

COMPREHENSIVE
ANNUAL FINANCIAL REPORT
of the
CITY OF NEWPORT,
RHODE ISLAND



FOR THE YEAR ENDED

JUNE 30, 2008

PREPARED BY:

LAURA SITRIN, CPA
DIRECTOR OF FINANCE

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AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

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**Introductory
Section**



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

December 11, 2008

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

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year (June 30) a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Newport, Rhode Island as of and for the fiscal year ended June 30, 2008.

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

The City of Newport, Rhode Island's financial statements have been audited by Kostin, Ruffkess & Company, LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Newport, Rhode Island for the fiscal year ended June 30, 2008 were free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unqualified opinion that the City of Newport, Rhode Island's financial statements as of and for the fiscal year ended June 30, 2008, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

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

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

Profile of the Government

The City of Newport, Rhode Island (City), founded in 1639, incorporated in 1784 and re-chartered in 1853, is located at the southern end of Aquidneck Island in Narragansett Bay, about 30 miles southeast of Rhode Island's capital of Providence. The City is bounded by the Atlantic Ocean on the east and south and Narragansett Bay on the west. The City is 11 square miles in size, with 7.7 square miles of land and 3.3 square miles of inland water. The City has a year-round population of about 27,000, which grows substantially during the summer months. The City is also visited by over 4,000,000 people annually.

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

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

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

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

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

Factors Affecting Financial Condition

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

Local economy

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

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

The personal income per capita for Newport County is \$45,894, as last published by the U.S. Bureau of Economic Analysis as of June 30, 2006, compared to \$35,324 and \$34,471 for Rhode Island and the United States, respectively. The unemployment rate is 6.2% compared to the state unemployment rate of 8.8%. The median selling price of an existing home in 2008 is \$375,000, an amount that has decreased slightly in the last 12 months. The City is attracting older retired residents and empty-nesters as well as tourists. The value of property has declined due to the poor housing market and the national and local economy. However, property values have not declined to the extent that they have in other parts of the state and country due to the City's proximity to the Narragansett Bay and Atlantic Ocean. The tourist industry declined slightly in 2008 and is expected to decline further.

Long-term financial planning

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

Long-term financial planning also includes significant capital renovation and additions in both the Water and Water Pollution Control (sewer) funds in response to new state and federal water quality standards and deteriorating buildings and systems. Cost estimates range from \$50MM to \$150MM dollars to address these areas. Funds will likely come from a variety of sources including state subsidized revenue bonds, grants, regionalization of facilities and rates.

The current 5-year capital plan includes approved general obligation bond funds of \$12MM to rebuild and repair roadways and sidewalks, in accordance with a pavement management program developed within the last two years.

Relevant financial policies

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

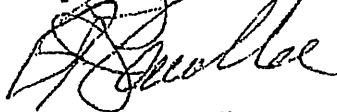
Awards and Acknowledgements

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

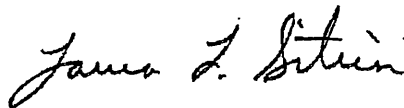
A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

Respectfully submitted,

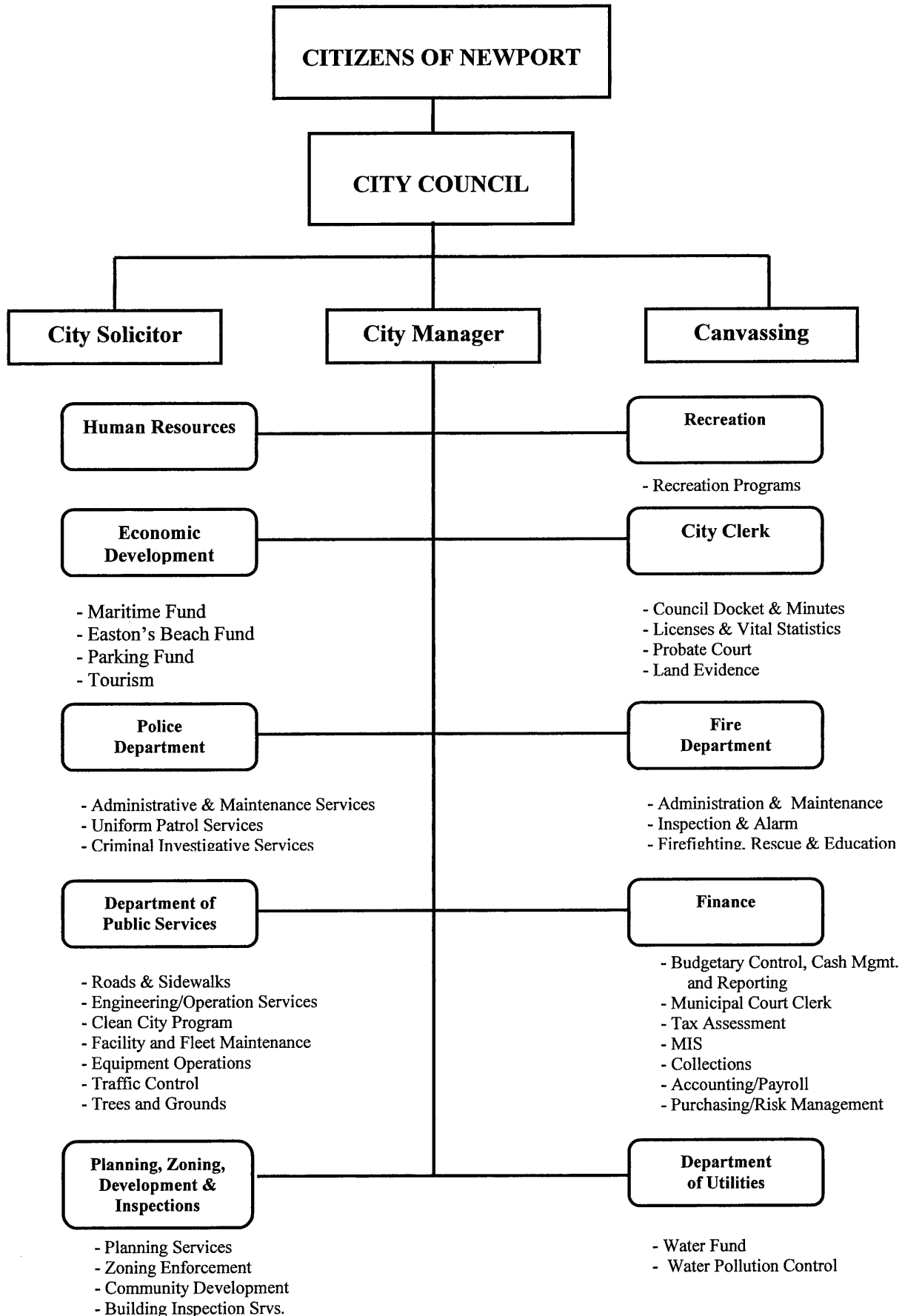


Edward F. Lavallee
City Manager



Laura L. Sitrin, CPA
Director of Finance

THE CITY OF NEWPORT, RI



CITY OF NEWPORT, RHODE ISLAND

PRINCIPAL ELECTED AND APPOINTED OFFICIALS

Elected Officials:

Honorable Stephen C. Waluk
Charles Y. Duncan
Justin S. McLaughlin
Kathryn E. Leonard
Mary C. Connolly
Jeanne-Marie Napolitano
Stephen R. Coyne
Dr. Charles P. Shoemaker
Jo Eva Gaines
Dr. Thomas P. Galvin
Hugo J. DeAscentis, Jr.
David R. Carlin
Robert J. Leary
Thomas S. Phelan

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

Principal Appointed Officials:

Edward F. Lavallee
Laura L. Sitrin
John H. Ambrogi, Ed.D.
Michael Saunders
Joseph J. Nicholson Jr.
Julia Fogue
William Riccio
Jonathon Stevens
Paige Bronk
Michael McKenna
Harry Hallgring
Susan Cooper

City Manager
Director of Finance
Superintendent of Schools
School Business Manager
City Solicitor
Director of Utilities
Director of Public Services
Director of Economic Development
Director of Planning
Police Chief
Fire Chief
Director of Recreation

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Newport
Rhode Island

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

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



Oliver S. Cox

President

Jeffrey R. Emen

Executive Director

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**Financial
Section**



Business Advisors and Certified Public Accountants

Farmington • New London
Springfield, MA

Mariner Square, Suite 120
125 Eugene O'Neill Drive
New London, CT 06320

Main Line: (860) 442-4373
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Fax: (860) 442-1124
Web: www.kostin.com

INDEPENDENT AUDITORS' REPORT

Members of City Council
City of Newport, Rhode Island

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Newport, Rhode Island, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Newport, Rhode Island, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund and school unrestricted fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 11, 2008 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management Discussion and Analysis and Schedules of Funding Progress - Newport Retirement Systems on pages 10 through 20 and pages 78 through 80, respectively, are not a required part of the basic financial statements but are supplementary information required by Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

City of Newport, Rhode Island
Page Two

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

Koster, Ruffless & Company, LLC

New London, Connecticut
December 11, 2008



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

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2008

As management of the City of Newport, we offer readers of the City of Newport's financial statements this narrative overview and analysis of the financial activities of the City of Newport for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the Introductory Section of this report.

Financial Highlights

- The assets of the City of Newport exceeded its liabilities at the close of the most recent fiscal year by \$164,101,929 (*net assets*).
- The City's net assets increased by \$5,920,337. Governmental activities' net assets increased by \$5,155,562 due primarily to capital asset additions in excess of depreciation expense. Business-type activities had an increase of \$764,775 in net assets due to increased revenues in all enterprise funds except the water fund.
- At June 30, 2008, the City of Newport's governmental funds reported a combined ending fund balance of \$31,550,857, an increase of \$3,486,604 in comparison to the prior year fund balance. Approximately 86% of this amount, \$27,222,573, is available for spending at the City's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$5,974,689, or 8.1% of total general fund expenditures and net other financing uses.
- The City of Newport's long-term liabilities net decrease of \$2,423,705 (4%) was attributable to the scheduled repayment of debt and a decrease in claims and judgments.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-Wide Financial Statements (Continued)

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

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

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

Fund Financial Statements

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

Governmental funds

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

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

The City of Newport maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the school unrestricted fund, the Community Development Act fund, and the permanent fund, all of which are considered to be major funds. Data from the other eight governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is included on Schedules 3 and 4 of this report.

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

The basic governmental fund financial statements can be found on Exhibits C and D of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Fund Financial Statements (Continued)

Proprietary funds

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

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

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

Fiduciary funds

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

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

Notes to the basic financial statements

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

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

Other information

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Newport, assets exceeded liabilities by \$164,101,929 at the close of the most recent fiscal year.

By far the largest portion of the City of Newport's net assets (92%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Newport uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Newport's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Newport's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
	Current and other assets	\$ 51,426,045	\$ 49,844,139	\$ 11,322,304	\$ 10,448,397	\$ 62,748,349
Capital assets	70,702,502	67,428,256	105,534,031	103,849,078	176,236,533	171,277,334
Total assets	122,128,547	117,272,395	116,856,335	114,297,475	238,984,882	231,569,870
Long-term liabilities	37,443,156	37,775,558	16,988,233	16,171,152	54,431,389	53,946,710
Other liabilities	14,761,814	14,344,387	5,689,750	4,712,746	20,451,564	19,057,133
Total liabilities	52,204,970	52,119,945	22,677,983	20,883,898	74,882,953	73,003,843
Net assets:						
Invested in capital assets, net of related debt	52,461,114	47,999,443	87,063,157	86,137,192	139,524,271	134,136,635
Restricted	9,097,955	10,668,504	4,749,967	3,054,328	13,847,922	13,722,832
Unrestricted	8,364,508	6,484,503	2,365,228	4,222,057	10,729,736	10,706,560
Total net assets	\$ 69,923,577	\$ 65,152,450	\$ 94,178,352	\$ 93,413,577	\$ 164,101,929	\$ 158,566,027

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

The City's net assets increased by \$5,920,337 during the current fiscal year. This increase is primarily due to capital asset additions in excess of depreciation expense for the fiscal year.

Governmental Activities

Governmental activities net assets increased by \$5,155,562. A comparison of FY2008 and FY2007 activity can be found on the next page which indicates an increase in property tax revenue of \$2,269,114 and decreases in operating and capital grants of \$737,967, and in investment income of \$1,726,943. Property tax revenue increased because of an increase in the tax rates of 3.99%. Operating and capital grants decreased due to a decrease in education aid. Investment income decreased due to realized and unrealized losses in the permanent fund and lower interest rates. Expenses decreased by \$169,587 due primarily to an effort to keep spending as low as possible. This can be seen primarily in the general government expense category. These savings were off-set by an increase in the OPEB liability accrual. The City reorganized departments at the start of fiscal year 2008. All of the parks functions and facilities maintenance functions were moved to public health (public services). The apparent decrease in recreation expenses and increase in public health are due to the reorganization. Some of the general government decrease is due to a decrease in claims and judgments and in severance payouts due to retirements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

City of Newport's Changes in Net Assets

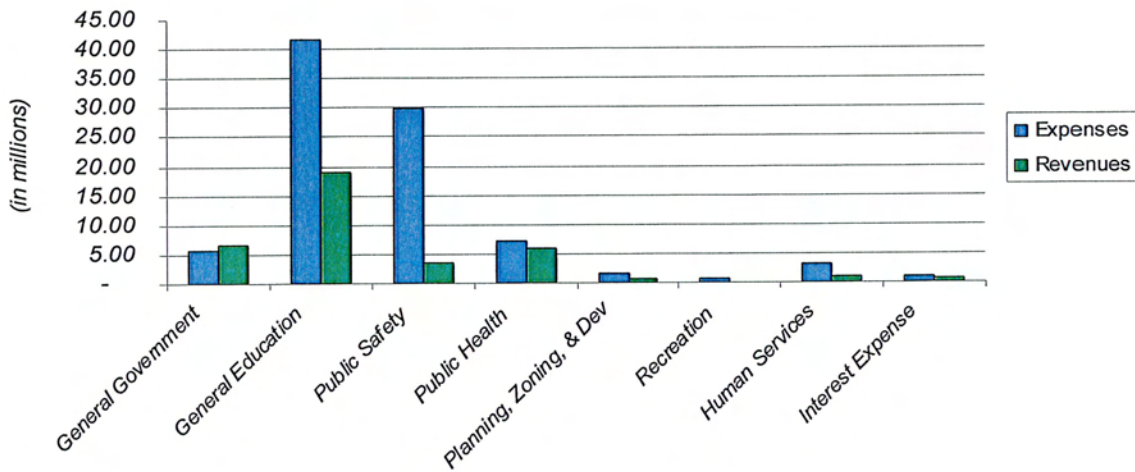
	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 12,152,446	\$ 12,407,087	\$ 19,197,718	\$ 17,033,733	\$ 31,350,164	\$ 29,440,820
Operating grants and contributions	20,851,435	21,272,720			20,851,435	21,272,720
Capital grants and contributions	469,484	786,166	305,849	673,500	775,333	1,459,666
General revenues:						
Property taxes	60,005,572	57,736,458			60,005,572	57,736,458
Grants and contributions not restricted to specific programs	4,330,807	4,642,114			4,330,807	4,642,114
Investment income	641,453	2,368,396	162,538	220,284	803,991	2,588,680
Total revenues	98,451,197	99,212,941	19,666,105	17,927,517	118,117,302	117,140,458
Expenses:						
General government	5,664,619	6,904,515			5,664,619	6,904,515
General education	45,420,073	44,860,182			45,420,073	44,860,182
Public safety	30,005,098	29,620,705			30,005,098	29,620,705
Public health	7,000,668	5,179,345			7,000,668	5,179,345
Planning, zoning and development	1,604,671	1,440,553			1,604,671	1,440,553
Recreation	622,368	2,415,401			622,368	2,415,401
Human services	3,248,665	3,256,251			3,248,665	3,256,251
Interest expense	782,723	841,520			782,723	841,520
Water			7,719,962	7,809,046	7,719,962	7,809,046
Water pollution control			7,559,615	7,051,852	7,559,615	7,051,852
Nonmajor business-type			2,568,503	2,159,568	2,568,503	2,159,568
Total expenses	94,348,885	94,518,472	17,848,080	17,020,466	112,196,965	111,538,938
Increase (decrease) in net assets	4,102,312	4,694,469	1,818,025	907,051	5,920,337	5,601,520
Transfers	1,053,250	(175,500)	(1,053,250)	175,500		-
Special Item - Sale of School	-	2,168,305			-	2,168,305
Change in net assets	5,155,562	6,687,274	764,775	1,082,551	5,920,337	7,769,825
Net assets July 1, restated	64,768,015	58,465,176	93,413,577	92,331,026	150,796,202	150,796,202
Net assets June 30	\$ 69,923,577	\$ 65,152,450	\$ 94,178,352	\$ 93,413,577	\$ 156,716,539	\$ 158,566,027

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

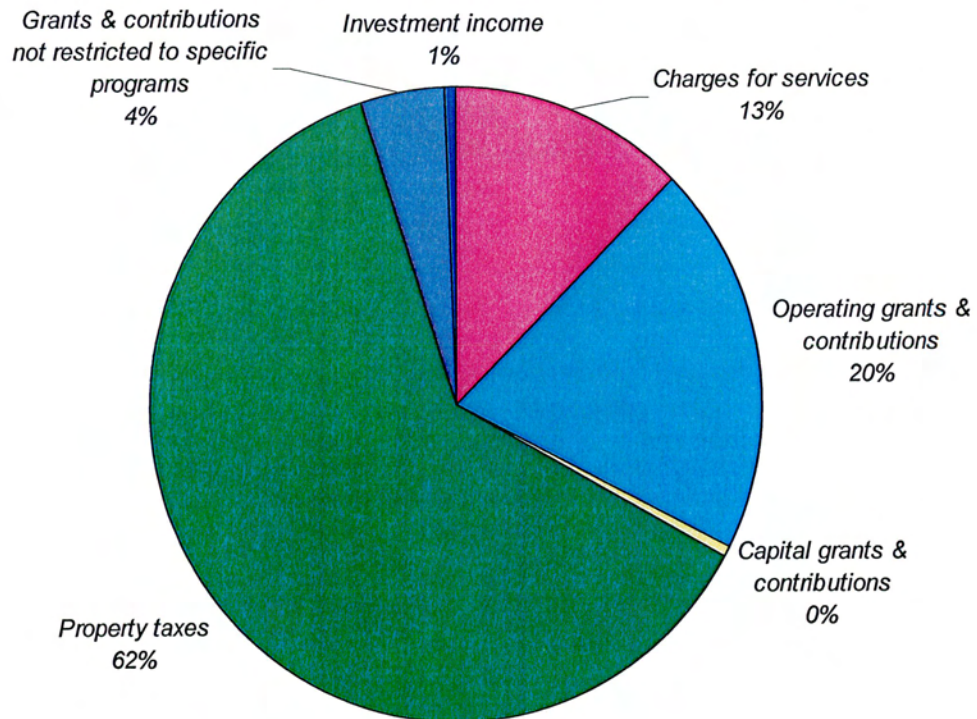
Government-Wide Financial Analysis (Continued)

Governmental Activities (continued)

**Expenses and Program Revenues -
Governmental Activities**



Revenues by Source - Governmental Activities



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

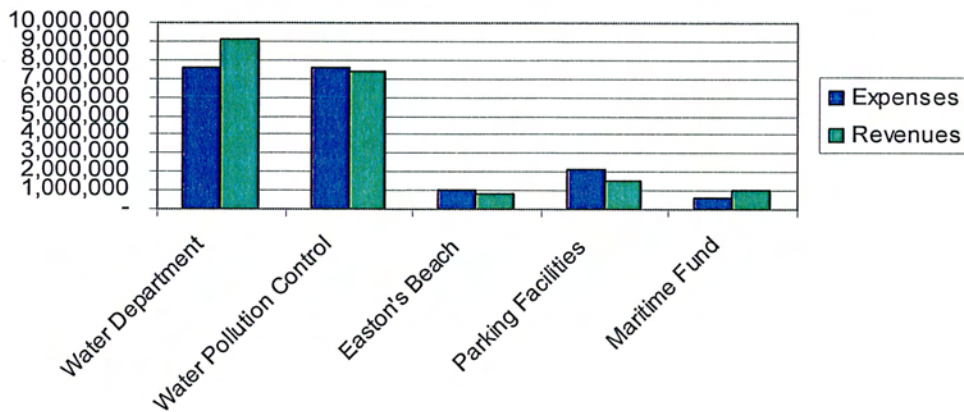
Government-Wide Financial Analysis (Continued)

Business-type activities

Business-type activities' net assets increased by \$764,775. The increase is due to an increase in water pollution control fees, including a new fixed fee for combined sewer overflow capital projects, and an increase in parking fund revenue. The water fund also had a slight decrease in expenses.

The Water Fund had net income of \$1,366,043 for the year ended June 30, 2008, the Water Pollution Control Fund had a net loss of \$185,007 and the non-major proprietary funds had a net loss of \$416,261 because of transfers from the parking fund and the Easton's Beach fund to the capital projects fund.

Expenses and Program Revenues - Business-type Activities



Financial Analysis of the City's Funds

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

Governmental funds

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

As of the end of the current fiscal year, the City of Newport's governmental funds reported combined ending fund balances of \$31,550,857, an increase of \$3,486,604 in comparison with the prior year fund balance. Most of this total amount (\$27,222,573) constitutes unreserved fund balance, which is available for spending at the government's discretion or in accordance with grant and donor restrictions. The remainder of fund balance (\$4,328,284) is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period or because it is the non-expendable portion of permanent funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis of the City's Funds (Continued)

Governmental funds (continued)

The General Fund is the operating fund of the City of Newport. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$5,974,689, while total fund balance was \$6,835,238. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures and operating transfers out. Unreserved fund balance represents 8.1% of total General Fund expenditures and transfers, while total fund balance represents 9.3% of that same amount.

The fund balance of the City of Newport's General Fund increased by \$1,736,903. The City Council budgeted an addition to fund balance in FY2008 of \$500,000, plus there was a savings in budgeted expenditures. Key factors in this year's operations are as follows:

An increase in the property tax rate (3.99% - residential rate) was anticipated to increase tax revenues by \$2,800,000 over prior year's budgeted property tax revenue. Property tax revenue was actually higher by \$2,260,000. This, along with a mid-year reduction in state aid, reduced fees from the sale of houses and lower interest income led to a shortfall in revenues (from budget) of \$888,901. The reduced revenues led to tighter controls over spending, which was \$3,729,649 less than budgeted.

The school unrestricted fund had an increase in fund balance of \$1,282,697. The increase was due to lower than expected spending in the categories of salaries and benefits for teachers and support staff.

The community development block grant fund had a reduction in fund balance of \$184,501 due to a decrease in grant funding.

