

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

of the

**CITY OF NEWPORT,
RHODE ISLAND**



FOR THE YEAR ENDED

JUNE 30, 2010

PREPARED BY:

**LAURA SITRIN, CPA
DIRECTOR OF FINANCE**

CITY OF NEWPORT, RHODE ISLAND

COMPREHENSIVE ANNUAL FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

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Introductory Section



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

December 15, 2010

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, 2010.

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, 2010 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, 2010, 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 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 \$51,224 compared to \$41,261 and \$40,166 for Rhode Island and the United States, respectively. The unemployment rate is 9.7% compared to the state unemployment rate of 12.0%. The median selling price of an existing home in 2010 is \$317,500, an amount that has remained flat 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 recovered somewhat in 2010 and is expected to continue to grow.

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 \$5MM has been spent to date, in accordance with a pavement management program developed within the last two years. Voters recently approved a referendum to issue \$30MM in bonds for the consolidation and renovation of the City's elementary schools.

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 recovered in FY2010 and grew on average 21.3% from the previous year due to market rebounds. 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 required 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 22nd year (declining to 1). The plans are currently funded at 38% for the fire plan and 56% for the police plan.

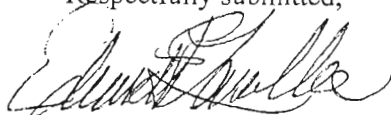
The City also provides pension benefits for its non-public safety employees through a state-wide plan managed by the State Treasurer. The state-hired actuaries determine the funding level and unfunded actuarially accrued liability for each individual participating employer. The City is 71% funded in 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, 2010, 903 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, 2009. That estimate is \$126MM. 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 \$14MM have accumulated as of June 30, 2010. The City fully funded the annual actuarially required contribution in FY2010. 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.

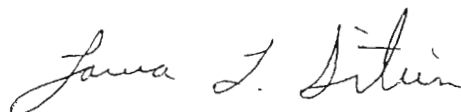
Additional information on the City's pension arrangements and postemployment benefits can be found in Notes VB and VC and in the notes to the basic financial statements.

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,

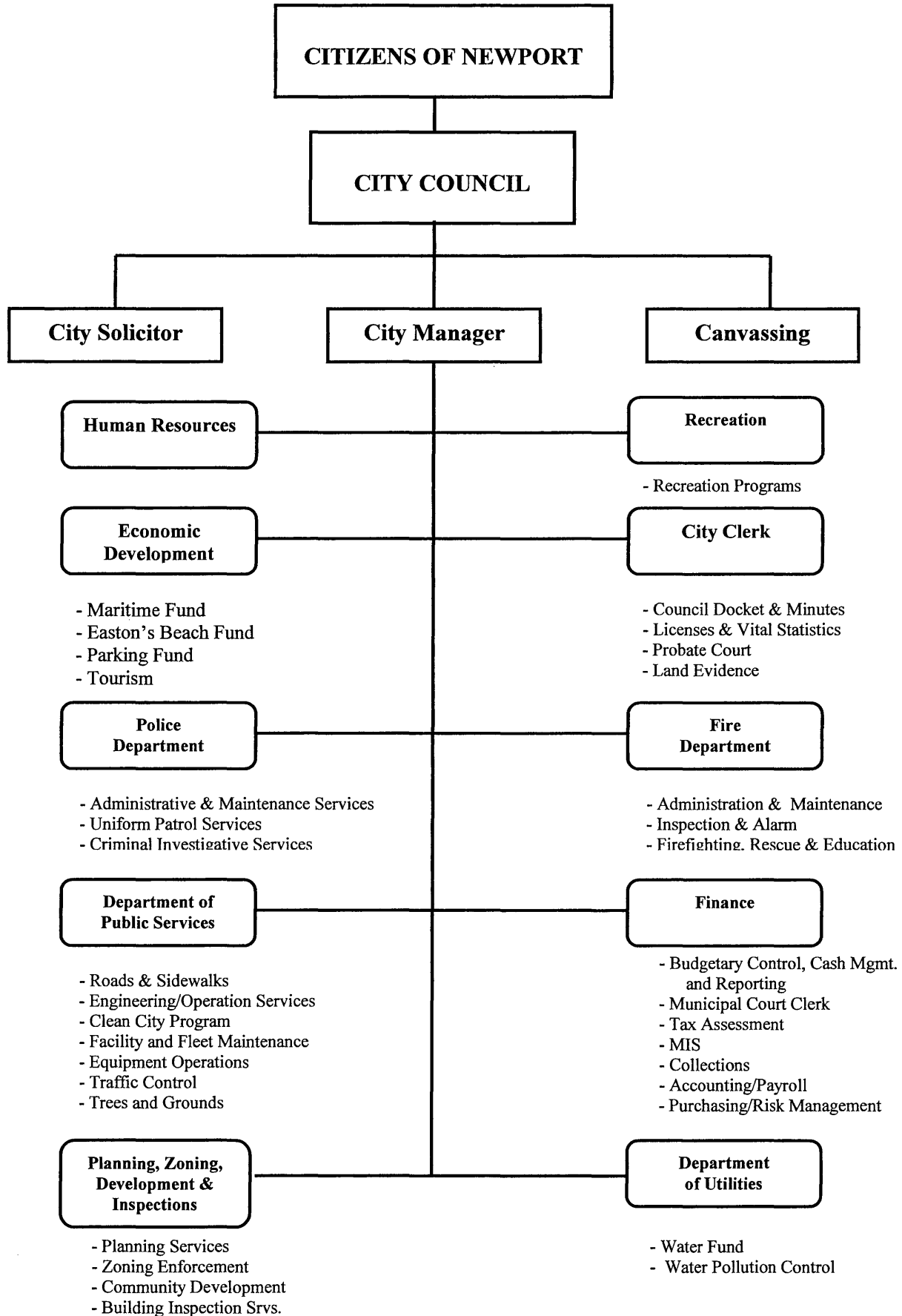


Edward F. Lavallee
City Manager



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
Charles Y. Duncan
Justin S. McLaughlin
Kathryn E. Leonard
Mary C. Connolly
Stephen C. Waluk
Stephen R. Coyne
Jo Eva Gaines
Hugo J. DeAscentis, Jr
Dr. Charles P. Shoemaker
Rebecca Bolan
Sandra J. Flowers, Ph.D.
Robert J. Leary
Patrick K. Kelley

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

Principal Appointed Officials:

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

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

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Newport
Rhode Island

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

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

To the City Council of the
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, 2010, 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, 2010, 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 15, 2010, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress on pages 10 through 20 and on pages 81 through 83 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements 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 do not express an opinion or provide any assurance on them.

CCR LLP

Providence, Rhode Island
December 15, 2010

**Basic
Financial
Statements**

CITY OF NEWPORT, RHODE ISLAND

STATEMENT OF NET ASSETS
JUNE 30, 2010

	PRIMARY GOVERNMENT			COMPONENT UNITS	
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	NEWPORT PUBLIC LIBRARY	REDEVELOPMENT AGENCY OF NEWPORT
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 12,701,036	\$ 4,221,727	\$ 16,922,763	\$ 433,706	\$ 313
Investments	8,526,449	1,102,677	9,629,126	592,483	-
Receivables (net)	6,560,728	3,324,854	9,885,582	3,007	-
Internal balances (advances)	1,316,205	(1,316,205)	-	-	-
Inventories	18,356	171,588	189,944	-	-
Prepaid expenses	866,304	245,973	1,112,277	68,087	-
Total current assets	29,989,078	7,750,614	37,739,692	1,097,283	313
Noncurrent assets:					
Restricted assets:					
Temporarily restricted cash and cash equivalents	-	8,825,854	8,825,854	-	-
Permanently restricted investments	6,735,576	-	6,735,576	-	-
Receivables (net)	402,622	-	402,622	-	-
Pension asset	6,271,777	-	6,271,777	-	-
Capital assets not being depreciated	5,144,483	22,355,658	27,500,141	-	-
Capital assets (net of accumulated depreciation)	73,785,445	101,307,592	175,093,037	5,128,863	-
Total noncurrent assets	92,339,903	132,489,104	224,829,007	5,128,863	-
TOTAL ASSETS	122,328,981	140,239,718	262,568,699	6,226,146	313
LIABILITIES					
Current liabilities:					
Accounts payable	2,632,810	3,527,462	6,160,272	154,444	225
Accrued salaries and benefits	1,409,502	1,187,711	2,597,213	6,177	-
Unearned revenue	294,269	-	294,269	-	-
Other liabilities	413,720	99,000	512,720	-	-
Current portion of long-term obligations	3,609,239	17,097,001	20,706,240	54,750	-
Total current liabilities	8,359,540	21,911,174	30,270,714	215,371	225
Noncurrent liabilities:					
Long-term obligations	37,895,777	19,270,005	57,165,782	194,592	-
Total noncurrent liabilities	37,895,777	19,270,005	57,165,782	194,592	-
TOTAL LIABILITIES	46,255,317	41,181,179	87,436,496	409,963	225
NET ASSETS					
Invested in capital assets, net of related debt	58,114,920	87,919,616	146,034,536	5,032,613	-
Restricted for:					
Endowments:					
Expendable	4,753,846	-	4,753,846	93,819	-
Nonexpendable	1,976,581	-	1,976,581	-	-
Held in trust	-	99,000	99,000	-	-
Debt service	1,228,776	8,825,854	10,054,630	-	-
Unrestricted	9,999,541	2,214,069	12,213,610	689,751	88
TOTAL NET ASSETS	\$ 76,073,664	\$ 99,058,539	\$ 175,132,203	\$ 5,816,183	\$ 88

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, 2010**

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	\$ 6,488,973	\$ 4,207,692	\$ 785,415	\$ -	\$ (1,495,866)	\$ -	\$ (1,495,866)	\$ -	\$ -
General education	43,071,429	1,790,646	17,892,714	-	(23,388,069)	-	(23,388,069)	-	-
Public safety	31,829,739	3,874,660	287,429	809,402	(26,858,248)	-	(26,858,248)	-	-
Public health	8,023,199	57,937	17,578	597,355	(7,350,329)	-	(7,350,329)	-	-
Planning, zoning and development	1,363,899	868,638	8,406	-	(486,855)	-	(486,855)	-	-
Recreation and parks	769,888	117,510	27,255	-	(625,123)	-	(625,123)	-	-
Human services	3,283,921	(22,957)	1,020,800	366,973	(1,919,105)	-	(1,919,105)	-	-
Interest expense	863,546	-	-	-	(863,546)	-	(863,546)	-	-
TOTAL GOVERNMENTAL ACTIVITIES	95,694,594	10,894,126	20,039,597	1,773,730	(62,987,141)	-	(62,987,141)	-	-
BUSINESS-TYPE ACTIVITIES:									
Water Department	8,982,066	10,466,106	-	-	-	1,484,040	1,484,040	-	-
Water Pollution Control	8,108,213	8,405,539	-	-	-	297,326	297,326	-	-
Recreational and parking facilities	2,914,382	3,068,368	-	154,107	-	308,093	308,093	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	20,004,661	21,940,013	-	154,107	-	2,089,459	2,089,459	-	-
TOTAL PRIMARY GOVERNMENT	\$ 115,699,255	\$ 32,834,139	\$ 20,039,597	\$ 1,927,837	\$ (62,987,141)	\$ 2,089,459	\$ (60,897,682)	\$ -	\$ -
COMPONENT UNITS:									
Newport Public Library	\$ 2,363,331	\$ 103,206	\$ 2,096,763	\$ 24,182	\$ -	\$ -	\$ -	\$ (139,180)	\$ -
Redevelopment Agency of Newport	43,124	16,800	-	-	-	-	-	-	(27,482)
TOTAL COMPONENT UNITS	\$ 2,406,455	\$ 120,006	\$ 2,096,763	\$ 24,182	\$ -	\$ -	\$ -	\$ (139,180)	\$ (27,482)
GENERAL REVENUES:									
Property taxes					\$ 63,583,199	\$ -	\$ 63,583,199	\$ -	\$ -
Grants and contributions not restricted to specific programs					2,540,966	-	2,540,966	-	-
Investment income					1,299,841	78,285	1,378,126	42,371	-
Contributed capital					-	320,000	320,000	-	-
Gain on sale of capital assets					-	-	-	-	66,946
TOTAL GENERAL REVENUES					67,424,006	398,285	67,822,291	42,371	66,946
TRANSFERS					(743,534)	743,534	-	-	-
TOTAL GENERAL REVENUES AND TRANSFERS					66,680,472	1,141,819	67,822,291	42,371	66,946
CHANGE IN NET ASSETS					3,693,331	3,231,278	6,924,609	(96,809)	39,464
NET ASSETS (DEFICIT) - JULY 1, 2009					72,380,333	95,827,261	168,207,594	5,912,992	(39,376)
NET ASSETS - JUNE 30, 2010					\$ 76,073,664	\$ 99,058,539	\$ 175,132,203	\$ 5,816,183	\$ 88

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

CITY OF NEWPORT, RHODE ISLAND

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	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	\$ 970,721	\$ 2,616,626	\$ 521,804	\$ 2,389	\$ 4,572,993	\$ 3,898,261	\$ 12,582,794
Investments	8,526,449	-	-	6,735,576	-	-	15,262,025
Receivables, net:							
Property taxes	2,067,601	-	-	-	-	-	2,067,601
Motor vehicle excise	1,338,592	-	-	-	-	-	1,338,592
Intergovernmental	-	-	68,456	-	1,370,547	982,934	2,421,937
Note/loan	-	-	2,534,482	-	-	366,732	2,901,214
Other	836,872	-	-	-	-	217,927	1,054,799
Due from other funds	891,019	-	-	-	-	96,250	987,269
Advances to other funds	-	-	-	-	-	359,147	359,147
TOTAL ASSETS	\$ 14,631,254	\$ 2,616,626	\$ 3,124,742	\$ 6,737,965	\$ 5,943,540	\$ 5,921,251	\$ 38,975,378
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 1,043,880	\$ 946,848	\$ 21,145	\$ 7,538	\$ 480,508	\$ 112,254	\$ 2,612,173
Accrued liabilities	748,931	224,367	-	-	-	-	973,298
Unearned/deferred revenue	2,314,516	-	2,605,438	-	468,340	1,083,101	6,471,395
Due to other funds	96,250	-	-	-	-	-	96,250
Other liabilities	413,720	-	-	-	-	-	413,720
Total liabilities	4,617,297	1,171,215	2,626,583	7,538	948,848	1,195,355	10,566,836
Fund balances:							
Reserved for:							
Encumbrances	838,101	-	-	-	-	-	838,101
Debt service	-	-	-	-	-	1,228,776	1,228,776
Endowments	-	-	-	1,976,581	-	-	1,976,581
Advances	-	-	-	-	-	359,147	359,147
Unreserved, designated for:							
Subsequent year budget	-	1,153,152	-	-	-	-	1,153,152
Unreserved, reported in:							
General fund	9,175,856	-	-	-	-	-	9,175,856
Special revenue funds	-	292,259	498,159	-	-	3,137,973	3,928,391
Capital project funds	-	-	-	-	4,994,692	-	4,994,692
Permanent funds	-	-	-	4,753,846	-	-	4,753,846
Total fund balances	10,013,957	1,445,411	498,159	6,730,427	4,994,692	4,725,896	28,408,542
TOTAL LIABILITIES AND FUND BALANCES	\$ 14,631,254	\$ 2,616,626	\$ 3,124,742	\$ 6,737,965	\$ 5,943,540	\$ 5,921,251	

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	78,916,015
Other long-term assets are not available to pay for current period expenditures and therefore, are deferred in the funds	10,480,164
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.	168,457
Some liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds (Note II)	(41,899,514)

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 76,073,664

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, 2010

	GENERAL FUND	SCHOOL UNRESTRICTED FUND	COMMUNITY DEVELOPMENT BLOCK GRANT FUND	PERMANENT FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:							
Local taxes	\$ 63,485,526	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 63,485,526
Intergovernmental revenues	3,326,381	13,131,689	763,718	-	2,194,806	5,642,145	25,058,739
Charges for services	8,898,250	-	227,784	-	-	849,433	9,975,467
Use of money and property	375,238	-	50,066	743,584	1,963	128,910	1,299,761
Contributions	-	-	-	-	-	52,253	52,253
Other revenues	228,185	1,045,768	-	-	-	-	1,273,953
TOTAL REVENUES	76,313,580	14,177,457	1,041,568	743,584	2,196,769	6,672,741	101,145,699
EXPENDITURES:							
Current:							
General government	5,476,959	-	-	-	-	454,485	5,931,444
General education	-	38,197,634	-	-	-	6,152,158	44,349,792
Public safety	29,960,928	-	-	-	-	233,594	30,194,522
Public health	6,746,780	-	-	-	-	20,568	6,767,348
Planning, zoning and development	1,179,331	-	-	-	-	8,406	1,187,737
Recreation	564,747	-	-	-	-	35,758	600,505
Human services	1,755,239	-	486,578	260,013	-	627,410	3,129,240
Pension expenditures	3,247,795	-	-	-	-	-	3,247,795
Debt service:							
Principal	1,237,114	-	-	-	-	-	1,237,114
Interest	896,577	-	-	-	-	-	896,577
Capital outlays	-	105,796	366,973	-	3,930,497	534,800	4,938,066
TOTAL EXPENDITURES	51,065,470	38,303,430	853,551	260,013	3,930,497	8,067,179	102,480,140
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	25,248,110	(24,125,973)	188,017	483,571	(1,733,728)	(1,394,438)	(1,334,441)
OTHER FINANCING SOURCES (USES):							
Bond proceeds	13,285,000	-	-	-	5,000,000	-	18,285,000
Bond premium	955,455	-	-	-	193,823	-	1,149,278
Payment to bond escrow agent	(14,091,304)	-	-	-	-	-	(14,091,304)
Transfers in	-	23,142,725	-	-	773,426	690,210	24,606,361
Transfers out	(24,168,295)	(557,100)	-	-	(124,500)	(500,000)	(25,349,895)
NET OTHER FINANCING SOURCES (USES)	(24,019,144)	22,585,625	-	-	5,842,749	190,210	4,599,440
NET CHANGE IN FUND BALANCES	1,228,966	(1,540,348)	188,017	483,571	4,109,021	(1,204,228)	3,264,999
FUND BALANCES - JULY 1, 2009	8,784,991	2,985,759	310,142	6,246,856	885,671	5,930,124	25,143,543
FUND BALANCES - JUNE 30, 2010	\$ 10,013,957	\$ 1,445,411	\$ 498,159	\$ 6,730,427	\$ 4,994,692	\$ 4,725,896	\$ 28,408,542

