must be restricted for debt service, IFR/capital spending and chemicals, respectively. Since the new rates took effect April 1, 2000 and would have been phased into the tri-annual billing cycles of Newport, the cash flow from new rates would have likely started around July 1, 2000. Therefore, to facilitate accounting for restricted funds, the PUC has suggested that fiscal year 2001 should be the initial year of rate revenues containing restricted accounts. Therefore, restricted funds available at July 1, 2001 should be \$1,157,633. At June 30, 2000, no cash was restricted for debt service under the prior PUC Order 13947.

Bank collected balances, defined as statement balances reduced by deposit float, are invested in short-term U.S. Treasury notes registered in the City's name whenever practical. Collected balances not directly invested are consolidated into repurchase agreements between the City and its principal bank and collateralized by U.S. Treasury obligations held in trust by the bank. At June 30, 2000, \$7,483,764 was invested in a repurchase agreement maturing July 1, 2000.

Federal deposit insurance is used to eliminate any custodial risk in the non-invested deposits maintained at financial institutions. However, at

CITY OF NEWPORT, RHODE ISLAND

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2000

4. CASH, CASH EQUIVALENTS AND DEPOSITS (CONTINUED):

June 30, 2000, bank-reported balances exceeded insurance coverage by \$1,085,534 for the primary government. Excess balances over insurance coverage are primarily attributable to check float inherent in normal banking operations and in the maintenance of accounts restricted for receipt of Federal grant proceeds.

The following summary presents the level of custodial credit risk inherent in the deposits of the City and its component units at June 30, 2000. Level A risk includes deposits that are either insured or collateralized with securities registered in the City's name, or held by an agent under the City's name. Collateralized securities not satisfying Level A risk criteria but held by the financial institution's trust department or agent under the City's name are of Level B risk. Finally, uncollateralized deposits or deposits collateralized with securities held by the financial institution, its trust department, or its agent under other than the City's name are of Level C risk.

5. INVESTMENTS:

At June 30, 2000, all of the City's investments are classified as having Level A custodial risk and consist of the following:

	<u>Custodial Risk</u>	<u>Not</u>		<u>Categorized</u>	<u>Fair value</u>
	<u>Cat. A</u>				
Primary government:					
U.S. agency debt obligations	\$ 3,002,067		\$		\$ 3,002,067
Corporate bonds	1,767,527				1,767,527
Domestic equities	44,593,859				44,593,859
International equities	6,870,999				6,870,999
Unallocated by City	4,689,894				4,689,894
Primary government total	<u>\$ 60,924,346</u>		\$		<u>\$ 60,924,346</u>
Component units:					
Mutual Funds			\$		\$ 259,928
Money market funds	10,170				10,170
Component units total	<u>\$ 270,098</u>		\$		<u>\$ 270,098</u>

6. INTERFUND TRANSACTIONS:

At June 30, 2000 the individual funds' assets and liabilities (due to/from accounts) are as follows:

6. INTERFUND TRANSACTIONS (CONTINUED):

	<u>Due from</u>		<u>Due to</u>
	<u>Other Funds</u>		<u>Other Funds</u>
General Fund	\$ 13,074,026		
Special Revenue Funds:			
School Unrestricted	382,576		752,510
School Restricted			2,806,016
Community Development Act			781,564
State Grants			133,089
EDA Revolving Funds			141,823
Property Acquisition Fund			562,664
Bramley Bill Fund			51,632
	<u>382,576</u>		<u>5,229,298</u>
Capital Project Funds:			
Halsey Street Extension			49,283
Vehicle Circulation Plan			32,360
Economic Development Gateway Center			20,000
North End Project			458
			<u>102,101</u>
Enterprise Funds:			
Easton's Beach			209,302
Parking Operations Fund			12,444
Water Fund			460,113
Water Pollution Control Fund			1,933,785
			<u>391,601</u>
Internal Service Funds:			
Equipment Operation Fund			3,802
Trust and Agency Funds:			
Non-expendable Funds			4,977
Scholarship Funds			807
Expendable Funds			2,443,863
Police Pension Fund			3,346,368
Fire Pension Fund			5,799,817
	<u>\$ 13,456,602</u>		<u>\$ 13,456,602</u>

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

JUNE 30, 2000

7. BONDED DEBT OUTSTANDING:

Bonds issued to finance activities of governmental funds are reported at face value in the General Long-Term Obligations Account Group, while those financing proprietary funds activities are carried as liabilities of the recipient funds.

Bonded debt currently outstanding has been used to finance sewer and water enterprise activities (reported as proprietary fund liabilities) and governmental and school activities (reported within the General Long-Term Obligation Account Group). Changes in bonded debt outstanding during fiscal year 2000 are summarized as follows:

	Date Issued	Maturity Date	Interest Rate (%)	Outstanding July 1, 1999	Retired in 2000	Outstanding June 30, 2000	Interest Paid in 2000
Enterprise Funds:							
Sewer plant construction	1992 (r)	2003	5.00-6.20%	\$ 805,802	\$ 257,375	\$ 548,427	\$ 40,461
Water improvements	1992 (r)	2003	5.00-6.20	363,695	116,165	247,530	18,262
Water pipeline construction	1992	2011	5.00-6.65	2,925,000	225,000	2,700,000	178,425
Sewer improvements	1994 (r)	2001	4.13-5.13	150,000	80,000	70,000	6,520
Sewer plant construction	1994 (r)	2006	4.13-5.13	1,195,000	190,000	1,005,000	54,395
CSO plant construction	1994 (r)	2010	4.13-5.13	5,205,000	515,000	4,690,000	246,193
Water improvements	1994 (r)	2001	4.13-5.13	95,000	50,000	45,000	4,130
Water plant construction	1994 (r)	2010	4.13-5.13	5,230,000	725,000	4,505,000	243,967
Water Pipeline construction	1994	2012	4.00-5.13	5,315,000	385,000	4,930,000	246,546
Total enterprise funds				\$ 21,284,497	\$ 2,543,540	\$ 18,740,957	\$ 1,038,899
General long-term obligations (GLTO) account group:							
Roadway improvements	1991	2011	5.80-6.50	\$ 915,255	\$ 76,271	\$ 838,984	\$ 56,441
Triplett School acquisition	1991	2011	5.80-6.50	884,745	73,729	811,016	54,559
Police station construction	1992 (r)	2003	5.00-6.20	505,503	161,459	344,044	25,382
Fire station, open spaces	1994 (r)	2004	4.13-5.13	495,000	140,000	355,000	22,130
High school renovations	1994	2012	4.00-5.13	3,430,000	245,000	3,185,000	158,851
Total GLTO account group				\$ 6,230,503	\$ 696,459	\$ 5,534,044	\$ 317,363

The City has refunded its general obligation bonds which were originally issued in 1989 and 1990. Both were advance refundings which met the criteria for treatment as in-substance defeasances of the refunded bonds. Refunding bonds are indicated with an (r) following the year of issuance in the summary above.

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, 1997 was \$1,815,871,000, limiting the amount of non-accepted general obligation bonds outstanding to \$54,476,000. All bonds outstanding at June 30, 2000 were general obligations and were excepted from statutory limitations.

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

JUNE 30, 2000

7. BONDED DEBT OUTSTANDING (CONTINUED):

Bonded indebtedness on June 30, 2000 matures over fiscal years through 2013 as follows:

	2001	2002	2003	2004	2005	2006-10	2011-13	Total
Defeased in substance	\$ 6,740,020	\$	\$	\$	\$	\$	\$	\$ 6,740,020
Enterprise funds:								
Principal	\$ 2,373,989	\$ 2,343,516	\$ 2,263,989	\$ 2,244,463	\$ 1,435,000	\$ 6,550,000	\$ 1,530,000	\$ 18,740,957
Interest	906,138	795,576	683,451	578,087	487,378	1,288,561	94,809	4,834,000
Total	\$ 3,280,127	\$ 3,139,092	\$ 2,947,440	\$ 2,822,550	\$ 1,922,378	\$ 7,838,561	\$ 1,624,809	\$ 23,574,957
General long-term obligations:								
Principal	\$ 586,011	\$ 566,484	\$ 561,011	\$ 565,538	\$ 395,000	\$ 1,975,000	\$ 885,000	\$ 5,534,044
Interest	278,162	249,262	220,217	193,354	171,182	494,976	54,841	1,661,994
Total	\$ 864,173	\$ 815,746	\$ 781,228	\$ 758,892	\$ 566,182	\$ 2,469,976	\$ 939,841	\$ 7,196,038

Future payments of bonds defeased in substance, including call premiums, are provided from a trust funded with the proceeds of the refunding bonds. Defeased bonds will be called in fiscal years 2000 and 2001 at premiums of 2% of the face value of the bonds called.

Authorized and unissued debt at June 30, 2000, is as follows:

Purpose	Date Authorized		State Subsidy	Net Amount
	Authorized	Amount		
Water Improvements		\$ 3,000,000	\$	\$ 3,000,000
Sewer Improvements (Revenue Bond)		13,000,000		13,000,000
Library	11/03/98	3,000,000		3,000,000
Thompson Middle School	11/02/99	19,035,000		19,035,000
		\$ 38,035,000	\$	\$ 38,035,000

BAN's issued 03/15/01
\$1,000,000 of BAN's issued 03/15/01

8. NOTES PAYABLE:

In December 1994, the City borrowed \$1,350,000 from a bank and loaned the proceeds to a developer to finance the purchase and renovation of a former City building. The underlying note receivable has a stated interest rate of 2.27% per annum and provides for annual repayments out of the developer's net cash flow, as defined, until 2012 when all outstanding principal and interest is due. The note receivable is secured by the renovated building and is recorded as a long-term receivable with a corresponding reservation of fund equity in the Community Development Act Fund, a special revenue fund. At June 30, 2000, the entire \$1,350,000 was receivable.

The City's note payable is guaranteed by the U.S. Department of Housing and Urban Development (HUD) under Section 108 of the Nation Housing Act of 1986. The State of Rhode Island has committed to provide the City \$160,000 of Community Development Block Grant proceeds from HUD annually to subsidize the difference between amounts collected from the developer and amounts due to the bank. At June 30, 2000, \$790,000 was outstanding on this bond as follows:

CITY OF NEWPORT, RHODE ISLAND

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2000

8. NOTES PAYABLE (CONTINUED):

Fiscal year ending June 30,	Principal	Interest	Total
2001	\$ 135,000	\$ 59,495	\$ 194,495
2002	145,000	48,035	193,035
2003	155,000	35,869	190,869
2004	170,000	22,273	192,273
2005	185,000	7,622	192,622
Totals	\$ 790,000	\$ 173,294	\$ 963,294

In 1984, the Redevelopment Agency of Newport, a component unit, purchased a vacant building in an area of the City designated 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 nor maturity and is secured with a mortgage on the building. As of June 30, 1999, the entire \$200,000 was payable.

9. LEASES:

No capital lease-purchase commitments were in existence at June 30, 2000.

Operating Leases

The City leases certain office equipment under multi-year agreements which are subject to annual appropriation. Additionally, the Water fund assesses the General Fund an annual lease charge of \$299,712 for providing a public fire protection system owned by the Water Fund pursuant to tariffs mandated by the Rhode Island Public Utilities Commission. Lease expenditures and expenses for fiscal year 2000 and minimum lease obligations for the next five years as of June 30, 2000 were as follows:

Fund or Fund-Type	Minimum Lease Obligations		
	2001	2002	2003
General Fund	\$ 299,712	\$ 299,712	\$ 299,712
Enterprise Funds			
Total lease obligations	\$ 299,712	\$ 299,712	\$ 299,712

Fund or Fund-Type	Expenditures Or Expenses
General Fund	\$ 313,662
Enterprise Funds	5,724
Total lease obligations	\$ 319,386

CITY OF NEWPORT, RHODE ISLAND

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2000

10. RESERVED/DESIGNATED FUND BALANCE:

The City of Newport records several types of reserves. The reserves indicate that a portion of fund balance is segregated for specific use.

