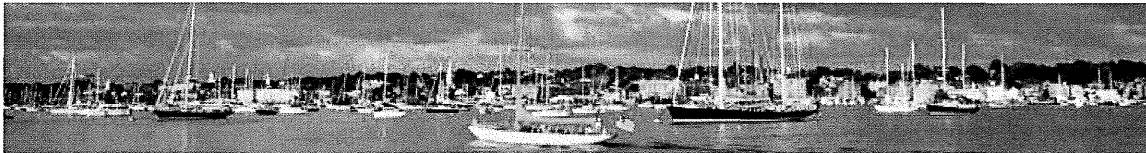


**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

of the

**CITY OF NEWPORT,
RHODE ISLAND**



FOR THE YEAR ENDED

JUNE 30, 2012

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, 2012

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Introductory Section



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

December 28, 2012

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, 2012.

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 CohnReznick 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, 2012 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, 2012, 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 25,000, 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 unit. 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 The Newport Public Library as a component unit. Additional information on this agency can be found in Note I in the notes to the financial statements.

The annual budget serves as the foundation for the City's financial planning and control. All departments, the Newport Public Schools and the Newport Public Library are required to submit requests for appropriations to the City Manager by May 14th of each year. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents the proposed budget to the City Council for review no later than 45 days prior to June 30. The Council is required to hold 2 public hearings on the proposed budget and to adopt a final budget no later than June 30, the close of the City's fiscal year. The appropriated budget is prepared by fund, function (e.g. public safety) and department. Department heads may make transfers of appropriations within a department with City Manager approval. Transfers of appropriations between departments, however, require the approval of the City Council. Budget-to-actual comparisons are provided in this report for the City's general operating fund and the school general operating 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 in 2010 (latest available data) for Newport County is \$50,259 compared to \$41,995 and \$36,284 for Rhode Island and the United States, respectively. The unemployment rate is 8.2% compared to the state unemployment rate of 10.4%. The median selling price of an existing home in 2011 is \$317,500, an amount that has remained flat in the last 24 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 in 2012 and is expected to continue to grow.

Long-term financial planning

The City was awarded a federal grant in FY2011 to help evaluate redevelopment options for excessed Navy property including the old naval hospital. A separate island-wide commission has been established to develop plans for the excessed property. The City administration and Council are also evaluating ideas for renovation in the Broadway and Long-Wharf areas. These renovation and development initiatives include plans to address parking and traffic issues.

Long-term financial planning 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. The City has begun the design and build of a replacement Lawton Valley Water Treatment Plant and significant long-term improvements to the Station 1 Water Plant in order to comply with new federal drinking water standards. The cost associated with this project is approximately \$85MM.

The City has developed a long-term master plan for Combined Sewer Overflow (CSO), and has undertaken and financed several capital projects in the last few years. Total costs related to the best and most likely options in the master plan at this time are estimated to be \$100 million spread over 30 years. Funds will likely come from a variety of sources including state subsidized revenue bonds, grants, and rates. The City is also in the process of building a new elementary school on the site of an existing school. The proposed cost is \$30MM. It is anticipated that there will be operational savings in the future because all elementary schools (4) will be consolidated into the new school.

Financial Policies

The City has a set of Council approved financial policies that were developed to ensure that financial resources are well managed and available to meet the present and future needs of the citizens of the City of Newport. Financial policies have impacted decisions in both the year under audit (FY2012) and future years.

One key policy is that budgets must balance which means that budgeted current revenues must be equal to or greater than budgeted current expenditures in governmental funds; and revenues and other sources of cash must equal expenditures and other uses of cash in the enterprise funds. In conjunction with this is a policy that revenues must be increased or expenditures decreased in the same fiscal year that deficits appear. A third budget policy states that significant one-time revenues shall only be used for one-time expenditures.

The City Council is required by law to adopt balanced budgets although at times fund balance is appropriated for a specific use. Fund balances were appropriated in the school general operating fund, the maritime fund, and the parking fund in FY2012. The school committee appropriates fund balance in order to balance the school budget; however, they often do not use most of the appropriated fund balance.

Other financial policies deal with debt. These policies state that annual general fund debt service expenditures shall be less than 9% of annual general fund expenditures. The actual general fund debt service expenditures were significantly less than 9%.

A second debt policy says that the term of any bond issue shall not exceed the useful life of the capital project/facility or equipment for which the borrowing is intended. The City borrowed money during FY2012 to fund water capital improvements and to build the new elementary school. The amortization of the bond is less than the expected useful life of the improvements.

There are reporting compliance policies that require the City administration to provide budget to actual reports to the City Council on a monthly basis and to provide quarterly budget, actual and projected revenues and expenditures to the State Office of Municipal Affairs. The City administration complied with these policies during FY2012.

Pension and other postemployment benefits

The City sponsors two single-employer defined benefit pension plans for police and fire employees. Each year, an independent actuary engaged by the pension plans calculates the amount of the annual contribution that the City must make to the pension plans to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As a matter of policy, the City fully funds each year's annual required contributions to the pension plans as determined by the actuary. The City also fully funds the calculation by the actuary of the annual amortization of the unfunded actuarially accrued liability. The liability is being amortized over a closed 30-year period. The City is in the 20th year (declining to 1). The plans are currently funded at 40% for the fire plan and 57% for the police plan.

The City provides pension benefits for its non-public safety employees (except teachers) through a state-wide plan managed by the State Treasurer. Newport teachers are members of the State of Rhode Island Employee Retirement System. State-hired actuaries determine the funding level and unfunded actuarially accrued liability for each individual participating employer. The City is 65% funded in the State's municipal employees' retirement plan. The State of Rhode Island General Assembly recently enacted legislation that significantly changes the pension plan for participants in the State Municipal Employees Plan and the State Teachers Plan. The changes are expected to reduce the long-term liability by about 50%. These changes are reflected in the June 30, 2012 footnotes and required supplementary information.

The City 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, 2012, 714 retirees were eligible to receive health insurance benefits, which are currently financed on a pay-as-you-go basis. The actuarial calculation of the combined municipal and school liability as of June 30, 2012 is \$147MM. 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 \$23MM have been accumulated as of June 30, 2012. Benefits will not be paid from the trust until such time as City management feels that sufficient assets are available to begin paying benefits. Retiree benefits and various options are currently being studied in order to reduce the liability.