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, 2010**

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

Net Change in Fund Balances-Total Governmental Funds \$ 3,264,999

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. 2,654,574

Reductions in deferred revenue that provide current financial resources to governmental funds are not reported as revenues in the Statement of Activities. (1,014,322)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 2,860,909

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. (4,072,829)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 3,693,331

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, 2010

	ORIGINAL ADOPTED BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Local taxes	\$ 64,190,188	\$ 63,935,188	\$ 63,485,526	\$ (449,662)
Intergovernmental revenues	3,573,000	3,107,912	3,326,381	218,469
Charges for services	7,975,131	8,223,432	8,898,252	674,820
Use of money and property	500,000	500,000	375,238	(124,762)
Other revenues	213,150	213,150	228,185	15,035
TOTAL REVENUES	76,451,469	75,979,682	76,313,582	333,900
EXPENDITURES:				
General government:				
Mayor and city council	112,138	112,138	90,362	(21,776)
City manager	760,436	760,436	734,162	(26,274)
City solicitor	411,415	411,415	394,214	(17,201)
Canvassing	175,815	175,815	158,864	(16,951)
Finance	2,827,101	2,855,107	2,661,027	(194,080)
City clerk	538,765	732,719	532,895	(199,824)
Reserve accounts	1,226,991	800,245	788,252	(11,993)
Public safety:				
Police department	14,031,822	14,031,822	14,585,692	553,870
Fire department	15,306,152	15,709,265	15,175,235	(534,030)
Public health	8,047,605	8,224,591	7,128,217	(1,096,374)
Planning, zoning, and development	1,240,840	1,240,840	1,179,331	(61,509)
Recreation	585,188	585,188	564,747	(20,441)
Human services:				
Donations	74,150	74,150	71,520	(2,630)
Public library	1,683,719	1,683,719	1,683,719	-
Pension expenditures	3,460,744	3,460,744	3,247,795	(212,949)
Debt service	2,138,071	2,287,224	2,133,691	(153,533)
TOTAL EXPENDITURES	52,620,952	53,145,418	51,129,723	(2,015,695)
EXCESS OF REVENUES OVER EXPENDITURES	23,830,517	22,834,264	25,183,859	2,349,595
OTHER FINANCING SOURCES (USES):				
Appropriations of fund balance	-	773,846	-	(773,846)
Proceeds from sale of bonds	-	13,285,000	13,285,000	-
Bond premium	-	955,455	955,453	(2)
Payment to bond escrow agent	-	(14,091,302)	(14,091,302)	-
Transfers in	-	-	-	-
Transfers out	(23,830,517)	(23,757,263)	(24,168,295)	(411,032)
TOTAL OTHER FINANCING SOURCES (USES)	(23,830,517)	(22,834,264)	(24,019,144)	(1,184,880)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES (BUDGETARY BASIS)	\$ -	\$ -	1,164,715	\$ 1,164,715
FUND BALANCE, JULY 1, 2009			8,011,145	
FUND BALANCE, JUNE 30, 2010			\$ 9,175,860	

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, 2010

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Federal revenues	\$ 994,042	\$ 994,042	\$ 1,238,284	\$ 244,242
State revenues	11,626,819	11,626,819	10,571,658	(1,055,161)
Local revenues	914,911	914,911	1,045,768	130,857
TOTAL REVENUES	13,535,772	13,535,772	12,855,710	(680,062)
EXPENDITURES:				
General education	38,606,861	38,606,861	36,981,683	(1,625,178)
EXCESS OF EXPENDITURES OVER REVENUES	(25,071,089)	(25,071,089)	(24,125,973)	945,116
OTHER FINANCING SOURCES (USES):				
Transfers in	23,142,725	23,142,725	23,142,725	-
Transfers out	(557,100)	(557,100)	(557,100)	-
NET OTHER FINANCING SOURCES (USES)	22,585,625	22,585,625	22,585,625	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES (BUDGETARY BASIS)	(2,485,464)	(2,485,464)	(1,540,348)	945,116
FUND BALANCE - JULY 1, 2009			2,985,759	
FUND BALANCE - JUNE 30, 2010			\$ 1,445,411	

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

EXHIBIT H**CITY OF NEWPORT, RHODE ISLAND****STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010**

	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	\$ 46,500	\$ -	\$ 4,175,227	\$ 4,221,727	\$ 118,242
Investments	-	-	1,102,677	1,102,677	-
Accounts receivable:					
User fees (net of allowances)	1,402,871	1,856,972	59,598	3,319,441	-
Intergovernmental	-	-	5,413	5,413	-
Other	-	-	-	-	14,250
Due from other funds	-	172,155	-	172,155	66,039
Advances to other funds	-	-	214,246	214,246	-
Inventories	171,588	-	-	171,588	18,356
Prepaid expenses	5,000	240,973	-	245,973	-
Total current assets	1,625,959	2,270,100	5,557,161	9,453,220	216,887
Noncurrent assets:					
Cash and cash equivalents - restricted	4,580,928	4,244,926	-	8,825,854	-
Capital assets (net of accumulated depreciation)	48,133,570	70,030,385	5,499,295	123,663,250	13,913
Total noncurrent assets	52,714,498	74,275,311	5,499,295	132,489,104	13,913
TOTAL ASSETS	54,340,457	76,545,411	11,056,456	141,942,324	230,800
LIABILITIES:					
Current liabilities:					
Accounts payable	1,082,110	2,379,898	65,454	3,527,462	20,639
Accrued expenses	896,642	170,256	120,813	1,187,711	41,704
Due to other funds	1,042,138	87,075	-	1,129,213	-
Escrow held in Trust	-	99,000	-	99,000	-
Current portion advances	-	-	84,603	84,603	-
Current portion notes payable	1,971,711	13,334,050	-	15,305,761	-
Current portion bonds payable	928,447	862,793	-	1,791,240	-
Total current liabilities	5,921,048	16,933,072	270,870	23,124,990	62,343
Long-term liabilities:					
Advances from other funds	-	-	488,790	488,790	-
Notes payable	-	-	200,000	200,000	-
Bonds payable	7,875,764	10,570,869	-	18,446,633	-
Net other post-employment benefits obligation	623,372	-	-	623,372	-
Total long-term liabilities	8,499,136	10,570,869	688,790	19,758,795	-
TOTAL LIABILITIES	14,420,184	27,503,941	959,660	42,883,785	62,343
NET ASSETS:					
Invested in capital assets, net of related debt Restricted by regulatory agencies and bond covenants	37,357,648	45,262,673	5,299,295	87,919,616	13,913
Assets held in trust	4,580,928	4,244,926	-	8,825,854	-
Unrestricted (deficit)	-	99,000	-	99,000	-
	(2,018,303)	(565,129)	4,797,501	2,214,069	154,544
TOTAL NET ASSETS	\$ 39,920,273	\$ 49,041,470	\$ 10,096,796	\$ 99,058,539	\$ 168,457

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

EXHIBIT I**CITY OF NEWPORT, RHODE ISLAND**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			TOTALS	GOVERNMENTAL ACTIVITIES
	WATER FUND	W.P.C. FUND	OTHER ENTERPRISE FUNDS		INTERNAL SERVICE FUNDS
OPERATING REVENUES:					
User fees	\$ 9,904,155	\$ 7,951,054	\$ 3,197,467	\$ 21,052,676	\$ 1,363,964
Other revenues	561,951	454,485	25,008	1,041,444	-
TOTAL OPERATING REVENUES	10,466,106	8,405,539	3,222,475	22,094,120	1,363,964
OPERATING EXPENSES:					
Salaries and benefits	3,884,320	267,586	1,181,605	5,333,511	88,669
Materials and supplies	867,182	-	183,457	1,050,639	422,710
Repairs and maintenance	379,858	151,855	109,267	640,980	44,005
Support services	302,106	3,724,323	497,290	4,523,719	783,857
Utilities	947,849	604,144	36,271	1,588,264	22,957
Administrative and other	659,829	759,395	603,729	2,022,953	156
Property taxes	200,741	-	-	200,741	-
Depreciation	1,371,326	2,033,547	299,492	3,704,365	1,747
TOTAL OPERATING EXPENSES	8,613,211	7,540,850	2,911,111	19,065,172	1,364,101
OPERATING INCOME (LOSS)	1,852,895	864,689	311,364	3,028,948	(137)
NONOPERATING REVENUES AND (EXPENSES):					
Investment income	4,498	4,026	69,761	78,285	-
Interest expense	(368,855)	(567,363)	(3,271)	(939,489)	-
NET NONOPERATING REVENUES AND (EXPENSES)	(364,357)	(563,337)	66,490	(861,204)	-
NET INCOME (LOSS) BEFORE TRANSFER AND CONTRIBUTED CAPITAL	1,488,538	301,352	377,854	2,167,744	(137)
CONTRIBUTED CAPITAL	-	-	320,000	320,000	-
TRANSFERS IN	-	500,000	383,534	883,534	-
TRANSFERS OUT	-	-	(140,000)	(140,000)	-
NET INCOME (LOSS)	1,488,538	801,352	941,388	3,231,278	(137)
TOTAL NET ASSETS - JULY 1, 2009	38,431,735	48,240,118	9,155,408	95,827,261	168,594
TOTAL NET ASSETS - JUNE 30, 2010	\$ 39,920,273	\$ 49,041,470	\$ 10,096,796	\$ 99,058,539	\$ 168,457

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

CITY OF NEWPORT, RHODE ISLAND

EXHIBIT J

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			TOTALS	GOVERNMENTAL ACTIVITIES
	WATER FUND	W.P.C. FUND	OTHER ENTERPRISE FUNDS		INTERNAL SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	\$ 10,184,932	\$ 8,312,432	\$ 3,341,836	\$ 21,839,200	\$ 1,390,391
Cash payments to suppliers for goods and services	(2,039,875)	(5,534,279)	(903,767)	(8,477,921)	(1,284,318)
Cash payments to employees for services	(3,884,578)	(213,333)	(1,147,045)	(5,244,956)	(88,434)
Payment of property taxes	(200,741)	-	-	(200,741)	-
Payment of administrative expense	(659,829)	(759,395)	(603,729)	(2,022,953)	(156)
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,399,909	1,805,425	687,295	5,892,629	17,483
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Interfund loans and transfers	-	500,000	243,534	743,534	-
Principal paid on interfund loans and transfers	-	-	(25,471)	(25,471)	-
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	-	500,000	218,063	718,063	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of capital assets	(3,875,787)	(12,426,059)	(582,298)	(16,884,144)	(350)
Proceeds from borrowing	3,822,272	15,342,449	-	19,164,721	-
Principal paid on bonds, notes and loans	(1,362,914)	(977,313)	-	(2,340,227)	-
Interest paid on bonds, notes and loans	(328,159)	(519,665)	(3,271)	(851,095)	-
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING A	(1,744,588)	1,419,412	(585,569)	(910,745)	(350)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of investments	-	-	-	-	-
Investment income	4,498	4,026	3,560	12,084	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	4,498	4,026	3,560	12,084	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,659,819	3,728,863	323,349	5,712,031	17,133
CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED ASSETS) - JULY 1, 2009	2,967,609	970,548	3,851,878	7,790,035	101,109
CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED ASSETS) - JUNE 30, 2010	\$ 4,627,428	\$ 4,699,411	\$ 4,175,227	\$ 13,502,066	\$ 118,242
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ 1,852,895	\$ 864,689	\$ 311,364	\$ 3,028,948	\$ (137)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	1,371,326	2,033,547	299,492	3,704,365	1,747
Changes in assets and liabilities:					
Decrease (Increase) in accounts receivable	(281,174)	(25,295)	218,471	(87,998)	-
Decrease (Increase) in accounts receivable - other	-	19,016	-	19,016	20,324
Decrease (Increase) in due from other funds	-	(86,828)	-	(86,828)	6,103
Decrease (Increase) in inventory	45,601	-	-	45,601	353
Decrease (Increase) in prepaid expense	-	18,536	-	18,536	-
(Decrease) Increase in accounts payable	44,768	(1,126,318)	(77,480)	(1,159,030)	(11,142)
(Decrease) Increase in accrued expenses	(101,258)	54,253	(64,552)	(111,557)	235
(Decrease) Increase in due to other funds	366,751	(45,175)	-	321,576	-
(Decrease) Increase in escrow held in trust	-	99,000	-	99,000	-
(Decrease) Increase net other post employment benefit obligations	101,000	-	-	101,000	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 3,399,909	\$ 1,805,425	\$ 687,295	\$ 5,892,629	\$ 17,483
NON CASH INVESTING, CAPITAL AND FINANCING TRANSACTIONS:					
Transfer of assets from Redevelopment Authority	\$ -	\$ -	\$ 440,849	\$ 440,849	\$ -
Transfer of assets from Capital Projects Fund	-	-	320,000	320,000	-
Loss on transfer of assets and liabilities	-	-	(66,946)	(66,946)	-
Increase in fair value of investments	-	-	66,201	66,201	-
Assumption of liabilities	-	-	467,459	467,459	-
TOTAL NON CASH INVESTING, CAPITAL AND FINANCING TRANSACTIONS	\$ -	\$ -	\$ 1,227,563	\$ 1,227,563	\$ -

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, 2010

	PENSION AND OTHER POST- EMPLOYMENT BENEFIT TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS	AGENCY FUNDS
ASSETS			
Cash and cash equivalents	\$ 77,390	\$ 17,239	\$ 232,611
Investments, at fair value:			
Fixed Income Mutual Funds	27,503,590	454,362	-
Domestic Equity Mutual Funds	40,352,468	596,355	-
International Equity Mutual Funds	8,614,645	-	-
TOTAL INVESTMENTS	76,470,703	1,050,717	-
TOTAL ASSETS	76,548,093	1,067,956	232,611
LIABILITIES			
Cash overdraft	2,333,891	-	-
Accounts payable	61,303	1,708	-
Amounts held in escrow	-	-	232,611
TOTAL LIABILITIES	2,395,194	1,708	232,611
NET ASSETS			
Held in trust for pension/other post-employment benefits and other purposes	\$ 74,152,899	\$ 1,066,248	\$ -

CITY OF NEWPORT, RHODE ISLAND

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	PENSION AND OTHER POST- EMPLOYMENT BENEFITS TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS
ADDITIONS:		
Contributions and other income:		
Employees	\$ 1,208,924	\$ -
Employer	10,769,311	-
Contributions	-	10,500
Total contributions and other income	11,978,235	10,500
Investment income:		
Net appreciation in fair value of investments	9,070,987	101,988
Interest and dividends	1,042,872	13,975
Total investment income	10,113,859	115,963
Less investment expenses	335,794	4,478
Net investment income	9,778,065	111,485
TOTAL ADDITIONS	21,756,300	121,985
DEDUCTIONS:		
Benefits	8,624,000	-
Administration	110,205	2,297
Awards	-	46,730
TOTAL DEDUCTIONS	8,734,205	49,027
CHANGES IN NET ASSETS	13,022,095	72,958
NET ASSETS - JULY 1, 2009	61,130,804	993,290
NET ASSETS - JUNE 30, 2010	\$ 74,152,899	\$ 1,066,248

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

CITY OF NEWPORT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

Discretely Presented Component Units

Newport Public Library

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

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

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

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

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

The *Agency Funds* are custodial in nature and do not present results of operations or have a measurement focus. Agency funds include student activity funds and 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.

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Fund, the Water Pollution Control Fund, the Parking Fund, the Beach Fund, 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

Cash and cash equivalents

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

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

Investments

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

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Receivables and Payables

a. Interfunds

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

b. Property Taxes and Other Receivables

All property tax receivables, user fees receivables and notes receivable are shown net of an allowance for uncollectibles. The property tax receivable allowance at June 30, 2010, 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 4.75% for the year ending June 30, 2010 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 debt service reserves 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, or chemical expenditures.