The following is a list of all reserves used by the City of Newport:

	<u>General Fund</u>
Reserved:	
Encumbrances	\$ 1,025,658
Inventory	<u>12,046</u>
	<u>\$ 1,037,704</u>

11. PRIOR PERIOD ADJUSTMENTS:

In some instances beginning fund equity has been restated as a result of adjustments made to correct or reclassify prior year balances. Such adjustments, summarized by fund type are as follows:

Beginning Balance	<u>Special Revenue</u>	\$ 13,277,683
Community Development:		
Reclass reserved long term receivables as deferred revenue		(2,842,085)
EDA Revolving Fund:		
Reclass reserved advances to other funds as deferred revenue		(55,243)
Reclass reserved long-term receivables as deferred revenue		(110,214)

11. PRIOR PERIOD ADJUSTMENTS (CONTINUED):

UDAG Grants:
 Reclass reserved advances to other funds as deferred revenue (1,731,549)
 Reclass reserved long term receivables as deferred revenue (327,000)
 Restate for accounts receivable not previously deferred 95

\$ 8,211,687

12. DEFICIT FUND BALANCES:

The following individual funds had deficit fund balances at June 30, 2000:

Special Revenue Funds:	\$	425
96 Litter receptacle Seatbelt grant		<u>96</u>
Total Special Revenue Funds		<u>521</u>

Capital Projects Funds:	169,538	**
Halsey Street Extension	2,303	*
North End Master Plan	40,600	*
Vehicle Circulation Plan	20,000	*
Economic Development Gateway Center	458	*
North End Project	<u>733,990</u>	**
Library Renovation		
Total Capital Project Funds	<u>966,889</u>	
	\$	<u>967,410</u>

* Additional appropriations will be voted in future years to fund this deficit.

** The deficits will be funded through future bond issuances

*** The deficit will be funded through future grants

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

JUNE 30, 2000

13. CONTINGENCIES:

There are several lawsuits and claims in which the City is involved. 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 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 financial position as of June 30, 2000.

14. 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.

15. PENSION PLANS:

The City has established a defined contribution pension plan for the City Manager. Substantially all remaining full-time employees are

15. PENSION PLANS (CONTINUED):

participants in one of four defined benefit pension plans, dependent upon which, if any, collective bargaining unit they are affiliated.

(a) Money-Purchase Pension Plan

The City Manager is the only employee eligible to participate in the Money-Purchase Pension Plan, a defined contribution plan established in accordance with Internal Revenue Code Section 401(a). The plan is administered by the International City Managers Association and offers its members continuity of participation during changes in employment. Benefits are payable upon retirement from among a variety of options selected by participants. For fiscal year 2000, total City payroll was \$39,413,660, of which \$91,354 was covered for the one employee under the plan.

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

During 2000, the City's required contribution was \$9,135, all of which was paid. No additional contributions were made by the City Manager.

(b) Employees' Retirement System Of The State Of Rhode Island

Plan description. All school system personnel certified by the Rhode Island Department of Education who are or have been engaged in teaching as a principal occupation are eligible to participate in the Employees' Retirement System of the State of Rhode Island (Teachers' Plan). Business managers are also eligible to participate. The Teachers' Plan is a cost-sharing multiple employer public employee retirement system administered by the State. Financial statements for the plan are issued separately and may be obtained from the Employees Retirement System, 40 Fountain Street, Providence, RI 02903. Total covered payroll under the plan during 2000 was \$15,272,482, of which \$744,820 was charged to Federally-reimbursed programs. Total City payroll was \$39,413,160 for the same period.

CITY OF NEWPORT, RHODE ISLAND

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2000

15. PENSION PLANS (CONTINUED)

(b) Employees' Retirement System Of The State Of Rhode Island (Continued)

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 60, or after 28 years of service regardless of age. Benefits are equal to 1.7% of final average salary for each of the first 10 years of service, 1.9% for each of the next ten years, 3.0% for each of the next 14 years thereafter, and 2.0% for the 35th year, resulting in a maximum benefit of 80% of final average salary. Final average salary is computed using the highest three consecutive years of base earnings. Retirees' benefits are subject to a 3% compounded annual cost of living increase, commencing on the January 1st following the third anniversary of an employee's retirement.

The plan also provides pre-retirement benefits at a minimum of 17% of salary for non-occupational disabilities after 5 years of service, and at 67% of salary for occupational disabilities regardless of service. Surviving spouses are also eligible for both pre- and post-retirement death benefits with minimum amounts established under varying circumstances.

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, 1989 over 27 years; and (c) interest on the unfunded frozen actuarial liability. Both employers and employees must contribute 1% of the first \$9,600 of each participating employee's salary for survivor 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 2000, actuarial required contributions were 11.52% of participant salary. This resulted in contribution rates paid by the State on behalf of

15. PENSION PLANS (CONTINUED)

(b) Employees' Retirement System Of The State Of Rhode Island (Continued)

City teachers of 4.9% of the non-federally reimbursable payroll. The City's required and actual contributions to the Teachers' Plan for fiscal years 2000, 1999 and 1998 were \$1,329,476, \$1,031,539 and \$1,191,147, respectively.

(c) Municipal Employees' Retirement System Of The State Of Rhode Island

Plan description. Excepting only certain classified positions including the City Manager, all City employees not covered under the Teachers' Plan are eligible to participate in the Municipal Employees' Retirement System of the State of Rhode Island (Municipal Plan). However, fire employees and police officers have elected to participate in separate single-employer pension plans administered by the City. 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 from the Employees Retirement System, 40 Fountain Street, Providence, RI 02903. For fiscal year 2000, total City payroll was \$39,413,160, of which \$10,818,152 was covered for employees under the plan.

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 2.0% 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. Retirees' benefits are subject to a 3% simple annual cost of living increase, commencing on the January 1st following each employee's retirement, as provided by an election made by the City.

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

CITY OF NEWPORT, RHODE ISLAND

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2000

15. PENSION PLANS (CONTINUED)

(C) Municipal Employees' Retirement System Of the State Of Rhode Island (Continued)

As of June 30, 2000, 280 active employees were members of the Municipal Plan, composed as follows:

Full-time municipal workers	262
Full-time school employees	18

Funding policy. Rhode Island general laws set contributions of participating employees at 6% of salary. An additional 1% of salary is assessed to employees, including those of the City, whose employer has elected annual cost-of-living adjustments to benefits. 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 contributions 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. Normal cost is determined using the entry age normal cost method. Unlike in the Teachers' plan, the State makes no contributions to the Municipal Plan on behalf of the City, nor does it assume any liability for funding pension benefits for the City's participants.

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

	2000	1999	1998
Annual pension costs	\$ 654,301	\$ 670,965	\$ 624,195
Actual contributions:			
Employee	654,301	606,816	588,537
Employer		64,149	35,658
% of annual pension costs contributed	100.0%	100.0%	100.0%

15. PENSION PLANS (CONTINUED)

(C) Municipal Employees' Retirement System Of the State Of Rhode Island (Continued)

Actuarial methods and significant assumptions. The State uses 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 market 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:	8.00% annually
Salary increases:	4.50% annually
Cost of living adjustments:	3.00%, not compounded
Retirement probability:	100% at age 60 or upon eligibility years 21-24
Mortality:	Healthy members - 1971 GAM Mortality Table Disabled members - 1971 GAM Mortality Table set to age 65
Disability:	probabilities ranging from .06% at age 20 to 1.41% at age 60

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

Plan descriptions. 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. All fire department employees covered under a collective bargaining agreement with the International Association of Firefighters, Local 1080 are participants of the Fire Plan. All police officers covered under a collective bargaining agreement with the Fraternal Order of Police, Lodge Number 8 are participants of the Police Plan. covered payroll during 2000 was \$3,838,574 and

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

JUNE 30, 2000

15. PENSION PLANS (CONTINUED)

15. PENSION PLANS (CONTINUED)

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

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

\$4,250,751 under the fire and police plans, respectively. The City's total payroll during that period was \$39,413,160. Each plan is reported as a pension trust fund in the City's general purpose financial statements.

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

Rights to pension benefits become fully vested for fire and police participants after 10 years of service. Both groups are eligible to retire after 20 years of service. Benefits are equal to 50% of salary with an additional 2% (for firemen) or 2.5% (for policemen) for each year of service in excess of 20 until a 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 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.

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.

As of June 30, 2000, membership in each plan was as follows:

	<u>Fire Plan</u>	<u>Police Plan</u>
Active employees hired before June 30, 1984	45	31
Active employees hired on or after July 1, 1984	52	49
Total active employees	97	80
Inactive employees with vested rights Pensioners and beneficiaries	-0- 98	-0- 102
Total plan members	<u>195</u>	<u>182</u>

Annual pension costs and net pension obligations. Separate actuarial valuations for each plan were performed as of June 30, 2000. 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)	\$ 3,003,673	\$ 2,094,752
Amount representing interest on NPO Adjustment to ARC	634,950 (417,389)	(165,762) 108,965
Total annual pension costs	<u>\$ 3,221,234</u>	<u>\$ 2,037,955</u>

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

CITY OF NEWPORT, RHODE ISLAND

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2000

15. PENSION PLANS (CONTINUED)

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

	Fire Plan		Police Plan	
	2000	1999	2000	1999
Annual pension costs	\$ 3,221,234	\$ 3,179,232	\$ 2,037,955	\$ 2,243,041
Actual contributions	3,513,000	3,189,318	2,866,700	3,137,686
Increase (decrease) in NPO	(291,766)	(10,086)	(828,745)	(894,645)
Net pension obligation, beginning	7,696,369	7,706,455	7,462,659	7,462,659
Net pension obligation, ending	7,404,603	7,696,369	828,745	894,645
% of annual pension costs contributed	109.3%	100.3%	140.7%	139.9%
				107.2%

* As restated by actuary

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 biennially as of June 30.

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

Assets appreciation:	8.25% annually	Healthy members - GAM Morality Table
Salary increases:	5.75% annually	Disabled members 0 1985 Wyatt Pension Disability Tables
Retirement probability:		60% of 1985 Wyatt Pension Disability Tables, occupational class 4, unisex rates
5% for fire and 20% for police after 20 years		90% of active and 75% of retired members are married, wives are 3 years younger than their husbands
2% for fire and 10% for police in each of years 21-24		
40% for both groups after 25 years		
20% for both groups in each of years 26-34		
100% for both groups after 35 years		

Concentrations. As of June 30, 2000 and during the year then ended, no pension assets were invested in any organization which collectively held 5% or more of the total assets of either plan.

CITY OF NEWPORT, RHODE ISLAND

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2000

16. OTHER POST-EMPLOYMENT BENEFITS

In addition to those retirement, disability and death benefits described in the preceding Note, the city provides health and life insurance benefits to retirees, their dependents and their beneficiaries in accordance with City ordinance and by terms of their collective bargaining agreements. Retirees or their beneficiaries may select from among the same plans offered to active employees until they attain the age of 65, at which time coverage is switched to a City-designated insurer. As of June 30, 2000, in excess of 350 retirees were eligible to receive health and life insurance benefits.