The capital projects fund had an increase in fund balance of \$643,809 due primarily to grant funding received for various projects.

The permanent fund had a reduction in fund balance of \$819,554 due to realized and unrealized losses because of market conditions.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were due to budgetary carryovers from fiscal year 2007 of \$982,470.

Proprietary funds

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

Unrestricted net assets of the Water Fund at the end of the year amounted to a deficit of (\$2,089,089), a reduction of \$18,401 to unrestricted fund balance in FY2008. The Rhode Island Public Utilities Commission sets rates at a level that allows revenues to the extent that they cover approved operating, debt service and capital expenditures. The rates do not allow for reserves, thus any unforeseen expense is covered by curbing operating and maintenance expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis of the City's Funds (Continued)

Proprietary funds (continued)

Unrestricted net assets of the Water Pollution Control Fund at the end of the year amounted to \$189,257; for the Parking Fund of \$3,946,917; for the Maritime Fund of \$588,558, and for the Easton's Beach operation a deficit of (\$270,415.) The total growth in net assets for the Water Fund was \$1,366,043, for the Water Pollution Control Fund a loss of (\$185,007), for the parking operations a loss of (\$599,296), for the Maritime Fund \$461,360 and for Easton's Beach a loss of (\$278,325.) Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Newport's business-type activities.

Capital Asset and Debt Administration

Capital assets

The City of Newport's investment in capital assets for its governmental and business-type activities as of June 30, 2008 is \$176,236,533 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and systems, machinery and equipment, vehicles, infrastructure and construction in progress. There was a total increase in the City of Newport's investment in capital assets for the current fiscal year of 2.9%. Individually, governmental activities had a 4.9% increase and business-type activities had a 1.6% increase.

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

- \$1,233,818 was spent on road and sidewalk reconstruction and improvements.
- \$585,872 was spent on city owned building improvements (not including the Beach).
- \$1,400,332 was spent on the purchase and implementation of a new ERP (computer) system.
- \$717,992 was spent on vehicle and equipment replacements.
- \$305,405 was spent on Van Zandt Pier repairs
- \$3,339,654 of additions were made to water infrastructure, mains, buildings and pump stations.
- \$272,802 of improvements were made to Easton's Beach facilities.
- \$1,313,641 was spent on combined sewer overflow and other water pollution control issues.

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

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 3,999,605	\$ 3,999,605	\$ 6,092,789	\$ 6,379,224	\$ 10,092,394	\$ 10,378,829
Construction in progress	1,015,406	1,042,372	6,234,662	2,640,524	7,250,068	3,682,896
Buildings & systems	31,057,442	29,803,834	92,188,617	93,649,911	123,246,059	123,453,745
Machinery & equipment	2,964,404	2,417,382	1,017,963	1,179,419	3,982,367	3,596,801
Vehicles	3,127,541	2,838,647			3,127,541	2,838,647
Infrastructure	28,538,104	27,326,416			28,538,104	27,326,416
Total	\$ 70,702,502	\$ 67,428,256	\$ 105,534,031	\$ 103,849,078	\$ 176,236,533	\$ 171,277,334

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis of the City's Funds (Continued)

Capital Asset and Debt Administration (Continued)

Long-term debt

At the end of the current fiscal year, the City of Newport had total bonded debt outstanding of \$36,607,367. Of this amount, \$22,270,377 comprises debt backed by the full faith and credit of the government. The remainder of the City of Newport's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

	General Obligation and Revenue Bonds					
	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
General Obligation Bonds	\$ 18,241,388	\$ 19,428,813	\$ 4,028,989	\$ 5,311,564	\$ 22,270,377	\$ 24,740,377
Revenue Bonds		-	14,336,990	12,251,252	14,336,990	12,251,252
Total	\$ 18,241,388	\$ 19,428,813	\$ 18,365,979	\$ 17,562,816	\$ 36,607,367	\$ 36,991,629

The City of Newport's total bonds decreased by \$3,005,890 (8.1%) during the current fiscal year due to scheduled repayments and increased during the current fiscal year due to water revenue bond issuance of \$2,621,628.

The City of Newport maintains an "Aa3" rating from Moody's for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may have outstanding to 3% of its assessed property values. The current debt limitation for the City is \$184,048,472, which is significantly in excess of the City's outstanding general obligation debt.

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

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City of Newport is currently 6.2%, which is an increase of 2.2% from a rate of 4.0% a year ago. This compares favorably to the state's average unemployment rate of 8.8% and is about equal with the national average rate of 6.1%.
- The occupancy rate of the government's central business district is about 95% during the summer tourist season (May through October) and 50% in the remaining months. This is down about 4% from the previous year.
- Inflationary trends in the region follow national indices.

All of these factors were considered in preparing the City of Newport's budget for the 2009 fiscal year.

Unreserved fund balance in the General Fund at June 30, 2008 is \$5,974,689, which is lower than the City's fiscal policy of maintaining 10% of total General Fund expenditures and transfers out as a reserve. The City of Newport has identified additional monies to put into fund balance.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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

The Water Pollution Control Fund's rates increased by 3% in fiscal year 2009 for usage based on volume, and 3% for a fixed fee designated for combined sewer overflow issues. The Water Fund rates are controlled and set by the Rhode Island Public Utilities Commission. The City received a rate increase of approximately 11% effective September 1, 2007.

Requests for Information

This financial report is designed to provide a general overview of the City of Newport's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Laura Sitrin, City of Newport, 43 Broadway, Newport, Rhode Island 02840.

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**Basic
Financial
Statements**

CITY OF NEWPORT, RHODE ISLAND

STATEMENT OF NET ASSETS
JUNE 30, 2008

	PRIMARY GOVERNMENT		TOTAL	COMPONENT UNITS	
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES		NEWPORT PUBLIC LIBRARY	REDEVELOPMENT AGENCY OF NEWPORT
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 16,422,250	\$ 4,966,702	\$ 21,388,952	\$ 401,969	\$ 48,674
Investments	13,363,302		13,363,302	469,904	
Receivables (net)	4,928,598	2,542,355	7,470,953	4,693	4,200
Internal balances (advances)	1,470,633	(1,470,633)	-		
Inventories	17,442	255,868	273,310		
Other		278,045	278,045	10,643	
Total current assets	36,202,225	6,572,337	42,774,562	887,209	52,874
Noncurrent assets:					
Restricted assets:					
Temporarily restricted, Cash and cash equivalents		4,749,967	4,749,967		
Permanently restricted, Investments	8,322,246		8,322,246		
Receivables (net)	1,031,298		1,031,298		
Pension asset	5,870,276		5,870,276		
Capital assets not being depreciated	5,015,011	12,327,451	17,342,462		
Capital assets (net of accumulated depreciation)	65,687,491	93,206,580	158,894,071	5,644,805	456,928
Total noncurrent assets	85,926,322	110,283,998	196,210,320	5,644,805	456,928
TOTAL ASSETS	122,128,547	116,856,335	238,984,882	6,532,014	509,802
LIABILITIES					
Current liabilities:					
Cash overdraft	6,419,795		6,419,795		
Accounts payable	2,792,463	2,548,412	5,340,875	117,847	152
Accrued expenses	1,221,679	1,195,804	2,421,483	9,488	322,702
Unearned revenue	49,660		49,660		
Other liabilities	401,719		401,719		
Current portion of long-term obligations	3,876,498	1,941,534	5,818,032	8,750	
Total current liabilities	14,761,814	5,689,750	20,451,564	136,085	322,854
Noncurrent liability:					
Long-term obligations	37,443,156	16,988,233	54,431,389	329,364	200,000
TOTAL LIABILITIES	52,204,970	22,677,983	74,882,953	465,449	522,854
NET ASSETS					
Invested in capital assets, net of related debt					
Restricted for:					
Endowments:					
Expendable	6,281,490		6,281,490		
Nonexpendable	1,937,467		1,937,467		
Debt service	878,998	4,749,967	5,628,965		
Unrestricted	8,364,508	2,365,228	10,729,736	438,137	(269,980)
TOTAL NET ASSETS	\$ 69,923,577	\$ 94,178,352	\$ 164,101,929	\$ 6,066,565	\$ (13,052)

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

CITY OF NEWPORT, RHODE ISLAND

EXHIBIT B

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			NET EXPENSES AND CHANGES IN NET ASSETS			COMPONENT UNITS	
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT		NEWPORT PUBLIC LIBRARY	REDEVELOPMENT AGENCY OF NEWPORT
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES		
PRIMARY GOVERNMENT:								
GOVERNMENTAL ACTIVITIES:								
General government	\$ 5,664,619	\$ 5,508,299	\$ 1,044,653	\$	\$ 888,333	\$	\$ 888,333	\$
General education	45,420,073	1,356,264	18,926,733		(25,137,076)		(25,137,076)	
Public safety	30,005,098	3,056,098	257,577	6,625	(26,684,798)		(26,684,798)	
Public health	7,000,668	85,761	26,958	462,859	(6,425,090)		(6,425,090)	
Planning, zoning and development	1,604,671	1,601,347			(3,324)		(3,324)	
Recreation and parks	622,368	105,010			(517,358)		(517,358)	
Human services	3,248,665	439,667	595,514		(2,213,484)		(2,213,484)	
Interest expense	782,723				(782,723)		(782,723)	
TOTAL GOVERNMENTAL ACTIVITIES	94,348,885	12,152,446	20,851,435	469,484	(60,875,520)	-	(60,875,520)	-
BUSINESS-TYPE ACTIVITIES:								
Water Department	7,719,962	9,025,966		20,849	1,326,853		1,326,853	
Water Pollution Control	7,559,615	7,337,836			(221,779)		(221,779)	
Recreational and Parking Facilities	2,568,503	2,833,916		285,000	550,413		550,413	
TOTAL BUSINESS-TYPE ACTIVITIES	17,848,080	19,197,718	-	305,849	1,655,487	-	1,655,487	-
TOTAL PRIMARY GOVERNMENT	\$ 112,196,965	\$ 31,350,164	\$ 20,851,435	\$ 775,333	\$ (60,875,520)	\$ 1,655,487	\$ (59,220,033)	\$ -
COMPONENT UNITS:								
Newport Public Library	\$ 2,315,298	\$ 94,991	\$ 2,043,605	\$ 24,182	\$	\$	\$ (152,520)	\$ 4,772
Redevelopment Agency of Newport	40,178	44,950						
TOTAL COMPONENT UNITS	\$ 2,355,476	\$ 139,941	\$ 2,043,605	\$ 24,182	\$ -	\$ -	\$ (152,520)	\$ 4,772
GENERAL REVENUES:								
Property taxes					\$ 60,005,572	\$	\$ 60,005,572	\$
Grants and contributions not restricted to specific programs					4,330,807		4,330,807	
Investment income					641,453	162,538	803,991	46
Miscellaneous								(3,385)
TOTAL GENERAL REVENUES					64,977,832	162,538	65,140,370	3,603
TRANSFERS								
TOTAL GENERAL REVENUES AND TRANSFERS					1,053,250	(1,053,250)	65,140,370	46
					66,031,082	(890,712)	65,140,370	3,603
CHANGE IN NET ASSETS					5,155,562	764,775	5,920,337	4,818
NET ASSETS - JULY 1, 2007, (AS RESTATED)					64,768,015	93,413,577	158,181,592	(17,870)
NET ASSETS - JUNE 30, 2008					\$ 69,923,577	\$ 94,178,352	\$ 164,101,929	\$ (13,052)

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

CITY OF NEWPORT, RHODE ISLAND

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	GENERAL	SCHOOL UNRESTRICTED FUND	COMMUNITY DEVELOPMENT BLOCK GRANT FUND	PERMANENT FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS							
Cash	\$ 213,618						\$ 213,618
Investments	12,506,432						12,506,432
Receivables, net:							
Property taxes	1,798,255						1,798,255
Motor vehicle excise	1,332,322						1,332,322
Intergovernmental			50,760			1,174,782	1,225,542
Note/loan			2,800,800			587,942	3,388,742
Other	810,892					457,017	1,267,909
Due from other funds	790,563					113,750	904,313
Advances to other funds						651,270	651,270
TOTAL ASSETS	\$ 17,452,082	\$ 4,366,595	\$ 3,042,793	\$ 8,322,246	\$ 7,977,111	\$ 7,392,198	\$ 48,553,025

LIABILITIES AND FUND BALANCES

Liabilities:							
Cash overdraft	\$ 5,972,847			\$ 98,022		\$ 348,925	\$ 6,419,794
Accounts payable	1,313,432	522,274	1,034	5,267	899,966	21,875	2,763,848
Accrued liabilities	631,853	205,792				5,180	842,825
Deferred and unearned revenue	2,183,245		2,851,560		59,296	1,366,133	6,460,234
Due to other funds	113,750						113,750
Other liabilities	401,717						401,717
Total liabilities	10,616,844	728,066	2,852,594	103,289	959,262	1,742,113	17,002,168
Fund balances:							
Reserved for:							
Encumbrances	860,549					878,998	860,549
Debt service				1,937,467			1,937,467
Endowments							
Advances							
Unreserved, designated for, reported in:							
Subsequent year budget		800,000					800,000
Unreserved, reported in:							
General fund	5,974,689						5,974,689
Special revenue funds		2,838,529	190,199			4,119,817	7,148,545
Capital project funds					7,017,849		7,017,849
Permanent funds				6,281,490			6,281,490
Total Fund Balances	6,835,238	3,638,529	190,199	8,218,957	7,017,849	5,650,085	31,550,857
TOTAL LIABILITIES AND FUND BALANCES	\$ 17,452,082	\$ 4,366,595	\$ 3,042,793	\$ 8,322,246	\$ 7,977,111	\$ 7,392,198	\$ 48,553,025

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT

OF NET ASSETS ARE DIFFERENT BECAUSE:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.
Internal service funds are used by management to charge the cost of fleet maintenance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.
Some liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds (Note II).

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 69,923,577

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

CITY OF NEWFORT, RHODE ISLAND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	GENERAL	SCHOOL UNRESTRICTED FUND	COMMUNITY DEVELOPMENT BLOCK GRANT FUND	PERMANENT FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:							
Local taxes	\$ 60,115,303	\$	\$	\$	\$	\$	\$ 60,115,303
Intergovernmental revenues	5,275,896	14,494,147	229,083		413,059	5,175,487	25,587,672
Charges for services	8,757,605		101,814		1,491,506	573,532	10,924,457
Use of money and property	924,172		37,708	(554,753)	17,023	217,306	641,456
Contributions	80,931				56,425	61,252	198,608
Other revenues	211,053	933,644					1,144,697
TOTAL REVENUES	75,364,960	15,427,791	368,605	(554,753)	1,978,013	6,027,577	98,612,193
EXPENDITURES:							
Current:							
General government	5,416,788					42,376	5,459,164
General education	27,377,213	37,462,987				4,919,535	42,382,522
Public safety	6,423,621					85,826	27,463,039
Public health	1,169,237					5,000	6,428,621
Planning, zoning and development	525,182					60,699	1,229,936
Recreation	1,832,288					32,877	558,059
Human services	2,453,316		522,807	264,801		544,101	3,163,997
Pension expenditures	1,187,425						1,187,425
Debt service:	755,657						755,657
Principal							
Interest							
Capital outlay			30,299		4,491,209	575,595	5,097,103
TOTAL EXPENDITURES	47,140,727	37,462,987	553,106	264,801	4,491,209	6,266,009	96,178,839
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	28,224,233	(22,035,196)	(184,501)	(819,554)	(2,513,196)	(238,432)	2,433,354
OTHER FINANCING SOURCES (USES):							
Transfers in	159,468	23,317,893			3,884,045	1,065,682	28,427,088
Transfers out	(26,646,798)				(727,040)		(27,373,838)
NET OTHER FINANCING SOURCES (USES)	(26,487,330)	23,317,893	-	-	3,157,005	1,065,682	1,053,250
NET CHANGE IN FUND BALANCES	1,736,903	1,282,697	(184,501)	(819,554)	643,809	827,250	3,486,604
FUND BALANCES - JULY 1, 2007	5,098,335	2,740,267	374,700	9,038,511	6,374,040	4,822,835	28,448,688
PRIOR PERIOD ADJUSTMENT		(384,435)					(384,435)
FUND BALANCES - JUNE 30, 2008	\$ 6,835,238	\$ 3,638,529	\$ 190,199	\$ 8,218,957	\$ 7,017,849	\$ 5,650,085	\$ 31,550,857

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

CITY OF NEWPORT, RHODE ISLAND

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

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

Net Change in Fund Balances-Total Governmental Funds	\$ 3,486,604
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	3,757,348
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to decrease net assets. In the Statement of Activities, the loss on the retirement of capital assets is reported. However, the governmental funds do not report any gain or loss on a trade-in or retirement of capital assets.	(475,907)
Reductions in deferred revenue that provide current financial resources to governmental funds are not reported as revenues in the Statement of Activities.	(160,999)
Internal service funds are used by management to charge costs of fleet management services to individual departments.	(4,501)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(2,607,342)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>1,160,359</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 5,155,562</u>

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

CITY OF NEWPORT, RHODE ISLAND

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2008

	ORIGINAL ADOPTED BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Local taxes	\$ 60,777,047	\$ 60,777,047	\$ 60,115,303	\$ (661,744)
Intergovernmental revenues	5,610,249	5,610,249	5,275,896	(334,353)
Charges for services	8,963,033	8,963,033	8,757,605	(205,428)
Use of money and property	800,000	800,000	924,172	124,172
Other revenues	263,000	263,000	291,984	28,984
TOTAL REVENUES	76,413,329	76,413,329	75,364,960	(1,048,369)
EXPENDITURES:				
General government:				
Mayor and city council	128,865	136,265	100,344	35,921
City manager	769,374	769,374	782,845	(13,471)
City solicitor	417,591	417,591	378,898	38,693
Canvassing	173,383	203,333	191,650	11,683
Finance	2,678,321	2,711,041	2,505,608	205,433
City clerk	563,555	746,687	533,318	213,369
Reserve accounts	1,907,982	2,584,801	801,415	1,783,386
Public safety:				
Police department	14,271,503	14,275,691	13,735,517	540,174
Fire department	14,058,441	14,058,441	13,656,533	401,908
Public health	6,769,107	6,865,571	6,407,813	457,758
Planning, zoning, and development	1,170,810	1,170,810	1,169,281	1,529
Recreation and parks	540,985	542,781	527,444	15,337
Human services:				
Donations	233,900	233,900	225,330	8,570
Public library	1,606,958	1,606,958	1,606,958	-
Pension expenditures	2,765,930	2,715,931	2,453,316	262,615
Debt service	2,083,731	2,083,731	1,943,082	140,649
TOTAL EXPENDITURES	50,140,436	51,122,906	47,019,352	4,103,554
EXCESS OF REVENUES OVER EXPENDITURES	26,272,893	25,290,423	28,345,608	3,055,185
OTHER FINANCING SOURCES (USES):				
Appropriations of fund balance		982,470		(982,470)
Cancellation of prior year encumbrances			1,745	1,745
Transfers in			159,468	159,468
Transfers out	(26,272,893)	(26,272,893)	(26,646,798)	(373,905)
NET CHANGE IN FUND BALANCE	\$ -	\$ -	1,860,023	\$ 1,860,023
FUND BALANCE, JULY 1, 2007			4,114,666	
FUND BALANCE, JUNE 30, 2008			<u>\$ 5,974,689</u>	

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

CITY OF NEWPORT, RHODE ISLAND

SCHOOL UNRESTRICTED FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL (BUDGETARY BASIS)
 FOR THE YEAR ENDED JUNE 30, 2008

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Federal revenues	\$ 971,550	\$ 971,550	\$ 1,283,959	\$ 312,409
State revenues	11,701,819	11,701,819	11,701,820	1
Local revenues	1,651,329	1,711,093	933,644	(777,449)
TOTAL REVENUES	14,324,698	14,384,462	13,919,423	(465,039)
EXPENDITURES:				
General education	37,642,591	37,702,355	35,954,619	1,747,736
EXCESS (DEFICIENCY) OF EXPENDITURES OVER REVENUES	(23,317,893)	(23,317,893)	(22,035,196)	1,282,697
OTHER FINANCING SOURCES (USES):				
Transfers in	23,317,893	23,317,893	23,317,893	-
NET CHANGE IN FUND BALANCE	\$ -	\$ -	1,282,697	\$ 1,282,697
FUND BALANCE - JULY 1, 2007 (AS RESTATED)			2,355,832	
FUND BALANCE - JUNE 30, 2008			\$ 3,638,529	

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

CITY OF NEWPORT, RHODE ISLAND

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
	MAJOR FUNDS		OTHER ENTERPRISE FUNDS	TOTALS	INTERNAL SERVICE FUNDS
	WATER FUND	W.P.C. FUND			
ASSETS:					
Current assets:					
Cash and cash equivalents - unrestricted	\$ 159,732	\$	\$ 4,806,970	\$ 4,966,702	\$ 123,126
Accounts receivable:					
User fees (net of allowances)	1,201,479	1,336,965	3,871	2,542,315	
Other		40		40	37,600
Due from other funds		129,797		129,797	28,800
Inventories	255,866			255,866	17,442
Prepaid expenses		278,045		278,045	
Advances to other funds			320,000	320,000	
Total current assets	1,617,077	1,744,847	5,130,841	8,492,765	206,968
Noncurrent assets:					
Cash and cash equivalents - restricted	2,438,431	2,311,536		4,749,967	
Capital assets (net of accumulated depreciation)	44,455,585	56,666,752	4,411,694	105,534,031	29,320
Total noncurrent assets	46,894,016	58,978,288	4,411,694	110,283,998	29,320
TOTAL ASSETS	48,511,093	60,723,135	9,542,535	118,776,763	236,288
LIABILITIES:					
Current liabilities:					
Accounts payable	1,324,150	987,174	237,088	2,548,412	28,615
Accrued expenses	973,964	68,416	157,424	1,199,804	38,924
Due to other funds	949,160			949,160	
Current portion advances		45,515	141,956	187,471	
Current portion notes payable		40,478		40,478	
Current portion bonds payable	975,627	925,429		1,901,056	
Total current liabilities	4,222,901	2,067,012	536,468	6,826,381	67,539
Long-term liabilities:					
Advances from other funds		454,485	329,313	783,798	
Notes payable		64,417		64,417	
Bonds payable	6,122,936	10,341,987		16,464,923	
Net other post-employment benefits obligation	458,892			458,892	
Total long-term liabilities	6,581,828	10,860,889	329,313	17,772,030	
TOTAL LIABILITIES	10,804,729	12,927,901	865,781	24,598,411	67,539
NET ASSETS:					
Invested in capital assets, net of related debt	37,357,022	45,294,441	4,411,694	87,063,157	29,320
Restricted	2,438,431	2,311,536		4,749,967	
Unrestricted	(2,089,089)	189,257	4,265,060	2,365,228	139,429
TOTAL NET ASSETS	\$ 37,706,364	\$ 47,795,234	\$ 8,676,754	\$ 94,178,352	\$ 168,749