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Capital Assets

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

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

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

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

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

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

6. Compensated Absences

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**D. Assets, Liabilities, and Net Assets or Equity (Continued)****6. Compensated Absences (Continued)**

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

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

7. Long-Term Obligations

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

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

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

8. Fund Equity and Net Assets

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

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	\$ 20,815,008
Bond premium	1,056,735
Claims and judgments	330,760
Compensated absences	8,115,194
Net pension benefit obligation	4,771,174
Net other post-employment benefit obligation	6,416,145
Accrued interest payable	<u>394,498</u>
Net adjustment for long-term liabilities not due and payable in the current period	<u><u>\$ 41,899,514</u></u>

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

Net pension asset	\$ 6,271,777
Prepaid expenses	866,304
Deferred property taxes and unearned grant revenue	6,177,126
Allowance for doubtful accounts	(6,675,398)
Property tax and loan interest accrual	<u>3,840,355</u>
Net adjustment for long-term assets not available in the current period	<u><u>\$ 10,480,164</u></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, 2009, net of accumulated depreciation	\$ 76,277,100
Capital assets of internal service funds accounted for in the net assets adjustment for internal service funds	(13,913)
Current year capital outlay	5,398,614
Disposition of assets	(329,311)
Depreciation expense	<u>(2,416,475)</u>
Net adjustment for capital assets	<u><u>\$ 78,916,015</u></u>

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

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

Explanation of certain differences between the statement of revenues, expenditures and changes in fund balances of the governmental funds to the statement of activities for the year ended June 30, 2010.

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, 2010	\$ 5,398,614
Disposition of assets	(329,311)
Depreciation expense, excluding internal service funds	<u>(2,414,729)</u>
Net adjustment for capital outlays	<u>\$ 2,654,574</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	\$ (87,486)
Current year change in claims and judgments	168,749
Internal Service Fund loss	(137)
Miscellaneous adjustment	(346)
Current year change in Net Pension Asset	401,501
Current year change in net pension obligation	279,510
Current year change in OPEB benefit obligation	<u>2,099,118</u>
Net adjustment for current year expenses	<u>\$ 2,860,909</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	\$ 1,237,115
Refunding of bonds	13,250,000
Bond premium, net of prepaid interest	(282,974)
Amortization of bond premium	92,543
Bond issuance	(18,285,000)
Current year change in interest accrual	<u>(84,513)</u>
Net adjustment for long-term debt	<u>\$ (4,072,829)</u>

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

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

A budget is adopted for the General Fund and School Unrestricted Funds on the modified accrual basis with the exception that encumbrances are treated as budgetary 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 General Fund budget during the year totaled \$773,846 from fund balance due to prior year appropriation carryovers and an increase of \$1,468,040 and a reduction of \$471,787 from budget amendment ordinances.
- 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, 2010	\$ 51,129,725	\$ 9,175,856
Encumbrances outstanding at June 30, 2009 and liquidated during the year ended June 30, 2010	773,846	
Encumbrances outstanding at June 30, 2010 charged to budgetary expenditures	<u>(838,101)</u>	<u>838,101</u>
Balance, GAAP Basis, Exhibit D - June 30, 2010	<u>\$ 51,065,470</u>	<u>\$ 10,013,957</u>
	<u>School Unrestricted Fund</u>	
	<u>Revenues</u>	<u>Expenditures</u>
Balance, Budgetary Basis, Exhibit G- June 30, 2010	\$ 12,855,710	\$ 36,981,683
Teachers' retirement on-behalf payment	<u>1,321,747</u>	<u>1,321,747</u>
Balance, GAAP Basis, Exhibit D - June 30, 2010	<u>\$ 14,177,457</u>	<u>\$ 38,303,430</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 2010 appropriations (after approved transfers).

<u>Department</u>	<u>Expenditures in Excess of Budget</u>
Police	\$ 553,870
Transfers out	411,032

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

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

D. Capital Projects Authorizations

<u>Capital Project</u>	<u>Total Project Authorizations</u>	<u>Cumulative Expenditures</u>	<u>Balance June 30, 2010</u>
Building, Facilities and Infrastructure			
Improvements and Renovation Projects	\$ 24,004,619	\$ 10,496,374	\$ 13,508,245
Maritime Fund Improvements	2,104,507	638,275	1,466,232
Parking Improvements	812,507	627,146	185,361
Easton's Beach Improvements	460,694	445,800	14,894
Water Pollution Control Projects	36,932,848	13,853,339	23,079,509
Water Fund Projects	<u>16,917,378</u>	<u>10,281,044</u>	<u>6,636,334</u>
Total	<u>\$ 81,232,553</u>	<u>\$ 36,341,978</u>	<u>\$ 44,890,575</u>

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, 2010, 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, 2010, the City's bank balance of \$24,491,990 was insured and collateralized as follows:

Insured	\$ 912,764
Collateralized:	
Collateral held by the pledging bank's trust department in the City's name	<u>23,579,226</u>
Total amount subject to custodial credit risk	<u><u>\$ 24,491,990</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, 2010, 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	6 - 10
Debt Securities:				
Money Market Funds	\$ 5,888	\$ 5,888	\$ -	\$ -
Certificates of Deposit	5,011,393	5,011,393	-	-
U.S. Government Agency Securities	5,840,621	-	5,016,509	824,112
Fixed Income Mutual Funds	30,870,617	-	30,870,617	-
	<u>\$ 41,728,519</u>	<u>\$ 5,017,281</u>	<u>\$ 35,887,126</u>	<u>\$ 824,112</u>
Other Investments:				
Equity Mutual Funds	53,386,379			
	<u>\$ 95,114,898</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's Certificates of Deposit all have maturity dates of less 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 .31 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.

		U.S.	
	Money	Government	Fixed
	Market	Agency	Income
Average Rating	Mutual Funds	Securities	Mutual Funds
AAA.....	\$ 5,888	\$ 5,840,621	\$ 30,870,617

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	\$ 5,840,621	\$ 500,000	\$ 5,340,621

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. Separate investment policies exist as these assets are invested for long-term growth and/or to meet specific funding targets. The policies identify the asset allocation plans 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 7.5% for the pension plans, the OPEB Trust, and trust investments per year net of investment expenses, over a full market cycle defined as 5 to 7 years. The policies are used to inform investment managers, consultants and custodians of the Commission's goals, objectives, and restrictions. The policies are 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 plans set minimum, maximum and target allocation percentages of assets. The Large Cap Value and Large Cap Growth performances are benchmarked against the Russell 1000 Value and Russell 1000 Growth Indices, 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 All-World Free Ex-US Index, and the Fixed Income to the Barclays Aggregate Index. 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. Currently, most of the funds are invested in mutual funds or collective trusts. For mutual funds, 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, 2010 totaled \$84,256,996.

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, 2010, \$282,479 of the Library's bank balances of \$532,479 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, 2010, the Library's investments consist of the following:

Type of Investment	Fair Value	Investment Maturities (In Years)	
		Less Than 1	1 - 5 Years
Debt Securities:			
Money Market Funds	\$ 22,703	\$ 22,703	\$ -
Certificates of Deposit	279,765	5,002	274,763
	302,468	\$ 27,705	\$ 274,763
Other Securities:			
Equity Mutual Funds	290,015		
	\$ 592,483		

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

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

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

AVERAGE RATING	MONEY MARKET MUTUAL FUND
AA.....	\$ 22,703

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	\$ 279,765	\$ 250,000	\$ 29,765

B. Receivables

At June 30, 2010, receivables, including the applicable allowances for doubtful accounts, are as follows:

Governmental Activities

	General	CDBG Fund	Capital Projects Fund	Other Govern- mental Funds	Total
Taxes	\$ 3,406,193	\$ -	\$ -	\$ -	\$ 3,406,193
Intergovernmental		68,456	1,370,547	982,934	2,421,937
Interest	3,175,877	570,748	-	93,730	3,840,355
Other	836,872	-	-	232,177	1,069,049
Notes/loans	-	2,534,482	-	366,732	2,901,214
	7,418,942	3,173,686	1,370,547	1,675,573	13,638,748
Less allowance for doubtful accounts	(4,508,101)	(2,151,708)	-	(15,589)	(6,675,398)
	2,910,841	1,021,978	1,370,547	1,659,984	6,963,350
Less current portion	2,910,841	766,211	1,370,547	1,513,129	6,560,728
Net long-term portion	\$ -	\$ 255,767	\$ -	\$ 146,855	\$ 402,622

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	\$ 1,627,871	\$ 2,006,972	\$ 59,598	\$ 3,694,441
Less allowance for doubtful accounts	(225,000)	(150,000)	-	(375,000)
Net receivables	1,402,871	1,856,972	59,598	3,319,441
Intergovernmental	-	-	5,413	5,413
Net receivables	<u>\$ 1,402,871</u>	<u>\$ 1,856,972</u>	<u>\$ 65,011</u>	<u>\$ 3,324,854</u>

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

DEFERRED REVENUE:

Delinquent property taxes receivable (general fund)	\$ 2,314,516
Loan receivable not yet earned (special revenue fund)	3,452,861
Grant receivable not yet collected (special revenue fund)	235,678
Grant receivable not yet collected (capital projects fund)	<u>468,340</u>

TOTAL UNEARNED/DEFERRED REVENUE FOR GOVERNMENTAL FUNDS	<u><u>\$ 6,471,395</u></u>
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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, 2010 was as follows:

	BALANCE JULY 1, 2009	INCREASES	DECREASES	RECLASS	BALANCE JUNE 30, 2010
<u>Governmental Activities:</u>					
Capital assets not being depreciated:					
Land	\$ 4,821,524	\$ 98,624	\$ -	\$ -	\$ 4,920,148
Construction in progress	2,315,263	171,604	-	(2,262,532)	224,335
Total capital assets not being depreciated	7,136,787	270,228	-	(2,262,532)	5,144,483
Capital assets being depreciated:					
Buildings and structures	41,991,045	1,563,026	-	-	43,554,071
Machinery and equipment	6,455,625	147,094	-	-	6,602,719
Vehicles	7,437,312	330,476	320,000	-	7,447,788
Infrastructure	41,155,934	3,087,790	15,735	2,262,532	46,490,521
Total capital assets being depreciated	97,039,916	5,128,386	335,735	2,262,532	104,095,099
Total capital assets	104,176,703	5,398,614	335,735	-	109,239,582
Less accumulated depreciation:					
Buildings and structures	10,920,019	790,371	-	-	11,710,390
Machinery and equipment	2,840,760	474,557	-	-	3,315,317
Vehicles	4,477,374	467,596	6,424	-	4,938,546
Infrastructure	9,661,450	683,951	-	-	10,345,401
Total accumulated depreciation	27,899,603	2,416,475	6,424	-	30,309,654
Total capital assets being depreciated, net	69,140,313	2,711,911	329,311	2,262,532	73,785,445
Governmental activities capital assets, net	\$ 76,277,100	\$ 2,982,139	\$ 329,311	\$ -	\$ 78,929,928

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	\$ 330,490
General education	462,122
Public safety	490,200
Public health	1,022,579
Planning, zoning and development	87,790
Human services	117
Recreation	21,430
Capital assets held by the City's internal service fund are charged to various functions based on usage of the assets	1,747
	\$ 2,416,475

	BALANCE JULY 1, 2009	INCREASES	DECREASES	RECLASS	BALANCE JUNE 30, 2010
<u>Business-type Activities</u>					
Capital assets not being depreciated:					
Land and land improvements	\$ 6,492,359	\$ -	\$ -	\$ -	\$ 6,492,359
Construction in progress	13,319,009	6,842,482	-	(4,298,192)	15,863,299
Total capital assets not being depreciated	19,811,368	6,842,482	-	(4,298,192)	22,355,658
Capital assets being depreciated:					
Buildings and systems	160,430,598	10,313,471	10,401	4,298,192	175,031,860
Machinery and equipment	4,832,962	55,590	-	-	4,888,552
Vehicles	289,334	426,594	-	-	715,928
Total capital assets being depreciated	165,552,894	10,795,655	10,401	4,298,192	180,636,340
Total capital assets	185,364,262	17,638,137	10,401	-	202,991,998
Less accumulated depreciation:					
Buildings and systems	71,522,805	3,569,309	10,401	-	75,081,713
Machinery and equipment	3,812,244	120,785	-	-	3,933,029
Vehicles	289,334	24,672	-	-	314,006
Total accumulated depreciation	75,624,383	3,714,766	10,401	-	79,328,748
Total capital assets being depreciated, net	89,928,511	7,080,889	-	4,298,192	101,307,592
Net capital assets, business-type activities	\$ 109,739,879	\$ 13,923,371	-	-	\$ 123,663,250

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	\$ 1,371,326
Water Pollution Control	2,043,948
Maritime	47,748
Easton's Beach	132,269
Parking	119,475
	<u>3,714,766</u>
	<u>\$ 3,714,766</u>

Discretely Presented Component Units

Activity for the Newport Public Library for the year ended June 30, 2010 was as follows:

	BALANCE JULY 1, 2009	INCREASES	DECREASES	BALANCE JUNE 30, 2010
Capital assets being depreciated:				
Buildings	\$ 7,818,178	\$ 90,461	\$ -	\$ 7,908,639
Improvements other than buildings	400,590	-	-	400,590
Furniture, fixtures and equipment	903,607	19,762	-	923,369
				<u>9,232,598</u>
Total capital assets being depreciated	9,122,375	110,223	-	9,232,598
Less accumulated depreciation:				
Buildings	2,802,676	296,070	-	3,098,746
Improvements other than buildings	162,102	20,030	-	182,132
Furniture, fixtures and equipment	774,116	48,741	-	822,857
				<u>4,103,735</u>
Total accumulated depreciation	3,738,894	364,841	-	4,103,735
Net capital assets, library	\$ 5,383,481	\$ (254,618)	\$ -	\$ 5,128,863

Capital assets of the Redevelopment Agency were transferred to the Maritime Fund in April of 2010. The transfer is shown separately on the Business-type Activities Fixed Asset Schedule.

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, 2010 is as follows:

	Corresponding Fund	Due From	Due To	Description
Major Governmental Funds				
General Fund				
	Water Fund	\$ 803,944	\$ -	Payroll, benefits and overhead
	WPC Fund	87,075	-	Project police details
	Nonmajor Governmental Fund	-	96,250	Library parking lot
	Total	891,019	96,250	
Nonmajor Governmental Funds				
UDAG Fund				
	General Fund	96,250	-	Library parking lot
	Total Governmental Funds	\$ 987,269	\$ 96,250	
Major Enterprise Funds				
Water Fund				
	Water Pollution Control Fund	\$ -	\$ 172,155	Sludge charges
	General Fund	-	803,944	Payroll, benefits and overhead
	Internal Service Fund	-	66,039	Maintenance charges
	Total	-	1,042,138	
Water Pollution Control Fund				
	Water Fund	172,155	-	Sludge charges
	General Fund	-	87,075	Project police details
	Total	172,155	87,075	
	Total Enterprise Funds	\$ 172,155	\$ 1,129,213	
Internal Service Fund				
	Water Fund	\$ 66,039	\$ -	Maintenance charges
	Total All Funds	\$ 1,225,463	\$ 1,225,463	

All interfund balances resulted from the time lag between the dates 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>			
EDA Revolving	Maritime Fund	\$ 55,243	Loans related to armory building
Urban Development	Maritime Fund	267,459	Loans related to armory building
Parking Fund	Easton's Beach Fund	214,246	Loan for beach equipment
Urban Development	Easton's Beach Fund	<u>36,445</u>	Loans for beach repairs/activities
Total advances to other funds		<u><u>\$ 573,393</u></u>	

The Urban Development Grant Fund (UDAG) 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, 2010 is \$36,445. 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, 2010 is \$214,246.

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

Year ending June 30,	Beach Seaweed Principal	Beach Equipment Principal	Combined Principal	Interest
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	3,625	26,917	30,542	1,316
2016-2020	<u>18,678</u>	<u>82,299</u>	<u>100,977</u>	<u>2,218</u>
	<u><u>\$ 36,445</u></u>	<u><u>\$ 214,246</u></u>	<u><u>\$ 250,691</u></u>	<u><u>\$ 11,795</u></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.

The Newport Redevelopment Authority transferred the armory building and related debt to the City of Newport Maritime Fund in April 2010. The related debt includes two loans from City of Newport UDAG and Economic Development Agency Revolving Fund (EDA Revolving). The City repaid the entire amount due of \$55,243.00 to the EDA Revolving in September 2010. The remaining advance of \$267,459 is due to the UDAG only upon sale of the armory building. No interest accrues on the two advances.

