

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

of the

**CITY OF NEWPORT,
RHODE ISLAND**



FOR THE YEAR ENDED

JUNE 30, 2009

PREPARED BY:

**LAURA SITRIN, CPA
DIRECTOR OF FINANCE**

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Introductory Section



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

December 21, 2009

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, 2009.

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 CCR LLP, 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, 2009 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, 2009, 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 \$50,792 compared to \$39,829 and \$38,615 for Rhode Island and the United States, respectively. The unemployment rate is 9.8% compared to the state unemployment rate of 13.0%. The median selling price of an existing home in 2009 is \$317,500, 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 2009 and is expected to remain below average due to the national economy.

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, Broadway area 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, and rates.

The current 5-year capital plan includes approved general obligation bond funds of \$12MM to rebuild and repair roadways and sidewalks of which \$5,000,000 has been spent to date, in accordance with a pavement management program developed within the last two years.

Cash management policies and practices

Temporarily idle cash is invested in government money market funds that are fully collateralized, in certificates of deposit, in Government National Mortgage Association (GNMA) pass-through pools, and in U.S. treasury obligations. The maturities of investments range mostly from 1 day to 5 years, with a

weighted average maturity of .23 years on the certificates of deposit. The average yield on investments ranged from less than 1% for government money market funds to 5.5% for GNMA investments. Pension, OPEB Trust, Permanent Fund and Scholarship Fund investments declined on average 16.6% from the previous year due to the sharp decline in the market in the fall of 2008. The lower rate for the pension funds is attributable to the long-term character of most of its investment holdings and unrealized losses. Investment income includes changes in the fair value of investments. Changes in fair value during the current year, however, do not necessarily represent trends that will continue, especially in the case of temporary changes in the fair value of investments that the government intends to hold to maturity.

Pension and other postemployment benefits

The City sponsors two single-employer defined benefit pension plans for police and fire employees. Each year, an independent actuary engaged by the pension plans calculates the amount of the annual contribution that the City must make to the pension plans to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As a matter of policy, the City fully funds each year's annual required contributions to the pension plans as determined by the actuary. The City also fully funds the calculation by the actuary of the annual amortization of the unfunded actuarially accrued liability. The liability is being amortized over a closed 30-year period. The City is in the 23rd year (declining to 1). The plans are currently funded at 40% for the fire plan and 62% for the police plan.

The City also provides pension benefits for its non-public safety employees through a state-wide plan managed by the State Treasurer. The state-hired actuaries determine the funding level and unfunded actuarially accrued liability for each individual participating employer. The City is 77% funded in the State's municipal employees' retirement plan. The State of Rhode Island provides pension benefits to the City of Newport school teachers.

The City also provides postretirement health coverage for all vested retirees, certain dependents and beneficiaries and life insurance benefits to police retirees. Vesting and participation is determined by bargaining contract and varies by length of employment and type of employment. As of June 30, 2009, 868 retirees were eligible to receive health and life insurance benefits, which are currently financed on a pay-as-you-go basis. The City has received an actuarial calculation of the combined municipal and school liability as of July 1, 2008. That estimate is \$143MM. The City has established and is funding a trust to accumulate assets for the payment of other post-employment benefits in the future. Assets of \$8.5MM have accumulated as of June 30, 2009. The City fully funded the annual actuarially required contribution in FY2009. Benefits will not be paid from the trust until such time as City management feels that sufficient assets have accumulated to begin paying benefits. Retiree benefits and various options are currently being studied in order to reduce the liability.

Additional information on the City's pension arrangements and postemployment benefits can be found in Notes V B. and V C. in the notes to the basic financial statements.

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Newport for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2008. This was the 5th consecutive year that the government received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied 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 CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

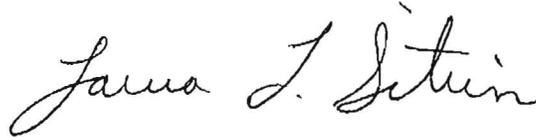
In addition, the government also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated July 1, 2009. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

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,

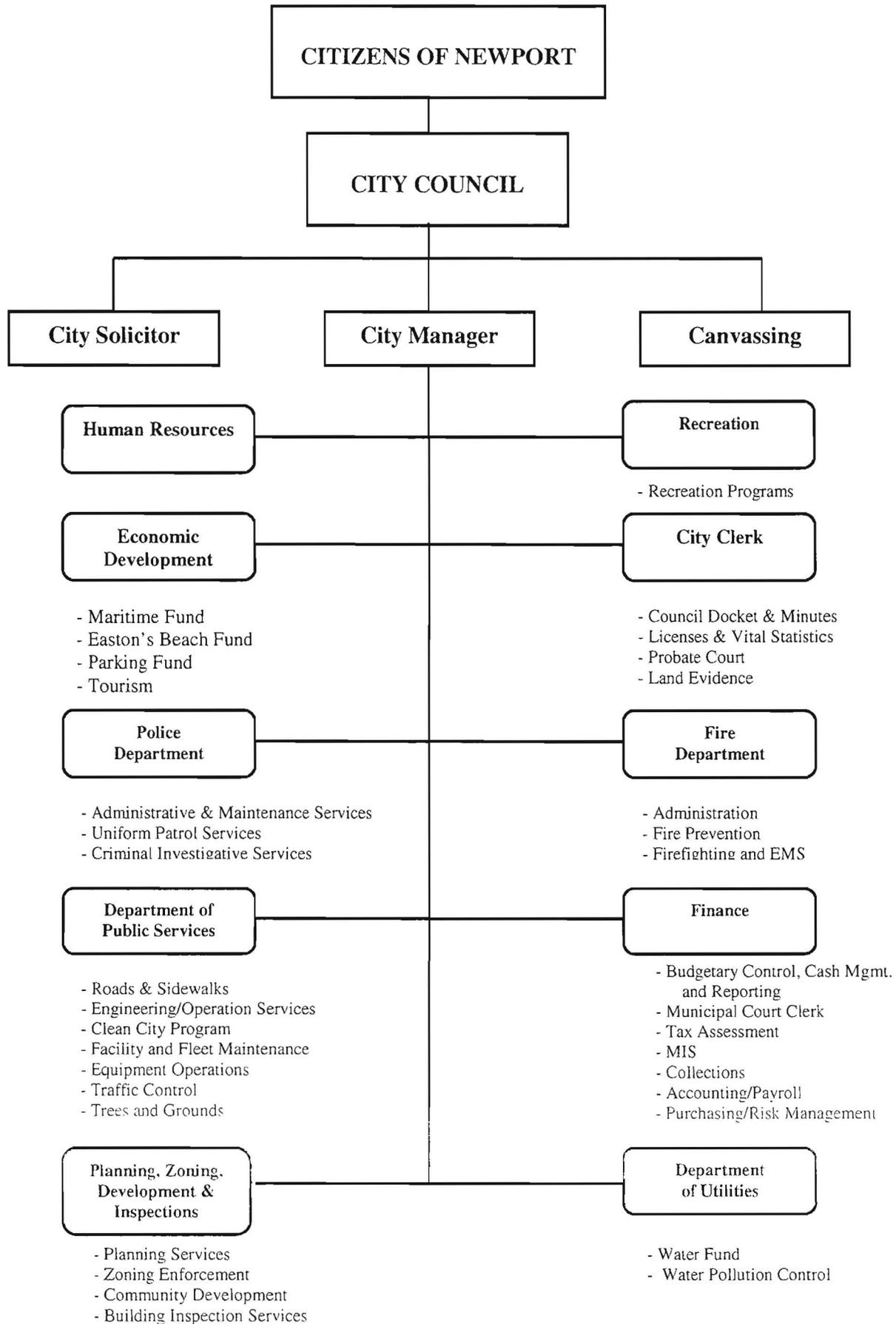


Edward F. Lavallee
City Manager



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 Jeanne-Marie Napolitano	Mayor
Charles Y. Duncan	1 st Ward Councilor
Justin S. McLaughlin	2 nd Ward Councilor, Vice-Chair
Kathryn E. Leonard	3 rd Ward Councilor
Mary C. Connolly	Councilor At Large
Stephen C. Waluk	Councilor At Large
Stephen R. Coyne	Councilor At Large
Jo Eva Gaines	School Committee Chair
Hugo J. DeAscentis, Jr	School Committee/Vice Chair
Dr. Charles P. Shoemaker	School Committee
Rebecca Bolan	School Committee
Sandra J. Flowers, Ph.D.	School Committee
Robert J. Leary	School Committee
Patrick K. Kelley	School Committee

Principal Appointed Officials:

Edward F. Lavallee	City Manager
Laura L. Sitrin, CPA	Director of Finance
John H. Ambrogio, Ed.D.	Superintendent of Schools
Michael Saunders	School Business Manager
Joseph J. Nicholson Jr.	City Solicitor
Julia Forgue	Director of Utilities
William Riccio	Director of Public Services
Jonathon Stevens	Director of Economic Development
Paige Bronk	Director of Planning
Michael McKenna	Police Chief
Harry Hallgring	Fire Chief
Susan Cooper	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, 2008

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



President

Executive Director

Financial Section

INDEPENDENT AUDITORS' REPORT

Members of the 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 (the "City") as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents. These 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Newport, Rhode Island as of June 30, 2009, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the School Restricted 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 21, 2009, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis presented on pages 11 through 21 and the schedules of funding progress and employer contributions on pages 81 through 83 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules 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 and statistical sections 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.

CCR LLP

Providence, Rhode Island
December 21, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2009

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, 2009. 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 \$168,207,594 (*net assets*).
- The government's net assets increased by \$4,105,665. Governmental activities' net assets increased by \$2,456,756 due primarily to capital asset additions in excess of depreciation expense. Business-type activities had an increase of \$1,648,909 in net assets due to increased revenues in all enterprise funds.
- At June 30, 2009, the City of Newport's governmental funds reported a combined ending fund balance of \$25,143,543, a decrease of \$6,407,314 in comparison to the prior year fund balance. Approximately 83% of this amount, \$20,896,868, 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 \$8,011,145, or 10.8% of total general fund expenditures and net other financing uses.
- The City of Newport's long-term liabilities net decrease of \$2,426,521 (4%) was attributable to the scheduled repayment of debt, a decrease in claims and judgments, and a decrease in the net OPEB obligation offset by new debt issued by the Water Fund.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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 Block Grant fund, the Capital Projects 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 \$168,207,594 at the close of the most recent fiscal year.

By far the largest portion of the City of Newport's net assets (94%) 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	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 44,028,259	\$ 51,426,045	\$ 11,226,259	\$ 11,322,304	\$ 55,254,518	\$ 62,748,349
Capital assets	76,277,100	70,702,502	109,739,879	105,534,031	186,016,979	176,236,533
Total assets	120,305,359	122,128,547	120,966,138	116,856,335	241,271,497	238,984,882
Long-term liabilities	35,313,898	37,443,156	16,690,970	16,988,233	52,004,868	54,431,389
Other liabilities	12,611,128	14,761,814	8,447,907	5,689,750	21,059,035	20,451,564
Total liabilities	47,925,026	52,204,970	25,138,877	22,677,983	73,063,903	74,882,953
Net assets:						
Invested in capital assets, net						
of related debt	59,259,977	52,461,114	90,719,216	87,063,157	149,979,193	139,524,271
Restricted	7,312,779	9,097,955	3,900,192	4,749,967	11,212,971	13,847,922
Unrestricted	5,807,577	8,364,508	1,207,853	2,365,228	7,015,430	10,729,736
Total net assets	\$ 72,380,333	\$ 69,923,577	\$ 95,827,261	\$ 94,178,352	\$ 168,207,594	\$ 164,101,929

An additional portion of the City of Newport's net assets (7%) represents resources that are restricted by external parties.

The City's net assets increased by \$4,105,665 during the current fiscal year. This increase is primarily due to the degree to which increases in ongoing revenues have outstripped increases in ongoing expenses.

Governmental Activities

Governmental activities net assets increased by \$2,456,756. A comparison of FY2009 and FY2008 activity can be found on the next page which indicates an increase in property tax revenue of \$2,163,439 and an increase in capital grants of \$2,511,588; decreases in grants and contributions not restricted to specific programs of \$823,921, and in investment income of \$1,650,152. Property tax revenue increased because of an increase in the tax rates of 3.96%. Capital grants increased due to increased funding for the Washington Square and Gooseneck Cove projects. Investment income decreased to realized and unrealized losses in the permanent fund and lower interest rates. Expenses increased by \$2,306,570. The primary reason is because the City increased its allocation to the Other Post Employment Benefits Trust by \$1,750,000 which was allocated to departments in the government-wide financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

City of Newport's Changes in Net Assets

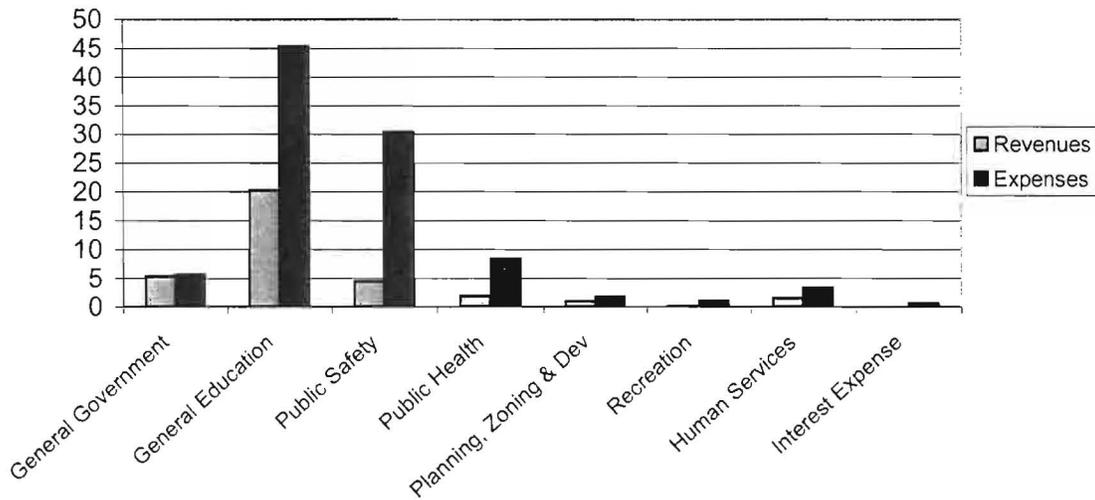
	Governmental activities		Business-type activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 11,162,493	\$ 12,152,446	\$ 20,402,648	\$ 19,197,718	\$ 31,565,141	\$ 31,350,164
Operating grants and contributions	20,403,551	20,851,435	-	-	20,403,551	20,851,435
Capital grants and contributions	2,981,072	469,484	154,107	305,849	3,135,179	775,333
General revenues:						
Property taxes	62,169,011	60,005,572	-	-	62,169,011	60,005,572
Grants and contributions not restricted to specific programs	3,506,886	4,330,807	-	-	3,506,886	4,330,807
Investment income	(1,008,699)	641,453	84,612	162,538	(924,087)	803,991
Total revenues	99,214,314	98,451,197	20,641,367	19,666,105	119,855,681	118,117,302
Expenses:						
General government	5,638,586	5,664,619	-	-	5,638,586	5,664,619
General education	45,273,034	45,420,073	-	-	45,273,034	45,420,073
Public safety	30,380,376	30,005,098	-	-	30,380,376	30,005,098
Public health	8,396,219	7,000,668	-	-	8,396,219	7,000,668
Planning, zoning and development	1,829,568	1,604,671	-	-	1,829,568	1,604,671
Recreation	1,092,871	622,368	-	-	1,092,871	622,368
Human services	3,361,996	3,248,665	-	-	3,361,996	3,248,665
Interest expense	682,805	782,723	-	-	682,805	782,723
Water	-	-	9,003,205	7,719,962	9,003,205	7,719,962
Water pollution control	-	-	7,428,839	7,559,615	7,428,839	7,559,615
Nonmajor business-type	-	-	2,662,517	2,568,503	2,662,517	2,568,503
Total expenses	96,655,455	94,348,885	19,094,561	17,848,080	115,750,016	112,196,965
Increase (decrease) in net assets	2,558,859	4,102,312	1,546,806	1,818,025	4,105,665	5,920,337
Transfers	(102,103)	1,053,250	102,103	(1,053,250)	-	-
Change in net assets	2,456,756	5,155,562	1,648,909	764,775	4,105,665	5,920,337
Net assets July 1	69,923,577	64,768,015	94,178,352	93,413,577	164,101,929	158,181,592
Net assets June 30	\$ 72,380,333	\$ 69,923,577	\$ 95,827,261	\$ 94,178,352	\$ 168,207,594	\$ 164,101,929

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

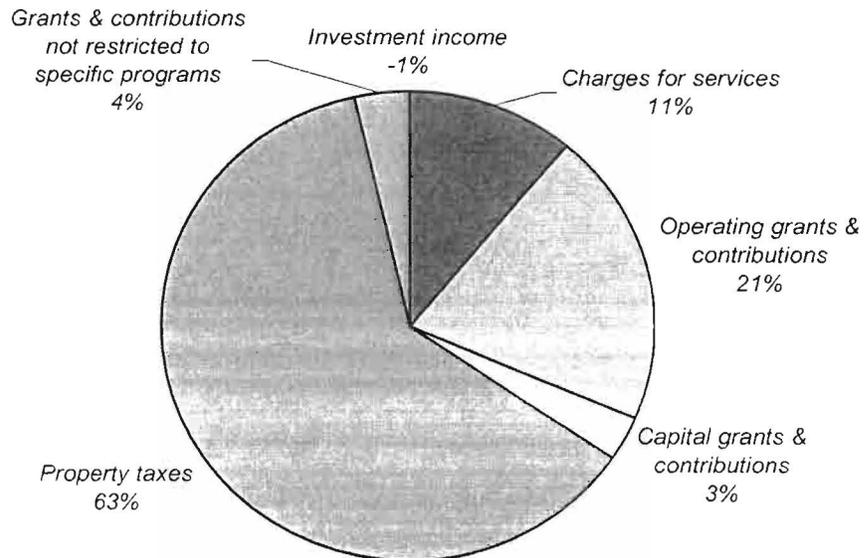
Government-Wide Financial Analysis (Continued)

Governmental Activities (continued)

**Expenses and Program Revenues -
Governmental Activities**



Revenues by Source - Governmental Activities



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

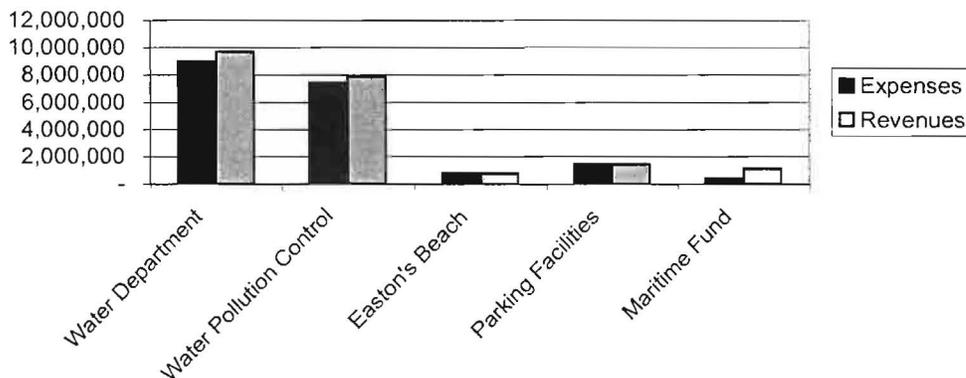
Government-Wide Financial Analysis (Continued)

Business-type activities

Business-type activities' net assets increased by \$1,648,909. The increase is due to an increase in water pollution control fees and water fees much of which is restricted for current and future capital projects.