A portion of health insurance premiums is borne by the City, dependent upon each retiree's covered group, date of retirement and credited service. For members covered under the Police Pension Plan retiring after June 30, 1987, the city pays 50% of premiums plus an additional 5% of premiums for each year of service between 11 and 20 years, until 100% is paid. Retirees prior to that date are responsible for premiums for each year between 11 and 25 years, until 100% is paid. Premiums for retirees of both the Teachers' Plan and the Municipal Plan are fully paid by the City, provided the retiree was eligible for retirement at the time of separation from service. Beyond health insurance, the City bears only the cost of providing certain Police Pension Plan members a \$25,000 life insurance policy. Members of each group may elect dental and life insurance coverage at their expense.

During fiscal year 2000, expenditures or expenses of \$1,856,295, net of contributions, were recorded for post-employment benefits of retirees or beneficiaries and their dependents, distributed as follows:

General Fund	\$ 160,098
Special Revenue Funds	808,567
Enterprise Funds	141,822
Pension Trust Funds	<u>745,808</u>
	<u>\$ 1,856,295</u>

17. DEFERRED COMPENSATION PLANS

The City has established a deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan, available to all municipal employees, permits them to defer a portion of their salaries until termination, retirement or death. In some cases, deferred salary may also be made available to employees who successfully demonstrate unforeseen emergencies after authorization by a committee established under the plan. The annual limitation of salary deferrable under the plan for calendar year 2000 was \$8,000 per employee.

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

CITY OF NEWPORT, RHODE ISLAND

REQUIRED SUPPLEMENTAL INFORMATION (CONTINUED)

SCHEDULE OF EMPLOYER CONTRIBUTIONS

JUNE 30, 2000

Fire Pension Plan			
Actuarial Valuation Date	Annual Required Contribution (ARC)	Actual Contribution	% of ARC Contributed
1994	\$ 2,225,668	\$ 1,551,116	69.7%
1995	2,576,363	1,736,686	67.4%
1996	2,709,621	1,990,018	73.4%
1997	2,919,663	2,760,163	94.5%
1998	3,186,383	3,032,805	95.2%
1999	3,003,673	3,189,319	106.2%
2000	3,280,802	3,513,000	107.0%

Police Pension Plan			
Actuarial Valuation Date	Annual Required Contribution (ARC)	Actual Contribution	% of ARC Contributed
1994	\$ 1,823,577	\$ 2,136,173	117.1%
1995	2,103,989	2,226,085	105.8%
1996	2,279,943	2,322,898	101.9%
1997	2,426,242	1,793,369	73.9%
1998	2,600,178	2,759,907	106.1%
1999	2,071,386	3,137,686	151.5%
2000	1,696,189	2,866,700	169.0%

The accompanying notes are an integral part of the general purpose financial statements

CITY OF NEWPORT, RHODE ISLAND

REQUIRED SUPPLEMENTAL INFORMATION (CONTINUED)

SCHEDULE OF FUNDING PROGRESS

JUNE 30, 2000

Fire Pension Plan

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets as % of AAL	Unfunded AAL	Annual Covered Payroll	Unfunded AAL as % of Covered Payroll
1994	\$ 4,526,315	\$ 40,226,266	11.3%	\$ 35,699,951	\$ 3,590,371	994.3%
1995	5,739,340	42,946,269	13.4%	37,206,929	3,588,503	1036.8%
1996	7,268,544	46,789,300	15.5%	39,520,756	3,639,828	1085.8%
1997	9,216,361	49,700,238	18.5%	40,483,877	3,343,359	1210.9%
1998	11,474,049	52,122,615	22.0%	40,648,566	3,405,780	1193.5%
1999	13,386,223	55,175,126	24.3%	41,788,903	3,512,322	1189.8%
2000	15,189,407	55,708,574	27.3%	40,519,167	4,250,751	953.2%

Police Pension Plan

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets as % of AAL	Unfunded AAL	Annual Covered Payroll	Unfunded AAL as % of Covered Payroll
1994	\$ 10,186,159	\$ 35,182,443	29.0%	\$ 24,996,284	\$ 3,148,496	793.9%
1995	13,203,006	38,071,890	34.7%	24,868,884	3,183,417	781.2%
1996	14,533,242	42,347,208	34.3%	27,813,966	3,329,273	835.4%
1997	20,845,510	44,995,821	46.3%	24,150,311	3,301,401	731.5%
1998	24,062,237	47,394,935	50.8%	23,332,698	3,394,587	687.4%
1999	27,697,403	47,598,787	58.2%	19,901,384	3,552,014	560.3%
2000	29,758,830	47,579,511	62.5%	17,820,681	3,838,574	464.3%

The accompanying notes are an integral part of the general purpose financial statements

CITY OF NEWPORT, RHODE ISLAND

REQUIRED SUPPLEMENTAL INFORMATION

SCHEDULE OF FUNDING PROGRESS

JUNE 30, 2000

Municipal Pension Plan

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets as % of AAL	Funding Excess	Annual Covered Payroll	Unfunded AAL as % of Covered Payroll
1994	\$ 25,000,703	\$ 20,084,900	124.5%	\$ 4,915,803	\$ 7,318,875	67.2%
1995	26,695,057	25,429,654	105.0%	1,265,403	7,713,142	16.4%
1996	30,146,836	28,854,117	104.5%	1,292,719	7,854,054	16.5%
1997	34,631,033	31,217,627	110.9%	3,413,406	8,090,442	42.2%
1998	26,695,057	25,429,654	105.0%	1,265,403	8,407,956	15.1%
1999	30,146,836	28,854,117	104.5%	1,292,719	8,328,425	15.5%
2000	34,631,033	31,217,627	110.9%	3,413,406	10,818,152	31.6%

The accompanying notes are an integral part of the general purpose financial statements

CITY OF NEWPORT, RHODE ISLAND

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

FOR THE YEAR ENDED JUNE 30, 2000

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

INDEPENDENT AUDITOR'S REPORT

We have audited the financial statements of the City of Newport, Rhode Island as of and for the year ended June 30, 2000, and have issued our report thereon dated September 6, 2001. 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.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Newport's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 00-1, 00-2, 00-3, 00-4, and 00-5.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that material misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 00-1, 00-2, 00-3, 00-4, and 00-5 to be material weaknesses.

We also noted other matters involving internal control over financial reporting that we have reported to the City's management in a separately communicated letter dated September 6, 2001.

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

Hague, Saturday 9 to R

CITY OF NEWPORT, RHODE ISLAND

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

FOR THE YEAR ENDED JUNE 30, 2000

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

INDEPENDENT AUDITOR'S REPORT

Compliance

We have audited the compliance of the City of Newport, Rhode Island with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major federal programs for the year ended June 30, 2000. The City of Newport's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the city of Newport, Rhode Island complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2000.

Internal Control Over Compliance

The management of the City of Newport is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Newport's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 99-1, 99-2, 99-3, 99-4, 00-1, 00-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 00-1 and 00-4 to be material weaknesses.

This report is intended for the information of the City Council, management, federal and state awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

September 6, 2001

Hague, Anthony & Co PC

CITY OF NEWPORT, RHODE ISLAND

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2000

Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Disbursements/ Expenditures
U.S. Department of Agriculture:				
Passed Through State Department of Education:				
National School Lunch Program	10.555		\$	\$ 848,567
Passed Through State Department of Environmental Management:				
America the Beautiful Grant	10.664			<u>4,785</u>
Total U.S. Department of Agriculture				<u>853,352</u>
U.S. Department of Housing and Urban Development:				
Passed Through the RI Department of Administration - Office of Municipal Affairs:				
Community Development Block Grants:				
Small Cities Program:	14.228			
Year 22		99-21-18		379,952
Year 21		98-21-17		105,943
Year 20		97-21-16		71,919
Year 19		96-21-15		13,438
Section 108 Loan Guarantee	14.248			<u>200,274</u>
Total U.S. Department of Housing and Urban Development				<u>771,526</u>
U.S. Department of the Interior - National Park Service:				
Passed Through the State of Rhode and the Rhode Island Historical Preservation and Heritage Commission:				
Historic Preservation Grant	15.904			<u>500</u>
Total U.S. Department of the Interior				<u>500</u>
U.S. Department of Justice:				
Local Law Enforcement Block Grant	16.592			50,051
Local Law Enforcement Block Grant	16.592			33,609

The accompanying notes are an integral part of this schedule

CITY OF NEWPORT, RHODE ISLAND

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2000

Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Disbursements/ Expenditures
Passed Through the Rhode Island Governor's Justice Commission:				
Byrne Task Force	16.580	97-120-SI		13,495
Byrne Task Force	16.580	98-120-SI		18,970
National Highway Traffic Safety Administration:				
State and Community Highway Safety-Buckle Up America Week	20.60			<u>453</u>
Total U.S. Department of Justice				
Department of Education:				
Direct Programs:				
Impact Aid PL 81-875 After School Learning Centers	84.041 84.287B			316,343 133,549
Passed Through the State Department of Education:				
Adult Education - State Grants Program	84.002	9-1440-51000-21-01		101,000
Title I	84.01	1420-51623		630,097
IDEA Part B - Professional Services	84.027	1430-50523		316,343
IDEA Part B Section 619	84.027	1430-50823		34,448
Perkins Vocational Training	84.048 84.048	9-1440-53200-21-03 9-1440-53500-21-04		161,383 49,685
Safe and Drug Free Learning Title IV	84.184 84.186	1420-52923		199,134 43,802
Project Care Working Wonders III	84.276			63,679
Title II	84.281	1420-50600-901		23,772
Title VI	84.298	1420-51000-901		41,639
Even Start Adult Even Start	84.314 84.314	1420-51900-901 9-1440-51000-21-02		182,566 36,421
Class Size Reduction	84.340			<u>135,403</u>
Total U.S. Department of Education				
Total Expenditures of Federal Awards				
				<u>\$ 4,211,220</u>

The accompanying notes are an integral part of this schedule

CITY OF NEWPORT, RHODE ISLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2000

FINDINGS AND QUESTIONED COSTS FOR FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS (CONTINUED):

Reference Number	Program	Finding	Questioned Costs
00-3	N/A	<p>Criteria: A governmental entity's accounting system should be designed to achieve the following:</p> <ul style="list-style-type: none"> * Present fairly and with full disclosure the funds and activities of the government in conformity with governmentally-accepted accounting principles. * Determine and demonstrate compliance with finance-related legal and contractual provisions. <p>Condition: The City currently maintains a fund entitled Special Reserve Fund which is not reflected as a fund in its fund-based financial statements. Instead the fund is allocated at year end to the general fund, water fund, and water pollution control fund. The surplus generated by this fund is then recorded as a reserve, circumventing the recognition of fund equity. This fund is apparently used to record the income generated from the sale of assets.</p> <p>Effect: Total Fund Equity of the City is understated in the fund based financial statements.</p> <p>Recommendation: We recommend that this fund be reviewed and properly recorded in the City's general ledger.</p>	NONE
00-4	N/A	<p>Criteria: Governmental accounting systems must be organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations [NCGA 1].</p> <p>Condition: The school department maintains a status report for its revenue and expenditures for its funds. All balance sheets are maintained in the City's general ledger however, no receivables and or payables are recorded either monthly or at year end.</p> <p>Effect: At no time during the fiscal year can a reader of the City's general ledger get an accurate financial picture of the school department's unrestricted and restricted funds.</p> <p>Recommendation: We recommend that the School Department review the capabilities of integration with the City's general ledger and address the issued of a complete accounting for all funds.</p>	NONE
00-5	N/A	<p>Criteria: A budgetary accounting system should be utilized in certain governmental and proprietary funds to enhance controls in the governmental unit's formal accounting system.</p> <p>Condition: The City currently prepares a budget for its enterprise funds, however, it does not appear that certain items are realistically budgeted. Therefore, it was necessary to include in the budget to GAAP reconciliation certain budgetary items, (depreciation for example).</p> <p>Effect: Certain budgetary line items do not reflect an accurate budget based on the history of the account.</p> <p>Recommendation: We recommend that the City build its budget based on historical data as well as anticipated changes.</p>	NONE

