

CITY OF NEWPORT, RHODE ISLAND

General Purpose Financial Statements

For The Fiscal Year Ended June 30, 2002

CITY OF NEWPORT, RHODE ISLAND

General Purpose Financial Statements

For The Fiscal Year Ended June 30, 2002

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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, 2002. These general purpose financial statements are the responsibility of the City of Newport'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, 2002, 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 71 through 72 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 February 21, 2003, on our consideration of the City of Newport, Rhode Island's internal control and our tests of its compliance with certain provisions of laws and regulations. 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, Erady & Co PC

February 21, 2003

CITY OF NEWPORT, RHODE ISLAND

Combined Balance Sheet - All Fund Types and Account Groups and Discretely Presented Component Units

June 30, 2002

	Governmental Fund Types			Proprietary Fund Types	
	General Fund	Special Revenue Funds	Capital Project Funds	Enterprise Funds	Internal Service Funds
ASSETS					
Cash	\$ 8,163,661	\$ 3,901,194	\$ 5,330,344	\$ 7,836,438	\$ 72,384
Investments	3,942,894	4,697,854	-	184,083	-
Property taxes receivable	2,240,017	-	-	-	-
Motor vehicle excise tax receivable	1,293,746	-	-	-	-
Due from federal or state governments	1,648,169	682,339	92,064	-	-
User charges receivable, net	-	-	-	1,822,496	-
Accounts receivable	-	1,545,703	-	708,845	30,388
Department receivables	-	-	-	-	-
Notes receivable	363,413	-	-	-	-
Receivable, other	265,589	2,805,681	-	-	-
Advances to other funds	-	557,574	-	-	-
Accrued interest	-	-	-	-	-
Due from other funds	55,752	338,177	-	-	61,086
Inventories	-	-	-	357,639	39,724
Prepaid expenses	-	61,000	-	742,070	-
Property and equipment, net	-	-	-	84,161,739	138,392,000
Amounts to be provided for the retirement of debt	-	-	-	-	-
Total assets	\$ 17,973,241	\$ 14,589,522	\$ 5,422,408	\$ 95,813,310	\$ 341,974
LIABILITIES AND FUND EQUITIES (DEFICITS)					
Liabilities:					
Accounts payable and accrued expenses	\$ 1,864,475	\$ 649,448	\$ 1,468,388	\$ 1,787,821	\$ 140,283
Due to federal or state governments	-	-	-	-	-
Bond anticipation notes payable	-	-	-	-	-
Deferred revenue	3,162,515	4,791,550	-	376,786	-
Due to other funds	157,500	116,838	5,677	-	-
Amounts held in reserve	104,165	-	-	-	-
Deposits held in custody	-	-	-	-	-
Other liabilities	1,101,411	-	-	-	-
Notes payable	-	1,800,000	-	2,220,483	-
Compensated absences	-	-	-	-	-
Advances from other funds	-	-	-	557,575	-
Serial bonds payable	-	-	-	19,845,220	-
Net pension obligation	-	-	-	-	-
Total liabilities	6,390,066	7,357,836	1,474,065	24,787,885	140,283
Fund equities:					
Investment in general fixed assets	-	-	-	-	-
Contributed capital	-	-	-	42,412,543	79,150
Retained earnings:	-	-	-	-	-
Reserved	-	-	-	2,455,883	11,812
Unreserved	-	-	-	26,156,999	110,729
Fund balances (deficit):	-	-	-	-	-
Reserved	1,276,106	203,674	-	-	-
Unreserved	10,307,069	7,028,012	3,948,343	-	-
Total fund balances	11,583,175	7,231,686	3,948,343	71,025,425	201,691
Total liabilities and fund balances	\$ 17,973,241	\$ 14,589,522	\$ 5,422,408	\$ 95,813,310	\$ 341,974

(Continued)

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

CITY OF NEWPORT, RHODE ISLAND

Combined Balance Sheet - All Fund Types and Account Groups and Discretely Presented Component Units

June 30, 2002

(continued)

	Fiduciary Fund Type	Account Groups		Primary Government Total (Memorandum Only)	Component Units		Reporting Entity Total (Memorandum Only)
		Trust and Agency Funds	General Fixed Asset Account Group		General Long-Term Debt Account Group	Newport Public Library	
ASSETS							
Cash	\$ (186,531)	\$ -	\$ -	\$ 25,117,490	\$ 205,363	\$ 166,716	\$ 25,489,569
Investments	51,353,124	-	-	60,177,955	395,764	-	60,573,719
Property taxes receivable	-	-	-	2,240,017	-	-	2,240,017
Motor vehicle excise tax receivable	-	-	-	1,293,746	-	-	1,293,746
Due from federal or state governments	-	-	-	2,422,572	-	-	2,422,572
User charges receivable, net	-	-	-	1,822,496	-	-	1,822,496
Accounts receivable	-	-	-	2,284,936	-	-	2,284,936
Department receivables	-	-	-	-	-	-	-
Notes receivable	-	-	-	363,413	-	-	363,413
Receivable, other	-	-	-	3,071,270	202,574	-	3,273,844
Advances to other funds	-	-	-	557,574	-	-	557,574
Accrued interest	-	-	-	-	16,474	-	16,474
Due from other funds	-	-	-	455,015	-	-	455,015
Inventories	-	-	-	397,363	-	-	397,363
Prepaid expenses	-	-	-	803,070	-	-	803,070
Property and equipment, net	-	45,209,192	-	129,509,323	3,566,543	620,610	133,696,476
Amounts to be provided for the retirement of debt	-	-	40,153,579	40,153,579	-	200,000	40,353,579
Total assets	\$ 51,166,593	\$ 45,209,192	\$ 40,153,579	\$ 270,669,819	\$ 4,386,718	\$ 987,326	\$ 276,043,863
LIABILITIES AND FUND EQUITIES (DEFICITS)							
Liabilities:							
Accounts payable and accrued expenses	\$ 97,923	\$ -	\$ -	\$ 6,008,338	\$ 142,612	\$ 363,508	\$ 6,514,458
Due to federal or state governments	-	-	-	-	-	-	-
Bond anticipation notes payable	-	-	-	-	-	-	-
Deferred revenue	-	-	-	8,330,851	-	-	8,330,851
Due to other funds	-	-	-	280,015	175,000	-	455,015
Amounts held in reserve	-	-	-	104,165	-	-	104,165
Deposits held in custody	230,991	-	-	230,991	-	-	230,991
Other liabilities	-	-	1,931,817	3,033,228	-	-	3,033,228
Notes payable	-	-	510,000	4,530,483	190,707	200,000	4,921,190
Compensated absences	-	-	6,403,786	6,403,786	-	-	6,403,786
Advances from other funds	-	-	-	557,575	-	-	557,575
Serial bonds payable	-	-	24,945,085	44,790,305	-	-	44,790,305
Net pension obligation	-	-	6,362,891	6,362,891	-	-	6,362,891
Total liabilities	328,914	-	40,153,579	80,632,628	508,319	563,508	81,704,455
Fund equities:							
Investment in general fixed assets	-	45,209,192	-	45,209,192	3,566,543	620,610	49,396,345
Contributed capital	-	-	-	42,491,693	-	-	42,491,693
Retained earnings:							
Restricted	-	-	-	2,467,695	-	-	2,467,695
Unrestricted	-	-	-	26,267,728	-	-	26,267,728
Fund balances (deficit):							
Reserved	43,506,193	-	-	44,985,973	127,472	-	45,113,445
Unreserved	7,331,486	-	-	28,614,910	184,384	(196,792)	28,602,502
Total fund balances	50,837,679	45,209,192	-	190,037,191	3,878,399	423,818	194,339,408
Total liabilities and fund balances	\$ 51,166,593	\$ 45,209,192	\$ 40,153,579	\$ 270,669,819	\$ 4,386,718	\$ 987,326	\$ 276,043,863

(Concluded)

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

CITY OF NEWPORT, RHODE ISLAND

Combined Statement of Revenues, Expenditures, and Changes in Unreserved Fund Balances (Deficits) - All Governmental Fund Types, Expendable Trust Funds and Discretely Presented Component Units

Year Ended June 30, 2002

	Governmental Fund Types			Fiduciary Fund Types		Total Primary Government (Memorandum Only)			Component Units		Total Reporting Entity (Memorandum Only)
	General Fund	Special Revenue Funds	Capital Project Funds	Expendable Trust Funds	Government (Memorandum Only)	Newport Public Library	Redevelopment Agency of Newport	Newport Public Library	Redevelopment Agency of Newport		
Revenues	\$ 58,502,210	\$ 19,412,197	\$ 103,539	\$ 118,235	\$ 78,136,181	\$ 1,543,896	\$ 48,136	\$ 1,543,896	\$ 48,136	\$ 79,728,213	
Expenditures	35,398,711	38,568,000	12,300,381	43,928	86,311,020	1,566,971	40,806	1,566,971	40,806	87,918,797	
Excess (deficiency) of revenues over expenditures	23,103,499	(19,155,803)	(12,196,842)	74,307	(8,174,839)	(23,075)	7,330	(23,075)	7,330	(8,190,584)	
Other financing sources (uses):											
Proceeds from long-term borrowings	-	-	21,037,000	-	21,037,000	-	-	-	-	21,037,000	
Transfers from other funds	27,660	19,903,747	678,548	-	20,609,955	-	-	-	-	20,609,955	
Transfers to other funds	(19,851,658)	(709,088)	(49,209)	-	(20,609,955)	-	-	-	-	(20,609,955)	
Total other financing sources (uses)	(19,823,998)	19,194,659	21,666,339	-	21,037,000	-	-	-	-	21,037,000	
Excess (deficiency) of revenues and other sources over expenditures and other uses	3,279,501	38,856	9,469,497	74,307	12,862,161	(23,075)	7,330	(23,075)	7,330	12,846,416	
(Increase) decrease in reserve	(592,208)	(203,674)	-	-	(795,882)	42,586	-	42,586	-	(753,296)	
Beginning fund balance (deficit) - unreserved	7,619,776	7,192,830	(5,521,154)	165,398	9,456,850	164,873	(204,122)	164,873	(204,122)	9,417,601	
Ending fund balance (deficit) - unreserved	\$ 10,307,069	\$ 7,028,012	\$ 3,948,343	\$ 239,705	\$ 21,523,129	\$ 184,384	\$ (196,792)	\$ 184,384	\$ (196,792)	\$ 21,510,721	

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, 2002

	General Fund				Special Revenue Funds			
	Adopted Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance	Adopted Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance
Revenues:								
Local taxes	\$ 46,188,826	\$ 46,188,826	\$ 47,160,364	\$ 971,538	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	3,306,545	3,306,545	3,754,991	448,446	11,630,442	11,630,442	12,402,378	771,936
User charges and fees	398,439	398,439	523,349	124,910	-	-	-	-
Licenses and permits	3,604,600	3,604,600	3,706,839	102,239	-	-	-	-
Investment income	387,120	387,120	592,637	205,517	-	-	-	-
Other revenues	3,859,604	3,859,604	2,764,010	(1,095,594)	-	-	-	-
Total revenues	57,745,134	57,745,134	58,502,210	757,076	11,630,442	11,630,442	12,402,378	771,936
Expenditures:								
General Government:								
Mayor and City Council	92,900	94,400	92,902	1,498	-	-	-	-
City Manager	248,632	249,388	208,675	40,713	-	-	-	-
City Solicitor	295,197	295,441	295,880	(4,439)	-	-	-	-
Canvassing	179,572	179,572	157,134	22,438	-	-	-	-
Finance and support services	2,994,512	3,018,632	2,681,725	336,907	-	-	-	-
Reserve accounts	1,043,296	1,043,296	951,367	91,929	-	-	-	-
Public Safety:								
Police Department	8,060,581	8,060,581	7,827,178	233,403	-	-	-	-
Fire Department	7,554,541	7,554,541	7,486,651	67,890	-	-	-	-
Education	-	-	-	-	32,886,327	32,886,327	31,665,917	1,224,410
Public Health:								
Public Works	2,762,835	2,762,835	2,040,345	722,490	-	-	-	-
Solid Waste Operations	1,904,880	1,904,880	1,798,365	106,515	-	-	-	-
Planning, Zoning, and Development	2,057,990	2,057,990	1,772,468	285,522	-	-	-	-
Recreation and parks	1,856,224	1,856,224	1,801,622	54,602	-	-	-	-
Human services:								
Donations	179,310	180,110	181,147	(1,037)	-	-	-	-
Public library	1,183,683	1,183,683	1,183,683	-	-	-	-	-
Pension expenses	6,754,490	6,754,490	6,741,096	13,394	-	-	-	-
Contingencies	215,700	189,280	446,539	(257,259)	-	-	-	-
Debt service	508,133	508,133	320,143	187,990	502,610	502,610	502,609	1
Total expenditures	37,893,476	37,893,476	35,990,920	1,902,556	33,388,937	33,388,937	32,166,526	1,222,411
Excess of revenues over expenditures	19,851,658	19,851,658	22,511,290	2,659,632	(21,758,495)	(21,758,495)	(19,764,148)	1,994,347
Other financing sources (uses):								
Transfers from other funds	-	-	27,660	27,660	21,758,495	21,758,495	19,851,658	(1,906,837)
Transfers to other funds	(19,851,658)	(19,851,658)	(19,851,658)	-	-	-	(365,233)	(365,233)
Total other financing sources (uses)	(19,851,658)	(19,851,658)	(19,823,998)	27,660	21,758,495	21,758,495	19,486,425	(2,272,070)
Excess of revenues and other sources over expenditures and other uses, budgetary basis	\$ -	\$ -	\$ 2,687,292	\$ 2,687,292	\$ -	\$ -	\$ (277,723)	\$ (277,723)

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

CITY OF NEWPORT, RHODE ISLAND

**Combined Statement of Revenues, Expenses, and Changes In Unreserved Retained Earnings
All Proprietary Fund Types and Non-Expendable Trust Funds**