The Water Fund had net income of \$725,371 for the year ended June 30, 2009, the Water Pollution Control Fund had net income of \$444,884 and the non-major proprietary funds had net income of \$478,654.

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 \$25,143,543, a decrease of \$6,407,314 in comparison with the prior year fund balance. Most of this total amount (\$20,896,868) 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 (\$4,246,675) 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 \$8,011,145, while total fund balance was \$8,784,991. 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 10.8% of total General Fund expenditures and operating transfers, while total fund balance represents 11.8% of that same amount.

The fund balance of the City of Newport's General Fund increased by \$1,949,753. The City Council passed a mid-year budget amendment to cover projected revenue shortfalls due to a mid-year reduction in state aid, plus there was additional savings in budgeted expenditures. Key factors in this year's operations are as follows:

An increase in the property tax rate (3.96% - residential rate) was anticipated to increase tax revenues by \$1,839,000 over prior year's budgeted property tax revenue. Property tax revenue, while higher than prior year actual revenues, was below the budgeted amount by \$442,740. 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 \$898,709 before transfers in. Transfers in of \$1,166,831 were the result of budgeted and unbudgeted closures or reductions in capital projects. The reduced revenues led to tighter controls over spending which was \$2,628,883 less than budgeted.

The School Unrestricted Fund had a decrease in fund balance of \$652,770 which was substantially less than the budgeted use of fund balance of \$1,270,000. This 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 an increase in fund balance of \$119,943 due to an increase in grant funding.

The Capital Projects Fund had a decrease in fund balance of \$6,132,178 due primarily to increased expenditures for prior year projects. The capital projects fund also had a transfer out of \$1,244,102 due to budgeted and unbudgeted closures or reductions in capital projects.

The Permanent Fund had a reduction in fund balance of \$1,972,101 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 2008 of \$860,549.

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 (\$1,810,454). 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 a deficit of (\$1,965,727) due to increased spending for fixed assets. The Parking Fund had unrestricted net assets of \$4,004,229; the Maritime Fund had unrestricted net assets of \$1,027,078, and the Easton's Beach Fund had a deficit of (\$47,273.) The total growth in net assets for the Water Fund was \$725,371, for the Water Pollution Control Fund \$444,884, for the parking operations a loss of (\$39,666), net income for the Maritime Fund of \$588,645 and a net loss for Easton's Beach of (\$70,325.) 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, 2009 is \$186,016,979 (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 5.5%. Individually, governmental activities had a 7.9% increase and business-type activities had a 4.0% increase.

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

- \$4,148,988 was spent on road and sidewalk reconstruction and improvements.
- \$527,542 was spent on seawall repairs.
- \$708,074 was spent on city and school owned building improvements (not including the Beach).
- \$1,221,710 was spent on computer and radio systems and infrastructure.
- \$821,919 was spent to restore Gooseneck Cove.
- \$571,402 was spent on vehicle and equipment purchases.
- \$172,224 was spent on public pier and boating center improvements.
- \$2,710,828 of additions were made to water infrastructure, mains, buildings and pump stations.
- \$111,521 of improvements were made to Easton's Beach facilities.
- \$4,872,634 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	
	2009	2008	2009	2008	2009	2008
Land and land improvements	\$ 4,821,524	\$ 3,999,605	\$ 6,492,359	\$ 6,092,789	\$ 11,313,883	\$ 10,092,394
Construction in progress	2,315,263	1,015,406	13,319,009	6,234,662	15,634,272	7,250,068
Buildings & systems	31,071,026	31,057,442	88,907,793	92,188,617	119,978,819	123,246,059
Machinery & equipment	3,614,865	2,964,404	1,020,718	1,017,963	4,635,583	3,982,367
Vehicles	2,959,938	3,127,541	-	-	2,959,938	3,127,541
Infrastructure	31,494,484	28,538,104	-	-	31,494,484	28,538,104
Total	\$ 76,277,100	\$ 70,702,502	\$ 109,739,879	\$ 105,534,031	\$ 186,016,979	\$ 176,236,533

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 \$35,268,320. Of this amount, \$19,805,377 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	
	2009	2008	2009	2008	2009	2008
General Obligation Bonds	\$ 17,017,123	\$ 18,241,388	\$ 2,788,254	\$ 4,028,989	\$ 19,805,377	\$ 22,270,377
Revenue Bonds	-	-	15,462,943	14,336,990	15,462,943	14,336,990
Total	\$ 17,017,123	\$ 18,241,388	\$ 18,251,197	\$ 18,365,979	\$ 35,268,320	\$ 36,607,367

The City of Newport’s total bonds decreased by \$3,124,321 (8.5%) during the current fiscal year due to scheduled repayments and increased during the current fiscal year due to water revenue bond issuance of \$1,785,274.

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 \$185,187,748, 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 9.8%, which is an increase of 3.6% from a rate of 6.2% a year ago. This is less than the state’s unemployment rate of 13.0% and is equal with the national average rate of 9.8%.
- The occupancy rate of the government’s central business district is about 80% during the summer tourist season (May through October) and 50% in the remaining months. This is down about 10% 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 2010 fiscal year.

Unreserved fund balance in the General Fund at June 30, 2009 is \$8,011,145 or 10.7% of general fund expenditures, which is slightly higher than the City’s fiscal policy of maintaining 10% of total General Fund expenditures and operating transfers out as a reserve.

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 10% in FY2010 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 15.6% effective July 1, 2009.

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.

Basic Financial Statements

CITY OF NEWPORT, RHODE ISLAND

STATEMENT OF NET ASSETS
JUNE 30, 2009

	PRIMARY GOVERNMENT			COMPONENT UNITS	
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	NEWPORT PUBLIC LIBRARY	REDEVELOPMENT AGENCY OF NEWPORT
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 8,668,612	\$ 3,889,843	\$ 12,558,455	\$ 437,023	\$ 36,553
Investments	13,653,672	1,036,476	14,690,148	535,414	-
Receivables (net)	7,293,759	3,156,762	10,450,521	3,009	-
Internal balances (advances)	1,238,712	(1,238,712)	-	-	-
Inventories	18,709	217,189	235,898	-	-
Other	-	264,509	264,509	53,732	-
Total current assets	30,873,464	7,326,067	38,199,531	1,029,178	36,553
Noncurrent assets:					
Restricted assets:					
Temporarily restricted cash and cash equivalents	-	3,900,192	3,900,192	-	-
Permanently restricted investments	6,252,091	-	6,252,091	-	-
Receivables (net)	1,032,428	-	1,032,428	-	-
Pension asset	5,870,276	-	5,870,276	-	-
Capital assets not being depreciated	7,136,787	19,811,368	26,948,155	-	-
Capital assets (net of accumulated depreciation)	69,140,313	89,928,511	159,068,824	5,383,481	446,773
Total noncurrent assets	89,431,895	113,640,071	203,071,966	5,383,481	446,773
TOTAL ASSETS	120,305,359	120,966,138	241,271,497	6,412,659	483,326
LIABILITIES					
Current liabilities:					
Cash overdraft	4,318,205	-	4,318,205	-	-
Accounts payable	2,577,612	4,686,492	7,264,104	157,293	322,702
Accrued salaries and benefits	1,322,327	1,210,872	2,533,199	9,991	-
Unearned revenue	187,060	-	187,060	-	-
Other liabilities	409,533	-	409,533	-	-
Current portion of long-term obligations	3,796,389	2,336,398	6,132,787	77,750	-
Total current liabilities	12,611,126	8,233,762	20,844,888	245,034	322,702
Noncurrent liabilities:					
Long-term obligations	35,313,898	16,905,115	52,219,013	254,633	200,000
Total noncurrent liabilities	35,313,898	16,905,115	52,219,013	254,633	200,000
TOTAL LIABILITIES	47,925,024	25,138,877	73,063,901	499,667	522,702
NET ASSETS					
Invested in capital assets, net of related debt	59,259,977	90,719,216	149,979,193	5,278,481	246,773
Restricted for:					
Endowments:					
Expendable	4,356,646	-	4,356,646	126,788	-
Nonexpendable	1,890,210	-	1,890,210	-	-
Debt service	1,065,923	3,900,192	4,966,115	-	-
Unrestricted (Deficit)	5,807,577	1,207,853	7,015,430	507,723	(286,149)
TOTAL NET ASSETS	\$ 72,380,333	\$ 95,827,261	\$ 168,207,594	\$ 5,912,992	\$ (39,376)

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, 2009

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS				
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT			COMPONENT UNITS	
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	NEWPORT PUBLIC LIBRARY	REDEVELOPMENT AGENCY OF NEWPORT
PRIMARY GOVERNMENT:									
GOVERNMENTAL ACTIVITIES:									
General government	\$ 5,638,586	\$ 4,395,451	\$ 940,772	\$ -	\$ (302,363)	\$ -	\$ (302,363)	\$ -	\$ -
General education	45,273,034	1,782,477	18,464,005	-	(25,026,552)	-	(25,026,552)	-	-
Public safety	30,380,376	3,574,759	90,654	777,712	(25,937,251)	-	(25,937,251)	-	-
Public health	8,396,219	94,164	16,169	1,805,734	(6,480,152)	-	(6,480,152)	-	-
Planning, zoning and development	1,829,568	947,823	11,331	-	(870,414)	-	(870,414)	-	-
Recreation and parks	1,092,871	129,025	39,374	-	(924,472)	-	(924,472)	-	-
Human services	3,361,996	238,794	841,246	397,626	(1,884,330)	-	(1,884,330)	-	-
Interest expense	682,805	-	-	-	(682,805)	-	(682,805)	-	-
TOTAL GOVERNMENTAL ACTIVITIES	96,655,455	11,162,493	20,403,551	2,981,072	(62,108,339)	-	(62,108,339)	-	-
BUSINESS-TYPE ACTIVITIES:									
Water Department	9,003,205	9,614,675	-	-	-	611,470	611,470	-	-
Water Pollution Control	7,428,839	7,865,579	-	-	-	436,740	436,740	-	-
Recreational and parking facilities	2,662,517	2,922,394	-	154,107	-	413,984	413,984	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	19,094,561	20,402,648	-	154,107	-	1,462,194	1,462,194	-	-
TOTAL PRIMARY GOVERNMENT	\$ 115,750,016	\$ 31,565,141	\$ 20,403,551	\$ 3,135,179	\$ (62,108,339)	\$ 1,462,194	\$ (60,646,145)	\$ -	\$ -
COMPONENT UNITS:									
Newport Public Library	\$ 2,347,160	\$ 60,432	\$ 2,118,845	\$ 51,182	\$ -	\$ -	\$ -	\$ (116,701)	\$ -
Redevelopment Agency of Newport	43,124	16,800	-	-	-	-	-	-	(26,324)
TOTAL COMPONENT UNITS	\$ 2,390,284	\$ 77,232	\$ 2,118,845	\$ 51,182	\$ -	\$ -	\$ -	\$ (116,701)	\$ (26,324)
GENERAL REVENUES:									
Property taxes					\$ 62,169,011	\$ -	\$ 62,169,011	\$ -	\$ -
Grants and contributions not restricted to specific programs					3,506,886	-	3,506,886	-	-
Investment income (loss)					(1,008,699)	84,612	(924,087)	(36,872)	-
Miscellaneous					-	-	-	-	-
TOTAL GENERAL REVENUES					64,667,198	84,612	64,751,810	(36,872)	-
TRANSFERS									
					(102,103)	102,103	-	-	-
TOTAL GENERAL REVENUES AND TRANSFERS					64,565,095	186,715	64,751,810	(36,872)	-
CHANGE IN NET ASSETS									
					2,456,756	1,648,909	4,105,665	(153,573)	(26,324)
NET ASSETS (DEFICIT) - JULY 1, 2008									
					69,923,577	94,178,352	164,101,929	6,066,565	(13,052)
NET ASSETS (DEFICIT) - JUNE 30, 2009									
					\$ 72,380,333	\$ 95,827,261	\$ 168,207,594	\$ 5,912,992	\$ (39,376)

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

CITY OF NEWPORT, RHODE ISLAND

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	GENERAL FUND	SCHOOL UNRESTRICTED FUND	COMMUNITY DEVELOPMENT BLOCK GRANT FUND	PERMANENT FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS							
Cash and cash equivalents	\$ -	\$ 2,806,513	\$ 255,884	\$ 844	\$ 1,776,558	\$ 3,727,704	\$ 8,567,503
Investments	12,621,713	-	-	6,252,091	-	1,031,959	19,905,763
Receivables, net:	-	-	-	-	-	-	-
Property taxes	1,984,383	-	-	-	-	-	1,984,383
Motor vehicle excise	1,376,437	-	-	-	-	-	1,376,437
Intergovernmental	-	1,121,959	277,219	-	1,305,515	784,971	3,489,664
Note/loan	-	-	2,523,808	-	-	483,559	3,007,367
Other	889,473	-	-	-	-	467,316	1,356,789
Due from other funds	650,168	-	-	-	-	105,000	755,168
Advances to other funds	-	-	-	-	-	516,402	516,402
TOTAL ASSETS	\$ 17,522,174	\$ 3,928,472	\$ 3,056,911	\$ 6,252,935	\$ 3,082,073	\$ 7,116,911	\$ 40,959,476
LIABILITIES AND FUND BALANCES							
Liabilities:							
Cash overdraft	\$ 4,318,205	\$ -	\$ -	\$ -	-	\$ -	\$ 4,318,205
Accounts payable	922,075	682,409	8,392	6,079	890,887	35,991	2,545,833
Accrued liabilities	710,567	260,304	-	-	-	-	970,871
Unearned/deferred revenue	2,271,803	-	2,738,377	-	1,305,515	1,150,796	7,466,491
Due to other funds	105,000	-	-	-	-	-	105,000
Other liabilities	409,533	-	-	-	-	-	409,533
Total liabilities	8,737,183	942,713	2,746,769	6,079	2,196,402	1,186,787	15,815,933
Fund balances:							
Reserved for:							
Encumbrances	773,846	294	-	-	-	-	774,140
Debt service	-	-	-	-	-	1,065,923	1,065,923
Endowments	-	-	-	1,890,210	-	-	1,890,210
Advances	-	-	-	-	-	516,402	516,402
Unreserved, designated for:							
Subsequent year budget	-	1,200,000	-	-	-	-	1,200,000
Unreserved, reported in:							
General fund	8,011,145	-	-	-	-	-	8,011,145
Special revenue funds	-	1,785,465	310,142	-	-	4,347,799	6,443,406
Capital project funds	-	-	-	-	885,671	-	885,671
Permanent funds	-	-	-	4,356,646	-	-	4,356,646
Total fund balances	8,784,991	2,985,759	310,142	6,246,856	885,671	5,930,124	25,143,543
TOTAL LIABILITIES AND FUND BALANCES	\$ 17,522,174	\$ 3,928,472	\$ 3,056,911	\$ 6,252,935	\$ 3,082,073	\$ 7,116,911	

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	76,261,790
Other long-term assets are not available to pay for current period expenditures and therefore, are deferred in the funds	10,226,680
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.	168,594
Some liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds (Note II)	(39,420,274)

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 72,380,333

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

CITY OF NEWPORT, RHODE ISLAND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	GENERAL FUND	SCHOOL UNRESTRICTED FUND	COMMUNITY DEVELOPMENT BLOCK GRANT FUND	PERMANENT FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:							
Local taxes	\$ 62,081,094	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 62,081,094
Intergovernmental revenues	4,447,534	13,700,560	673,029	-	1,287,428	5,448,052	25,556,603
Charges for services	8,557,262	-	393,907	-	307,787	1,000,010	10,258,966
Use of money and property	422,804	-	59,354	(1,657,350)	3,638	162,855	(1,008,699)
Contributions	-	-	-	-	49,800	45,693	95,493
Other revenues	276,173	918,380	-	-	-	-	1,194,553
TOTAL REVENUES	75,784,867	14,618,940	1,126,290	(1,657,350)	1,648,653	6,656,610	98,178,010
EXPENDITURES:							
Current:							
General government	5,557,978	-	-	-	-	124	5,558,102
General education	-	37,787,335	-	-	-	5,439,954	43,227,289
Public safety	28,188,627	-	-	-	-	78,871	28,267,498
Public health	6,946,410	-	-	-	-	17,264	6,963,674
Planning, zoning and development	1,260,322	-	-	-	-	11,331	1,271,653
Recreation	610,321	-	-	-	-	43,098	653,419
Human services	1,864,691	-	608,721	314,751	-	570,325	3,358,488
Pension expenditures	4,506,245	-	-	-	-	700,000	5,206,245
Debt service:							
Principal	1,224,266	-	-	-	-	-	1,224,266
Interest	712,750	-	-	-	-	-	712,750
Capital outlays	-	-	397,626	-	7,391,229	250,982	8,039,837
TOTAL EXPENDITURES	50,871,610	37,787,335	1,006,347	314,751	7,391,229	7,111,949	104,483,221
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	24,913,257	(23,168,395)	119,943	(1,972,101)	(5,742,576)	(455,339)	(6,305,211)
OTHER FINANCING SOURCES (USES):							
Transfers in	1,166,831	23,142,725	-	-	854,500	760,210	25,924,266
Transfers out	(24,130,335)	(627,100)	-	-	(1,244,102)	(24,832)	(26,026,369)
NET OTHER FINANCING SOURCES (USES)	(22,963,504)	22,515,625	-	-	(389,602)	735,378	(102,103)
NET CHANGE IN FUND BALANCES	1,949,753	(652,770)	119,943	(1,972,101)	(6,132,178)	280,039	(6,407,314)
FUND BALANCES - JULY 1, 2008	6,835,238	3,638,529	190,199	8,218,957	7,017,849	5,650,085	31,550,857
FUND BALANCES - JUNE 30, 2009	\$ 8,784,991	\$ 2,985,759	\$ 310,142	\$ 6,246,856	\$ 885,671	\$ 5,930,124	\$ 25,143,543

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, 2009**

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

Net Change in Fund Balances-Total Governmental Funds \$ (6,407,314)

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. 5,588,608

Reductions in deferred revenue that provide current financial resources to governmental funds are not reported as revenues in the Statement of Activities. 1,036,304