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

EXHIBIT I

CITY OF NEWPORT, RHODE ISLAND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2008

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
	MAJOR FUNDS			TOTALS	INTERNAL SERVICE FUNDS
	WATER FUND	W.P.C. FUND	OTHER ENTERPRISE FUNDS		
OPERATING REVENUES:					
User fees	\$ 8,612,743	\$ 7,337,836	\$ 2,833,916	\$ 18,784,495	\$ 1,413,925
Other revenues	434,072		285,000	719,072	
TOTAL OPERATING REVENUES	9,046,815	7,337,836	3,118,916	19,503,567	1,413,925
OPERATING EXPENSES:					
Salaries and benefits	3,742,858	194,744	1,029,786	4,967,388	78,726
Materials and supplies	949,046	22,659	317,472	1,289,177	506,220
Repairs and maintenance	393,856		63,585	457,441	23,640
Support services	124,055	3,482,949	506,550	4,113,554	782,834
Utilities	693,153	412,638	34,217	1,140,008	19,811
Administrative and other	594,665	873,412	236,268	1,704,345	
Property taxes	175,827			175,827	
Depreciation	848,543	2,336,013	203,403	3,387,959	7,195
TOTAL OPERATING EXPENSES	7,522,003	7,322,415	2,391,281	17,235,699	1,418,426
OPERATING INCOME (LOSS)	1,524,812	15,421	727,635	2,267,868	(4,501)
NONOPERATING REVENUES AND (EXPENSES):					
Loss on disposal of assets			(170,575)	(170,575)	
Investment income	39,190	36,772	86,576	162,538	
Interest expense	(197,959)	(237,200)	(6,647)	(441,806)	
NET NONOPERATING REVENUES AND (EXPENSES)	(158,769)	(200,428)	(90,646)	(449,843)	
NET INCOME (LOSS) BEFORE TRANSFERS:	1,366,043	(185,007)	636,989	1,818,025	(4,501)
TRANSFERS IN			150,000	150,000	
TRANSFERS OUT			(1,203,250)	(1,203,250)	
NET INCOME (LOSS)	1,366,043	(185,007)	(416,261)	764,775	(4,501)
TOTAL NET ASSETS - JULY 1, 2007	36,340,321	47,980,241	9,093,015	93,413,577	173,250
TOTAL NET ASSETS - JUNE 30, 2008	\$ 37,706,364	\$ 47,795,234	\$ 8,676,754	\$ 94,178,352	\$ 168,749

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

CITY OF NEWPORT, RHODE ISLAND

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
	MAJOR FUNDS			TOTALS	INTERNAL SERVICE FUNDS
	WATER FUND	W.P.C. FUND	OTHER ENTERPRISE FUNDS		
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	\$ 9,856,989	\$ 7,710,538	\$ 3,169,500	\$ 20,737,027	\$ 1,646,863
Cash payments to suppliers for goods and services	(2,772,014)	(3,401,013)	(872,415)	(7,045,442)	(1,331,932)
Cash payments to employees for services	(3,584,754)	(194,744)	(1,000,000)	(4,779,498)	(77,543)
Payment of property taxes	(175,827)			(175,827)	
Payment of administrative expense	(594,665)	(873,412)	(237,135)	(1,705,212)	
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	2,729,729	3,241,369	1,059,950	7,031,048	237,388
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Interfund loans and transfers			(1,056,250)	(1,056,250)	
Principal paid on interfund loans and transfers	(500,000)		(86,179)	(586,179)	
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	(500,000)	-	(1,142,429)	(1,642,429)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of capital assets	(3,016,776)	(1,311,645)	(912,068)	(5,240,489)	
Proceeds from borrowing	2,621,628			2,621,628	
Principal paid on bonds, notes and loans	(894,389)	(968,251)		(1,862,640)	
Interest paid on bonds, notes and loans	(197,959)	(246,058)	(6,647)	(450,664)	
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(1,487,496)	(2,525,954)	(918,715)	(4,932,165)	-
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment income	39,190	36,772	86,576	162,538	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	781,423	752,187	(914,618)	618,992	237,388
CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED ASSETS) - JULY 1, 2007	1,816,740	1,559,349	5,721,588	9,097,677	(114,262)
CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED ASSETS) - JUNE 30, 2008	\$ 2,598,163	\$ 2,311,536	\$ 4,806,970	\$ 9,716,669	\$ 123,126
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:					
Operating income (loss)	\$ 1,524,812	\$ 15,421	\$ 557,060	\$ 2,097,293	\$ (4,501)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Loss on Disposal			170,575	170,575	
Depreciation	848,543	2,336,013	203,403	3,387,959	7,195
Changes in assets and liabilities:					
Decrease (Increase) in accounts receivable	810,172	452,417	50,584	1,313,173	
Decrease (Increase) in accounts receivable - other		12,170		12,170	(2,737)
Decrease (Increase) in due from other funds		(91,885)		(91,885)	235,675
Decrease (Increase) in inventory	31,523			31,523	4,546
Decrease (Increase) in prepaid expense		18,537		18,537	
(Decrease) Increase in accounts payable	289,794	498,696	48,542	837,032	(3,973)
(Decrease) Increase in accrued liabilities	36,614		29,786	66,400	1,183
(Decrease) Increase in due to other funds	(952,253)			(952,253)	
(Decrease) Increase net other post employment benefit obligations	140,524			140,524	
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 2,729,729	\$ 3,241,369	\$ 1,059,950	\$ 7,031,048	\$ 237,388
NON CASH TRANSACTIONS:					
Disposal of capital assets	\$ 976,580	\$ 545,755	\$ 501,340	\$ 2,023,675	\$ 15,684
Non-cash capital additions	\$ 322,878			\$ 322,878	

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

CITY OF NEWPORT, RHODE ISLANDSTATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	PENSION AND OTHER POST- EMPLOYMENT BENEFIT TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS	AGENCY FUNDS
ASSETS			
Cash and cash equivalents	\$ 290,770	\$ 14,081	\$ 226,954
Investments, at fair value:			
Fixed Income Mutual Funds	28,087,653	438,056	
Domestic Equity Mutual Funds	36,609,563	588,428	
International Equity Mutual Funds	10,579,784	171,165	
TOTAL INVESTMENTS	75,277,000	1,197,649	-
TOTAL ASSETS	75,567,770	1,211,730	226,954
LIABILITIES			
Cash overdraft	2,206,737	22,381	
Accounts payable	66,392	1,149	
Amounts held in escrow			226,954
TOTAL LIABILITIES	2,273,129	23,530	226,954
NET ASSETS			
Held in trust for pension/OPEB benefits and other purposes	\$ 73,294,641	\$ 1,188,200	\$ -

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

CITY OF NEWPORT, RHODE ISLAND

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	PENSION AND OTHER POST- EMPLOYMENT BENEFITS TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS
ADDITIONS:		
Contributions and other income:		
Employees	\$ 792,762	\$
Employer	12,795,709	
Contributions		11,090
Other income	5,517	
Total contributions and other income	13,593,988	11,090
Investment income (loss):		
Net appreciation (depreciation) in fair value of investments	(11,910,389)	(202,588)
Interest and dividends	7,898,116	139,703
Total investment income (loss)	(4,012,273)	(62,885)
Less investment expenses		4,484
Net investment income (loss)	(4,012,273)	(67,369)
TOTAL ADDITIONS	9,581,715	(56,279)
DEDUCTIONS:		
Benefits	12,810,315	
Administration	271,139	
Awards		39,821
TOTAL DEDUCTIONS	13,081,454	39,821
CHANGES IN NET ASSETS	(3,499,739)	(96,100)
NET ASSETS - JULY 1, 2007	76,794,380	1,284,300
NET ASSETS - JUNE 30, 2008	\$ 73,294,641	\$ 1,188,200

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

CITY OF NEWPORT, RHODE ISLANDNOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

A. Reporting Entity

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

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

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

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

Discretely Presented Component Units**Newport Public Library**

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

Discretely Presented Component Units (Continued)

Redevelopment Agency of Newport

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

B. Government-Wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major enterprise funds are reported in separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

The City reports the following major governmental funds:

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

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

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

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

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

The City reports the following major proprietary funds:

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Additionally, the City reports the following fund types:

The *Special Revenue Funds* account for revenue sources that are legally restricted to expenditures for specific purposes.

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

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

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

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

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

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

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

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

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water fund, the water pollution control fund, the parking fund, the beach fund, and the City's internal service fund are charges to customers for sales and services. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

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

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

Investments

Investments of the City, as well as its component units, are reported at fair value. The City accounts for the carrying value of investments by utilizing the specific identification method. Fair value is determined by the last reported bid price on the last business day of the year. The City participates in a cooperative investment pool that operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Receivables and Payables

a. Interfunds

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

b. Property Taxes and Other Receivables

All property tax receivables, user fees receivables and notes receivable are shown net of an allowance for uncollectible taxes. The property tax receivable allowance at June 30, 2008, is equal to 65% of outstanding property taxes. Other allowances vary depending on the nature of the receivable and the history of collections.

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

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

3. Inventories and Prepaid Items

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

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

4. Restricted Assets

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

The water fund has classified cash on the balance sheet as restricted since, by order of the Rhode Island Public Utilities Commission, it may only be used for debt service, capital, electricity, certain specified retiree/new hire benefits, repayment of a loan to the general fund or chemical expenditures.

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

The value of both governmental and business-type activities infrastructure is fully reported and depreciated as applicable.

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

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

6. Compensated Absences

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

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

6. Compensated Absences (Continued)

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

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

7. Long-Term Obligations

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

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

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

8. Fund Equity and Net Assets

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

9. Comparative Data/Reclassifications

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

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

Bonds payable	\$18,241,388
Claims and judgments	825,911
Compensated absences	8,138,759
Net pension benefit obligation	5,050,684
Net other post-employment benefit obligation	9,062,912
Accrued interest payable	<u>339,933</u>
Net adjustment for long-term liabilities not due and payable in the current period	<u>\$41,659,587</u>

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

Net pension asset	\$ 5,766,000
Deferred property taxes and unearned grant revenue	6,410,574
Allowance for doubtful accounts	(6,417,939)
Property tax and loan interest accrual	<u>3,327,465</u>
Net adjustment for long-term assets not available in the current period	<u>\$ 9,086,100</u>

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

Capital assets as of July 1, 2007, net of accumulated depreciation	\$67,428,256
Capital assets of internal service funds account for in the net assets adjustment for internal service funds	(29,320)
Current year capital outlay	5,086,072
Disposition of assets	(475,907)
Depreciation expense	<u>(1,335,919)</u>
Net adjustment for capital assets	<u>\$70,673,182</u>

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

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

Explanation of certain differences between the statement of revenues, expenditures and changes in fund balances of the governmental funds to the statement of activities for the year ended June 30, 2008.

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

Capital additions for the year ended June 30, 2008	\$ 5,086,072
Depreciation expense, excluding internal service funds	<u>(1,328,724)</u>
Net adjustment for capital outlays	<u>\$ 3,757,348</u>

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

Current year change in compensated absences	\$(693,098)
Current year change in claims and judgments	680,289
Current year change in pension benefit obligation	(73,891)
Current year change in pension asset	104,276
Current year change in OPEB benefit obligation	<u>(2,624,918)</u>
Net adjustment for current year expenses	<u>\$(2,607,342)</u>

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

Principal repayment of debt	\$ 1,187,425
Current year change in interest accrual	<u>(27,066)</u>
Net adjustment for long-term debt	<u>\$ 1,160,359</u>

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

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

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

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

- Budgets are adopted on a legally enacted budgetary basis, which differs from generally accepted accounting principles (GAAP) in that budgetary expenditures for goods and non-employment services are recognized when legally binding orders referred to as encumbrances are placed.
- In addition to limits enforced by the budget ordinance, the City Charter further restricts the incurrence of municipal expenditures or expenses to budgeted revenues at the fund level. The City Manager must periodically review revenues and reduce annual appropriations sufficiently to cover any shortfalls in budgeted revenues.
- Costs of operations for all departments established within the City Charter must be appropriated through an annual budget ordinance. These departments are presented within the General Fund and the School Unrestricted Fund.
- Municipal budgetary control is legally enforced at the department level.
- Appropriation transfers between departments require approval by five of the seven-member Council. Other appropriation increases require both the establishment of a funding source and passage of a budget amendment ordinance. Amendments to the budget during the year totaled \$982,470 from fund balance due to prior year appropriation carryovers.
- Intra-departmental transfers of municipal appropriations may be made with the approval of the City Manager or his designee.
- Unencumbered and unexpended appropriations lapse at fiscal year-end. School budgetary control is legally enforced only at the unrestricted fund level; inter-departmental transfers may be made without School Committee approval.

B. Budgetary-GAAP Reporting Reconciliation

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

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

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

B. Budgetary-GAAP Reporting Reconciliation (Continued)

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

	General Fund	
	Expenditures	Fund Balance
Balance, Budgetary Basis, Exhibit F - June 30, 2008	\$ 47,019,352	\$ 5,974,689
Encumbrances outstanding at June 30, 2007 and liquidated during the year ended June 30, 2008	981,924	
Encumbrances outstanding at June 30, 2008 charged to budgetary expenditures	(860,549)	860,549
Balance, GAAP Basis, Exhibit D - June 30, 2008	<u>\$ 47,140,727</u>	<u>\$ 6,835,238</u>
	School Unrestricted Fund	
	Revenues	Expenditures
Balance, Budgetary Basis, Exhibit G - June 30, 2007	\$ 13,919,423	\$ 35,954,619
Teachers' retirement on-behalf payment	1,508,368	1,508,368
Balance, GAAP Basis, Exhibit D - June 30, 2008	<u>\$ 15,427,791</u>	<u>\$ 37,462,987</u>

C. Excess of Expenditures Over Appropriations

The legal level of control for which expenditures cannot exceed appropriations is at the category level within a department. The table below shows the amounts by which certain departmental expenditures exceeded fiscal year 2008 appropriations (after approved transfers).

Department	Expenditures in Excess of Budget
City Manager	\$ 13,471
Transfers out	373,905

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

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

D. Capital Projects Authorizations

<u>CAPITAL PROJECT</u>	<u>TOTAL PROJECT AUTHORIZATIONS</u>	<u>TOTAL CUMULATIVE EXPENDITURES</u>	<u>BALANCE 6/30/2008</u>
Building, Facilities and Infrastructure Improvements and Renovation Projects	\$ 23,235,526	\$ 4,559,585	\$ 18,675,941
Maritime Fund Improvements	1,067,620	464,984	602,636
Parking Improvements	497,611	244,296	253,315
Easton's Beach Improvements	460,694	335,696	124,998
Water Pollution Control Projects	2,657,813	1,304,526	1,353,287
Water Fund Projects	17,372,351	4,964,927	12,407,424
TOTAL	\$ 45,291,615	\$ 11,874,014	\$ 33,417,601

E. Donor Restricted Endowments

The City has received endowments for various purposes including beautification, elderly care and care for the poor. The amounts are reflected in net assets as restricted for endowments. Investment income is approved for expenditure by either the City Council or the Trust and Investment Commission and is included in unreserved fund balance. The Trust and Investment Commission has approved distributions of 4% of earned investment income, including appreciation, over a rolling 12 quarters. The City Council has approved reimbursement of civic support expenditures. Total distributions were \$264,802 during the year ended June 30, 2008.

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

Cash and Cash Equivalents:

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. Rhode Island Public Laws require that 100% of public deposits in a qualified public depository with maturities greater than sixty (60) days are collateralized with either bank segregated assets, in a trust department or in custodial accounts at a federal reserve bank or federal home loan bank. Further, any institution not meeting certain federally prescribed minimum capital standards must insure deposits or provide collateral regardless of maturities. The City Council further restricts deposits and short-term investments (less than 3 months) to insured or collateralized cash accounts, U.S. Treasuries, debt instruments issued by agencies of the U.S. Government or Certificates of Deposit less than or equal to the amount covered by Federal Deposit Insurance Corporation (FDIC) limits. The City Council also requires that certificates of deposits in excess of FDIC limits and any repurchase agreements are collateralized in amounts of at least 102% of the market value of the deposit. The 2a7 Investment pool is regulated and managed by the State of Rhode Island. At June 30, 2008, the City's deposits are not exposed to custodial risk since most of the above deposits are collateralized at 102% with assets held either in trust or by a third party bank in U.S. Government Agencies (FNMA) or Federal Home Loan Mortgages held in the City's name, and the remaining deposits are insured by FDIC.

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

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

Cash and Cash Equivalents (Continued)

As of June 30, 2008, the City's bank balance of \$19,883,884 was insured and collateralized as follows:

Insured.....	\$ 477,481
Collateralized:	
Collateral held by the pledging bank's trust department in the City's name.....	19,406,403
Total amount subject to custodial credit risk.....	\$19,883,884

Investments

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

At June 30, 2008, the City's investments (including restricted investments) consisted of the following:

TYPE OF INVESTMENT	FAIR VALUE	INVESTMENT MATURITIES (IN YEARS)			
		N/A	LESS THAN 1	1 - 5	OVER 10
Equity Mutual Funds.....	\$ 53,175,828	\$ 53,175,828	\$	\$	\$
Money Market Funds.....	4,438,516		4,438,516		
Certificates of Deposits.....	8,148,960		4,761,000	3,358,960	29,000
U.S. Government Agency Securities.	723,413		723,413		
Fixed Income Mutual Funds.....	31,673,480			31,673,480	
TOTAL.....	\$ 98,160,197	\$ 53,175,828	\$ 9,922,929	\$ 35,032,440	\$ 29,000

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

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

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

Investments (Continued)

Credit Risk – The City Investment Policy requires that at least 90% of investments shall at any time be invested in U.S. Treasury or Agency securities, top grade (AAA, AA and A or those with bond insurance) municipal securities, certificates of deposit backed by collateral consisting of U.S. Treasuries or Agencies or covered by FDIC or FSLIC insurance, and repurchase contracts backed by collateral consisting of U.S. Treasuries or Agencies and delivered to the City or held by an independent third party. The policy also allows for investment in uncollateralized Certificates of Deposit of Rhode Island banks. The policy further restricts investments with a maturity of greater than one year to 10% of total investments or \$2,000,000, whichever is lower. The City currently has \$3,387,960 invested in Certificates of Deposit, which have maturity dates of greater than one year. The State of Rhode Island does not have any pertinent laws on investments that apply to municipalities.

Certificates of Deposit – Certificates of deposit are all insured by FDIC insurance except for \$164,000. The weighted average maturity of all certificates of deposit is 1.069. The City intends to hold all certificates until maturity, although they are subject to interest rate risk in the event that they are sold prior to maturity.

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

<u>AVERAGE RATING</u>	<u>MONEY MARKET MUTUAL FUNDS</u>	<u>U.S. GOVERNMENT AGENCY SECURITIES</u>	<u>FIXED INCOME MUTUAL FUNDS</u>
AAA.....	<u>\$4,438,493</u>	<u>\$ 723,413</u>	<u>\$31,673,480</u>

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

	<u>TOTAL</u>	<u>LESS INSURED AMOUNTS</u>	<u>AMOUNT SUBJECT TO CUSTODIAL CREDIT RISK</u>
U.S. Government Agency Securities.....	<u>\$ 723,413</u>	<u>\$ 500,000</u>	<u>\$ 223,413</u>

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

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

Fiduciary and Permanent Funds

The City Council and Charter grant authority to a five-member Trust and Investment Commission (Commission) to manage fiduciary fund assets. The members are appointed by the City Council. The fiduciary funds include the police pension plan assets, the fire pension plan assets, the OPEB Trust assets, trust assets and scholarship assets. A separate investment policy exists as these assets are invested for long-term growth and/or to meet specific funding targets. The policy identifies the asset allocation plan and objectives developed by the Commission. The absolute objectives are to achieve growth in the principal value of assets while maintaining a level of stability and liquidity sufficient to ensure the timely payment of obligations, and to achieve the target rate of return as defined by the actuarial rate of return, currently 8.25% for pension and trust investments and 7.5% for OPEB trust investments per year net of investment expenses, over a full market cycle defined as 5 to 7 years. The policy is used to inform investment managers, consultants and custodians of the Commission's goals, objectives, and restrictions. The policy is also designed to identify and mitigate performance risk. Investments are not restricted to any particular type of investment. The investment managers are held to certain performance standards as compared to an appropriate national index. The current asset allocation plan sets minimum, maximum and target percentages of assets. Equity Large Cap is targeted at 20% of total assets, Fixed Income is targeted at 35%, International Equity at 15%, Equity Mid Cap at 15% and Equity Small Cap at 10%. The Large Cap Value and Large Cap Growth performances are benchmarked against the Russell 1000 Value and Russell 1000 Growth, respectively. The Mid Cap performance is benchmarked against the Russell Mid Cap Index. The Small Cap is compared to the Russell 2000 Growth, the International Equity to the MSCI EAFE and the Fixed Income to the Lehman Brothers Aggregate. Further, the Commission instructs managers to invest the equity portion of the portfolio so as to prevent the returns from underperforming the equity index in any three consecutive quarters. At this point in time, all of the funds are invested in mutual funds or collective trusts. In that case, the managers are subject to the mutual fund prospectus. The assets are rebalanced quarterly as needed.

Fiduciary and Permanent Fund Investments included in the financial statements as of June 30, 2008 totaled \$84,796,895.

Component Units

Cash and Cash Equivalents

Library

The Library assumes levels of custodial credit risk for its cash deposits and cash equivalents. Custodial credit risk is the risk that, in the event of a bank failure, the Library's deposits may not be returned to it. Cash deposits and cash equivalents are exposed to credit risk if they are not covered by depository insurance and the deposits are a) uncollateralized, b) collateralized with securities held by the pledging financial institution, or c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the Library's name. The Library does not have a deposit policy for custodial risk. At June 30, 2008, \$168,040 of the Library's bank balances of \$473,029 was uninsured and uncollateralized.

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

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

Component Units (Continued)

Redevelopment Agency of Newport

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

Investments

Library

At June 30, 2008, the Library's investments consist of the following:

TYPE OF INVESTMENT	INVESTMENT MATURITIES (IN YEARS)			
	FAIR VALUE	N/A	LESS THAN 1	1-5 YEARS
Money Market Funds.....	\$ 6,488	\$	\$ 6,488	\$
Equity Mutual Funds.....	314,360	314,360		
Certificates of Deposit.....	149,056		149,056	
TOTAL.....	\$ 469,904	\$ 314,360	\$ 155,544	\$ -

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment in a debt instrument. The Library does not have a policy with respect to interest rate risk.