3. Transfers

A summary of interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfers To:</u>		<u>Transfers From:</u>
Governmental Funds:		
Capital Projects Fund	\$ 773,426	General Fund
School Unrestricted Fund	23,142,725	General Fund
School Restricted Fund	557,100	School Unrestricted Fund
Debt Service Fund	133,110	General Fund
	<u>24,606,361</u>	
Business-type Funds:		
Maritime Fund	26,746	General Fund
Maritime Fund	140,000	Parking Fund
Maritime Fund	124,500	Capital Projects Fund
Eastons Beach	92,288	General Fund
Water Pollution Control	500,000	Property Proceeds
	<u>883,534</u>	
Total	<u>\$ 25,489,895</u>	

<u>Summary:</u>	
General Fund Transfers Out	\$ 24,168,295
Capital Projects Transfers In	773,426
Capital Projects Transfers Out	124,500
School Unrestricted Transfers In	23,142,725
School Unrestricted Transfers Out	557,100
Non Major Governmental Funds Transfers Out	500,000
Non Major Governmental Funds Transfers In	690,210
Water Pollution Control Transfers In	500,000
Non Major Business-Type Funds Transfers In	383,534
Non Major Business-Type Funds Transfers Out	140,000

Transfers are generally programmed amounts used to finance capital assets or for other required

activities in other funds.

EXHIBIT M

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

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Changes in Long-Term Obligations

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

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds are generally issued as 20-year serial bonds. Revenue bonds are obligations that pledge the revenues derived from the use of services in that particular fund. These are issued for business-type activities and are generally collateralized by the asset under construction or renovation. The bonds are usually issued as 20-year bonds. The QZAB bond is a 12-year bond, which is supported by annual sinking fund payments to a third-party escrow agent. Changes in bonded debt outstanding during fiscal year 2010 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, 2009	Additions	Retired	Outstanding June 30, 2010	Interest Expense
Governmental Activities:								
Thompson Middle School/ Library	2001	2021	3.50 to 5.00	\$ 14,075,000	\$ -	\$ 14,075,000	\$ -	\$ 326,856
Thompson School QZAB	2001	2013	N/A	1,863,536	-	-	1,863,536	-
Thompson School Refunding Roadway Improvements	2010	2021	1.50 to 5.0	-	13,285,000	-	13,285,000	309,531
Series A Refunding Bonds	2009	2023	2.50 to 5.0	-	5,000,000	-	5,000,000	81,250
Series B Refunding Bonds	2004	2011	2.00 to 4.00	173,282	-	157,164	16,118	7,712
	2004	2012	2.00 to 3.50	905,305	-	254,951	650,354	22,717
Total Governmental Activities				\$ 17,017,123	\$ 18,285,000	\$ 14,487,115	\$ 20,815,008	\$ 748,066
Business-type Activities:								
Sewer Improvements - SRF	2002	2023	1.90	\$ 9,930,830	\$ -	\$ 571,321	9,359,509	\$ 177,418
Series A Refunding Bonds	2004	2011	2.00 to 4.00	411,157	-	358,326	52,831	11,123
Sewer Improvements - SRF	2009	2029	0.84 to 3.16	-	1,277,577	-	1,277,577	52,706
Sewer Improvements - SRF	2010	2030	0.55 to 3.25	-	743,745	-	743,745	3,196
Total Water Pollution Control Fund				10,341,987	2,021,322	929,647	11,433,662	244,443
Series A Refunding Bonds	2004	2011	2.00 to 4.00	303,508	-	264,511	38,997	8,211
Series B Refunding Bonds	2004	2012	2.00 to 3.50	2,073,589	-	580,049	1,493,540	54,614
Water Improvements - SRF	2007	2027	3.28 to 3.72	2,893,872	-	110,000	2,783,872	100,528
Water Improvements - SRF	2008	2029	2.08 to 3.63	2,638,241	1,360,342	1,000	3,997,583	191,336
Water Improvements - SRF	2009	2030	0.65 to 3.54	-	490,219	-	490,219	14,092
Total Water Fund				7,909,210	1,850,561	955,560	8,804,211	368,781
Total Business-type Activities				\$ 18,251,197	\$ 3,871,883	\$ 1,885,207	\$ 20,237,873	\$ 613,224

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)

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

Principal forgiveness is the amount of the principal that will be offset by federal American Reinvestment and Recovery Act (ARRA) funds. The Water Pollution Control Fund borrowed \$6,595,532 in FY2009 from the state revolving loan fund. Of that, \$995,579 will be applied against principal over the life of the 20-year bond. The Water Fund borrowed \$3,300,000 in FY2009 from the state revolving loan fund. \$765,452 of ARRA funds will be applied against principal over the 20-year life of the bond.

The City of Newport issued refunding bonds in October 2009 in order to take advantage of lower interest rates. The new bonds replace the 2001 Thompson Middle School and Library bonds. The aggregate difference in debt service between the refunded debt and the refunding debt is \$727,958. The par amount of the new bonds is \$13,285,000 and the sale includes a premium of \$955,455. The new bonds mature in October 2021 and have coupon rates of 1.5% to 5.0%. The effective interest rate on the refunding bonds is 2.56%, resulting in an economic gain of \$713,931.

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 Wells Fargo Bank. The stated interest rate is 4.79%; however, due to interest subsidies, the City's effective rate is 1.907%.

The City has \$6,595,532 of State Revolving Fund (SRF) revenue bonds issued in September 2009 available to fund sewer improvements. Amounts of \$1,314,491 have been drawn down as of June 30, 2010. The amounts drawn down include \$384,978 of debt service reserve, which is held in trust by Wells Fargo Bank. The City's effective rate is 0.84% to 3.16% plus the .5% fee to Rhode Island Clean Water Finance Agency.

The City has \$3,000,000 of State Revolving Fund (SRF) revenue bonds issued in March 2007, \$5,900,000 of SRF revenue bonds issued in June 2008, and \$3,300,000 of SRF revenue bonds issued in November 2009 available to fund water improvements. Amounts of \$3,000,000, \$4,040,980, and \$554,199 have been drawn down as of June 30, 2010, respectively. The amounts drawn down include \$827,119 of debt service reserves, which are held in trust by Wells Fargo Bank. The City's effective rate is 0.65% to 3.63% plus the .5% fee due to interest subsidies provided by SRF.

The City has \$9,327,000 of State Revolving Fund (SRF) revenue bonds issued in June 2010 available to fund sewer improvements. Amounts of \$743,745 have been drawn down as of June 30, 2010. The amounts drawn down include \$650,475 of debt service reserve, which is held in trust by Wells Fargo Bank. The City's effective rate is 0.55% to 3.25% plus the .5% fee to Rhode Island Clean Water Finance Agency.

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 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 \$1,228,776, which amount is reported in the debt service fund, a nonmajor governmental fund.

Bonded indebtedness on June 30, 2010 matures over fiscal years through 2031 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>
2011	\$ 1,033,436	\$ 711,897	\$ 1,791,241	\$ 788,452
2012	1,756,211	634,866	2,166,189	1,029,387
2013	1,726,825	577,733	2,038,215	981,423
2014	1,580,000	528,944	1,699,386	938,712
2015	1,610,000	484,744	1,747,908	899,491
2016-2020	9,138,536	1,516,242	9,555,484	3,795,117
2021-2025	3,970,000	219,658	9,428,277	2,372,279
2026-2030	-	-	7,857,438	906,868
2031	-	-	805,113	15,353
Amounts Not Yet Drawn	-	-	(16,851,378)	-
	<u>\$ 20,815,008</u>	<u>\$ 4,674,084</u>	<u>\$ 20,237,873</u>	<u>\$ 11,727,082</u>

Debt authorized by the City Council and voters, where applicable, and not yet issued at June 30, 2010 is as follows:

Road Improvement Bonds Capital Projects Fund	\$7,000,000
Easton's Moat and Dam Repairs – Water Fund	6,650,000 (\$500,000 BAN has been issued)
Water System Improvements	7,100,000 (\$3,537,000 BAN has been issued)
Sewer System Improvements	10,673,000

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

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Notes Payable

1. Business-type Activities

In October 2005, the City Water Pollution Control Fund borrowed \$210,000 from Earthtech to provide fire alarm system upgrades required by the Rhode Island State Fire Code. The note is to be repaid over 5 years at an interest rate of 8.0%. The balance of the note at June 30, 2010 is \$12,923.

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2011	<u>\$ 12,923</u>	<u>\$ 280</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 \$3,537,000 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. All notes will be replaced with long-term revenue bonds.

The Water Pollution Control Fund has borrowed \$15,000,000 in short-term financing from RICWFA for the repair 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 at June 30, 2010:

<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	10/15/2009	2.32%	\$ 500,000	\$ 226,458
City Advisor - Water Treatment Plants	10/15/2009	2.32%	3,537,000	1,745,253
Sewer Force Main Repairs	6/16/2010	2.00%	15,000,000	<u>13,321,127</u>
Total Outstanding Revenue Notes				<u>\$ 15,292,838</u>

In 1984, the Redevelopment Agency of Newport, a component unit, purchased a vacant building in an area of the City designed for redevelopment. As part of the financing for this purchase, the State of Rhode Island loaned the Redevelopment Agency \$200,000. The underlying note bears no stated interest rate or maturity and is secured with a mortgage on the building. The Redevelopment Agency turned over the building to the City of Newport Maritime Fund in April, 2010. As of June 30, 2010, \$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)

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 2021. The following is a summary of changes in long term debt of the Library Association.

Business-type
 activities:

	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010	Due Within One Year
Notes Payable	\$ 105,000	\$ -	\$ 8,750	\$ 96,250	\$ 8,750
Compensated Absences	224,364	126,675	200,966	150,073	46,000
	<u>\$ 329,364</u>	<u>\$ 126,675</u>	<u>\$ 209,716</u>	<u>\$ 246,323</u>	<u>\$ 54,750</u>

G. Changes in Long-Term Liabilities:

Long-term liability activity for the year ended June 30, 2010 was as follows:

	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010	Due Within One Year
Governmental activities:					
Bonds payable	\$ 17,017,123	\$ 18,285,000	\$ 14,487,115	\$ 20,815,008	\$ 1,033,436
Bond premium	-	1,149,278	92,543	1,056,735	92,543
Claims and judgments	499,509	-	168,749	330,760	183,260
Compensated absences	8,027,708	2,306,113	2,218,627	8,115,194	2,300,000
Net pension obligation	5,050,684	-	279,510	4,771,174	-
Net OPEB obligation	8,515,263	-	2,099,118	6,416,145	-
TOTAL	<u>\$ 39,110,287</u>	<u>\$ 21,740,391</u>	<u>\$ 19,345,662</u>	<u>\$ 41,505,016</u>	<u>\$ 3,609,239</u>
Business-type activities:					
Bonds payable	\$ 18,251,197	\$ 3,871,883	\$ 1,885,207	\$ 20,237,873	\$ 1,791,240
Notes payable	60,589	-	47,666	12,923	12,923
Revenue notes payable	407,354	30,292,838	15,407,354	15,292,838	15,292,838
Net OPEB obligation	522,373	100,999	-	623,372	-
TOTAL	<u>\$ 19,241,513</u>	<u>\$ 34,265,720</u>	<u>\$ 17,340,227</u>	<u>\$ 36,167,006</u>	<u>\$ 17,097,001</u>

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

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

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, 2010, 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. Capital Leases

Subsequent to year-end, the City entered into an agreement to lease purchase a new HVAC system for the School Department in the principal amount of \$1,062,226 at an interest rate of 3.07%. Payments of principal and interest will be made over the next ten years as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 92,360	\$ 32,610
2013	95,196	29,775
2014	98,118	26,852
2015	101,130	23,840
2016	104,235	20,735
2017 - 2021	571,187	53,667
	<u>\$ 1,062,226</u>	<u>\$ 187,479</u>

J. 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, 2008 was \$5,895,531,377, limiting the amount of non-excepted general obligation bonds outstanding to \$176,865,941. Bonds of \$20,815,008 outstanding at June 30, 2010 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.

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

V. OTHER INFORMATION (CONTINUED)

B. Pension Plans

All eligible employees of the City are covered by one of four pension plans, the Employees' Retirement System of the State of Rhode Island (Teachers' Plan), the Municipal Employees' Retirement System of the State of Rhode Island (Municipal Plan), the Firemen's Pension Plan and the Policemen's Pension Plan. The Teachers' Plan covers all School Department personnel certified by the Rhode Island Department of Education who are or have been engaged in teaching as a principal occupation. The Municipal Plan covers all employees not covered under the Teachers' Plan. However, fire employees and police officers have elected to participate in a single-employer pension plan administered by the City. The Firemen's Pension Plan and Policemen's Pension Plan cover all employees covered under a collective bargaining agreement either with the International Association of Firefighters, Local 1080 or the Fraternal Order of Police, Lodge Number 8. Total covered payroll under all plans during 2010 was \$38,327,138. Total City payroll was \$47,426,784 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 2010 was \$16,158,275, including \$1,359,170 of federally reimbursed payroll.

b. Plan Provisions

Participants' rights to pension benefits become fully vested after 10 years of service. Participants are eligible to retire after 10 years of service if they have attained age 62, except that certain "Schedule B" participants cannot retire until age 65 if they have less than 29 years of service. The law provides a proportional downward adjustment of the minimum retirement age based on the years of service credited to a participant's account as of September 30, 2009. 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. All service credit accrual rates have been frozen as of September 30, 2009. Benefits for all future service credit will be calculated using the same multipliers as for participants vested after July 1, 2005. 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 for participants eligible to retire as of September 30, 2009 is computed using the highest three consecutive years of base earnings. Final average salary for all others is computed using the highest five consecutive years of base earnings. Retirees receive an annual 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, effective as of 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 66 2/3% of salary for permanent and total disability. The benefit is limited to 50% of salary for members with a partial disability who can work in other jobs. Surviving spouses are also eligible for both pre- and post-retirement death benefits with minimum amounts established under varying circumstances.

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

V. OTHER INFORMATION (CONTINUED)

B. Pension Plans (Continued)

1. Teachers' Plan (Continued)

c. Funding Policy

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

As prescribed by Rhode Island general law, the State pays the entire portion of the annual required contribution attributable to the costs of contributions deferred by the State in prior years, plus 40% of contributions assessed to employers on payroll not reimbursable through federal programs. For fiscal year 2010, actuarial required contributions were 20.07% of participants' salary (also 20.07% for federally reimbursed salary). This resulted in a contribution rate paid by the State on behalf of City teachers of 8.18%. In accordance with the provisions of GASB Statement No. 24, the City has recorded "on-behalf" payments of \$1,321,747 for amounts paid by the State on behalf of City teachers. The City's contribution rate was 11.89%. The City's required and actual contributions to the Teachers' Plan for fiscal years 2010, 2009, and 2008 were \$2,040,145, \$1,730,441, and \$1,583,854, 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 2010, payroll for employees covered under the plan totaled \$11,618,907.

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, 2010, 273 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 20 years remaining as of June 30, 2009. The amortization contribution rate is 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.

c. 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.

	2010	2009	2008
Annual Pension Costs	\$ 1,685,903	\$ 1,807,463	\$ 1,451,635
Actual Employer Contributions	1,685,903	1,807,463	1,451,635
Percent of annual pension costs contributed	100%	100%	100%

d. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2009 (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, 2009	\$ 46,291,715	\$ 65,391,781	\$ 19,100,066	70.8%	\$ 11,855,170	161.1%

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

V. OTHER INFORMATION (CONTINUED)

B. Pension Plans (Continued)

2. Municipal Plan (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.

e. 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:	7.50% 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 for disabled male members eligible for Social Security disability benefits and 100% of the PBGC Table for disabled female members eligible for Social Security

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

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

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

a. Summary of Significant Accounting Policies and Plan Asset Matters

1. Basis of Accounting

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

b. Plan Descriptions and Contribution Information

As of June 30, 2010, membership in each plan was as follows:

	<u>Fire Plan</u>	<u>Police Plan</u>
Active employees hired before July 1, 1984	7	6
Active employees hired on or after July 1, 1984	<u>81</u>	<u>71</u>
Total active employees	88	77
Inactive employees with vested rights	1	-
Pensioners and beneficiaries	<u>112</u>	<u>113</u>
Total plan members	<u>201</u>	<u>190</u>

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

Each plan is a single-employer defined benefit pension plan which provides retirement, disability and death benefits to its participants. For fiscal year 2010, covered payroll under the plans was \$5,526,615 and \$5,023,341 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)

c. Financial Information

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2010

	POLICE PENSION FUND	FIRE PENSION FUND
ASSETS		
Cash and investments	\$ 35,520,321	\$ 27,068,833
LIABILITIES		
Cash overdraft and accounts payable	923,410	1,465,511
NET ASSETS		
Net assets held in trust for pension benefits	\$ 34,596,911	\$ 25,603,322

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2010

	POLICE PENSION FUND	FIRE PENSION FUND
ADDITIONS		
Contributions and other income	\$ 3,068,379	\$ 4,402,962
Investment income, net of investment expenses	5,057,122	3,783,672
TOTAL ADDITIONS	8,125,501	8,186,634
DEDUCTIONS		
Benefits	3,820,318	4,803,682
Administration	52,202	38,592
TOTAL DEDUCTIONS	3,872,520	4,842,274
CHANGES IN NET ASSETS	4,252,981	3,344,360
NET ASSETS - JULY 1, 2009	30,343,930	22,258,962
NET ASSETS - JUNE 30, 2010	\$ 34,596,911	\$ 25,603,322

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

V. OTHER INFORMATION (CONTINUED)

B. Pension Plans (Continued)

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

d. Funded Status and Funding Progress

The funded status of the plans as of July 1, 2010 (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, 2010	\$ 30,820,663	\$ 82,030,956	\$ 51,210,293	37.6%	\$ 5,526,615	926.6%
<u>POLICE PLAN</u>						
July 1, 2010	\$ 42,240,992	\$ 74,866,848	\$ 32,625,856	56.4%	\$ 5,023,341	649.5%

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, 2010. 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)	\$ 3,781,258	\$ 2,470,822
Amount representing interest on NPO	406,063	(495,032)
Adjustment to ARC	(356,864)	423,642
Total annual pension costs	<u>\$ 3,830,457</u>	<u>\$ 2,399,432</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		
	2010	2009	2008
Annual pension costs	\$ 3,830,457	\$ 3,369,867	\$ 3,357,775
Actual contributions	<u>3,981,258</u>	<u>3,491,226</u>	<u>3,291,234</u>
Increase (decrease) in NPO	(150,801)	(121,359)	66,541
Net pension obligation, July 1	<u>4,921,975</u>	<u>5,043,334</u>	<u>4,976,793</u>
Net pension obligation, June 30	<u>\$ 4,771,174</u>	<u>\$ 4,921,975</u>	<u>\$ 5,043,334</u>
% of annual pension costs contributed	<u>103.9%</u>	<u>103.6%</u>	<u>98.0%</u>
	Police Plan		
	2010	2009	2008
Annual pension costs	\$ 2,399,432	\$ 2,325,982	\$ 2,183,857
Actual contributions	<u>2,670,822</u>	<u>2,472,177</u>	<u>2,272,049</u>
Increase in NPA	(271,390)	(146,195)	(88,192)
Net pension asset, July 1	<u>(6,000,387)</u>	<u>(5,854,192)</u>	<u>(5,766,000)</u>
Net pension asset, June 30	<u>\$ (6,271,777)</u>	<u>\$ (6,000,387)</u>	<u>\$ (5,854,192)</u>
% of annual pension costs contributed	<u>111.3%</u>	<u>106.3%</u>	<u>104.0%</u>

f. **Actuarial Methods and Significant Assumptions**

Actuarial valuations utilize the projected unit credit method to determine both the actuarial accrued liabilities and annual required contributions to each plan. Pension assets are valued using a 5 year smoothed actuarial value of assets at their fair market value as established by quotations from applicable national securities exchanges. Valuations of accrued liabilities, pension assets, and annual required contributions for both plans are performed annually as of July 1.