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

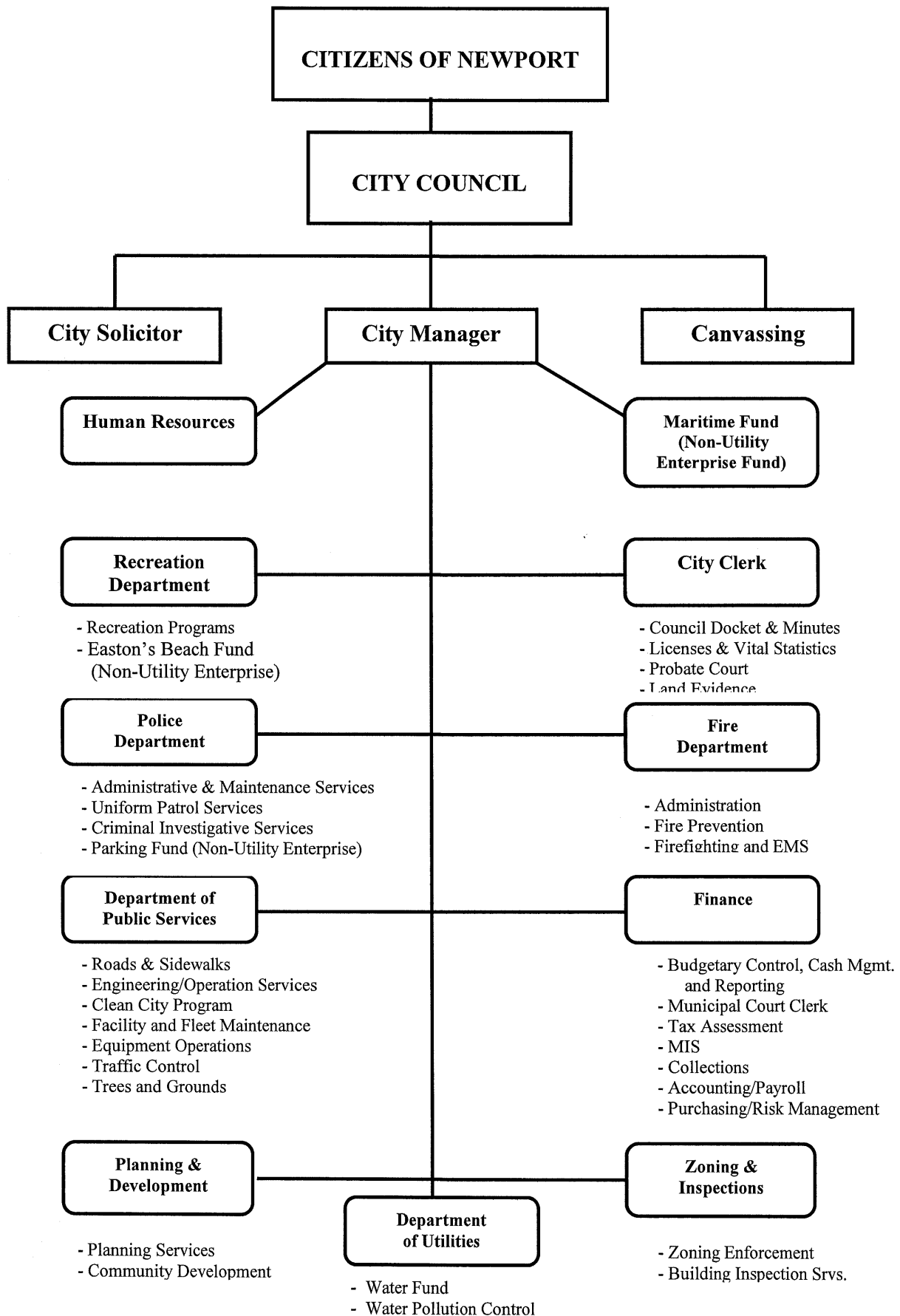
The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance department. We would like to express our appreciation to all members of the department. Credit also must be given to the Mayor and City Council for their unfailing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

Respectfully submitted,

A handwritten signature in cursive script, reading "Laura L. Sitrin".

Laura L. Sitrin, CPA
Director of Finance

THE CITY OF NEWPORT, RI



CITY OF NEWPORT, RHODE ISLAND

PRINCIPAL ELECTED AND APPOINTED OFFICIALS

Elected Officials:

Honorable Stephen C. Waluk
Charles Y. Duncan
Justin S. McLaughlin
Kathryn E. Leonard
Henry F. Winthrop
Jeanne Marie Napolitano
Naomi L. Neville
Patrick K. Kelley
Thomas S. Phelan
Dr. Charles P. Shoemaker
Rebecca Bolan
Sandra J. Flowers, Ph.D.
Robert J. Leary
Jo Eva Gaines

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
School Committee
School Committee/Vice Chair
School Committee
School Committee
School Committee

Principal Appointed Officials:

Edward F. Lavallee
Laura L. Sitrin, CPA
John H. Ambrogi, Ed.D.
John Miley
Joseph J. Nicholson Jr.
Julia Forgue
William Riccio
Paige Bronk
Gary Silva
Peter Connerton

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

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, 2011

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.



Christopher P. Morill

President

Jeffrey R. Emer

Executive Director

Financial Section

INDEPENDENT AUDITORS' REPORT

Members of the City Council
City of Newport, Rhode Island

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Newport, Rhode Island, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the 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 the 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 unit, each major fund and the aggregate remaining fund information of the City of Newport, Rhode Island, as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the general 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 28 2012, 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 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 the Schedules of Funding Progress and Employer Contributions - City of Newport Retirement System and Other Post-Employment Benefit Plan on Pages 11 through 23 and Pages 90 through 92, respectively, 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 of Newport, Rhode Island's financial statements as a whole. The introductory section, supplemental schedules and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The supplemental 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.

CohnReznick LLP

New London, Rhode Island
December 28, 2012



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2012

As management of the City of Newport, we offer readers of the City of Newport's financial statements this narrative overview and analysis of the financial activities of the City of Newport for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the Introductory section of this report.