Credit Risk – The Library's Board of Directors restricts both the type and maturity of instruments in which Library assets may be invested. Acceptable investments include certificates of deposit, debt instruments issued by the U.S. Treasury and agencies of the federal government, or high-grade municipal securities.

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

AVERAGE RATING	MONEY MARKET MUTUAL FUND
AA.....	\$ 6,488

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

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

Component Units (Continued)

Library (Continued)

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

	TOTAL	LESS INSURED AMOUNTS	AMOUNT SUBJECT TO CUSTODIAL CREDIT RISK
Certificates of Deposit.....	\$ 149,056	\$ 120,055	\$ 129,001

B. Receivables

At June 30, 2008, receivables, including the applicable allowances for doubtful accounts, are as follows:

Governmental Activities

	GENERAL	CDBG FUND	OTHER GOVERN- MENTAL FUNDS	TOTAL
Taxes	\$ 3,130,577	\$	\$	\$ 3,130,577
Intergovernmental		50,760	1,174,782	1,225,542
Interest	2,742,450	499,849	85,166	3,327,465
Other	810,892		494,617	1,305,509
Notes/loans		2,800,800	587,942	3,388,742
	6,683,919	3,351,409	2,342,507	12,377,835
Less allowance for doubtful accounts	(4,135,156)	(2,154,088)	(128,695)	(6,417,939)
	2,548,763	1,197,321	2,213,812	5,959,896
Less current portion	2,548,763	406,599	1,973,236	4,928,598
Net long-term portion	\$ -	\$ 790,722	\$ 240,576	\$ 1,031,298

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

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Receivables (Continued)

Business-type Activities

	WATER FUND	W.P.C. FUND	OTHER ENTERPRISE FUNDS	TOTAL
User fees	\$ 1,426,479	\$ 1,486,965	\$ 3,871	\$ 2,917,315
Less allowance for doubtful accounts	(225,000)	(150,000)		(375,000)
Net receivables	1,201,479	1,336,965	3,871	2,542,315
Other		40		40
Net receivables	<u>\$ 1,201,479</u>	<u>\$ 1,337,005</u>	<u>\$ 3,871</u>	<u>\$ 2,542,355</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

DEFERRED REVENUE:

Delinquent property taxes receivable (general fund)	\$ 2,183,245
Loan receivable not yet earned (special revenue fund)	4,051,148
Grant receivable not yet collected (special revenue fund)	116,885
Grant receivable not yet collected (capital project fund)	59,296

UNEARNED REVENUE:

Grant drawdowns prior to meeting all eligibility requirements (special revenue fund)	<u>49,660</u>
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TOTAL UNEARNED REVENUE FOR GOVERNMENTAL FUNDS \$ 6,460,234

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

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

	BALANCE JULY 1, 2007	INCREASES	DECREASES	BALANCE JUNE 30, 2008
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 3,999,605	\$	\$	\$ 3,999,605
Construction in progress	1,042,372	182,352	209,318	1,015,406
Total capital assets not being depreciated	5,041,977	182,352	209,318	5,015,011
Capital assets being depreciated:				
Buildings and structures	39,811,921	1,524,139	53,089	41,282,971
Machinery and equipment	5,579,896	1,299,868	1,579,849	5,299,915
Vehicles	6,608,105	788,459	530,654	6,865,910
Infrastructure	36,212,690	1,500,572		37,713,262
Total capital assets being depreciated	88,212,612	5,113,038	2,163,592	91,162,058
Total capital assets	93,254,589	5,295,390	2,372,910	96,177,069
Less accumulated depreciation:				
Buildings and structures	10,008,087	234,694	17,252	10,225,529
Machinery and equipment	3,162,514	368,610	1,195,613	2,335,511
Vehicles	3,769,458	443,731	474,820	3,738,369
Infrastructure	8,886,274	288,884		9,175,158
Total accumulated depreciation	25,826,333	1,335,919	1,687,685	25,474,567
Total capital assets being depreciated, net	62,386,279	3,777,119	475,907	65,687,491
Governmental activities capital assets, net	\$ 67,428,256	\$ 3,959,471	\$ 685,225	\$ 70,702,502

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

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets (Continued)

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

Governmental Activities:

General government	\$ 119,909
General education	626,783
Public safety	415,183
Public health	48,396
Planning, zoning and development	104,697
Human services	414
Recreation	13,342
Capital assets held by the City's internal service fund are charged to various functions based on usage of the assets	<u>7,195</u>
	<u>\$ 1,335,919</u>

	BALANCE JULY 1, 2007	INCREASES	DECREASES	BALANCE JUNE 30, 2008
<u>Business-Type Activities</u>				
Capital assets not being depreciated:				
Land and land improvements	\$ 6,379,224	\$ 159,275	\$ 445,710	\$ 6,092,789
Construction in progress	<u>2,640,524</u>	<u>3,731,911</u>	<u>137,773</u>	<u>6,234,662</u>
Total capital assets not being depreciated	<u>9,019,748</u>	<u>3,891,186</u>	<u>583,483</u>	<u>12,327,451</u>
Capital assets being depreciated:				
Buildings and systems	158,671,291	1,950,622	544,537	160,077,376
Machinery and equipment	5,524,990	89,589	811,386	4,803,193
Vehicles	<u>373,603</u>	<u></u>	<u>84,269</u>	<u>289,334</u>
Total capital assets being depreciated	<u>164,569,884</u>	<u>2,040,211</u>	<u>1,440,192</u>	<u>165,169,903</u>
Total capital assets	<u>173,589,632</u>	<u>5,931,397</u>	<u>2,023,675</u>	<u>177,499,354</u>
Less accumulated depreciation:				
Buildings and systems	65,021,382	3,300,310	432,933	67,888,759
Machinery and equipment	4,345,571	85,587	645,928	3,785,230
Vehicles	<u>373,603</u>	<u>2,062</u>	<u>86,331</u>	<u>289,334</u>
Total accumulated depreciation	<u>69,740,556</u>	<u>3,387,959</u>	<u>1,165,192</u>	<u>71,963,323</u>
Total capital assets being depreciated, net	<u>94,829,328</u>	<u>(1,347,748)</u>	<u>275,000</u>	<u>93,206,580</u>
Net capital assets, business-type activities	<u>\$103,849,076</u>	<u>\$ 2,543,438</u>	<u>\$ 858,483</u>	<u>\$105,534,031</u>

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

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets (Continued)

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

Water	\$ 848,543
Water pollution control	2,366,013
Maritime	7,864
Easton's Beach	82,925
Parking	<u>112,614</u>
	<u>\$ 3,387,959</u>

Discretely Presented Component Units

Activity for the Newport Public Library for the year ended June 30, 2008 was as follows:

	BALANCE JULY 1, 2007	INCREASES	DECREASES	BALANCE JUNE 30, 2008
Capital assets being depreciated:				
Buildings	\$ 7,735,266	\$ 44,602		\$ 7,779,868
Improvements other than buildings	378,411			378,411
Furniture, fixtures and equipment	854,546	11,047		865,593
Total capital assets being depreciated	<u>8,968,223</u>	<u>55,649</u>	-	<u>9,023,872</u>
Less accumulated depreciation:				
Buildings	2,272,717	239,962		2,512,679
Improvements other than buildings	125,454	18,920		144,374
Furniture, fixtures and equipment	659,998	62,016		722,014
Total accumulated depreciation	<u>3,058,169</u>	<u>320,898</u>	-	<u>3,379,067</u>
Net capital assets, business-type activities	<u>\$ 5,910,054</u>	<u>\$ (265,249)</u>	-	<u>\$ 5,644,805</u>

Capital asset activity for the Newport Redevelopment Agency for the year ended June 30, 2008 was as follows:

	BALANCE JULY 1, 2007	INCREASES	DECREASES	BALANCE JUNE 30, 2008
Capital assets being depreciated:				
Buildings	\$ 620,610	\$	\$	\$ 620,610
Less accumulated depreciation	<u>153,527</u>	<u>10,155</u>		<u>163,682</u>
Net capital assets, Redevelopment Age	<u>\$ 467,083</u>	<u>\$ 10,155</u>	-	<u>\$ 456,928</u>

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

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Interfund Accounts

1. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2008 is as follows:

	CORRESPONDING FUND	DUE FROM	DUE TO	DESCRIPTION
Major Funds				
General Fund				
	Water Fund	\$ 44,150	\$	Legal and admin costs
	Water Fund	746,413		Payroll and benefit costs
	Nonmajor Governmental Fund		113,750	Library parking lot
	Total	<u>790,563</u>	<u>113,750</u>	
Water Fund				
	Water Pollution Control		129,797	Sludge charges
	General Fund		790,563	Payroll and admin costs
	Internal service Fund		28,800	Maintenance charges
	Total	<u>-</u>	<u>949,160</u>	
Water Pollution Control Fund				
	Water Fund	129,797		Sludge charges
Nonmajor Funds				
UDAG Fund				
	General Fund	113,750		Library parking lot project
Internal Service Fund				
	General and Water Funds	28,800		Maintenance charges
Total		<u>\$1,062,910</u>	<u>\$1,062,910</u>	

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

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

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Interfund Accounts (Continued)

2. Advances

ADVANCE FROM:	CORRESPONDING FUND	AMOUNT	DESCRIPTION
<u>Nonmajor Funds</u>			
Property Acquisition	Water Pollution Control	\$ 500,000	Loan for CSO Improvements
Parking Fund	Easton's Beach Fund	320,000	Loan for beach equipment
Urban Development	Easton's Beach Fund	<u>151,270</u>	Loans for beach repairs/activities
Total advances to other funds		<u>\$ 971,270</u>	

The Urban Development Grant Fund (UDAG) loaned the City of Newport \$1,000,000 for Easton's Beach renovations in July 1994, which amount is recorded as a liability in the Easton's Beach Fund, a nonmajor proprietary fund. The note is a 15-year note bearing interest at 4.0%. The balance due at June 30, 2008 is \$107,962. The UDAG fund loaned the City of Newport \$51,876 to remove seaweed from Easton's Beach. The note is a 15-year note bearing interest at 1.0%. The balance due at June 30, 2008 is \$43,307. The Parking Fund loaned the Easton's Beach fund \$320,000 for the purchase of a seaweed harvester. The note is a 10-year note bearing interest at 1.0%. Repayment of principal and interest begins on December 31, 2008.

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

<u>Year ending June 30,</u>	<u>Beach Renovations Principal</u>	<u>Beach Seaweed Principal</u>	<u>Beach Equipment Principal</u>	<u>Combined Principal</u>	<u>Interest</u>
2009	\$ 85,938	\$ 3,414	\$ 30,580	\$ 119,932	\$ 6,910
2010	22,024	3,448	30,887	56,359	3,308
2011		3,483	31,197	34,680	2,963
2012		3,517	31,511	35,028	2,298
2013		3,553	31,827	35,380	1,944
2014 - 2018		18,308	163,998	182,306	4,524
2019 - 2020		<u>7,585</u>		<u>7,585</u>	<u>114</u>
	<u>\$ 107,962</u>	<u>\$ 43,308</u>	<u>\$ 320,000</u>	<u>\$ 471,270</u>	<u>\$ 22,061</u>

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

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Interfund Accounts (Continued)

2. Advances (Continued)

The Property Acquisition Fund loaned the Water Pollution Control Fund \$500,000 for combined sewer overflow (CSO) improvements. The note is a 10-year note bearing interest of 1.0%. Repayment of principal and interest begins on December 31, 2008. The following schedule details amounts to be paid per year on the note:

<u>Year ending June 30,</u>	<u>CSO Principal</u>	<u>CSO Interest</u>
2009	\$ 45,515	\$ 7,553
2010	48,503	4,566
2011	48,990	4,078
2012	49,482	3,586
2013	49,979	3,089
2014 - 2018	257,531	7,814
	<u>\$ 500,000</u>	<u>\$ 30,686</u>

3. Transfers

A summary of interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfers To:</u>		<u>Transfers From:</u>
<u>Governmental Funds:</u>		
General Fund	\$ 159,468	Capital Projects Fund
School Unrestricted Fund	23,317,893	General Fund
Capital Projects Fund	2,680,795	General Fund
Capital Projects Fund	883,250	Parking Operations Fund
Capital Projects Fund	320,000	Easton's Beach Fund
School Restricted Fund	365,000	General Fund
School Restricted Fund	67,572	Capital Projects Fund
Debt Service Fund	133,110	General Fund
UDAG Fund	500,000	Capital Projects Fund
 <u>Business-type Funds:</u>		
Easton's Beach Fund	<u>150,000</u>	General Fund
 TOTAL	 <u>\$ 28,577,088</u>	

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

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

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Changes in Long-Term Obligations

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

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds are generally issued as 20-year serial bonds. Revenue bonds are obligations that pledge the revenues derived from the use of services in that particular fund. These are issued for business-type activities and are generally collateralized by the asset under construction or renovation. The bonds are usually issued as 20-year bonds. The QZAB bond is a 12-year bond, which is supported by annual sinking fund payments to a third-party escrow agent. Changes in bonded debt outstanding during fiscal year 2008 are summarized on the next page as follows:

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

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Changes in Long-Term Obligations (Continued)

	Date Issued	Maturity Date	Interest Rate (%)	Outstanding July 1, 2007	Additions	Retired	Outstanding June 30, 2008	Interest Expense
Governmental Activities:								
Thompson Middle School/ Library	2001	2021	3.50 to 5.00	\$ 15,625,000	\$	\$ 750,000	\$ 14,875,000	\$ 700,712
Thompson School QZAB	2001	2013	N/A	1,863,536			1,863,536	
Series A Refunding Bonds	2004	2011	2.00 to 4.00	506,751		170,261	336,490	14,638
Series B Refunding Bonds	2004	2012	2.00 to 3.50	1,433,526		267,164	1,166,362	40,307
Total Governmental Activities				\$ 19,428,813	\$ -	\$ 1,187,425	\$ 18,241,388	\$ 755,657
Business-type Activities:								
Sewer Improvements - SRF	2002	2023	1.9	\$ 11,020,041	\$	\$ 535,890	\$ 10,484,151	\$ 198,015
Series A Refunding Bonds	2004	2011	2.00 to 4.00	1,171,451		388,186	783,265	32,039
Total Water Pollution Control Fund				12,191,492	-	924,076	11,267,416	230,054
Series A Refunding Bonds	2004	2011	2.00 to 4.00	864,745		286,553	578,192	19,712
Series B Refunding Bonds	2004	2012	2.00 to 3.50	3,275,368		607,836	2,667,532	83,713
Water Improvements - SRF	2007	2027	3.28 - 3.72	1,231,211	1,679,097		2,910,308	84,947
Water Improvements - SRF	2008	2029	2.08 - 3.63		942,531		942,531	9,587
Total Water Fund				5,371,324	2,621,628	894,389	7,098,563	197,959
Total Business-type Activities				\$ 17,562,816	\$ 2,621,628	\$ 1,818,465	\$ 18,365,979	\$ 428,013

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

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

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Changes in Long-Term Obligations (Continued)

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

The City has \$3,000,000 of State Revolving Fund (SRF) revenue bonds issued in March 2007, and \$5,900,000 of SRF revenue bonds issued in June 2008 available to fund water improvements. Amounts of \$2,910,308 and \$942,531 have been drawn down as of June 30, 2008, respectively. The amounts drawn down include \$645,807 of debt service reserve, which is held in trust by Wells Fargo Bank. The stated interest rates on the issues range from 3.71% to 4.30% plus a .5% fee; however, due to interest subsidies, the City's effective rate is 2.08% to 3.63% plus the .5% fee.

The City has a \$2,337,000 General Obligation Qualified Zone Academy Bond, Series 2001 dated December 14, 2001, due December 14, 2015, which was used to help finance the construction of Thompson Middle School. The bond may not be prepaid prior to the maturity date. The City is required to make annual sinking fund installments of \$133,110 with the trustee, which will be invested with the bank (purchaser of the bond). The total amount to be deposited into the sinking fund is \$1,863,536. The City is responsible for ensuring that the entire \$2,337,000 is repaid. Therefore, if the sinking fund payments plus investment earnings are insufficient to cover the \$2,337,000, the City will be responsible for the balance due. Current fair market value of the sinking fund is \$878,998, which amount is reported in the debt service fund, a nonmajor governmental fund.

Bonded indebtedness on June 30, 2008 matures over fiscal years through 2030 as follows:

Year ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2009	\$ 1,224,266	\$ 746,188	\$ 1,901,056	\$ 477,510
2010	1,237,114	700,635	1,885,207	519,155
2011	1,138,436	652,467	1,569,417	511,542
2012	1,141,211	607,491	1,491,885	483,076
2013	1,111,825	563,039	1,354,978	445,316
2014-2018	7,213,536	2,023,638	406,594	1,824,515
2019-2023	5,175,000	531,032	6,321,535	1,105,312
2024-2028			2,714,000	473,719
2029-2030			721,307	
	<u>\$ 18,241,388</u>	<u>\$ 5,824,490</u>	<u>\$ 18,365,979</u>	<u>\$ 5,840,145</u>

Debt authorized by the City Council and voters, where applicable, and not yet issued at June 30, 2008 is as follows:

Road Improvement Bonds – Capital Projects Fund	\$ 12,000,000
Easton's Moat and Dam Repairs – Water Fund	6,650,000
Water System Improvements	2,352,000

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

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Notes Payable

1. Business-type Activities

In October 2005, the City Water Pollution Control Fund borrowed \$210,000 from Earthtech to provide fire alarm system upgrades required by the Rhode Island State Fire Code. The note is to be repaid over 5 years at an interest rate of 8.0%. The balance of the note at June 30, 2008 is \$104,895.

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 40,478	\$ 6,361
2010	47,666	3,431
2011	16,751	280
	<u>\$ 104,895</u>	<u>\$ 10,072</u>

Component Units

2. Library

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

<u>Business-type activities:</u>	<u>BALANCE</u>			<u>BALANCE</u>	<u>DUE WITHIN</u>
	<u>JULY 1, 2007</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>JUNE 30, 2008</u>	<u>ONE YEAR</u>
Notes payable	\$ 122,500	\$	\$ 8,750	\$ 113,750	\$ 8,750
Compensated Absences	215,708	16,778	8,122	224,364	
	<u>\$ 338,208</u>	<u>\$ 16,778</u>	<u>\$ 16,872</u>	<u>\$ 338,114</u>	<u>\$ 8,750</u>

3. Redevelopment Agency

In 1984, the Redevelopment Agency of Newport, a component unit, purchased a vacant building in an area of the City designed for redevelopment. As part of the financing for this purchase, the State of Rhode Island loaned the Redevelopment Agency \$200,000. The underlying note bears no stated interest rate or maturity and is secured with a mortgage on the building. As of June 30, 2008, \$200,000 was payable. The note is required to be paid only upon the sale of the building.

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

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Changes in Long-Term Liabilities:

Long-term liability activity for the year ended June 30, 2008 was as follows:

	BALANCE JULY 1, 2007	ADDITIONS	REDUCTIONS	BALANCE JUNE 30, 2008	DUE WITHIN ONE YEAR
Governmental activities:					
Bonds payable	\$ 19,428,813	\$	\$ 1,187,425	\$18,241,388	\$ 1,224,266
Claims and judgments	1,506,200		680,289	825,911	352,232
Compensated absences	7,445,661	2,965,605	2,272,507	8,138,759	2,300,000
Net pension obligation	4,976,793	73,891		5,050,684	-
Net OPEB obligation	6,437,994	2,624,918		9,062,912	-
TOTAL	\$ 39,795,461	\$ 5,664,414	\$ 4,140,221	\$41,319,654	\$ 3,876,498
Business-type activities:					
Bonds payable	\$ 17,562,816	\$ 2,621,628	\$ 1,818,465	\$18,365,979	\$ 1,901,056
Notes payable	149,070	-	44,175	104,895	40,478
Net OPEB obligation	318,370	140,524	-	458,894	-
TOTAL	\$ 18,030,256	\$ 2,762,152	\$ 1,862,640	\$18,929,768	\$ 1,941,534

H. Operating Leases

The City leases certain office equipment under multi-year agreements that are subject to annual appropriation. Additionally, the Water Fund assesses the General Fund an annual lease charge of \$434,250 for providing a public fire protection system owned by the Water Fund pursuant to tariffs mandated by the Rhode Island Public Utilities Commission. For the year ended June 30, 2008, the General Fund incurred expenditures of \$434,250 associated with these agreements. The minimum annual lease obligations of the General Fund related to these agreements are \$434,250 until such time as the Rhode Island Public Utilities Commission approves a rate change.

I. Statutory Debt Limitations

Rhode Island General Laws cap the amount of each municipality's general obligation bonds that may be outstanding to 3% of its assessed property values. Exceptions apply to bonds financed from non-tax revenues and special exemptions are granted for other purposes as well. The assessed value of Newport properties at December 31, 2006 was \$6,134,949,078, limiting the amount of non-excepted general obligation bonds outstanding to \$184,048,472. Bonds of \$18,241,388 outstanding at June 30, 2008 are general obligations and subject to the statutory limitation.

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

V. **OTHER INFORMATION (CONTINUED)**

A. **Risk Management**

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

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

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

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

Fully Self-insured:

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

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

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

V. OTHER INFORMATION (CONTINUED)

B. Pension Plans

All eligible employees of the City are covered by one of four pension plans, the Employees' Retirement System of the State of Rhode Island (Teachers' Plan), the Municipal Employees' Retirement System of the State of Rhode Island (Municipal Plan), the Firemen's Pension Plan and the Policemen's Pension Plan. The Teachers' Plan covers all School Department personnel certified by the Rhode Island Department of Education who are or have been engaged in teaching as a principal occupation. The Municipal Plan covers all employees not covered under the Teachers' Plan. However, fire employees and police officers have elected to participate in a single-employer pension plan administered by the City. The Firemen's Pension Plan and Policemen's Pension Plan cover all employees covered under a collective bargaining agreement either with the International Association of Firefighters, Local 1080 or the Fraternal Order of Police, Lodge Number 8. Total covered payroll under all plans during 2008 was \$37,635,370. Total City payroll was \$46,742,796 for the same period.