Year Ended June 30, 2002

	Proprietary Fund Types		Fiduciary Fund Types		Total Primary Government (Memorandum Only)
	Enterprise Funds	Internal Service Funds	Non-Expendable Trust Funds	Pension Trust Funds	
Operating revenues:					
Charges for usage and services	\$ 13,704,779	\$ 812,634	\$ -	\$ -	\$ 14,517,413
Contributions	-	-	47,837	6,927,114	6,974,951
Intergovernmental	-	-	-	-	-
Other	749,616	-	-	10,417	760,033
Total operating revenues	14,454,395	812,634	47,837	6,937,531	22,252,397
Operating expenses:					
Pension Benefits	-	-	-	6,449,857	6,449,857
Salaries and benefits	2,930,918	305,113	-	-	3,236,031
Materials and supplies	571,265	306,988	-	-	878,253
Waste disposal	-	-	-	-	-
Repair and maintenance	256,568	59,806	-	-	316,374
Depreciation	2,752,922	21,681	-	-	2,774,603
Support services	3,554,047	104,873	130,929	-	3,789,849
Utilities	928,535	11,682	-	-	940,217
Administrative	540,538	4,147	-	219,836	764,521
Property taxes	155,752	-	-	-	155,752
Total operating expenses	11,690,545	814,290	130,929	6,669,693	19,305,457
Operating income (loss)	2,763,850	(1,656)	(83,092)	267,838	2,946,940
Nonoperating revenues (expenses):					
Investment income	62,960	-	(288,106)	(1,583,123)	(1,808,269)
Interest expense	(995,723)	-	-	-	(995,723)
Total nonoperating revenues (expenses)	(932,763)	-	(288,106)	(1,583,123)	(2,803,992)
Income (loss) before operating transfers	1,831,087	(1,656)	(371,198)	(1,315,285)	142,948
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	-	-	-
Net income (loss)	1,831,087	(1,656)	(371,198)	(1,315,285)	142,948
(Increase) decrease in reserve	(1,958,028)	(11,812)	-	-	(1,969,840)
Retained earnings/unreserved fund balance/ net assets held in trust - July 1, 2001	26,283,940	124,197	7,462,979	44,821,478	78,692,594
Retained earnings/unreserved fund balance/ net assets held in trust - June 30, 2002	\$ 26,156,999	\$ 110,729	\$ 7,091,781	\$ 43,506,193	\$ 76,865,702

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, 2002

	Enterprise Funds			Internal Service Funds			Favorable (Unfavorable) Variance
	Adopted Budget	Amended Budget	Actual	Adopted Budget	Amended Budget	Actual	
Revenues:							
User fees	\$ 14,168,775	\$ 14,168,775	\$ 13,704,779	\$ 897,828	\$ 897,828	\$ 812,634	\$ (85,194)
Other revenue	1,002,860	1,002,860	749,615	-	-	-	-
Total revenue	15,171,635	15,171,635	14,454,394	897,828	897,828	812,634	(85,194)
Expenses:							
Salaries and benefits	2,827,851	2,837,031	2,930,918	308,827	305,752	305,113	639
Materials and supplies	789,931	791,232	411,490	395,160	392,249	313,988	78,261
Repair and maintenance	377,936	374,934	267,081	65,550	70,985	64,618	6,367
Depreciation	-	-	-	-	-	-	-
Support services	3,680,836	3,680,372	3,554,172	107,280	107,280	104,873	2,407
Utilities	1,000,000	1,000,000	928,595	13,750	13,825	11,682	2,143
Administrative and other	694,700	652,163	537,891	1,400	4,376	4,147	229
Property taxes	143,168	167,668	155,752	-	-	-	-
Total expenses	9,474,422	9,503,400	8,785,839	891,967	894,467	804,421	90,046
Excess (deficiency) of revenues over expenses	5,697,213	5,668,235	5,668,555	5,861	3,361	8,213	4,852
Other financing sources (uses):							
Transfers from other funds	-	-	-	-	-	-	-
Transfers to other funds	-	-	-	-	-	-	-
Interest income	52,968	52,968	62,960	-	-	-	-
Interest expense	(1,448,563)	(1,448,563)	(995,723)	-	-	-	-
Total other financing sources (uses)	(1,395,595)	(1,395,595)	(932,763)	-	-	-	-
Other							
Bond proceeds	4,700,000	4,700,000	5,821,768	-	-	-	-
Debt principal	(3,412,065)	(3,412,065)	(3,593,365)	-	-	-	-
Capital additions	(5,493,100)	(5,492,950)	(6,281,687)	(5,861)	(3,361)	-	3,361
Contingency	(87,725)	(58,897)	-	-	-	-	-
Lease payments	(8,728)	(8,728)	-	-	-	-	-
Total other	(4,301,618)	(4,272,640)	(4,053,284)	(5,861)	(3,361)	-	3,361
Excess of revenues and other sources over expenditures and other uses, budgetary basis	-	-	\$ 682,508	-	-	8,213	8,213

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

CITY OF NEWPORT, RHODE ISLAND

Combined Statement of Cash Flows - All Proprietary Fund Types And Similar Trust Funds

For the Year Ended June 30, 2002

	Proprietary Fund Types		Fiduciary Fund Type	Total
	Enterprise Funds	Internal Service Funds	Nonexpendable Trust Funds	(Memorandum Only)
Cash flows from operating activities				
Cash received from customers	\$ 15,384,065	\$ 784,546	\$ -	\$ 16,168,611
Cash payments to suppliers for goods and services	(5,714,522)	(481,757)	-	(6,196,279)
Cash payments to employees for services	(2,810,134)	(305,113)	-	(3,115,247)
Payment of property taxes	(155,752)	-	-	(155,752)
Payment of administrative expense	(540,538)	(4,147)	(53,650)	(598,335)
Cash received (payment) for miscellaneous items	-	-	(50,167)	(50,167)
Net cash provided by (used for) operating activities	<u>6,163,119</u>	<u>(6,471)</u>	<u>(103,817)</u>	<u>6,052,831</u>
Cash flows from non-capital financing activities				
Interfund loans and transfers	(54,259)	-	-	(54,259)
Net cash provided by (used for) non-capital financing activities	<u>(54,259)</u>	<u>-</u>	<u>-</u>	<u>(54,259)</u>
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	(4,309,038)	-	-	(4,309,038)
Principal paid on bonds, notes and loans	2,293,441	-	-	2,293,441
Interest paid on bonds, notes and loans	(972,436)	-	-	(972,436)
Net cash provided by (used for) capital and related financing activities	<u>(2,988,033)</u>	<u>-</u>	<u>-</u>	<u>(2,988,033)</u>
Cash flows from investing activities				
Interest and dividends on investments	62,960	-	110,953	173,913
Unrealized loss on investments	-	-	(399,059)	(399,059)
Increase (decrease) in investments	(8,815)	-	288,112	279,297
Interest expense	(23,287)	-	-	(23,287)
Net cash provided by (used for) investing activities	<u>30,858</u>	<u>-</u>	<u>6</u>	<u>429,923</u>
Net increase (decrease) in cash and cash equivalents	3,151,685	(6,471)	(103,811)	3,041,403
Cash and cash equivalents at beginning of year	<u>4,684,753</u>	<u>78,855</u>	<u>(168,926)</u>	<u>4,594,682</u>
Cash and cash equivalents at end of year	<u>\$ 7,836,438</u>	<u>\$ 72,384</u>	<u>\$ (272,737)</u>	<u>\$ 7,636,085</u>
Reconciliation of operating income to net cash provided by operating activities				
Operating income (Loss)	\$ 2,763,850	\$ (1,656)	\$ (83,092)	\$ 2,679,102
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	2,752,922	21,681	-	2,774,603
Changes in assets and liabilities:				
(Decrease) increase in accounts payable/other liabilities	(217,741)	(2,074)	(20,725)	(240,540)
Decrease (increase) in accounts receivable/other assets	864,088	(24,422)	-	839,666
Total adjustments	<u>3,399,269</u>	<u>(4,815)</u>	<u>(20,725)</u>	<u>3,373,729</u>
Net cash provided by operating activities	<u>\$ 6,163,119</u>	<u>\$ (6,471)</u>	<u>\$ (103,817)</u>	<u>\$ 6,052,831</u>

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

CITY OF NEWPORT, RHODE ISLAND
Summary of Plan Net Assets - Pension Trust Funds
June 30, 2002

ASSETS

Cash	\$ (387,146)
Receivables:	
Employer	-
Other	-
Interest and dividends	-
Total receivables	-
Investments, at fair value:	
Cash equivalents	61,752
Equities:	-
Domestic	70,328
Mutual funds	39,856,987
Equities - ADRs	392,991
Equities - International	3,601,311
Total investments	<u>43,983,369</u>
Total assets	<u>\$ 43,596,223</u>

LIABILITIES

Refund payables and other	\$ 90,030
Net assets held in trust for pension benefits	<u>43,506,193</u>
Total liabilities	<u>\$ 43,596,223</u>

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

CITY OF NEWPORT, RHODE ISLAND

Combined Statement of Changes In Plan Net Assets - Pension Trust Funds

For the Year Ended June 30, 2002

Additions to Plan Assets:

Contributions:

Employee	\$ 676,582
Employer	6,250,532
Other income	<u>10,417</u>
Total contributions	<u>6,937,531</u>

Investment income:

Net appreciation (depreciation) in fair value of investments	(2,167,337)
Interest and dividends	1,288,158
Realized gain (loss) in investments	(669,603)
Less: investment expense	<u>34,341</u>
Total investment income	<u>(1,583,123)</u>
Total additions	<u>5,354,408</u>

Deductions from Plan Assets:

Pension benefits paid	6,449,857
Administrative and other expenses	<u>219,836</u>
Total deductions	<u>6,669,693</u>

Net increase in Plan Assets (1,315,285)

Net Assets Held in Trust for Pension Benefits:

Beginning of year	<u>44,821,478</u>
End of year	<u>\$ 43,506,193</u>

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

CITY OF NEWPORT, RHODE ISLAND
Notes to Financial Statements - Continued
June 30, 2002

1. Summary of Significant Accounting Policies

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.

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 and 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.

CITY OF NEWPORT, RHODE ISLAND
Notes to Financial Statements - Continued
June 30, 2002

1. Summary of Significant Accounting Policies (Continued):

Reporting Entity (Continued)

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.

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.

CITY OF NEWPORT, RHODE ISLAND
Notes to Financial Statements - Continued
June 30, 2002

1. Summary of Significant Accounting Policies (Continued):

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.

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

Governmental Funds

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 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.

CITY OF NEWPORT, RHODE ISLAND

Notes to Financial Statements - Continued

June 30, 2002

1. Summary of Significant Accounting Policies (Continued):

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.

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 Account Group - 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

CITY OF NEWPORT, RHODE ISLAND
Notes to Financial Statements - Continued
June 30, 2002

1. Summary of Significant Accounting Policies (Continued):

Basis of Accounting and Measurement Focus (Continued)

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 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 the 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 types 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.

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.

CITY OF NEWPORT, RHODE ISLAND

Notes to Financial Statements - Continued

June 30, 2002

1. Summary of Significant Accounting Policies (Continued):

Basis of Accounting and Measurement Focus (Continued)

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.

Budgets 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 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 Unreserved Fund Balances -All Governmental Fund Types, Expendable Trust Funds and Discretely Presented Component Units and the Combined Statement of Revenues, Expenses and Changes in Unreserved Retained Earnings/Fund Balances - Proprietary Funds and Non-Expendable Trust Fund which are presented in accordance with accounting principles generally accepted in the United States of America.

CITY OF NEWPORT, RHODE ISLAND
Notes to Financial Statements - Continued
June 30, 2002

1. Summary of Significant Accounting Policies (Continued):

Budget and Budgetary Accounting (Continued)

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

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

CITY OF NEWPORT, RHODE ISLAND
Notes to Financial Statements - Continued
June 30, 2002

1. Summary of Significant Accounting Policies (Continued):

Property Taxes (Continued)

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 liened 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.

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.

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

CITY OF NEWPORT, RHODE ISLAND
Notes to Financial Statements - Continued
June 30, 2002

1. **Summary of Significant Accounting Policies (Continued):**

Property, Plant and Equipment (Continued)

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.

Governmental funds' actuarial pension benefit obligations are 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.

CITY OF NEWPORT, RHODE ISLAND
Notes to Financial Statements - Continued
June 30, 2002

1. Summary Of Significant Accounting Policies (Continued):

Bond and Loans Authorized, and Loans Authorized but 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.

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/Expenses Budgetary Basis presents comparisons of the legally adopted budget with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis differ from those used to present financial statements in conformity with GAAP, a reconciliation of resultant basis, entity and timing differences in the excess (deficiency) of revenues and other sources of financial resources over expenditures/expenses and other uses of financial resources for the year ended June 30, 2002 is presented below:

CITY OF NEWPORT, RHODE ISLAND
Notes to Financial Statements - Continued
June 30, 2002

2. Budgetary-GAAP Reporting Reconciliation (cont'd)

	Governmental Funds		Proprietary Funds	
	General Fund	Special Revenue	Internal Service	Enterprise
Excess of revenues and other sources over expenditures and other uses (budgetary basis)	\$ 2,687,292	\$ (277,723)	-	-
Net income (loss) - (budgetary basis)	-	-	\$ 8,213	\$ 682,508
Adjustments of budgetary basis to GAAP basis:				
Net increase (reduction) for encumbrances previously recognized under GAAP	592,209	-	11,812	1,958,028
Net increase (reduction) for accrued revenues recognized under GAAP but not yet budgeted	-	-	-	-
Reduction for bond proceeds	-	-	-	(5,821,768)
Addition for principal payments on long-term debt	-	-	-	3,593,365
Addition for capital improvements capitalized under GAAP	-	-	-	4,171,876
Reduction for depreciation expense recognized under GAAP	-	-	(21,681)	(2,752,922)
Excess of revenues and other sources over expenditures and other uses (GAAP basis)	\$ 3,279,501	\$ (277,723)		
Net income (loss) - (GAAP basis)			\$ (1,656)	\$ 1,831,087

CITY OF NEWPORT, RHODE ISLAND
Notes to Financial Statements - Continued
June 30, 2002

3. Excess of Expenditures Over Appropriations

The legal level of control for which expenditures cannot exceed appropriation is at the category level within a department. The table below shows the amounts by which certain municipal department expenditures exceed fiscal year 2002 appropriations (after approved transfers) and, where applicable, actual 2002 revenues:

<u>Department</u>	<u>Fund or Fund-Type</u>	<u>Expenditures in Excess of Budget</u>
City Solicitor	General	\$ 4,439
Contingencies	General	257,259
Donations	General	1,037
Salaries and Benefits	Easton's Beach	5,409
Support Services	Easton's Beach	933
Utilities	Water Fund	78,909
Salaries and Benefits	Water Pollution Fund	95,608

4. Cash, Cash Equivalents, and Deposits

At June 30, 2002, the carrying value of the City's (primary government's) deposits is \$25,131,970 and the carrying value of the component units' deposits is \$372,079 for a total reporting entity total of \$25,504,049. The bank balance was \$13,684,461, not including investments in repurchase agreements. The City also has \$5,169,741 invested in short-term certificates of deposit, which are collateralized by U.S. Treasury obligations held in trust by the bank. 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, 2002, \$8,112,563 was invested in a repurchase agreement maturing July 1, 2002.