Financial Highlights

- The assets of the City of Newport exceeded its liabilities at the close of the most recent fiscal year by \$194,043,485 (*net position*).
- The government's net position increased by \$17,668,171. Governmental activities' net position increased by \$6,586,126 due primarily to increases in capital grant revenues and property taxes and a decrease in expenses. Business-type activities had an increase of \$11,082,045 in net position due to rate increases in the water and water pollution control departments, along with the receipt of significant capital grants.
- At June 30, 2012, the City of Newport's governmental funds reported a combined ending fund balance of \$31,769,483, an increase of \$5,563,340 in comparison to the prior year fund balance that is in large part due to the receipt of bond anticipation note proceeds. Of the total fund balance, \$20,781,961 (65%) is either nonspendable, restricted or committed, leaving \$10,987,522 as available for spending at the City's discretion (assigned and unassigned fund balance).
- At the end of the current fiscal year, total fund balance for the general fund was \$11,636,405, or 12.54% of total general fund expenditures and net other financing uses. The general fund total fund balance is split between the control of the City Council and the School Committee. The City's general fund balance is \$9,284,049, or 12.0% of city operating expenditures and other financing uses. The School's fund balance is \$1,416,943.
- The City of Newport's long-term liabilities net increase of \$15,665,833 (19%) was attributable to issuing a bond anticipation note that has met the criteria of long-term debt in the governmental activities and the issuance of additional debt in the water and water pollution control funds.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-Wide Financial Statements (Continued)

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

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

The government-wide financial statements include not only the City of Newport itself (known as the primary government), but also a legally separate public library for which the City of Newport is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself. Complete financial statements for the Newport Public Library are available from the Library upon request.

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

Fund Financial Statements

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

Governmental funds

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

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

The City of Newport maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund (made up of four funds, including the City's General Fund, the School Unrestricted Fund, the Property Acquisition Fund and the Gift Fund), the Community Development Block Grant Fund, the Capital Projects Fund and the Permanent Fund, all of which are considered to be major funds. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for the combined General Fund is included on Schedules 3 and 4 of this report. Individual fund data for each of the nonmajor governmental funds is included on Schedules 7 and 8 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Fund Financial Statements (Continued)

The City of Newport adopts an annual budget for its General Fund and its School Unrestricted Fund. Budgetary comparison statements have been provided for the General Fund and the School Unrestricted Fund to demonstrate compliance with their budgets. The basic governmental fund financial statements can be found on Exhibits C and D of this report.

Proprietary funds

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Utilities Fund and for the Water Pollution Control operation, both of which are considered to be major funds of the City of Newport. The Parking Operations Fund, Maritime Fund and Beach Fund are combined into a single, aggregated presentation in the proprietary fund financial statements. The internal service fund is presented separately in the proprietary fund financial statements.

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

Fiduciary funds

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

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

Notes to the basic financial statements

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

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

Other information

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Newport, assets exceeded liabilities by \$194,043,485 at the close of the most recent fiscal year.

By far the largest portion of the City of Newport's net position (79%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Newport uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Newport's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Newport's Net Position

	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 49,622,148	\$ 43,457,631	\$ 28,057,184	\$ 15,617,644	\$ 77,679,332	\$ 59,075,275
Capital assets	90,306,013	83,321,959	149,863,953	140,250,089	240,169,966	223,572,048
Total assets	139,928,161	126,779,590	177,921,137	155,867,733	317,849,298	282,647,323
Long-term liabilities	42,996,667	37,974,674	54,586,618	43,942,778	97,583,285	81,917,452
Other liabilities	13,908,672	12,182,895	12,313,856	11,986,337	26,222,528	24,169,232
Total liabilities	56,905,339	50,157,569	66,900,474	55,929,115	123,805,813	106,086,684
Net assets:						
Invested in capital assets, net						
of related debt	65,841,497	62,576,195	87,882,885	91,514,668	153,724,382	154,090,863
Restricted	9,632,153	9,537,541	19,534,998	9,173,231	29,167,151	18,710,772
Unrestricted	7,549,172	4,508,285	3,602,780	(749,281)	11,151,952	3,759,004
Total net position	\$ 83,022,822	\$ 76,622,021	\$ 111,020,663	\$ 99,938,618	\$ 194,043,485	\$ 176,560,639

An additional portion of the City of Newport's net position (15%) represents resources that are restricted by external parties.

The City's net position increased by \$17,668,171 during the current fiscal year. Several factors contributed to this increase. A reduction of \$1.1 million in operating grants for education was offset by an increase of \$6.3 million in capital grants, primarily for roads, water pollution control system improvements, seawall repairs and the renovation of the lower floor of the armory building into a boating visitor's center. The FY2012 total tax levy increase was 4.13% leading to an increase of \$2.7 million in property and motor vehicle taxes. The sewer fund had a rate increase of 15% and the water fund had a mid-year rate increase of 22.5%. There was a significant reduction of \$1.3 million in investment income because of unrealized losses in the permanent fund. Finally, expenses decreased overall by \$3.9 million.

Governmental Activities

Governmental activities net position increased by \$6,586,126. A comparison of FY2012 and FY2011 activity can be found on the next page which indicates an increase in property tax revenue of \$2.8 million, an increase in capital grants of \$1.9 million and decrease in expenses of \$3.2 million. The reduction in expenses includes budgeted reductions in education and public safety. Public safety also had a decrease in their share of the OPEB obligation of \$1.3 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