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. 984,947

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. 1,254,211

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 2,456,756

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, 2009

	ORIGINAL ADOPTED BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Local taxes	\$ 62,387,626	\$ 62,387,626	\$ 62,081,094	\$ (306,532)
Intergovernmental revenues	5,245,559	5,245,559	4,447,534	(798,025)
Charges for services	8,087,391	8,087,391	8,557,262	469,871
Use of money and property	700,000	700,000	422,804	(277,196)
Other revenues	263,000	263,000	276,173	13,173
TOTAL REVENUES	76,683,576	76,683,576	75,784,867	(898,709)
EXPENDITURES:				
General government:				
Mayor and city council	130,042	130,792	86,604	(44,188)
City manager	761,291	763,291	752,378	(10,913)
City solicitor	408,733	408,733	400,034	(8,699)
Canvassing	241,355	255,855	223,503	(32,352)
Finance	3,016,130	3,196,443	2,987,665	(208,778)
City clerk	579,279	799,233	484,116	(315,117)
Reserve accounts	880,046	810,321	180,227	(630,094)
Public safety:				
Police department	14,179,042	14,266,975	14,139,061	(127,914)
Fire department	14,392,372	14,397,087	14,230,541	(166,546)
Public health	7,597,141	7,885,570	7,125,740	(759,830)
Planning, zoning, and development	1,224,120	1,319,520	1,260,278	(59,242)
Recreation and parks	568,622	600,402	606,808	6,406
Human services:				
Donations	183,900	188,400	182,524	(5,876)
Public library	1,682,167	1,682,167	1,682,167	-
Pension expenditures	4,534,365	4,534,365	4,506,245	(28,120)
Debt service	2,219,746	2,219,746	1,937,016	(282,730)
TOTAL EXPENDITURES	52,598,351	53,458,900	50,784,907	(2,673,993)
EXCESS OF REVENUES OVER EXPENDITURES	24,085,225	23,224,676	24,999,960	1,775,284
OTHER FINANCING SOURCES (USES):				
Appropriations of fund balance	-	860,549	-	(860,549)
Transfers in	-	-	1,166,831	1,166,831
Transfers out	(24,085,225)	(24,085,225)	(24,130,335)	(45,110)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES (BUDGETARY BASIS)	\$ -	\$ -	2,036,456	\$ 2,036,456
FUND BALANCE, JULY 1, 2008			5,974,689	
FUND BALANCE, JUNE 30, 2009			\$ 8,011,145	

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, 2009

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Federal revenues	\$ 971,550	\$ 994,042	\$ 1,519,146	\$ 525,104
State revenues	11,701,819	11,872,448	10,558,173	(1,314,275)
Local revenues	1,651,329	845,168	918,380	73,212
TOTAL REVENUES	14,324,698	13,711,658	12,995,699	(715,959)
EXPENDITURES:				
General education	38,124,383	38,124,383	36,164,094	(1,960,289)
EXCESS OF EXPENDITURES OVER REVENUES	(23,799,685)	(24,412,725)	(23,168,395)	1,244,330
OTHER FINANCING SOURCES (USES):				
Transfers in	23,317,893	23,142,725	23,142,725	-
Transfers out			(627,100)	(627,100)
NET OTHER FINANCING SOURCES (USES)	23,317,893	23,142,725	22,515,625	(627,100)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ (481,792)</u>	<u>\$ (1,270,000)</u>	(652,770)	<u>617,230</u>
FUND BALANCE - JULY 1, 2008			<u>3,638,529</u>	
FUND BALANCE - JUNE 30, 2009			<u>\$ 2,985,759</u>	

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, 2009

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			TOTALS	GOVERNMENTAL ACTIVITIES
	WATER FUND	W.P.C. FUND	OTHER ENTERPRISE FUNDS		INTERNAL SERVICE FUNDS
ASSETS:					
Current assets:					
Cash and cash equivalents - unrestricted	\$ 37,965	\$ -	\$ 3,851,878	\$ 3,889,843	\$ 101,109
Investments	-	-	1,036,476	1,036,476	-
Accounts receivable:					
User fees (net of allowances)	1,121,697	1,831,677	85,262	3,038,636	-
Intergovernmental	-	-	99,110	99,110	-
Other	-	19,016	-	19,016	34,574
Due from other funds	-	85,327	-	85,327	72,142
Advances to other funds	-	-	239,605	239,605	-
Inventories	217,189	-	-	217,189	18,709
Prepaid expenses	5,000	259,509	-	264,509	-
Total current assets	1,381,851	2,195,529	5,312,331	8,889,711	226,534
Noncurrent assets:					
Cash and cash equivalents - restricted	2,929,644	970,548	-	3,900,192	-
Capital assets (net of accumulated depreciation)	45,629,109	59,637,874	4,472,896	109,739,879	15,310
Total noncurrent assets	48,558,753	60,608,422	4,472,896	113,640,071	15,310
TOTAL ASSETS	49,940,604	62,803,951	9,785,227	122,529,782	241,844
LIABILITIES:					
Current liabilities:					
Accounts payable	1,037,342	3,506,216	142,934	4,686,492	31,781
Accrued expenses	957,204	68,305	185,363	1,210,872	41,469
Due to other funds	675,387	132,250	-	807,637	-
Current portion advances	-	-	50,831	50,831	-
Current portion notes payable	407,354	43,837	-	451,191	-
Current portion bonds payable	955,560	929,647	-	1,885,207	-
Total current liabilities	4,032,847	4,680,255	379,128	9,092,230	73,250
Long-term liabilities:					
Advances from other funds	-	454,485	250,691	705,176	-
Notes payable	-	16,752	-	16,752	-
Bonds payable	6,953,650	9,412,341	-	16,365,991	-
Net other post-employment benefits obligation	522,372	-	-	522,372	-
Total long-term liabilities	7,476,022	9,883,578	250,691	17,610,291	-
TOTAL LIABILITIES	11,508,869	14,563,833	629,819	26,702,521	73,250
NET ASSETS:					
Invested in capital assets, net of related debt	37,312,545	49,235,297	4,171,374	90,719,216	15,310
Restricted by regulatory agencies and bond covenants	2,929,644	970,548	-	3,900,192	-
Unrestricted	(1,810,454)	(1,965,727)	4,984,034	1,207,853	153,284
TOTAL NET ASSETS	\$ 38,431,735	\$ 48,240,118	\$ 9,155,408	\$ 95,827,261	\$ 168,594

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

CITY OF NEWPORT, RHODE ISLAND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			TOTALS	GOVERNMENTAL ACTIVITIES
	WATER FUND	W.P.C. FUND	OTHER ENTERPRISE FUNDS		INTERNAL SERVICE FUNDS
OPERATING REVENUES:					
User fees	\$ 9,145,295	\$ 7,865,579	\$ 2,908,404	\$ 19,919,278	\$ 1,365,831
Other revenues	469,380	-	168,097	637,477	-
TOTAL OPERATING REVENUES	9,614,675	7,865,579	3,076,501	20,556,755	1,365,831
OPERATING EXPENSES:					
Salaries and benefits	4,184,404	227,539	1,320,869	5,732,812	98,682
Materials and supplies	657,797	899	232,969	891,665	411,151
Repairs and maintenance	450,372	-	106,929	557,301	29,167
Support services	324,712	3,633,436	518,869	4,477,017	790,097
Utilities	883,058	469,735	41,431	1,394,224	22,263
Administrative and other	622,682	835,625	179,067	1,637,374	965
Property taxes	228,554	-	-	228,554	-
Depreciation	1,370,856	2,037,892	252,312	3,661,060	13,661
TOTAL OPERATING EXPENSES	8,722,435	7,205,126	2,652,446	18,580,007	1,365,986
OPERATING INCOME (LOSS)	892,240	660,453	424,055	1,976,748	(155)
NONOPERATING REVENUES AND (EXPENSES):					
Investment income	11,798	8,144	64,670	84,612	-
Interest expense	(280,770)	(223,713)	(10,071)	(514,554)	-
NET NONOPERATING REVENUES AND (EXPENSES)	(268,972)	(215,569)	54,599	(429,942)	-
NET INCOME (LOSS) BEFORE TRANSFER	623,268	444,884	478,654	1,546,806	(155)
TRANSFERS IN	102,103	-	143,000	245,103	-
TRANSFERS OUT	-	-	(143,000)	(143,000)	-
NET INCOME (LOSS)	725,371	444,884	478,654	1,648,909	(155)
TOTAL NET ASSETS - JULY 1, 2008	37,706,364	47,795,234	8,676,754	94,178,352	168,749
TOTAL NET ASSETS - JUNE 30, 2009	\$ 38,431,735	\$ 48,240,118	\$ 9,155,408	\$ 95,827,261	\$ 168,594

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, 2009

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			TOTALS	GOVERNMENTAL
	WATER FUND	W.P.C. FUND	OTHER ENTERPRISE FUNDS		INTERNAL SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	\$ 9,694,457	\$ 7,396,361	\$ 2,896,000	\$ 19,986,818	\$ 1,325,515
Cash payments to suppliers for goods and services	(2,842,843)	(1,434,242)	(994,351)	(5,271,436)	(1,250,430)
Cash payments to employees for services	(4,164,353)	(222,910)	(1,292,930)	(5,680,193)	(96,137)
Payment of property taxes	(228,554)	-	-	(228,554)	-
Payment of administrative expense	(622,682)	(835,625)	(179,067)	(1,637,374)	(965)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	1,836,025	4,903,584	429,652	7,169,261	(22,017)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Interfund loans and transfers	102,103	-	-	102,103	-
Principal paid on interfund loans and transfers	-	(45,515)	(89,681)	(135,196)	-
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	102,103	(45,515)	(89,681)	(33,093)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of capital assets	(2,544,380)	(5,009,014)	(313,186)	(7,866,580)	-
Proceeds from borrowing	2,192,628	-	-	2,192,628	-
Principal paid on bonds, notes and loans	(974,627)	(969,734)	-	(1,944,361)	-
Interest paid on bonds, notes and loans	(254,101)	(228,453)	(10,071)	(492,625)	-
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(1,580,480)	(6,207,201)	(323,257)	(8,110,938)	-
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of investments	-	-	(1,000,000)	(1,000,000)	-
Investment income	11,798	8,144	28,194	48,136	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	11,798	8,144	(971,806)	(951,864)	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	369,446	(1,340,988)	(955,092)	(1,926,634)	(22,017)
CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED ASSETS) - JULY 1, 2008	2,598,163	2,311,536	4,806,970	9,716,669	123,126
CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED ASSETS) - JUNE 30, 2009	\$ 2,967,609	\$ 970,548	\$ 3,851,878	\$ 7,790,035	\$ 101,109
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:					
Operating income (loss)	\$ 892,240	\$ 660,453	\$ 424,055	\$ 1,976,748	(155)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Loss on Disposal	-	-	-	-	349
Depreciation	1,370,856	2,037,892	252,312	3,661,060	13,661
Changes in assets and liabilities:					
Decrease (Increase) in accounts receivable	79,782	(494,712)	(180,501)	(595,431)	-
Decrease (Increase) in accounts receivable - other	-	(18,976)	-	(18,976)	3,026
Decrease (Increase) in due from other funds	-	44,470	-	44,470	(43,342)
Decrease (Increase) in inventories	38,677	-	-	38,677	(1,267)
Decrease (Increase) in prepaid expenses	(5,000)	18,536	-	13,536	-
(Decrease) Increase in accounts payable	(286,808)	2,519,042	(94,153)	2,138,081	3,166
(Decrease) Increase in accrued expenses	(43,429)	4,629	27,939	(10,861)	2,545
(Decrease) Increase in due to other funds	(273,773)	132,250	-	(141,523)	-
(Decrease) Increase net other post employment benefit obligations	63,480	-	-	63,480	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 1,836,025	\$ 4,903,584	\$ 429,652	\$ 7,169,261	\$ (22,017)
NON CASH INVESTING, CAPITAL AND FINANCING TRANSACTIONS:					
Increase in fair value of investments	\$ -	\$ -	\$ 36,476	\$ 36,476	\$ -

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

CITY OF NEWPORT, RHODE ISLAND

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009

	PENSION AND OTHER POST- EMPLOYMENT BENEFIT TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS	AGENCY FUNDS
ASSETS			
Cash and cash equivalents	\$ 1,878,809	\$ 48,303	\$ 206,595
Investments, at fair value:			
Fixed Income Mutual Funds	26,056,923	674,461	-
Domestic Equity Mutual Funds	26,700,114	271,358	-
International Equity Mutual Funds	7,976,411	-	-
TOTAL INVESTMENTS	60,733,448	945,819	-
TOTAL ASSETS	62,612,257	994,122	206,595
LIABILITIES			
Cash overdraft	1,437,360	-	-
Accounts payable	44,093	832	-
Amounts held in escrow	-	-	206,595
TOTAL LIABILITIES	1,481,453	832	206,595
NET ASSETS			
Held in trust for pension/other post-employment benefits and other purposes	\$ 61,130,804	\$ 993,290	\$ -

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

CITY OF NEWPORT, RHODE ISLAND

EXHIBIT L

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	PENSION AND OTHER POST- EMPLOYMENT BENEFITS TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS
ADDITIONS:		
Contributions and other income:		
Employees	\$ 817,985	\$ -
Employer	17,062,958	-
Contributions	-	101,871
Total contributions and other income	17,880,943	101,871
Investment income (loss):		
Net depreciation in fair value of investments	(15,914,096)	(79,552)
Interest and dividends	420,582	(167,551)
Total investment income (loss)	(15,493,514)	(247,103)
Less investment expenses	-	5,148
Net investment income	(15,493,514)	(252,251)
TOTAL ADDITIONS	2,387,429	(150,380)
DEDUCTIONS:		
Benefits	14,321,704	-
Administration	229,562	-
Awards	-	44,530
TOTAL DEDUCTIONS	14,551,266	44,530
CHANGES IN NET ASSETS	(12,163,837)	(194,910)
NET ASSETS - JULY 1, 2008	73,294,641	1,188,200
NET ASSETS - JUNE 30, 2009	\$ 61,130,804	\$ 993,290

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, 2009**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

A. Reporting Entity

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

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

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

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

Discretely Presented Component Units**Newport Public Library**

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

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. Agency Funds have no measurement focus but are accounted for using the accrual basis of accounting. 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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. General Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Local taxes, including property taxes and 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 expended.

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.

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 Funds* are 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 a community group that exists 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.

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, the Maritime 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**D. Assets, Liabilities and Net Assets or Equity (Continued)****2. Receivables and Payables****a. Interfunds**

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

b. Property Taxes and Other Receivables

All property tax receivables, user fees receivables and notes receivable are shown net of an allowance for uncollectibles. The property tax receivable allowance at June 30, 2009, is equal to 62% 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 5.00% for the year ending June 30, 2009 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, one quarter of billing charges 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.

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 and sewer improvements	20 - 50
Water and 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

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 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 received on debt issuances are reported as other financing sources while discounts 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.

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	\$ 17,017,123
Claims and judgments	499,509
Compensated absences	8,027,708
Net pension benefit obligation	5,050,684
Net other post-employment benefit obligation	8,515,263
Accrued interest payable	<u>309,987</u>
Net adjustment for long-term liabilities not due and payable in the current period	<u>\$ 39,420,274</u>

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

Net pension asset	\$ 5,870,276
Deferred property taxes and unearned grant revenue	7,279,431
Allowance for doubtful accounts	(6,469,220)
Property tax and loan interest accrual	<u>3,546,193</u>
Net adjustment for long-term assets not available in the current period	<u>\$ 10,226,680</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, 2008, net of accumulated depreciation	\$ 70,702,502
Capital assets of internal service funds accounted for in the net assets adjustment for internal service funds	(15,310)
Current year capital outlay	7,999,634
Depreciation expense	<u>(2,425,036)</u>
Net adjustment for capital assets	<u>\$ 76,261,790</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 governmental funds to the government-wide statement of activities for the year ended June 30, 2009.

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, 2009	\$ 7,999,634
Miscellaneous adjustment	349
Depreciation expense, excluding internal service funds	<u>(2,411,375)</u>
Net adjustment for capital outlays	<u>\$ 5,588,608</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	\$ 111,051
Current year change in claims and judgments	326,402
Internal Service Fund loss	(155)
Current year change in OPEB benefit obligation	<u>547,649</u>
Net adjustment for current year expenses	<u>\$ 984,947</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	\$ 1,224,265
Current year change in interest accrual	<u>29,946</u>
Net adjustment for long-term debt	<u>\$ 1,254,211</u>

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 \$860,549 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 and School Unrestricted Fund Statements 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 encumbrances and teachers' retirement on-behalf payments that are not recognized under the budgetary basis.

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

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

B. Budgetary-GAAP Reporting Reconciliation (Continued)

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

	<u>General Fund</u>	
	<u>Expenditures</u>	<u>Fund Balance</u>
Balance, Budgetary Basis, Exhibit F- June 30, 2009	\$ 50,784,907	\$ 8,011,145
Encumbrances outstanding at June 30, 2008 and liquidated during the year ended June 30, 2009	860,549	-
Encumbrances outstanding at June 30, 2009 charged to budgetary expenditures	<u>(773,846)</u>	<u>773,846</u>
Balance, GAAP Basis, Exhibit D - June 30, 2009	<u>\$ 50,871,610</u>	<u>\$ 8,784,991</u>
	<u>School Unrestricted Fund</u>	
	<u>Revenues</u>	<u>Expenditures</u>
Balance, Budgetary Basis, Exhibit G- June 30, 2009	\$ 12,995,699	\$ 36,164,094
Teachers' retirement on-behalf payment	<u>1,623,241</u>	<u>1,623,241</u>
Balance, GAAP Basis, Exhibit D - June 30, 2009	<u>\$ 14,618,940</u>	<u>\$ 37,787,335</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 2009 appropriations (after approved transfers).

<u>Department</u>	<u>Expenditures in Excess of Budget</u>
Recreation and parks	\$ 6,406
Transfers out	45,110

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

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

D. Capital Projects Authorizations

Capital Project	Total Project Authorizations	Total Cumulative Expenditures	Balance June 30, 2009
Building, Facilities and Infrastructure			
Improvements and Renovation Projects	\$ 27,442,190	\$ 11,538,422	\$ 15,903,768
Maritime Fund Improvements	2,081,620	652,011	1,429,609
Parking Improvements	910,611	468,477	442,134
Easton's Beach Improvements	460,694	443,103	17,591
Water Pollution Control Projects	14,512,519	6,317,799	8,194,720
Water Fund Projects	25,278,144	8,197,334	17,080,810
Total	\$ 70,685,778	\$ 27,617,146	\$ 43,068,632

E. Donor Restricted Endowments

Investments in marketable equity and all debt securities are carried at market value. The City allocates investment income in accordance with donor restrictions and Rhode Island law, which adopted the provisions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA requires the investment of endowments in good faith and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances. It requires prudence in incurring investment costs, authorizing only costs that are appropriate and reasonable. Factors to be considered in investing are expanded to include, for example, the effects of inflation. UPMIFA emphasizes that investment decisions be made in relation to the overall resources of the City.

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 deposit in excess of FDIC limits and any repurchase agreements are collateralized in amounts of at least 102% of the market value of the deposit. The 2a7 Investment pool is regulated and managed by the State of Rhode Island. At June 30, 2009, 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 National Mortgage Association (GNMA) pass-through pools or Federal National Mortgage Association (FNMA) securities held in the City's name. The remaining deposits are insured by the 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, 2009, the City's bank balance of \$14,099,750 was insured and collateralized as follows:

Insured	\$ 752,488
Collateralized:	
Collateral held by the pledging bank's trust department in the City's name	<u>13,347,262</u>
Total amount subject to custodial credit risk	<u><u>\$ 14,099,750</u></u>

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, 2009, the City's investments (including restricted investments) consisted of the following:

Type of Investment	Fair Value	Investment Maturities (In Years)		
		Less Than 1	1 - 5	Over 10
Debt Securities:				
Money Market Funds	\$ 4,984,900	\$ 4,984,900	\$ -	\$ -
Certificates of Deposits	4,331,872	4,157,480	174,392	-
U.S. Government Agency Securities	5,567,911	1,031,959	4,535,952	-
Fixed Income Mutual Funds	31,051,013	-	31,051,013	-
	<u>\$ 45,935,696</u>	<u>\$ 10,174,339</u>	<u>\$ 35,761,357</u>	<u>\$ -</u>
Other Investments:				
Equity Mutual Funds	36,685,810			
	<u>\$ 82,621,506</u>			

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 \$174,392 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. The weighted average maturity of all certificates of deposit is .23 years. The City intends to hold all certificates to 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.