CITY OF NEWPORT, RHODE ISLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2000

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS:

Reference Number	Program	Finding	Questioned Costs
00-1	ALL	See Comment Above	
00-4	ALL	See Comment Above	
99-1	N/A	<p>Identification of Federal Programs - OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations" require that the auditee to identify in its accounts all federal awards received and expended, as well as the federal programs under which they were received. Federal programs and award identification includes, as applicable, the CFDA title and number, the awards number and year, the name of the federal granting agency, and the name of the pass-through entity.</p> <p>Presently, each City department receiving federal awards (both direct and pass-through) is responsible for grant identification, monitoring and reporting. The Newport School Department has procedures to ensure that one person in its business office receives copies of all grant applications, award letters and grant requirements. This person monitors the timely filing of financial and operational reports to grantors and maintains the School Department's portion of the schedule of federal awards. There is no equivalent position in the City's finance office to act as a central clearinghouse for all nonschool department grants. The finance office was unable to prepare the City of Newport's schedule of expenditures of federal awards.</p> <p>We also noted several federal grants to the various City departments were improperly classified as state grants in the City's accounting records.</p> <p>We recommend that the City designate a "grant administrator" in the finance office and establish procedures to ensure that the City can properly identify all federal grants in accordance with OMB Circular A-133.</p> <p>OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations", requires the recipient of federal awards to report program outlays and program income on a cash or accrual basis, as prescribed by the Federal Awarding Agency. The reporting requirements for subrecipients are as specified by the pass-through entity.</p> <p>Presently, the required reports as specified in the "State of Rhode Island Small Cities CDBG Management Handbook" are not being filed timely or completely. Per the Program Director at the Newport City Hall, one of the required reports has not been issued in over two years due to the fact that the finance department is unable to compile the necessary financial information in a timely manner.</p> <p>We recommend that the City compile the necessary financial information on a monthly basis and submit it to the Program Director of the CDBG Program. We further recommend that the Program Director institute procedures to ensure that the required financial reports are filed completely and timely.</p>	
99-2	Repeat		
	N/A		

The General Fund is the central operating fund of the City of Newport. It records all financial transactions resulting from the provision of services and resources - other than those required to be recorded in specific funds - which foster the health, safety, and welfare of the general public.

Generally, beneficiaries are not distinct and identifiable, nor can specific benefits be measured. Although supplemental revenue sources defray some of their costs, the balance must be recovered equitably from citizens through ad valorem taxes assessed on real and personal property located with the City.

GENERAL FUND

In addition to accounting for the costs of services and resources, the General Fund is the centralized recipient and custodian of all financial assets accumulated to finance these costs. Capital assets acquired through General Fund expenditures are recorded in the General Fixed Assets Group of Accounts.

CITY OF NEWPORT, RHODE ISLAND

GENERAL FUND

BALANCE SHEET

JUNE 30, 2000

ASSETS

Cash	\$ 10,561,662)
Investments	3,603,879
Property taxes receivable	3,708,158
Motor vehicle excise receivable	2,176,605
Due from federal or state governments	912,755
Departmental receivables	271,775
Note receivable	374,629
Receivable, other	41,114
Accrued interest	2,508
Due from other funds	13,074,026
Inventories	12,119
Prepaid expenses	<u>277,989</u>
Total assets	<u>\$ 13,893,895</u>

LIABILITIES AND FUND EQUITY

Liabilities:	
Accounts payable	\$ 894,228
Accrued expenses	2,142,888
Due to federal or state governments	227,708
Amounts held in reserve	(134,576)
Deferred revenue	5,482,763
Due to other funds	
Other liabilities	<u>48,159</u>
Total liabilities	<u>8,661,170</u>
Fund balances (deficit):	
Reserved	1,037,704
Unreserved:	
Undesignated	<u>4,195,021</u>
Total fund balance	<u>5,232,725</u>
Total liabilities and fund balance	<u>\$ 13,893,895</u>

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

CITY OF NEWPORT, RHODE ISLAND

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 2000

Revenues:		
Local taxes	\$	44,116,549
Intergovernmental revenues		2,451,462
User charges and fees		1,672,646
Licenses and permits		2,709,514
Investment income		642,802
Other revenues		<u>1,217,416</u>
Total revenues		<u>52,810,389</u>
Expenditures:		
General government		4,955,726
Public safety		14,285,703
Public health		2,943,825
Recreation and parks		1,462,253
Human services		217,901
Debt service		<u>487,797</u>
Total expenditures		<u>24,353,205</u>
Other Financing Sources and Uses:		
Transfers to other funds	(25,343,688)
Transfers from other funds		<u>421,238</u>
Total other financing sources and uses	(<u>24,922,450)</u>
Excess of sources over expenditures and other uses		3,534,734
Fund balance, July 1, 1999		<u>1,697,991</u>
Fund balance, June 30, 2000	\$	<u><u>5,232,725</u></u>

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

CITY OF NEWPORT, RHODE ISLAND

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY (DEFICIT)
BUDGET (BUDGETARY BASIS) AND ACTUAL (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2000

	Adopted Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance
Revenues and other financing sources:				
Local taxes	\$ 42,451,489	\$ 42,451,489	\$ 44,116,549	\$ 1,665,060
Intergovernmental revenues	2,191,382	2,191,382	2,451,462	260,080
User charges and fees	632,479	632,479	625,965	(6,514)
Licenses and permits	3,870,725	3,870,725	2,709,514	(1,161,211)
Investment income	317,200	317,200	642,802	325,602
Other revenues	1,827,919	1,827,919	1,051,238	(776,681)
Total revenues	51,291,194	51,291,194	51,597,530	306,336
Expenditures and other financing uses:				
General government:				
Mayor and City Council	85,305	85,305	87,582	(2,277)
City Manager	249,407	249,407	234,267	15,140
City Solicitor	260,684	260,684	271,531	(10,647)
Canvassing	159,917	159,917	142,789	17,128
Finance and Support Services	2,369,320	2,369,320	2,272,433	96,887
Fiduciary Accounts	27,350	27,350	360,287	(332,937)
Reserve Accounts	1,871,196	1,871,196	632,506	1,238,690
Public Safety:				
Police Department	7,563,484	7,563,484	7,403,224	160,260
Fire Department	6,386,527	6,386,527	6,271,046	115,481
Public Health:				
Public Works	2,607,847	2,767,847	1,566,739	1,201,108
Solid Waste Operations	1,252,357	1,252,357	1,160,169	92,188
Planning, Zoning and Development	411,763	411,763	1,099,992	(688,229)
Recreation and Parks	1,547,960	1,547,960	1,249,249	298,711
Human Services	177,310	177,310	168,048	9,262
Debt Service	535,058	535,058	487,797	47,261
Total expenditures	25,505,485	25,665,485	23,407,459	2,258,026
Excess of revenue over expenditures	25,785,709	25,625,709	28,190,071	2,564,362
Other financing sources (uses):				
Transfers from other funds		160,000	421,238	261,238
Transfers to other funds	(25,785,709)	(25,785,709)	(25,343,688)	442,021
Total other financing sources (uses)	(25,785,709)	(25,625,709)	(24,922,450)	703,259
Excess of revenues and other sources over expenditures and other uses, budgetary basis	\$	\$	\$ 3,267,621	\$ 3,267,621

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

School Unrestricted Fund functions as a general fund for the Newport School Department which provided elementary and primary education predominantly to Newport children. The State of Rhode Island appropriates aid each year to assist in defraying educational costs and further requires each municipality to subsidize its remaining school system operations, necessitating the need to capture costs in a separate fund.

School Restricted Funds record the receipt and expenditure of grants provided primarily by Federal agencies and the State of Rhode Island to fund specific programs. Among these programs, a regional vocational center serves the special needs of all Newport County children.

Urban Development Action Grants (UDAG) Fund was initially seeded by the U.S. Department of Housing and Urban Development (HUD) to provide grant and loan assistance for business development with job creation within the City. Subsequent to HUD close-out, the grant is now used as a revolving loans program. Loan interest is utilized to finance capital improvement needs within the City. This fund accounts for the administration and custody of the revolving loans program.

Community Development Act Fund records the receipt, custody, and expenditure of proceeds from HUD as part of its Small Cities program. Each year, block grants are received to assist low and moderate income residents, either through direct loans for home construction and renovation, pass-through grants to provider agencies, or the funding of public improvements which service low and moderate income residents.

State Grants Fund records the receipt, custody, and expenditure of directly appropriated or pass-through grants from the State of Rhode Island for various specific programs.

Economic Development Agency (EDA) Revolving Fund. similar in nature to the UDAG Fund, this fund accounts for the administration of a revolving loan program to assist businesses which create or protect employment within the City. However, these loans are not limited to tangible development and interest earnings as well as principal are reloaned upon payment.

Property Acquisition Fund records the sale of general fixed assets and accounts for the custody and expenditure of proceeds in accordance with city ordinances restricting their use to acquiring or improving similar assets.

Bramley Bill Fund is a state grant fund for the promotion of drug awareness and prevention which has been separately presented as prescribed by terms of its grant.

SPECIAL REVENUE FUNDS

The City has established special revenue funds to record the receipt and custody of proceeds to be used for financing programs specified by external grantor organizations or City Council policy, as well as the ultimate expenditure of those proceeds in accordance with grantor or Council covenants. Capital assets acquired through special revenue fund expenditures are recorded in the General Fixed Assets Group of Accounts.

CITY OF NEWPORT, RHODE ISLAND

SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2000

	School Unrestricted Fund	School Restricted Funds	UDAG Fund	Community Development Act	State Grants Fund	EDA Revolving Fund	Property Acquisition Fund	Bramley Bill Fund	Total
Cash	\$ 1,938,405	\$ 2,418,135	\$ 2,888,192	\$ 622,031	\$ 36,822	\$ 344,394	\$ (688,842)	\$ 55,297	\$ 7,614,434
Investments									4,397,228
Accounts receivable			340,688	2,952,247		112,777			3,405,712
Due from federal and state governments	47,609	2,696	267,459	315,382	243,581			581	877,308
Receivables, other		536,832	1,046,853			55,243			1,638,928
Due from other funds	382,576								382,576
Prepaid expenses		61,000						1,370	62,370
Total assets	<u>\$ 2,368,590</u>	<u>\$ 3,018,663</u>	<u>\$ 4,543,192</u>	<u>\$ 3,889,660</u>	<u>\$ 280,403</u>	<u>\$ 512,414</u>	<u>\$ 3,708,386</u>	<u>\$ 57,248</u>	<u>\$ 18,378,556</u>

ASSETS

LIABILITIES AND FUND BALANCES (DEFICITS)