Federal deposit insurance and collateralized performance accounts are used to eliminate any custodial risk in the non-invested deposits maintained at financial institutions. However, at June 30, 2002, bank-reported balances exceeded insurance coverage by \$3,533,289 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, 2002. 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.

Pursuant to RI Public Utilities Commission's Docket 2985, as of June 30, 2002, \$1,038,158, \$1,659,618 and \$19,174 of annual revenues must be restricted for debt service, IFR/capital spending and chemicals, respectively. Therefore, restricted funds available at July 1, 2002 should be \$2,716,950. At June 30, 2002, \$1,606,873 was restricted leaving a required funding amount of \$1,110,077.

CITY OF NEWPORT, RHODE ISLAND
Notes to Financial Statements - Continued
June 30, 2002

5. Investments

At June 30, 2002, all of the City's investments are classified as having Level A custodial risk and consist of the following:

	<u>Custodial Risk Category A</u>	<u>Not Categorized</u>	<u>Fair Value</u>
Primary government:			
U.S. agency debt obligations	\$ 5,752	\$ -	\$ 5,752
U.S. government backed securities	1,781,886	-	1,781,886
U.S. government money market	3,674,240	-	3,674,240
Corporate bonds	3,154,237	-	3,154,237
Domestic equities	463,319	-	463,319
Mutual funds	39,856,987	-	39,856,987
International equities	3,601,311	-	3,601,311
Unallocated by City	232,622	-	232,622
Primary government total	<u>\$ 52,770,354</u>	<u>\$ -</u>	<u>\$ 52,770,354</u>
Component units:			
Mutual Funds	\$ 286,982	\$ -	\$ 275,477
Money market funds	108,782	-	108,782
Component units total	<u>\$ 395,764</u>	<u>\$ -</u>	<u>\$ 384,259</u>
Total	<u>\$ 53,166,118</u>	<u>\$ -</u>	<u>\$ 53,154,613</u>

6. Interfund Receivables and Payables

At June 30, 2002 the individual funds' assets and liabilities (due to / from accounts) are as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	<u>\$ 55,752</u>	<u>\$ 157,500</u>
Special Revenue Funds:		
Property Acquisition	-	26,514
School Unrestricted	5,677	61,086
UDAG Fund	332,500	-
Bramley Fund	-	29,238
Total Special Revenue Funds	<u>338,177</u>	<u>116,838</u>
Internal Service Fund:		
Equipment Operation Fund	<u>61,086</u>	<u>-</u>
Capital Projects Fund	<u>-</u>	<u>5,677</u>
Component Units:		
Newport Public Library	<u>-</u>	<u>175,000</u>
Total Due From / Due To	<u>\$ 455,015</u>	<u>\$ 455,015</u>

CITY OF NEWPORT, RHODE ISLAND
Notes to Financial Statements - Continued
June 30, 2002

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 2002 are summarized as follows:

	Date Issued	Maturity Date	Interest Rate (%)	Outstanding July 1, 2001	Additions In 2002	Retired In 2002	Outstanding June 30, 2002	Interest Paid in 2002
General Long-Term Debt Account Group:								
Roadway improvements	1991	2011	5.8 to 6.5	\$ 762,713	- \$	76,272 \$	686,441	\$ 47,593
Triplett School acquisition	1991	2011	5.8 to 6.5	737,287	-	73,728	663,559	46,007
Police station construction	1992 r	2003	4.75 to 6.2	258,033	-	81,484	176,549	13,305
Fire station, open spaces	1994 r	2001	3.6 to 4.7	250,000	-	90,000	160,000	11,490
High school renovations	1994	2012	3.3 to 5.125	2,940,000	-	245,000	2,695,000	137,874
Thompson Middle School/Library	2001	2021	3.5 - 5.0	-	18,700,000	-	18,700,000	-
Thompson School QZAB	2001	2013	n/a	-	1,863,536	-	1,863,536	-
Total General Long-Term Debt Account Group				\$ 4,948,033	\$ 20,563,536	\$ 566,484	\$ 23,981,549	\$ 256,269
Enterprise Funds:								
Sewer plant construction	1992 r	2003	4.75 to 6.2	\$ 411,321	\$ -	\$ 129,891	\$ 281,430	\$ 21,208
Sewer plant construction	1994 r	2006	3.6 to 4.9	800,000	-	200,000	600,000	37,205
CSO plant construction	1994 r	2010	3.6 to 5.125	4,120,000	-	595,000	3,525,000	198,968
Sewer improvements - SRF	2002	(see below)		-	5,821,768	-	5,821,768	-
Total Water Pollution Control Fund				5,331,321	5,821,768	924,891	10,228,198	257,381
Water pipeline construction	1992	2011	4.75 to 6.65	2,475,000	-	225,000	2,250,000	152,100
Water improvements	1992 r	2003	4.75 to 6.2	185,648	-	58,626	127,022	9,572
Water plant construction	1994 r	2010	3.6 to 5.125	3,830,000	-	750,000	3,080,000	183,093
Water pipeline construction	1994	2012	3.3 to 5.125	4,545,000	-	385,000	4,160,000	213,546
Total Water Fund				11,035,648	-	1,418,626	9,617,022	558,311
Total Enterprise Funds Long-Term Debt				\$ 16,366,969	\$ 5,821,768	\$ 2,343,517	\$ 19,845,220	\$ 815,692

CITY OF NEWPORT, RHODE ISLAND
Notes to Financial Statements - Continued
June 30, 2002

7. Bonded Debt Outstanding (Continued)

The City has received approval for a \$13,000,000 State Revolving Fund (SRF) revenue anticipation bond in April 2002 to fund sewer improvements. \$5,821,768 has been drawn down to date. The amounts drawn down include \$225,212 of capitalized interest and \$894,371 of debt service reserve, both of which are held in trust by Citizen's Bank. The stated interest rate is 4.79%. The interest is to be subsidized bringing the City's rate down to 1.907%. Annual installments of principal and interest will be paid over nineteen (19) years from the final completion date of the Project. The Project is expected to be completed in 2003.

The City has a \$2,337,000 General Obligation Qualified Zone Academy Bond, Series 2001 dated December 14, 2001, and due December 14, 2015 to help finance the construction of Thompson Middle School. The bonds may not be prepaid prior to the maturity date. The City does have an obligation to make annual sinking fund installments of \$133,110 with the trustee beginning on the first anniversary date of the bonds. Such funds shall be invested with the bank (purchaser of the bonds). The sinking fund payments when combined with the interest earnings on the sinking fund shall be sufficient to retire the bonds on the maturity date. The total amount to be deposited into the sinking fund is \$1,863,536.

The City has refunded its general obligation bonds, which were originally issued in 1989 and 1990. Both were refunding, 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 listed on the previous page.

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, 2001 was \$ 3,562,729,202 limiting the amount of non-excepted general obligation bonds outstanding to \$106,881,876. Bonds of \$23,081,549 outstanding at June 30, 2002 are general obligations and subject to the statutory limitation.

Bonded indebtedness on June 30, 2003 matures over fiscal years through 2021 as follows:

	2003	2004	2005	2006	2007	2008-2012	after 2012	Total
Enterprise funds:								
Principal	\$ 2,263,989	\$ 2,715,943	\$ 1,921,818	\$ 1,922,654	\$ 1,929,006	\$ 7,749,530	\$ 1,342,280	\$ 19,845,220
Interest	725,152	817,608	705,378	623,763	541,119	1,560,248	898,063	5,871,331
Total	\$ 2,989,141	\$ 3,533,551	\$ 2,627,196	\$ 2,546,417	\$ 2,470,125	\$ 9,309,778	\$ 2,240,343	\$ 25,716,551
General long-term Obligations								
Principal	\$ 1,019,121	\$ 1,348,648	\$ 1,228,110	\$ 1,228,110	\$ 1,253,110	\$ 6,640,550	\$ 12,227,440	\$ 24,945,089
Interest	1,420,456	1,013,817	953,009	902,333	864,267	3,451,726	3,002,522	11,598,130
Total	\$ 2,439,577	\$ 2,362,465	\$ 2,181,119	\$ 2,130,443	\$ 2,107,377	\$ 10,092,276	\$ 15,229,962	\$ 36,543,219

CITY OF NEWPORT, RHODE ISLAND
Notes to Financial Statements - Continued
June 30, 2002

7. Bonded Debt Outstanding (Continued)

Authorized and unissued debt at June 30, 2002 is as follows:

<u>Purpose</u>	<u>Date Authorized</u>	<u>Amount Authorized</u>	<u>Net Amount</u>
Water improvements	04/01/00	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>

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 2.2% per annum and provides for annual repayments out of the developer's net cash flow, as defined, until 2012 when all outstanding principal and interest is due. The note receivable is secured by the renovated building and is recorded 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, 2002, \$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, 2002, \$510,000 was outstanding on this bond as follows:

<u>Fiscal year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 155,000	\$ 35,689	\$ 190,689
2004	170,000	22,274	192,274
2005	<u>185,000</u>	<u>7,622</u>	<u>192,622</u>
Totals	<u>\$ 510,000</u>	<u>\$ 65,585</u>	<u>\$ 575,585</u>

In 1984, the Redevelopment Agency of Newport, a component unit, purchased a vacant building in an area of the City designed for redevelopment. As part of the financing for this purchase, the State of Rhode Island loaned the Redevelopment Agency \$200,000. The underlying note bears no stated interest rate or maturity and is secured with a mortgage on the building. As of June 30, 2002, \$200,000 was payable. The note is required to be paid only upon the sale of the building.

The Library has a line of credit with the Bank of Newport of \$1,250,000 of which \$190,707 was outstanding at June 30, 2002. The funds were borrowed to pay construction related obligations while waiting for the receipt of pledges.

CITY OF NEWPORT, RHODE ISLAND
Notes to Financial Statements - Continued
June 30, 2002

8. Notes Payable (Continued)

The City's Water Pollution Control Fund has outstanding notes payable to Earthtech, the operator of the Water Pollution Control System, in the amount of \$2,163,565, with interest rates of 7.7% to 8.3%, due January 2021. This note matures over fiscal years 2003 to 2021 as follows:

	2003	2004	#	2005	2006	2007	2008 and after	Total
Principal	\$ 53,099	\$ 57,475		\$ 62,213	\$ 67,340	\$ 72,891	\$ 1,850,547	\$ 2,163,565
Interest	166,156	165,780		161,043	155,916	150,365	1,433,911	2,233,171
Total	\$ 219,255	\$ 223,255		\$ 223,256	\$ 223,256	\$ 223,256	\$ 3,284,458	\$ 4,396,736

The City made a principal payment of \$700,000 in December, 2002 against these notes.

The City's Community Development Fund has a bridge note of \$1,800,000 payable to the Rhode Island Economic Development Agency (RIEDA). The note is at zero (0)% interest and must be repaid by March 1, 2004. The purpose of the note is so the City can advance the funds to New Visions for the construction of a new building at the Ranger Road Project site. The City will lend the money to New Visions as a drawdown construction loan with zero (0)% interest. The loan is to be repaid on April 1, 2003. New Visions has been approved for a bank financed mortgage once the building is completed. The mortgage proceeds will be given to the City as repayment of the construction loan. The City will then repay RIEDA.

9. Leases

Capital Leases

The City is obligated under a certain lease accounted for as capital lease. The obligation for the lease is accounted for in the General Long-Term Debt Account Group. The following is a schedule of future minimum lease payments under capital leases:

<u>Year Ending</u> <u>June 30</u>	<u>General</u> <u>Long-Term Debt</u>
2003	\$ 150,000
2004	150,000
2005	<u>91,785</u>
Minimum Lease Payments	391,785
Less Amount Representing Interest	<u>(24,190)</u>
	<u>\$ 367,595</u>

CITY OF NEWPORT, RHODE ISLAND
Notes to Financial Statements - Continued
June 30, 2002

9. Leases (Continued)

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 \$318,640 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 2002 and minimum lease obligations for the next five years as of June 30, 2002 were as follows:

<u>Fund or Fund-Type</u>	<u>Expenditures Or Expenses</u>	<u>Minimum Lease Obligations</u>				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Fund	\$ 318,640	\$ 318,640	\$ 318,640	\$ 318,640	\$ 318,640	\$ 318,640

10. Advances

The Urban Development Grant Fund (UDAG) loaned the City of Newport \$1,000,000 for Easton's Beach renovations in July 1994. The note is a 15-year note bearing interest at 4.0%. The balance due at 6/30/02 is \$557,575 and interest of \$5,576 is accrued.

The following schedule details amounts to be paid per year, broken down by principal and interest:

Fiscal Year Ended:	Principal	Interest	Total
2003	\$ 67,682	\$ 21,296	\$ 88,978
2004	70,430	18,548	88,978
2005	73,289	15,689	88,978
2006	76,265	12,713	88,978
2007	79,362	9,616	88,978
2008 and after	190,547	9,653	200,200
Total	\$ 557,575	\$ 87,515	\$ 645,090

CITY OF NEWPORT, RHODE ISLAND
Notes to Financial Statements - Continued
June 30, 2002

11. Reserved Fund Balances

The City of Newport records several types of reserves. The reserves indicate that a portion of fund balance is segregated for specific use. All Special Revenue Funds are, by their nature, reserved.