Average Rating	U.S.		
	Money Market Mutual Funds	Government Agency Securities	Fixed Income Mutual Funds
AAA.....	\$ 4,984,900	\$ 5,567,911	\$ 31,051,013

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

	Total	Less Insured Amounts	Subject To Custodial Credit Risk
U.S. Government Agency Securities	\$ 5,567,911	\$ 500,000	\$ 5,067,911

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 allocation 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 15%. 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 S & P 400 Index. The Small Cap is compared to the Russell 2000 Growth, the International Equity to the MSCI EAFE, and the Fixed Income to the Barclays Capital Aggregate. Further, the Commission instructs managers to invest the equity portion of the portfolio so as to prevent the returns from underperforming the equity index in any three consecutive quarters. At this point in time, most of the funds are invested in mutual funds 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, 2009 totaled \$67,931,358.

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, 2009, \$143,090 of the Library's bank balances of \$493,993 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, 2009, the Library's investments consist of the following:

Table with columns: Type of Investment, Fair Value, Investment Maturities (In Years) - Less Than 1, 1 - 5 Years. Rows include Debt Securities (Money Market Funds, Certificates of Deposits) and Other Securities (Equity Mutual Funds).

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

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

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

Table with columns: AVERAGE RATING, MONEY MARKET MUTUAL FUND. Row: AA..... \$ 7,338

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	Subject To Custodial Credit Risk
Certificates of Deposit	\$ 266,354	\$ 250,000	\$ 16,354

B. Receivables

At June 30, 2009, receivables, including the applicable allowances for doubtful accounts, are as follows:

Governmental Activities

	General Fund	School Unrestricted Fund	CDBG Fund	Capital Projects Fund	Other Govern- mental Funds	Total
Taxes	\$ 3,360,820	\$ -	\$ -	\$ -	\$ -	\$ 3,360,820
Intergovernmental	-	1,121,959	277,219	1,305,515	784,971	3,489,664
Interest	2,908,383	-	553,559	-	84,251	3,546,193
Other	889,473	-	-	-	501,890	1,391,363
Notes/loans	-	-	2,523,808	-	483,559	3,007,367
	7,158,676	1,121,959	3,354,586	1,305,515	1,854,671	14,795,407
Less allowance for doubtful accounts	(4,286,162)	-	(2,132,651)	-	(50,407)	(6,469,220)
	2,872,514	1,121,959	1,221,935	1,305,515	1,804,264	8,326,187
Less current portion	2,872,514	1,121,959	408,763	1,305,515	1,585,008	7,293,759
Net long-term portion	\$ -	\$ -	\$ 813,172	\$ -	\$ 219,256	\$ 1,032,428

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	\$ 1,346,697	\$ 1,981,677	\$ 85,262	\$ 3,413,636
Less allowance for doubtful accounts	(225,000)	(150,000)	-	(375,000)
Net receivables	1,121,697	1,831,677	85,262	3,038,636
Intergovernmental	-	-	99,110	99,110
Other	-	19,016	-	19,016
Net receivables	<u>\$ 1,121,697</u>	<u>\$ 1,850,693</u>	<u>\$ 184,372</u>	<u>\$ 3,156,762</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:

Delinquent property taxes receivable (general fund)	\$ 2,271,623
Loan receivable not yet earned (special revenue fund)	3,562,920
Grant receivable not yet collected (special revenue fund)	326,433
Grant receivable not yet collected (capital projects fund)	<u>1,305,515</u>
TOTAL UNEARNED/DEFERRED REVENUE FOR GOVERNMENTAL FUNDS	<u>\$ 7,466,491</u>

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, 2009 was as follows:

	BALANCE JULY 1, 2008	INCREASES	DECREASES	BALANCE JUNE 30, 2009
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 3,999,605	\$ 821,919	\$ -	\$ 4,821,524
Construction in progress	1,015,406	1,299,857	-	2,315,263
Total capital assets not being depreciated	5,015,011	2,121,776	-	7,136,787
Capital assets being depreciated:				
Buildings and structures	41,282,971	708,074	-	41,991,045
Machinery and equipment	5,299,915	1,155,710	-	6,455,625
Vehicles	6,865,910	571,402	-	7,437,312
Infrastructure	37,713,262	3,442,672	-	41,155,934
Total capital assets being depreciated	91,162,058	5,877,858	-	97,039,916
Total capital assets	96,177,069	7,999,634	-	104,176,703
Less accumulated depreciation:				
Buildings and structures	10,225,529	694,490	-	10,920,019
Machinery and equipment	2,335,511	505,249	-	2,840,760
Vehicles	3,738,369	739,005	-	4,477,374
Infrastructure	9,175,158	486,292	-	9,661,450
Total accumulated depreciation	25,474,567	2,425,036	-	27,899,603
Total capital assets being depreciated, net	65,687,491	3,452,822	-	69,140,313
Governmental activities capital assets, net	\$ 70,702,502	\$ 5,574,598	\$ -	\$ 76,277,100

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	\$ 290,726
General education	526,186
Public safety	637,710
Public health	951,635
Planning, zoning and development	(21,828)
Human services	3,539
Recreation and parks	23,407
Capital assets held by the City's internal service fund are charged to various functions based on usage of the assets	<u>13,661</u>
	<u>\$ 2,425,036</u>

	BALANCE JULY 1, 2008	INCREASES	DECREASES	BALANCE JUNE 30, 2009
<u>Business-type Activities</u>				
Capital assets not being depreciated:				
Land and land improvements	\$ 6,368,827	\$ 123,532	\$ -	\$ 6,492,359
Construction in progress	6,234,662	7,084,347	-	13,319,009
Total capital assets not being depreciated	<u>12,603,489</u>	<u>7,207,879</u>	<u>-</u>	<u>19,811,368</u>
Capital assets being depreciated:				
Buildings and systems	159,801,338	629,260	-	160,430,598
Machinery and equipment	4,803,193	29,769	-	4,832,962
Vehicles	289,334	-	-	289,334
Total capital assets being depreciated	<u>164,893,865</u>	<u>659,029</u>	<u>-</u>	<u>165,552,894</u>
Total capital assets	<u>177,497,354</u>	<u>7,866,908</u>	<u>-</u>	<u>185,364,262</u>
Less accumulated depreciation:				
Buildings and systems	67,888,759	3,634,046	-	71,522,805
Machinery and equipment	3,785,230	27,014	-	3,812,244
Vehicles	289,334	-	-	289,334
Total accumulated depreciation	<u>71,963,323</u>	<u>3,661,060</u>	<u>-</u>	<u>75,624,383</u>
Total capital assets being depreciated, net	<u>92,930,542</u>	<u>(3,002,031)</u>	<u>-</u>	<u>89,928,511</u>
Net capital assets, business-type activities	<u>\$ 105,534,031</u>	<u>\$ 4,205,848</u>	<u>\$ -</u>	<u>\$ 109,739,879</u>

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

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets (Continued)

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

Water	\$ 1,370,856
Water pollution control	2,037,892
Maritime	32,493
Easton's Beach	103,466
Parking	<u>116,353</u>
	<u>\$ 3,661,060</u>

Discretely Presented Component Units

Activity for the Newport Public Library for the year ended June 30, 2009 was as follows:

	BALANCE JULY 1, 2008	INCREASES	DECREASES	BALANCE JUNE 30, 2009
Capital assets being depreciated:				
Buildings	\$ 7,773,337	\$ 44,841	\$ -	\$ 7,818,178
Improvements other than buildings	374,950	25,640	-	400,590
Furniture, fixtures and equipment	875,585	28,022	-	903,607
Total capital assets being depreciated	<u>9,023,872</u>	<u>98,503</u>	<u>-</u>	<u>9,122,375</u>
Less accumulated depreciation:				
Buildings	2,513,829	288,847	-	2,802,676
Improvements other than buildings	143,248	18,854	-	162,102
Furniture, fixtures and equipment	721,990	52,126	-	774,116
Total accumulated depreciation	<u>3,379,067</u>	<u>359,827</u>	<u>-</u>	<u>3,738,894</u>
Net capital assets, library	<u>\$ 5,644,805</u>	<u>\$ (261,324)</u>	<u>\$ -</u>	<u>\$ 5,383,481</u>

Capital asset activity for the Newport Redevelopment Agency for the year ended June 30, 2009 was as follows:

	BALANCE JULY 1, 2008	INCREASES	DECREASES	BALANCE JUNE 30, 2009
Capital assets being depreciated:				
Buildings	\$ 620,610	\$ -	\$ -	\$ 620,610
Less accumulated depreciation	163,682	10,155	-	173,837
Net capital assets, Redevelopment Agency	<u>\$ 456,928</u>	<u>\$ (10,155)</u>	<u>\$ -</u>	<u>\$ 446,773</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, 2009 is as follows:

	Corresponding Fund	Due From	Due To	Description
Governmental Funds:				
Major Governmental Funds				
General Fund				
	Water Fund	\$ 517,918	\$ -	Payroll and benefit costs
	WPC Fund	132,250	-	Sewer Force Main
	Nonmajor Governmental Fund	-	105,000	Library parking lot
	Total	650,168	105,000	
Nonmajor Governmental Funds				
UDAG Fund				
	General Fund	105,000	-	Library parking lot
	Total Governmental Funds	\$ 755,168	\$ 105,000	
Major Enterprise Funds				
Water Fund				
	Water Pollution Control Fund	\$ -	\$ 85,327	Sludge charges
	General Fund	-	517,918	Payroll and admin costs
	Internal Service Fund	-	72,142	Maintenance charges
	Total	-	675,387	
	Water Pollution Control Fund			
	Water Fund	85,327	-	Sludge charges
	General Fund	-	132,250	Sewer Force Main Rep
	Total	85,327	132,250	
	Total Enterprise Funds	\$ 85,327	\$ 807,637	
Internal Service Fund				
	Water Funds	\$ 72,142	\$ -	Maintenance charges
	Total All Funds	\$ 912,637	\$ 912,637	

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	\$ 454,485	Loan for CSO improvements
Parking Fund	Easton's Beach Fund	239,605	Loan for beach equipment
Urban Development	Easton's Beach Fund	<u>61,917</u>	Loans for beach repairs/activities
Total advances to other funds		<u>\$ 756,007</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, 2009 is \$22,024. 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, 2009 is \$39,893. The Parking Fund loaned the Easton's Beach Fund \$320,000 for the purchase of a seaweed harvester. A contribution was received in fiscal year 2009 that reduced the amount of the note by \$49,800. The note is a 10-year note bearing interest at 1.0%. The balance due at June 30, 2009 is \$239,605.

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

Year ending June 30,	Beach Renovations Principal	Beach Seaweed Principal	Beach Equipment Principal	Combined Principal	Interest
2010	\$ 22,024	\$ 3,448	\$ 25,359	\$ 50,831	\$ 3,271
2011	-	3,483	25,867	29,350	2,508
2012	-	3,517	26,125	29,642	2,215
2013	-	3,553	26,387	29,940	1,919
2014	-	3,589	26,651	30,240	1,619
2015-2019	-	18,492	109,216	127,708	3,496
2020	-	3,811	-	3,811	38
	<u>\$ 22,024</u>	<u>\$ 39,893</u>	<u>\$ 239,605</u>	<u>\$ 301,522</u>	<u>\$ 15,066</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 began on December 31, 2008. The City Council forgave the remaining principal balance of \$454,485 effective July 1, 2009.

3. Transfers

A summary of interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfers To:</u>		<u>Transfers From:</u>
Governmental Funds:		
General Fund	\$ 1,141,999	Capital Projects Fund
General Fund	24,832	Property Acquisition Fund
School Unrestricted Fund	23,142,725	General Fund
Capital Projects Fund	854,500	General Fund
Debt Service Fund	133,110	General Fund
School Restricted Fund	627,100	School Unrestricted Fund
Business-type Funds:		
Water Fund	102,103	Capital Projects Fund
Parking Fund	143,000	Maritime Fund
	<u>245,103</u>	
Total	<u>\$ 26,169,369</u>	
Summary:		
General Fund Transfers In		\$ 1,166,831
General Fund Transfers Out		24,130,335
Capital Projects Transfers In		854,500
Capital Projects Transfers Out		1,244,102
School Unrestricted Transfers In		23,142,725
School Unrestricted Transfers Out		627,100
Non Major Governmental Funds Transfers In		760,210
Water Fund Transfers In		102,103

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

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 2009 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, 2008	Additions	Retired	Outstanding June 30, 2009	Interest Expense
Governmental Activities:								
Thompson Middle School/ Library	2001	2021	3.50 to 5.00	\$ 14,875,000	\$ -	\$ 800,000	\$ 14,075,000	\$ 669,713
Thompson School QZAB	2001	2013	N/A	1,863,536	-	-	1,863,536	-
Series A Refunding Bonds	2004	2011	2.00 to 4.00	336,490	-	163,208	173,282	9,956
Series B Refunding Bonds	2004	2012	2.00 to 3.50	1,166,362	-	261,057	905,305	32,701
Total Governmental Activities				<u>\$ 18,241,388</u>	<u>\$ -</u>	<u>\$ 1,224,265</u>	<u>\$ 17,017,123</u>	<u>\$ 712,370</u>
Business-type Activities:								
Sewer Improvements - SRF	2002	2023	1.91	\$ 10,484,151	\$ -	\$ 553,321	9,930,830	\$ 188,083
Series A Refunding Bonds	2004	2011	2.00 to 4.00	783,265	-	372,108	411,157	21,421
Total Water Pollution Control Fund				<u>11,267,416</u>	<u>-</u>	<u>925,429</u>	<u>10,341,987</u>	<u>209,504</u>
Series A Refunding Bonds	2004	2011	2.00 to 4.00	578,192	-	274,684	303,508	15,812
Series B Refunding Bonds	2004	2012	2.00 to 3.50	2,667,532	-	593,943	2,073,589	72,172
Water Improvements - SRF	2007	2027	3.28 to 3.72	2,910,308	89,564	106,000	2,893,872	109,442
Water Improvements - SRF	2008	2029	2.08 to 3.63	942,531	1,695,710	-	2,638,241	83,344
Total Water Fund				<u>7,098,563</u>	<u>1,785,274</u>	<u>974,627</u>	<u>7,909,210</u>	<u>280,770</u>
Total Business-type Activities				<u>\$ 18,365,979</u>	<u>\$ 1,785,274</u>	<u>\$ 1,900,056</u>	<u>\$ 18,251,197</u>	<u>\$ 490,274</u>

All long-term liabilities listed under Governmental activities are 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 \$3,000,000 and \$2,638,241 have been drawn down as of June 30, 2009, 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 \$1,065,923, which amount is reported in the debt service fund, a nonmajor governmental fund.

Bonded indebtedness on June 30, 2009 matures over fiscal years through 2030 as follows:

<u>Year ending June 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 1,237,114	\$ 700,635	\$ 1,885,207	\$ 519,155
2011	1,138,436	652,467	1,570,416	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	975,000	518,569	1,004,368	415,430
2015-2019	7,413,537	1,731,725	2,279,023	1,692,594
2020-2024	4,000,000	304,375	5,643,449	950,917
2025-2029	-	-	2,605,871	335,972
2030	-	-	416,000	8,632
	<u>\$ 17,017,123</u>	<u>\$ 5,078,301</u>	<u>\$ 18,251,197</u>	<u>\$ 5,362,634</u>

Debt authorized by the City Council and voters, where applicable, and not yet issued at June 30, 2009 is as follows:

Road Improvement Bonds Capital Projects Fund	\$12,000,000
Easton's Moat and Dam Repairs – Water Fund	6,650,000 (\$500,000 BAN has been issued)
Water System Improvements	5,863,000 (\$2,300,000 BAN issued in October, 2009)
Water Distribution Main Improvements	3,300,000 (issued in October, 2009)
Sewer System Improvements	6,595,532 (issued in October, 2009)

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, 2009 is \$64,417.

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 43,837	\$ 3,002
2011	16,752	280
	<u>\$ 60,589</u>	<u>\$ 3,282</u>

The Water Fund has borrowed \$500,000 as a short-term note due to Rhode Island Clean Water Finance Agency (RICWFA) for Easton's Pond Dam and Moat Repairs. The Water Fund has also borrowed \$1,237,000 as a short-term note due to RICWFA for City Advisor services for the long-term improvements to the Newport Station 1 Treatment Plant and the replacement of the Lawton Valley Treatment Plant. An additional short-term note of \$2,300,000 has been subsequently issued in October, 2009 for City Advisor services. All notes will be replaced with long-term revenue bonds.

The Water Pollution Control Fund is in the process of borrowing \$15,000,000 in short-term financing from RICWFA for the repairs of a 36-inch sewer force main. This note will be replaced with long-term financing.

The following table details water and sewer notes outstanding and soon to be issued at June 30, 2009:

<u>Purpose of Note</u>	<u>Date Issued</u>	<u>Interest Rate</u>	<u>Amount Authorized</u>	<u>Amount Drawn Down to Date</u>
Easton's Pond Dam and Moat Repairs	12/8/2008	2.12%	\$ 500,000	\$ 14,858
City Advisor - Water Treatment Plants	12/8/2008	1.59%	1,237,000	392,496
City Advisor - Water Treatment Plants	10/30/2009	2.32%	2,300,000	-
Sewer Force Main Repairs	7/23/2009	2.30%	15,000,000	-

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

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Notes Payable (Continued)

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.

Business-type
 activities:

	Balance			Balance	
	July 1, 2008	Additions	Reductions	June 30, 2009	Due Within One Year
Notes Payable	\$ 113,750	\$ -	\$ 8,750	\$ 105,000	\$ 8,750
Compensated Absences	224,364	107,509	104,490	227,383	69,000
	<u>\$ 338,114</u>	<u>\$ 107,509</u>	<u>\$ 113,240</u>	<u>\$ 332,383</u>	<u>\$ 77,750</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, 2009, \$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, 2009 was as follows:

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Due Within One Year
Governmental activities:					
Bonds payable	\$ 18,241,388	\$ -	\$ 1,224,265	\$ 17,017,123	\$ 1,237,114
Claims and judgments	825,911	-	326,402	499,509	259,275
Compensated absences	8,138,759	2,184,645	2,295,696	8,027,708	2,300,000
Net pension obligation	5,050,684	-	-	5,050,684	-
Net OPEB obligation	9,062,912	-	547,649	8,515,263	-
TOTAL	\$ 41,319,654	\$ 2,184,645	\$ 4,394,012	\$ 39,110,287	\$ 3,796,389
Business-type activities:					
Bonds payable	\$ 18,365,979	\$ 1,785,274	\$ 1,900,056	\$ 18,251,197	\$ 1,885,207
Notes payable	104,895	-	44,306	60,589	43,837
Revenue notes payable	-	407,354	-	407,354	407,354
Net OPEB obligation	458,894	63,479	-	522,373	-
TOTAL	\$ 18,929,768	\$ 2,256,107	\$ 1,944,362	\$ 19,241,513	\$ 2,336,398

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 \$438,439 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, 2009, the General Fund incurred expenditures of \$438,439 associated with these agreements. The minimum annual lease obligations of the General Fund related to these agreements are \$438,439 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, 2007 was \$6,172,924,917, limiting the amount of non-excepted general obligation bonds outstanding to \$185,187,748. Bonds of \$17,017,123 outstanding at June 30, 2009 are general obligations and subject to the statutory limitation.