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

V. **OTHER INFORMATION (CONTINUED)**

B. **Pension Plans (Continued)**

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

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

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

	<u>Fire</u>	<u>Police</u>
Valuation Date	July 1, 2010	July 1, 2010
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Dollar Closed	Level Dollar Closed
Remaining Amortization Period	21 Years	21 Years
Asset appreciation	7.50% annually	7.50% 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, 2010, and during the year then ended, no pension assets were invested in any organization which collectively held 5% or more of the total assets of either plan.

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

1. **Plan Description**

The City of Newport offers family or individual health insurance to retirees and life insurance to police retirees. Employees vest for OPEB when they vest for pension benefits. Retired police employees receive \$25,000 in retiree life insurance. Employees can choose individual or family coverage when active, which is paid by the City. 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, and police employees hired after July 1, 2009 are not 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 in order to receive Plan65 when eligible. 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.

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

V. **OTHER INFORMATION (CONTINUED)**

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

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

a. **Basis of Accounting**

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

b. **Valuation of Investments**

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

c. **Classes of Employees Covered**

As of July 1, 2009 (date of the last actuarial valuation) membership data was as follows:

Active employees	695
Retirees	<u>903</u>
Total plan members	<u>1,598</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 that retired prior to September 12, 2007, 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. Members that retire after September 12, 2007 contribute 1% of their pension benefit towards the cost of retiree health insurance. 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, 2010

ASSETS	
Cash and investments	\$ 13,958,939
LIABILITIES	
Accounts payable	<u>6,273</u>
NET ASSETS	
Net assets held in trust for OPEB benefits	<u><u>\$ 13,952,666</u></u>

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 OTHER POST-EMPLOYMENT BENEFITS TRUST FUND
 FOR THE YEAR ENDED JUNE 30, 2010

ADDITIONS	
Contributions and other income	\$ 4,506,894
Investment income, net of investment expenses	<u>937,271</u>
TOTAL ADDITIONS	5,444,165
DEDUCTIONS	
Administration	<u>19,411</u>
TOTAL DEDUCTIONS	19,411
CHANGES IN NET ASSETS	5,424,754
NET ASSETS - JULY 1, 2009	<u>8,527,912</u>
NET ASSETS - JUNE 30, 2010	<u><u>\$ 13,952,666</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	\$ 9,050,275
Interest on net OPEB obligation	677,823
Adjustment to annual required contribution	<u>(484,917)</u>
Annual OPEB cost (expense)	9,243,181
Contributions made	<u>11,241,301</u>
Increase (decrease) in net OPEB obligation	(1,998,120)
Net OPEB obligation - July 1, 2009	<u>9,037,637</u>
Net OPEB obligation - June 30, 2010	<u>\$ 7,039,517</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the previous four years is as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost Contributed</u>	<u>NET OPEB Obligation</u>
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	104.6%	9,037,637
June 30, 2010	9,243,181	121.6%	7,039,517

6. **Funded Status and Funding Progress**

The funded status of the plan as of July 1, 2009 (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) Unde Funded AAL	(A/B) Funded AAL Ratio	(C) Covered Payroll	[(A-B)/C] Under Funded AAL as a Percentage of Covered Payroll
July 1, 2009	\$ 8,486,653	\$ 125,947,132	\$ 117,460,479	6.7%	\$ 38,541,599	304.8%

V. OTHER INFORMATION (CONTINUED)**C. Other Post-Employment Benefits (OPEB) (Continued)****6. Funded Status and Funding Progress (Continued)**

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

7. Actuarial Methods and Assumptions

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

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

The projected unit credit cost method was used in the July 1, 2009 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 7% for 2009 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.

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

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 capital leases and notes have been disclosed in the capital lease and long-term debt and notes footnotes. See Footnotes E, I, and F.

F. **New Accounting Pronouncements**

The City has not completed the process of implementing GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The City is therefore unable to disclose the impact that adopting this statement will have on its financial position when such statement is implemented. GASB Statement No. 54 establishes fund balance classifications based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds, and clarifies existing governmental fund type definitions. GASB Statement No. 54 is effective for fiscal periods beginning after June 15, 2010.

The City has also considered new accounting standards, GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* and GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which were effective for periods beginning after June 15, 2009. The City determined that these GASB statements did not apply to the City as of June 30, 2010.

**Required
Supplementary
Information**

CITY OF NEWPORT, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 JUNE 30, 2010

Fire Pension Plan

Actuarial Valuation Date July 1	Actuarial Value of Plan Assets	Actuarial Liability (AAL) Projected Unit Credit	Actuarial Value of Assets as % of AAL	Unfunded AAL	Annual Covered Payroll	Unfunded (Excess) AAL as % of Covered Payroll
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%
2009	27,980,459	78,870,565	35.5%	50,890,106	5,047,963	1008.1%
2010	30,820,663	82,030,956	37.6%	51,210,293	5,526,615	926.6%

Police Pension Plan

Actuarial Valuation Date July 1	Actuarial Value of Plan Assets	Accrued Liability (AAL) Projected Unit Credit	Actuarial Value of Assets as % of AAL	Unfunded AAL	Annual Covered Payroll	Unfunded AAL as % of Covered Payroll
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%
2009	37,852,800	73,443,988	51.5%	35,591,188	5,064,850	702.7%
2010	42,240,992	74,866,848	56.4%	32,625,856	5,023,341	649.5%

(Continued)

CITY OF NEWPORT, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS (CONTINUED)
 JUNE 30, 2010

Municipal Employees Retirement System							
Actuarial Valuation Date July 1	Actuarial Value of Plan Assets	Actuarial Liability (AAL) Projected Unit Credit	Actuarial Value of Assets as % of AAL	Unfunded AAL	Annual Covered Payroll	Unfunded (Excess) AAL as % of Covered Payroll	
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%	
2009	46,291,715	65,391,781	70.8%	19,100,066	11,855,170	161.1%	

OPEB Trust Plan							
Actuarial Valuation Date July 1	Actuarial Value of Plan Assets	Accrued Liability (AAL) Projected Unit Credit	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	4,476,103	142,838,552	3.1%	138,362,449	38,914,022	355.6%	
2009	8,486,653	125,947,132	6.7%	117,460,479	38,541,599	304.8%	

(Concluded)

CITY OF NEWPORT, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

JUNE 30, 2010

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>
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%
2009	3,310,557	3,491,226	105.5%
2010	3,781,258	3,981,258	105.3%

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>
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%
2009	2,406,091	2,472,177	102.7%
2010	2,470,822	2,670,822	108.1%

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%
2009	9,050,275	11,241,301	124.2%

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, 2010

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET
PROPERTY TAXES:				
Current taxes - Real Estate	\$ 59,060,188	\$ 59,060,188	\$ 57,150,126	\$ (1,910,062)
Current taxes - MV	1,585,000	1,585,000	1,431,188	(153,812)
Delinquent - Real Estate	1,100,000	1,100,000	1,405,788	305,788
Delinquent taxes - MV	110,000	110,000	131,107	21,107
Penalties	335,000	335,000	369,741	34,741
Tax lien fees	25,000	25,000	24,278	(722)
Tax Abatements	(1,000,000)	(1,000,000)	-	1,000,000
Meals and beverage tax	1,475,000	1,345,000	1,526,834	181,834
Hotel occupancy tax	1,500,000	1,375,000	1,446,464	71,464
TOTAL PROPERTY TAXES	64,190,188	63,935,188	63,485,526	(449,662)
INTERGOVERNMENTAL REVENUES:				
Telephone company tax	230,000	257,457	257,457	-
MV tax phase out	1,800,000	1,317,000	1,527,935	210,935
School housing aid	500,000	549,881	549,883	2
PILOT	753,000	755,574	755,574	-
State aid - library construction	228,000	228,000	231,928	3,928
Federal aid	-	-	3,604	3,604
Statistical Update Reimbursement	62,000	-	-	-
TOTAL INTERGOVERNMENTAL REVENUES	3,573,000	3,107,912	3,326,381	218,469
CHARGES FOR SERVICES:				
GMH service fees	358,900	358,900	377,270	18,370
Hope IV Project service fees	130,000	130,000	144,269	14,269
Police special detail	1,400,000	1,400,000	2,110,784	710,784
Document prep and handling	75,000	75,000	77,201	2,201
Planning Services	-	682	400	(282)
Community development services	59,629	59,629	59,629	-
Computer processing fees	300,000	322,072	327,679	5,607
Management services	700,000	940,547	924,620	(15,927)
Fire alarm assessments	126,000	126,000	151,650	25,650
Recycling bins	2,500	2,500	787	(1,713)
HR regional testing	3,500	3,500	940	(2,560)
Recreation activity fees	85,000	85,000	96,825	11,825
Ballfield rentals	18,000	18,000	20,685	2,685
Parking tickets	900,000	900,000	858,479	(41,521)
Recording fees	290,000	340,000	280,825	(59,175)
Conveyance tax	400,000	400,000	427,604	27,604
Probate fees	50,000	50,000	50,225	225
Rescue fees	550,000	550,000	678,644	128,644
General business	50,000	50,000	79,009	29,009
Hotel registration fees	7,000	7,000	6,115	(885)
Entertainment	19,000	19,000	21,280	2,280
Liquor	189,000	189,000	186,685	(2,315)
Mech amusement	15,000	15,000	15,505	505
Sunday selling	26,000	26,000	26,650	650
Taxi	1,000	1,000	2,315	1,315
Victualing	50,000	50,000	55,250	5,250
Animal	4,400	4,400	4,398	(2)
Marriage	5,000	5,000	5,219	219
Building	700,000	700,000	501,567	(198,433)
Plumbing	30,000	30,000	43,454	13,454
Mechanical	100,000	100,000	123,153	23,153
Electrical	140,000	120,000	107,494	(12,506)
Board of Appeals	19,000	12,000	17,181	5,181
HDC application fee	16,000	14,000	16,160	2,160
Road opening	30,000	30,000	54,400	24,400
Fire inspection fees	70,000	65,000	52,776	(12,224)
Fire - sundry	7,500	7,500	13,838	6,338
Police - sundry	11,000	10,000	8,489	(1,511)
Municipal court cost assessment	200,000	200,000	200,977	977
Payphone commissions	1,000	1,000	131	(869)
Vendor rights	8,800	8,800	9,921	1,121
Jai Alai and Slot Machines	650,000	620,000	578,732	(41,268)
Other miscellaneous	50,000	50,000	73,100	23,100
Rental of property	120,000	120,000	96,285	(23,715)
Salve Regina service charge	6,902	6,902	6,902	-
Solid waste hauler fees	-	-	2,750	2,750
TOTAL CHARGES FOR SERVICES	7,975,131	8,223,432	8,898,252	674,820
USE OF MONEY AND PROPERTY:				
Investment interest	500,000	500,000	375,238	(124,762)
INCOME FROM INVESTMENTS	500,000	500,000	375,238	(124,762)
OTHER REVENUES:				
Public donations	213,150	213,150	228,185	15,035
TOTAL OTHER REVENUES	213,150	213,150	228,185	15,035
TOTAL REVENUES	76,451,469	75,979,682	76,313,582	333,900
OTHER FINANCING SOURCES:				
Proceeds from sale of bonds	-	13,285,000	13,285,000	-
Premium from sale of bonds	-	955,455	955,453	(2)
TOTAL OTHER FINANCING SOURCES:	-	14,240,455	14,240,453	(2)
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 76,451,469	\$ 90,220,137	\$ 90,554,035	\$ 333,898

CITY OF NEWPORT, RHODE ISLAND

GENERAL FUND
 SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2010

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET
EXPENDITURES:				
General Government:				
Mayor and City Council	\$ 112,138	\$ 112,138	\$ 90,364	\$ (21,774)
City Manager	760,436	760,436	734,162	(26,274)
City Solicitor	411,415	411,415	394,214	(17,201)
Canvassing	175,815	175,815	158,864	(16,951)
Finance	2,827,101	2,855,107	2,661,027	(194,080)
City Clerk	538,765	732,719	532,895	(199,824)
Reserve Accounts	1,226,991	800,245	788,252	(11,993)
Public Safety:				
Police Department	14,031,822	14,031,822	14,585,692	553,870
Fire Department	15,306,152	15,709,265	15,175,235	(534,030)
Public Health	8,047,605	8,224,591	7,128,217	(1,096,374)
Planning, Zoning, and Development	1,240,840	1,240,840	1,179,331	(61,509)
Recreation	585,188	585,188	564,747	(20,441)
Human services:				
Donations	74,150	74,150	71,520	(2,630)
Public Library	1,683,719	1,683,719	1,683,719	-
Pension expenditures	3,460,744	3,460,744	3,247,795	(212,949)
Debt service	2,138,071	2,287,224	2,133,691	(153,533)
TOTAL EXPENDITURES	52,620,952	53,145,418	51,129,725	(2,015,693)
OTHER FINANCING USES:				
Payment to Bond Escrow Agent	-	14,091,302	14,091,302	-
Transfers out	23,830,517	23,757,263	24,168,295	411,032
TOTAL OTHER FINANCING USES	23,830,517	37,848,565	38,259,597	411,032
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 76,451,469	\$ 90,993,983	\$ 89,389,322	\$ (1,604,661)

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, 2010

	CASH AND INVESTMENTS	RESERVED FOR ENDOWMENTS	UNRESERVED FUND BALANCE
David Sears Trusts 1 - 9 (City Portion)	\$ 2,076,790	\$ 450,000	\$ 1,626,790
David Sears Trust - Heirs of David Sears	834,311	834,311	-
David Sears Trust - Public Improvements	154,211	-	154,211
Joseph Hammett Fund (1892)	27,083	1,500	25,583
Henderson Home Fund (1980)	823,863	139,781	684,082
Freebody Fund	86,149	97,000	(10,851)
EV Coles Fund (1899)	267,944	61,321	206,623
Hunter Industrial Fund (1942)	88,142	25,000	63,142
King School Fund (1864)	182,193	8,914	173,279
City Burial Lots	293,415	-	293,415
Private Burial Lots	5,633	-	5,633
Belmont Memorial Fund (1950)	25,394	2,000	23,394
Judah Touro M & C Fund (1879)	135,917	10,000	125,917
Touro Street Fund (1823)	51,276	5,000	46,276
Derby Fuel Fund (1849)	14,869	500	14,369
Fry Orphan Fund (1859)	20,849	5,131	15,718
R & E Bullock Fund (1944)	57,184	1,000	56,184
Poor and Aged Fund (1863)	989,922	100,000	889,922
Alexander Agassiz Fund (1901)	138,237	31,087	107,150
George H Norman Foundation Fund (1901)	47,388	6,899	40,489
Barbara Chapman Fund (1990)	3,249	2,000	1,249
E Townsend Fund (1889)	162,265	155,137	7,128
George N Buckout Fund (1955)	77,862	15,000	62,862
Edward Newton Fund (1959)	27,114	-	27,114
Braman Cemetery	126,233	-	126,233
Louis H Hobbs Fund (1988)	48,826	25,000	23,826
RIICAN Fund	6,143	-	6,143
Unallocated Expense	(42,035)	-	(42,035)
Total Permanent Trust Funds	<u>\$ 6,730,427</u>	<u>\$ 1,976,581</u>	<u>\$ 4,753,846</u>