City of Newport's Changes in Net Position

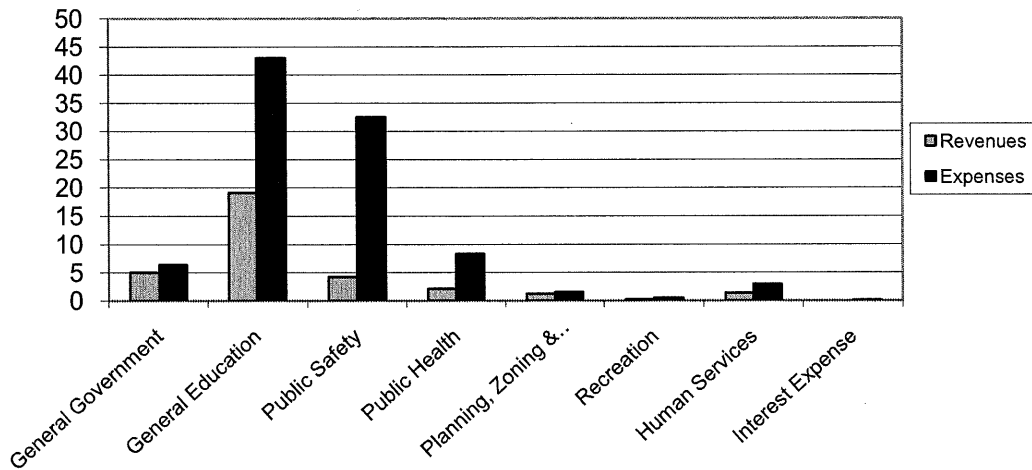
	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 10,629,484	\$ 10,127,069	\$ 29,147,151	\$ 24,122,942	\$ 39,776,635	\$ 34,250,011
Operating grants and contributions	20,050,143	21,164,485	-	-	20,050,143	21,164,485
Capital grants and contributions	2,423,972	551,913	4,494,396	78,856	6,918,368	630,769
General revenues:						
Property taxes	67,296,737	64,518,899	-	-	67,296,737	64,518,899
Grants and contributions not restricted to specific programs	1,353,015	1,257,171	-	-	1,353,015	1,257,171
Investment income	692,470	2,014,016	63,198	39,502	755,668	2,053,518
Total revenues	102,445,821	99,633,553	33,704,745	24,241,300	136,150,566	123,874,853
Expenses:						
General government	6,449,503	6,197,935	-	-	6,449,503	6,197,935
General education	42,960,456	43,124,023	-	-	42,960,456	43,124,023
Public safety	32,531,976	35,191,714	-	-	32,531,976	35,191,714
Public health	8,306,613	8,240,164	-	-	8,306,613	8,240,164
Planning, zoning and development	1,510,493	1,744,516	-	-	1,510,493	1,744,516
Recreation and parks	477,422	753,272	-	-	477,422	753,272
Human services	2,887,012	3,207,552	-	-	2,887,012	3,207,552
Interest expense	761,420	626,020	-	-	761,420	626,020
Water department	-	-	9,527,155	10,528,183	9,527,155	10,528,183
Water pollution control	-	-	10,123,815	10,114,458	10,123,815	10,114,458
Nonmajor business-type	-	-	2,946,530	2,718,580	2,946,530	2,718,580
Total expenses	95,884,895	99,085,196	22,597,500	23,361,221	118,482,395	122,446,417
Increase in net position	6,560,926	548,357	11,107,245	880,079	17,668,171	1,428,436
Transfers	25,200	-	(25,200)	-	-	-
Change in net position	6,586,126	548,357	11,082,045	880,079	17,668,171	1,428,436
Net position, restated, July 1	76,436,696	76,073,664	99,938,618	99,058,539	176,375,314	175,132,203
Net position, June 30	\$ 83,022,822	\$ 76,622,021	\$ 111,020,663	\$ 99,938,618	\$ 194,043,485	\$ 176,560,639

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

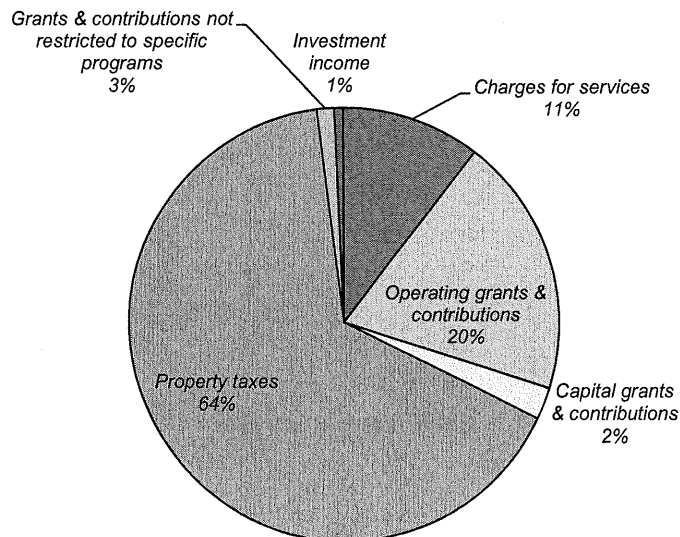
Government-Wide Financial Analysis (Continued)

Governmental Activities (continued)

**Expenses and Program Revenues -
Governmental Activities**



Revenues by Source - Governmental Activities



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

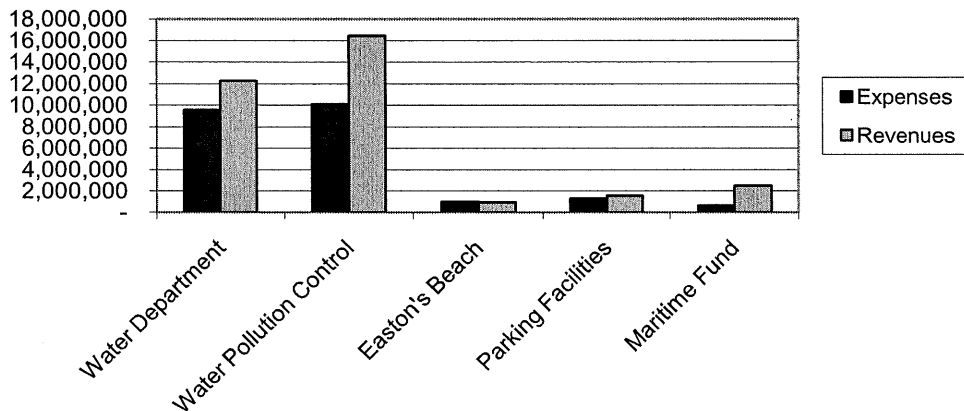
Government-Wide Financial Analysis (Continued)

Business-type activities

Business-type activities' net position increased by \$11,082,045. The increase is due to an increase in water pollution control fees of 15%, a mid year increase in water rates of 22.5%, and an increase in capital grants of \$4.5 million. The rate increases in both the water and water pollution control funds are to generate monies to pay debt service related to major projects. The Water Fund major project is for \$85 million to rebuild the Lawton Valley Treatment Plant and make major improvements to the Newport Station 1 water treatment plant. The Water Pollution Control Fund has major projects related to main replacements and repairs, sanitary sewer upgrades, stormwater upgrades and to eliminate discharges into the harbor from combined sewer overflows (CSO's). A recent system plan estimates the cost of the CSO eliminations at \$100 million to be spread over the next 30 years. The grants were primarily to finance the construction of an ultra-violet treatment facility to treat water flowing from Easton's moat into Easton's beach, and to finance the renovation and construction of a maritime center for boaters.

The Water Fund had net income of \$2,760,197 for the year ended June 30, 2012, the Water Pollution Control Fund had net income of \$6,317,777, and the non-major proprietary funds had net income of \$2,004,071.