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

V. OTHER INFORMATION

A. Risk Management

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

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

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

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

Fully Self-insured:

Property	Building Value	Contents/Other Value	Total Value
America's Cup Parking Garage	\$ 3,344,926	\$ -	\$ 3,344,926
Cardine's Field Restrooms	191,086	-	191,086
Cardine's Field Storage Building	15,988	-	15,988
Easton's Beach Storage Building	81,541	-	81,541
Eisenhower Park Structures	-	53,800	53,800
King's Park Restrooms	109,494	-	109,494
Long Wharf Harbormaster Shed	34,239	4,051	38,290
Easton's Beach Rotunda/Carousel	2,648,690	461,426	3,110,116
Gateway Center	3,164,657	-	3,164,657
Convention Center Canopies	951,489	-	951,489
	\$ 10,542,110	\$ 519,277	\$ 11,061,387

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 \$11,061,387 less \$10,000,000 per member annual aggregate. The City has not 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.

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 2009 was \$38,541,599. Total City payroll was \$47,645,493 for the same period.

1. Teachers' Plan**a. Plan Description**

The Teachers' Plan is a statutory, mandatory, statewide, cost-sharing multiple employer public employee retirement system administered by the State. Financial statements for the plan are issued separately and may be obtained by writing to Employees' Retirement System of Rhode Island, 40 Fountain Street, Providence, Rhode Island, 02903 or by calling (401) 457-3900. Total covered payroll under the plan during 2009 was \$15,961,071, including \$1,428,325 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 service. Surviving spouses are also eligible for both pre- and post-retirement death benefits with minimum amounts established under varying circumstances.

V. OTHER INFORMATION (CONTINUED)**B. Pension Plans (Continued)****1. Teachers' Plan (Continued)****c. Funding Policy**

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

As prescribed by Rhode Island general law, the State pays the entire portion of the annual required contribution attributable to the costs of contributions deferred by the State in prior years, plus 40% of contributions assessed to employers on payroll not reimbursable through federal programs. For fiscal year 2009, actuarial required contributions were 25.03% of participants' salary (also 25.03% for federally reimbursed salary). This resulted in a contribution rate paid by the State on behalf of City teachers of 10.17%. In accordance with the provisions of GASB Statement No. 24, the City has recorded "on-behalf" payments of \$1,623,241 for amounts paid by the State on behalf of City teachers. The City's contribution rate was 14.86%. The City's required and actual contributions to the Teachers' Plan for fiscal years 2009, 2008 and 2007 were \$1,730,441, \$1,583,854 and \$1,544,546, 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) 457-3900. For fiscal year 2009, payroll for employees covered under the plan totaled \$12,467,715.

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, 2009, 267 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 (UAAL) as of June 30, 1999, over a closed period of 30 years. There are 21 years remaining as of June 30, 2008. The amortization contribution rate is the level percentage of payroll required to reduce the UAAL to zero over the remaining amortization period. 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.

3. Annual Employer Pension Costs and Net Pension Obligations

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

	2009	2008	2007
Annual Pension Costs	\$ 1,807,463	\$ 1,451,635	\$ 1,206,875
Actual Employer Contributions	1,807,463	1,451,635	1,206,875
Percent of annual pension costs contributed	100%	100%	100%

4. 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) Actuarially Accrued Liability (AAL) Projected Unit Credit	(A - B) Under Funded AAL	(A/B) Funded AAL Ratio	(C) Covered Payroll	[(A-B)/C] Underfunded AAL as a Percentage of Covered Payroll
July 1, 2008	\$ 46,324,266	\$ 60,565,718	\$ 14,241,452	76.5%	\$ 11,396,167	125.0%

V. OTHER INFORMATION (CONTINUED)**B. Pension Plans (Continued)****5. Municipal Plan (Continued)****d. Funded Status and Funding Progress (continued)**

Actuarial valuations involve the 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.

6. 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:	4.50% annually, plus a service component
Payroll growth rate (for amortization)	4.25% annually
Cost of living adjustments:	3.00%, not compounded
Inflation rate	3.00% annually
Retirement probability	100% at age 75 or upon eligibility

Mortality:

Healthy members – 1994 Group Annuity Mortality Table

Disabled members – 65% of the PBGC Table Va for disabled male members eligible for Social Security disability benefits and 100% of the PBGC Table Via for disabled female members eligible for Social Security

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

V. OTHER INFORMATION (CONTINUED)**B. Pension Plans (Continued)****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 Matters7. 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 the 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.

8. Plan Descriptions and Contribution Information

As of June 30, 2009, membership in each plan was as follows:

	<u>Fire Plan</u>	<u>Police Plan</u>
Active employees hired before July 1, 1984	8	9
Active employees hired on or after July 1, 1984	<u>83</u>	<u>72</u>
Total active employees	91	81
Inactive employees with vested rights	1	-
Pensioners and beneficiaries	<u>110</u>	<u>113</u>
Total plan members	<u>202</u>	<u>194</u>

V. OTHER INFORMATION (CONTINUED)**B. Pension Plans (Continued)****3. Firemen's Pension Plan and Policemen's Pension Plan (Continued)****9. Plan Descriptions and Contribution Information (Continued)**

Each plan is a single-employer defined benefit pension plan which provides retirement, disability and death benefits to its participants. For fiscal year 2009, covered payroll under the plans was \$5,047,963 and \$5,064,850 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 the 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 generally does not incur unfunded accrued actuarial liabilities; therefore, required contributions usually only cover normal costs.

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

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)**

10. Financial Information

STATEMENT OF FIDUCIARY NET ASSETS
 JUNE 30, 2009

	POLICE PENSION FUND	FIRE PENSION FUND
ASSETS		
Cash and investments	\$ 31,098,823	\$ 22,981,703
LIABILITIES		
Cash overdraft and accounts payable	754,893	722,741
NET ASSETS		
Net assets held in trust for pension benefits	\$ 30,343,930	\$ 22,258,962

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2009

	POLICE PENSION FUND	FIRE PENSION FUND
ADDITIONS		
Contributions and other income	\$ 2,885,340	\$ 3,896,048
Investment income (loss), net of investment expenses	(8,561,053)	(6,288,666)
TOTAL ADDITIONS	(5,675,713)	(2,392,618)
DEDUCTIONS		
Benefits	3,715,875	4,230,355
Administration	125,880	89,346
TOTAL DEDUCTIONS	3,841,755	4,319,701
CHANGES IN NET ASSETS	(9,517,468)	(6,712,319)
NET ASSETS - JULY 1, 2008	39,861,398	28,971,281
NET ASSETS - JUNE 30, 2009	\$ 30,343,930	\$ 22,258,962

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)

11. Funded Status and Funding Progress

The funded status of the plans 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) Actuarially Accrued Liability (AAL) Projected Unit Credit	(A - B) Under Funded AAL	(A/B) Funded AAL Ratio	(C) Covered Payroll	[(A-B)/C] Underfunded AAL as a Percentage of Covered Payroll
<u>FIRE PLAN</u>						
July 1, 2008	\$ 29,605,715	\$ 74,885,370	\$ 45,279,655	39.5%	\$ 5,294,240	855.3%
<u>POLICE PLAN</u>						
July 1, 2008	\$ 41,952,553	\$ 68,177,847	\$ 26,225,294	61.5%	\$ 4,979,082	526.7%

Actuarial valuations involve the 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, 2008. 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	<u>3,291,234</u>	<u>3,543,234</u>	<u>3,543,235</u>
Increase (decrease) in NPO	73,891	(114,966)	81,197
Net pension obligation, July 1	<u>4,976,793</u>	<u>5,091,759</u>	<u>5,010,562</u>
Net pension obligation, June 30	<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	<u>2,272,049</u>	<u>2,440,649</u>	<u>2,440,649</u>
Increase in NPA	(104,276)	(156,228)	(107,282)
Net pension asset, July 1	<u>(5,766,000)</u>	<u>(5,609,772)</u>	<u>(5,502,490)</u>
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>

12. **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)**

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

14. **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, 2008	July 1, 2008
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Dollar Closed	Level Dollar Closed
Remaining Amortization Period	23 Years	23 Years
Asset appreciation	8.25% annually	8.25% annually
Salary increases	3.25% annually	3.50% annually
Cost of living increase	3.00%	3.00%
Inflation	3.00%	3.00%
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, 2009, 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)**

15. **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. All 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. All AFSCME, NEA, non-union employees, and police employees hired after July 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 teachers can opt-out of the "Extended Benefit Plan". New teachers and teachers who opt-out of the "Extended Benefits Plan" do not receive any City funded benefits once they reach age 65.

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.

16. Classes of Employees Covered

As of July 1, 2008 (date of the 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. Employees hired after July 1, 2009 are not eligible for Plan65. 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 (less a retiree premium share) until age 65, 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, 2009

ASSETS	
Cash and investments	\$ 8,531,731
LIABILITIES	
Accounts payable	<u>3,819</u>
NET ASSETS	
Net assets held in trust for OPEB benefits	<u><u>\$ 8,527,912</u></u>

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 OTHER POST-EMPLOYMENT BENEFITS TRUST FUND
 FOR THE YEAR ENDED JUNE 30, 2009

ADDITIONS	
Contributions and other income	\$ 11,099,555
Investment income (loss), net of investment expenses	<u>(643,795)</u>
TOTAL ADDITIONS	10,455,760
DEDUCTIONS	
Benefits	6,375,474
Administration	<u>14,336</u>
TOTAL DEDUCTIONS	6,389,810
CHANGES IN NET ASSETS	-4,065,950
NET ASSETS - JULY 1, 2008	<u>4,461,962</u>
NET ASSETS - JUNE 30, 2009	<u><u>\$ 8,527,912</u></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	\$ 10,238,391
Interest on net OPEB obligation	376,995
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>10,615,386</u>
Contributions made	<u>11,099,555</u>
Increase (decrease) in net OPEB obligation	(484,169)
Net OPEB obligation - July 1, 2008	<u>9,521,806</u>
Net OPEB obligation - June 30, 2009	<u>\$ 9,037,637</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, 2008 and 2009 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2006	\$ 9,706,604	53.9%	\$ 4,466,938
June 30, 2007	9,282,550	75.0%	6,756,362
June 30, 2008	9,997,870	72.3%	9,521,806
June 30, 2009	10,615,386	105.0%	9,037,637

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) Actuarially Accrued Liability (AAL) Projected Unit Credit	(A-B) Unded Funded AAL	(A/B) Funded AAL Ratio	(C) Covered Payroll	[(A-B)/C] Under Funded AAL as a Percentage of Covered Payroll
July 1, 2008	\$ 4,464,395	\$ 142,838,552	\$ 138,374,157	3.1%	\$ 38,914,022	355.6%

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.

D. 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 except as noted below.

V. OTHER INFORMATION (CONTINUED)**D. Contingencies (Continued)**

The City is a defendant in a lawsuit regarding the elimination of combined sewer overflows (CSO's) in Newport Harbor. In addition, the City is in discussion with the United States Environmental Protection Agency regarding improvements to its system to meet certain mandated water quality standards. The cost of improvements is unknown but is likely to be significant.

E. Subsequent Events

Subsequent issuance of bonds or notes have been disclosed in the long-term debt and notes footnotes. See Footnotes E. and F.

**Required
Supplementary
Information**

CITY OF NEWPORT, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2009

Fire Pension Plan							
Actuarial Valuation Date July 1	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets as % of AAL	Unfunded AAL	Annual Covered Payroll	Unfunded AAL as % of Covered Payroll	
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%	
2008	29,605,715	74,885,370	39.5%	45,279,655	5,294,240	855.3%	

Police Pension Plan							
Actuarial Valuation Date July 1	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets as % of AAL	Unfunded AAL	Annual Covered Payroll	Unfunded AAL as % of Covered Payroll	
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%	
2008	41,952,553	68,177,847	61.5%	26,225,294	4,979,082	526.7%	

(Continued)

CITY OF NEWPORT, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS (CONTINUED)
JUNE 30, 2009

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
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%
2008	46,324,266	60,565,718	76.5%	14,241,452	11,396,167	125.0%

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 ISLAND

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
JUNE 30, 2009

Fire Pension Plan

<u>Actuarial Valuation Date July 1</u>	<u>Annual Required Contribution (ARC)</u>	<u>Actual Contribution</u>	<u>% of ARC Contributed</u>
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	3,543,235	105.7%
2008	3,291,226	3,291,234	100.0%

Police Pension Plan

<u>Actuarial Valuation Date July 1</u>	<u>Annual Required Contribution (ARC)</u>	<u>Actual Contribution</u>	<u>% of ARC Contributed</u>
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>Actuarial Valuation Date July 1</u>	<u>Annual Required Contribution (ARC)</u>	<u>Actual Contribution</u>	<u>% of ARC Contributed</u>
2005	\$ 9,706,604	\$ 5,239,666	54.0%
2006	9,282,550	6,993,126	75.3%
2007	9,997,870	7,232,426	72.3%
2008	10,238,391	11,099,555	108.4%

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, 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, 2009

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET
LOCAL TAXES:				
Current taxes - Real Estate	\$ 55,867,626	\$ 55,867,626	\$ 55,424,886	\$ (442,740)
Current taxes - Motor Vehicle	1,750,000	1,750,000	1,791,455	41,455
Delinquent - Real Estate	1,100,000	1,100,000	1,181,578	81,578
Delinquent taxes - Motor Vehicle	110,000	110,000	102,844	(7,156)
Penalties	335,000	335,000	388,578	53,578
Tax lien fees	25,000	25,000	23,383	(1,617)
Meals and beverage tax	1,500,000	1,500,000	1,552,832	52,832
Hotel occupancy tax	1,700,000	1,700,000	1,615,538	(84,462)
TOTAL PROPERTY TAXES	62,387,626	62,387,626	62,081,094	(306,532)
INTERGOVERNMENTAL REVENUES:				
Telephone company tax	255,000	255,000	232,459	(22,541)
Police and fire education incentive	-	-	-	-
MV tax phase out	1,800,000	1,800,000	1,811,310	11,310
School housing aid	630,000	630,000	561,515	(68,485)
General aid	1,485,559	1,485,559	709,800	(775,759)
PILOT	753,000	753,000	753,317	317
State aid - library construction	234,000	234,000	237,853	3,853
Statistical Update Reimbursement	88,000	88,000	141,280	53,280
TOTAL INTERGOVERNMENTAL REVENUES	5,245,559	5,245,559	4,447,534	(798,025)
CHARGES FOR SERVICES:				
GMH service fees	358,900	358,900	364,487	5,587
Hope IV Project service fees	130,000	130,000	131,570	1,570
Police special detail	1,400,000	1,400,000	1,742,704	342,704
Document prep and handling	70,000	70,000	86,218	16,218
Planning Services	-	-	400	400
Salary reimbursements	30,000	30,000	-	(30,000)
Community development services	57,680	57,680	57,680	-
Computer processing fees	340,304	340,304	340,304	-
Management services	340,905	340,905	612,331	271,426
Fire alarm assessments	96,000	96,000	141,600	45,600
Recycling bins	2,500	2,500	3,246	746
HR regional testing	3,500	3,500	4,565	1,065
Recreation activity fees	90,000	90,000	100,690	10,690
Ballfield rentals	16,000	16,000	28,335	12,335
Parking tickets	900,000	900,000	1,045,548	145,548
Recording fees	300,000	300,000	295,146	(4,854)
Conveyance tax	450,000	450,000	386,167	(63,833)
Probate fees	50,000	50,000	58,350	8,350
Rescue fees	500,000	500,000	553,780	53,780
General business	65,000	65,000	84,570	19,570
Hotel registration fees	7,000	7,000	15,275	8,275
Entertainment	21,000	21,000	22,490	1,490
Liquor	185,000	185,000	185,090	90
Mech amusement	15,000	15,000	6,300	(8,700)
Sunday selling	30,000	30,000	25,100	(4,900)
Taxi	1,000	1,000	1,615	615
Viewing	48,000	48,000	57,500	9,500
Animal	4,400	4,400	4,691	291
Marriage	5,000	5,000	5,412	412
Building	900,000	900,000	551,006	(348,994)
Plumbing	50,000	50,000	33,506	(16,494)
Mechanical	130,000	130,000	112,676	(17,324)
Electrical	140,000	140,000	117,237	(22,763)
Board of Appeals	19,000	19,000	12,218	(6,782)
HDC application fee	16,000	16,000	13,500	(2,500)
Road opening	30,000	30,000	89,168	59,168
Fire inspection fees	132,500	132,500	68,824	(63,676)
Fire - sundry	5,000	5,000	12,375	7,375
Police - sundry	11,000	11,000	9,928	(1,072)
Municipal court cost assessment	200,000	200,000	222,351	22,351
Payphone commissions	1,000	1,000	7,113	6,113
Vendor rights	8,800	8,800	13,592	4,792
Jai Alai and Slot Machines	750,000	750,000	647,538	(102,462)
Other miscellaneous	50,000	50,000	207,450	157,450
Rental of property	120,000	120,000	75,866	(44,134)
Salve Regina service charge	6,902	6,902	-	(6,902)
Solid waste hauler fees	-	-	1,750	1,750
TOTAL CHARGES FOR SERVICES	8,087,391	8,087,391	8,557,262	469,871
USE OF MONEY AND PROPERTY:				
Investment interest	700,000	700,000	422,804	(277,196)
INCOME FROM INVESTMENTS	700,000	700,000	422,804	(277,196)
OTHER REVENUES:				
Public donations	45,000	45,000	70,000	25,000
Trust fund revenue	193,000	193,000	193,000	-
Sale of surplus equipment	25,000	25,000	13,173	(11,827)
TOTAL OTHER REVENUES	263,000	263,000	276,173	13,173
TOTAL REVENUES	76,683,576	76,683,576	75,784,867	(898,709)
OTHER FINANCING SOURCES:				
Transfers in	-	-	1,166,831	1,166,831
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 76,683,576	\$ 76,683,576	\$ 76,951,698	\$ 268,122

CITY OF NEWPORT, RHODE ISLAND

GENERAL FUND
 SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2009

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET
EXPENDITURES:				
General Government:				
Mayor and City Council	\$ 130,042	\$ 130,792	\$ 86,604	\$ (44,188)
City Manager	761,291	763,291	752,378	(10,913)
City Solicitor	408,733	408,733	400,034	(8,699)
Canvassing	241,355	255,855	223,503	(32,352)
Finance	3,016,130	3,196,443	2,987,665	(208,778)
City Clerk	579,279	799,233	484,116	(315,117)
Reserve Accounts	880,046	810,321	180,227	(630,094)
Public Safety:				
Police Department	14,179,042	14,266,975	14,139,061	(127,914)
Fire Department	14,392,372	14,397,087	14,230,541	(166,546)
Public Health	7,597,141	7,885,570	7,125,740	(759,830)
Planning, Zoning, and Development	1,224,120	1,319,520	1,260,278	(59,242)
Recreation and parks	568,622	600,402	606,808	6,406
Human services:				
Donations	183,900	188,400	182,524	(5,876)
Public Library	1,682,167	1,682,167	1,682,167	-
Pension expenditures	4,534,365	4,534,365	4,506,245	(28,120)
Debt service	2,219,746	2,219,746	1,937,016	(282,730)
TOTAL EXPENDITURES	52,598,351	53,458,900	50,784,907	(2,673,993)
OTHER FINANCING USES:				
Transfers out	24,085,225	24,085,225	24,130,335	45,110
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 76,683,576	\$ 77,544,125	\$ 74,915,242	\$ (2,628,883)

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.