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

General Fund	
Reserve for encumbrances	\$1,276,106
Capital Projects Fund	
Reserve for encumbrances	1,540,791
Internal Service Fund	
Reserve for encumbrances	11,812
Enterprise Funds	
Easton's Beach	
Reserve for encumbrances	32,116
Parking Operations	
Reserve for encumbrances	1,199
Water Fund	
Reserve for encumbrances	2,418,804
Water Pollution Control	
Reserve for encumbrances	3,765
Pension Trust Funds	
Police pension	
Reserve per trust agreements	27,201,584
Fire pension	
Reserve per trust agreements	16,304,609

12. Deficit Fund Balances

The following individual funds had deficit fund balances at June 30, 2002:

Capital Projects Fund:	
Ranger Road	(<u>\$89,743</u>)

The deficit in the Ranger Road project will be funded in the future with State grants.

Bramley Bill Fund	(<u>\$18,069</u>)
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The deficit in the Bramley Bill Fund will be funded in the future with grants.

CITY OF NEWPORT, RHODE ISLAND
Notes to Financial Statements - Continued
June 30, 2002

12. Deficit Fund Balances (Continued)

School Restricted Fund:	
School Lunch Program	(\$105,856)
Title VI	(2,386)
Title II	(10,262)
Title IV	(5,000)
Project Enhance	(31,437)
Project Care Working Wonders	(10,886)
Project Reach/Local	(179)
EBEC Diverse Learning	(252)
CSRD/Local	(769)
United Way 2001	(139)
State Adult Education	(35,953)
	<u>(\$203,119)</u>

The restricted school fund deficits will have to be funded through additional aid or by a transfer from the school unrestricted fund.

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, 2002.

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.

CITY OF NEWPORT, RHODE ISLAND
Notes to Financial Statements - Continued
June 30, 2002

15. Pension Plans:

The City has established a defined contribution pension plan for the City Manager. Substantially all remaining full-time employees are 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 2002, total City payroll was \$45,599,258, of which \$61,043 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 2002, the City's required contribution was \$6,104, all of which was paid. No additional contributions were made by the City Manager.

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

All City of Newport certified school personnel participate in the Employees' Retirement System of the State of Rhode Island ("System"), a cost-sharing multiple-employer defined benefit plan. The System issues a publicly available financial report that includes financial statements and required supplementary information for the Town. The financial report may be obtained by writing to Employees Retirement System of Rhode Island, 40 Fountain Street, Providence, Rhode Island, 02903-1854 or by calling (401) 222-2203. Total covered payroll under the plan during 2002 was \$16,957,851, of which \$688,445 was charged to Federally reimbursed programs. Total City payroll was \$45,599,258 for the same period. The City's required and actual contributions to the Teachers' Plan for fiscal years 2002, 2001, and 2000 were \$1,473,129, \$1,500,278, and \$1,329,476, respectively.

Plan Description. All City certified school personnel are eligible to participate in the System if they are certified by the Board of Regents, engaged in teaching as principal occupation and are regularly employed on at least a half time basis. Employees who retire at or after age 60 with 10 years of credited service, or after 28 years of credited service regardless of age are entitled to a retirement benefit. The retirement benefit is equal to 1.7% of their final-average salary for each year of credited service up to 10 years, plus 1.9% of their final average salary in excess of 10 years through 20 years, plus 3% of their final average salary in excess of 20 years up to the 34th years of service, plus 2% of their final average salary for the 35th year, up to a maximum benefit of 80% of their final average

15. Pension Plans: (Continued)

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

salary. Final average salary is the three highest consecutive years of earned salary exclusive of overtime, bonuses, or severance pay. Employees are vested in their retirement benefits on completion of 10 years of service. Retirees' benefits are adjusted annually by 3% compounded, to allow for increases in cost of living. Cost of living adjustments begin on the January 1st following the third anniversary of an employee's retirement. There were no changes in the method and assumptions in the June 30, 1998 actuarial valuation to determine plan cost. The system also provides death and disability benefits.

Summary of Significant Accounting Policies

Basis of Accounting The financial statements of the System are prepared on the accrual basis of accounting. Under this method revenues are recorded when earned and expenses are recorded when incurred. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Dividend income is recorded on the ex-dividend date. The Governmental Accounting Standards Board (GASB) has the responsibility for establishing generally accepted accounting principles for fiduciary type activities. In accordance with GASB Statement No. 20, in the absence of specific guidance from a GASB pronouncement, pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989 have been followed.

Method Used to Value Investments. Investments are recorded in the financial statements at fair value. Fair value is the amount that a plan can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller -- that is, other than a forced liquidation sale. The fair value of fixed income and domestic and international stocks are generally based on published market prices and quotations from national security exchanges and securities pricing services. Real estate is primarily valued on appraisals by independent appraisers or as adjusted by the general partner. Other securities and investments, which are not traded on a national security exchange are valued by the respective fund manager. Short-term investments are stated at cost, which approximates fair value. Investment transactions are recorded on a trade date basis.

Contributions and Reserves. There were no long-term contracts for contributions to the plan or amounts outstanding as of the reporting date.

Concentrations. There are no investments in any one organization that represents more than 5% of the plan net assets.

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

The City of Newport participates in the Municipal Employee's Retirement System ("System"), an agent multiple employer defined benefit pension plan administered by the State of Rhode Island. The System issues a publicly available financial report that includes financial statements and required supplementary information for the City. The financial report may be obtained by writing to Employees Retirement System of Rhode Island, 40 Fountain Street, Providence, Rhode Island, 02903-1854 or by calling (401) 222-2203. For fiscal year 2002, total City payroll was \$45,599,258 of which \$8,870,877 was covered for employees under the plan.

CITY OF NEWPORT, RHODE ISLAND
Notes to Financial Statements - Continued
June 30, 2002

15. Pension Plans: (Continued)

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

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 Employee's Retirement System. The System generally provides retirement benefits as required by State Statute of 2% of final average salary per year of service with maximum benefit of 75 % of final average salary. Benefits are available to members at least age 58 with 10 years of service or after 30 years regardless of age. Under the 25 year service pension normal plan, police and firemen may retire with unreduced accrued benefits at age 55 with 10 years of service or after 25 years regardless of age. The benefit accrual rate is 2 percent of final average salary per year of service. An optional plan provides a benefit equal to 2.5 percent of final average salary per year of service. The plan also provides non-occupational disability benefits after 5 years of service, occupational disability benefits with no minimum service requirement, survivor's benefits, and certain lump sum death benefits. Employees are vested in their retirement benefits upon completion of 10 years of service. Retirees' benefits are adjusted annually by 3 percent compounded, to allow for increases in cost of living.

Summary of Significant Accounting Policies

Basis of Accounting. The financial statements of the System are prepared on the accrual basis of accounting. Under this method revenues are recorded when earned and expenses are recorded when incurred. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Dividend income is recorded on the ex-dividend date. The Governmental Accounting Standards Board (GASB) has the responsibility for establishing generally accepted accounting principles for fiduciary type activities. In accordance with GASB Statement No. 20, in the absence of specific guidance from a GASB pronouncement, pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989 have been followed.

Method Used to Value Investments. Investments are recorded in the financial statements at fair value. Fair value is the amount that a plan can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller - that is, other than a forced liquidation sale. The fair value of fixed income and domestic and international stocks are generally based on published market prices and quotations from national security exchanges and securities pricing services. Real estate is primarily valued on appraisals by independent appraisers or as adjusted by the general partner. Other securities and investments which are not traded on a national security exchange are valued by the respective fund manager. Short-term investments are stated at cost which approximates fair value. Investment transactions are recorded on a trade date basis.

Contributions and Reserves

Contributions and Reserves. There were no long-term contracts for contributions to the plan or amounts outstanding as of the reporting date.

Concentrations. There are no investments in any one organization that represents more than 5% of the plan net assets.

CITY OF NEWPORT, RHODE ISLAND
Notes to Financial Statements - Continued
June 30, 2002

15. Pension Plans: (Continued)

(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. The covered payroll during 2002 was \$4,647,200 and \$3,845,929 under the fire and police plans, respectively. The City's total payroll during that period was \$45,599,258. Each plan is reported as a pension trust fund in the City's general purpose financial statements.

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.

As of June 30, 2002, membership in each plan was as follows:

	<u>Fire Plan</u>	<u>Police Plan</u>
Active employees hired before June 20, 1984	35	18
Active employees hired on or after July 1, 1984	61	62
Total active employees	96	80
Inactive employees with vested rights	-0-	-0-
Pensioners and beneficiaries	97	115
Total plan members	193	195

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.

CITY OF NEWPORT, RHODE ISLAND
Notes to Financial Statements - Continued
June 30, 2002

15. Pension Plans: (Continued)

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

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

Annual Pension Costs And Net Pension Obligations - Separate actuarial valuations for each plan were performed as of June 30, 2002. 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)	\$ 3,106,881	\$ 1,985,197
Amount representing interest on NPO	577,762	(294,571)
Adjustment to ARC	<u>(347,454)</u>	<u>177,149</u>
Total annual pension costs	<u>\$ 3,337,189</u>	<u>\$ 1,867,775</u>

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

*as restated by actuary

	<u>Fire Plan</u>		
	<u>2002</u>	<u>2001</u>	<u>2000*</u>
Annual pension costs	\$ 3,337,189	\$ 3,513,874	\$ 3,221,234
Actual contributions	<u>3,977,470</u>	<u>3,567,527</u>	<u>3,860,777</u>
Increase (decrease) in NPO	(640,281)	(53,653)	(639,543)
Net pension obligation, beginning	<u>7,003,172</u>	<u>7,056,826</u>	<u>7,696,369</u>
Net pension obligation, ending	<u>\$ 6,362,891</u>	<u>\$ 7,003,173</u>	<u>\$ 7,056,826</u>
% of annual pension costs contributed	<u>119.2%</u>	<u>101.5%</u>	<u>119.9%</u>
	<u>Police Plan</u>		
	<u>2002</u>	<u>2001</u>	<u>2000*</u>
Annual pension costs	\$ 1,867,775	\$ 1,614,567	\$ 2,037,955
Actual contributions	<u>2,273,062</u>	<u>2,703,167</u>	<u>2,510,675</u>
Increase (decrease) in NPO	(405,287)	(1,088,600)	(472,720)
Net pension obligation, beginning	<u>none</u>	<u>none</u>	<u>none</u>
Net pension obligation, ending	<u>none</u>	<u>none</u>	<u>none</u>
% of annual pension costs contributed	<u>121.7%</u>	<u>167.4%</u>	<u>123.2%</u>

Actuarial Methods And Significant Assumptions - Actuarial valuations utilize the projected unit credit method to determine both the actuarial accrued liabilities and annual required contributions to each plan. Pension assets are valued at their fair market value as established by quotations from

CITY OF NEWPORT, RHODE ISLAND

Notes to Financial Statements - Continued

June 30, 2002

15. Pension Plans: (Continued)

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

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:

Asset appreciation:	8.25% annually
Salary increases:	5.75% annually for police; 3.75% annually for fire
Retirement probability:	5% for fire and 20% for police after 20 years 2% for fire and 10% for police in each of years 21-24 40% for both groups after 25 years 20% for both groups in each of years 26-34 100% for both groups after 35 years
Mortality:	Healthy members – GAM Mortality table Disabled members – 1985 Wyatt Pension Disability Tables
Disability:	60% of 1985 Wyatt Pension Disability Tables, occupational class 4, unisex rates
Surviving Spouses:	90% of active and 75% of retired members are married, wives are 3 years younger than their husbands

Concentrations – As of June 30, 2002 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.

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, 2002, in excess of 345 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.

CITY OF NEWPORT, RHODE ISLAND
Notes to Financial Statements - Continued
June 30, 2002

16. Other Post-Employment Benefits (Continued)

During fiscal year 2002, expenditures or expenses of \$2,816,657, net of contributions, were recorded for post-employment benefits of retirees or beneficiaries and their dependents, distributed as follows:

General Fund	\$ 198,260
Special Revenue Funds-School Unrestricted	1,417,656
Enterprise Funds	176,018
Pension Trust Funds	<u>1,024,723</u>
	<u>\$ 2,816,657</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 2002 was \$11,000 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.

COMBINING AND INDIVIDUAL FUNDS

Detailed financial statements for each fund are presented in an combining or individual fund statement under the dividers labeled accordingly.

GENERAL FUND

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.