CITY OF NEWPORT, RHODE ISLAND

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
PERMANENT TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	FUND BALANCE JULY 1, 2009	REVENUES Use of Money & Property and Investment Earnings	EXPENDITURES Human Services	FUND BALANCE JUNE 30, 2010
David Sears Trusts 1 - 9 (City Portion)	\$ 1,852,972	\$ 223,818	\$ -	\$ 2,076,790
David Sears Trust - Heirs of David Sears	744,344	89,967	-	834,311
David Sears Trust - Public Improvements	204,615	20,746	(71,150)	154,211
Joseph Hammett Fund (1892)	25,468	3,015	(1,400)	27,083
Henderson Home Fund (1980)	775,219	91,754	(43,110)	823,863
Freebody Fund	81,428	9,661	(4,940)	86,149
EV Coles Fund (1899)	251,032	29,622	(12,710)	267,944
Hunter Industrial Fund (1942)	82,578	9,744	(4,180)	88,142
King School Fund (1864)	170,691	20,142	(8,640)	182,193
City Burial Lots	262,049	31,366	-	293,415
Private Burial Lots	5,026	887	(280)	5,633
Belmont Memorial Fund (1950)	22,657	2,737	-	25,394
Judah Touro M & C Fund (1879)	127,880	15,137	(7,100)	135,917
Touro Street Fund (1823)	45,749	5,527	-	51,276
Derby Fuel Fund (1849)	13,993	1,656	(780)	14,869
Fry Orphan Fund (1859)	20,776	2,393	(2,320)	20,849
R & E Bullock Fund (1944)	53,806	6,368	(2,990)	57,184
Poor and Aged Fund (1863)	929,662	109,828	(49,568)	989,922
Alexander Agassiz Fund (1901)	129,513	15,284	(6,560)	138,237
George H Norman Foundation Fund (1901)	44,398	5,240	(2,250)	47,388
Barbara Chapman Fund (1990)	3,263	(14)	-	3,249
E Townsend Fund (1889)	144,301	17,964	-	162,265
George N Buckout Fund (1955)	69,720	8,142	-	77,862
Edward Newton Fund (1959)	24,343	2,771	-	27,114
Braman Cemetery	112,396	13,837	-	126,233
Louis H Hobbs Fund (1988)	43,495	5,331	-	48,826
RIICAN Fund	5,482	661	-	6,143
Unallocated Expense	-	-	(42,035)	(42,035)
Total Permanent Trust Funds	\$ 6,246,856	\$ 743,584	\$ (260,013)	\$ 6,730,427

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 and general purposes.

Bramley Bill Fund

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

Office of Economic Adjustment Grant Fund

This fund is used to account for activities funded by the OEA grant and in-kind services 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, 2010

	SPECIAL REVENUE									TOTAL NONMAJOR GOVERNMENTAL FUNDS
	SCHOOL RESTRICTED FUNDS	UDAG FUND	STATE GRANTS FUND	EDA REVOLVING FUND	PROPERTY ACQUISITION FUND	COMMUNITY DONATION FUND	BRAMLEY BILL FUND	ECONOMIC ADJUSTMENT GRANT	DEBT SERVICE FUND	
ASSETS										
Cash and cash equivalents	\$ -	\$ 1,303,774	\$ 221,008	\$ 184,874	\$ 743,034	\$ 216,795	\$ -	\$ -	\$ 1,228,776	\$ 3,898,261
Receivables:										
Intergovernmental	884,088	-	55,897	-	-	-	42,227	722	-	982,934
Loan	-	333,630	-	33,102	-	-	-	-	-	366,732
Other	-	96,250	-	-	121,677	-	-	-	-	217,927
Due from other funds	-	96,250	-	-	-	-	-	-	-	96,250
Advances to other funds	-	303,904	-	55,243	-	-	-	-	-	359,147
TOTAL ASSETS	\$ 884,088	\$ 2,133,808	\$ 276,905	\$ 273,219	\$ 864,711	\$ 216,795	\$ 42,227	\$ 722	\$ 1,228,776	\$ 5,921,251
LIABILITIES AND FUND BALANCE										
LIABILITIES:										
Accounts payable	\$ 69,822	\$ -	\$ 2,977	\$ -	\$ 1,081	\$ 15,607	\$ 22,045	\$ 722	\$ -	\$ 112,254
Unearned/deferred revenue	-	830,034	164,722	88,345	-	-	-	-	-	1,083,101
TOTAL LIABILITIES	69,822	830,034	167,699	88,345	1,081	15,607	22,045	722	-	1,195,355
FUND BALANCES:										
Reserved for advances	-	303,904	-	55,243	-	-	-	-	-	359,147
Reserved for debt service	-	-	-	-	-	-	-	-	1,228,776	1,228,776
Unreserved, reported in:										
Special revenue funds	814,266	999,870	109,206	129,631	863,630	201,188	20,182	-	-	3,137,973
TOTAL FUND BALANCES	814,266	1,303,774	109,206	184,874	863,630	201,188	20,182	-	1,228,776	4,725,896
TOTAL LIABILITIES AND FUND BALANCES	\$ 884,088	\$ 2,133,808	\$ 276,905	\$ 273,219	\$ 864,711	\$ 216,795	\$ 42,227	\$ 722	\$ 1,228,776	\$ 5,921,251

CITY OF NEWPORT, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	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	ECONOMIC ADJUSTMENT GRANT		
REVENUES:										
Intergovernmental	\$ 4,761,025	\$ -	\$ 614,087	\$ -	\$ -	\$ -	\$ 266,311	\$ 722	\$ -	\$ 5,642,145
Charges for services	744,878	67,971	-	36,584	-	-	-	-	-	849,433
Use of money and property	-	94,810	-	2,355	2,002	-	-	-	29,743	128,910
Contributions	-	-	2,120	-	-	41,644	1,000	7,489	-	52,253
TOTAL REVENUES	5,505,903	162,781	616,207	38,939	2,002	41,644	267,311	8,211	29,743	6,672,741
EXPENDITURES:										
Current:										
General government	-	-	-	-	454,485	-	-	-	-	454,485
General education	6,152,158	-	-	-	-	-	-	-	-	6,152,158
Public safety	-	-	216,528	-	-	17,066	-	-	-	233,594
Public health	-	-	20,568	-	-	-	-	-	-	20,568
Planning, zoning and development	-	-	195	-	-	-	-	8,211	-	8,406
Recreation	-	-	-	-	-	35,758	-	-	-	35,758
Human services	-	-	356,744	28,716	-	-	241,950	-	-	627,410
Capital outlays	465,675	-	49,125	-	-	20,000	-	-	-	534,800
TOTAL EXPENDITURES	6,617,833	-	643,160	28,716	454,485	72,824	241,950	8,211	-	8,067,179
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,111,930)	162,781	(26,953)	10,223	(452,483)	(31,180)	25,361	-	29,743	(1,394,438)
OTHER FINANCING SOURCES (USES):										
Transfers out	-	-	-	-	(500,000)	-	-	-	-	(500,000)
Transfers in	557,100	-	-	-	-	-	-	-	133,110	690,210
NET CHANGE IN FUND BALANCES	(554,830)	162,781	(26,953)	10,223	(952,483)	(31,180)	25,361		162,853	(1,204,228)
FUND BALANCES (DEFICIT), JULY 1, 2009	1,369,096	1,140,993	136,159	174,651	1,816,113	232,368	(5,179)		1,065,923	5,930,124
FUND BALANCES (DEFICIT), JUNE 30, 2010	\$ 814,266	\$ 1,303,774	\$ 109,206	\$ 184,874	\$ 863,630	\$ 201,188	\$ 20,182	\$ -	\$ 1,228,776	\$ 4,725,896

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 ISLAND

COMBINING STATEMENT OF NET ASSETS
NONMAJOR PROPRIETARY FUNDS
JUNE 30, 2010

	MARITIME FUND	EASTON'S BEACH FUND	PARKING OPERATIONS FUND	TOTALS
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 1,099,928	\$ 273,150	\$ 2,802,149	\$ 4,175,227
Investments	-	-	1,102,677	1,102,677
Accounts receivable:				
User fees (net of allowances)	25,928	12,752	20,918	59,598
Due from other governments	5,413	-	-	5,413
Advances to other funds	-	-	214,246	214,246
Total current assets	1,131,269	285,902	4,139,990	5,557,161
Noncurrent assets:				
Capital assets	1,805,763	3,418,817	3,027,655	8,252,235
Less accumulated depreciation	(119,496)	(1,170,585)	(1,462,859)	(2,752,940)
Total noncurrent assets	1,686,267	2,248,232	1,564,796	5,499,295
TOTAL ASSETS	2,817,536	2,534,134	5,704,786	11,056,456
LIABILITIES:				
Current liabilities:				
Accounts payable	11,986	20,872	32,596	65,454
Accrued expenses	51,046	52,563	17,204	120,813
Current portion advances	55,243	29,360	-	84,603
Total current liabilities	118,275	102,795	49,800	270,870
Long-term liabilities:				
Notes payable	200,000	-	-	200,000
Advances from other funds	267,459	221,331	-	488,790
TOTAL LIABILITIES	585,734	324,126	49,800	959,660
NET ASSETS:				
Invested in capital assets (net of related debt)	1,486,267	2,248,232	1,564,796	5,299,295
Unrestricted	745,535	(38,224)	4,090,190	4,797,501
TOTAL NET ASSETS	\$ 2,231,802	\$ 2,210,008	\$ 5,654,986	\$ 10,096,796

SCHEDULE 8CITY OF NEWPORT, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 NONMAJOR PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010

	MARITIME FUND	EASTON'S BEACH FUND	PARKING OPERATIONS FUND	TOTALS
OPERATING REVENUES:				
User fees	\$ 884,382	\$ 968,080	\$ 1,345,005	\$ 3,197,467
Other revenues	5,413	-	19,595	25,008
TOTAL OPERATING REVENUES	889,795	968,080	1,364,600	3,222,475
OPERATING EXPENSES:				
Salaries and benefits	297,725	460,104	423,776	1,181,605
Materials and supplies	49,480	49,776	84,201	183,457
Repairs and maintenance	49,504	40,614	19,149	109,267
Support services	12,140	62,469	422,681	497,290
Utilities	6,298	23,246	6,727	36,271
Administrative and other	276,551	110,331	216,847	603,729
Depreciation	47,748	132,269	119,475	299,492
TOTAL OPERATING EXPENSES	739,446	878,809	1,292,856	2,911,111
OPERATING INCOME	150,349	89,271	71,744	311,364
NONOPERATING REVENUES AND (EXPENSES):				
Investment income	81	15	69,665	69,761
Interest expense	-	(3,271)	-	(3,271)
NET NONOPERATING REVENUES AND (EXPENSES)	81	(3,256)	69,665	66,490
INCOME BEFORE TRANSFERS AND CONTRIBUTED CAPITAL				
	150,430	86,015	141,409	377,854
Contributed capital	-	320,000	-	320,000
Transfers in	291,246	92,288	-	383,534
Transfers out	-	-	(140,000)	(140,000)
NET TRANSFERS AND CONTRIBUTED CAPITAL	291,246	412,288	(140,000)	563,534
NET INCOME	441,676	498,303	1,409	941,388
TOTAL NET ASSETS - JULY 1, 2009	1,790,126	1,711,705	5,653,577	9,155,408
TOTAL NET ASSETS - JUNE 30, 2010	\$ 2,231,802	\$ 2,210,008	\$ 5,654,986	\$ 10,096,796

CITY OF NEWPORT, RHODE ISLAND

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	MARITIME FUND	EASTON'S BEACH FUND	PARKING OPERATIONS FUND	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 967,564	\$ 1,009,988	\$ 1,364,284	\$ 3,341,836
Cash payments to suppliers for goods and services	(137,809)	(168,126)	(597,832)	(903,767)
Cash payments to employees for services	(207,312)	(503,008)	(436,725)	(1,147,045)
Payment of administrative expense	(276,551)	(110,331)	(216,847)	(603,729)
NET CASH PROVIDED BY OPERATING ACTIVITIES	345,892	228,523	112,880	687,295
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Interfund loans and transfers	291,246	92,288	(140,000)	243,534
Principal paid on interfund loans and transfers	-	(50,830)	25,359	(25,471)
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	291,246	41,458	(114,641)	218,063
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	(547,375)	-	(34,923)	(582,298)
Interest paid on bonds, notes and loans	-	(3,271)	-	(3,271)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(547,375)	(3,271)	(34,923)	(585,569)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income	81	15	3,464	3,560
NET CASH PROVIDED BY INVESTING ACTIVITIES	81	15	3,464	3,560
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	89,844	266,725	(33,220)	323,349
CASH AND CASH EQUIVALENTS - JULY 1, 2009	1,010,084	6,425	2,835,369	3,851,878
CASH AND CASH EQUIVALENTS- JUNE 30, 2010	\$ 1,099,928	\$ 273,150	\$ 2,802,149	\$ 4,175,227
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income	\$ 150,349	\$ 89,271	\$ 71,744	311,364
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	47,748	132,269	119,475	299,492
Changes in assets and liabilities:				
Decrease (Increase) in accounts receivable	176,879	41,908	(316)	218,471
(Decrease) Increase in accounts payable	(20,387)	7,981	(65,074)	(77,480)
(Decrease) Increase in accrued liabilities	(8,697)	(42,906)	(12,949)	(64,552)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 345,892	\$ 228,523	\$ 112,880	\$ 687,295
NON CASH INVESTING, CAPITAL AND FINANCING TRANSACTIONS:				
Transfer of assets from Redevelopment Authority	\$ 440,849	\$ -	\$ -	\$ 440,849
Transfer of assets from Capital Projects Fund	-	320,000	-	320,000
Loss on transfer of assets and liabilities	(66,946)	-	-	(66,946)
Increase in fair value of investments	-	-	66,201	66,201
Assumption of liabilities	467,459	-	-	467,459
TOTAL NON CASH INVESTING, CAPITAL AND FINANCING TRANSACTIONS	\$ 841,362	\$ 320,000	\$ 66,201	\$ 1,227,563

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.

Newport Film Commission Fund

These funds are used to account for expenditures by the Newport Film Commission. 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, 2010

	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	\$ -	\$ -	\$ -	\$ 77,390	\$ 77,390
Investments, at fair value:					
Fixed Income Mutual Funds	13,164,653	10,046,479	23,211,132	4,292,458	27,503,590
Domestic Equity Mutual Funds	18,540,612	14,151,702	32,692,314	7,660,154	40,352,468
International Equity Mutual Funds	3,815,056	2,870,652	6,685,708	1,928,937	8,614,645
TOTAL ASSETS	35,520,321	27,068,833	62,589,154	13,958,939	76,548,093
LIABILITIES					
Cash overdraft	891,829	1,442,062	2,333,891	-	2,333,891
Accounts payable	31,581	23,449	55,030	6,273	61,303
TOTAL LIABILITIES	923,410	1,465,511	2,388,921	6,273	2,395,194
NET ASSETS					
Net assets held in trust for pension benefits	34,596,911	25,603,322	60,200,233	-	60,200,233
Net assets held in trust for other post-employment benefits	-	-	-	13,952,666	13,952,666
TOTAL NET ASSETS	\$ 34,596,911	\$ 25,603,322	\$ 60,200,233	\$ 13,952,666	\$ 74,152,899

CITY OF NEWPORT, RHODE ISLAND

COMBINING STATEMENT OF NET ASSETS OF PRIVATE PURPOSE TRUST FUNDS
JUNE 30, 2010

	PRIVATE PURPOSE TRUST FUNDS		
	EXPENDABLE SCHOLARSHIP FUNDS	NONEXPENDABLE SCHOLARSHIP TRUSTS	TOTAL PRIVATE PURPOSE TRUST FUNDS
ASSETS			
Cash	\$ 17,081	\$ 158	\$ 17,239
Investments, at fair value:			
Fixed Income Mutual Funds	-	454,362	454,362
Domestic Equity Mutual Funds	-	596,355	596,355
TOTAL ASSETS	17,081	1,050,875	1,067,956
LIABILITIES			
Accounts payable	-	1,708	1,708
TOTAL LIABILITIES	-	1,708	1,708
NET ASSETS			
Net assets held in trust for purposes	17,081	1,049,167	1,066,248
TOTAL NET ASSETS	\$ 17,081	\$ 1,049,167	\$ 1,066,248

CITY OF NEWPORT, RHODE ISLAND

AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2010

	BALANCE JULY 1, 2009	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2010
<u>ASSETS</u>				
CASH:				
Student activity funds	\$ 177,784	\$ 353,802	\$ 330,386	\$ 201,200
Newport Film Commission	-	2,600	-	2,600
Newport Municipal Charitable Improvement Fund, Inc.	28,811	-	-	28,811
TOTAL ASSETS	\$ 206,595	\$ 356,402	\$ 330,386	\$ 232,611
<u>LIABILITIES</u>				
AMOUNTS HELD IN ESCROW:				
Student activity funds	\$ 177,784	\$ 353,802	\$ 330,386	\$ 201,200
Newport Film Commission	-	2,600	-	2,600
Newport Municipal Charitable Improvement Fund, Inc.	28,811	-	-	28,811
TOTAL LIABILITIES	\$ 206,595	\$ 356,402	\$ 330,386	\$ 232,611