1. Teachers' Plan

a. Plan Description

The Teachers' Plan is a statutory, mandatory, statewide, cost-sharing multiple employer public employee retirement system administered by the State. Financial statements for the plan are issued separately and may be obtained by writing to the Employees' Retirement System of Rhode Island, 40 Fountain Street, Providence, Rhode Island, 02903 or by calling (401) 222-2203. Total covered payroll under the plan during 2008 was \$16,815,702, including \$1,353,887 of federally reimbursed payroll.

b. Plan Provisions

Participants' rights to pension benefits become fully vested after 10 years of service. Participants vested by July 1, 2005, are eligible to retire after 10 years of service if they have attained age 60, or after 28 years of service regardless of age. Participants vested after July 1, 2005, are eligible to retire after 10 years of service if they have attained age 65, or at age 59 with 29 years of service. Benefits for those vested by July 1, 2005, are equal to 1.7% of final average salary for each of the first 10 years of service, 1.9% for each of the next 10 years, 3% for each of the next 14 years thereafter, and 2% for the 35th year, resulting in a maximum benefit of 80% of final average salary. Benefits for those vested after July 1, 2005, are equal to 1.6% of final average salary for each of the first 10 years of service, 1.8% for each of the next ten years, 2% for each of the next 5 years and 2.25% of the next 5 years and 2.5% for years 31-37, resulting in a maximum benefit of 75% of the final average salary. Final average salary is computed using the highest three consecutive years of base earnings. Retirees' benefits are subject to a 3% compounded annual cost of living increase, commencing on the January 1st following the third anniversary of an employee's retirement, if vested before July 1, 2005. For those retirees vested after July 1, 2005, a cost of living increase, which is the lesser of 3%, or the Consumer Price Index for all Urban Consumers as of September 30 of the prior calendar year compounded annually, will be applied beginning the month after the third anniversary of the retirement date. The plan also provides pre-retirement benefits at a minimum of 17% of salary for non-occupational disabilities after 5 years of service, and at 67% of salary for occupational disabilities regardless of years of service. Surviving spouses are also eligible for both pre- and post-retirement death benefits with minimum amounts established under varying circumstances.

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

V. OTHER INFORMATION (CONTINUED)

B. Pension Plans (Continued)

1. Teachers' Plan (Continued)

c. Funding Policy

Rhode Island general laws set the contribution rates of participating employees at 9.5% of salary. Annual required contributions by both employers and the State on behalf of those employees are determined by actuaries and assessed as a percentage of participants' payroll. The required contributions include (a) normal costs; (b) payments to amortize the unfunded frozen actuarial accrued liability as of July 1, 1985 over 30 years; and (c) interest on the unfunded frozen actuarial liability. Normal cost is determined using the entry age normal cost method with frozen initial liability. The City participates in the optional Teachers Survivor Benefits Fund whereby both the employer and the employee contribute 1% of the first \$9,600 of each participating employee's salary for survival benefits.

As prescribed by Rhode Island general law, the State pays the entire portion of the annual required contribution attributable to the costs of contributions deferred by the State in prior years, plus 40% of contributions assessed to employers on payroll not reimbursable through federal programs. For fiscal year 2008, actuarial required contributions were 22.01% of participants' salary (also 22.01% for federally reimbursed salary). This resulted in a contribution rate paid by the State on behalf of City teachers of 8.97%. The City's contribution rate was 13.04%. The City's required and actual contributions to the Teachers' Plan for fiscal years 2008, 2007 and 2006 were \$1,583,854, \$1,544,546, and \$1,566,716, respectively.

2. Municipal Plan

a. Plan Description

The Municipal Plan is an agent multiple employer public employee retirement system administered by the State. Financial statements for the plan are issued separately and may be obtained by writing to the Employees' Retirement System, 40 Fountain Street, Providence, Rhode Island, 02903-1854 or by calling (401) 222-2203. For fiscal year 2008, payroll for employees covered under the plan totaled \$13,777,635.

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

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

As of June 30, 2008, 289 active employees were members of the Municipal Plan.

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

V. OTHER INFORMATION (CONTINUED)

B. Pension Plans (Continued)

2. Municipal Plan (continued)

b. Funding policy

Rhode Island general laws set contributions of participating employees at 6% of salary. An additional 1% of salary is assessed to employees under the optional cost-of-living provision. Annual required contributions are actuarially determined for each separate employer and are assessed to each as a percentage of their participating employees' payroll. The annual required contribution covers normal costs and, where applicable, a payment to amortize the unfunded actuarial accrued liability as of July 1, 1988, over a closed period of 25 years (or over 25 from date joined if after July 1, 1988). Normal cost is determined using the entry age normal cost method. Unlike in the Teachers' Plan, the State makes no contributions to the Municipal Plan on behalf of the City, nor does it assume any liability for funding pension benefits for the City's participants.

c. Annual Pension Costs and Net Pension Obligations

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Annual Pension Costs	\$ 2,216,155	\$ 1,972,222	\$ 1,629,038
Actual Contributions:			
Employee	764,520	765,347	712,884
Employer	1,451,635	1,206,875	916,154
Percent of annual pension costs contributed	100%	100%	100%

d. Actuarial Methods and Significant Assumptions

The State used the entry age normal method to determine both the actuarial accrued liabilities and annual required contributions to each member of the plan. Pension assets are valued at their fair value as established by quotations from applicable national securities exchanges. Valuations of accrued liabilities, pension assets, and annual required contributions for the Municipal Plan are performed annually as of June 30.

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

Asset appreciation:	8.25% annually
Salary increases:	3.00% annually
Cost of living adjustments:	3.00%, not compounded

Retirement probability:
 100% at age 70 or upon eligibility (100% at age 60 or upon eligibility - police)

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

V. **OTHER INFORMATION (CONTINUED)**

B. **Pension Plans (Continued)**

2. **Municipal Plan (Continued)**

Mortality:

Healthy members – 1994 Group Annuity Mortality Table

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

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

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

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

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

1. **Basis of Accounting**

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

2. **Valuation of Investments**

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

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

V. OTHER INFORMATION (CONTINUED)

B. Pension Plans (Continued)

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

b. Plan Descriptions and Contribution Information

As of June 30, 2008, membership in each plan was as follows:

	<u>Fire Plan</u>	<u>Police Plan</u>
Active employees hired before July 1, 1984	11	9
Active employees hired on or after July 1, 1984	<u>84</u>	<u>77</u>
Total active employees	95	86
Inactive employees with vested rights	1	-
Pensioners and beneficiaries	<u>110</u>	<u>111</u>
Total plan members	<u>206</u>	<u>197</u>

Each plan is a single-employer defined benefit pension plan which provides retirement, disability and death benefits to its participants. For fiscal year 2008, covered payroll under the plans was \$5,294,240 and \$4,979,082 for the fire and police plans, respectively. Rights to pension benefits become fully vested for fire and police participants after 10 years of service. Police are eligible to retire after 20 years of service, and firemen are eligible to retire after 25 years of service. Police benefits are equal to 50% of salary with an additional 2.5% for each year of service after 20 years and up to 25 years of service, with the total benefit not to exceed 62.5% of salary. Police retirees who work more than 25 years are entitled to an additional 1.5%, with the total benefit not to exceed 70% of salary. The fire pension plan entitles retirees to benefits equal to 65% of salary for those who retire at 25 years. The percentage increases by 1% per year until the maximum of 70% of salary is attained. An additional \$100 per year can be earned for each year of service in excess of 25, to a maximum of \$1,000 per year.

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

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

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

V. OTHER INFORMATION (CONTINUED)

B. Pension Plans (Continued)

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

b. Plan Descriptions and Contribution Information (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.

c. Financial Information

STATEMENT OF FIDUCIARY NET ASSETS
 JUNE 30, 2008

	POLICE PENSION FUND	FIRE PENSION FUND
ASSETS		
Cash and investments	\$ 41,685,863	\$ 29,417,512
LIABILITIES		
Cash overdraft and accounts payable	1,824,465	446,231
NET ASSETS		
Net assets held in trust for pension benefits	<u>\$ 39,861,398</u>	<u>\$ 28,971,281</u>

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2008

	POLICE PENSION FUND	FIRE PENSION FUND
ADDITIONS		
Contributions and other income	\$ 2,675,207	\$ 3,686,355
Investment income (loss), net of investment expenses	<u>(2,287,071)</u>	<u>(1,615,971)</u>
TOTAL ADDITIONS	<u>388,136</u>	<u>2,070,384</u>
DEDUCTIONS		
Benefits	3,595,520	4,379,183
Administration	<u>154,619</u>	<u>109,065</u>
TOTAL DEDUCTIONS	<u>3,750,139</u>	<u>4,488,248</u>
CHANGES IN NET ASSETS	(3,362,003)	(2,417,864)
NET ASSETS - JULY 1, 2007	<u>43,223,401</u>	<u>31,389,145</u>
NET ASSETS - JUNE 30, 2008	<u>\$ 39,861,398</u>	<u>\$ 28,971,281</u>

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

V. OTHER INFORMATION (CONTINUED)

B. Pension Plans (Continued)

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

d. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2007 (the date of the most recent actuarial valuation) was as follows:

ACTUARIAL VALUATION DATE	(A) ACTUARIAL VALUE OF ASSETS	(B) ACTUARIALLY ACCRUED LIABILITY (AAL) PROJECTED UNIT CREDIT	(A-B) UNDER FUNDED AAL	(A/B) FUNDED AAL RATIO	(C) COVERED PAYROLL	[(A-B)/C] UNDER FUNDED AAL AS A PERCENTAGE OF COVERED PAYROLL
<u>FIRE PLAN</u>						
July 1, 2007	\$31,256,401	\$72,036,981	\$40,780,580	43.4%	\$4,960,132	822.2%
<u>POLICE PLAN</u>						
July 1, 2007	\$44,288,895	\$70,038,232	\$25,749,337	63.2%	\$5,047,477	510.1%

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

e. Annual Pension Costs and Net Pension Obligations

Separate actuarial valuations for each plan were performed as of July 1, 2007. The following table summarizes annual pension costs for both the Police Plan and Fire Plan:

	<u>Fire Plan</u>	<u>Police Plan</u>
Annual required contribution (ARC)	\$ 3,291,226	\$ 2,272,177
Amount representing interest on NPO	410,585	(475,695)
Adjustment to ARC	(336,686)	(371,291)
Total annual pension costs	<u>\$ 3,365,125</u>	<u>\$ 2,167,773</u>

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

V. **OTHER INFORMATION (CONTINUED)**

B. **Pension Plans (Continued)**

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

e. **Annual Pension Costs and Net Pension Obligations (Continued)**

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

	Fire Plan		
	2008	2007	2006
Annual pension costs	\$ 3,365,125	\$ 3,428,268	\$ 3,624,432
Actual contributions	3,291,234	3,543,234	3,543,235
Increase (decrease) in NPO	73,891	(114,966)	81,197
Net pension obligation, beginning	4,976,793	5,091,759	5,010,562
Net pension obligation, ending	<u>\$ 5,050,684</u>	<u>\$ 4,976,793</u>	<u>\$ 5,091,759</u>
% of annual pension costs contributed	<u>97.8%</u>	<u>103.4%</u>	<u>97.8%</u>
	Police Plan		
	2008	2007	2006
Annual pension costs	\$ 2,167,773	\$ 2,284,421	\$ 2,333,367
Actual contributions	2,272,049	2,440,649	2,440,649
Increase in NPA	(104,276)	(156,228)	(107,282)
Net pension asset, July 1	(5,766,000)	(5,609,772)	(5,502,490)
Net pension asset, June 30	<u>\$ (5,870,276)</u>	<u>\$ (5,766,000)</u>	<u>\$ (5,609,772)</u>
% of annual pension costs contributed	<u>104.8%</u>	<u>106.8%</u>	<u>104.6%</u>

f. **Actuarial Methods and Significant Assumptions**

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

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

V. **OTHER INFORMATION (CONTINUED)**

B. **Pension Plans (Continued)**

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

f. **Actuarial Methods and Significant Assumptions (Continued)**

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

	<u>Fire</u>	<u>Police</u>
Valuation Date:	July 1, 2007	July 1, 2007
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Dollar Closed	Level Dollar Closed
Remaining Amortization Period	24 Years	24 Years
Asset Valuation Method	5 Year Smoothing	5 Year Smoothing
Asset appreciation	8.25% annually	8.25% annually
Salary increases	3.25% annually	3.50% annually
Cost of living increase	3.50%	4.00%
Mortality:		
Healthy Members	RP-2000 Combined Mortality Table	RP-2000 Combined Mortality Table
Disabled Members	1985 Wyatt Pension Disability Table	1985 Wyatt Pension Disability Table

Concentrations - As of June 30, 2008, and during the year then ended, no pension assets were invested in any organization which collectively held 5% or more of the total assets of either plan.

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

1. **Plan Description**

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

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

V. OTHER INFORMATION (CONTINUED)

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

2. Summary of Significant Accounting Policies and Plan Asset Matters

a. Basis of Accounting

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

b. Valuation of Investments

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

c. Classes of Employees Covered

As of July 1, 2008 (date of last actuarial valuation) membership data was as follows:

Active Employees	746
Retirees	<u>868</u>
Total Plan Members	<u>1,614</u>

3. Benefit Provisions and Contributions

A portion of health insurance premiums is borne by the City, dependent upon each retiree's covered group, date of retirement and credited service. For members covered under the Police Pension Plan retiring after June 30, 1987, the City pays 50% of premiums plus an additional 5% of premiums for each year of service between 11 and 20 years, until 100% is paid. Retirees prior to that date are responsible for premiums for each year between 11 and 25 years, until 100% is paid. For members covered under the Fire Pension Plan, the City pays 100% of health insurance premiums for members, provided that the retiree was eligible for retirement (25 years of service) at the date of separation from service. For retirees with less than 25 years of service, the City contribution is reduced 4% per year of service less than 25. Premiums for retirees of both the Teachers' Plan and the Municipal Plan are fully paid by the City, provided the retiree was eligible for retirement at the time of separation from service. The City pays for a \$25,000 life insurance policy for retired police with at least 10 years of service, and for a temporary (until age 65) \$50,000 life insurance policy for retired teachers. Members of each group may elect dental and life insurance coverage at their expense.

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

V. **OTHER INFORMATION (CONTINUED)**

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

4. **Summary Financial Information**

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

STATEMENT OF FIDUCIARY NET ASSETS
 OTHER POST-EMPLOYMENT BENEFITS TRUST FUND
 JUNE 30, 2008

	<u>JUNE 30, 2008</u>
ASSETS	
Cash and investments	\$ 4,464,395
LIABILITIES	
Accounts payable	<u>2,433</u>
NET ASSETS	
Net assets held in trust for OPEB benefits	<u>\$ 4,461,962</u>

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 OTHER POST-EMPLOYMENT BENEFITS TRUST FUND
 FOR THE YEAR ENDED JUNE 30, 2008

	<u>FOR THE YEAR ENDED JUNE 30, 2008</u>
ADDITIONS	
Contributions and other income	\$ 7,232,426
Investment income (loss), net of investment expenses	<u>(109,231)</u>
TOTAL ADDITIONS	7,123,195
DEDUCTIONS	
Benefits	4,835,612
Administration	<u>7,455</u>
TOTAL DEDUCTIONS	4,843,067
CHANGES IN NET ASSETS	2,280,128
NET ASSETS – JULY 1, 2007	<u>2,181,834</u>
NET ASSETS – JUNE 30, 2008	<u>\$ 4,461,962</u>

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

V. **OTHER INFORMATION (CONTINUED)**

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

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

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

Annual required contribution	\$ 9,642,801
Interest on net OPEB obligation	355,069
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>9,997,870</u>
Contributions made	<u>7,232,426</u>
Increase in net OPEB obligation	2,765,444
Net OPEB obligation - July 1, 2007	<u>6,756,362</u>
 Net OPEB obligation - June 30, 2008	 <u>\$ 9,521,806</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2006, 2007 and 2008 is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/06	\$ 9,706,604	53.9%	\$ 4,466,938
6/30/07	9,282,550	75.0%	6,756,362
6/30/08	9,997,870	72.3%	9,521,806

6. **Funded Status and Funding Progress**

The funded status of the plan as of July 1, 2008 (the date of the most recent actuarial valuation) was as follows:

ACTUARIAL VALUATION DATE	(A) ACTUARIAL VALUE OF ASSETS	(B) ACTUARIALY ACCRUED LIABILITY (AAL) PROJECTED UNIT CREDIT	(A-B) UNDER FUNDED AAL	(A/B) FUNDED AAL RATIO	(C) COVERED PAYROLL	[(A-B)/C] UNDER FUNDED AAL AS A PERCENTAGE OF COVERED PAYROLL
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OPEB TRUST PLAN

July 1, 2008	\$ 4,464,395	\$ 142,838,552	\$ 138,374,157	3.1%	\$ 38,914,022	355.6%
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CITY OF NEWPORT, RHODE ISLAND
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

V. OTHER INFORMATION (CONTINUED)

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

6. Funded Status and Funding Progress (Continued)

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

7. Actuarial Methods and Assumptions

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

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

The projected unit credit cost method was used in the July 1, 2008 actuarial valuation. Actuarial assumptions included a 7.5% investment rate of return (net of administrative expenses). Only assets that have been contributed to the OPEB Trust are considered available for liabilities for purposes of the valuation. Assets are valued at Fair Market Value. The actuarial assumptions for healthcare cost trend is growth of 8% for 2008 and declining by 1% per year until 5% is reached. The 5% growth is used on a go-forward basis. The UAAL will be amortized over a closed thirty year period.

D. Contingencies

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

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

V. OTHER INFORMATION (CONTINUED)

E. On-Behalf Payments

The amount of the State Teachers' Retirement Plan contribution recognized in the School Unrestricted Fund intergovernmental revenues and education expenditures for contributions made by the State on-behalf of the City's teachers was \$1,508,368.

F. Restatements

Fund Financial Statements

The beginning net assets for the school unrestricted fund were restated because health insurance obligations were increased by \$384,435.

G. Subsequent Events

Subsequent to June 30, 2008, the stock market experienced a significant decline in value. The pension committee and Legislative Council continue to monitor its investments closely in accordance with its investment policy and asset allocation.

On October 3, 2008, FDIC deposit insurance temporarily increased from \$100,000 to \$250,000 per depositor through December 31, 2009.

CITY OF NEWPORT, RHODE ISLAND

SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2008

Fire Pension Plan

<u>Actuarial Valuation Date July 1</u>	<u>Actuarial Value of Plan Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Actuarial Value of Assets as % of AAL</u>	<u>Unfunded AAL</u>	<u>Annual Covered Payroll</u>	<u>Unfunded AAL as % of Covered Payroll</u>
2002	\$ 15,992,660	\$ 57,208,592	28.0%	\$ 41,215,932	\$ 4,647,200	886.9%
2003	17,726,942	61,509,869	28.8%	43,782,927	4,605,267	950.7%
2004	21,427,871	64,260,714	33.3%	42,832,843	5,097,320	840.3%
2005	24,426,065	66,806,255	36.6%	42,380,190	5,081,136	834.1%
2006	27,413,402	68,671,042	39.9%	41,257,640	4,827,849	854.6%
2007	31,256,401	72,036,981	43.4%	40,780,580	4,960,132	822.2%

Police Pension Plan

<u>Actuarial Valuation Date July 1</u>	<u>Actuarial Value of Plan Assets</u>	<u>Accrued Liability (AAL)</u>	<u>Actuarial Value of Assets as % of AAL</u>	<u>Unfunded AAL</u>	<u>Annual Covered Payroll</u>	<u>Unfunded AAL as % of Covered Payroll</u>
2002	\$ 28,060,710	\$ 65,986,217	42.5%	\$ 37,925,507	\$ 3,845,929	986.1%
2003	29,217,703	67,277,252	43.4%	38,059,549	3,867,398	984.1%
2004	33,645,290	58,014,568	58.0%	24,369,278	4,147,842	587.5%
2005	36,209,737	61,626,704	58.8%	25,416,967	4,890,635	519.7%
2006	39,118,117	62,635,048	62.5%	23,516,931	4,757,611	494.3%
2007	44,288,895	70,038,232	63.2%	25,749,337	5,047,477	510.1%

(Continued)

CITY OF NEWPORT, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS (CONTINUED)
JUNE 30, 2008

Municipal Employees Retirement System

Actuarial Valuation Date July 1	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets as % of AAL	Unfunded AAL	Annual Covered Payroll	Unfunded (Excess) AAL as % of Covered Payroll
2002	\$ 41,024,221	\$ 43,891,378	93.5%	\$ 2,867,157	\$ 9,969,253	28.8%
2003	38,988,455	45,900,955	84.9%	6,912,500	9,879,190	70.0%
2004	37,820,577	47,940,239	78.9%	10,119,662	10,642,607	95.1%
2005	37,380,423	50,823,220	73.5%	13,442,797	10,671,442	126.0%
2006	39,035,659	53,590,210	72.8%	14,554,551	10,671,570	136.4%
2007	42,883,619	57,719,476	74.3%	14,835,857	10,913,761	135.9%

OPEB Trust Plan

Actuarial Valuation Date July 1	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
2005	\$ -	\$ 123,721,034	0.0%	\$ 123,721,034	\$ 44,500,000	278.0%
2006	1,413,713	132,314,905	1.1%	130,901,192	33,519,292	390.5%
2007	2,184,740	131,650,381	1.7%	129,465,641	36,112,767	358.5%
2008	4,464,395	142,838,552	3.1%	138,374,157	38,914,022	355.6%

(Concluded)

CITY OF NEWPORT, RHODE ISLANDREQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fire Pension Plan

<u>Year Ended June 30,</u>	<u>Annual Required Contribution (ARC)</u>	<u>Actual Contribution</u>	<u>% of ARC Contributed</u>
2002	\$ 3,106,881	\$ 3,993,315	128.5%
2003	3,285,527	4,062,000	123.6%
2004	3,317,767	3,317,767	100.0%
2005	4,118,543	5,118,543	124.3%
2006	3,543,234	3,543,235	100.0%
2007	3,352,662	3,543,234	105.7%
2008	3,291,226	3,291,234	100.0%

Police Pension Plan

<u>Year Ended June 30,</u>	<u>Annual Required Contribution (ARC)</u>	<u>Actual Contribution</u>	<u>% of ARC Contributed</u>
2002	\$ 1,985,197	\$ 2,853,771	143.8%
2003	2,099,345	2,698,300	128.5%
2004	3,247,875	3,247,875	100.0%
2005	3,389,486	3,889,486	114.8%
2006	2,440,649	2,440,649	100.0%
2007	2,385,996	2,440,649	102.3%
2008	2,272,177	2,272,049	100.0%

Other Post-Employment Benefits Plan

<u>Year Ended June 30,</u>	<u>Annual Required Contribution (ARC)</u>	<u>Actual Contribution</u>	<u>% of ARC Contributed</u>
2006	\$ 9,706,604	\$ 5,239,666	54.0%
2007	9,282,550	6,993,126	75.3%
2008	9,997,870	7,232,426	72.3%