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, 2002

ASSETS

Cash	\$	8,163,661
Investments		3,942,894
Property taxes receivable		2,240,017
Motor vehicle excise receivable		1,293,746
Due from federal or state governments		1,648,169
Departmental receivables		-
Note receivable		363,413
Receivable, other		265,589
Due from other funds		55,752
Prepaid expenses		-
		<hr/>
Total assets	\$	<u>17,973,241</u>

LIABILITIES AND FUND EQUITY

Liabilities:		
Accounts payable	\$	668,126
Accrued expenses		1,196,349
Due to federal or state governments		-
Amounts held in reserve		104,165
Deferred revenue		3,162,515
Due to other funds		157,500
Other liabilities		1,101,411
		<hr/>
Total liabilities		6,390,066
Fund balances (deficit):		
Reserved		1,276,106
Unreserved:		
Undesignated		10,307,069
		<hr/>
Total fund balance		11,583,175
		<hr/>
Total liabilities and fund balance	\$	<u>17,973,241</u>

CITY OF NEWPORT, RHODE ISLAND

General Fund

Statement of Revenues, Expenditures, and Changes in Unreserved Fund Balance

For the Year Ended June 30, 2002

Revenues:

Local taxes	\$ 47,160,364
Intergovernmental revenues	3,754,991
User charges and fees	523,349
Licenses and permits	3,706,859
Use of money and property	592,637
Other revenues	<u>2,764,010</u>
Total revenues	<u>58,502,210</u>

Expenditures:

General government	4,336,936
Public safety	15,099,678
Public health	3,776,096
Planning, Zoning, and Development	1,587,070
Recreation and parks	1,726,323
Human services	1,364,830
Pension Expenses	6,741,096
Contingencies	446,539
Debt service	<u>320,143</u>
Total expenditures	<u>35,398,711</u>

Other financing sources and uses:

Transfers from other funds	27,660
Transfers to other funds	<u>(19,851,658)</u>
Total other financing sources and uses	<u>(19,823,998)</u>

Excess of sources over expenditures and other uses

3,279,501

(Increase) decrease in reserve

(592,208)

Unreserved fund balance, July 1, 2001

7,619,776

Unreserved fund balance, June 30, 2002

\$ 10,307,069

CITY OF NEWPORT, RHODE ISLAND

Statement of Revenues and Expenditures Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2002

	General Fund			
	Adopted Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance
Revenues:				
Local taxes	\$ 46,188,826	\$ 46,188,826	\$ 47,160,364	\$ 971,538
Intergovernmental revenues	3,306,545	3,306,545	3,754,991	448,446
User charges and fees	398,439	398,439	523,349	124,910
Licenses and permits	3,604,600	3,604,600	3,706,859	102,259
Use of money and property	387,120	387,120	592,637	205,517
Other revenues	3,859,604	3,859,604	2,764,010	(1,095,594)
Total revenues	57,745,134	57,745,134	58,502,210	757,076
Expenditures:				
General Government:				
Mayor and City Council	92,900	94,400	92,902	1,498
City Manager	248,632	249,388	208,675	40,713
City Solicitor	296,197	295,441	299,880	(4,439)
Canvassing	179,572	179,572	157,134	22,438
Finance and Support Services	2,994,512	3,018,632	2,681,725	336,907
Reserve Accounts	1,043,296	1,043,296	951,367	91,929
Public Safety:				
Police Department	8,060,581	8,060,581	7,827,178	233,403
Fire Department	7,554,541	7,554,541	7,486,651	67,890
Public Health:				
Public Works	2,762,835	2,762,835	2,040,345	722,490
Solid Waste Operations	1,904,880	1,904,880	1,798,365	106,515
Planning, Zoning, and Development	2,057,990	2,057,990	1,772,468	285,522
Recreation and parks	1,856,224	1,856,224	1,801,622	54,602
Human services:				
Donations	179,310	180,110	181,147	(1,037)
Public Library	1,183,683	1,183,683	1,183,683	-
Pension expenses	6,754,490	6,754,490	6,741,096	13,394
Contingencies	215,700	189,280	446,539	(257,259)
Debt service	508,133	508,133	320,143	187,990
Total expenditures	37,893,476	37,893,476	35,990,920	1,902,556
Excess of revenues over expenditures	19,851,658	19,851,658	22,511,290	2,659,632
Other financing sources (uses):				
Transfers from other funds	-	-	27,660	27,660
Transfers to other funds	(19,851,658)	(19,851,658)	(19,851,658)	-
Total other financing sources (uses)	(19,851,658)	(19,851,658)	(19,823,998)	27,660
Excess of revenues and other sources over expenditures and other uses, budgetary basis	\$ -	\$ -	\$ 2,687,292	\$ 2,687,292

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 .

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. is 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.

CITY OF NEWPORT, RHODE ISLAND

Special Revenue Funds
Combining Balance Sheet

June 30, 2002

ASSETS

	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	\$ 591,675	\$ 87,895	\$ 3,289,264	\$ 1,527,664	\$ 280,785	\$ 175,778	\$ (2,051,867)	\$ -	\$ 3,901,194
Investments	-	-	-	-	-	-	4,697,854	-	4,697,854
Accounts receivable	180,237	351,661	5,576	788,591	5,245	214,293	-	-	1,545,703
Due from federal and state governments	-	-	-	488,480	181,148	-	-	12,711	682,339
Receivables, other	-	-	562,266	2,243,415	-	-	-	-	2,805,681
Due from other funds	5,677	-	332,500	-	-	-	-	-	338,177
Advances to other funds	-	-	557,574	-	-	-	-	-	557,574
Prepaid expenses	-	61,000	-	-	-	-	-	-	61,000
Total assets	\$ 777,689	\$ 500,556	\$ 4,747,180	\$ 5,048,150	\$ 467,178	\$ 390,071	\$ 2,645,987	\$ 12,711	\$ 14,589,522

LIABILITIES AND FUND EQUITIES (DEFICITS)

Liabilities:									
Accounts Payable	\$ 265,631	\$ 81,583	\$ -	\$ 1,365	\$ 45,016	\$ -	\$ -	\$ 1,542	\$ 395,137
Accrued expenses	243,168	-	5,576	-	5,567	-	-	-	254,311
Note payable	-	-	-	1,800,000	-	-	-	-	1,800,000
Due to other funds	61,086	-	-	-	-	-	26,514	29,238	116,838
Deposits held	-	-	-	-	-	-	-	-	-
Deferred revenues	-	-	1,452,341	3,052,006	72,911	214,292	-	-	4,791,550
Total liabilities	569,885	81,583	1,457,917	4,853,371	123,494	214,292	26,514	30,780	7,357,836
Fund balances									
Reserved	-	-	-	-	203,674	-	-	-	203,674
Unreserved	207,804	418,973	3,289,263	194,779	140,010	175,779	2,619,473	(18,069)	7,028,012
Total fund balances	207,804	418,973	3,289,263	194,779	343,684	175,779	2,619,473	(18,069)	7,231,686
Total liabilities and fund balances	\$ 777,689	\$ 500,556	\$ 4,747,180	\$ 5,048,150	\$ 467,178	\$ 390,071	\$ 2,645,987	\$ 12,711	\$ 14,589,522

CITY OF NEWPORT, RHODE ISLAND

Special Revenue Funds

Combining Statement of Revenues, Expenditures, and Changes in Unreserved Fund Balances

For the Year Ended June 30, 2002

	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	\$ 11,801,462	\$ 4,068,380	\$ -	\$ 509,265	\$ 910,814	\$ -	\$ -	\$ 21,657	\$ 17,311,578
Intergovernmental	-	-	-	-	-	-	-	-	-
Other revenue	600,916	806,300	-	-	-	-	-	-	1,407,216
Program income	-	-	192,920	189,170	-	17,234	-	-	399,324
Investment income	-	-	30,095	39,452	-	9,552	214,980	-	294,079
Sale of capital equipment / land	-	-	-	-	-	-	-	-	-
Total revenues	12,402,378	4,874,680	223,015	737,887	910,814	26,786	214,980	21,657	19,412,197
Expenditures:									
General government	-	-	-	-	732,238	72,489	-	-	804,727
General education	31,663,917	4,778,233	-	-	-	-	-	-	36,442,150
Debt service	502,609	-	-	-	-	-	-	-	502,609
Human Services	-	-	-	774,740	-	-	-	43,774	818,514
Total expenditures	32,166,526	4,778,233	-	774,740	732,238	72,489	-	43,774	38,568,000
Excess (deficiency) of revenues over expenditures	(19,764,148)	96,447	223,015	(36,853)	178,576	(45,703)	214,980	(22,117)	(19,155,803)
Other financing sources (uses):									
Operating transfers in	19,851,658	-	-	-	52,089	-	-	-	19,903,747
Operating transfers (out)	(365,233)	-	-	-	-	-	(343,855)	-	(709,088)
Total other financing sources (uses)	19,486,425	-	-	-	52,089	-	(343,855)	-	19,194,659
Excess (deficiency) of revenues and other sources over expenditures and other uses	(277,723)	96,447	223,015	(36,853)	230,665	(45,703)	(128,875)	(22,117)	38,856
Increase/ decrease in reserves	-	-	-	-	(203,674)	-	-	-	(203,674)
Unreserved fund balances (deficits), July 1, 2001	485,527	322,526	3,066,248	231,632	113,019	221,482	2,748,348	4,048	7,192,830
Unreserved fund balances (deficits), June 30, 2002	\$ 207,804	\$ 418,973	\$ 3,289,263	\$ 194,779	\$ 140,010	\$ 175,779	\$ 2,619,473	\$ (18,069)	\$ 7,028,012

CITY OF NEWPORT, RHODE ISLAND

Special Revenue Funds

School Unrestricted Fund

Schedule of Revenues and Expenditures Budget (Non-GAAP Basis) to Actual

June 30, 2002

	School Unrestricted Fund			
	Adopted Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance
Revenues:				
Federal revenues	\$ 927,500	\$ 927,500	\$ 803,041	\$ (124,459)
State revenue	10,072,742	10,072,742	10,998,421	925,679
Local revenue	630,200	630,200	600,916	(29,284)
Total revenues	11,630,442	11,630,442	12,402,378	771,936
Expenditures:				
General education	32,886,327	32,886,327	31,663,917	1,222,410
Debt service	502,610	502,610	502,609	1
Total expenditures	33,388,937	33,388,937	32,166,526	1,222,411
Excess of revenues over expenditures	(21,758,495)	(21,758,495)	(19,764,148)	1,994,347
Other financing sources (uses):				
Transfers from other funds	21,758,495	21,758,495	19,851,658	(1,906,837)
Transfers to other funds	-	-	(365,233)	(365,233)
Total other financing sources (uses)	21,758,495	21,758,495	19,486,425	(2,272,070)
Excess of revenues and other sources over expenditures and other uses - budgetary basis	\$ -	\$ -	\$ (277,723)	\$ (277,723)

Capital Projects Funds

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. This project has been completed.

Halsey Street Extension 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 - design planner Cal Thorpe & Assoc. from Berkeley, CA was engaged in fiscal years 1997 and 1998 to develop a master plan for urban redevelopment of the City's North end, including "hope 6," housing redevelopment; new CCRI campus; redevelopment of former mall; state's investment in reworking bridge ramp; related development.

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

Vehicle Circulation Plan project consists of engaging an independent company (Parson- Brinkerhoff) to conduct a study to address the City's issues related to traffic control and 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 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 (approximately 6 acres), also known as the "visitors center." Funding consists of funds appropriated in FY 99 & 00 from the General Fund.

North End project consists of the implementation phase of the North End Master Plan described above in the North End Master Plan Capital Project.

Library Renovation 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. This project is substantially complete. The project was funded through general obligation bonds.

Thompson Middle School project consists of the construction, improvement, furnishing and equipping the Thompson Middle School, at a total project cost not to exceed \$19,035,000. This project is nearing completion and has been funded through general obligation and QZAB bonds and private donations.

Ranger Road project consists of infrastructure improvements, including road, water, sewer, electric, gas, stormwater system and landscaping to 14 acres of land to be used for a Community College of Rhode Island campus. Funding is primarily from federal and state grants.

CITY OF NEWFORT, RHODE ISLAND

Capital Projects Funds

Combining Balance Sheet

June 30, 2002

	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	Ranger Road	Total
Cash	\$ -	\$ -	\$ (92,064)	\$ -	\$ 18,542	\$ -	\$ -	\$ -	\$ 23,152	\$ 5,419,000	\$ (38,286)	\$ 5,330,344
Federal and state receivables	-	-	92,064	-	-	-	-	-	-	-	-	92,064
Total assets	\$ -	\$ -	\$ -	\$ -	\$ 18,542	\$ -	\$ -	\$ -	\$ 23,152	\$ 5,419,000	\$ (38,286)	\$ 5,422,408
LIABILITIES AND FUND BALANCES (DEFICITS)												
Liabilities:												
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,416,931	\$ 51,457	\$ 1,468,388
Due to other funds	-	-	-	-	-	-	-	-	-	5,677	-	5,677
Bond anticipation notes payable	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-	-	-	1,422,608	51,457	1,474,065
Fund balances (deficits):												
Unreserved, undesignated	-	-	-	-	18,542	-	-	-	23,152	3,996,392	(89,743)	3,948,343
Total fund balances (deficits)	-	-	-	-	18,542	-	-	-	23,152	3,996,392	(89,743)	3,948,343
Total liabilities and fund balances (deficits)	\$ -	\$ -	\$ -	\$ -	\$ 18,542	\$ -	\$ -	\$ -	\$ 23,152	\$ 5,419,000	\$ (38,286)	\$ 5,422,408

CITY OF NEWPORT, RHODE ISLAND

Capital Projects Funds

Combining Statement of Revenues, Expenditures, and Changes in Unreserved Fund Balances (Deficits)

For the Year Ended June 30, 2002

	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	Ranger Road	Total
Revenues:												
Investment income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,063	\$ -	\$ 26,063
Contributions	-	-	-	-	-	-	-	-	-	-	-	-
Federal & State Revenue	-	-	77,476	-	-	-	-	-	-	-	-	77,476
Total revenues	-	-	77,476	-	-	-	-	-	-	26,063	-	103,539
Expenditures	-	-	-	-	-	-	-	-	82,544	12,130,494	87,343	12,300,381
Excess (deficiency) of revenues over expenditures	-	-	77,476	-	-	-	-	-	(82,544)	(12,104,431)	(87,343)	(12,196,842)
Other financing sources (uses):												
Transfers in	-	157,892	92,062	2,303	-	40,600	20,000	458	-	365,233	-	678,548
Transfers out	(49,209)	-	-	-	-	-	-	-	-	-	-	(49,209)
Bond proceeds	-	-	-	-	-	-	-	-	3,000,000	18,057,000	-	21,057,000
Total other financing sources (uses)	(49,209)	157,892	92,062	2,303	-	40,600	20,000	458	3,000,000	18,402,233	-	21,666,339
Excess (deficiency) of revenues and other sources over expenditures and other uses	(49,209)	157,892	169,538	2,303	-	40,600	20,000	458	2,917,456	6,297,802	(87,343)	9,469,497
Unreserved fund balances (deficits), July 1, 2001	49,209	(157,892)	(169,538)	(2,303)	18,542	(40,600)	(20,000)	(458)	(2,894,304)	(2,301,410)	(2,400)	(5,521,154)
Unreserved fund balances (deficits), June 30, 2002	\$ -	\$ -	\$ -	\$ -	\$ 18,542	\$ -	\$ -	\$ -	\$ 23,152	\$ 3,996,392	\$ (89,743)	\$ 3,948,343

ENTERPRISE FUNDS

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. 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.

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.