Expenses and Program Revenues - Business-type Activities



Financial Analysis of the City's Funds

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

Governmental funds

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis of the City's Funds (Continued)

Governmental funds (continued)

As of the end of the current fiscal year, the City of Newport's governmental funds reported combined ending fund balances of \$31,769,483, an increase of \$5,563,340 in comparison with the prior year fund balance. Much of the total combined ending fund balance amount (\$20,781,961) constitutes fund balance that is either nonspendable, restricted by outside legal sources or committed for capital or contractual purposes. An additional \$869,960 of the fund balance is assigned by the City Council and the balance of \$10,117,562 is unassigned, which is available for spending at the government's discretion.

The General Fund is the combined operating general fund of the City of Newport and the operating general fund of the Newport Public Schools. Two smaller funds are combined into the General Fund as well. They include the property acquisition fund and a gift fund. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$10,146,290, while total fund balance was \$11,636,405. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and transfers out. Unassigned fund balance represents 10.9% of total General Fund expenditures and transfers, while total fund balance represents 12.5% of that same amount.

The general operating fund of the City under the control of the City Council is \$9,284,049 which is 12.0% of City operating expenditures and other financing uses. The general operating fund of the Newport Public Schools is under the control of the elected School Committee. That fund balance is \$1,416,943. It is not particularly meaningful to compare the school general fund balance to school expenditures.

The fund balance of the City's operating general fund under the control of the City Council increased by \$679,761 (not including the property acquisition fund and gifts fund) due to a tax rate increase in FY2012 and expenditures that were lower than budgeted. The fund balance of the Newport Schools under the control of the School Committee decreased by \$155,732 due to less federal aid than anticipated. The table on the next page shows the comparison of revenues and expenditures in the General Fund between FY2012 and FY2011. The property acquisition fund and gift fund were combined with the City's general operating fund for purposes of this comparison since they are both under the control of the City Council.

There was an overall increase in City general operating fund revenues of \$2,825,840 from the prior year due to an increase in property tax rates. School charges for services, contributions, and other revenues were all combined into other revenues in FY2011.

The School general operating fund expenditures decreased from the prior year by \$1,454,544 due to budgeted decreases. The School had anticipated using \$1,370,211 of fund balance during FY2012 but only used \$155,732.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis of the City's Funds (Continued)

Governmental funds (continued)

**City and School General Funds Comparison
Combining Statement of Revenues, Expenditures and Changes in Fund Balances**

	City General Fund		School General Fund	
	2012	2011	2012	2011
Local Taxes	\$ 67,395,943	\$ 64,411,792	\$ -	\$ -
Intergovernmental Revenues	2,081,897	2,024,875	14,147,313	14,358,350
Charges for Services	7,940,878	8,447,422	730,112	-
Contributions	293,239	-	126,771	-
Other Revenues	384,474	386,502	59,564	897,140
Total Revenues	78,096,431	75,270,591	15,063,760	15,255,490
Total Expenditures	53,279,689	53,150,983	37,783,649	39,238,193
Other Financing Sources (Uses)	(24,266,364)	(23,529,298)	22,564,157	24,109,967
Net Change in Fund Balances	550,378	(1,409,690)	(155,732)	127,264
Fund Balance, Beginning	9,669,084	11,078,774	1,572,675	1,445,411
Fund Balance, Ending	\$ 10,219,462	\$ 9,669,084	\$ 1,416,943	\$ 1,572,675

	Combined	
	2012	2011
Local Taxes	\$ 67,395,943	\$ 64,411,792
Intergovernmental Revenues	16,229,210	16,383,225
Charges for Services	8,670,990	8,447,422
Contributions	420,010	-
Other Revenues	444,038	1,283,642
Total Revenues	93,160,191	90,526,081
Total Expenditures	91,063,338	92,389,176
Other Financing Sources (Uses)	(1,702,207)	580,669
Net Change in Fund Balances	394,646	(1,282,426)
Fund Balance, Beginning	11,241,759	12,524,185
Fund Balance, Ending	\$ 11,636,405	\$ 11,241,759

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis of the City's Funds (Continued)

Governmental funds (continued)

The Community Development Block Grant Fund had a decrease of fund balance of \$223,622 which is due to timing differences between grant revenues and expenditures.

The Permanent Fund had a decrease in fund balance of \$110,537 due to net results from market returns.

The Capital Projects Fund had an increase in fund balance of \$4,849,136 that is primarily the result of timing differences between bond anticipation note proceeds of \$9,000,000 for construction of the new elementary school and actual expenditures as of June 30, 2012.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were due to budgetary carryovers from fiscal year 2011 of \$1,157,238.

Proprietary funds

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

Unrestricted net position of the Water Fund at the end of the year amounted to a deficit of (\$1,708,729) while restricted net position was \$11,354,929 and net position invested in capital assets, net of related debt was \$32,779,301. The Rhode Island Public Utilities Commission sets rates at a level that allows revenues to the extent that they cover approved operating, debt service and capital expenditures. The rates do not allow for reserves, thus any unforeseen expense is covered by curbing operating and maintenance expenses.

Unrestricted net position of the Water Pollution Control Fund at the end of the year amounted to \$1,021,375 which is an increase from the prior year of \$3,012,398. Much of the revenue in the Water Pollution Control Fund is to fund future debt service related to capital improvements. Cash is restricted in the Water Pollution Control Fund because it is subject to debt covenant requirements. Most of the Water Pollution Control Fund net position is restricted, held in trust or invested in capital assets, net of related debt.

The Parking Fund had unrestricted net position of \$3,054,499; the Maritime Fund had unrestricted net position of \$1,204,662, and the Easton's Beach Fund had unrestricted net position of \$30,973. The total growth in net position for the Water Fund was \$2,760,197; for the Water Pollution Control Fund \$6,317,777; for the parking operations fund \$256,944; for the Maritime Fund \$1,738,808 and for Easton's Beach \$8,319. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Newport's business-type activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis of the City's Funds (Continued)

Capital Asset and Debt Administration

Capital assets

The City of Newport's investment in capital assets for its governmental and business-type activities as of June 30, 2012 is \$240,169,966 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and systems, machinery and equipment, vehicles, infrastructure and construction in progress. There was a total increase in the City of Newport's investment in capital assets for the current fiscal year of 7.4%. Individually, governmental activities had an 8.4% increase and business-type activities had a 6.9% increase.

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

- \$4,435,418 was spent on road and sidewalk reconstruction and improvements.
- \$591,178 was spent on seawall repairs, parks and recreation facilities.
- \$4,327,470 was spent on the new Pell Elementary School
- \$2,080,550 was spent on Easton's Beach, parking and public pier and boating center improvements.
- \$10,079,988 was spent on water treatment plants, water infrastructure, and mains.
- \$2,817,322 was spent on combined sewer overflow and other water pollution control issues.