**Supplemental
Schedules**

General Fund

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

CITY OF NEWPORT, RHODE ISLAND

GENERAL FUND
 SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2008

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET
PROPERTY TAXES:				
Current taxes - Real Estate	\$ 54,028,047	\$ 54,028,047	\$ 53,458,795	\$ (569,252)
Current taxes - MV	1,900,000	1,900,000	1,666,091	(233,909)
Delinquent - Real Estate	1,100,000	1,100,000	1,114,810	14,810
Delinquent taxes - MV	110,000	110,000	118,204	8,204
Penalties	340,000	340,000	325,552	(14,448)
Tax lien fees	25,000	25,000	21,486	(3,514)
Meals and beverage tax	1,574,000	1,574,000	1,627,568	53,568
Hotel occupancy tax	1,700,000	1,700,000	1,782,797	82,797
TOTAL PROPERTY TAXES	60,777,047	60,777,047	60,115,303	(661,744)
INTERGOVERNMENTAL REVENUES:				
Telephone company tax	260,000	260,000	257,722	(2,278)
Police & fire education incentive	45,000	45,000	23,743	(21,257)
MV tax phase out	1,900,000	1,900,000	1,850,022	(49,978)
School housing aid	650,000	650,000	677,718	27,718
General aid	1,849,295	1,849,295	1,564,737	(284,558)
PILOT	658,326	658,326	658,326	-
State aid - library construction	243,628	243,628	243,628	-
Misc State Grants	4,000	4,000	-	(4,000)
TOTAL INTERGOVERNMENTAL REVENUES	5,610,249	5,610,249	5,275,896	(334,353)
CHARGES FOR SERVICES:				
GMH service fees	358,900	358,900	299,250	(59,650)
Hope IV Project service fees	130,000	130,000	123,619	(6,381)
Police special detail	1,207,500	1,207,500	1,242,464	34,964
Document prep and handling	70,000	70,000	93,211	23,211
Planning Services	-	-	643	643
Salary reimbursements	98,000	98,000	30,000	(68,000)
Community development services	57,680	57,680	57,680	-
Computer processing fees	430,618	430,618	396,992	(33,626)
Management services	763,319	763,319	655,802	(107,517)
Fire alarm assessments	117,000	117,000	140,800	23,800
Recycling bins	2,500	2,500	21,304	18,804
HR regional testing	-	-	3,260	3,260
Recreation activity fees	90,000	90,000	86,804	(3,196)
Ballfield rentals	14,000	14,000	18,206	4,206
Parking tickets	1,000,000	1,000,000	909,983	(90,017)
Recording fees	450,000	450,000	325,465	(124,535)
Conveyance tax	750,000	750,000	418,437	(331,563)
Probate fees	50,000	50,000	44,313	(5,687)
Rescue fees	600,000	600,000	570,416	(29,584)
General business	70,000	70,000	54,331	(15,669)
Hotel registration fees	7,500	7,500	7,300	(200)
Entertainment	21,000	21,000	19,205	(1,795)
Liquor	185,000	185,000	189,315	4,315
Mech amusement	15,000	15,000	16,750	1,750
Sunday selling	30,000	30,000	26,680	(3,320)
Taxi	1,000	1,000	2,175	1,175
Victualing	47,000	47,000	50,870	3,870
Animal	4,400	4,400	4,929	529
Marriage	5,000	5,000	5,100	100
Building	700,000	700,000	1,059,807	359,807
Plumbing	50,000	50,000	63,301	13,301
Mechanical	130,000	130,000	168,111	38,111
Electrical	140,000	140,000	214,442	74,442
Board of Appeals	18,500	18,500	20,806	2,306
HDC application fee	15,000	15,000	17,200	2,200
Road opening	25,000	25,000	64,457	39,457
Fire inspection fees	132,500	132,500	169,650	37,150
Fire - sundry	-	-	11,909	11,909
Police - sundry	15,000	15,000	10,876	(4,124)
Municipal court cost assessment	180,000	180,000	186,484	6,484
Payphone Commissions	-	-	2,439	2,439
Vendor rights	8,800	8,800	5,861	(2,939)
Jai Alai and Slot Machines	800,000	800,000	714,682	(85,318)
Other miscellaneous	52,816	52,816	129,855	77,039
Rental of property	120,000	120,000	95,519	(24,481)
Salve Regina service charge	-	-	6,902	6,902
TOTAL CHARGES FOR SERVICES	8,963,033	8,963,033	8,757,605	(205,428)
USE OF MONEY AND PROPERTY:				
Investment interest	800,000	800,000	924,172	124,172
OTHER REVENUES:				
Public donations	45,000	45,000	80,931	35,931
Trust fund contributions	193,000	193,000	193,000	-
Sale of surplus equipment	25,000	25,000	18,053	(6,947)
TOTAL OTHER REVENUES	263,000	263,000	291,984	28,984
TOTAL REVENUES	76,413,329	76,413,329	75,364,960	(1,048,369)
OTHER FINANCING SOURCES:				
Appropriation of fund balance	-	982,970	-	(982,970)
Cancellation of prior year encumbrances	-	-	1,745	1,745
Transfers in	-	-	159,468	159,468
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 76,413,329	\$ 76,413,329	\$ 75,524,428	\$ (888,901)

CITY OF NEWPORT, RHODE ISLAND

GENERAL FUND
 SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2008

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET
EXPENDITURES:				
General Government:				
Mayor and City Council	\$ 128,865	\$ 136,265	\$ 100,344	\$ 35,921
City Manager	769,374	769,374	782,845	(13,471)
City Solicitor	417,591	417,591	378,898	38,693
Canvassing	173,383	203,333	191,650	11,683
Finance	2,678,321	2,711,041	2,505,608	205,433
City Clerk	563,555	746,687	533,318	213,369
Reserve Accounts	1,907,982	2,584,801	801,415	1,783,386
Public Safety:				
Police Department	14,271,503	14,275,691	13,735,517	540,174
Fire Department	14,058,441	14,058,441	13,656,533	401,908
Public Health	6,769,107	6,865,571	6,407,813	457,758
Planning, Zoning, and Development	1,170,810	1,170,810	1,169,281	1,529
Recreation	540,985	542,781	527,444	15,337
Human services:				
Donations	233,900	233,900	225,330	8,570
Public Library	1,606,958	1,606,958	1,606,958	-
Pension expenditures	2,765,930	2,715,931	2,453,316	262,615
Debt service	2,083,731	2,083,731	1,943,082	140,649
TOTAL EXPENDITURES	50,140,436	51,122,906	47,019,352	4,103,554
OTHER FINANCING USES:				
Transfers out	26,272,893	26,272,893	26,646,798	(373,905)
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 76,413,329	\$ 77,395,799	\$ 73,666,150	\$ 3,729,649

Permanent Funds

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

CITY OF NEWPORT, RHODE ISLAND

COMBINING BALANCE SHEET
PERMANENT FUNDS
JUNE 30, 2008

	CASH AND INVESTMENTS	RESERVED FOR ENDOWMENTS	UNRESERVED FUND BALANCE
David Sears Trusts 1 - 9 (City Portion)	\$ 2,711,186	\$ 450,000	\$ 2,261,186
David Sears Trust - Heirs of David Sears	795,197	795,197	
David Sears Trust - Public Improvements	225,295		225,295
Joseph Hammett Fund (1892)	33,960	1,500	32,460
Henderson Home Fund (1980)	1,038,851	139,781	899,070
Freebody Fund	119,060	97,000	22,060
EV Coles Fund (1899)	317,884	61,321	256,563
Hunter Industrial Fund (1942)	104,569	25,000	79,569
King School Fund (1864)	216,148	8,914	207,234
City Burial Lots	331,835		331,835
Private Burial Lots	6,723		6,723
Belmont Memorial Fund (1950)	28,690	2,000	26,690
Judah Touro M & C Fund (1879)	171,259	10,000	161,259
Touro Street Fund (1823)	57,932	5,000	52,932
Derby Fuel Fund (1849)	18,752	500	18,252
Fry Orphan Fund (1859)	27,831	5,131	22,700
R & E Bullock Fund (1944)	72,085	1,000	71,085
Poor and Aged Fund (1863)	1,242,636	100,000	1,142,636
Alexander Agassiz Fund (1901)	164,005	31,087	132,918
George H Norman Foundation Fund (1901)	56,222	6,899	49,323
Barbara Chapman Fund (1990)	3,342	2,000	1,342
E Townsend Fund (1889)	183,753	155,137	28,616
George N Buckout Fund (1955)	87,741	15,000	72,741
Edward Newton Fund (1959)	30,503		30,503
Braman Cemetery	142,824		142,824
Louis H Hobbs Fund (1988)	55,220	25,000	30,220
RIICAN Fund	6,941		6,941
Unallocated Expense	(31,487)		(31,487)
Total Permanent Trust Funds	\$ 8,218,957	\$ 1,937,467	\$ 6,281,490

SCHEDULE 4

CITY OF NEWPORT, RHODE ISLAND

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
PERMANENT FUNDS
JUNE 30, 2008

	FUND BALANCE JULY 1, 2007	REVENUES Use of Money & Property	EXPENDITURES Human Services	FUND BALANCE JUNE 30, 2008
David Sears Trusts 1 - 9 (City Portion)	\$ 3,005,390	\$ (294,204)	\$	\$ 2,711,186
David Sears Trust - Heirs of David Sears	747,242	47,955		795,197
David Sears Trust - Public Improvements	50,272	368,023	(193,000)	225,295
Joseph Hammett Fund (1892)	31,529	3,481	(1,050)	33,960
Henderson Home Fund (1980)	1,134,906	(56,905)	(39,150)	1,038,851
Freebody Fund	129,344	(5,824)	(4,460)	119,060
EV Coles Fund (1899)	335,705	(17,821)		317,884
Hunter Industrial Fund (1942)	110,431	(5,862)		104,569
King School Fund (1864)	231,478	(15,330)		216,148
City Burial Lots	354,011	(22,176)		331,835
Private Burial Lots	7,105	(152)	(230)	6,723
Belmont Memorial Fund (1950)	30,607	(1,917)		28,690
Judah Touro M & C Fund (1879)	183,619	(6,050)	(6,310)	171,259
Touro Street Fund (1823)	61,804	(3,872)		57,932
Derby Fuel Fund (1849)	20,359	(907)	(700)	18,752
Fry Orphan Fund (1859)	30,310	(1,439)	(1,040)	27,831
R & E Bullock Fund (1944)	78,266	(3,481)	(2,700)	72,085
Poor and Aged Fund (1863)	1,720,222	(461,425)	(16,161)	1,242,636
Alexander Agassiz Fund (1901)	173,198	(9,193)		164,005
George H Norman Foundation Fund (1901)	59,373	(3,151)		56,222
Barbara Chapman Fund (1990)	3,581	(239)		3,342
E Townsend Fund (1889)	196,028	(12,275)		183,753
George N Buckout Fund (1955)	93,615	(5,874)		87,741
Edward Newton Fund (1959)	31,445	(942)		30,503
Braman Cemetery	152,359	(9,535)		142,824
Louis H Hobbs Fund (1988)	58,907	(3,687)		55,220
RIICAN Fund	7,405	(464)		6,941
Unallocated Expense		(31,487)		(31,487)
Total Permanent Trust Funds	\$ 9,038,511	\$ (554,753)	\$ (264,801)	\$ 8,218,957

Nonmajor Governmental Funds

Special Revenue Funds

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

School Restricted Fund

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

UDAG Fund

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

State Grants Fund

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

EDA Revolving Fund

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

Property Acquisition Fund

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

Community Donation Fund

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

Bramley Bill Fund

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

Debt Service Fund

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

Capital Projects Fund

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

CITY OF NEWPORT, RHODE ISLAND
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2008

	SPECIAL REVENUE FUNDS							TOTAL NONMAJOR GOVERNMENTAL FUNDS	
	SCHOOL RESTRICTED FUND	UDAG FUND	STATE GRANTS FUND	HDA REVOLVING FUND	PROPERTY ACQUISITION FUND	COMMUNITY DONATION FUND	BRAMLEY BILL FUND		DEBT SERVICE FUND
Cash	\$	\$ 925,666	\$ 202,629	\$ 167,764	\$ 1,960,732	\$ 235,547	\$ 36,101	\$ 22,128	\$ 3,530,567
Investments								856,870	856,870
Receivables:									
Intergovernmental	1,159,495		15,287						1,174,782
Loan	383,630			204,312					587,942
Other	397,386				59,131		500		457,017
Due from other funds	113,750								113,750
Advances to other funds	151,270				500,000				651,270
TOTAL ASSETS	\$ 1,159,495	\$ 1,971,702	\$ 217,916	\$ 372,076	\$ 2,519,863	\$ 235,547	\$ 36,601	\$ 878,998	\$ 7,392,198
LIABILITIES AND FUND BALANCES									
LIABILITIES:									
Cash overdraft	\$ 348,925	\$	\$ 6,198	\$	\$ 1,259	\$ 2,836	\$ 11,582	\$	\$ 348,925
Accounts payable	5,180	1,046,036	91,052	204,312			24,733		21,875
Accrued expenses									5,180
Deferred revenue									1,366,133
TOTAL LIABILITIES	354,105	1,046,036	97,250	204,312	1,259	2,836	36,315	-	1,742,113
FUND BALANCES:									
Reserve for advances		151,270			500,000				651,270
Reserve for debt service								878,998	878,998
Unreserved, reported in:									
Special revenue funds	805,390	774,396	120,666	167,764	2,018,604	235,711	286		4,119,817
TOTAL FUND BALANCES	805,390	925,666	120,666	167,764	2,518,604	232,711	286	878,998	5,650,085
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,159,495	\$ 1,971,702	\$ 217,916	\$ 372,076	\$ 2,519,863	\$ 235,547	\$ 36,601	\$ 878,998	\$ 7,392,198

CITY OF NEWPORT, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	SCHOOL RESTRICTED FUND	UDAG FUND	STATE GRANTS FUND	SPECIAL REVENUE FUNDS EDA REVOLVING FUND	PROPERTY ACQUISITION FUND	COMMUNITY DONATION FUND	BRAMLEY BILL FUND	DEBT SERVICE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES:									
Intergovernmental	\$ 4,432,586	\$	\$ 637,394	\$	\$	\$	\$ 105,507	\$	\$ 5,175,487
Charges for services	422,620	128,680		22,232					573,532
Use of money and property		87,820	125	3,225	56,421	495		69,220	217,306
Contributions			13,376			47,876			61,252
TOTAL REVENUES	4,855,206	216,500	650,895	25,457	56,421	48,371	105,507	69,220	6,027,577
EXPENDITURES:									
Current:									
General government			42,376						42,376
General education	4,919,535		80,011			5,815			4,919,535
Public safety			5,000						85,826
Public health		60,699							5,000
Planning, zoning and development						32,877			60,699
Recreation			344,940	65,641		900	132,620		32,877
Human services	516,178		59,417						544,101
Capital outlay									575,595
TOTAL EXPENDITURES	5,435,713	60,699	531,744	65,641		39,592	132,620		6,266,009
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(580,507)	155,801	119,151	(40,184)	56,421	8,779	(27,113)	69,220	(238,432)
OTHER FINANCING SOURCES (USES):									
Transfers in	432,572	500,000					133,110		1,065,682
NET CHANGE IN FUND BALANCE	(147,935)	655,801	119,151	(40,184)	56,421	8,779	(27,113)	202,330	827,250
FUND BALANCES, JULY 1, 2007	953,325	269,865	1,515	207,948	2,462,183	223,932	27,399	676,668	4,822,835
FUND BALANCES, JUNE 30, 2008	\$ 805,390	\$ 925,666	\$ 120,666	\$ 167,764	\$ 2,518,604	\$ 232,711	\$ 286	\$ 878,998	\$ 5,650,085

Nonmajor Proprietary Funds

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

Maritime Fund

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

Easton’s Beach Fund

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

Parking Operations Fund

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

CITY OF NEWPORT, RHODE ISLANDCOMBINING STATEMENT OF NET ASSETS
NONMAJOR PROPRIETARY FUNDS
JUNE 30, 2008

	MARITIME FUND	EASTON'S BEACH FUND	PARKING OPERATIONS FUND	TOTALS
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 644,620	\$ 316,547	\$ 3,845,803	\$ 4,806,970
Accounts receivable:				
User fees (net of allowances)		3,871		3,871
Advances to other funds			320,000	320,000
Total current assets	644,620	320,418	4,165,803	5,130,841
Noncurrent asset:				
Capital assets	652,177	2,987,295	2,973,357	6,612,829
Less accumulated depreciation	(39,254)	(934,850)	(1,227,031)	(2,201,135)
Total noncurrent assets	612,923	2,052,445	1,746,326	4,411,694
TOTAL ASSETS	1,257,543	2,372,863	5,912,129	9,542,535
LIABILITIES:				
Current liabilities:				
Accounts payable	6,793	28,136	202,159	237,088
Accrued expenses	49,269	91,428	16,727	157,424
Current portion advances		141,956		141,956
Total current liabilities	56,062	261,520	218,886	536,468
Long-term liabilities:				
Advances from other funds		329,313		329,313
TOTAL LIABILITIES	56,062	590,833	218,886	865,781
NET ASSETS:				
Invested in capital assets (net of related debt)	612,923	2,052,445	1,746,326	4,411,694
Unrestricted	588,558	(270,415)	3,946,917	4,265,060
TOTAL NET ASSETS	\$ 1,201,481	\$ 1,782,030	\$ 5,693,243	\$ 8,676,754

CITY OF NEWPORT, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	MARITIME FUND	EASTON'S BEACH FUND	PARKING OPERATIONS FUND	TOTALS
OPERATING REVENUES:				
User fees	\$ 755,696	\$ 626,307	\$ 1,451,913	\$ 2,833,916
Other revenues	285,000			285,000
TOTAL OPERATING REVENUES	1,040,696	626,307	1,451,913	3,118,916
OPERATING EXPENSES:				
Salaries and benefits	254,456	448,701	326,629	1,029,786
Materials and supplies	143,100	57,220	117,152	317,472
Repairs and maintenance	17,685	21,599	24,301	63,585
Support services	6,337	25,922	474,291	506,550
Utilities	6,190	22,469	5,558	34,217
Administrative and other	38,343	49,020	148,905	236,268
Depreciation	7,864	82,925	112,614	203,403
TOTAL OPERATING EXPENSES	473,975	707,856	1,209,450	2,391,281
OPERATING INCOME (LOSS)	566,721	(81,549)	242,463	727,635
NONOPERATING REVENUES AND (EXPENSES):				
Loss on disposal of assets	(106,426)	(21,763)	(42,386)	(170,575)
Investment income	1,065	1,634	83,877	86,576
Interest expense		(6,647)		(6,647)
NET NONOPERATING REVENUES AND (EXPENSES)	(105,361)	(26,776)	41,491	(90,646)
INCOME BEFORE TRANSFERS	461,360	(108,325)	283,954	636,989
Transfers in		150,000		150,000
Transfers out		(320,000)	(883,250)	(1,203,250)
NET TRANSFERS	-	(170,000)	(883,250)	(1,053,250)
NET INCOME (LOSS)	461,360	(278,325)	(599,296)	(416,261)
TOTAL NET ASSETS - JULY 1, 2007	740,121	2,060,355	6,292,539	9,093,015
TOTAL NET ASSETS - JUNE 30, 2008	\$ 1,201,481	\$ 1,782,030	\$ 5,693,243	\$ 8,676,754

CITY OF NEWPORT, RHODE ISLAND

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	MARITIME FUND	EASTON'S BEACH FUND	PARKING OPERATIONS FUND	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 1,067,082	\$ 635,485	\$ 1,466,933	\$ 3,169,500
Cash payments to suppliers for goods and services	(172,672)	(251,049)	(448,694)	(872,415)
Cash payments to employees for services	(247,152)	(435,261)	(317,587)	(1,000,000)
Payment of administrative expense	(38,343)	(49,887)	(148,905)	(237,135)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	608,915	(100,712)	551,747	1,059,950
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Interfund loans and transfers		150,000	(1,206,250)	(1,056,250)
Principal paid on interfund loans and transfers		(86,179)		(86,179)
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	-	63,821	(1,206,250)	(1,142,429)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	(464,680)	(272,802)	(174,586)	(912,068)
Interest paid on bonds, notes and loans		(6,647)		(6,647)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(464,680)	(279,449)	(174,586)	(918,715)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income	1,065	1,634	83,877	86,576
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	145,300	(314,706)	(745,212)	(914,618)
CASH AND CASH EQUIVALENTS - JULY 1, 2007	499,320	631,253	4,591,015	5,721,588
CASH AND CASH EQUIVALENTS- JUNE 30, 2008	\$ 644,620	\$ 316,547	\$ 3,845,803	\$ 4,806,970
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Operating income (loss)	\$ 460,295	\$ (103,312)	\$ 200,077	\$ 557,060
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Loss on disposal of assets	106,426	21,763	42,386	170,575
Depreciation and amortization	7,864	82,925	112,614	203,403
Changes in assets and liabilities:				
Decrease (Increase) in accounts receivable	26,386	9,178	15,020	50,584
(Decrease) Increase in accounts payable	640	(124,706)	172,608	48,542
(Decrease) Increase in accrued liabilities	7,304	13,440	9,042	29,786
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 608,915	\$ (100,712)	\$ 551,747	\$ 1,059,950
NONCASH TRANSACTIONS:				
Disposal of capital assets	\$ 289,200	\$ 131,800	\$ 80,340	\$ 501,340

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Fiduciary Funds

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

Pension Trust Funds

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

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

Post-employment Healthcare Trust Fund

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

Private Purpose Trust Funds

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

Agency Funds

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

Student Activity Funds

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

Newport Municipal Charitable Improvement Fund, Inc.