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, 2010

	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	\$ 397,557	\$ 421,704	\$ 819,261	\$ 389,663	\$ 1,208,924
Employer	2,670,822	3,981,258	6,652,080	4,117,231	10,769,311
Total contributions and other income	3,068,379	4,402,962	7,471,341	4,506,894	11,978,235
Investment income:					
Net appreciation in fair value of investments	4,753,498	3,558,882	8,312,380	758,607	9,070,987
Interest and dividends	472,497	349,621	822,118	220,754	1,042,872
Total investment income	5,225,995	3,908,503	9,134,498	979,361	10,113,859
Less investment expenses	168,873	124,831	293,704	42,090	335,794
Net investment income	5,057,122	3,783,672	8,840,794	937,271	9,778,065
TOTAL ADDITIONS	8,125,501	8,186,634	16,312,135	5,444,165	21,756,300
DEDUCTIONS:					
Benefits	3,820,318	4,803,682	8,624,000	-	8,624,000
Administration	52,202	38,592	90,794	19,411	110,205
TOTAL DEDUCTIONS	3,872,520	4,842,274	8,714,794	19,411	8,734,205
CHANGES IN NET ASSETS	4,252,981	3,344,360	7,597,341	5,424,754	13,022,095
NET ASSETS - JULY 1, 2009	30,343,930	22,258,962	52,602,892	8,527,912	61,130,804
NET ASSETS - JUNE 30, 2010	\$ 34,596,911	\$ 25,603,322	\$ 60,200,233	\$ 13,952,666	\$ 74,152,899

CITY OF NEWPORT, RHODE ISLAND

COMBINING STATEMENT OF CHANGES IN NET ASSETS OF PRIVATE PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	EXPENDABLE SCHOLARSHIP FUNDS	NON- EXPENDABLE SCHOLARSHIP TRUSTS	TOTAL PRIVATE PURPOSE TRUST FUNDS
ADDITIONS:			
Contributions	\$ 10,000	\$ 500	\$ 10,500
Investment income:			
Net appreciation in fair value of investments	-	101,988	101,988
Interest and dividends	-	13,975	13,975
Total investment income	-	115,963	115,963
Less investment expenses	-	4,478	4,478
Net investment income	-	111,485	111,485
TOTAL ADDITIONS	10,000	111,985	121,985
DEDUCTIONS:			
Awards	8,000	38,730	46,730
Administration	-	2,297	2,297
TOTAL DEDUCTIONS	8,000	41,027	49,027
CHANGES IN NET ASSETS	2,000	70,958	72,958
NET ASSETS - JULY 1, 2009	15,081	978,209	993,290
NET ASSETS - JUNE 30, 2010	\$ 17,081	\$ 1,049,167	\$ 1,066,248

SCHEDULE 15

CITY OF NEWPORT, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
NONEXPENDABLE SCHOLARSHIP TRUSTS
JUNE 30, 2010

	Net Assets Held In Trust For Purposes July 1, 2009	ADDITIONS:		DEDUCTIONS:		Net Assets Held In Trust For Purposes June 30, 2010
		Donations	Investment Income	Awards and Investment Expense		
Peter P Integlia Physical Education Scholarship	\$ 10,732	\$ 500	\$ 1,239	\$ (500)	\$ 11,971	
American Culinary Federation Award	19,876	-	2,387	-	22,263	
Eileen Jeanes Jachna Award	21,862	-	2,545	(1,130)	23,277	
William T Bull Award	25,450	-	2,996	(1,400)	27,046	
Mercedes S Coulombe Award	57,921	-	6,996	-	64,917	
Carol Ann Page Award	4,813	-	587	(100)	5,300	
Avis G Marden Award	3,554	-	418	(190)	3,782	
Class of 41 American Government Award	3,609	-	425	(200)	3,834	
PF Carroll Scholarship	19,892	-	2,342	(1,090)	21,144	
J Fitzgerald Scholarship	1,891	-	223	(100)	2,014	
Smales Scholarship	10,582	-	1,245	(580)	11,247	
Henry Vaughn Memorial Award	3,451	-	417	-	3,868	
Adelson Biology Award	2,841	-	334	(160)	3,015	
Leavitt Trust Award	13,907	-	1,638	(760)	14,785	
Alliance Francaise Award	1,368	-	169	-	1,537	
Lalli Trust Award	4,249	-	500	(230)	4,519	
Goldstein Music Award	4,408	-	520	(230)	4,698	
MB Howard Award	12,094	-	1,461	-	13,555	
Newport School Book Award	232	-	27	-	259	
Edward King Medal Award	57,114	-	6,843	(960)	62,997	
Koehne Latin Award	3,064	-	360	(160)	3,264	
Mirman Math Award	2,540	-	299	(120)	2,719	
GH Norman Award	5,837	-	705	-	6,542	
Peckham Award	70,747	-	8,366	(3,260)	75,853	
Pell Medal	1,746	-	210	-	1,956	
Read Medal #1	587	-	70	-	657	
Read Medal #2	651	-	78	-	729	
Charles B King Award	15,348	-	1,828	(460)	16,716	
Rogers High School Centennial Award	36,489	-	4,296	(2,000)	38,785	
Almira Coffin Award	3,960	-	467	(210)	4,217	
HH Toole Scholarship	12,857	-	1,512	(730)	13,639	
Henry Heffernan Award	60,732	-	7,187	(3,400)	64,519	
Bruen Scholarship	19,947	-	2,407	(1,000)	21,354	
Sullivan Scholarship	33,047	-	3,896	(1,720)	35,223	
Joseph P Cotton Memorial Award	18,906	-	2,177	(970)	20,113	
Rufus E Darrah Memorial Award	6,400	-	753	(350)	6,803	
Margaret P Stevens Award	538	-	66	-	604	
Christine Meek Sullivan/Marx Award	13,029	-	1,537	(680)	13,886	
Zelda Mirman Music/Drama Award	25,255	-	2,965	(1,540)	26,680	
Wosencroft Scholarship	5,636	-	665	(300)	6,001	
M/M Thomas Archambault Award	12,785	-	1,505	(700)	13,590	
Class of 46 Rogers High School DLS Award	13,753	-	1,619	(750)	14,622	
General Contractors Association Award	20,150	-	2,372	(1,100)	21,422	
Cohen Scholarship	4,727	-	556	(250)	5,033	
Townsend Scholarship	6,360	-	748	(350)	6,758	
Dorothy Drinkwater Lecraw Award	42,477	-	4,998	(2,400)	45,075	
Nicholas Logothets Award	3,375	-	408	-	3,783	
Helene Lewis Memorial Scholarship	64,623	-	7,708	(1,750)	70,581	
Kristen Jorge Memorial Scholarship	14,513	-	1,710	(790)	15,433	
James Colton Crowley Award	71,829	-	8,459	(3,900)	76,388	
Florence J Alofsin English Award	4,628	-	544	(260)	4,912	
Sandra Clooney Memorial Scholarship	21,785	-	2,565	(1,200)	23,150	
Allan Family Scholarship	71,969	-	8,719	-	80,688	
Loeb/George Washington Essay Award	8,073	-	896	(750)	8,219	
Unallocated Expense	-	-	-	(6,775)	(6,775)	
Total Permanent Trust Funds	\$ 978,209	\$ 500	\$ 115,963	\$ (45,505)	\$ 1,049,167	

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, 2010

	REDEVELOPMENT AGENCY OF NEWPORT
<hr/>	
ASSETS:	
Current assets:	
Cash	\$ 313
LIABILITIES:	
Current liabilities:	
Accounts payable	<u>225</u>
NET ASSETS:	
Unrestricted	<u><u>\$ 88</u></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, 2010

	REDEVELOPMENT AGENCY OF NEWPORT
REVENUES:	
Charges for services	<u>\$ 6,350</u>
EXPENSES:	
Property taxes	12,920
Operating expenses	14,988
Depreciation	<u>5,924</u>
TOTAL EXPENSES	<u>33,832</u>
NET LOSS BEFORE SPECIAL ITEM	(27,482)
SPECIAL ITEM	
Gain on sale of capital assets	<u>66,946</u>
NET INCOME AFTER SPECIAL ITEMS	39,464
NET ASSETS (DEFICIT) - JULY 1, 2009	<u>(39,376)</u>
NET ASSETS (DEFICIT) - JUNE 30, 2010	<u>\$ 88</u>

CITY OF NEWPORT, RHODE ISLAND

COMPONENT UNIT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

	REDEVELOPMENT AGENCY OF NEWPORT
<hr/>	
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 14,350
Payment of property taxes and operating expenses	<u>(39,590)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(25,240)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Transfer of assets	<u>(11,000)</u>
CASH - JULY 1, 2009	<u>36,553</u>
CASH - JUNE 30, 2010	<u><u>\$ 313</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating loss	\$ (27,482)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization	5,924
Net transfer of operating revenues and expenses	(3,907)
Changes in assets and liabilities:	
(Decrease) Increase in accounts payable	<u>225</u>
NET CASH USED IN OPERATING ACTIVITIES	<u><u>\$ (25,240)</u></u>
NON CASH INVESTING, CAPITAL AND FINANCING TRANSACTIONS:	
Transfer of capital assets	\$ (440,849)
Transfer of liabilities	522,702
Gain on sale of assets and transfer of liabilities	66,946

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 EIGHT FISCAL YEARS
(UNAUDITED)

	2003	2004	Fiscal Year 2005	2006	2007	2008	2009	2010
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	\$ 58,114,920
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	4,753,846
Nonexpendable	1,142,270	1,142,270	1,142,270	1,142,270	1,889,512	1,937,467	1,890,210	1,976,581
Debt service	-	-	396,470	511,451	676,668	878,998	1,065,923	1,228,776
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	9,999,541
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>	<u>76,073,664</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	87,919,616
Held in trust	-	-	-	-	-	-	-	99,000
Restricted - Other purposes	6,385,522	6,612,069	3,624,058	4,401,342	3,054,328	4,749,967	3,900,192	8,825,854
Unrestricted	(4,355,744)	(4,072,754)	171,705	3,719,540	4,222,057	2,365,226	1,207,853	2,214,069
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>	<u>99,058,539</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	146,034,536
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	4,753,846
Nonexpendable	1,142,270	1,142,270	1,142,270	1,142,270	1,889,512	1,937,467	1,890,210	1,976,581
Held in trust	-	-	-	-	-	-	-	99,000
Debt service	-	-	-	4,912,793	3,730,996	5,628,965	4,966,115	10,054,630
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	12,213,610
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>	<u>\$ 175,132,203</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 EIGHT FISCAL YEARS
GOVERNMENTAL ACTIVITIES
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
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	\$ 6,488,973
General education	39,039,945	42,168,056	42,003,803	42,119,068	44,860,182	45,420,073	45,273,034	43,071,429
Public safety	23,098,422	25,954,534	27,848,257	27,932,352	29,620,705	30,005,098	30,380,376	31,829,739
Public health	3,649,735	4,403,093	4,664,543	4,564,130	5,179,345	7,000,668	8,396,219	8,023,199
Planning, zoning and development	855,293	1,028,852	1,681,628	1,994,692	1,440,553	1,604,671	1,829,568	1,363,899
Recreation	1,868,074	2,189,095	1,773,421	2,121,346	2,415,401	622,368	1,092,871	769,888
Human services	2,475,041	2,573,601	2,615,412	2,720,900	3,256,251	3,248,665	3,361,996	3,283,921
Interest expense	1,166,764	1,062,259	889,584	867,107	841,520	782,723	682,805	863,546
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>	<u>95,694,594</u>
Business-type activities:								
Water	6,726,482	6,830,398	7,135,764	6,994,360	7,809,046	7,719,962	9,003,205	8,982,066
Water Pollution Control	5,806,015	6,432,891	7,050,859	6,781,706	7,051,852	7,559,615	7,428,839	8,108,213
Nonmajor	974,819	1,109,229	1,577,702	1,767,218	2,159,568	2,568,503	2,662,517	2,914,382
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>	<u>20,004,661</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>	<u>115,699,255</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	4,207,690
General education	79,913	735,868	940,091	1,538,629	1,856,459	1,356,264	1,782,477	1,790,646
Public safety	2,339,389	1,828,283	2,003,497	2,679,694	3,087,659	3,056,098	3,574,759	3,874,660
Public health	44,819	44,435	44,111	31,560	26,990	85,761	94,164	57,937
Planning, zoning and development	286,715	327,609	720,141	1,184,118	1,168,204	1,601,347	947,823	868,638
Recreation	686,522	741,853	288,077	96,764	99,126	105,010	129,025	117,510
Human services	744,901	333,733	154,514	150,622	297,236	439,667	238,794	(22,957)
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	20,039,597
Capital grants and contributions	1,683,441	818,007	846,754	1,170,076	786,166	469,484	2,981,072	1,773,730
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>	<u>32,707,451</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	10,466,106
Water Pollution Control	5,796,526	6,049,193	5,885,602	6,462,089	6,181,907	7,337,836	7,865,579	8,405,539
Nonmajor	1,441,015	1,407,977	1,972,189	2,572,591	2,345,366	2,833,916	2,922,394	3,068,368
Capital grants and contributions					673,500	305,849	154,107	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>	<u>22,094,120</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>	<u>54,801,571</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)	(62,987,143)
Business-type activities	1,508,632	880,234	(806,438)	3,005,793	686,767	1,655,487	1,462,194	2,089,459
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>	<u>(60,897,684)</u>

(Continued)

CITY OF NEWPORT, RHODE ISLAND

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

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
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	\$ 63,583,199
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	2,540,966
Investment income	693,902	1,177,711	1,133,676	1,425,620	2,368,396	641,453	(1,008,699) (4)	1,299,841
Miscellaneous	107,862	116,126	135,206	133,494	-	-	-	-
Transfers	-	(436,968)	(190,692)	-	(175,500)	1,053,250	(102,103)	(743,534)
Total governmental activities	<u>54,239,685</u>	<u>53,774,396</u>	<u>57,994,636</u>	<u>61,007,805</u>	<u>64,571,468</u>	<u>66,031,082</u>	<u>64,565,095</u>	<u>66,680,472</u>
Business-type activities:								
Investment income	79,810	90,236	98,797	175,220	220,284	162,538	84,612	78,285
Capital contributions	-	-	200,863	-	-	-	-	320,000
Transfer from primary government	-	436,968	(10,171)	-	175,500	(1,053,250)	102,103	743,534
Total business-type activities	<u>79,810</u>	<u>527,204</u>	<u>289,489</u>	<u>175,220</u>	<u>395,784</u>	<u>(890,712)</u>	<u>186,715</u>	<u>1,141,819</u>
Special Item - Sale of School Building	-	-	-	-	2,168,305	-	-	-
Total primary government	<u>54,319,495</u>	<u>54,301,600</u>	<u>58,284,125</u>	<u>61,183,025</u>	<u>67,135,557</u>	<u>65,140,370</u>	<u>64,751,810</u>	<u>67,822,291</u>
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	3,693,329
Business-type activities	1,588,442	1,407,438	(516,949)	3,181,013	1,082,551	764,775	1,648,909	3,231,278
Total primary government	<u>\$ 7,913,065</u>	<u>\$ 38,267</u>	<u>\$ (1,413,944)</u>	<u>\$ 9,491,985</u>	<u>\$ 7,769,825</u>	<u>\$ 5,920,337</u>	<u>\$ 4,105,665</u>	<u>\$ 6,924,607</u>

(Concluded)