Liabilities:									
Accounts payable	\$ 363,883	\$ 5,821	\$ 19,688	\$ 28,009	\$ 24,060	\$ 141,823	\$ 807	\$ 1,568	\$ 424,148
Accrued expenses	233,157								252,845
Due to other funds	752,510	2,806,016		781,564	133,089		562,664	51,632	5,229,298
Deposits held		1,067							1,067
Deferred revenues			1,641,819	2,952,247	123,607	168,020			4,885,693
Total liabilities	<u>1,349,550</u>	<u>2,812,904</u>	<u>1,661,507</u>	<u>3,761,820</u>	<u>280,756</u>	<u>309,843</u>	<u>563,471</u>	<u>53,200</u>	<u>10,793,051</u>
Fund balances (deficits):									
Unreserved, undesignated	1,019,040	205,759	2,881,685	127,840	(353)	202,571	3,144,915	4,048	7,585,505
Total fund balance (deficits)	<u>1,019,040</u>	<u>205,759</u>	<u>2,881,685</u>	<u>127,840</u>	<u>(353)</u>	<u>202,571</u>	<u>3,144,915</u>	<u>4,048</u>	<u>7,585,505</u>
Total liabilities and fund balances	<u>\$ 2,368,590</u>	<u>\$ 3,018,663</u>	<u>\$ 4,543,192</u>	<u>\$ 3,889,660</u>	<u>\$ 280,403</u>	<u>\$ 512,414</u>	<u>\$ 3,708,386</u>	<u>\$ 57,248</u>	<u>\$ 18,378,556</u>

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

CITY OF NEWPORT, RHODE ISLAND

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)

FOR THE YEAR ENDED JUNE 30, 2000

	School Unrestricted Fund	School Restricted Funds	UDAG Fund	Community Development Act	State Grants Fund	EDA Revolving Fund	Property Acquisition Fund	Bramley Bill Fund	Total
Revenues:									
Federal and state grant income	\$ 9,667,690	\$ 3,458,361	\$	\$	\$ 607,748	\$	\$	\$ 51,520	\$ 13,785,319
Intergovernmental	18,023,698								18,023,698
Other revenue	573,954	363,373		186,980					1,124,307
Program income			431,814	525,267		16,847			973,928
Investment income			73,513	10,825		13,626	217,297		315,261
Sale of capital equipment/land							60,448		60,448
Total revenues	<u>28,265,342</u>	<u>3,821,734</u>	<u>505,327</u>	<u>723,072</u>	<u>607,748</u>	<u>30,473</u>	<u>277,745</u>	<u>51,520</u>	<u>34,282,961</u>
Expenditures:									
General government				25,963		15			25,978
General education	29,199,682	3,747,474							32,947,156
Debt service	532,140								532,140
Human services				745,502	605,978			51,520	1,403,000
Miscellaneous expenditures				62			807		869
Total expenditures	<u>29,731,822</u>	<u>3,747,474</u>		<u>771,527</u>	<u>605,978</u>	<u>15</u>	<u>807</u>	<u>51,520</u>	<u>34,909,143</u>
Excess (deficiency) of revenues over expenditures	(1,466,480)	74,260	505,327	(48,455)	1,770	30,458	276,938	(626,182)
Other financing sources (uses):									
Operating transfers in (out)									
Excess (deficiency) of revenues and other sources over expenditures and other uses	(1,466,480)	74,260	505,327	(48,455)	1,770	30,458	276,938	(626,182)
Fund balance (deficit), July 1, 1999, restated	<u>2,485,520</u>	<u>131,499</u>	<u>2,376,358</u>	<u>176,295</u>	<u>(2,123)</u>	<u>172,113</u>	<u>2,867,977</u>	<u>4,048</u>	<u>8,211,687</u>
Fund balance (deficit), June 30, 2000	<u>\$ 1,019,040</u>	<u>\$ 205,759</u>	<u>\$ 2,881,685</u>	<u>\$ 127,840</u>	<u>\$(353)</u>	<u>\$ 202,571</u>	<u>\$ 3,144,915</u>	<u>\$ 4,048</u>	<u>\$ 7,585,505</u>

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

CITY OF NEWPORT, RHODE ISLAND

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES AND EXPENDITURES BUDGET (BUDGETARY BASIS) AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2000

	School Unrestricted Fund		Favorable (Unfavorable) Variance
	Budget	Actual	
Revenues:			
Federal Revenues	\$ 527,500	\$ 518,766	\$ (8,734)
State Revenue	8,710,617	9,148,924	438,307
Local Revenue	1,908,729	573,954	(1,334,775)
City Tax Appropriation	18,023,698	18,023,698	
Total Revenues	29,170,544	28,265,342	(905,202)
Expenditures:			
General Education	28,638,404	29,199,682	(561,278)
Debt Service	532,140	532,140	
Total Expenditures	29,170,544	29,731,822	(561,278)
Excess of revenues over expenditures		(1,466,480)	(1,466,480)
Other financing sources (uses):			
Transfer between funds			
Total other financing sources (uses)			
Excess of revenues and other sources over expenditures and other uses - budgetary basis	\$	\$ (1,466,480)	\$ (1,466,480)

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

Open Spaces Fund accounts for the receipt, custody, and expenditure of \$1,000,000 from a 1989 general obligation bond issue to acquire undeveloped land within the City for open space preservation or recreational development.

Roadway Improvements Fund accounts for the receipt, custody, and expenditure of \$1,500,000 from a 1991 general obligation bond issue to repair or improve roadways within the city.

Halsey Street Extension This project consists of two phases: (1) completing an existing road so that it leads directly to the City's Public Works facilities, closing off access to the surrounding neighborhoods, and (2) reconstructing the present entrance into the public works garage to better accommodate the "tradesman center" (private offices and shops).

North End Master Plan In FY '97-'98 design planner Calthorpe & Assoc. from Berkeley, CA were engaged to develop a master plan for urban redevelopment of the City's North end, including "hope 6", housing redevelopment; new CORI campus; redevelopment of former mall; state's investment in reworking bridge ramp; related development. Workshops are presently continuing with the City Council. The sources of funding include CDBG and UDAG funds.

Washington Street Lighting This project consists of replacement of lighting in Washington Square.

Vehicle Circulation Plan This project consists of engaging an independent company (Parson-Brinkerhoff) to conduct a study to address the City's issues related traffic control & parking, in order to protect affected neighborhoods. The study has been completed. The City is now in the implementation phase. Funding consists of a \$20,000 private grant in the form of a charitable trust with matching funds appropriated in FY 99 & 00 from the General Fund.

Economic Development Gateway Center This project consists of engaging an independent company to conduct a study for the purpose of determining the best (and maximum revenue producing) use, possibly a new hotel, of the city owned Gateway building and property (approx 6 acres), also known as the "visitors center." The study itself has yet to be completed. The City's Planning Department developed a request for proposal for development of the site and received two (2) bids on 6/1/2001, which are now being reviewed. Funding consists of funds appropriated in FY 99 & 00 from the General Fund.

North End Project Description (p. xiv CAFR); This project consists of the implementation phase of the North End Master Plan described above in the North End Master Plan Capital Project.

Library Renovation Description (p. xiv CAFR); This project consists of the construction of a new addition to the Newport Public Library. In addition to the cost of construction, funds may also be used for the renovation, rehabilitation, improvement, furnishing and equipping of the facility. For the purpose(s) of refunding bond anticipation notes and providing new money to the project, notes in the amount of \$3,000,000 were issued on March 15, 2001, pursuant to Chapter 228 of the Rhode Island Public Laws of 1998 and a Resolution of the City Council. These notes are due December 14, 2001; the interest rate is 3.50%.

Thompson Middle School This project consists of the construction, improvement, furnishing and equipping the Thompson Middle School, at a total project cost not to exceed \$19,035,000. For the purpose(s) of providing new money for the project, notes in the amount of \$10,000,000 were issued on March 15, 2001, pursuant to Chapter 397 of the Rhode Island Public Laws of 1999 and a Resolution of the City Council. These notes are due December 14, 2001; the interest rate is 3.50%.

CAPITAL PROJECTS FUNDS

The City records financial transactions related to the acquisition and improvement of land and structural capital assets through its capital projects funds.

All projects which use proceeds from the sale of general obligation bonds to construct, purchase, improve, or repair land and structures are recorded in separate capital project funds. Additionally, capital projects funds are used to account for capital assets acquired by governmental and expendable trust funds over multiple fiscal year.

CITY OF NEWPORT, RHODE ISLAND

CAPITAL PROJECTS FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2000

ASSETS

Cash	\$ 49,209	\$ 29,635	\$(131,974)	\$(2,303)	\$ 10,645	\$	\$	\$	\$	\$	\$ 2,533,666	\$ 1,118,853	\$ 3,607,731
Federal and state receivable													
Total assets	\$ 49,209	\$ 29,635	\$(117,385)	\$(2,303)	\$ 10,645	\$	\$	\$	\$	\$	\$ 2,533,666	\$ 1,118,853	\$ 3,622,320

LIABILITIES AND FUND BALANCE (DEFICITS)

Liabilities:													
Accounts payable	\$	\$	\$ 2,870	\$	\$	\$ 8,240	\$	\$	\$	\$	\$ 442,656	\$	\$ 453,766
Due from other funds			49,283			32,360	20,000	458					102,101
Bond anticipation notes payable											2,825,000		2,825,000
Total liabilities			52,153			40,600	20,000	458			3,267,656		3,380,867
Fund balances (deficits):													
Unreserved, undesignated	49,209	29,635	(169,538)	(2,303)	10,645	(40,600)	(20,000)	(458)			(733,990)	1,118,853	241,453
Total liabilities and fund balances	\$ 49,209	\$ 29,635	\$(117,385)	\$(2,303)	\$ 10,645	\$	\$	\$	\$	\$	\$ 2,533,666	\$ 1,118,853	\$ 3,622,320

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

CITY OF NEWPORT, RHODE ISLAND

CAPITAL PROJECTS FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)

FOR THE YEAR ENDED JUNE 30, 2000

	Open Space	Roadway Repairs	Halsey Street Extension	North End Master Plan	Washington Square Lighting	Vehicle Circulation Plan	Economic Development Gateway Ctr	North End Project	Library Renovation	Thompson Middle School	Total
Revenues:											
Investment income	\$ 759	\$ 457	\$	\$ 164	\$	\$	\$	\$	\$ 70,635	\$ 5,853	\$ 77,868
Contributions										1,113,000	1,113,000
Other					1,250						1,250
Total revenues	759	457			1,414				70,635	1,118,853	1,192,118
Expenditures			154,948	8,465	66,173	40,600	20,000	458	804,625		1,095,269
Excess of revenues over expenditures	759	457	(154,948)	(8,465)	(64,759)	(40,600)	(20,000)	(458)	(733,990)	1,118,853	96,849
Other financing sources (uses):											
Transfers between funds											
Excess of revenues and other sources over expenditures and other uses	759	457	(154,948)	(8,465)	(64,759)	(40,600)	(20,000)	(458)	(733,990)	1,118,853	96,849
Fund balances (deficit) July 1, 1999	48,450	29,178	(14,590)	6,162	75,404						144,604
Fund balances (deficit) June 30, 2000	\$ 49,209	\$ 29,635	\$ (169,538)	\$ (2,303)	\$ 10,645	\$ (40,600)	\$ (20,000)	\$ (458)	\$ (733,990)	\$ 1,118,853	\$ 241,453

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

Easton's Beach Fund records the financial activities of operating Easton's Beach, the largest and most visited of the City's public beaches. Costs incurred in the maintenance and improvement of Easton's Beach are borne solely by its users through charges primarily for parking, bath house rentals and concessions.

Parking Operations Fund records the financial activities associated with the management of public parking within the city, including the operation of two public parking lots. Costs incurred in this management are recovered by users of public parking through parking lot fees, space rentals and parking meter charges.

The City has established enterprise funds to account for the provision of certain services in a manner similar to private-sector business which benefit a distinct and identifiable class of users. For each respective service, these funds record the custody of financial and capital assets and capture incurred costs for the purpose of recovering them on a commodity basis from each user. In addition to operating and capital components, costs generally include funding of retained earnings sufficient to stabilize costs during periods of under-utilization.

ENTERPRISE FUNDS

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. Through two wholesale contracts, the system also serves a U.S. Naval Base and customers of a neighboring water and fire district. Costs of servicing users are recovered through both fixed and commodity charges under tariffs regulated by the Rhode Island Public Utilities Commission.