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

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 4,920,148	\$ 4,920,148	\$ 6,492,359	\$ 6,492,359	\$ 11,412,507	\$ 11,412,507
Construction in progress	6,178,545	1,404,700	12,280,198	4,133,403	18,458,743	5,538,103
Buildings & systems	33,175,042	33,344,412	129,852,026	128,325,225	163,027,068	161,669,637
Machinery & equipment	3,060,851	3,400,353	709,152	747,130	3,770,003	4,147,483
Vehicles	2,486,103	2,728,914	530,218	551,972	3,016,321	3,280,886
Infrastructure	40,485,324	37,523,432	-	-	40,485,324	37,523,432
Total	\$ 90,306,013	\$ 83,321,959	\$ 149,863,953	\$ 140,250,089	\$ 240,169,966	\$ 223,572,048

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis of the City's Funds (Continued)

Capital Asset and Debt Administration (Continued)

Long-term debt

At the end of the current fiscal year, the City of Newport had total bonded debt outstanding of \$74,701,429. Of this amount, \$18,407,430 comprises debt backed by the full faith and credit of the government. The remainder of the City of Newport's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

	General Obligation and Revenue Bonds					
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
General Obligation Bonds	\$ 18,025,361	\$ 19,781,572	\$ 382,069	\$ 930,858	\$ 18,407,430	\$ 20,712,430
Revenue Bonds	-	-	56,293,999	44,269,492	56,293,999	44,269,492
Total	\$ 18,025,361	\$ 19,781,572	\$ 56,676,068	\$ 45,200,350	\$ 74,701,429	\$ 64,981,922

The City of Newport's total bonds increased by \$9,719,507 (15%) during the current fiscal year. The increase was the result of \$13,715,603 in revenue bond drawdowns offset by principal payments of \$2,239,885.

The City of Newport maintains an "AA" rating from Standard and Poor for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may have outstanding to 3% of its assessed property values. The current debt limitation for the City is \$177,019,152, which is significantly in excess of the City's outstanding general obligation debt.

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

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City of Newport is currently 8.2%, which is a decrease of .4% from a rate of 8.6% a year ago. This is less than the state's unemployment rate of 10.4% but more than the federal unemployment rate of 7.9% in October 2012.
- The occupancy rate of the government's central business district is about 98% during the summer tourist season (May through October) and 65% in the remaining months. That is an increase during the summer tourist season from the previous year.
- Inflationary trends in the region follow national indices.

All of these factors were considered in preparing the City of Newport's budget for the 2013 fiscal year.

Fund balance in the City's general operating fund at June 30, 2012 is \$9,284,049 or 12% of City general operating fund expenditures, which is above the City's fiscal policy of maintaining 10% of total General Fund expenditures and transfers out as a reserve.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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

The Water Pollution Control Fund's rates did not increase in FY2013 for either usage based on volume or on the fixed fee designated for combined sewer overflow issues. The Water Fund rates are controlled and set by the Rhode Island Public Utilities Commission. A rate increase was approved effective December 1, 2011 of 22.5%. Rates in both funds are increasing to pay for required capital improvements.

Requests for Information

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

**Basic
Financial
Statements**

CITY OF NEWPORT, RHODE ISLAND

STATEMENT OF NET POSITION
JUNE 30, 2012

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	NEWPORT PUBLIC LIBRARY
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 17,534,482	\$ 3,361,247	\$ 20,895,729	\$ 542,764
Investments	8,952,704	1,194,088	10,146,792	708,423
Receivables (net)	5,912,690	4,391,883	10,304,573	95,214
Internal balances (advances)	855,268	(855,268)	-	-
Inventories	18,177	317,336	335,513	-
Prepaid expenses	649,728	211,900	861,628	11,181
Total current assets	33,923,049	8,621,186	42,544,235	1,357,582
Noncurrent assets:				
Restricted assets:				
Temporarily restricted cash and cash equivalents	-	19,435,998	19,435,998	-
Permanently restricted investments	8,151,166	-	8,151,166	-
Receivables (net)	1,222,677	-	1,222,677	-
Net pension asset	6,325,256	-	6,325,256	-
Capital assets not being depreciated	11,098,693	18,772,557	29,871,250	-
Capital assets (net of accumulated depreciation)	79,207,320	131,091,396	210,298,716	4,616,729
Total noncurrent assets	106,005,112	169,299,951	275,305,063	4,616,729
TOTAL ASSETS	139,928,161	177,921,137	317,849,298	5,974,311
LIABILITIES				
Current liabilities:				
Accounts payable	4,063,832	2,494,569	6,558,401	178,761
Accrued salaries and benefits	1,872,976	1,576,308	3,449,284	188,969
Unearned revenue	1,480,872	10,000	1,490,872	17,562
Other liabilities	923,604	99,000	1,022,604	-
Current portion of long-term obligations	5,567,388	8,133,979	13,701,367	8,750
Total current liabilities	13,908,672	12,313,856	26,222,528	394,042
Noncurrent liabilities:				
Long-term obligations	42,996,667	54,586,618	97,583,285	70,000
Total noncurrent liabilities	42,996,667	54,586,618	97,583,285	70,000
TOTAL LIABILITIES	56,905,339	66,900,474	123,805,813	464,042
NET POSITION				
Net investment in capital assets	65,841,497	87,882,885	153,724,382	4,537,979
Restricted for:				
Endowments:				
Expendable	5,844,993	-	5,844,993	133,087
Nonexpendable	2,181,651	-	2,181,651	-
Held in trust	-	99,000	99,000	-
Debt service	1,605,509	19,435,998	21,041,507	-
Unrestricted (Deficit)	7,549,172	3,602,780	11,151,952	839,203
TOTAL NET POSITION	\$ 83,022,822	\$ 111,020,663	\$ 194,043,485	\$ 5,510,269