- (1) - General government service charges increased significantly in FY 2005 in the following categories:
Management and Computer Processing Charges increased by \$277,000
Fees and charges associated with the sale of residential and commercial property in the City increased by \$340,000
Fees for the use of vehicles increased in the capital fund by \$285,000
- (2) - Reduction in claims and judgments; reduction in the use of salary reserves as a result of open contracts
- (3) - Increase in water rates of 20%
- (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									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund:										
Reserved	\$ 683,898	\$ 1,276,106	\$ 1,229,965	\$ 2,077,766	\$ 1,159,119	\$ 1,256,428	\$ 1,483,669	\$ 860,549	\$ 773,846	\$ 838,101
Unreserved	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	9,175,856
Total general fund	<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>	<u>\$ 10,013,957</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	\$ 3,564,504
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	1,445,411
Special revenue funds	\$ 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	3,636,132
Capital project funds	(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	4,994,692
Permanent funds			6,458,150	7,287,274	7,819,409	7,230,632	7,148,999	6,281,490	4,356,646	4,753,846
Total all other governmental funds	<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>	<u>\$ 18,394,585</u>
Grand Total	<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>	<u>\$ 28,408,542</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									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues:										
Taxes	\$ 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	\$ 63,485,526
Intergovernmental revenues	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	25,058,739
Charges for services	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	9,975,467
Use of money and property	1,457,595	912,779	693,902	1,177,711	1,133,676	1,425,620	2,368,397	641,456	(1,008,699)	1,299,761
Donations	12,455	77,476	1,425,623	770,880	892,441	29,347	179,343	198,608	95,493	52,253
Other revenues	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	1,273,953
Total revenues	<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>	<u>101,145,699</u>
Expenditures:										
Current:										
General government	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	5,931,444
General education	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	44,349,792
Public safety	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	30,194,522
Public health	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	6,767,348
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	1,187,737
Recreation	1,965,201	1,726,323	1,692,203	2,236,838	1,588,267	1,729,893	1,727,212	(3) 558,059	653,419	600,505
Human services	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	3,129,240
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	3,247,795
Debt service:										
Debt issuance	-	-	-	-	51,929	-	-	-	-	-
Principal	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	1,237,114
Interest	285,206	256,268	1,463,856	1,033,255	830,345	838,757	803,651	755,657	712,750	896,577
Capital outlay	-	446,539	6,808,830	2,689,063	4,258,485	5,096,730	6,381,011	5,097,103	8,039,837	4,938,066
Total expenditures	<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>	<u>102,480,140</u>
Excess (deficiency) of revenues over expenditures	<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>	<u>(1,334,441)</u>
Other Financing Sources (Uses):										
Proceeds from borrowing	-	21,037,000	-	-	3,124,702	-	-	-	-	18,285,000
Bond premium	-	-	-	-	-	-	-	-	-	1,149,278
Payment to refunding escrow agent	-	-	-	-	(3,010,000)	-	-	-	-	(14,091,304)
Sale of property	-	-	-	1,027,000	-	-	2,168,305	-	-	-
Transfers in	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	24,606,361
Transfers out	(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)	(25,349,895)
Total other financing sources (uses)	<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>	<u>4,599,440</u>
Net change in fund balances	<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>	<u>\$ 3,264,999</u>
Debt service as a percentage of noncapital expenditures	<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>	<u>2.19%</u>

Notes:

* 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

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						
2001	\$ 1,697,661,754	\$ -	\$ 89,327,769	\$ -	\$ 93,151,178	\$ 20,630,934	\$ 1,859,509,767	\$ 24.29	\$ -	\$ 1,933,870,184	96.15%	
2002	1,712,348,318	-	96,595,767	-	127,579,988	20,580,640	1,915,943,433	25.10	-	2,174,244,906	88.12%	
2003	1,719,510,154	-	82,688,796	-	117,766,454	52,413,176	1,867,552,228	12.85	15.27	2,597,800,538	71.89%	
2004	2,287,770,460	1,048,703,200	82,740,975	22,684,956	120,829,611	69,118,210	3,493,610,992	13.43	15.96	3,493,610,992	100.00%	
2005	2,471,644,000	837,597,500	80,834,657	24,128,568	126,420,029	76,353,633	3,464,271,121	13.72	16.30	4,016,247,021	86.26%	
2006	2,470,649,500	854,054,700	81,894,726	23,351,240	125,903,945	76,973,716	3,478,880,395	14.29	17.00	5,287,898,200	65.79%	
2007	2,510,163,253	834,407,847	86,997,316	22,949,498	138,954,444	81,242,277	3,512,230,081	8.02	11.96	5,169,960,239	67.94%	
2008	4,659,124,549	1,245,531,051	87,315,021	23,293,927	149,567,988	113,777,545	6,051,054,991	8.34	12.44	5,937,277,446	101.92%	
2009	4,709,562,778	1,201,925,122	88,011,158	26,281,325	147,144,534	120,615,344	6,052,309,573	8.67	12.93	6,172,924,917	98.05%	
2010	4,408,295,797	1,241,526,100	114,604,821	-	131,104,659	118,475,513	5,777,055,864	9.52	13.20	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)

	2010			2001		
	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	\$ 55,805,000	1	0.97%	\$ 43,135,000	1	2.30%
One Goat Island	51,826,800	2	0.90%	-		
Newport Restoration Foundation						
Historic Homes own/rent	51,431,000	3	0.89%	17,491,700	3	0.93%
LHO Viking Hotel, LLC	47,092,995	4	0.82%	17,407,800	4	0.93%
RK Newport, LLC	32,227,500	5	0.56%	8,128,350	8	0.43%
Newport Jai Alai, LLC	27,135,400	6	0.47%	7,214,000	9	0.38%
Shaner Hotel Group	23,992,900	7	0.42%	15,279,224	5	0.81%
Narraganset Electric	16,608,862	8	0.29%	12,812,100	6	0.68%
New York Yacht Club	14,018,355	9	0.24%	-		
Oklahoma Newport Limited	12,636,200	10	0.22%	-		
Eastern Resorts Company	-			12,273,205	7	0.65%
H E Newport, LLC	-			36,765,000	2	1.96%
Hammersmith Preservation Assoc.	-			6,060,780	10	0.32%
Total	\$ 332,775,012		5.78%	\$ 176,567,159		9.39%

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
2001	\$ 45,435,317	\$ 43,500,305	95.7%	\$ 1,805,837	\$ 45,306,142	99.7%
2002	47,052,966	45,377,615	96.4%	1,573,791	46,951,406	99.8%
2003	47,892,028	45,366,713	94.7%	1,563,092	46,929,805	98.0%
2004	49,028,731	47,848,444	97.6%	1,077,655	48,926,099	99.8%
2005	50,838,373	48,961,086	96.3%	1,220,567	50,144,380	98.6%
2006	52,053,701	50,818,303	97.6%	1,087,528	51,905,831	99.7%
2007	54,164,573	52,784,152	97.5%	1,287,296	54,071,448	99.8%
2008	56,325,863	55,036,635	97.7%	1,203,430	56,240,065	99.8%
2009	58,617,626	57,082,656	97.4%	1,390,252	58,472,908	99.8%
2010	60,163,158	58,578,657	97.4%	-	58,578,657	97.4%

Source: City of Newport Tax Collector

TABLE 8

CITY OF NEWPORT, RHODE ISLAND
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year June 30,	Governmental Activities		Business-Type Activities		Total	Percentage of Personal Income *	Net Bonded Debt per Capita	Taxable Assessed Value	Net Bonded Debt as % of Taxable Assessed Value
	General Obligation Bonds	QZAB (1)	Water	Water Pollution Control					
			Bonds	Bonds					
2001	\$ 4,948,033	\$ -	\$ 11,035,648	\$ 5,331,321	\$ 21,315,002	0.1700%	\$ 809	\$ 1,859,509,767	1.15%
2002	23,081,549	-	9,617,022	10,228,198	42,926,769	0.0868%	1,634	1,915,943,433	2.24%
2003	22,195,538	1,863,536	8,260,140	15,112,707	47,431,921	0.0823%	1,820	1,867,552,228	2.54%
2004	20,980,000	1,863,536	6,960,000	14,771,329	44,574,865	0.0921%	1,722	3,493,610,992	1.28%
2005	19,950,218	1,863,536	6,104,687	14,161,797	42,080,238	0.1026%	1,661	3,464,271,121	1.21%
2006	18,757,747	1,863,536	5,109,518	13,176,781	38,907,582	0.1180%	1,594	3,478,880,395	1.12%
2007	17,565,277	1,863,536	5,371,324	12,191,492	36,991,629	0.1414%	1,515	3,512,230,080	1.05%
2008	16,377,852	1,863,536	7,098,563	11,267,416	36,607,367	0.1399%	1,500	6,051,054,991	0.60%
2009	15,153,587	1,863,536	7,909,210	10,341,988	35,268,321	Not available	1,445	6,052,309,573	0.58%
2010	18,951,472	1,863,536	8,804,211	11,433,662	41,052,881	Not available	1,682	5,777,055,864	0.71%

Notes:

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

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

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

TABLE 9**CITY OF NEWPORT, RHODE ISLAND****RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(UNAUDITED)**

Fiscal Year June 30,	Governmental Activities			Percentage of Actual Taxable Value of Property *	Percentage of Personal Income	U.S. Census Estimated Population	Per Capita **
	General Obligation Bonds	QZAB	Total				
2001	\$ 4,948,033	\$ -	\$ 4,948,033	0.23%	0.16%	26,345	\$ 187.82
2002	23,081,549	-	23,081,549	1.06%	0.72%	26,269	878.66
2003	22,195,538	1,863,536	24,059,074	0.93%	0.72%	26,059	878.66
2004	20,980,000	1,863,536	22,843,536	0.65%	0.65%	25,879	878.66
2005	19,950,218	1,863,536	21,813,754	0.54%	0.59%	25,340	923.25
2006	18,757,747	1,863,536	20,621,283	0.39%	0.54%	24,409	882.71
2007	17,565,277	1,863,536	19,428,813	0.38%	0.47%	24,409	860.84
2008	16,377,852	1,863,536	18,241,388	0.31%	0.44%	24,409	844.82
2009	15,153,587	1,863,536	17,017,123	0.28%	Not Available	24,409	795.97
2010	18,951,472	1,863,536	20,815,008	0.36%	Not Available	24,409	747.32

Notes:

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

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

* See Schedule 5 for property value data.

** Population data can be found in Schedule 12.

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

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Total assessed value	\$ 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	\$ 5,895,531,377
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%
Debt limit	<u>56,303,596</u>	<u>56,599,262</u>	<u>106,881,876</u>	<u>103,928,134</u>	<u>106,675,623</u>	<u>107,804,171</u>	<u>184,944,976</u>	<u>184,048,472</u>	<u>185,187,748</u>	<u>176,865,941</u>
Debt applicable to limit:										
General obligation bonds	<u>4,948,033</u>	<u>23,081,549</u>	<u>24,059,074</u>	<u>22,843,536</u>	<u>21,813,754</u>	<u>20,621,283</u>	<u>19,428,813</u>	<u>18,241,388</u>	<u>17,017,123</u>	<u>20,815,008</u>
Legal debt limit	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	176,865,941
Total net debt applicable to the limit	<u>4,948,033</u>	<u>23,081,549</u>	<u>24,059,074</u>	<u>22,843,536</u>	<u>21,813,754</u>	<u>20,621,283</u>	<u>19,428,813</u>	<u>18,241,388</u>	<u>17,017,123</u>	<u>20,815,008</u>
Legal debt margin	<u>\$ 51,355,563</u>	<u>\$ 33,517,713</u>	<u>\$ 82,822,802</u>	<u>\$ 81,084,598</u>	<u>\$ 84,861,869</u>	<u>\$ 87,182,888</u>	<u>\$ 165,516,163</u>	<u>\$ 165,807,084</u>	<u>\$ 168,170,625</u>	<u>\$ 156,050,933</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>9.63%</u>	<u>68.86%</u>	<u>29.05%</u>	<u>28.17%</u>	<u>25.71%</u>	<u>23.65%</u>	<u>11.74%</u>	<u>11.00%</u>	<u>10.12%</u>	<u>13.34%</u>

TABLE 11

CITY OF NEWPORT, RHODE ISLAND

**PLEDGED 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	
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
2010	10,466,106	7,241,885	3,224,221	1,362,914	368,855	1.86	7,951,054	5,507,303	2,443,751	977,313	567,363	1.58

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 <
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	*	51,224	4,133,741	43,468,678	2,208	6.2%
2009	24,409	*	Not Available	Not Available	Not Available	2,134	9.9%
2010	24,409	*	Not Available	Not Available	Not Available	2,132	9.7%

* 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)

2010				2001			
Employer	Employees	Rank	Percentage of Total City Employment	Employees	Employees	Rank	Percentage of Total City Employment
Naval Undersea Warfare Center	3,000	1	26.5%	Naval Undersea Warfare Center	2,939	1	21.7%
Naval Education and Training Center (NETC)	950	2	8.4%	Newport Hospital	933	2	6.9%
Newport Health Care Corp.	700	3	6.2%	Naval Education and Training Center (NETC)	771	3	5.7%
City of Newport	680	4	6.0%	City of Newport	765	4	5.6%
James L. Maher Center	650	5	5.7%	Salve Regina University	500	5	3.7%
Salve Regina University	450	6	4.0%	Newport Islander Doubletree Hotel	330	6	2.4%
Preservation Society of Newport County	300	7	2.6%	Newport Marriott Hotel	300	7	2.2%
Marriott International Inc.	300	8	2.6%	Child & Family Services of Newport County	260	8	1.9%
Child & Family Services of Newport County	290	9	2.6%	Naval War College	250	9	1.8%
BankNewport	275	10	2.4%	The Stop & Shop Co., Inc.	225	10	1.7%
Total	7,595		67.0%	Total	7,273		53.6%

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									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General government										
Mayor and Council	7	7	7	7	7	7	7	7	7	7
City Manager	3	3	5	5	5	5	6	6	5.5	5.5
City Solicitor	4	3	3	3	3	3.5	3.5	3.5	3.5	3.5
Canvassing	2	2	2	2	2	2	2	2	2	2
Finance	29	29	22	22	22	21	21	23	22	22
City Clerk			6	6	6	6	6	6	6	6
Administrative services			17	17	17	17	18	n/a	n/a	n/a
Planning	16	16	12	12	12.5	13.5	13	13	13	13
Total General Government	61	60	74	74	74.5	75	76.5	60.5	59	59
Public safety:										
Police	111	111	114.5	114.5	114.5	114.5	111.5	111.5	111.5	104.5
Fire	98	98	99	99	99	99	99	99	99	99
	209	209	213.5	213.5	213.5	213.5	210.5	210.5	210.5	203.5
Public health:										
Public works	24	24	18.6	18.6	18.6	18.6	18.6	39	40	40
Water	43	44	46	45.7	45.7	46.3	46.3	46.4	46.4	46.4
Wastewater	0.7	0.7	0.7	0.7	0.7	1.1	1.1	1.6	1.6	1.6
	67.7	68.7	65.3	65	65	66	66	87	88	88
Public welfare:										
Recreation and parks	19	19	19	19	19	19	16.28	4	4	4
Public education:										
Teachers	234	213	228	227	219	219	219	210	201	197.5
Pupil support	71	74	73	75	64	64	64	62	60	58.5
Executive and administrative	90	88	90	90	90	90	90	76	74	69
	395	375	391	392	373	373	373	348	335	325
Total	751.7	731.7	762.8	763.5	745	746.5	742.28	710	696.5	679.5

Source: City budgets

CITY OF NEWPORT, RHODE ISLAND
OPERATING INDICATORS BY FUNCTION/PROGRAM
(UNAUDITED)

TABLE 15

<u>Function/Program</u>	<u>2004*</u>	<u>2005</u>	<u>Fiscal Year 2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Police:							
Arrests	1,649	1,837	1,789	1,599	1,943	1,777	1,723
Parking violations	38,273	34,775	50,623	39,423	39,968	40,962	35,535
Calls for Service	39,186	38,310	36,465	33,597	34,015	35,677	30,058
Fire:							
Emergency responses	3,838	3,653	3,959	5,079	5,625	5,891	3,675
Fires extinguished	144	107	95	102	116	78	109
Inspections	250	385	1,338	1,681	1,151	948	1,414
Refuse collection:							
Refuse collected (tons/day, average)	21.71	30.92	33.17	30.99	29.66	29.30	28.22
Recyclables collected (tons/day, aver	6.43	8.31	9.32	8.63	8.91	8.94	8.66
Other public works:							
Street resurfacing (miles)	4.4	2.9	0.9	1.4	1.92	1.90	4.2
Parks and recreation:							
Athletic field rentals	47	25	22	38	87	309	325 ***
Library:							
Volumes in collections	143,965	186,605	189,727	189,405	205,914	211,767	167,209 ****
Water:							
New connections	91	96	69	148	57	35	30
Water mains breaks	20	16	23	32	31	25	35
Average daily production (avail for sale) (million gallons per day)	7.54	7.11	6.99	6.69	6.87	6.93	6.65
Wastewater:							
Average daily sewage treatment (thousands of gallons)	9,700	10,900 **	9,872	9,800	7,820	10,000	11,100

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 Cardine's Field by sunset league and also 2-hr field use rentals for various practices/functions.

**** The bulk of the difference is back issues of periodicals that were discarded

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>	<u>Fiscal Year 2010</u>
Police:							
Stations	1	1	1	1	1	1	1
Patrol units	86	86	86	86	86	86	79
Fire stations	3	3	3	3	3	3	3
Public works:							
Streets (miles)	94	94	94	94	94	94	94
Streetlights	1,976	1,976	1,976	1,976	1,976	1,974	1,974
Traffic signals	5	5	5	5	5	5	5
Parks and recreation:							
Acreage	15	15	15	15	15	15	15
Playgrounds	13	13	13	13	13	13	13
Multi purpose playing fields	7	7	7	7	7	7	7
Tennis courts	18	18	18	18	18	18	18
Community centers	1	1	1	1	1	1	1
Water:							
Water mains (miles)	162	162	162	163	163	163	163
Fire hydrants	975	983	987	996	999	999	1,034
Storage capacity (thousands of gallons-treated)	10,500	10,500	10,500	10,500	10,500	10,500	10,500
Wastewater:							
Sanitary sewers (miles)	88	88	88	88	88	88	88
Storm sewers (miles)	46	46	46	46	46	46.5	46.5
Treatment capacity (thousands of gallons) (daily)	10,700	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