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 retail customers through rates assessed on their metered water usage; and from the contractual apportionment of costs allocable to the U.S. Navy and the neighboring Town of Middletown.

CITY OF NEWPORT, RHODE ISLAND
ENTERPRISE FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2000

	Easton's Beach Fund	Parking Operations Fund	Water Fund	W.P.C. Fund	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 231,904	\$ 2,384,490	\$ 873,740	\$ 211,401	\$ 3,701,535
Investments			91,945	83,324	175,269
Accounts receivable:					
User fees (net of allowances)			1,478,883	1,364,610	2,843,493
Other				1,101,013	1,101,013
Deferred privatization costs					
Due from other funds			324,066	16,470	340,536
Inventories			901	817	1,718
Accrued interest			277,521	463,375	740,896
Prepaid expenses					
Total current assets	<u>231,904</u>	<u>2,384,490</u>	<u>3,047,056</u>	<u>3,241,010</u>	<u>8,904,460</u>
Capital assets					
Less accumulated depreciation	(2,445,760)	(1,894,123)	(53,041,155)	(66,536,427)	(123,917,465)
	(422,952)	(645,931)	(18,102,598)	(21,637,190)	(40,808,671)
Net capital assets	<u>2,022,808</u>	<u>1,248,192</u>	<u>34,938,557</u>	<u>44,899,237</u>	<u>83,108,794</u>
Total assets	<u>\$ 2,254,712</u>	<u>\$ 3,632,682</u>	<u>\$ 37,985,613</u>	<u>\$ 48,140,247</u>	<u>\$ 92,013,254</u>
LIABILITIES AND FUND EQUITY					
Current liabilities:					
Accounts payable	\$ 6,555	\$ 7,271	\$ 98,104	\$ 267,408	\$ 379,338
Accrued expenses	27,587		868,179	259,043	1,154,809
Due to other funds	209,302	12,444	460,113	1,251,926	1,933,785
Amounts held in escrow			22,478	1,642	24,120
Deferred revenues			310,077		310,077
Other liabilities			28,616		28,616
Amounts held in reserve			477,426	908,574	1,386,000
Total current liabilities	<u>243,444</u>	<u>19,715</u>	<u>2,264,993</u>	<u>2,688,593</u>	<u>5,216,745</u>
Long-term liabilities:					
Advances from other funds	685,118		434,144		1,119,262
Bonds payable			12,427,530	6,313,427	18,740,957
Total long-term liabilities	<u>685,118</u>		<u>12,861,674</u>	<u>6,313,427</u>	<u>19,860,219</u>
Total liabilities	<u>928,562</u>	<u>19,715</u>	<u>15,126,667</u>	<u>9,002,020</u>	<u>25,076,964</u>
Fund equity:					
Contributed capital		722,309	6,913,385	34,776,849	42,412,543
Retained earnings, unreserved	1,326,150	2,890,658	15,945,561	4,361,378	24,523,747
Total fund equity	<u>1,326,150</u>	<u>3,612,967</u>	<u>22,858,946</u>	<u>39,138,227</u>	<u>66,936,290</u>
Total liabilities and fund equity	<u>\$ 2,254,712</u>	<u>\$ 3,632,682</u>	<u>\$ 37,985,613</u>	<u>\$ 48,140,247</u>	<u>\$ 92,013,254</u>

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

CITY OF NEWPORT, RHODE ISLAND

ENTERPRISE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY

FOR THE YEAR ENDED JUNE 30, 2000

	Easton's Beach Fund	Parking Operations Fund	Water Fund	M.P.C. Fund	Total
Operating revenues:					
User fees	\$ 382,456	\$ 925,117	\$ 7,404,794	\$ 5,901,632	\$ 14,613,999
Other revenues	<u>80,513</u>	<u>676,523</u>	<u>676,523</u>	<u>132,991</u>	<u>890,027</u>
Total operating revenues	<u>462,969</u>	<u>925,117</u>	<u>8,081,317</u>	<u>6,034,623</u>	<u>15,504,026</u>
Operating expenses:					
Salaries and benefits	178,703		2,410,089	1,556,159	4,144,951
Materials and supplies	<u>2,124</u>	<u>4,286</u>	<u>6,048</u>	<u>3,655</u>	<u>16,113</u>
Waste disposal			407,702	963,207	963,207
Repairs and maintenance	19,738	10,223	1,050,990	405,324	842,987
Depreciation	68,025	64,890	305,269	1,531,692	2,715,597
Support services	27,668	106,033	549,919	559,510	998,480
Utilities	23,723	6,403	437,324	492,688	1,072,733
Administrative and other	24,303	10,161	138,177	514,889	986,677
Property taxes					<u>138,177</u>
Total operating expenses	<u>344,284</u>	<u>201,996</u>	<u>5,305,518</u>	<u>6,027,124</u>	<u>11,878,922</u>
Operating income	<u>118,685</u>	<u>723,121</u>	<u>2,775,799</u>	<u>7,499</u>	<u>3,625,104</u>
Non-operating revenues (expenses):					
Transfers between funds	(67,892)	(16,939)	(175,488)	(162,919)	(421,238)
Interest income	<u>2,184</u>	<u>42,909</u>	<u>746</u>	<u>21,640</u>	<u>67,479</u>
Interest expense	<u>(28,313)</u>	<u>(592,481)</u>	<u>(592,481)</u>	<u>(337,848)</u>	<u>(958,642)</u>
Total non-operating revenues (expenses)	<u>(94,021)</u>	<u>25,970</u>	<u>(765,223)</u>	<u>(479,127)</u>	<u>(1,312,401)</u>
Net income (loss)	<u>24,664</u>	<u>749,091</u>	<u>2,010,576</u>	<u>(471,628)</u>	<u>2,312,703</u>
Fund equity, July 1, 1999	<u>1,301,486</u>	<u>2,863,876</u>	<u>20,848,370</u>	<u>39,609,855</u>	<u>64,623,587</u>
Fund equity, June 30, 2000	<u>\$ 1,326,150</u>	<u>\$ 3,612,967</u>	<u>\$ 22,858,946</u>	<u>\$ 39,138,227</u>	<u>\$ 66,936,290</u>

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

CITY OF NEWPORT, RHODE ISLAND

ENTERPRISE FUNDS

COMBINING STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2000

	Easton's Beach Fund	Parking Operations Fund	Water Fund	M.P.C. Fund	Total
Cash flows from operating activities:					
Operating income (loss)	\$ 118,685	\$ 723,121	\$ 2,775,799	\$ 7,499	\$ 3,625,104
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	(68,025	64,890	1,050,990	1,531,692	2,715,597
Administrative charges between funds	(67,892)	(16,939)	(173,488)	(162,919)	(421,238)
Changes in operating assets and liabilities:					
(Increase) decrease in accounts receivable			(130,186)	(17,527)	(147,713)
(Increase) decrease in accrued interest			(901)	(817)	(1,718)
(Increase) decrease in inventories			(86,918)	(2,693)	(89,611)
(Increase) decrease in prepaid expenses			(154,934)	(131,313)	(286,247)
Increase (decrease) in accounts payable and accrued expenses	(143,811)	5,002	(104,799)	(454,163)	(697,771)
Increase (decrease) in amounts held in escrow			8,830	411	9,241
Increase (decrease) in deferred revenue			8,288		8,288
Increase (decrease) in reserves			312,338	908,575	1,220,913
Increase (decrease) in other liabilities			25,211		25,211
Increase (decrease) in due to other funds	209,302		285,180	(224,196)	270,286
Net cash provided by operating activities	184,309	776,074	3,815,410	1,717,175	6,492,968
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(162,907)	(966)	(880,354)	(117,619)	(1,161,846)
Adjustment of construction in progress at actual	(60,064)		(1,501,165)	(35,181)	(1,603,310)
Payment of principal debt	(28,313)		(592,481)	(337,848)	(958,642)
Payment of interest debts					
Net cash used in capital and related financing activities	(251,284)	(966)	(2,974,000)	(1,462,661)	(4,688,911)
Cash flows from investing activities:					
Issuance (payments) of interfund loans and advances		13,503	(265,075)		(251,572)
Investment income	2,184	42,909	746	21,640	67,479
Net cash provided by (used in) investing activities	2,184	56,412	(264,329)	21,640	(184,093)
Net increase in cash and cash equivalents	(64,791)	831,520	577,081	276,154	1,619,964
Cash and cash equivalents, July 1, 1999	296,695	1,552,970	296,659	(64,750)	2,081,574
Cash and cash equivalents, June 30, 2000	\$ 231,904	\$ 2,384,490	\$ 873,740	\$ 211,404	\$ 3,701,538

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

CITY OF NEWPORT, RHODE ISLAND

ENTERPRISE FUNDS

COMBINING STATEMENT OF REVENUES AND EXPENSES BUDGET AND ACTUAL (BUDGETARY BASIS) (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2000

	Water Pollution Control			Water				
	Adopted Budget	Adjusted Budget	Actual	Favorable (Unfavorable) Variance	Adopted Budget	Adjusted Budget	Actual	Favorable (Unfavorable) Variance
Revenues:								
User fees	\$ 5,986,877	\$ 5,986,877	\$ 5,901,632	\$(85,245)	\$ 8,544,042	\$ 8,544,042	\$ 7,404,794	\$ 1,139,248
Other revenue	200	200	115,540	115,340	241,250	241,250	39,574	201,676
Total revenues	5,987,077	5,987,077	6,017,172	30,095	8,785,292	8,785,292	7,444,368	1,340,924
Expenses:								
Salaries and benefits	1,668,436	1,616,062	1,564,270	51,792	2,228,264	2,217,181	2,339,918	(122,737)
Materials and supplies	4,610	4,834	3,934	900	6,408	9,774	6,048	3,726
Waste removal	866,700	866,700	963,207	(96,507)	1,870,204	1,968,603	651,073	1,317,530
Repair and maintenance	949,375	946,139	616,095	330,044	60,659	60,659	53,992	6,667
Support services	357,844	414,806	646,739	(231,935)	300,032	328,558	305,269	23,289
Utilities	511,520	511,520	492,688	18,832	439,888	439,888	549,919	(110,031)
Administrative and other	1,998,522	1,995,846	1,891,233	104,613	3,741,862	3,622,654	2,973,740	648,914
Property taxes					137,975	137,975	138,177	(202)
Total expenses	6,357,007	6,355,907	6,178,166	177,741	8,785,292	8,785,292	7,018,136	1,767,156
Excess (deficiency) of revenues over expenses	(369,930)	(368,830)	(160,994)	207,836			426,232	(426,232)
Other financing sources (uses):								
Transfers between funds	369,930	369,930	(162,919)	(532,849)			(173,488)	173,488
Net income (loss), budgetary basis	\$	\$ 1,100	\$(323,913)	\$(325,013)	\$	\$	\$ 252,744	\$(252,744)

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

CITY OF NEWPORT, RHODE ISLAND

ENTERPRISE FUNDS

COMBINING STATEMENT OF REVENUES AND EXPENSES BUDGET AND ACTUAL (BUDGETARY BASIS) (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2000