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

CITY OF NEWPORT, RHODE ISLAND

COMBINING SCHEDULE OF PENSION AND OTHER POST EMPLOYMENT BENEFITS TRUST FUNDS
JUNE 30, 2008

	PENSION TRUST FUNDS			OTHER POST- EMPLOYMENT BENEFITS TRUST FUND	TOTAL PENSION AND OTHER POST- EMPLOYMENT BENEFITS TRUST FUNDS
	POLICE PENSION FUND	FIRE PENSION FUND	TOTAL PENSION TRUST FUNDS		
ASSETS					
Cash	\$	\$	\$ -	\$ 290,770	\$ 290,770
Investments, at fair value:					
Fixed Income Mutual Funds	15,583,956	10,997,523	26,581,479	1,506,174	28,087,653
Domestic Equity Mutual Funds	20,256,463	14,294,888	34,551,351	2,058,212	36,609,563
International Equity Mutual Funds	5,845,444	4,125,101	9,970,545	609,239	10,579,784
TOTAL ASSETS	41,685,863	29,417,512	71,103,375	4,464,395	75,567,770
LIABILITIES					
Cash overdraft	1,775,921	430,816	2,206,737		2,206,737
Accounts payable	48,544	15,415	63,959	2,433	66,392
TOTAL LIABILITIES	1,824,465	446,231	2,270,696	2,433	2,273,129
NET ASSETS					
Net assets held in trust for pension benefits	39,861,398	28,971,281	68,832,679		68,832,679
Net assets held in trust for other post-employment benefits			-	4,461,962	4,461,962
TOTAL NET ASSETS	\$ 39,861,398	\$ 28,971,281	\$ 68,832,679	\$ 4,461,962	\$ 73,294,641

CITY OF NEWPORT, RHODE ISLAND

COMBINING SCHEDULE OF PRIVATE PURPOSE TRUST FUNDS
30-Jun-08

	PRIVATE PURPOSE TRUST FUNDS		
	EXPENDABLE SCHOLARSHIP FUNDS	NONEXPENDABLE SCHOLARSHIP TRUSTS	TOTAL PRIVATE PURPOSE TRUST FUNDS
ASSETS			
Cash	\$ 14,081	\$	\$ 14,081
Investments, at fair value:			
Fixed Income Mutual Funds		438,056	438,056
Domestic Equity Mutual Funds		588,428	588,428
International Equity Mutual Funds		171,165	171,165
TOTAL ASSETS	14,081	1,197,649	1,211,730
LIABILITIES			
Cash overdraft		22,381	22,381
Accounts payable		1,149	1,149
TOTAL LIABILITIES	-	23,530	23,530
NET ASSETS			
Net assets held in trust for purposes	14,081	1,174,119	1,188,200
TOTAL NET ASSETS	\$ 14,081	\$ 1,174,119	\$ 1,188,200

CITY OF NEWPORT, RHODE ISLAND

AGENCY FUNDS
 COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2008

	BALANCE JULY 1, 2007	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2008
<u>ASSETS</u>				
CASH:				
Student activity funds	\$ 199,800	\$ 365,008	\$ 366,665	\$ 198,143
Newport Municipal Charitable Improvement Fund, Inc.	28,811			28,811
TOTAL ASSETS	<u>\$ 228,611</u>	<u>\$ 365,008</u>	<u>\$ 366,665</u>	<u>\$ 226,954</u>
<u>LIABILITIES</u>				
AMOUNTS HELD IN ESCROW:				
Student activity funds	\$ 199,800	\$ 365,008	\$ 366,665	\$ 198,143
Newport Municipal Charitable Improvement Fund, Inc.	28,811			28,811
TOTAL LIABILITIES	<u>\$ 228,611</u>	<u>\$ 365,008</u>	<u>\$ 366,665</u>	<u>\$ 226,954</u>

CITY OF NEWPORT, RHODE ISLAND

COMBINING SCHEDULE OF CHANGES IN PENSION AND OTHER POST EMPLOYMENT BENEFITS TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	PENSION TRUST FUNDS			OTHER POST- EMPLOYMENT BENEFITS TRUST FUND	TOTAL PENSION AND OTHER POST- EMPLOYMENT BENEFITS TRUST FUNDS
	POLICE PENSION FUND	FIRE PENSION FUND	TOTAL PENSION TRUST FUNDS		
ADDITIONS:					
Employees	\$ 402,382	\$ 390,380	\$ 792,762	\$	\$ 792,762
Employer	2,272,049	3,291,234	5,563,283	7,232,426	12,795,709
Other income	776	4,741	5,517		5,517
Total contributions and other income	2,675,207	3,686,355	6,361,562	7,232,426	13,593,988
Investment income (loss):					
Net depreciation in fair value of investments	(6,819,435)	(4,814,635)	(11,634,070)	(276,319)	(11,910,389)
Interest and dividends	4,532,364	3,198,664	7,731,028	167,088	7,898,116
Total investment income (loss)	(2,287,071)	(1,615,971)	(3,903,042)	(109,231)	(4,012,273)
TOTAL ADDITIONS	388,136	2,070,384	2,458,520	7,123,195	9,581,715
DEDUCTIONS:					
Benefits	3,595,520	4,379,183	7,974,703	4,835,612	12,810,315
Administration	154,619	109,065	263,684	7,455	271,139
TOTAL DEDUCTIONS	3,750,139	4,488,248	8,238,387	4,843,067	13,081,454
CHANGES IN NET ASSETS	(3,362,003)	(2,417,864)	(5,779,867)	2,280,128	(3,499,739)
NET ASSETS - JULY 1, 2007	43,223,401	31,389,145	74,612,546	2,181,834	76,794,380
NET ASSETS - JUNE 30, 2008	\$ 39,861,398	\$ 28,971,281	\$ 68,832,679	\$ 4,461,962	\$ 73,294,641

CITY OF NEWPORT, RHODE ISLAND

COMBINING SCHEDULE OF CHANGES IN PRIVATE PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	EXPENDABLE SCHOLARSHIP FUNDS	NON- EXPENDABLE SCHOLARSHIP FUNDS	TOTAL PRIVATE PURPOSE TRUST FUNDS
ADDITIONS:			
Contributions	\$ 10,000	\$ 1,090	\$ 11,090
Investment income (loss):			
Net depreciation in fair value of investments		(202,588)	(202,588)
Interest and dividends		139,703	139,703
Total investment income	-	(62,885)	(62,885)
Less investment expenses		4,484	4,484
Net investment income (loss)	-	(67,369)	(67,369)
TOTAL ADDITIONS	10,000	(66,279)	(56,279)
DEDUCTIONS:			
Awards	8,000	31,821	39,821
CHANGES IN NET ASSETS	2,000	(98,100)	(96,100)
NET ASSETS - JULY 1, 2007	12,081	1,272,219	1,284,300
NET ASSETS - JUNE 30, 2008	\$ 14,081	\$ 1,174,119	\$ 1,188,200

CITY OF NEWPORT, RHODE ISLAND

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS
NONEXPENDABLE SCHOLARSHIP FUNDS
JUNE 30, 2008

	Net Assets Held In Trust For Purposes July 1, 2007	ADDITIONS:		DEDUCTIONS		Net Assets Held In Trust For Purposes June 30, 2008
		Donations	Investment Income (Loss)	Awards and Investment Expenses		
Peter P Integlia Physical Education Scholarship	\$ 13,177	\$	\$ (733)	\$	\$	\$ 12,444
American Culinary Federation Award	24,875	1,000	(1,709)	(500)		23,666
Eileen Jeanes Jachna Award	30,927		(1,719)	(850)		28,358
William T Bull Award	36,092		(2,009)	(1,100)		32,983
Mercedes S Coulombe Award	81,011		(4,598)			76,413
Carol Ann Page Award	6,714		(376)	(100)		6,238
Avis G Marden Award	4,969		(271)			4,698
Class of 41 American Government Award	5,026		(258)			4,768
PF Carroll Scholarship	28,557		(1,271)	(850)		26,436
J Fitzgerald Scholarship	2,632		(121)			2,511
Smales Scholarship	15,019		(1,015)			14,004
Henry Vaughn Memorial Award	4,798		(242)			4,556
Adelson Biology Award	4,055		(180)	(100)		3,775
Leavitt Trust Award	19,490		(951)	(610)		17,929
Alliance Francaise Award	1,937		(106)	(39)		1,792
Lalli Trust Award	5,621		(20)			5,601
Goldstein Music Award	6,224		(398)			5,826
MB Howard Award	17,380		(790)	(500)		16,090
Newport School Book Award	312		(19)			293
Edward King Medal Award	88,861		(4,842)	(4,697)		79,322
Koehne Latin Award	4,112		(232)			3,880
Mirman Math Award	3,528		(185)			3,343
GH Norman Award	7,781		(388)			7,393
Peckham Award	98,399		(4,804)	(3,450)		90,145
Pell Medal	2,370		(159)			2,211
Read Medal #1	785		(42)			743
Read Medal #2	878		(54)			824
Charles B King Award	20,471		(165)	(350)		19,956
Rogers High School Centennial Award	52,535		(2,333)	(1,650)		48,552
Almira Coffin Award	5,381		(157)			5,224
HH Toole Scholarship	18,592		(933)	(550)		17,109
Henry Hefferman Award	88,052		(4,453)	(2,780)		80,819
Bruen Scholarship	27,418		(1,055)			26,363
Sullivan Scholarship	46,186		(2,249)	(600)		43,337
Joseph P Cotton Memorial Award	26,599		(1,646)			24,953
Rufus E Darrah Memorial Award	8,929		(465)			8,464
Margaret P Stevens Award	727		(45)			682
Christine Meek Sullivan/Marx Award	17,456	90	(558)			16,988
Zelda Mirman Music/Drama Award	35,810		(1,858)	(500)		33,452
Wosencroft Scholarship	7,792		(375)	(240)		7,177
M/M Thomas Archambault Award	18,418		(862)	(580)		16,976
Class of 46 Rogers High School DLS Award	20,169		(983)	(630)		18,556
General Contractors Association Award	28,752		(1,093)	(900)		26,759
Cohen Scholarship	6,876		(358)	(220)		6,298
Townsend Scholarship	9,137		(401)	(290)		8,446
Dorothy Drinkwater Lecraw Award	61,249		(2,815)	(1,900)		56,534
Nicholas Logothets Award	4,494		(218)			4,276
Helene Lewis Memorial Scholarship	91,460		(4,549)	(2,880)		84,031
Kristen Jorge Memorial Scholarship	20,241		(1,165)	(600)		18,476
James Colton Crowley Award	101,376		(4,413)	(3,180)		93,783
Florence J Alofsin English Award	6,837		(467)	(200)		6,170
Sandra Clooney Memorial Scholarship	31,732		(1,777)	(975)		28,980
Unallocated Expense	-			(4,484)		(4,484)
Total Nonexpendable Scholarship Funds	\$ 1,272,219	\$ 1,090	\$ (62,885)	\$ (36,305)		\$ 1,174,119

Component Unit

Redevelopment Agency of Newport

The Redevelopment Agency Fund accounts for the public and private rehabilitation and redevelopment projects carried on by the Agency.

CITY OF NEWPORT, RHODE ISLAND

COMPONENT UNIT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	REDEVELOPMENT AGENCY OF NEWPORT
ASSETS:	
Current assets:	
Cash	\$ 48,674
Accounts receivable	<u>4,200</u>
Total current assets	52,874
Noncurrent asset:	
Capital assets (net of accumulated depreciation)	<u>456,928</u>
TOTAL ASSETS	<u>509,802</u>
LIABILITIES:	
Current liabilities:	
Accounts payable	152
Accrued liabilities	<u>322,702</u>
Total current liabilities	322,854
Long-term liability:	
Notes payable	<u>200,000</u>
TOTAL LIABILITIES	<u>522,854</u>
NET ASSETS:	
Invested in capital assets, net of related debt	256,928
Unrestricted	<u>(269,980)</u>
TOTAL NET ASSETS	<u><u>\$ (13,052)</u></u>

CITY OF NEWPORT, RHODE ISLAND

COMPONENT UNIT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

	REDEVELOPMENT AGENCY OF NEWPORT
REVENUES:	
Charges for services	\$ 44,950
EXPENSES:	
Repairs and maintenance	4,751
Utilities	1,875
Property taxes	23,397
Depreciation	10,155
TOTAL EXPENSES	40,178
OPERATING INCOME	4,772
NONOPERATING REVENUE:	
Investment income	46
NET INCOME	4,818
FUND BALANCE - JULY 1, 2007	(17,870)
FUND BALANCE - JUNE 30, 2008	\$ (13,052)

CITY OF NEWPORT, RHODE ISLAND

COMPONENT UNIT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

	REDEVELOPMENT AGENCY OF NEWPORT
<hr/>	
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 44,950
Cash payments to suppliers for goods and services	(16,164)
Payment of administrative expense	(23,397)
	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	5,389
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment income	46
	<hr/>
NET INCREASE (DECREASE) IN CASH	5,435
CASH AND CASH EQUIVALENTS - JULY 1, 2007	43,239
	<hr/>
CASH AND CASH EQUIVALENTS - JUNE 30, 2008	\$ 48,674
	<hr/> <hr/>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ 4,772
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation and amortization	10,155
Changes in assets and liabilities:	
(Decrease) Increase in accounts payable	152
(Decrease) Increase in accrued liabilities	(9,690)
	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 5,389
	<hr/> <hr/>

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

Statistical Section

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

Contents

Financial Trends (Tables 1-4)

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

Revenue Capacity (Tables 5-7)

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

Debt Capacity (Tables 8-11)

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

Demographic and Economic Information (Tables 12-13)

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

Operating Information (Tables 14-16)

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

CITY OF NEWPORT, RHODE ISLAND

NET ASSETS BY COMPONENT
LAST SIX FISCAL YEARS
(UNAUDITED)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Governmental activities:						
Invested in capital assets, net of related debt	\$ 33,319,657	\$ 36,213,472	\$ 39,024,214	\$ 43,072,452	\$ 47,999,443	\$ 52,461,114
Restricted for:						
Permanent Funds:						
Expendable	5,315,880	6,145,004	6,677,139	7,255,682	7,148,999	6,281,490
Nonexpendable	1,142,270	1,142,270	1,142,270	1,142,270	1,889,512	1,937,467
Debt service			396,470	511,451	676,668	878,998
Unrestricted	12,454,625	7,362,515	2,726,161	6,483,321	7,437,828	8,364,508
Total governmental activities net assets	\$ 52,232,432	\$ 50,863,261	\$ 49,966,254	\$ 58,465,176	\$ 65,152,450	\$ 69,923,577
Business-type activities:						
Invested in capital assets, net of related debt	86,599,396	87,497,297	85,773,241	84,210,144	86,137,192	87,063,157
Restricted - Other purposes	6,385,522	6,612,069	3,624,058	4,401,342	3,054,328	4,749,967
Unrestricted	(4,355,744)	(4,072,754)	171,705	3,719,540	4,222,057	2,365,228
Total business-type activities net assets	\$ 88,629,174	\$ 90,036,612	\$ 89,569,004	\$ 92,331,026	\$ 93,413,577	\$ 94,178,352
Primary government:						
Invested in capital assets, net of related debt	119,919,053	123,710,769	124,797,455	127,282,596	134,136,635	139,524,271
Restricted for:						
Permanent Funds:						
Expendable	5,315,880	6,145,004	6,677,139	7,255,682	7,148,999	6,281,490
Nonexpendable	1,142,270	1,142,270	1,142,270	1,142,270	1,889,512	1,937,467
Debt service	6,385,522	6,612,069	4,020,528	4,912,793	3,730,996	5,628,965
Unrestricted	8,098,881	3,289,761	2,897,866	10,202,861	11,659,885	10,729,736
Total primary government net assets	\$ 140,861,606	\$ 140,899,873	\$ 139,535,258	\$ 150,796,202	\$ 158,566,027	\$ 164,101,929

NOTE: GASB 34 was implemented as of 2003, therefore, information is not available prior to that fiscal year.

TABLE 2
(1 of 2)

CITY OF NEWPORT, RHODE ISLAND

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

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Expenses:						
Governmental activities:						
General government	\$ 5,261,563	\$ 5,459,387	\$ 8,638,364	\$ 4,201,754	(2) \$ 6,904,515	\$ 5,664,619
General education	39,039,945	42,168,056	42,003,803	42,119,068	44,860,182	45,420,073
Public safety	23,098,422	25,954,534	27,848,257	27,932,352	29,620,705	30,005,098
Public health	3,649,735	4,403,093	4,664,543	4,564,130	5,179,345	7,000,668
Planning, zoning and development	855,293	1,028,852	1,681,628	1,994,692	1,440,553	1,604,671
Recreation	1,868,074	2,189,095	1,773,421	2,121,346	2,415,401	622,368
Human services	2,475,041	2,573,601	2,615,412	2,720,900	3,256,251	3,248,665
Interest expense	1,166,764	1,062,259	889,584	867,107	841,520	782,723
Total governmental activities	77,414,837	84,838,877	90,115,012	86,521,349	94,518,472	94,348,885
Business-type activities:						
Water	6,726,482	6,830,398	7,135,764	6,994,360	7,809,046	7,719,962
Water Pollution Control	5,806,015	6,432,891	7,050,859	6,781,706	7,051,852	7,559,615
Nonmajor	974,819	1,109,229	1,577,702	1,767,218	2,159,568	2,568,503
Total business-type activities	13,507,316	14,372,518	15,764,325	15,543,284	17,020,466	17,848,080
Total primary government expenses	90,922,153	99,211,395	105,879,337	102,064,633	111,538,938	112,196,965
Program Revenues:						
Governmental activities:						
Charges for services:						
General government	2,354,118	3,865,133	4,989,700	(1) 4,592,923	5,871,413	5,508,299
General education	79,913	735,868	940,091	1,538,629	1,856,459	1,356,264
Public safety	2,339,389	1,828,283	2,003,497	2,679,694	3,087,659	3,056,098
Public health	44,819	44,435	44,111	31,560	26,990	85,761
Planning, zoning and development	286,715	327,609	720,141	1,184,118	1,168,204	1,601,347
Recreation	686,522	741,853	288,077	96,764	99,126	105,010
Human services	744,901	333,733	154,514	150,622	297,236	439,667
Operating grants and contributions	21,279,957	21,000,389	21,236,496	20,380,130	21,272,720	20,851,435
Capital grants and contributions	1,683,441	818,007	846,754	1,170,076	786,166	469,484
Total governmental activities program revenues	29,499,775	29,695,310	31,223,381	31,824,516	34,465,973	33,473,365
Business-type activities:						
Charges for services:						
Water	7,778,407	7,795,582	7,100,096	9,514,397	(3) 8,506,460	9,025,966
Water Pollution Control	5,796,526	6,049,193	5,885,602	6,462,089	6,181,907	7,337,836
Nonmajor	1,441,015	1,407,977	1,972,189	2,572,591	2,345,366	2,833,916
Capital grants and contributions					673,500	305,849
Total business-type activities	15,015,948	15,252,752	14,957,887	18,549,077	17,072,233	19,503,567
Total primary government program revenues	44,515,723	44,948,062	46,181,268	50,373,593	52,173,206	52,976,932

(Continued)

TABLE 2
(2 of 2)

CITY OF NEWPORT, RHODE ISLAND

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

	Fiscal Year				
	2003	2004	2005	2006	
				2007	2008
Governmental activities	\$ (47,915,062)	\$ (55,143,567)	\$ (58,891,631)	\$ (60,052,499)	\$ (60,875,520)
Business-type activities	1,508,632	880,234	(806,438)	686,767	1,655,487
Total primary government net expense	<u>(46,406,430)</u>	<u>(54,263,333)</u>	<u>(59,698,069)</u>	<u>(59,365,732)</u>	<u>(59,220,033)</u>
General Revenues and Other Changes in Net Assets:					
Governmental activities:					
Property taxes	49,281,985	48,820,256	52,857,093	54,833,897	57,736,458
Unrestricted grants and contributions	4,155,936	4,097,271	4,059,353	4,614,794	4,330,807
Investment income	693,902	1,177,711	1,133,676	1,425,620	2,368,396
Miscellaneous	107,862	116,126	135,206	133,494	641,453
Transfers	-	(436,968)	(190,692)	(175,500)	1,053,250
Total governmental activities	<u>54,239,685</u>	<u>53,774,396</u>	<u>57,994,636</u>	<u>61,007,805</u>	<u>66,031,082</u>
Business-type activities:					
Investment income	79,810	90,236	98,797	175,220	220,284
Capital contributions			200,863		
Transfer from primary government		436,968	(10,171)	175,220	(1,053,250)
Total business-type activities	<u>79,810</u>	<u>527,204</u>	<u>289,489</u>	<u>175,220</u>	<u>(890,712)</u>
Special Item - Sale of School Building				2,168,305	
Total primary government	<u>54,319,495</u>	<u>54,301,600</u>	<u>58,284,125</u>	<u>67,135,557</u>	<u>65,140,370</u>
Change in Net Assets:					
Governmental activities	6,324,623	(1,369,171)	(896,995)	6,310,972	5,155,562
Business-type activities	1,588,442	1,407,438	(516,949)	1,082,551	764,775
Total primary government	<u>\$ 7,913,065</u>	<u>\$ 38,267</u>	<u>\$ (1,413,944)</u>	<u>\$ 7,769,825</u>	<u>\$ 5,920,337</u>

(Concluded)

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

NOTE: GASB 34 was implemented as of 2003, therefore, information is not available prior to that fiscal year.

TABLE 3

CITY OF NEWPORT, RHODE ISLAND

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund:										
Reserved	\$ 1,037,704	\$ 1,037,704	\$ 683,898	\$ 1,276,106	\$ 1,229,965	\$ 2,077,766	\$ 1,159,119	\$ 1,256,428	\$ 1,483,669	\$ 860,549
Unreserved	660,287	4,195,021	7,619,776	10,307,069	11,311,680	6,059,277	3,885,886	4,098,720	3,614,666	5,974,689
Total general fund	1,697,991	5,232,725	8,303,674	11,583,175	12,541,645	8,137,043	5,045,005	5,355,148	5,098,335	6,835,238
All Other Governmental Funds:										
Reserved	5,066,091	-	-	203,674	1,161,283	2,076,279	3,243,606	1,653,721	3,303,628	3,467,735
Unreserved, reported in:										
School unrestricted fund					410,396	(1,100,081)	394,880	1,714,624	2,740,267	3,638,529
Special revenue funds	8,211,592	7,585,505	7,192,830	7,028,012	5,666,483	5,257,888	4,975,768	3,388,324	3,783,419	4,310,016
Capital project funds	144,604	241,453	(5,521,154)	3,948,343	(600,158)	2,109,836	1,578,848	4,432,555	6,374,040	7,017,849
Permanent funds					6,458,150	7,287,274	7,819,409	7,230,632	7,148,999	6,281,490
Total all other governmental funds	13,422,287	7,826,958	1,671,676	11,180,029	13,096,154	15,631,196	18,012,511	18,419,856	23,350,353	24,715,619
Grand Total	\$ 15,120,278	\$ 13,059,683	\$ 9,975,350	\$ 22,763,204	\$ 25,637,799	\$ 23,768,239	\$ 23,057,516	\$ 23,775,004	\$ 28,448,688	\$ 31,550,857

NOTES:

Capital project fund balance depends on timing of state and federal reimbursements and type of temporary or permanent debt that may exist. These items cause the fund balance to fluctuate from year to year. Capital project fund balance also includes a reserve for equipment and vehicle replacement.