SCHEDULE 3

CITY OF NEWPORT, RHODE ISLAND

COMBINING BALANCE SHEET
PERMANENT TRUST FUNDS
JUNE 30, 2009

	CASH AND INVESTMENTS	RESERVED FOR ENDOWMENTS	UNRESERVED FUND BALANCE
David Sears Trusts 1 - 9 (City Portion)	\$ 1,861,924	\$ 450,000	\$ 1,411,924
David Sears Trust - Heirs of David Sears	747,940	747,940	-
David Sears Trust - Public Improvements	205,604	-	205,604
Joseph Hammett Fund (1892)	25,591	1,500	24,091
Henderson Home Fund (1980)	778,964	139,781	639,183
Freebody Fund	81,821	97,000	(15,179)
EV Coles Fund (1899)	252,245	61,321	190,924
Hunter Industrial Fund (1942)	82,977	25,000	57,977
King School Fund (1864)	171,516	8,914	162,602
City Burial Lots	263,315	-	263,315
Private Burial Lots	5,050	-	5,050
Belmont Memorial Fund (1950)	22,766	2,000	20,766
Judah Touro M & C Fund (1879)	128,498	10,000	118,498
Touro Street Fund (1823)	45,970	5,000	40,970
Derby Fuel Fund (1849)	14,061	500	13,561
Fry Orphan Fund (1859)	20,876	5,131	15,745
R & E Bullock Fund (1944)	54,066	1,000	53,066
Poor and Aged Fund (1863)	934,154	100,000	834,154
Alexander Agassiz Fund (1901)	130,139	31,087	99,052
George H Norman Foundation Fund (1901)	44,613	6,899	37,714
Barbara Chapman Fund (1990)	3,279	2,000	1,279
E Townsend Fund (1889)	144,998	155,137	(10,139)
George N Buckout Fund (1955)	70,057	15,000	55,057
Edward Newton Fund (1959)	24,461	-	24,461
Braman Cemetery	112,939	-	112,939
Louis H Hobbs Fund (1988)	43,705	25,000	18,705
RIICAN Fund	5,508	-	5,508
Unallocated Expense	(30,181)	-	(30,181)
Total Permanent Trust Funds	<u>\$ 6,246,856</u>	<u>\$ 1,890,210</u>	<u>\$ 4,356,646</u>

CITY OF NEWPORT, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
PERMANENT TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	FUND BALANCE JULY 1, 2008	REVENUES Use of Money & Property and Investment Losses	EXPENDITURES Human Services	FUND BALANCE JUNE 30, 2009
David Sears Trusts 1 - 9 (City Portion)	\$ 2,701,222	\$ (839,298)	-	\$ 1,861,924
David Sears Trust - Heirs of David Sears	792,188	(44,248)	-	747,940
David Sears Trust - Public Improvements	224,150	174,454	(193,000)	205,604
Joseph Hammett Fund (1892)	33,828	(6,897)	(1,340)	25,591
Henderson Home Fund (1980)	1,034,772	(211,518)	(44,290)	778,964
Freebody Fund	118,593	(23,556)	(13,216)	81,821
EV Coles Fund (1899)	316,681	(64,436)	-	252,245
Hunter Industrial Fund (1942)	104,173	(21,196)	-	82,977
King School Fund (1864)	215,330	(43,814)	-	171,516
City Burial Lots	330,580	(67,265)	-	263,315
Private Burial Lots	6,697	(1,367)	(280)	5,050
Belmont Memorial Fund (1950)	28,581	(5,815)	-	22,766
Judah Touro M & C Fund (1879)	170,587	(34,859)	(7,230)	128,498
Touro Street Fund (1823)	57,713	(11,743)	-	45,970
Derby Fuel Fund (1849)	18,678	(3,817)	(800)	14,061
Fry Orphan Fund (1859)	27,722	(5,666)	(1,180)	20,876
R & E Bullock Fund (1944)	71,802	(14,676)	(3,060)	54,066
Poor and Aged Fund (1863)	1,237,873	(283,545)	(20,174)	934,154
Alexander Agassiz Fund (1901)	163,384	(33,245)	-	130,139
George H Norman Foundation Fund (1901)	56,009	(11,396)	-	44,613
Barbara Chapman Fund (1990)	2,645	634	-	3,279
E Townsend Fund (1889)	183,422	(38,424)	-	144,998
George N Buckout Fund (1955)	87,626	(17,569)	-	70,057
Edward Newton Fund (1959)	30,294	(5,833)	-	24,461
Braman Cemetery	142,813	(29,874)	-	112,939
Louis H Hobbs Fund (1988)	54,679	(10,974)	-	43,705
RIICAN Fund	6,915	(1,407)	-	5,508
Unallocated Expense	-	-	(30,181)	(30,181)
Total Permanent Trust Funds	\$ 8,218,957	\$ (1,657,350)	\$ (314,751)	\$ 6,246,856

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 for 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.

CITY OF NEWPORT, RHODE ISLAND

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009

	SPECIAL REVENUE FUNDS							DEBT SERVICE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
	SCHOOL RESTRICTED FUNDS	UDAG FUND	STATE GRANTS FUND	EDA REVOLVING FUND	PROPERTY ACQUISITION FUND	COMMUNITY DONATION FUND	BRAMLEY BILL FUND		
ASSETS									
Cash	\$ 640,460	\$ 1,140,993	\$ 210,308	\$ 174,651	\$ 1,284,033	\$ 233,143	\$ 10,152	\$ 33,964	\$ 3,727,704
Investments	-	-	-	-	-	-	-	1,031,959	1,031,959
Receivables:									
Intergovernmental	728,636	-	11,578	-	-	-	44,757	-	784,971
Loan	-	358,630	-	124,929	-	-	-	-	483,559
Other	-	388,636	-	-	78,180	-	500	-	467,316
Due from other funds	-	105,000	-	-	-	-	-	-	105,000
Advances to other funds	-	61,917	-	-	454,485	-	-	-	516,402
TOTAL ASSETS	\$ 1,369,096	\$ 2,055,176	\$ 221,886	\$ 299,580	\$ 1,816,698	\$ 233,143	\$ 55,409	\$ 1,065,923	\$ 7,116,911
LIABILITIES AND FUND BALANCE (DEFICIT)									
LIABILITIES:									
Accounts payable	\$ -	\$ -	\$ 1,480	\$ -	\$ 585	\$ 775	\$ 33,151	\$ -	\$ 35,991
Unearned/deferred revenue	-	914,183	84,247	124,929	-	-	27,437	-	1,150,796
TOTAL LIABILITIES	-	914,183	85,727	124,929	585	775	60,588	-	1,186,787
FUND BALANCES (DEFICIT):									
Reserved for advances	-	61,917	-	-	454,485	-	-	-	516,402
Reserved for debt service	-	-	-	-	-	-	-	1,065,923	1,065,923
Unreserved, reported in:									
Special revenue funds	1,369,096	1,079,076	136,159	174,651	1,361,628	232,368	(5,179)	-	4,347,799
TOTAL FUND BALANCES (DEFICIT)	1,369,096	1,140,993	136,159	174,651	1,816,113	232,368	(5,179)	1,065,923	5,930,124
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	\$ 1,369,096	\$ 2,055,176	\$ 221,886	\$ 299,580	\$ 1,816,698	\$ 233,143	\$ 55,409	\$ 1,065,923	\$ 7,116,911

CITY OF NEWPORT, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	SPECIAL REVENUE FUNDS								TOTAL
	SCHOOL RESTRICTED FUNDS	UDAG FUND	STATE GRANTS FUND	EDA REVOLVING FUND	PROPERTY ACQUISITION FUND	COMMUNITY DONATION FUND	BRAMLEY BILL FUND	DEBT SERVICE FUND	NONMAJOR GOVERNMENTAL FUNDS
REVENUES:									
Intergovernmental	\$ 4,763,445	\$ -	\$ 471,236	\$ -	\$ -	\$ -	\$ 213,371	\$ -	\$ 5,448,052
Charges for services	864,097	131,853	-	4,060	-	-	-	-	1,000,010
Use of money and property	-	83,474	-	3,225	22,341	-	-	53,815	162,855
Contributions	-	-	714	-	-	42,979	2,000	-	45,693
TOTAL REVENUES	5,627,542	215,327	471,950	7,285	22,341	42,979	215,371	53,815	6,656,610
EXPENDITURES:									
Current:									
General government	-	-	124	-	-	-	-	-	124
General education	5,439,954	-	-	-	-	-	-	-	5,439,954
Public safety	-	-	78,871	-	-	-	-	-	78,871
Public health	-	-	17,264	-	-	-	-	-	17,264
Planning, zoning and development	-	-	11,331	-	-	-	-	-	11,331
Recreation	-	-	-	-	-	43,098	-	-	43,098
Human services	-	-	348,867	398	-	224	220,836	-	570,325
Pension expenditures	-	-	-	-	700,000	-	-	-	700,000
Capital outlay	250,982	-	-	-	-	-	-	-	250,982
TOTAL EXPENDITURES	5,690,936	-	456,457	398	700,000	43,322	220,836	-	7,111,949
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(63,394)	215,327	15,493	6,887	(677,659)	(343)	(5,465)	53,815	(455,339)
OTHER FINANCING SOURCES (USES):									
Transfers out	-	-	-	-	(24,832)	-	-	-	(24,832)
Transfers in	627,100	-	-	-	-	-	-	133,110	760,210
NET CHANGE IN FUND BALANCES	563,706	215,327	15,493	6,887	(702,491)	(343)	(5,465)	186,925	280,039
FUND BALANCES (DEFICIT), JULY 1, 2009	805,390	925,666	120,666	167,764	2,518,604	232,711	286	878,998	5,650,085
FUND BALANCES (DEFICIT), JUNE 30, 2009	\$ 1,369,096	\$ 1,140,993	\$ 136,159	\$ 174,651	\$ 1,816,113	\$ 232,368	\$ (5,179)	\$ 1,065,923	\$ 5,930,124

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, 2009

	MARITIME FUND	EASTON'S BEACH FUND	PARKING OPERATIONS FUND	TOTALS
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 1,010,084	\$ 6,425	\$ 2,835,369	\$ 3,851,878
Investments	-	-	1,036,476	1,036,476
Accounts receivable:				
User fees (net of allowances)	10,000	54,660	20,602	85,262
Other	-	-	-	-
Due from other governments	99,110	-	-	99,110
Advances to other funds	-	-	239,605	239,605
Total current assets	1,119,194	61,085	4,132,052	5,312,331
Noncurrent assets:				
Capital assets	834,795	3,098,816	2,992,732	6,926,343
Less accumulated depreciation	(71,747)	(1,038,316)	(1,343,384)	(2,453,447)
Total noncurrent assets	763,048	2,060,500	1,649,348	4,472,896
TOTAL ASSETS	1,882,242	2,121,585	5,781,400	9,785,227
LIABILITIES:				
Current liabilities:				
Accounts payable	32,373	12,891	97,670	142,934
Accrued expenses	59,743	95,467	30,153	185,363
Current portion advances	-	50,831	-	50,831
Total current liabilities	92,116	159,189	127,823	379,128
Long-term liabilities:				
Advances from other funds	-	250,691	-	250,691
TOTAL LIABILITIES	92,116	409,880	127,823	629,819
NET ASSETS:				
Invested in capital assets (net of related debt)	763,048	1,758,978	1,649,348	4,171,374
Unrestricted	1,027,078	(47,273)	4,004,229	4,984,034
TOTAL NET ASSETS	\$ 1,790,126	\$ 1,711,705	\$ 5,653,577	\$ 9,155,408

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, 2009

	MARITIME FUND	EASTON'S BEACH FUND	PARKING OPERATIONS FUND	TOTALS
OPERATING REVENUES:				
User fees	\$ 865,069	\$ 683,257	\$ 1,360,078	\$ 2,908,404
Other revenues	106,559	61,538	-	168,097
TOTAL OPERATING REVENUES	971,628	744,795	1,360,078	3,076,501
OPERATING EXPENSES:				
Salaries and benefits	355,018	521,172	444,679	1,320,869
Materials and supplies	52,077	56,547	124,345	232,969
Repairs and maintenance	40,987	27,045	38,897	106,929
Support services	11,783	16,856	490,230	518,869
Utilities	7,915	25,632	7,884	41,431
Administrative and other	25,890	54,419	98,758	179,067
Depreciation	32,493	103,466	116,353	252,312
TOTAL OPERATING EXPENSES	526,163	805,137	1,321,146	2,652,446
OPERATING INCOME (LOSS)	445,465	(60,342)	38,932	424,055
NONOPERATING REVENUES AND (EXPENSES):				
Investment income	180	88	64,402	64,670
Interest expense	-	(10,071)	-	(10,071)
NET NONOPERATING REVENUES AND (EXPENSES)	180	(9,983)	64,402	54,599
INCOME BEFORE TRANSFERS	445,645	(70,325)	103,334	478,654
Transfers in	143,000	-	-	143,000
Transfers out	-	-	(143,000)	(143,000)
NET TRANSFERS	143,000	-	(143,000)	-
NET INCOME (LOSS)	588,645	(70,325)	(39,666)	478,654
TOTAL NET ASSETS - JULY 1, 2008	1,201,481	1,782,030	5,693,243	8,676,754
TOTAL NET ASSETS - JUNE 30, 2009	\$ 1,790,126	\$ 1,711,705	\$ 5,653,577	\$ 9,155,408

CITY OF NEWPORT, RHODE ISLAND

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	MARITIME FUND	EASTON'S BEACH FUND	PARKING OPERATIONS FUND	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 862,518	\$ 694,006	\$ 1,339,476	\$ 2,896,000
Cash payments to suppliers for goods and services	(87,182)	(141,324)	(765,845)	(994,351)
Cash payments to employees for services	(344,544)	(517,133)	(431,253)	(1,292,930)
Payment of administrative expense	(25,890)	(54,419)	(98,758)	(179,067)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	404,902	(18,870)	43,620	429,652
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Interfund loans and transfers	143,000	-	(143,000)	-
Principal (paid) received on interfund loans and transfers	-	(170,076)	80,395	(89,681)
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	143,000	(170,076)	(62,605)	(89,681)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	(182,618)	(111,193)	(19,375)	(313,186)
Interest paid on bonds, notes and loans	-	(10,071)	-	(10,071)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(182,618)	(121,264)	(19,375)	(323,257)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of investments	-	-	(1,000,000)	(1,000,000)
Investment income	180	88	27,926	28,194
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	180	88	(972,074)	(971,806)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	365,464	(310,122)	(1,010,434)	(955,092)
CASH AND CASH EQUIVALENTS - JULY 1, 2008	644,620	316,547	3,845,803	4,806,970
CASH AND CASH EQUIVALENTS- JUNE 30, 2009	\$ 1,010,084	\$ 6,425	\$ 2,835,369	\$ 3,851,878
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Operating income (loss)	\$ 445,465	\$ (60,342)	\$ 38,932	424,055
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	32,493	103,466	116,353	252,312
Changes in assets and liabilities:				
Decrease (Increase) in accounts receivable	(109,110)	(50,789)	(20,602)	(180,501)
(Decrease) Increase in accounts payable	25,580	(15,244)	(104,489)	(94,153)
(Decrease) Increase in accrued liabilities	10,474	4,039	13,426	27,939
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 404,902	\$ (18,870)	\$ 43,620	\$ 429,652
NON CASH TRANSACTIONS:				
Increase in fair value of investments	\$ -	\$ -	\$ 36,476	\$ 36,476

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 members 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.

Other Post-Employment Benefit Trust Fund

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

Private Purpose Trust Funds

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

Agency Funds

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

Student Activity Funds

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

Newport Municipal Charitable Improvement Fund, Inc.

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

CITY OF NEWPORT, RHODE ISLAND

COMBINING STATEMENT OF NET ASSETS OF PENSION AND OTHER POST EMPLOYMENT BENEFITS TRUST FUNDS
JUNE 30, 2009

	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	\$ -	\$ -	\$ -	\$ 1,878,809	\$ 1,878,809
Investments, at fair value:					
Fixed Income Mutual Funds	13,372,898	9,870,435	23,243,333	2,813,590	26,056,923
Domestic Equity Mutual Funds	13,139,496	9,721,286	22,860,782	3,839,332	26,700,114
International Equity Mutual Funds	4,586,429	3,389,982	7,976,411	-	7,976,411
TOTAL ASSETS	31,098,823	22,981,703	54,080,526	8,531,731	62,612,257
LIABILITIES					
Cash overdraft	731,110	706,250	1,437,360	-	1,437,360
Accounts payable	23,783	16,491	40,274	3,819	44,093
TOTAL LIABILITIES	754,893	722,741	1,477,634	3,819	1,481,453
NET ASSETS					
Net assets held in trust for pension benefits	30,343,930	22,258,962	52,602,892	-	52,602,892
Net assets held in trust for other post-employment benefits	-	-	-	8,527,912	8,527,912
TOTAL NET ASSETS	\$ 30,343,930	\$ 22,258,962	\$ 52,602,892	\$ 8,527,912	\$ 61,130,804

CITY OF NEWPORT, RHODE ISLAND

COMBINING STATEMENT OF NET ASSETS OF PRIVATE PURPOSE TRUST FUNDS
JUNE 30, 2009

	PRIVATE PURPOSE TRUST FUNDS		
	EXPENDABLE SCHOLARSHIP FUNDS	NONEXPENDABLE SCHOLARSHIP TRUSTS	TOTAL PRIVATE PURPOSE TRUST FUNDS
ASSETS			
Cash	\$ 15,081	\$ 33,222	\$ 48,303
Investments, at fair value:			
Fixed Income Mutual Funds	-	674,461	674,461
Domestic Equity Mutual Funds	-	271,358	271,358
TOTAL ASSETS	15,081	979,041	994,122
LIABILITIES			
Accounts payable	-	832	832
TOTAL LIABILITIES	-	832	832
NET ASSETS			
Net assets held in trust for purposes	15,081	978,209	993,290
TOTAL NET ASSETS	\$ 15,081	\$ 978,209	\$ 993,290

CITY OF NEWPORT, RHODE ISLAND

AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2009

	BALANCE JULY 1, 2008	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2009
<u>ASSETS</u>				
CASH:				
Student activity funds	\$ 198,143	\$ 343,687	\$ 364,046	\$ 177,784
Newport Municipal Charitable Improvement Fund, Inc.	28,811	-	-	28,811
TOTAL ASSETS	\$ 226,954	\$ 343,687	\$ 364,046	\$ 206,595
<u>LIABILITIES</u>				
AMOUNTS HELD IN ESCROW:				
Student activity funds	\$ 198,143	\$ 343,687	\$ 364,046	\$ 177,784
Newport Municipal Charitable Improvement Fund, Inc.	28,811	-	-	28,811
TOTAL LIABILITIES	\$ 226,954	\$ 343,687	\$ 364,046	\$ 206,595