	Easton's Beach Fund				Parking Operations Fund			
	Adopted Budget	Adjusted Budget	Actual	Favorable (Unfavorable) Variance	Adopted Budget	Adjusted Budget	Actual	Favorable (Unfavorable) Variance
Revenues:								
User fees	\$ 381,375	\$ 381,375	\$ 382,456	\$ 1,081	\$ 949,750	\$ 949,750	\$ 925,116	\$ (24,634)
Other revenue	80,560	80,560	82,697	2,137	17,100	17,100	42,909	25,809
Total revenues	461,935	461,935	465,153	3,218	966,850	966,850	968,025	1,175
Expenses:								
Salaries and benefits	228,451	226,871	177,561	49,310				
Materials and supplies	2,350	2,350	2,125	225	33,000	30,000	4,286	25,714
Waste removal			61,874	7,842				
Repair and maintenance	71,166	69,716	31,168	(1,339)	223,000	223,000	11,189	211,811
Support services	26,799	29,829	23,723	(6,723)	217,213	217,213	106,033	111,180
Utilities	17,000	17,000	122,240	(6,071)	3,500	6,500	6,403	97
Administrative and other	116,169	116,169			25,002	25,002	10,161	14,841
Property taxes								
Total expenses	461,935	461,935	418,691	43,244	501,715	501,715	138,072	363,643
Excess (deficiency) of revenues over expenditures			46,462	46,462	465,135	465,135	829,953	364,818
Other financing sources (uses):								
Transfers between funds			(67,893)	(67,893)	(465,135)	(465,135)	(16,939)	(482,074)
Net income (loss), budgetary basis	\$	\$	\$(21,431)	\$(21,431)	\$	\$	\$ 813,014	\$(117,256)

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

CITY OF NEWPORT, RHODE ISLAND

ENTERPRISE FUNDS

COMBINING STATEMENT OF REVENUES AND EXPENSES BUDGET AND ACTUAL (BUDGETARY BASIS)

FOR THE YEAR ENDED JUNE 30, 2000

	Total Enterprise Funds			Favorable (Unfavorable) Variance
	Adopted Budget	Adjusted Budget	Actual	
Revenues:				
User fees	\$ 15,862,044	\$ 15,862,044	\$ 14,613,998	\$ (1,248,046)
Other revenue	<u>339,110</u>	<u>339,110</u>	<u>280,720</u>	<u>(58,390)</u>
Total revenues	<u>16,201,154</u>	<u>16,201,154</u>	<u>14,894,718</u>	<u>(1,306,436)</u>
Expenses:				
Salaries and benefits	4,125,151	4,060,114	4,081,749	(21,635)
Materials and supplies	46,368	46,958	16,393	30,565
Waste removal	2,736,904	2,835,303	1,614,280	1,221,023
Repair and maintenance	1,304,200	1,299,514	743,150	556,364
Support services	901,888	990,406	1,089,209	(98,803)
Utilities	971,908	974,908	1,072,733	(97,825)
Administrative and other	5,881,555	5,759,671	4,997,374	762,297
Property taxes	<u>137,975</u>	<u>137,975</u>	<u>138,177</u>	<u>(202)</u>
Total expenses	<u>16,105,949</u>	<u>16,104,849</u>	<u>13,753,065</u>	<u>2,351,784</u>
Excess (deficiency) of revenues over expenditures	95,205	96,305	1,141,653	1,045,348
Other financing sources (uses):				
Transfers between funds	(95,205)	(95,205)	(421,239)	(326,034)
Net income (loss), budgetary basis	<u>\$</u>	<u>\$ 1,100</u>	<u>\$ 720,414</u>	<u>\$ 719,314</u>

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

Equipment Operations Fund records all transactions associated with the operations of a central City garage which maintains a fleet of more than 140 motor vehicles. Direct costs for fuel, lubricants, repairs and insurance and direct charges for overhead are charged to each user at the point of service. Financial and capital assets used by the garage are recorded in the Equipment Operations Fund; the vehicle fleet are assets of each respective user fund or of the General Fixed Assets Account Group.

INTERNAL SERVICE FUND

The City utilizes one internal service fund to account for the financial activities associated with providing services to other City users in a manner similar to private-sector business. This fund records the custody of financial and capital assets used to provide services and captures incurred operating and capital costs for the purpose of recovering them on a commodity basis from each City user.

CITY OF NEWPORT, RHODE ISLAND

INTERNAL SERVICE FUND

BALANCE SHEET

JUNE 30, 2000

ASSETS

Current assets:	
Cash and cash equivalents	\$ 513,438
Accounts receivable, other	1,306
Inventories	40,761
Total current assets	<u>555,505</u>
Capital assets	354,996
Less accumulated depreciation	(172,958)
Net capital assets	<u>182,038</u>
Total assets	<u>\$ 737,543</u>

LIABILITIES AND FUND EQUITY

Current liabilities:	
Accounts payable	\$ 11,996
Accrued expenses	108,109
Due to other funds	391,601
Total current liabilities	<u>511,706</u>
Fund equity:	
Contributed capital	79,150
Retained earnings, unreserved	146,687
Total fund equity	<u>225,837</u>
Total liabilities and fund equity	<u>\$ 737,543</u>

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

CITY OF NEWPORT, RHODE ISLAND

INTERNAL SERVICE FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY

FOR THE YEAR ENDED JUNE 30, 2000

Operating revenues:	
User fees	\$ <u>729,548</u>
Operating expenses:	
Salaries and benefits	276,060
Materials and supplies	302,023
Waste disposal	413
Repair and maintenance	44,922
Depreciation	22,169
Support services	2,013
Utilities	12,819
Administrative and other	<u>94,850</u>
Total operating expenses	<u>755,269</u>
Net income (loss)	(<u>25,721</u>)
Fund equity, beginning	<u>251,558</u>
Fund equity, ending	<u>\$ <u>225,837</u></u>

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

CITY OF NEWPORT, RHODE ISLAND

INTERNAL SERVICE FUND

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2000

Cash flows from operating activities:	
Operating income (loss)	\$(25,721)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	22,171
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	(954)
(Increase) decrease in inventories	(14,780)
Increase (decrease) in accounts payable and accrued expenses	(14,881)
Increase (decrease) in due to other funds	<u>391,601</u>
Net cash provided by operating activities	<u>357,436</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(11,033)
Net cash used in capital and related financing activities	(11,033)
Net increase in cash and cash equivalents	346,403
Cash and cash equivalents, beginning of the year, July 1, 1999	<u>167,035</u>
Cash and cash equivalents, end of the year, June 30, 2000	<u>\$ 513,438</u>

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

CITY OF NEWPORT, RHODE ISLAND

INTERNAL SERVICE FUND

STATEMENT OF REVENUES AND EXPENSES BUDGET AND ACTUAL (BUDGETARY BASIS)

FOR THE YEAR ENDED JUNE 30, 2000

	Equipment Operation Fund			Favorable (Unfavorable) Variance
	Adopted Budget	Adjusted Budget	Actual	
Operating revenues:				
User fees	\$ 887,171	\$ 887,171	\$ 729,548	\$ (157,623)
Operating expenses:				
Salaries and benefits	274,310	274,310	261,965	12,345
Materials and supplies	305,018	302,788	277,884	24,904
Waste disposal	1,000	1,000	532	668
Repair and maintenance	61,433	60,933	39,007	21,926
Support services	1,785	2,115	2,173	(58)
Utilities	14,880	14,880	12,819	2,061
Administrative and other	224,060	226,460	94,849	131,611
	882,486	882,486	689,029	193,457
Add capital expenses:				
Capital improvements	4,685	4,685	4,200	485
Total expenses	887,171	887,171	693,229	193,942
Net income (loss), budgetary basis	\$	\$	\$ 36,319	\$ 36,319

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

Expendable Trust Funds are those in which the corpus and capital gains may be disbursed to beneficiaries along with investment earnings. Presently, four trust funds are classified as expendable; each is administered by the City's financial administration.

Scholarship Trust Funds are non-expendable trusts created with bequests intended to generate income to provide Newport public school system students with scholarships for secondary education. Assets of each of 47 scholarship trusts are held by an independent custodian with the City's financial management administering beneficiary disbursements subject to the approval of the Trust and Investment Commission.

Other Non-Expendable Trust Funds include 31 trusts created with bequests dating back to 1848. Income from these trusts is intended to finance a variety of public resources or provide subsidies to City services. As with scholarships, assets of each trust are held by an independent custodian and beneficiary disbursements are administered by the City, subject to the approval of the Trust and Investment Commission.

Fire Pension Plan Fund is a pension trust fund whose assets are held by independent custodians and invested in accordance with directives of the Trust and Investment Commission. This fund accounts for the receipt, custody and disbursement of contributions from both the City General Fund and fire members to meet the current and future pension obligations of retired firefighters.

Police Pension Plan Fund is a pension trust fund also under independent custodianship and the investment directives of the Trust and Investment Commission. This fund accounts for the receipt, custody and disbursement of contributions from the City General Fund and police members to meet the current and future pension obligation of retired policemen.

Recreation Fund is an agency fund which accounts for the custody of contributions received from participants of the various City recreation programs for fees charged by program providers arranged by the City.

Student Activity Funds is an agency fund which accounts for contributions received from students participating in extra-curricular activities through school.

TRUST AND AGENCY FUNDS

Trust and agency funds account for the fair value of net assets held by the City in a trust or agency capacity for the ultimate provision of benefits to third parties. Trust funds also account for changes in net assets attributable to revenues, expenditures and expenses. Agency funds do not report results of operations.

Trust funds are classified as expendable, non-expendable or pension trusts dependent upon benefactor intent. Non-expendable and pension trusts are safeguarded by the City's Trust and Investment Commission, five residents appointed by the Council to ensure the preservation of each trust's corpus and the propriety of all asset disbursements.

CITY OF NEWPORT, RHODE ISLAND

TRUST AND AGENCY FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2000

ASSETS

	Expendable Trust Funds	Nonexpendable Trust Funds		Pension and Similar Trust Funds			Agency Funds	Total
		Scholarship Trusts	Other Monexpendable Trusts	Police Pension Fund	Fire Pension Fund	Extended Benefits		
Cash	\$ 167,851	\$ (31,443)	\$ 16,668	\$ 2,831,270	\$ 3,965,487	\$ 24,146	\$ 209,315	\$ 7,183,294
Investments		910,175	6,889,569	29,763,056	15,185,170	2,644		52,747,970
Accounts receivable, other Due from other funds								2,644
Total assets	\$ 167,851	\$ 878,732	\$ 6,906,237	\$ 32,594,326	\$ 19,150,657	\$ 26,790	\$ 209,315	\$ 59,933,908

LIABILITIES AND FUND BALANCES

Liabilities:								
Accounts payable	\$	1,179	\$ 1,714	\$(45)	\$ 381,063	\$	\$	\$ 383,911
Due to other funds	807	4,977	3,805	2,443,864	3,346,364		209,315	5,799,817
Amounts held in escrow								209,315
Total liabilities	807	6,156	5,519	2,443,819	3,727,427		209,315	6,393,043
Fund Balance:								
Unreserved, undesignated	167,044	872,576	6,900,718	30,150,507	15,423,230	26,790		53,540,865
Total fund balance	167,044	872,576	6,900,718	30,150,507	15,423,230	26,790		53,540,865
Total liabilities and fund balance	\$ 167,851	\$ 878,732	\$ 6,906,237	\$ 32,594,326	\$ 19,150,657	\$ 26,790	\$ 209,315	\$ 59,933,908

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

CITY OF NEWPORT, RHODE ISLAND

NONEXPENDABLE TRUST FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY

FOR THE YEAR ENDED JUNE 30, 2000

	Scholarship Trusts	Other Trusts	Total
Revenues:			
Investment income	\$ (46,227)	\$ 305,071	\$ 258,844
Other	<u>23,115</u>	<u>426,840</u>	<u>449,955</u>
Total revenues	(23,112)	<u>731,911</u>	<u>708,799</u>
Operating expenses:			
Support services	<u>34,877</u>	<u>835,047</u>	<u>869,924</u>
Total expenses	<u>34,877</u>	<u>835,047</u>	<u>869,924</u>
Net income	(57,989)	(103,136)	(161,125)
Fund equity, July 1, 1999	<u>930,565</u>	<u>7,003,854</u>	<u>7,934,419</u>
Fund equity, June 30, 2000	<u>\$ 872,576</u>	<u>\$ 6,900,718</u>	<u>\$ 7,773,294</u>