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 the 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 the retail customers through rates assessed on their metered water charges; 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, 2002

	<u>Easton's Beach Fund</u>	<u>Parking Operations Fund</u>	<u>Water Fund</u>	<u>W.P.C. Fund</u>	<u>Total</u>
ASSETS					
Current Assets:					
Cash and cash equivalents - Unrestricted	\$ 168,721	\$ 3,554,836	\$ (297,246)	\$ 2,803,254	\$ 6,229,565
Cash and cash equivalents - Restricted	-	-	1,606,873	-	1,606,873
Investments	-	-	96,569	87,514	184,083
Accounts receivable:					
User fees (net of allowances)	26,499	47,500	643,319	1,105,178	1,822,496
Other	-	-	401,827	307,018	708,845
Deferred privatization costs	-	-	-	-	-
Due from federal and state governments	-	-	-	-	-
Due from other funds	-	-	-	-	-
Inventories	-	-	342,385	15,254	357,639
Accrued interest	-	-	-	-	-
Prepaid expenses	-	-	276,000	466,070	742,070
Total current assets	<u>195,220</u>	<u>3,602,336</u>	<u>3,069,727</u>	<u>4,784,288</u>	<u>11,651,571</u>
Capital Assets	2,493,282	1,894,123	54,461,157	71,608,899	130,457,461
Less accumulated depreciation	<u>(571,061)</u>	<u>(775,808)</u>	<u>(20,210,611)</u>	<u>(24,738,242)</u>	<u>(46,295,722)</u>
Net capital assets	<u>1,922,221</u>	<u>1,118,315</u>	<u>34,250,546</u>	<u>46,870,657</u>	<u>84,161,739</u>
Total assets	<u>\$ 2,117,441</u>	<u>\$ 4,720,651</u>	<u>\$ 37,320,273</u>	<u>\$ 51,654,945</u>	<u>\$ 95,813,310</u>
LIABILITIES AND FUND EQUITY (DEFICITS)					
Current liabilities:					
Accounts Payable	\$ 2,829	\$ 611	\$ 204,384	\$ 556,129	\$ 763,953
Accrued expenses	62,168	-	934,392	27,308	1,023,868
Due to other funds	-	-	-	-	-
Amounts held in escrow	-	-	-	-	-
Deferred revenues	-	-	376,786	-	376,786
Other liabilities	-	-	-	-	-
Current portion advances	67,682	-	-	-	67,682
Notes payable	-	-	-	83,032	83,032
Current portion bonds payable	-	-	1,356,882	907,107	2,263,989
Amounts held in reserve	-	-	-	-	-
Total current liabilities	<u>132,679</u>	<u>611</u>	<u>2,872,444</u>	<u>1,573,576</u>	<u>4,579,310</u>
Long-term liabilities					
Advances from other funds	489,893	-	-	-	489,893
Notes payable	-	-	-	2,137,451	2,137,451
Bonds payable	-	-	8,260,140	9,321,091	17,581,231
Total long-term liabilities	<u>489,893</u>	<u>-</u>	<u>8,260,140</u>	<u>11,458,542</u>	<u>20,208,575</u>
Total liabilities	<u>622,572</u>	<u>611</u>	<u>11,132,584</u>	<u>13,032,118</u>	<u>24,787,885</u>
Fund equity (deficits):					
Contributed capital	-	722,309	6,913,385	34,776,849	42,412,543
Retained earnings, reserved	32,116	1,198	2,418,804	3,765	2,455,883
Retained earnings, unreserved	<u>1,462,753</u>	<u>3,996,533</u>	<u>16,855,500</u>	<u>3,842,213</u>	<u>26,156,999</u>
Total fund equity	<u>1,494,869</u>	<u>4,720,040</u>	<u>26,187,689</u>	<u>38,622,827</u>	<u>71,025,425</u>
Total liabilities and fund balances	<u>\$ 2,117,441</u>	<u>\$ 4,720,651</u>	<u>\$ 37,320,273</u>	<u>\$ 51,654,945</u>	<u>\$ 95,813,310</u>

CITY OF NEWPORT, RHODE ISLAND

Enterprise Funds

Combining Statement of Revenues, Expenses, and Changes in Unreserved Retained Earnings

For the Year Ended June 30, 2002

	<u>Easton's Beach Fund</u>	<u>Parking Operations Fund</u>	<u>Water Fund</u>	<u>W.P.C. Fund</u>	<u>Total</u>
Operating revenues:					
User fees	\$ 549,928	\$ 933,762	\$ 6,328,523	\$ 5,892,566	\$ 13,704,779
Other revenues	226	-	729,754	19,636	749,616
Total operating revenues	<u>550,154</u>	<u>933,762</u>	<u>7,058,277</u>	<u>5,912,202</u>	<u>14,454,395</u>
Operating expenses:					
Salaries and benefits	253,113	17,981	2,485,744	174,080	2,930,918
Materials and supplies	25,568	3,670	542,027	-	571,265
Waste disposal	-	-	-	-	-
Repairs and maintenance	19,177	11,280	226,111	-	256,568
Depreciation	75,429	64,939	1,058,961	1,553,593	2,752,922
Support services	17,387	402,158	98,662	3,035,840	3,554,047
Utilities	16,075	4,534	594,909	313,017	928,535
Administrative and other	25,142	27,471	382,852	105,073	540,538
Property taxes	-	-	155,752	-	155,752
Total operating expenses	<u>431,891</u>	<u>532,033</u>	<u>5,545,018</u>	<u>5,181,603</u>	<u>11,690,545</u>
Net Operating income (loss)	<u>118,263</u>	<u>401,729</u>	<u>1,513,259</u>	<u>730,599</u>	<u>2,763,850</u>
Non-operating revenues (expenses):					
Transfers from other funds	-	-	-	-	-
Transfers to other funds	-	-	-	-	-
Interest income	1,093	33,427	21,371	7,069	62,960
Interest expense	(23,287)	-	(545,590)	(426,846)	(995,723)
Total non-operating revenues (expenses)	<u>(22,194)</u>	<u>33,427</u>	<u>(524,219)</u>	<u>(419,777)</u>	<u>(932,763)</u>
Net income (loss)	96,069	435,156	989,040	310,822	1,831,087
(Increase) decrease in reserve	(28,452)	(820)	(1,931,680)	2,924	(1,958,028)
Retained earnings unreserved, July 1, 2001	1,395,136	3,562,197	17,798,140	3,528,467	26,283,940
Retained earnings unreserved , June 30, 2002	<u>\$ 1,462,753</u>	<u>\$ 3,996,533</u>	<u>\$ 16,855,500</u>	<u>\$ 3,842,213</u>	<u>\$ 26,156,999</u>

CITY OF NEWPORT, RHODE ISLAND

**Enterprise Funds
Combining Statement Of Cash Flows
For The Year Ended June 30, 2002**

	<u>Easton's Beach Fund</u>	<u>Parking Operations Fund</u>	<u>Water Fund</u>	<u>W.P.C. Fund</u>	<u>Total</u>
Cash flows from operating activities					
Cash received from customers	\$ 523,657	\$ 886,263	\$ 7,686,865	\$ 6,287,280	\$ 15,384,065
Cash payments to suppliers for goods and services	(109,470)	(427,378)	(1,716,645)	(3,461,029)	(5,714,522)
Cash payments to employees for services	(199,768)	(17,981)	(2,409,289)	(183,096)	(2,810,134)
Payment of property taxes	-	-	(155,752)	-	(155,752)
Payment of administrative expense	(25,142)	(27,471)	(382,852)	(105,073)	(540,538)
Cash received (payment) for miscellaneous items	-	-	-	-	-
Net cash provided by (used for) operating activities	<u>189,277</u>	<u>413,433</u>	<u>3,022,327</u>	<u>2,538,082</u>	<u>6,163,119</u>
Cash flows from non-capital financing activities					
Interfund loans and transfers	<u>(65,040)</u>	-	<u>5,656</u>	<u>5,125</u>	<u>(54,259)</u>
Net cash provided by (used for) non-capital financing activities	<u>(65,040)</u>	-	<u>5,656</u>	<u>5,125</u>	<u>(54,259)</u>
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	(21,785)	-	(435,791)	(3,851,462)	(4,309,038)
Principal (paid) received on bonds, notes and loans	-	-	(1,418,626)	3,712,067	2,293,441
Interest paid on bonds, notes and loans	-	-	(545,590)	(426,846)	(972,436)
Net cash provided by (used for) capital and related financing activities	<u>(21,785)</u>	-	<u>(2,400,007)</u>	<u>(566,241)</u>	<u>(2,988,033)</u>
Cash flows from investing activities					
Interest and dividends on investments	1,093	33,427	21,371	7,069	62,960
Increase in investments	-	-	(4,624)	(4,191)	(8,815)
Interest expense	<u>(23,287)</u>	-	-	-	<u>(23,287)</u>
Net cash provided by (used for) investing activities	<u>(22,194)</u>	<u>33,427</u>	<u>16,747</u>	<u>2,878</u>	<u>30,858</u>
Net increase (decrease) in cash and cash equivalents	80,258	446,860	644,723	1,979,844	3,151,685
Cash and cash equivalents at beginning of year	<u>88,463</u>	<u>3,107,976</u>	<u>664,904</u>	<u>823,410</u>	<u>4,684,753</u>
Effect of prior period adjustment	-	-	-	-	-
Cash and cash equivalents at end of year	<u>\$ 168,721</u>	<u>\$ 3,554,836</u>	<u>\$ 1,309,627</u>	<u>\$ 2,803,254</u>	<u>\$ 7,836,438</u>
Reconciliation of operating income to net cash provided by operating activities					
Operating income (Loss)	\$ 118,263	\$ 401,729	\$ 1,513,259	\$ 730,599	\$ 2,763,850
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and amortization	75,429	64,939	1,058,961	1,553,593	2,752,922
Changes in assets and liabilities:					
(Decrease) Increase in accounts payable/other liabilities	22,082	(5,736)	(117,914)	(116,173)	(217,741)
Decrease (Increase) in accounts receivable/other assets	<u>(26,497)</u>	<u>(47,499)</u>	<u>568,021</u>	<u>370,063</u>	<u>864,088</u>
Total adjustments	<u>71,014</u>	<u>11,704</u>	<u>1,509,068</u>	<u>1,807,483</u>	<u>3,399,269</u>
Net cash provided by operating activities	<u>\$ 189,277</u>	<u>\$ 413,433</u>	<u>\$ 3,022,327</u>	<u>\$ 2,538,082</u>	<u>\$ 6,163,119</u>

CITY OF NEWPORT, RHODE ISLAND

Enterprise Funds

Combining Schedule of Revenues and Expenses - Budget and Actual (Non-GAAP Basis)

For the Year Ended June 30, 2002

	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	\$ 507,075	\$ 507,075	\$ 549,928	\$ 42,853	\$ 840,500	\$ 840,500	\$ 933,762	\$ 93,262
Other revenue	17,000	17,000	225	(16,775)	-	-	-	-
Total revenues	524,075	524,075	550,153	26,078	840,500	840,500	933,762	93,262
Expenses:								
Salaries and benefits	238,934	247,704	253,113	(5,409)	18,123	18,123	17,981	142
Materials and supplies	38,375	25,030	22,887	2,143	15,000	15,000	3,670	11,330
Waste removal	-	-	-	-	-	-	-	-
Repair and maintenance	16,890	24,445	20,067	4,378	15,000	15,000	12,101	2,899
Depreciation	-	-	-	-	-	-	-	-
Support services	17,094	16,454	17,387	(933)	514,008	514,008	402,158	111,850
Utilities	22,000	22,000	16,075	5,925	12,000	12,000	4,534	7,466
Administrative and other	32,976	30,786	25,313	5,473	38,369	38,369	27,471	10,898
Property taxes	-	-	-	-	-	-	-	-
Total expenses	366,269	366,419	354,842	11,577	612,500	612,500	467,915	144,585
Excess (deficiency) of revenues over expenditures	157,806	157,656	195,311	37,655	228,000	228,000	465,847	237,847
Other financing sources (uses):								
Transfers from other funds	-	-	-	-	-	-	-	-
Transfers to other funds	-	-	1,093	1,093	35,000	35,000	33,427	(1,573)
Interest income	-	-	(23,287)	7,371	-	-	-	-
Interest expense	(31,258)	(31,258)	(22,194)	9,064	35,000	35,000	33,427	(1,573)
Total other financing sources (uses)	(31,258)	(31,258)	(22,194)	9,064	35,000	35,000	33,427	(1,573)
Other								
Bond Proceeds	-	-	-	-	-	-	-	-
Debt principal and interest	(57,720)	(57,720)	(65,040)	(7,320)	-	-	-	-
Capital additions	(60,100)	(59,950)	(51,856)	8,094	(263,000)	(263,000)	-	263,000
Lease payments	(8,728)	(8,728)	-	8,728	-	-	-	-
Total other	(126,548)	(126,398)	(116,896)	9,502	(263,000)	(263,000)	-	263,000
Excess of revenues and other sources over expenditures and other uses, budgetary basis	\$ -	\$ -	\$ 56,221	\$ 56,221	\$ -	\$ -	\$ 499,274	\$ 499,274

CITY OF NEWPORT, RHODE ISLAND

Enterprise Funds

Combining Schedule of Revenues and Expenses - Budget and Actual (Non-GAAP Basis)