CITY OF NEWPORT, RHODE ISLAND

COMBINING STATEMENT OF CHANGES IN NET ASSETS OF PENSION AND OTHER POST EMPLOYMENT BENEFITS TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	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	\$ 413,163	\$ 404,822	\$ 817,985	\$ -	\$ 817,985
Employer	2,472,177	3,491,226	5,963,403	11,099,555	17,062,958
Total contributions and other income	2,885,340	3,896,048	6,781,388	11,099,555	17,880,943
Investment income (loss):					
Net depreciation in fair value of investments	(8,695,090)	(6,383,268)	(15,078,358)	(835,738)	(15,914,096)
Interest and dividends	134,037	94,602	228,639	191,943	420,582
Total investment income (loss)	(8,561,053)	(6,288,666)	(14,849,719)	(643,795)	(15,493,514)
TOTAL ADDITIONS	(5,675,713)	(2,392,618)	(8,068,331)	10,455,760	2,387,429
DEDUCTIONS:					
Benefits	3,715,875	4,230,355	7,946,230	6,375,474	14,321,704
Administration	125,880	89,346	215,226	14,336	229,562
TOTAL DEDUCTIONS	3,841,755	4,319,701	8,161,456	6,389,810	14,551,266
CHANGES IN NET ASSETS	(9,517,468)	(6,712,319)	(16,229,787)	4,065,950	(12,163,837)
NET ASSETS - JULY 1, 2008	39,861,398	28,971,281	68,832,679	4,461,962	73,294,641
NET ASSETS - JUNE 30, 2009	\$ 30,343,930	\$ 22,258,962	\$ 52,602,892	\$ 8,527,912	\$ 61,130,804

CITY OF NEWPORT, RHODE ISLANDCOMBINING STATEMENT OF CHANGES IN NET ASSETS OF PRIVATE PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	EXPENDABLE SCHOLARSHIP FUNDS	NON- EXPENDABLE SCHOLARSHIP TRUSTS	TOTAL PRIVATE PURPOSE TRUST FUNDS
ADDITIONS:			
Contributions	\$ 10,000	\$ 91,871	\$ 101,871
Investment income (loss):			
Net depreciation in fair value of investments	-	(79,552)	(79,552)
Interest and dividends	-	(167,551)	(167,551)
Total investment income	-	(247,103)	(247,103)
Less investment expenses	-	5,148	5,148
Net investment income (loss)	-	(252,251)	(252,251)
TOTAL ADDITIONS	10,000	(160,380)	(150,380)
DEDUCTIONS:			
Awards	9,000	35,530	44,530
CHANGES IN NET ASSETS	1,000	(195,910)	(194,910)
NET ASSETS - JULY 1, 2008	14,081	1,174,119	1,188,200
NET ASSETS - JUNE 30, 2009	\$ 15,081	\$ 978,209	\$ 993,290

CITY OF NEWPORT, RHODE ISLAND

 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONEXPENDABLE SCHOLARSHIP TRUSTS
 FOR THE YEAR ENDED JUNE 30, 2009

	Net Assets Held In Trust For Purposes July 1, 2008	ADDITIONS:		DEDUCTIONS:		Net Assets Held In Trust For Purposes June 30, 2009
		Donations	Investment Income (Loss)	Awards and Investment Expenses		
Peter P Integlia Physical Education Scholarship	\$ 12,398	\$ 950	\$ (2,560)	\$ -	\$ -	\$ 10,788
American Culinary Federation Award	23,580	1,224	(4,823)	-	-	19,981
Eileen Jeanes Jachna Award	28,250	500	(5,763)	(1,010)	-	21,977
William T Bull Award	32,857	-	(6,773)	(500)	-	25,584
Mercedes S Coulombe Award	76,130	-	(15,264)	(2,640)	-	58,226
Carol Ann Page Award	6,214	-	(1,276)	(100)	-	4,838
Avis G Marden Award	4,681	-	(938)	(170)	-	3,573
Class of 41 American Government Award	4,750	-	(952)	(170)	-	3,628
PF Carroll Scholarship	26,335	-	(5,378)	(960)	-	19,997
J Fitzgerald Scholarship	2,502	-	(501)	(100)	-	1,901
Smales Scholarship	13,952	-	(2,794)	(520)	-	10,638
Henry Vaughn Memorial Award	4,539	-	(910)	(160)	-	3,469
Adelson Biology Award	3,761	-	(765)	(140)	-	2,856
Leavitt Trust Award	17,860	-	(3,690)	(190)	-	13,980
Alliance Francaise Award	1,785	-	(368)	(42)	-	1,375
Lalli Trust Award	5,580	-	(1,119)	(190)	-	4,271
Goldstein Music Award	5,804	-	(1,163)	(210)	-	4,431
MB Howard Award	16,028	-	(3,270)	(600)	-	12,158
Newport School Book Award	292	-	(59)	-	-	233
Edward King Medal Award	79,011	-	(16,179)	(5,418)	-	57,414
Koehne Latin Award	3,866	-	(786)	-	-	3,080
Mirman Math Award	3,331	-	(668)	(110)	-	2,553
GH Norman Award	7,366	-	(1,498)	-	-	5,868
Peckham Award	89,798	-	(18,679)	-	-	71,119
Pell Medal	2,203	-	(448)	-	-	1,755
Read Medal #1	740	-	(150)	-	-	590
Read Medal #2	821	-	(167)	-	-	654
Charles B King Award	19,881	-	(4,052)	(400)	-	15,429
Rogers High School Centennial Award	48,366	-	(9,885)	(1,800)	-	36,681
Almira Coffin Award	5,205	-	(1,044)	(180)	-	3,981
HH Toole Scholarship	17,044	-	(3,479)	(640)	-	12,925
Henry Heffernan Award	80,509	-	(16,457)	(3,000)	-	61,052
Bruen Scholarship	26,265	-	(5,263)	(950)	-	20,052
Sullivan Scholarship	43,174	-	(8,753)	(1,200)	-	33,221
Joseph P Cotton Memorial Award	24,860	-	(4,984)	(870)	-	19,006
Rufus E Darrah Memorial Award	8,433	-	(1,689)	(310)	-	6,434
Margaret P Stevens Award	679	-	(138)	-	-	541
Christine Meek Sullivan/Marx Award	16,925	171	(3,408)	(590)	-	13,098
Zelda Mirman Music/Drama Award	33,326	-	(6,738)	(1,200)	-	25,388
Wosencroft Scholarship	7,149	-	(1,483)	-	-	5,666
M/M Thomas Archambault Award	16,911	-	(3,459)	(600)	-	12,852
Class of 46 Rogers High School DLS Award	18,485	-	(3,760)	(900)	-	13,825
General Contractors Association Award	26,656	-	(5,450)	(950)	-	20,256
Cohen Scholarship	6,274	-	(1,282)	(240)	-	4,752
Townsend Scholarship	8,414	-	(1,721)	(300)	-	6,393
Dorothy Drinkwater Lecraw Award	56,317	-	(11,506)	(2,110)	-	42,701
Nicholas Logothets Award	4,260	-	(867)	-	-	3,393
Helene Lewis Memorial Scholarship	83,709	-	(17,246)	(1,500)	-	64,963
Kristen Jorge Memorial Scholarship	18,405	-	(3,816)	-	-	14,589
James Colton Crowley Award	93,423	-	(19,216)	(2,000)	-	72,207
Florence J Alofsin English Award	6,146	-	(1,254)	(240)	-	4,652
Sandra Clooney Memorial Scholarship	28,869	-	(5,899)	(1,070)	-	21,900
Alian Family Scholarship	-	79,026	(6,678)	-	-	72,348
Loeb/George Washington Essay Award	-	10,000	(635)	(1,250)	-	8,115
Unallocated Expense	-	-	-	(5,148)	-	(5,148)
Total Permanent Trust Funds	\$ 1,174,119	\$ 91,871	\$ (247,103)	\$ (40,678)	\$ -	\$ 978,209

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, 2009

	REDEVELOPMENT AGENCY OF NEWPORT
<hr/>	
ASSETS:	
Current assets:	
Cash	\$ 36,553
Total current assets	36,553
Noncurrent asset:	
Capital assets (net of accumulated depreciation)	446,773
TOTAL ASSETS	<u>483,326</u>
LIABILITIES:	
Current liabilities:	
Accounts payable	322,702
Total current liabilities	322,702
Long-term liabilities:	
Notes payable	200,000
TOTAL LIABILITIES	<u>522,702</u>
NET ASSETS (DEFICIT):	
Invested in capital assets, net of related debt	246,773
Unrestricted	(286,149)
TOTAL NET ASSETS (DEFICIT)	<u>\$ (39,376)</u>

SCHEDULE 17

CITY OF NEWPORT, RHODE ISLAND

COMPONENT UNIT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009

	REDEVELOPMENT AGENCY OF NEWPORT
REVENUES:	
Charges for services	<u>\$ 16,800</u>
EXPENSES:	
Property taxes	32,969
Depreciation	<u>10,155</u>
TOTAL EXPENSES	<u>43,124</u>
NET INCOME	(26,324)
NET ASSETS (DEFICIT) - JULY 1, 2008	<u>(13,052)</u>
NET ASSETS (DEFICIT) - JUNE 30, 2009	<u>\$ (39,376)</u>

CITY OF NEWPORT, RHODE ISLAND

COMPONENT UNIT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009

	REDEVELOPMENT AGENCY OF NEWPORT
<hr/>	
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 21,000
Payment of property taxes and administrative expense	<u>(33,121)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(12,121)</u>
CASH - JULY 1, 2008	<u>48,674</u>
CASH - JUNE 30, 2009	<u><u>\$ 48,674</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating loss	\$ (26,324)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization	10,155
Changes in assets and liabilities:	
(Decrease) Increase in accounts payable	(152)
Decrease (Increase) in accounts receivable	<u>4,200</u>
NET CASH USED IN OPERATING ACTIVITIES	<u><u>\$ (12,121)</u></u>

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	<u>Page</u>
<u>Financial Trends</u> (Tables 1-4)	102
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
<u>Revenue Capacity</u> (Tables 5-7)	107
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	
<u>Debt Capacity</u> (Tables 8-11)	110
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.	
<u>Demographic and Economic Information</u> (Tables 12-13)	114
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
<u>Operating Information</u> (Tables 14-16)	116
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.	

TABLE 1

CITY OF NEWPORT, RHODE ISLAND

NET ASSETS BY COMPONENT
LAST SEVEN FISCAL YEARS
(UNAUDITED)

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
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	\$ 59,259,977
Restricted for:							
Human services	4,138,028	3,854,910	3,633,092	-	-	-	-
Permanent Funds:							
Expendable	5,315,880	6,145,004	6,677,139	7,255,682	7,148,999	6,281,490	4,356,646
Nonexpendable	1,142,270	1,142,270	1,142,270	1,142,270	1,889,512	1,937,467	1,890,210
Debt service	-	-	396,470	511,451	676,668	878,998	1,065,923
Education	441,806	675,734	815,092	1,081,801	953,325	-	-
Unrestricted	7,874,791	2,831,871	(1,722,023)	5,401,520	6,484,503	8,364,508	5,807,577
Total governmental activities net assets	<u>52,232,432</u>	<u>50,863,261</u>	<u>49,966,254</u>	<u>58,465,176</u>	<u>65,152,450</u>	<u>69,923,577</u>	<u>72,380,333</u>
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	90,719,216
Restricted - Other purposes	6,385,522	6,612,069	3,624,058	4,401,342	3,054,328	4,749,967	3,900,192
Unrestricted	(4,355,744)	(4,072,754)	171,705	3,719,540	4,222,057	2,365,226	1,207,853
Total business-type activities net assets	<u>88,629,174</u>	<u>90,036,612</u>	<u>89,569,004</u>	<u>92,331,026</u>	<u>93,413,577</u>	<u>94,178,350</u>	<u>95,827,261</u>
Primary government:							
Invested in capital assets, net of related debt	119,919,053	123,710,769	124,797,467	127,282,596	134,136,635	139,524,271	149,979,193
Restricted for:							
Human services	4,138,028	3,854,910	3,633,092	-	-	-	-
Permanent Funds:							
Expendable	5,315,880	6,145,004	6,677,139	7,255,682	7,148,999	6,281,490	4,356,646
Nonexpendable	1,142,270	1,142,270	1,142,270	1,142,270	1,889,512	1,937,467	1,890,210
Debt service	-	-	-	4,912,793	3,730,996	5,628,965	4,966,115
Education	6,827,328	7,287,803	4,835,620	1,081,801	953,325	-	-
Unrestricted	3,519,047	(1,240,883)	(1,550,318)	9,121,060	10,706,560	10,729,734	7,015,430
Total primary government net assets	<u>\$ 140,861,606</u>	<u>\$ 140,899,873</u>	<u>\$ 139,535,270</u>	<u>\$ 150,796,202</u>	<u>\$ 158,566,027</u>	<u>\$ 164,101,927</u>	<u>\$ 168,207,594</u>

NOTE: GASB 34 was applied as of Fiscal Year 2003. Information is not available prior to FY2003.

TABLE 2
(1 of 2)

CITY OF NEWPORT, RHODE ISLAND

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

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Expenses:							
Governmental activities:							
General government	\$ 5,261,563	\$ 5,459,387	\$ 8,638,364	\$ 4,201,754 (2)	\$ 6,904,515	\$ 5,664,619	\$ 5,638,586
General education	39,039,945	42,168,056	42,003,803	42,119,068	44,860,182	45,420,073	45,273,034
Public safety	23,098,422	25,954,534	27,848,257	27,932,352	29,620,705	30,005,098	30,380,376
Public health	3,649,735	4,403,093	4,664,543	4,564,130	5,179,345	7,000,668	8,396,219
Planning, zoning and development	855,293	1,028,852	1,681,628	1,994,692	1,440,553	1,604,671	1,829,568
Recreation	1,868,074	2,189,095	1,773,421	2,121,346	2,415,401	622,368	1,092,871
Human services	2,475,041	2,573,601	2,615,412	2,720,900	3,256,251	3,248,665	3,361,996
Interest expense	1,166,764	1,062,259	889,584	867,107	841,520	782,723	682,805
Total governmental activities	<u>77,414,837</u>	<u>84,838,877</u>	<u>90,115,012</u>	<u>86,521,349</u>	<u>94,518,472</u>	<u>94,348,885</u>	<u>96,655,455</u>
Business-type activities:							
Water Department	6,726,482	6,830,398	7,135,764	6,994,360	7,809,046	7,719,962	9,003,205
Water Pollution Control	5,806,015	6,432,891	7,050,859	6,781,706	7,051,852	7,559,615	7,428,839
Nonmajor	974,819	1,109,229	1,577,702	1,767,218	2,159,568	2,568,503	2,662,517
Total business-type activities	<u>13,507,316</u>	<u>14,372,518</u>	<u>15,764,325</u>	<u>15,543,284</u>	<u>17,020,466</u>	<u>17,848,080</u>	<u>19,094,561</u>
Total primary government expenses	<u>90,922,153</u>	<u>99,211,395</u>	<u>105,879,337</u>	<u>102,064,633</u>	<u>111,538,938</u>	<u>112,196,965</u>	<u>115,750,016</u>
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	4,395,451
General education	79,913	735,868	940,091	1,538,629	1,856,459	1,356,264	1,782,477
Public safety	2,339,389	1,828,283	2,003,497	2,679,694	3,087,659	3,056,098	3,574,759
Public health	44,819	44,435	44,111	31,560	26,990	85,761	94,164
Planning, zoning and development	286,715	327,609	720,141	1,184,118	1,168,204	1,601,347	947,823
Recreation	686,522	741,853	288,077	96,764	99,126	105,010	129,025
Human services	744,901	333,733	154,514	150,622	297,236	439,667	238,794
Operating grants and contributions	21,279,957	21,000,389	21,236,496	20,380,130	21,272,720	20,851,435	20,403,551
Capital grants and contributions	1,683,441	818,007	846,754	1,170,076	786,166	469,484	2,981,072
Total governmental activities program revenues	<u>29,499,775</u>	<u>29,695,310</u>	<u>31,223,381</u>	<u>31,824,516</u>	<u>34,465,973</u>	<u>33,473,365</u>	<u>34,547,116</u>
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	9,614,675
Water Pollution Control	5,796,526	6,049,193	5,885,602	6,462,089	6,181,907	7,337,836	7,865,579
Nonmajor	1,441,015	1,407,977	1,972,189	2,572,591	2,345,366	2,833,916	2,922,394
Capital grants and contributions	-	-	-	-	673,500	305,849	154,107
Total business-type activities	<u>15,015,948</u>	<u>15,252,752</u>	<u>14,957,887</u>	<u>18,549,077</u>	<u>17,707,233</u>	<u>19,503,567</u>	<u>20,556,755</u>
Total primary government program revenues	<u>44,515,723</u>	<u>44,948,062</u>	<u>46,181,268</u>	<u>50,373,593</u>	<u>52,173,206</u>	<u>52,976,932</u>	<u>55,103,871</u>
Net (Expense)/Revenue:							
Governmental activities	(47,915,062)	(55,143,567)	(58,891,631)	(54,696,833)	(60,052,499)	(60,875,520)	(62,108,339)
Business-type activities	1,508,632	880,234	(806,438)	3,005,793	686,767	1,655,487	1,462,194
Total primary government net expense	<u>(46,406,430)</u>	<u>(54,263,333)</u>	<u>(59,698,069)</u>	<u>(51,691,040)</u>	<u>(59,365,732)</u>	<u>(59,220,033)</u>	<u>(60,646,145)</u>

TABLE 2
(2 of 2)

CITY OF NEWPORT, RHODE ISLAND

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

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
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	\$ 60,005,572	\$ 62,169,011
Unrestricted grants and contributions	4,155,936	4,097,271	4,059,353	4,614,794	4,642,114	4,330,807	3,506,886
Investment income	693,902	1,177,711	1,133,676	1,425,620	2,368,396	641,453	(1,008,699) (4)
Miscellaneous	107,862	116,126	135,206	133,494	-	-	-
Transfers	-	(436,968)	(190,692)	-	(175,500)	1,053,250	(102,103)
Total governmental activities	54,239,685	53,774,396	57,994,636	61,007,805	64,571,468	66,031,082	64,565,095
Business-type activities:							
Investment income	79,810	90,236	98,797	175,220	220,284	162,538	84,612
Capital contributions	-	-	200,863	-	-	-	-
Transfer from primary government	-	436,968	(10,171)	-	175,500	(1,053,250)	102,103
Total business-type activities	79,810	527,204	289,489	175,220	395,784	(890,712)	186,715
Special Item - Sale of School Building	-	-	-	-	2,168,305	-	-
Total primary government	54,319,495	54,301,600	58,284,125	61,183,025	67,135,557	65,140,370	64,751,810
Change in Net Assets							
Governmental activities	6,324,623	(1,369,171)	(896,995)	6,310,972	6,687,274	5,155,562	2,456,756
Business-type activities	1,588,442	1,407,438	(516,949)	3,181,013	1,082,551	764,775	1,648,909
Total primary government	\$ 7,913,065	\$ 38,267	\$ (1,413,944)	\$ 9,491,985	\$ 7,769,825	\$ 5,920,337	\$ 4,105,665

(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%
- (4) - Realized and unrealized losses in permanent fund due to significant market declines

NOTE: GASB 34 was applied as of Fiscal Year 2003. Information is not available prior to FY2003.