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

CITY OF NEWPORT, RHODE ISLAND

PENSION TRUST FUNDS

COMBINING STATEMENT OF PLAN ASSETS

JUNE 30, 2000

	Police Pension	Fire Pension	Extended Benefits	Total
ASSETS				
Cash	\$ 2,831,270	\$ 3,965,487	\$ 24,146	\$ 6,820,903
Receivables:				
Employer				
Other			2,644	2,644
Interest and dividends				
Total receivables			2,644	2,644
Investments, at fair value:				
Cash equivalents	692,019	371,059		1,063,078
Equities:				
Domestic	8,507,622	4,358,812		12,866,434
Mutual Funds	16,234,045	8,275,465		24,509,510
Equities - ADR's	246,456	124,091		370,547
Equities - International	4,082,914	2,055,743		6,138,657
Total investments	29,763,056	15,185,170		44,948,226
Total assets	32,594,326	19,150,657	26,790	51,771,773
LIABILITIES				
Refund payables and other	2,443,819	3,727,427		6,171,246
Net assets held in trust for pension benefits	\$ 30,150,507	\$ 15,423,230	\$ 26,790	\$ 45,600,527

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

CITY OF NEWPORT, RHODE ISLAND

PENSION TRUST FUNDS

COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2000

	Police Pension	Fire Pension	Extended Benefits	Total
<p>Additions to plan net assets:</p> <p>Contributions:</p> <p> Employees</p> <p> Employer</p> <p> Other income</p>	<p>\$ 352,396</p> <p>2,866,700</p> <p>9,589</p> <hr/> <p>3,228,685</p>	<p>\$ 437,192</p> <p>3,513,000</p> <p>229,248</p> <hr/> <p>4,179,440</p>	<p>\$</p> <hr/>	<p>\$ 789,588</p> <p>6,379,700</p> <p>238,837</p> <hr/> <p>7,408,125</p>
<p>Investment income:</p> <p>Net appreciation (depreciations) in fair value of investments</p> <p>Interest and dividends</p> <p>Realized gain (loss) in investments</p>	<p>308,172</p> <p>858,980</p> <p>545,757</p> <hr/> <p>1,712,909</p> <p>35,333</p> <hr/> <p>4,906,261</p>	<p>186,558</p> <p>456,869</p> <p>279,574</p> <hr/> <p>923,001</p> <p>171,569</p> <hr/> <p>4,930,872</p>	<p></p> <hr/>	<p>494,730</p> <p>1,315,849</p> <p>825,331</p> <hr/> <p>2,635,910</p> <p>206,902</p> <hr/> <p>9,837,133</p>
<p>Less: investment expense</p> <p>Total additions</p>	<p></p> <hr/> <p>2,133,774</p> <p>286,347</p> <hr/> <p>2,420,121</p>	<p></p> <hr/> <p>2,941,876</p> <p>386,315</p> <hr/> <p>3,328,191</p>	<p></p> <hr/>	<p></p> <hr/> <p>5,075,650</p> <p>672,662</p> <hr/> <p>5,748,312</p>
<p>Net increase</p>	<p>2,486,140</p>	<p>1,602,681</p>	<p></p>	<p>4,088,821</p>
<p>Net assets held in trust for pension benefits:</p> <p>Beginning of year, July 1, 1999</p> <p>End of year, June 30, 2000</p>	<p>27,664,367</p> <hr/> <p>\$ 30,150,507</p>	<p>13,820,549</p> <hr/> <p>\$ 15,423,230</p>	<p>26,790 *</p> <hr/> <p>\$ 26,790</p>	<p>41,511,706</p> <hr/> <p>\$ 45,600,527</p>

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

CITY OF NEWPORT, RHODE ISLAND

AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FOR THE YEAR ENDED JUNE 30, 2000

STUDENT ACTIVITY FUNDS		RECREATION FUND	
Balance July 1, 1999	Additions	Deductions	Balance June 30, 2000
\$ 189,065	\$ 568,194	\$ 547,944	\$ 209,315
\$ 189,065	\$ 568,194	\$ 547,944	\$ 209,315

ASSETS

Cash

\$ 2,663 \$ 2,663

LIABILITIES

Amounts held in escrow

\$ 2,660 \$ 2,663

TOTAL AGENCY FUNDS

Balance July 1, 1999	Additions	Deductions	Balance June 30, 2000
\$ 191,728	\$ 568,194	\$ 550,607	\$ 209,315
\$ 191,728	\$ 568,194	\$ 550,607	\$ 209,315

ASSETS

Cash

\$ 191,728 \$ 568,194 \$ 550,607 \$ 209,315

LIABILITIES

Amounts held in escrow

\$ 191,728 \$ 568,194 \$ 550,607 \$ 209,315

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

General Fixed Assets Account Group is a subsidiary listing of all capital assets, excepting infrastructural assets, acquired through the expenditure of governmental and expendable trusts. Use of this account group assists in extending stewardship controls to include all assets subject to misuse or misappropriation. As these controls do not generally apply to infrastructural assets which are immovable and of benefit only to the City, they are not included as general fixed assets.

General Long-Term Obligations Account Group is a subsidiary listing of all obligations which have been currently incurred but are expected to be liquidated using financial resources accumulated in future fiscal years, such as through future budgetary appropriations. Use of this account group assists in extending financial controls to include all liabilities for which the City's credit is at risk.

ACCOUNT GROUPS

The accounting focus of governmental and expendable trust funds is on the flow of current financial resources which limits their scope to only financial assets - those which can be immediately or imminently spent - and current liabilities - those requiring the use of financial assets. The City augments this focus with the use of account groups, or single-entry subsidiary listing of capital assets and long-term liabilities. Account groups are not considered to be funds, nor do they report results of operation.

CITY OF NEWPORT, RHODE ISLAND

GENERAL FIXED ASSETS ACCOUNT GROUP

STATEMENT OF GENERAL FIXED ASSETS BY FUNCTION AND ACTIVITY

JUNE 30, 2000

Function and Activity:	Land & Improvements	Buildings & Structures	Machinery & Equipment	Rolling Stock	General Fixed Assets June 30, 2000
Primary Government:					
General government:					
Mayor and City Council	\$	\$	\$	\$	\$
City Manager			6,279		6,279
City Solicitor			8,387	15,097	23,484
Canvassing			9,025		9,025
Finance and Support Services		4,335	24,105		24,105
Fiduciary Accounts			1,302,934		1,302,934
Planning	286,557	46,302	92,836		425,695
Public Safety:					
Police Department	23,866	2,562,688	930,882	744,643	4,262,079
Fire Department	11,101	820,910	606,077	1,373,725	2,811,813
Public Health:					
Public Works	1,373,932	2,011,640	370,960	756,909	4,513,441
Solid Waste Operations		1,189	36,942		38,131
Recreation and Parks	971,542	522,020	462,682	597,274	2,553,518
General Education	218,904	7,486,587	3,224,817	207,674	11,137,982
Human Services	3,000	185,000			188,000
Total Primary Government	2,888,902	13,640,671	7,075,926	3,695,322	27,300,821
Component Units:					
Newport Public Library	1,843	1,174,143	335,912		1,511,898
Redevelopment Agency of Newport		620,610			620,610
Total General Fixed Assets	\$ 2,890,745	\$ 15,435,424	\$ 7,411,838	\$ 3,695,322	\$ 29,433,329

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

CITY OF NEWPORT, RHODE ISLAND

GENERAL FIXED ASSETS ACCOUNT GROUP

STATEMENT OF CHANGES IN GENERAL FIXED ASSETS BY FUNCTION AND ACTIVITY

FOR THE YEAR ENDED JUNE 30, 2000

Function and Activity:	General	Year Ended June 30, 2000		General
	Fixed Assets June 30, 1999	Additions	Deletions	Fixed Assets June 30, 2000
Primary Government:				
General Government:				
Mayor and City Council	\$ 6,279	\$ 15,097	\$ 16,334	\$ 6,279
City Manager	24,721			23,484
City Solicitor	9,025	2,789		9,025
Canvassing	21,316	92,235		24,105
Finance and Support Services	1,215,034			1,307,269
Fiduciary Accounts	280,089	145,606		425,695
Planning				
Public Safety:				
Police Department	4,053,538	286,230	77,689	4,262,079
Fire Department	2,743,175	68,638		2,811,813
Public Health:				
Public Works	4,168,090	345,351		4,513,441
Solid Waste Operations	29,130	9,001		38,131
Recreation and Parks	2,242,100	311,418		2,553,518
General Education	11,100,682	37,300		11,137,982
Human Services	188,000			188,000
Total Primary Government	26,081,179	1,313,665	94,023	27,300,821
Component Units:				
Newport Public Library	1,511,898			1,511,898
Redevelopment Agency of Newport	620,610			620,610
Total General Fixed Assets	\$ 28,213,687	\$ 1,313,665	\$ 94,023	\$ 29,433,329

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

CITY OF NEWPORT, RHODE ISLAND

GENERAL LONG-TERM OBLIGATION ACCOUNT GROUP

STATEMENT OF LONG-TERM OBLIGATIONS

JUNE 30, 2000

ASSETS:

Amount to be provided for the payment of long term debt

Total assets

LIABILITIES:

Accrued expenses:

- Bond and debt interest
- Claims and judgments
- Compensated absences
- Bonds payable
- Notes payable
- Net pension obligation

Total liabilities

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Total</u>
Amount to be provided for the payment of long term debt	\$ 20,886,047	\$ 200,000	\$ 21,086,047
Total assets	<u>\$ 20,886,047</u>	<u>\$ 200,000</u>	<u>\$ 21,086,047</u>
Accrued expenses:			
Bond and debt interest	\$ 298,500		\$ 298,500
Claims and judgments	6,858,901		6,858,901
Compensated absences	5,534,044		5,534,044
Bonds payable	790,000	200,000	990,000
Notes payable	7,404,602		7,404,602
Net pension obligation			
Total liabilities	<u>\$ 20,886,047</u>	<u>\$ 200,000</u>	<u>\$ 21,086,047</u>

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

CITY OF NEWPORT, RHODE ISLAND

GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP

STATEMENT OF CHANGES IN LONG-TERM OBLIGATIONS

FOR THE YEAR ENDED JUNE 30, 2000

	General Long-Term Obligations July 1, 1999	Year Ended June 30, 2000 Additions	Year Ended June 30, 2000 Deductions	General Long-Term Obligations June 30, 2000
Primary government:				
Accrued expenses:				
Bond and debt interest	76,124	147,500	76,124	298,500
Claims and judgments	346,275	751,803	195,275	6,858,901
Compensated absences	<u>6,107,098</u>			<u>7,157,401</u>
Total accrued expenses	6,529,497	899,303	271,399	5,534,044
Bonds payable	6,230,503		696,459	790,000
Notes payable	920,000		130,000	7,404,602
Net pension obligation	<u>7,696,368</u>		<u>291,766</u>	<u>20,886,047</u>
Total primary government	21,376,368	899,303	1,389,624	
Component units:				
Redevelopment Agency of Newport:				200,000
Due to the State - note payable	200,000			
Total general long term debt	<u>\$ 21,576,368</u>	<u>\$ 899,303</u>	<u>\$ 1,389,624</u>	<u>\$ 21,086,047</u>

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