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, 2012**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			COMPONENT UNIT NEWPORT PUBLIC LIBRARY
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT			
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
PRIMARY GOVERNMENT:								
GOVERNMENTAL ACTIVITIES:								
General government	\$ 6,449,503	\$ 4,014,183	\$ 1,001,454	\$ -	\$ (1,433,866)	\$ -	\$ (1,433,866)	\$ -
General education	42,960,456	1,321,351	17,850,352	-	(23,788,753)	-	(23,788,753)	-
Public safety	32,531,976	3,192,258	924,445	44,815	(28,370,458)	-	(28,370,458)	-
Public health	8,306,613	87,460	-	1,994,253	(6,224,900)	-	(6,224,900)	-
Planning, zoning and development	1,510,493	925,484	193,996	39,431	(351,582)	-	(351,582)	-
Recreation and parks	477,422	137,297	46,969	-	(293,156)	-	(293,156)	-
Human services	2,887,012	951,451	32,927	345,473	(1,557,161)	-	(1,557,161)	-
Interest expense	761,420	-	-	-	(761,420)	-	(761,420)	-
TOTAL GOVERNMENTAL ACTIVITIES	95,884,895	10,629,484	20,050,143	2,423,972	(62,781,296)	-	(62,781,296)	-
BUSINESS-TYPE ACTIVITIES:								
Water Department	9,527,155	12,257,011	-	28,299	-	2,758,155	2,758,155	-
Water Pollution Control	10,123,815	13,486,581	-	2,954,125	-	6,316,891	6,316,891	-
Recreational and parking facilities	2,946,530	3,403,559	-	1,511,972	-	1,969,001	1,969,001	-
TOTAL BUSINESS-TYPE ACTIVITIES	22,597,500	29,147,151	-	4,494,396	-	11,044,047	11,044,047	-
TOTAL PRIMARY GOVERNMENT	\$ 118,482,395	\$ 39,776,635	\$ 20,050,143	\$ 6,918,368	\$ (62,781,296)	\$ 11,044,047	\$ (51,737,249)	\$ -
COMPONENT UNIT:								
Newport Public Library	\$ 2,523,912	\$ 126,619	\$ 2,109,071	\$ 52,800	\$ -	\$ -	\$ -	\$ (235,422)
GENERAL REVENUES:								
Property taxes					\$ 67,296,737	\$ -	\$ 67,296,737	\$ -
Grants and contributions not restricted to specific programs					1,353,015	-	1,353,015	-
Investment income (loss)					692,470	63,198	755,668	38,671
TRANSFERS					25,200	(25,200)	-	-
TOTAL GENERAL REVENUES AND TRANSFERS					69,367,422	37,998	69,405,420	38,671
CHANGE IN NET POSITION					6,586,126	11,082,045	17,668,171	(196,751)
NET POSITION, BEGINNING, RESTATED					76,436,696	99,938,618	176,375,314	5,707,020
NET POSITION, ENDING					\$ 83,022,822	\$ 111,020,663	\$ 194,043,485	\$ 5,510,269

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

CITY OF NEWPORT, RHODE ISLAND

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	GENERAL FUND	COMMUNITY DEVELOPMENT BLOCK GRANT FUND	PERMANENT FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS						
Cash and cash equivalents	\$ 3,884,514	\$ -	\$ -	\$ 10,284,939	\$ 3,680,991	\$ 17,850,444
Investments	8,952,704	-	8,151,166	-	-	17,103,870
Receivables, net:						
Property taxes	1,860,910	-	-	-	-	1,860,910
Motor vehicle excise	1,383,460	-	-	-	-	1,383,460
Intergovernmental	-	617,380	-	299,015	791,752	1,708,147
Note/loan	-	2,733,254	-	-	283,630	3,016,884
Other	1,272,989	-	-	-	81,244	1,354,233
Due from other funds	483,171	-	-	-	78,750	561,921
Advances to other funds	-	-	-	-	296,904	296,904
TOTAL ASSETS	\$ 17,837,748	\$ 3,350,634	\$ 8,151,166	\$ 10,583,954	\$ 5,213,271	\$ 45,136,773
LIABILITIES AND FUND BALANCES						
Liabilities:						
Cash overdraft	\$ -	\$ 67,027	\$ 116,028	\$ -	\$ 245,457	\$ 428,512
Accounts payable	1,608,254	19,666	8,494	2,382,935	20,426	4,039,775
Accrued liabilities	1,393,389	-	-	-	-	1,393,389
Deferred revenue	2,197,346	3,005,162	-	299,004	1,001,748	6,503,260
Due to other funds	78,750	-	-	-	-	78,750
Other liabilities	923,604	-	-	-	-	923,604
Total liabilities	6,201,343	3,091,855	124,522	2,681,939	1,267,631	13,367,290
Fund balances:						
Nonspendable	-	-	2,181,651	-	-	2,181,651
Restricted	65,453	258,779	5,844,993	-	3,974,368	10,143,593
Committed	554,702	-	-	7,902,015	-	8,456,717
Assigned	869,960	-	-	-	-	869,960
Unassigned	10,146,290	-	-	-	(28,728)	10,117,562
Total fund balances	11,636,405	258,779	8,026,644	7,902,015	3,945,640	31,769,483
TOTAL LIABILITIES AND FUND BALANCES	\$ 17,837,748	\$ 3,350,634	\$ 8,151,166	\$ 10,583,954	\$ 5,213,271	

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	90,295,312
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	9,792,228
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 position.	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)	(49,002,658)

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 83,022,822

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, 2012

	GENERAL FUND	COMMUNITY DEVELOPMENT BLOCK GRANT FUND	PERMANENT FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:						
Local taxes	\$ 67,395,943	\$ -	\$ -	\$ -	\$ -	\$ 67,395,943
Intergovernmental revenues	16,229,210	345,473	-	2,322,084	4,611,837	23,508,604
Charges for services	8,670,990	105,007	-	307,787	637,256	9,721,040
Use of money and property	336,021	44,712	136,435	410	174,892	692,470
Contributions	420,010	-	-	55,100	150,849	625,959
Other revenues	108,017	-	-	-	-	108,017
TOTAL REVENUES	93,160,191	495,192	136,435	2,685,381	5,574,834	102,052,033
EXPENDITURES:						
Current:						
General government	5,691,806	-	-	-	-	5,691,806
General education	37,783,649	-	-	-	4,138,045	41,921,694
Public safety	30,349,660	-	-	-	334,212	30,683,872
Public health	6,541,950	-	-	-	16,839	6,558,789
Planning, zoning and development	1,164,521	-	-	-	158,310	1,322,831
Recreation	421,990	-	-	-	4,165	426,155
Human services	1,836,950	381,422	246,972	-	316,220	2,781,564
Pension expenditures	3,935,092	-	-	-	-	3,935,092
Debt service:						
Principal	1,756,211	-	-	-	-	1,756,211
Interest	616,534	-	-	-	-	616,534
Capital outlays	964,975	337,392	-	8,533,322	86,436	9,922,125
TOTAL EXPENDITURES	91,063,338	718,814	246,972	8,533,322	5,054,227	105,616,673
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,096,853	(223,622)	(110,537)	(5,847,941)	520,607	(3,564,640)
OTHER FINANCING SOURCES (USES):						
Bond anticipation note proceeds	-	-	-	9,000,000	-	9,000,000
Premium	-	-	-	102,780	-	102,780
Transfers in	-	-	-	1,594,297	133,110	1,727,407
Transfers out	(1,702,207)	-	-	-	-	(1,702,207)
NET OTHER FINANCING SOURCES (USES)	(1,702,207)	-	-	10,697,077	133,110	9,127,980
NET CHANGE IN FUND BALANCES	394,646	(223,622)	(110,537)	4,849,136	653,717	5,563,340
FUND BALANCES - JULY 1, 2011, AS RESTATED	11,241,759	482,401	8,137,181	3,052,879	3,291,923	26,206,143
FUND BALANCES - JUNE 30, 2012	\$ 11,636,405	\$ 258,779	\$ 8,026,644	\$ 7,902,015	\$ 3,945,640	\$ 31,769,483