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

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

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

TABLE 4

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues:										
Taxes	\$ 43,134,151	\$ 44,116,549	\$ 46,206,830	\$ 47,160,364	\$ 48,164,505	\$ 51,117,203	\$ 53,081,970	\$ 54,767,961	\$ 57,519,657	\$ 60,115,303
Intergovernmental revenues	14,691,355	34,260,479	** 17,986,128	21,066,569	25,506,817	25,013,440	25,590,182	25,499,996	27,080,891	25,587,672
Charges for services	4,976,913	5,356,088	5,241,294	4,629,532	6,528,107	7,803,657	9,756,504	8,829,175	10,827,781	10,924,457
Use of money and property	824,350	1,035,931	1,457,595	912,779	693,902	1,177,711	1,133,676	1,425,620	2,368,397	641,456
Donations		1,113,000	*	77,476	1,425,623	**	770,880	892,441	29,347	198,608
Other revenues	1,583,705	2,342,973	4,516,662	4,171,226	107,862	115,992	135,205	1,672,123	1,582,706	1,144,697
Total revenues	65,210,474	88,225,020	75,420,964	78,017,946	82,426,816	85,998,883	90,569,978	92,224,222	99,558,775	98,612,193
Expenditures:										
Current:										
General government	3,511,210	4,981,704	4,140,436	5,141,663	4,919,181	5,192,168	6,346,749	5,248,504	5,757,907	5,459,164
General education	29,479,433	32,947,156	35,337,981	36,442,150	38,551,595	42,680,573	41,354,602	41,206,309	43,164,937	42,382,522
Public safety	15,041,800	14,285,703	14,986,866	15,099,678	16,122,841	^ 25,302,125	27,344,804	26,806,416	27,709,813	27,463,039
Public health	2,955,981	2,943,825	4,007,800	3,776,096	3,243,475	3,655,093	3,914,446	3,710,241	4,048,493	6,428,621 (3)
Planning, zoning and development			1,211,114	1,587,070	826,369	1,313,138	968,008	1,909,891	1,244,576	1,229,936
Recreation	1,175,338	1,462,253	1,965,201	1,726,323	1,692,203	2,236,838	1,588,267	1,729,893	1,721,212	538,059 (3)
Human services	1,128,210	2,716,170	8,780,684	14,483,725	2,466,177	2,534,733	2,510,411	2,630,902	3,228,649	3,163,997
Pension expenses			7,682,350	6,741,096	7,279,340	^ 436,421	899,423	1,136,621	1,607,335	2,453,316
Debt service:										
Debt issuance							51,929			
Principal	687,968	696,459	586,011	566,484	1,041,361	1,386,069	1,337,106	1,192,470	1,204,311	1,187,425
Interest	377,542	323,478	285,206	256,268	1,463,856	1,033,255	830,345	838,757	803,651	755,657
Capital outlay	3,593,895	869		446,539	6,808,830	2,689,063	4,258,485	5,096,730	6,381,011	5,097,103
Total expenditures	57,951,377	60,357,617	78,983,649	86,267,092	84,415,228	88,459,476	91,404,575	91,506,734	96,877,895	96,178,839
Excess (deficiency) of revenues over expenditures	7,259,097	27,867,403	(3,562,685)	(8,249,146)	(1,988,412)	(2,460,593)	(834,597)	717,488	2,680,880	2,433,354
Other Financing Sources (Uses):										
Proceeds from borrowing				21,037,000		1,027,000	3,124,702			
Payment to refunding escrow agent							(3,010,000)			
Sale of property		60,448							2,168,305	-
Operating transfers in	18,854,242	421,238	19,958,668	20,609,955	22,034,907	27,129,054	27,575,078	27,695,528	28,310,752	28,427,088
Operating transfers out	(26,093,892)	(25,343,688)	(19,958,668)	(20,609,955)	(22,034,907)	(27,566,022)	(27,564,906)	(27,695,528)	(28,486,252)	(27,373,838)
Total other financing sources (uses)	(7,239,650)	(24,862,002)	-	21,037,000	-	590,032	124,874	-	1,992,805	1,053,250
Net change in fund balances	\$ 19,447	\$ 3,005,401	\$ (3,562,685)	\$ 12,787,854	\$ (1,988,412)	\$ (1,870,561)	\$ (709,723)	\$ 717,488	\$ 4,673,685	\$ 3,486,604
Debt service as a percentage of noncapital expenditures	1.96%	1.69%	1.10%	0.96%	3.23%	2.82%	2.55%	2.35%	2.22%	2.13%

NOTES:

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

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

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

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

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

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

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

CITY OF NEWPORT, RHODE ISLAND

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

Fiscal Year Ended June 30	Assessed Value						Total Taxable Assessed Value	Total Direct Tax Rate Residential	Total Direct Tax Rate Commercial	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property	Personal Property	Inventories	Motor Vehicles	Less Exemptions					
1999	\$ 1,652,057,233	\$	\$ 86,794,207	\$	\$ 97,308,482	\$ 20,288,987	\$ 1,815,870,935	23.69	\$	2,535,227,098	71.63%
2000	1,697,661,754		89,327,769		93,151,178	20,630,934	1,859,509,767	23.90		1,933,870,184	96.15%
2001	1,712,348,318		96,595,767		127,579,988	20,580,640	1,915,943,433	24.29		2,174,244,906	88.12%
2002	1,719,510,154		82,688,796		117,766,454	52,413,176	1,867,552,228	25.10		2,597,800,538	71.89%
2003	2,287,770,460	1,048,703,200	82,740,975	22,684,956	120,829,611	69,118,210	3,493,610,992	12.85	1.5	3,493,610,992	100.00%
2004	2,471,644,000	837,597,500	80,834,657	24,128,568	126,420,029	76,353,633	3,464,271,121	13.43	15.96	4,016,247,021	86.26%
2005	2,470,649,500	854,054,700	81,894,726	23,351,240	125,903,945	76,973,716	3,478,880,395	13.72	16.30	5,287,898,200	65.79%
2006	2,510,163,253	834,407,847	86,997,316	22,949,498	138,954,444	81,242,277	3,512,230,081	14.29	17.00	5,169,960,239	67.94%
2007	4,659,124,549	1,245,531,051	87,315,021	23,293,927	149,567,988	113,777,545	6,051,054,991	8.02	11.96	5,937,277,446	75.63%
2008	4,677,208,934	1,199,076,766	87,739,902	24,835,391	146,088,085	119,596,201	6,015,352,877	8.34	12.44	6,134,949,078	85.47%

Source: City of Newport, Rhode Island Assessor

NOTES:
The City's tax rate increase cannot exceed 5.25% of the prior year's rate and/or the total levy cannot exceed 5.25% of the prior year's total levy unless the State of Rhode Island approves such increase.
The City of Newport has no overlapping debt nor does it collect taxes for any other entity.
The City switched to a two-tiered tax in fiscal year 2002.
The City had a full revaluation of real property in 2001 (effective 2002). The full revaluation is required by state law every 9 years. Statistical updates are required every 3 years.

TABLE 6

CITY OF NEWPORT, RHODE ISLAND

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

	2008				1999			
	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value		Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value	
Mass Mutual Life	\$ 66,263,400	1	1.09%		\$ 52,000,000	1	4.78%	
Newport Restoration Foundation								
Historic Homes own/rent	58,054,600	2	0.96%		17,450,300	3	1.61%	
HE Newport, LLC	57,784,900	3	0.95%		27,819,068	2	2.56%	
LHO Viking Hotel, LLC	43,732,600	4	0.72%					
RK Newport, LLC	30,132,500	5	0.50%					
Eastern Resorts Company	27,373,900	6	0.45%					
Shaner Hotel Group	25,895,300	7	0.43%		10,450,180	4	0.96%	
Newport Jai Alai, LLC	19,062,200	8	0.31%		6,880,630	7	0.63%	
Newport On Shore					8,696,600	6	0.80%	
Hammersmith Preservation Assoc.	14,203,100	9	0.23%					
Wellington Hotel Association	13,968,000	10	0.23%		9,720,100	5	0.89%	
AL Ballard (Edgehill)					6,650,000	8	0.61%	
Franklin Simon/Bayside Village					6,082,000	9	0.56%	
American Shipyard					6,600,000	10	0.61%	
Total	\$ 356,470,500		5.89%		\$ 152,348,878		14.02%	

Based upon a net assessed value of \$6,052,309,572 and \$1,087,010,779, respectively.

Source: City of Newport Assessor.

TABLE 7

CITY OF NEWPORT, RHODE ISLAND

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

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year (net abatements)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1999	\$ 42,980,413	\$ 40,798,810	94.9%	\$ 2,058,092	\$ 42,856,902	99.7%
2000	44,376,017	42,083,037	94.8%	2,149,865	44,232,902	99.7%
2001	45,435,317	43,500,305	95.7%	1,804,958	45,305,263	99.7%
2002	47,052,966	45,377,615	96.4%	1,573,082	46,950,697	99.8%
2003	47,892,028	45,366,713	94.7%	1,562,293	46,929,006	98.0%
2004	49,028,731	47,848,444	97.6%	1,076,078	48,924,522	99.8%
2005	50,838,373	47,843,987	94.1%	1,207,895	49,051,882	96.5%
2006	52,053,701	50,818,303	97.6%	1,036,685	51,854,988	99.6%
2007	54,164,573	52,784,152	97.5%	1,158,569	53,942,721	99.6%
2008	56,325,863	55,036,635	97.7%		55,036,635	97.7%

Source: City of Newport Tax Collector

TABLE 8

CITY OF NEWPORT, RHODE ISLAND

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

Fiscal Year June 30,	Governmental Activities			Business-Type Activities			Total	Percentage of Personal Income *	Net Bonded Debt per Capita	Taxable Assessed Value	Net Bonded Debt as % of Taxable Assessed Value
	General Obligation Bonds	QZAB (1)	Water Bonds	Water		Bonds					
				Pollution Control Bonds	Water Bonds						
1999	\$ 6,230,503	\$	\$ 13,928,695	\$ 7,355,802	\$	\$ 27,515,000	0.1203%	\$ 1,039	\$ 1,815,870,935	1.52%	
2000	5,534,044		12,427,530	6,313,427		24,275,001	0.1448%	917	1,859,509,767	1.31%	
2001	4,948,033		11,035,648	5,331,321		21,315,002	0.1700%	809	1,915,943,433	1.11%	
2002	23,081,549		9,617,022	10,228,198		42,926,769	0.0868%	1,634	1,867,552,228	2.30%	
2003	22,195,538	1,863,536	8,260,140	15,112,707		47,431,921	0.0823%	1,820	3,493,610,992	1.36%	
2004	20,980,000	1,863,536	6,960,000	14,771,329		44,574,865	0.0921%	1,722	3,464,271,121	1.29%	
2005	19,950,218	1,863,536	6,104,687	14,161,797		42,080,238	0.1026%	1,661	3,478,880,395	1.21%	
2006	18,757,747	1,863,536	5,109,518	13,176,781		38,907,582	0.1180%	1,594	3,512,230,080	1.11%	
2007	17,565,277	1,863,536	5,371,324	12,191,492		36,991,629	Not available	1,515	6,051,054,991	0.61%	
2008	16,377,852	1,863,536	7,098,563	11,267,416		36,607,367	Not available	1,500	6,052,309,573	0.60%	

Notes:

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

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

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

CITY OF NEWPORT, RHODE ISLAND

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

Fiscal Year June 30,	Governmental Activities		Total	Percentage of Actual Taxable Value of Property *	Percentage of Personal Income	U.S. Census Estimated Population	Per Capita **
	General Obligation Bonds	QZAB					
1999	\$ 6,230,503	\$	6,230,503	0.25%	0.21%	26,475	\$ 235.34
2000	5,534,044		5,534,044	0.29%	0.18%	26,475	209.03
2001	4,948,033		4,948,033	0.23%	0.16%	26,345	187.82
2002	23,081,549		23,081,549	0.89%	0.72%	26,269	878.66
2003	22,195,538	1,863,536	24,059,074	0.69%	0.72%	26,059	878.66
2004	20,980,000	1,863,536	22,843,536	0.57%	0.65%	25,879	878.66
2005	19,950,218	1,863,536	21,813,754	0.41%	0.59%	25,340	923.25
2006	18,757,747	1,863,536	20,621,283	0.40%	0.54%	24,409	882.71
2007	17,565,277	1,863,536	19,428,813	0.33%	Not Available	24,409	860.84
2008	16,377,852	1,863,536	18,241,388	0.30%	Not Available	24,409	844.82

Notes:

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

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

* See Schedule 5 for property value data.

** Population data can be found in Schedule 12.

TABLE 10

CITY OF NEWPORT, RHODE ISLAND
 LEGAL DEBT MARGIN INFORMATION
 LAST TEN FISCAL YEARS
 (UNAUDITED)

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Total assessed value	\$ 1,815,870,935	\$ 1,859,509,767	\$ 1,876,786,530	\$ 1,886,642,052	\$ 3,562,729,202	\$ 3,464,271,121	\$ 3,555,854,111	\$ 3,593,472,358	\$ 6,164,832,536	\$ 6,134,949,078
Rhode Island General Law debt limitation as % of assessed value	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Debt limit	54,476,128	55,785,293	56,303,596	56,599,262	106,881,876	103,228,134	106,675,623	107,804,171	184,944,976	184,048,472
Debt applicable to limit: General obligation bonds	6,230,503	5,534,044	4,948,033	23,081,549	24,059,074	22,843,536	21,813,754	20,621,283	19,428,813	18,241,388
Legal debt limit	54,476,128	55,785,293	56,303,596	56,599,262	106,881,876	103,228,134	106,675,623	107,804,171	184,944,976	184,048,472
Total net debt applicable to the limit	6,230,503	5,534,044	4,948,033	23,081,549	24,059,074	22,843,536	21,813,754	20,621,283	19,428,813	18,241,388
Legal debt margin	\$ 48,245,625	\$ 50,251,249	\$ 51,355,563	\$ 33,517,713	\$ 82,822,802	\$ 81,084,598	\$ 84,861,869	\$ 87,182,888	\$ 165,516,163	\$ 165,807,084
Total net debt applicable to the limit as a percentage of debt limit	12.91%	11.01%	9.63%	68.86%	29.05%	28.17%	25.71%	23.65%	11.74%	11.00%

CITY OF NEWPORT, RHODE ISLAND

PLEGDED REVENUE COVERAGE
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year June 30,	Water Revenue Bonds						Water Pollution Control Revenue Bonds					
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Coverage	Debt Service Principal	Interest	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Coverage	Debt Service Principal	Interest
1999	\$ 6,970,072	\$ 3,996,610	\$ 2,973,462	1.28	\$ 1,512,251	\$ 801,852	\$ 5,557,536	\$ 3,606,871	\$ 1,950,665	1.28	\$ 1,074,781	\$ 398,387
2000	8,081,317	4,254,528	3,826,789	1.87	1,501,165	545,590	6,034,623	4,495,432	1,539,191	1.87	1,042,375	337,848
2001	8,281,934	4,305,387	3,976,547	1.97	1,391,882	622,711	5,837,598	4,871,796	965,802	1.97	982,106	370,128
2002	7,058,277	4,486,057	2,572,220	1.31	1,418,626	545,590	5,912,202	3,628,010	2,284,192	1.31	924,891	426,846
2003	7,693,021	5,187,938	2,505,083	1.37	1,356,882	477,487	5,796,526	3,821,404	1,975,122	1.37	907,107	434,383
2004	7,666,798	5,223,972	2,442,826	1.44	1,300,140	396,557	6,049,193	4,233,667	1,815,526	1.44	1,721,182	224,795
2005	7,100,096	5,489,324	1,610,772	1.57	855,313	171,496	5,885,602	4,553,443	1,332,159	1.57	921,723	323,326
2006	9,514,397	5,603,064	3,911,333	2.82	995,169	389,981	6,462,089	4,430,338	2,031,751	2.82	985,016	615,547
2007	9,179,960	6,428,093	2,751,867	2.49	969,405	134,631	6,181,907	4,741,389	1,440,518	2.49	985,289	275,922
2008	9,046,815	6,673,460	2,373,355	2.17	894,389	197,959	7,337,836	4,986,402	2,351,434	2.17	924,076	237,200

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

TABLE 12

CITY OF NEWPORT, RHODE ISLAND

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year June 30,	Population	Per		Total County		Total State		School Enrollment ^	Unemployment Rate <
		Capita Personal Income >		Personal Income >	(thousands)	Personal Income >	(thousands)		
1999	26,475 **	\$ 33,100	\$ 3,011,591	\$ 28,568,304	2,866	3.3%			
2000	26,475 **	35,159	3,011,591	30,696,701	2,815	3.2%			
2001	26,345 **	36,242	3,097,618	32,478,381	2,895	3.5%			
2002	26,269 **	37,268	3,191,241	33,635,436	2,917	3.0%			
2003	26,059 **	39,018	3,331,937	35,071,523	2,890	4.1%			
2004	25,879 **	41,044	3,539,984	36,818,389	2,796	4.6%			
2005	25,340 **	43,168	3,688,006	37,876,045	2,524	4.4%			
2006	24,409 **	45,894	3,824,537	39,911,244	2,386	4.5%			
2007	24,409 *	Not Available	Not Available	42,008,417	2,380	4.0%			
2008	24,409 *	Not Available	Not Available	Not Available	2,208	6.2%			

* Source: Rhode Island Department of Planning.

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

> Source: U.S. Bureau of Economic Analysis, Regional Economic Information System.

The City's population is 31.0% of the County.

^ Source: City School Department.

< Source: RI Department of Labor & Training.

CITY OF NEWPORT, RHODE ISLAND

PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
(UNAUDITED)

Employer	2008			1999			Rank	Employees	Rank	Percentage of Total City Employment
	Employer	Employees	Rank	Percentage of Total City Employment	Employees	Rank				
Naval Undersea Warfare Center	2,824	1	17.3%	Naval Undersea Warfare Center	2,939	1	21.7%			
Naval Education and Training Center (NETC)	950	2	5.8%	Newport Hospital	933	2	6.9%			
Newport Hospital	859	3	5.3%	Naval Education and Training Center (NETC)	771	3	5.7%			
City of Newport	800	4	4.9%	City of Newport	765	4	5.6%			
James L. Maher Center	700	5	4.3%	Salve Regina University	500	5	3.7%			
Salve Regina University	500	6	3.1%	Newport Islander Doubletree Hotel	330	6	2.4%			
Preservation Society of Newport County	361	7	2.2%	Newport Marriott Hotel	300	7	2.2%			
Hyatt Regency Newport	330	8	2.0%	Child & Family Services of Newport County	260	8	1.9%			
BankNewport	275	9	1.7%	Naval War College	250	9	1.8%			
Child & Family Services of Newport County	280	10	1.7%	The Stop & Shop Co., Inc.	225	10	1.7%			
Total	7,879		48.2%	Total	7,273		53.7%			

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

Source: Rhode Island Economic Development Corporation.

Note: Information from 10 years ago is not available.

TABLE 14

CITY OF NEWPORT, RHODE ISLAND

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General government:										
Mayor and Council	7	7	7	7	7	7	7	7	7	7
City Manager	3	3	3	3	3	3	3	3	3	3
City Solicitor	4	4	4	4	3	3	3	3.5	3.5	3.5
Canvassing	2	2	2	2	2	2	2	2	2	2
Finance	28	29	29	29	22	22	22	21	21	23
City Clerk					6	6	6	6	6	6
Administrative services					17	17	17	17	18	0
Planning	15	15	16	16	12	12	12.5	13.5	13	13
Total General Government	59.0	60.0	61.0	60.0	74.0	74.0	74.5	75.0	76.5	60.5
Public safety:										
Police	111	111	111	111	114.5	114.5	114.5	114.5	111.5	111.5
Fire	98	98	98	98	99	99	99	99	99	99
	209.0	209.0	209.0	209.0	213.5	213.5	213.5	213.5	210.5	210.5
Public health:										
Public works	24	24	24	24	18.6	18.6	18.6	18.6	18.6	39
Water	45	43	43	44	46	45.7	45.7	46.3	46.3	46.4
Wastewater	35	35	0.7	0.7	0.7	0.7	0.7	1.1	1.1	1.6
	104.0	102.0	67.7	68.7	65.3	65.0	65.0	66.0	66.0	87.0
Public welfare:										
Recreation and parks	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0	16.3	4.0
Public education:										
Teachers	237	233	234	213	228	227	219	219	219	210
Pupil support	59	68	71	74	73	75	64	64	64	62
Executive and administrative	91	90	90	88	90	90	90	90	90	76
	387.0	391.0	395.0	375.0	391.0	392.0	373.0	373.0	373.0	348.0
Total	778.0	781.0	751.7	731.7	762.8	763.5	745.0	746.5	742.3	710.0

Source: City budgets

TABLE 15

CITY OF NEWPORT, RHODE ISLAND

OPERATING INDICATORS BY FUNCTION/PROGRAM
(UNAUDITED)

	FISCAL YEAR				
	2004*	2005	2006	2007	2008
Function/Program					
Police:					
Physical arrests	1,649	1,837	1,789	1,599	1,943
Parking violations	38,273	34,775	50,623	39,423	39,968
Calls for Service	39,186	38,310	36,465	33,597	34,015
Fire:					
Emergency responses	3,838	3,653	3,959	5,079	5,625
Fires extinguished	144	107	95	102	116
Inspections	250	385	1,338	1,681	1,151
Refuse collection:					
Refuse collected (tons/day, average)	21.71	30.92	33.17	30.99	29.66
Recyclables collected (tons/day, average)	6.43	8.31	9.32	8.63	8.91
Other public works:					
Street resurfacing (miles)	4.4	2.9	0.9	1.4	1.92
Parks and recreation:					
Athletic field rentals	47	25	22	38	87
Library:					
Volumes in collections	143,965	186,605	189,727	189,405	205,914
Water:					
New connections	91	96	69	148	57
Water mains breaks	20	16	23	32	31
Average daily production (available for sale) (million gallons per day)	7.54	7.11	6.99	6.69	6.87
Wastewater:					
Average daily sewage treatment (thousands of gallons)	9,700	10,900 **	9,872	9,800	7,820

Note:

* First year information is available.

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

Sources: Various city departments.

TABLE 16

CITY OF NEWPORT, RHODE ISLAND

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

	FISCAL YEAR				
	2004*	2005	2006	2007	2008
<u>Function/Program</u>					
Police:					
Stations	1	1	1	1	1
Patrol units	87	87	87	87	87
Fire stations	3	3	3	3	3
Public works:					
Streets (miles)	94	94	94	94	94
Streetlights	465	465	465	465	465
Traffic signals	5	5	5	5	5
Parks and recreation:					
Acreage	15	15	15	15	15
Playgrounds	13	13	13	13	13
Multi purpose playing fields	7	7	7	7	7
Tennis courts	18	18	18	18	18
Community centers	1	1	1	1	1
Water:					
Water mains (miles)	162	162	162	163	163
Fire hydrants	975	983	987	996	999
Storage capacity (thousands of gallons-treated)	10,500	10,500	10,500	10,500	10,500
Wastewater:					
Sanitary sewers (miles)	88	88	88	88	88
Storm sewers (miles)	46	46	46	46	46
Treatment capacity (thousands of gallons) (daily)	10,700	10,700	10,700	10,700	10,700

Note:

* First year information is available.

Source: Various city departments.

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