For the Year Ended June 30, 2002

	Water Fund			Water Pollution Control Fund			Favorable (Unfavorable) Variance
	Adopted Budget	Adjusted Budget	Actual	Adopted Budget	Adjusted Budget	Actual	
Revenues:							
User fees	\$ 6,861,000	\$ 6,861,000	\$ 6,328,523	\$ 5,960,200	\$ 5,960,200	\$ 5,892,566	\$ (67,634)
Other revenue	985,860	985,860	729,754	-	-	19,636	19,636
Total revenues	7,846,860	7,846,860	7,058,277	5,960,200	5,960,200	5,912,202	(47,998)
Expenses:							
Salaries and benefits	2,492,322	2,492,732	2,485,744	6,988	78,472	174,080	(95,608)
Materials and supplies	736,556	751,202	384,933	366,269	-	-	-
Waste Removal	-	-	-	-	-	-	-
Repair and maintenance	346,046	335,489	234,913	100,576	-	-	-
Depreciation	-	-	-	-	-	-	-
Support services	103,429	103,605	98,787	4,818	3,046,305	3,035,840	10,465
Utilities	516,000	516,000	594,909	(78,909)	450,000	313,017	136,983
Administrative and other	425,715	425,062	382,958	42,104	157,640	102,149	55,797
Property taxes	143,168	167,668	155,752	11,916	-	-	-
Total expenses	4,763,236	4,791,758	4,337,996	3,732,417	3,732,723	3,625,086	107,637
Excess (deficiency) of revenues over expenditures	3,083,624	3,055,102	2,720,281	2,227,783	2,227,477	2,287,115	59,639
Other financing sources (uses):							
Transfers from other funds	-	-	-	-	-	-	-
Transfers to other funds	-	-	-	-	-	-	-
Interest income	5,000	5,000	21,371	16,371	12,968	7,069	(5,899)
Interest expense	(572,711)	(572,711)	(545,590)	(844,594)	(844,594)	(426,846)	417,748
Total other financing sources (uses)	(567,711)	(567,711)	(524,219)	(831,626)	(831,626)	(419,777)	411,849
Other							
Bond Proceeds	3,000,000	3,000,000	-	1,700,000	1,700,000	5,821,768	4,121,768
Debt principal	(2,088,268)	(2,088,268)	(1,418,625)	(1,266,077)	(1,266,077)	(2,109,700)	(843,623)
Capital additions	(3,370,000)	(3,370,000)	(2,515,514)	(1,800,000)	(1,800,000)	(3,714,317)	(1,914,317)
Contingency	(57,645)	(29,123)	-	(30,080)	(29,774)	-	29,774
Lease payments	-	-	-	-	-	-	-
Total other	(2,515,913)	(2,487,391)	(3,934,139)	(1,396,157)	(1,395,851)	(2,249)	1,393,602
Excess of revenues and other sources over expenditures and other uses, budgetary basis	\$ -	\$ -	\$ (1,738,077)	\$ -	\$ -	\$ 1,865,090	\$ 1,865,090

CITY OF NEWPORT, RHODE ISLAND

Enterprise Funds

Combining Schedule of Revenues and Expenses - Budget and Actual (Non-GAAP Basis)

For the Year Ended June 30, 2002

	Total Enterprise Funds			
	<u>Adopted Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:				
User fees	\$ 14,168,775	\$ 14,168,775	\$ 13,704,779	\$ (463,996)
Other revenue	1,002,860	1,002,860	749,615	(253,245)
Total revenues	<u>15,171,635</u>	<u>15,171,635</u>	<u>14,454,394</u>	<u>(717,241)</u>
Expenses:				
Salaries and benefits	2,827,851	2,837,031	2,930,918	(93,887)
Materials and supplies	789,931	791,232	411,490	379,742
Repair and maintenance	377,936	374,934	267,081	107,853
Depreciation	-	-	-	-
Support services	3,680,836	3,680,372	3,554,172	126,200
Utilities	1,000,000	1,000,000	928,535	71,465
Administrative and other	654,700	652,163	537,891	114,272
Property taxes	143,168	167,668	155,752	11,916
Total expenses	<u>9,474,422</u>	<u>9,503,400</u>	<u>8,785,839</u>	<u>717,561</u>
Excess (deficiency) of revenues over expenditures	<u>5,697,213</u>	<u>5,668,235</u>	<u>5,668,555</u>	<u>320</u>
Other financing sources (uses):				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Interest income	52,968	52,968	62,960	9,992
Interest expense	(1,448,563)	(1,448,563)	(995,723)	452,840
Total other financing sources (uses)	<u>(1,395,595)</u>	<u>(1,395,595)</u>	<u>(932,763)</u>	<u>462,832</u>
Other				
Bond Proceeds	4,700,000	4,700,000	5,821,768	1,121,768
Debt principal	(3,412,065)	(3,412,065)	(3,593,365)	(181,300)
Capital additions	(5,493,100)	(5,492,950)	(6,281,687)	(788,737)
Contingency	(87,725)	(58,897)	-	58,897
Lease payments	(8,728)	(8,728)	-	8,728
Total other	<u>(4,301,618)</u>	<u>(4,272,640)</u>	<u>(4,053,284)</u>	<u>219,356</u>
Excess of revenues and other sources over expenditures and other uses, budgetary basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 682,508</u>	<u>\$ 682,508</u>

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.

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.

CITY OF NEWPORT, RHODE ISLAND

Internal Service Fund

Balance Sheet

June 30, 2002

ASSETS

Current assets:		
Cash and cash equivalents	\$	72,384
Accounts receivable, other		30,388
Due from other funds		61,086
Inventories		<u>39,724</u>
Total current assets		<u>203,582</u>
Capital assets		356,561
Less accumulated depreciation		<u>(218,169)</u>
Net capital assets		<u>138,392</u>
Total assets	\$	<u><u>341,974</u></u>

LIABILITIES AND FUND EQUITY

Current liabilities:		
Accounts payable	\$	9,991
Accrued expenses		130,292
Due to other funds		<u>-</u>
Total current liabilities		<u>140,283</u>
Fund equity:		
Contributed capital		79,150
Retained earnings, reserved		11,812
Retained earnings, unreserved		<u>110,729</u>
Total fund equity		<u>201,691</u>
Total liabilities and fund equity	\$	<u><u>341,974</u></u>

CITY OF NEWPORT, RHODE ISLAND

Internal Service Fund

Statement of Revenues, Expenses and Changes in Unreserved Retained Earnings

For the Year Ended June 30, 2002

Operating revenues:

User fees	\$ 812,634
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Operating expenses:

Salaries and benefits	305,113
Materials and supplies	306,988
Repair and maintenance	59,806
Depreciation	21,681
Support services	104,873
Utilities	11,682
Administrative and other	4,147

Total operating expenses	<u>814,290</u>
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Net income (loss)	(1,656)
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(Increase) decrease in reserve	(11,812)
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Retained earnings unreserved - July 1, 2001	<u>124,197</u>
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Retained earnings unreserved - June 30, 2002	<u>\$ 110,729</u>
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CITY OF NEWPORT, RHODE ISLAND

Internal Service Fund

Statement Of Cash Flows

For The Year Ended June 30, 2002

	<u>Total</u>
Cash flows from operating activities	
Cash received from customers	\$ 784,546
Cash payments to suppliers for goods and services	(481,757)
Cash payments to employees for services	(305,113)
Payment of administrative expense	(4,147)
Cash received (payment) for miscellaneous items	-
	<u>(6,471)</u>
Net cash provided by (used for) operating activities	
Cash flows from non-capital financing activities	
Interfund loans and transfers	-
	<u>-</u>
Net cash provided by (used for) non-capital financing activities	
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	-
	<u>-</u>
Net cash provided (used for) capital and related financing activities	
Cash flows from investing activities	
Interest and dividends on investments	-
	<u>-</u>
Net cash provided by (used for) investing activities	
Net increase (decrease) in cash and cash equivalents	(6,471)
Cash and cash equivalents at beginning of year	<u>78,855</u>
Cash and cash equivalents at end of year	<u>\$ 72,384</u>
Operating income (Loss)	\$ (1,656)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	21,681
Changes in assets and liabilities:	
(Decrease) Increase in accounts payable/other liabilities	(2,074)
Decrease (Increase) in accounts receivable/other assets	(24,422)
Total adjustments	<u>(4,815)</u>
Net cash provided by operating activities	<u>\$ (6,471)</u>

CITY OF NEWPORT, RHODE ISLAND

Internal Service Fund

Schedule of Revenues and Expenses - Budget and Actual (Non-GAAP Basis)

For the Year Ended June 30, 2002

	<u>Equipment Operation Fund</u>			
	<u>Adopted Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Revenues:				
User fees	\$ 897,828	\$ 897,828	\$ 812,634	\$ (85,194)
Expenses:				
Salaries and benefits	308,827	305,752	305,113	639
Materials and supplies	395,160	392,249	313,988	78,261
Repair and maintenance	65,550	70,985	64,618	6,367
Depreciation	-	-	-	-
Support services	107,280	107,280	104,873	2,407
Utilities	13,750	13,825	11,682	2,143
Administrative and other	1,400	4,376	4,147	229
Property taxes	-	-	-	-
Total operating expenses	<u>891,967</u>	<u>894,467</u>	<u>804,421</u>	<u>90,046</u>
Add capital expenses:				
Other				
Contingency	(5,861)	(3,361)	-	3,361
Capital improvements	-	-	-	-
Total other	<u>(5,861)</u>	<u>(3,361)</u>	<u>-</u>	<u>3,361</u>
Net income (loss), budgetary basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,213</u>	<u>\$ 8,213</u>

FIDUCIARY 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.

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.

CITY OF NEWPORT, RHODE ISLAND

Trust and Agency Funds

Combining Balance Sheet

June 30, 2002

	Expendable Trust Funds	Nonexpendable Trust Funds		Pension and Similar Trust Funds		Agency Funds	Total
		Scholarship Trusts	Other Nonexpendable Trusts	Police Pension Fund	Fire Pension Fund		
Cash	\$ 242,361	\$ (52,427)	\$ (220,310)	\$ (799,963)	\$ 412,817	\$ 230,991	\$ (186,531)
Investments	-	885,547	6,484,208	28,060,709	15,922,660	-	51,353,124
Accounts receivable, other	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-
Total assets	\$ 242,361	\$ 833,120	\$ 6,263,898	\$ 27,260,746	\$ 16,335,477	\$ 230,991	\$ 51,166,593

ASSETS

LIABILITIES AND FUND EQUITIES (DEFICITS)

Liabilities:

Accounts Payable	\$ 2,656	\$ 777	\$ 4,460	\$ 59,162	\$ 30,868	\$ -	\$ 97,923
Due to other funds	-	-	-	-	-	-	-
Amounts held in escrow	-	-	-	-	-	230,991	230,991
Total liabilities	2,656	777	4,460	59,162	30,868	230,991	328,914
Fund balances (deficits):							
Net assets held in trust for pension benefits	-	-	-	27,201,584	16,304,609	-	43,506,193
Unreserved, undesignated	240,929	832,343	6,259,438	-	-	-	7,332,710
Total fund balances (deficits)	240,929	832,343	6,259,438	27,201,584	16,304,609	-	50,838,903
Total liabilities and fund balances	\$ 243,585	\$ 833,120	\$ 6,263,898	\$ 27,260,746	\$ 16,335,477	\$ 230,991	\$ 51,167,817

CITY OF NEWPORT, RHODE ISLAND

Expendable Trust Funds

Balance Sheet

June 30, 2002

ASSETS	<u>Expendable Trust Funds</u>
Cash	\$ 242,361
Investments	-
Accounts receivable, other	-
Due from other funds	-
	<hr/>
Total assets	<u>\$ 242,361</u>
 LIABILITIES AND FUND EQUITIES 	
Liabilities:	
Accounts Payable	\$ 2,656
Due to other funds	-
Amounts held in escrow	-
	<hr/>
Total liabilities	<u>2,656</u>
Fund balance:	
Unreserved, undesignated	<u>239,705</u>
Total liabilities and fund balance	<u>\$ 242,361</u>

CITY OF NEWPORT, RHODE ISLAND

Expendable Trust Funds

Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Year Ended June 30, 2002

	Expendable Trust Funds
Revenues:	
Donations	\$ 117,876
Other	<u>359</u>
Total revenues	<u>118,235</u>
Operating expenditures:	
Awards	<u>43,928</u>
Total expenditures	<u>43,928</u>
Net income (loss)	74,307
Fund balance , July 1, 2000	<u>165,398</u>
Fund balance, June 30, 2001	<u>\$ 239,705</u>

CITY OF NEWPORT, RHODE ISLAND

Nonexpendable Trust Funds

Combining Balance Sheets

June 30, 2002

	<u>Scholarship Trusts</u>	<u>Other Trusts</u>	<u>Total</u>
ASSETS			
Cash	\$ (52,427)	\$ (220,310)	\$ (272,737)
Investments	885,547	6,484,208	7,369,755
Accounts receivable, other	-	-	-
Due from other funds	-	-	-
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 833,120</u>	<u>\$ 6,263,898</u>	<u>\$ 7,097,018</u>
 LIABILITIES AND FUND EQUITIES			
Liabilities:			
Accounts Payable	\$ 777	\$ 4,460	\$ 69,326
Due to other funds	-	-	-
Amounts held in escrow	-	-	-
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>777</u>	<u>4,460</u>	<u>69,326</u>
Fund balances (deficits):			
Unreserved, undesignated	<u>832,343</u>	<u>6,259,438</u>	<u>7,091,781</u>
	<hr/>	<hr/>	<hr/>
Total fund balances (deficits)	<u>832,343</u>	<u>6,259,438</u>	<u>7,091,781</u>
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 833,120</u>	<u>\$ 6,263,898</u>	<u>\$ 7,097,018</u>

CITY OF NEWPORT, RHODE ISLAND

Nonexpendable Trust Funds

Combining Statement of Revenues, Expenses, and Changes in Fund Balances

For the Year Ended June 30, 2002

	<u>Scholarship Trusts</u>	<u>Other Trusts</u>	<u>Total</u>
Revenues:			
Investment income (loss)	\$ (30,632)	\$ (257,474)	\$ (288,106)
Donations	<u>43,865</u>	<u>3,972</u>	<u>47,837</u>
Total revenues	<u>13,233</u>	<u>(253,502)</u>	<u>(240,269)</u>
Operating expenses:			
Awards	22,202	75,802	98,004
Support services	<u>5,541</u>	<u>27,384</u>	<u>32,925</u>
Total expenses	<u>27,743</u>	<u>103,186</u>	<u>130,929</u>
Net income (loss)	(14,510)	(356,688)	(371,198)
Fund balances, July 1, 2001	<u>846,853</u>	<u>6,616,126</u>	<u>7,462,979</u>
Fund balances, June 30, 2002	<u>\$ 832,343</u>	<u>\$ 6,259,438</u>	<u>\$ 7,091,781</u>