TABLE 3

CITY OF NEWPORT, RHODE ISLAND

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

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Fund:										
Reserved	\$ 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	\$ 773,846
Unreserved	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	8,011,145
Total general fund	<u>\$ 5,232,725</u>	<u>\$ 8,303,674</u>	<u>\$ 11,583,175</u>	<u>\$ 12,541,645</u>	<u>\$ 8,137,043</u>	<u>\$ 5,045,005</u>	<u>\$ 5,355,148</u>	<u>\$ 5,098,335</u>	<u>\$ 6,835,238</u>	<u>\$ 8,784,991</u>
All Other Governmental Funds:										
Reserved	\$ -	\$ -	\$ 203,674	\$ 1,161,283	\$ 2,076,279	\$ 3,243,606	\$ 1,653,721	\$ 3,303,628	\$ 3,467,735	\$ 3,472,829
Unreserved, reported in:										
School unrestricted fund	-	-	-	410,396	(1,100,081)	394,880	1,714,624	2,740,267	3,638,529	2,985,465
Special revenue funds	\$ 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	4,657,941
Capital project funds	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	885,671
Permanent funds	-	-	-	6,458,150	7,287,274	7,819,409	7,230,632	7,148,999	6,281,490	4,356,646
Total all other governmental funds	<u>\$ 7,826,958</u>	<u>\$ 1,671,676</u>	<u>\$ 11,180,029</u>	<u>\$ 13,096,154</u>	<u>\$ 15,631,196</u>	<u>\$ 18,012,511</u>	<u>\$ 18,419,856</u>	<u>\$ 23,350,353</u>	<u>\$ 24,715,619</u>	<u>\$ 16,358,552</u>
Grand Total	<u>\$ 13,059,683</u>	<u>\$ 9,975,350</u>	<u>\$ 22,763,204</u>	<u>\$ 25,637,799</u>	<u>\$ 23,768,239</u>	<u>\$ 23,057,516</u>	<u>\$ 23,775,004</u>	<u>\$ 28,448,688</u>	<u>\$ 31,550,857</u>	<u>\$ 25,143,543</u>

Notes:

Capital project fund balance depends on timing of state and federal reimbursements and type of temporary or permanent debt that may exist. These items cause the fund balance to fluctuate from year to year.

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									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenues:										
Taxes	\$ 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	\$ 62,081,094
Intergovernmental revenues	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	25,556,603
Charges for services	5,356,088	5,241,294	4,629,532	6,528,107	7,803,657	9,736,504	8,829,175	10,827,781	10,924,457	10,258,966
Use of money and property	1,035,931	1,457,595	912,779	693,902	1,177,711	1,133,676	1,425,620	2,368,397	641,456	(1,008,699) (4)
Donations	1,113,000 *	12,455	77,476	1,425,623 ***	770,880	892,441	29,347 (1)	179,343	198,608	95,493
Other revenues	2,342,973	4,516,662	4,171,226	107,862	115,992	135,205	1,672,123 (1)	1,582,706	1,144,697	1,194,553
Total revenues	<u>88,225,020</u>	<u>75,420,964</u>	<u>78,017,946</u>	<u>82,426,816</u>	<u>85,998,883</u>	<u>90,569,978</u>	<u>92,224,222</u>	<u>99,558,775</u>	<u>98,612,193</u>	<u>98,178,010</u>
Expenditures:										
Current:										
General government	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	5,558,102
General education	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	43,227,289
Public safety	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	28,267,498
Public health	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)	6,963,674
Planning, zoning and development	-	1,211,114	1,587,070	826,369	1,313,138	968,008	1,909,891 (2)	1,244,576	1,229,936	1,271,653
Recreation	1,462,253	1,965,201	1,726,323	1,692,203	2,236,838	1,588,267	1,729,893	1,727,212	558,059 (3)	653,419
Human services	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	3,358,488
Pension expenses	-	7,682,350	6,741,096	7,279,340 ^	436,421	899,423	1,136,621	1,607,335	2,453,316	5,206,245 (5)
Debt service:										
Debt issuance	-	-	-	-	-	51,929	-	-	-	-
Principal	696,459	586,011	566,484	1,041,361	1,386,069	1,337,106	1,192,470	1,204,311	1,187,425	1,224,266
Interest	323,478	285,206	256,268	1,463,856	1,033,255	830,345	838,757	803,651	755,657	712,750
Capital outlay	869	-	446,539	6,808,830	2,689,063	4,258,485	5,096,730	6,381,011	5,097,103	8,039,837
Total expenditures	<u>60,357,617</u>	<u>78,983,649</u>	<u>86,267,092</u>	<u>84,415,228</u>	<u>88,459,476</u>	<u>91,404,575</u>	<u>91,506,734</u>	<u>96,877,895</u>	<u>96,178,839</u>	<u>104,483,221</u>
Excess (deficiency) of revenues over expenditures	<u>27,867,403</u>	<u>(3,562,685)</u>	<u>(8,249,146)</u>	<u>(1,988,412)</u>	<u>(2,460,593)</u>	<u>(834,597)</u>	<u>717,488</u>	<u>2,680,880</u>	<u>2,433,354</u>	<u>(6,305,211)</u>
Other Financing Sources (Uses):										
Proceeds from borrowing	-	-	21,037,000	-	-	3,124,702	-	-	-	-
Payment to refunding escrow agent	-	-	-	-	-	(3,010,000)	-	-	-	-
Sale of property	60,448	-	-	-	1,027,000	-	-	2,168,305	-	-
Operating transfers in	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	25,924,266
Operating transfers out	(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)	(26,026,369)
Total other financing sources (uses)	<u>(24,862,002)</u>	<u>-</u>	<u>21,037,000</u>	<u>-</u>	<u>590,032</u>	<u>124,874</u>	<u>-</u>	<u>1,992,805</u>	<u>1,053,250</u>	<u>(102,103)</u>
Net change in fund balances	<u>\$ 3,005,401</u>	<u>\$ (3,562,685)</u>	<u>\$ 12,787,854</u>	<u>\$ (1,988,412)</u>	<u>\$ (1,870,561)</u>	<u>\$ (709,723)</u>	<u>\$ 717,488</u>	<u>\$ 4,673,685</u>	<u>\$ 3,486,604</u>	<u>\$ (6,407,314)</u>
Debt service as a percentage of noncapital expenditures	<u>1.69%</u>	<u>1.10%</u>	<u>0.96%</u>	<u>3.23%</u>	<u>2.82%</u>	<u>2.55%</u>	<u>2.35%</u>	<u>2.22%</u>	<u>2.13%</u>	<u>2.01%</u>

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

(4) Due to unrealized and realized losses in the permanent fund

(5) Due to increased contributions to OPEB Trust

TABLE 5

CITY OF NEWPORT, RHODE ISLAND

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

Fiscal Year Ended June 30	Assessed Value							Total Taxable Assessed Value	Total Direct Tax Rate Residential	Total Direct Tax Rate Commercial	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property	Personal Property	Inventory	Motor Vehicles	Less Exemptions						
2000	\$ 1,697,661,754	\$ -	\$ 89,327,769	\$ -	\$ 93,151,178	\$ 20,630,934	\$ 1,859,509,767	23.90	\$ -	\$ 1,933,870,184	96.15%	
2001	1,712,348,318	-	96,595,767	-	127,579,988	20,580,640	1,915,943,433	24.29	-	2,174,244,906	88.12%	
2002	1,719,510,154	-	82,688,796	-	117,766,454	52,413,176	1,867,552,228	25.10	-	2,597,800,538	71.89%	
2003	2,287,770,460	1,048,703,200	82,740,975	22,684,956	120,829,611	69,118,210	3,493,610,992	12.85	15.27	3,493,610,992	100.00%	
2004	2,471,644,000	837,597,500	80,834,657	24,128,568	126,420,029	76,353,633	3,464,271,121	13.43	15.96	4,016,247,021	86.26%	
2005	2,470,649,500	854,054,700	81,894,726	23,351,240	125,903,945	76,973,716	3,478,880,395	13.72	16.30	5,287,898,200	65.79%	
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	101.92%	
2008	4,709,562,778	1,201,925,122	88,011,158	26,281,325	147,144,534	120,615,344	6,052,309,573	8.34	12.44	6,172,924,917	98.05%	
2009	4,408,295,797	1,241,526,100	114,604,821	-	131,104,659	118,475,513	5,777,055,864	8.67	12.93	5,777,055,864	100.00%	

Source: City of Newport, Rhode Island Assessor

Notes:

The City's tax rate increase cannot exceed 5.00% of the prior year's rate and/or the total levy cannot exceed 5.00% 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 FY2002

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 TAX PAYERS
CURRENT YEAR AND TEN YEARS AGO
(UNAUDITED)**

	2009			2000		
	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	\$ 57,591,799	1	0.95%	\$ 49,135,000	1	2.64%
One Goat Island	56,908,805	2	0.94%			
Newport Restoration Foundation						
Historic Homes own/rent	53,675,152	3	0.89%	17,412,495	3	0.94%
LHO Viking Hotel, LLC	44,700,376	4	0.74%			
RK Newport, LLC	32,227,500	5	0.53%			
Shaner Hotel Group	24,864,678	6	0.41%	15,934,689	4	0.86%
New York Yacht Club	23,490,031	7	0.39%			
Newport Jai Alai, LLC	22,921,700	8	0.38%	7,158,000	7	0.38%
Eastern Resorts Company	22,450,300	9	0.37%			
Narragansett Electric	17,965,557	10	0.30%			
H E Newport, LLC				39,765,000	2	2.14%
Wellington Hotel Association				7,400,000	5	0.40%
Newport On Shore				8,985,000	6	0.48%
Franklin Simon/Bayside Village				4,853,800	8	0.26%
American Shipyard				4,250,000	9	0.23%
Hammersmith Preservation Assoc.				6,060,780	10	0.33%
Total	<u>\$ 356,795,898</u>		<u>5.90%</u>	<u>\$ 160,954,764</u>		<u>8.66%</u>

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
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	48,961,086	96.3%	1,211,387	50,144,380	98.6%
2006	52,053,701	50,818,303	97.6%	1,067,219	51,885,522	99.7%
2007	54,164,573	52,784,152	97.5%	1,259,296	54,043,448	99.8%
2008	56,325,863	55,036,635	97.7%	1,119,317	56,155,952	99.7%
2009	58,617,626	57,082,656	97.4%			

Source: City of Newport Tax Collector

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 Pollution Control Bonds						
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	0.1414%	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	6,015,352,876	0.61%	
2009	15,153,587	1,863,536	7,909,210	10,341,988	35,268,321	Not available	1,445	5,777,055,863	0.61%	

Notes:

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

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

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

CITY OF NEWPORT, RHODE ISLAND

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

Fiscal Year June 30,	Governmental Activities			Percentage of Actual Taxable Value of Property *	Percentage of Personal Income	U.S. Census Estimated Population	Per Capita **
	General Obligation Bonds	QZAB	Total				
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%	0.47%	24,409	860.84
2008	16,377,852	1,863,536	18,241,388	0.30%	Not Available	24,409	844.82
2009	15,153,587	1,863,536	17,017,123	0.29%	Not Available	24,409	795.97

Notes:

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

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									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total assessed value	\$ 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	\$ 6,172,924,917
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	55,785,293	56,303,596	56,599,262	106,881,876	103,928,134	106,675,623	107,804,171	184,944,976	184,048,472	185,187,748
Debt applicable to limit:										
General obligation bonds	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	17,017,123
Legal debt limit	55,785,293	56,303,596	56,599,262	106,881,876	103,928,134	106,675,623	107,804,171	184,944,976	184,048,472	185,187,748
Total net debt applicable to the limit	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	17,017,123
Legal debt margin	\$ 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	\$ 168,170,625
Total net debt applicable to the limit as a percentage of debt limit	11.01%	9.63%	68.86%	29.05%	28.17%	25.71%	23.65%	11.74%	11.00%	10.12%

TABLE 11

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	Debt Service		Coverage	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest					Principal	Interest	
2000	\$ 8,081,317	\$ 4,254,528	\$ 3,826,789	\$ 1,501,165	\$ 545,590	1.87	\$ 6,034,623	\$ 4,495,432	\$ 1,539,191	\$ 1,042,375	\$ 337,848	1.12
2001	8,281,934	4,305,387	3,976,547	1,391,882	622,711	1.97	5,837,598	4,871,796	965,802	982,106	370,128	0.71
2002	7,058,277	4,486,057	2,572,220	1,418,626	545,590	1.31	5,912,202	3,628,010	2,284,192	924,891	426,846	1.69
2003	7,693,021	5,187,938	2,505,083	1,356,882	477,487	1.37	5,796,526	3,821,404	1,975,122	907,107	434,383	1.47
2004	7,666,798	5,223,972	2,442,826	1,300,140	396,557	1.44	6,049,193	4,233,667	1,815,526	1,721,182	224,795	0.93
2005	7,100,096	5,489,324	1,610,772	855,313 *	171,496	1.57	5,885,602	4,553,443	1,332,159	921,723 *	323,326	1.07
2006	9,514,397	5,603,064	3,911,333	995,169	389,981	2.82	6,462,089	4,430,338	2,031,751	985,016	615,547	1.27
2007	9,179,960	6,428,093	2,751,867	969,405	134,631	2.49	6,181,907	4,741,389	1,440,518	985,289	275,922	1.14
2008	9,025,966	6,673,460	2,352,506	894,389	197,959	2.15	7,337,836	4,986,402	2,351,434	924,076	230,054	2.04
2009	9,614,675	7,351,579	2,263,096	974,627	280,770	1.80	7,865,579	5,167,234	2,698,345	925,429	209,504	2.38

Notes:

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

Operating expenses do not include interest or depreciation expense.

* Net of refunding

TABLE 12**CITY OF NEWPORT, RHODE ISLAND****DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
(UNAUDITED)**

Fiscal Year June 30,	Population	Per Capita Personal Income >	Total County Personal Income > (thousands)	Total State Personal Income > (thousands)	School Enrollment ^	Unemployment Rate <
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 *	52,311	4,118,890	42,008,417	2,380	4.0%
2008	24,409 *	Not Available	Not Available	43,090,874	2,208	6.2%
2009	24,409 *	Not Available	Not Available	Not Available	2,134	9.9%

* Source: Rhode Island Department of Planning.

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

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

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

^ Source: City School Department.

< Source: RI Department of Labor & Training.

TABLE 13

CITY OF NEWPORT, RHODE ISLAND
PRINCIPAL EMPLOYERS
CURRENT YEAR AND TEN YEARS AGO
(UNAUDITED)

2009				2000			
Employer	Employees	Rank	Percentage of Total City Employment	Employers	Employees	Rank	Percentage of Total City Employment
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	650	5	4.0%	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	<u>7,829</u>		<u>47.9%</u>	Total	<u>7,273</u>		<u>53.7%</u>

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

Source: Rhode Island Economic Development Corporation

TABLE 14

CITY OF NEWPORT, RHODE ISLAND

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

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General government:										
Mayor and Council	7	7	7	7	7	7	7	7	7	7
City Manager	3	3	3	5	5	5	5	6	6	5.5
City Solicitor	4	4	3	3	3	3	3.5	3.5	3.5	3.5
Canvassing	2	2	2	2	2	2	2	2	2	2
Finance	29	29	29	22	22	22	21	21	23	22
City Clerk	-	-	-	6	6	6	6	6	6	6
Administrative services	-	-	-	17	17	17	17	18	-	-
Planning	15	16	16	12	12	12.5	13.5	13	13	13
Total General Government	60	61	60	74	74	74.5	75	76.5	60.5	59
Public safety:										
Police	111	111	111	114.5	114.5	114.5	114.5	111.5	111.5	111.5
Fire	98	98	98	99	99	99	99	99	99	99
	209	209	209	213.5	213.5	213.5	213.5	210.5	210.5	210.5
Public health:										
Public works	24	24	24	18.6	18.6	18.6	18.6	18.6	39	40
Water	43	43	44	46	45.7	45.7	46.3	46.3	46.4	46.4
Wastewater	35	0.7	0.7	0.7	0.7	0.7	1.1	1.1	1.6	1.6
	102	67.7	68.7	65.3	65	65	66	66	87	88
Public welfare:										
Recreation and parks	19	19	19	19	19	19	19	16.28	4	4
Public education:										
Teachers	233	234	213	228	227	219	219	219	210	201
Pupil support	68	71	74	73	75	64	64	64	62	60
Executive and administrative	90	90	88	90	90	90	90	90	76	74
	391	395	375	391	392	373	373	373	348	335
Total	781	751.7	731.7	762.8	763.5	745	746.5	742.28	710	696.5

Source: City budgets

TABLE 15

CITY OF NEWPORT, RHODE ISLAND

OPERATING INDICATORS BY FUNCTION/PROGRAM
(UNAUDITED)

Function/Program	Fiscal Year					
	2004*	2005	2006	2007	2008	2009
Police:						
Physical arrests	1,649	1,837	1,789	1,599	1,943	1,777
Parking violations	38,273	34,775	50,623	39,423	39,968	40,962
Calls for Service	39,186	38,310	36,465	33,597	34,015	35,677
Fire:						
Emergency responses	3,838	3,653	3,959	5,079	5,625	5,891
Fires extinguished	144	107	95	102	116	78
Inspections	250	385	1,338	1,681	1,151	948
Refuse collection:						
Refuse collected (tons/day, average)	21.71	30.92	33.17	30.99	29.66	29.30
Recyclables collected (tons/day, average)	6.43	8.31	9.32	8.63	8.91	8.94
Other public works:						
Street resurfacing (miles)	4.4	2.9	0.9	1.4	1.92	1.90
Parks and recreation:						
Athletic field rentals	47	25	22	38	87	309 ***
Library:						
Volumes in collections	143,965	186,605	189,727	189,405	205,914	211,767
Water:						
New connections	91	96	69	148	57	35
Water mains breaks	20	16	23	32	31	25
Average daily production (avail for sale) (million gallons per day)	7.54	7.11	6.99	6.69	6.87	6.93
Wastewater:						
Average daily sewage treatment (thousands of gallons)	9,700	10,900 **	9,872	9,800	7,820	10,000

Note:

* First year information is available; information was not tracked in the same manner prior to FY2004.

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

*** In addition to tracking Salve Regina University and the Gulls' renters, this information now includes newly tracked use of Cardines by sunset league and also 2-hr field use rentals for various practices/functions.

Sources: Various city departments

TABLE 16

CITY OF NEWPORT, RHODE ISLAND

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
(UNAUDITED)

<u>Function/Program</u>	<u>Fiscal Year 2004*</u>	<u>Fiscal Year 2005</u>	<u>Fiscal Year 2006</u>	<u>Fiscal Year 2007</u>	<u>Fiscal Year 2008</u>	<u>Fiscal Year 2009</u>
Police:						
Stations	1	1	1	1	1	1
Patrol units	87	87	87	87	87	87
Fire stations	3	3	3	3	3	3
Public works:						
Streets (miles)	94	94	94	94	94	94
Streetlights	1,976	1,976	1,976	1,976	1,976	1,974
Traffic signals	5	5	5	5	5	5
Parks and recreation:						
Acreage	15	15	15	15	15	15
Playgrounds	13	13	13	13	13	13
Multi purpose playing fields	7	7	7	7	7	7
Tennis courts	18	18	18	18	18	18
Community centers	1	1	1	1	1	1
Water:						
Water mains (miles)	162	162	162	163	163	163
Fire hydrants	975	983	987	996	999	999
Storage capacity (thousands of gallons-treated)	10,500	10,500	10,500	10,500	10,500	10,500
Wastewater:						
Sanitary sewers (miles)	88	88	88	88	88	88
Storm sewers (miles)	46	46	46	46	46	46.5
Treatment capacity (thousands of gallons) (daily)	10,700	10,700	10,700	10,700	10,700	10,700

Note:

* First year information is available; information was not tracked in the same manner prior to FY2004.

Source: Various city departments