CITY OF NEWPORT, RHODE ISLAND

Non-Expendable Trust Funds

Combining Statement Of Cash Flows

For The Year Ended June 30, 2002

	<u>Scholarship Trusts</u>	<u>Other Trusts</u>	<u>Total</u>
Cash flows from operating activities			
Receipt of donations	\$ 43,865	3,972	\$ 47,837
Payment of administrative expense	(5,801)	(47,849)	(53,650)
Payment of awards	<u>(22,202)</u>	<u>(75,802)</u>	<u>(98,004)</u>
Net cash provided by (used for) operating activities	<u>15,862</u>	<u>(119,679)</u>	<u>(103,817)</u>
Cash flows from non-capital financing activities			
Interfund loans and transfers	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided by (used for) non-capital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities			
(Purchases) sales of investments	30,632	257,480	288,112
Unrealized loss on investments	(47,921)	(351,138)	(399,059)
Interest and dividends on investments	<u>17,289</u>	<u>93,664</u>	<u>110,953</u>
Net cash provided by (used for) investing activities	<u>-</u>	<u>6</u>	<u>6</u>
Net increase (decrease) in cash and cash equivalents	15,862	(119,673)	(103,811)
Cash and cash equivalents at beginning of year	<u>(68,289)</u>	<u>(100,637)</u>	<u>(168,926)</u>
Cash and cash equivalents at end of year	<u>\$ (52,427)</u>	<u>\$ (220,310)</u>	<u>\$ (272,737)</u>
Operating income (Loss)	\$ 16,122	\$ (99,214)	\$ (83,092)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	-	-	-
Changes in assets and liabilities:			
(Decrease) Increase in Accounts payable/other liabilities	<u>(260)</u>	<u>(20,465)</u>	<u>(20,725)</u>
Total adjustments	<u>(260)</u>	<u>(20,465)</u>	<u>(20,725)</u>
Net cash provided by (used for) operating activities	<u>\$ 15,862</u>	<u>\$ (119,679)</u>	<u>\$ (103,817)</u>

CITY OF NEWPORT, RHODE ISLAND

Pension Trust Funds

Combining Statement of Plan Assets

June 30, 2002

	<u>Police Pension</u>	<u>Fire Pension</u>	<u>Total</u>
ASSETS			
Cash	\$ (799,963)	\$ 412,817	\$ (387,146)
Receivables:			
Employer	-	-	-
Other	-	-	-
Interest and dividends	-	-	-
Total receivables	-	-	-
Investments, at fair value:			
Cash equivalents	37,574	24,178	61,752
Equities:			
Domestic	43,990	26,338	70,328
Mutual funds	25,480,709	14,376,278	39,856,987
Equities - ADRs	245,816	147,175	392,991
Equities - International	<u>2,252,620</u>	<u>1,348,691</u>	<u>3,601,311</u>
Total investments	<u>28,060,709</u>	<u>15,922,660</u>	<u>43,983,369</u>
Total assets	<u>\$ 27,260,746</u>	<u>\$ 16,335,477</u>	<u>\$ 43,596,223</u>
LIABILITIES			
Refund payables and other	\$ 59,162	\$ 30,868	\$ 90,030
Net assets held in trust for pension benefits	<u>27,201,584</u>	<u>16,304,609</u>	<u>43,506,193</u>
Total liabilities	<u>\$ 27,260,746</u>	<u>\$ 16,335,477</u>	<u>\$ 43,596,223</u>

CITY OF NEWPORT, RHODE ISLAND

Pension Trust Funds

Combining Statement of Changes in Plan Net Assets

For Year Ended June 30, 2002

	<u>Police Pension</u>	<u>Fire Pension</u>	<u>Total</u>
Additions to plan net assets:			
Contributions:			
Employees	\$ 307,945	\$ 368,637	\$ 676,582
Employer	2,273,062	3,977,470	6,250,532
Other income	5,693	4,724	10,417
	<u>2,586,700</u>	<u>4,350,831</u>	<u>6,937,531</u>
Investment income:			
Net appreciation (depreciation) in fair value of investments	(1,372,435)	(794,902)	(2,167,337)
Interest and dividends	831,779	456,379	1,288,158
Realized gain (loss) in investments	(427,968)	(241,635)	(669,603)
	<u>22,021</u>	<u>12,320</u>	<u>34,341</u>
Less: investment expense	<u>22,021</u>	<u>12,320</u>	<u>34,341</u>
Net investment income	<u>(990,645)</u>	<u>(592,478)</u>	<u>(1,583,123)</u>
Total additions	<u>1,596,055</u>	<u>3,758,353</u>	<u>5,354,408</u>
Deductions from plan net assets:			
Pension benefits	3,039,609	3,410,248	6,449,857
Administrative and other	141,590	78,246	219,836
	<u>3,181,199</u>	<u>3,488,494</u>	<u>6,669,693</u>
Net increase (decrease)	(1,585,144)	269,859	(1,315,285)
Net assets held in trust for pension benefits:			
Beginning of year	<u>28,786,728</u>	<u>16,034,750</u>	<u>44,821,478</u>
End of year	<u>\$ 27,201,584</u>	<u>\$ 16,304,609</u>	<u>\$ 43,506,193</u>

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.

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.

CITY OF NEWPORT, RHODE ISLAND

Agency Funds

Combining Statement of Changes in Assets and Liabilities

June 30, 2002

	<u>Balance July 1, 2001</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2002</u>
Student Activity Funds				
Assets				
Cash	\$ 191,879	\$ 473,749	\$ 468,163	\$ 197,465
Liabilities				
Amounts held in escrow	\$ 191,879	\$ 473,749	\$ 468,163	\$ 197,465
Recreation Fund				
Assets				
Cash	\$ 12,233	\$ 5,928	\$ 14,299	\$ 3,862
Liabilities				
Amounts held in escrow	\$ 12,233	\$ 5,928	\$ 14,299	\$ 3,862
Brick Market Foundation Inc.				
Assets				
Cash	\$ 853	\$ -	\$ -	\$ 853
Liabilities				
Amounts held in escrow	\$ 853	\$ -	\$ -	\$ 853
Newport Municipal Charitable Improvement Fund, Inc.				
Assets				
Cash	\$ 35,035	\$ -	\$ 6,224	\$ 28,811
Liabilities				
Amounts held in escrow	\$ 35,035	\$ -	\$ 6,224	\$ 28,811
Total Agency Funds				
Assets				
Cash	\$ 240,000	\$ 479,677	\$ 488,686	\$ 230,991
Liabilities				
Amounts held in escrow	\$ 240,000	\$ 479,677	\$ 488,686	\$ 230,991

CITY OF NEWPORT, RHODE ISLAND

General Long-Term Debt Account Group

Schedule of Long-Term Debt

June 30, 2002

	<u>Primary Government</u>
ASSETS:	
Amount to be provided for the payment of long-term debt	\$ 40,153,579
Total assets	<u>\$ 40,153,579</u>
LIABILITIES:	
Accrued expenses:	
Bond and debt interest	\$ 53,346
Claims and judgments	1,510,876
Compensated absences	6,403,786
Bonds payable	24,945,085
Leases payable	367,595
Notes payable	510,000
Net pension obligation	<u>6,362,891</u>
Total liabilities	<u>\$ 40,153,579</u>

CITY OF NEWPORT, RHODE ISLAND

General Long-Term Debt Account Group

Schedule of Changes in Long-Term Debt

For the Year Ended June 30, 2002

	General Long-term Obligations June 30, 2001	Year Ended June 30, 2002		General Long-term Obligations June 30, 2002
		Additions	Deletions	
Primary government:				
Accrued expenses:				
Bond and debt interest	\$ 60,351	\$ 249,262	\$ 256,267	\$ 53,346
Claims and judgments	732,500	903,376	125,000	1,510,876
Compensated absences	6,684,895	296,534	577,643	6,403,786
Total accrued expenses	<u>7,477,746</u>	<u>1,449,172</u>	<u>958,910</u>	<u>7,968,008</u>
Bonds payable	4,948,033	20,563,536	566,484	24,945,085
Leases payable	-	367,595	-	367,595
Notes payable	13,655,000	-	13,145,000	510,000
Net pension obligation	7,003,173	-	640,282	6,362,891
Total primary government	<u>25,606,206</u>	<u>20,931,131</u>	<u>14,351,766</u>	<u>32,185,571</u>
Total general long-term debt	<u>\$ 33,083,952</u>	<u>\$ 22,380,303</u>	<u>\$ 15,310,676</u>	<u>\$ 40,153,579</u>

CITY OF NEWPORT, RHODE ISLAND

General Fixed Assets Account Group

Schedule of General Fixed Assets

June 30, 2002

General Fixed Assets

Land and improvements	\$ 7,362,031
Buildings and structures	14,664,458
Machinery and equipment	7,275,344
Rolling stock	4,042,031
Construction in Progress	<u>11,865,328</u>
Total General Fixed Assets	<u>\$ 45,209,192</u>

Investments in General Fixed Assets

Governmental fund revenues	<u>45,209,192</u>
Total General Fixed Assets	<u>45,209,192</u>

CITY OF NEWPORT, RHODE ISLAND

General Fixed Assets Account Group

Schedule of General Fixed Assets by Function and Activity

June 30, 2002

Function and Activity:	Land & Improvements	Buildings & Structures	Machinery & Equipment	Rolling Stock	Construction In Progress	General Fixed Assets June 30, 2002
Primary Government:						
General government:						
Mayor and Council	\$ -	\$ -	\$ 6,279	\$ -	\$ -	\$ 6,279
City Manager	-	-	41,608	-	-	41,608
City Solicitor	-	-	9,025	-	-	9,025
Canvassing	-	-	24,105	-	-	24,105
Finance and Support Services	-	4,335	1,327,163	-	-	1,331,498
Fiduciary Accounts	-	-	-	-	-	-
Planning	428,508	637,458	92,838	-	-	1,158,804
Public Safety:						
Police Department	23,866	2,589,943	935,877	715,988	-	4,265,674
Fire Department	11,101	854,499	660,984	1,407,663	-	2,934,247
Public Health:						
Public Works	5,452,158	2,129,925	382,767	986,237	-	8,951,087
Solid Waste Operations	-	1,189	36,942	-	-	38,131
Recreation and Parks	1,224,494	775,522	495,732	724,469	-	3,220,217
General Education	218,904	7,486,587	3,224,817	207,674	11,865,328	23,003,310
Human Services	3,000	185,000	37,207	-	-	225,207
Total General Fixed Assets	\$ 7,362,031	\$ 14,664,458	\$ 7,275,344	\$ 4,042,031	\$ 11,865,328	\$ 45,209,192

CITY OF NEWPORT, RHODE ISLAND

General Fixed Assets Account Group

Schedule of Changes in General Fixed Assets by Function and Activity

For the Year Ended June 30, 2002

Function and Activity:	<u>General Fixed Assets June 30, 2001</u>	<u>Year Ended June 30, 2002</u>		<u>General Fixed Assets June 30, 2002</u>
		<u>Additions</u>	<u>Deletions</u>	
Primary Government:				
General government:				
Mayor and Council	\$ 6,279	\$ -	\$ -	\$ 6,279
City Manager	23,484	18,124	-	41,608
City Solicitor	9,025	-	-	9,025
Canvassing	24,105	-	-	24,105
Finance and Support Services	1,307,269	24,229	-	1,331,498
Fiduciary Accounts	-	-	-	-
Planning	567,646	591,158	-	1,158,804
Public Safety:				
Police Department	4,274,048	38,530	46,904	4,265,674
Fire Department	2,851,259	82,988	-	2,934,247
Public Health:				
Public Works	8,270,263	680,824	-	8,951,087
Solid Waste Operations	38,131	-	-	38,131
Recreation and Parks	2,910,722	309,495	-	3,220,217
General Education	11,137,982	11,865,328	-	23,003,310
Human Services	225,207	-	-	225,207
 Total Primary Government	 <u>\$ 31,645,420</u>	 <u>\$ 13,610,676</u>	 <u>\$ 46,904</u>	 <u>\$ 45,209,192</u>

SUPPLEMENTARY INFORMATION

The information provided herein contains schedules
which the City deems necessary to provide
additional disclosures.

CITY OF NEWPORT, RHODE ISLAND

June 30 2002

Schedule of Employer Contributions - Fire and Police Pension Plans

Fire Pension Plan			
Actuarial Valuation Date	Annual Required Contribution (ARC)	Actual Contribution	% of ARC Contributed
1997	\$ 2,919,663	\$ 2,760,163	94.5%
1998	3,065,696	3,032,805	98.9%
1999	2,961,385	3,189,319	107.7%
2000	3,003,673	3,860,777	128.5%
2001	3,281,802	3,641,057	110.9%
2002	3,106,881	3,977,470	128.0%

Police Pension Plan			
Actuarial Valuation Date	Annual Required Contribution (ARC)	Actual Contribution	% of ARC Contributed
1997	\$ 2,426,242	\$ 1,793,369	73.9%
1998	2,547,554	2,759,907	108.3%
1999	2,274,548	3,137,686	137.9%
2000	2,094,752	2,510,675	119.9%
2001	1,696,189	2,640,890	155.7%
2002	1,985,197	2,273,062	114.5%

CITY OF NEWPORT, RHODE ISLAND

June 30, 2002

Schedule of Funding Progress - Fire and Police Pension Plans

Fire Pension Plan

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Liability (AAL)	Actuarial Value of Assets as % of AAL	Unfunded AAL	Annual Covered Payroll	Unfunded AAL as % of Covered Payroll
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%
2001	15,364,083	60,698,701	25.3%	45,334,618	4,321,161	1049.1%
2002	15,992,660	57,208,592	28.0%	41,215,932	4,647,200	886.9%

Police Pension Plan

Actuarial Valuation Date	Actuarial Value of Plan Assets	Accrued Liability (AAL)	Actuarial Value of Assets as % of AAL	Unfunded AAL	Annual Covered Payroll	Unfunded AAL as % of Covered Payroll
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%
2001	28,782,410	51,471,122	55.9%	22,688,712	3,737,343	607.1%
2002	28,060,710	65,986,217	42.5%	37,925,507	3,845,929	986.1%