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, 2012**

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

Net Change in Fund Balances-Total Governmental Funds	\$ 5,563,340
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.	6,985,508
Reductions in deferred revenue that provide current financial resources to governmental funds are not reported as revenues in the Statement of Activities.	384,787
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.	874,354
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>(7,221,863)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 6,586,126</u>

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

CITY OF NEWPORT, RHODE ISLAND

GENERAL FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL (BUDGETARY BASIS)
 FOR THE YEAR ENDED JUNE 30, 2012

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Local taxes	\$ 67,300,155	\$ 67,300,155	\$ 67,395,943	\$ 95,788
Intergovernmental revenues	1,695,000	1,695,000	2,081,897	386,897
Charges for services	8,664,850	8,664,850	7,940,878	(723,972)
Use of money and property	400,000	400,000	276,349	(123,651)
Other revenues	261,950	261,950	373,287	111,337
TOTAL REVENUES	78,321,955	78,321,955	78,068,354	(253,601)
EXPENDITURES:				
General government:				
Mayor and city council	119,981	119,981	90,797	29,184
City manager	692,175	692,175	762,336	(70,161)
City solicitor	408,898	408,898	387,619	21,279
Canvassing	179,906	194,906	178,619	16,287
Finance	3,136,817	3,132,108	2,872,334	259,774
City clerk	510,836	552,315	489,859	62,456
Reserve accounts	518,890	1,334,545	517,321	817,224
Public safety:				
Police department	15,398,647	15,038,647	14,359,080	679,567
Fire department	16,385,800	16,633,494	16,129,304	504,190
Public health	7,734,792	8,136,911	7,129,056	1,007,855
Planning, zoning, and development	1,248,482	1,248,482	1,164,521	83,961
Recreation	475,551	475,551	421,990	53,561
Human services:				
Donations	83,150	83,150	79,900	3,250
Public library	1,671,719	1,671,719	1,671,719	-
Pension expenditures	3,491,200	3,491,200	3,935,092	(443,892)
Debt service	2,525,368	2,392,258	2,372,745	19,513
TOTAL EXPENDITURES	54,582,212	55,606,340	52,562,292	3,044,048
EXCESS OF REVENUES OVER EXPENDITURES	23,739,743	22,715,615	25,506,062	2,790,447
OTHER FINANCING SOURCES (USES):				
Appropriations of fund balance	446,311	446,311	-	(446,311)
Transfers in	-	-	96,000	96,000
Transfers out	(24,186,054)	(24,319,164)	(24,319,164)	-
NET OTHER FINANCING SOURCES (USES)	(23,739,743)	(23,872,853)	(24,223,164)	(350,311)
NET CHANGE IN FUND BALANCE	\$ -	\$ (1,157,238)	1,282,898	\$ 2,440,136
FUND BALANCE, JULY 1, 2011			7,447,675	
FUND BALANCE, JUNE 30, 2012			\$ 8,730,573	

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, 2012

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Federal revenues	\$ 1,471,479	\$ 1,471,479	\$ 1,503,402	\$ 31,923
State revenues	10,221,912	10,221,912	11,279,047	1,057,135
Local revenues	857,000	857,000	916,447	59,447
TOTAL REVENUES	<u>12,550,391</u>	<u>12,550,391</u>	<u>13,698,896</u>	<u>1,148,505</u>
EXPENDITURES:				
General education	<u>36,484,760</u>	<u>36,484,760</u>	<u>36,418,785</u>	<u>65,975</u>
EXCESS OF EXPENDITURES OVER REVENUES	<u>(23,934,369)</u>	<u>(23,934,369)</u>	<u>(22,719,889)</u>	<u>1,214,480</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	<u>22,564,158</u>	<u>22,564,158</u>	<u>22,564,157</u>	<u>(1)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (1,370,211)</u>	<u>\$ (1,370,211)</u>	<u>(155,732)</u>	<u>\$ 1,214,479</u>
FUND BALANCE - JULY 1, 2011			<u>1,572,675</u>	
FUND BALANCE - JUNE 30, 2012			<u>\$ 1,416,943</u>	

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

CITY OF NEWPORT, RHODE ISLAND

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2012

	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	\$ 228,397	\$ -	\$ 3,132,850	\$ 3,361,247	\$ 112,554
Investments	-	-	1,194,088	1,194,088	-
Accounts receivable:					
User fees (net of allowances)	1,454,971	2,348,166	50,136	3,853,273	-
Intergovernmental	-	-	538,610	538,610	-
Other	-	-	-	-	16,877
Due from other funds	-	149,850	-	149,850	75,191
Advances to other funds	-	-	162,254	162,254	-
Inventories	317,334	-	-	317,334	18,177
Prepaid expenses	8,000	203,900	-	211,900	-
Total current assets	2,008,702	2,701,916	5,077,938	9,788,556	222,799
Noncurrent assets:					
Cash and cash equivalents - restricted	11,354,929	8,081,069	-	19,435,998	-
Capital assets (net of accumulated depreciation)	58,909,052	83,727,409	7,227,492	149,863,953	10,701
Total noncurrent assets	70,263,981	91,808,478	7,227,492	169,299,951	10,701
TOTAL ASSETS	72,272,683	94,510,394	12,305,430	179,088,507	233,500
LIABILITIES:					
Current liabilities:					
Accounts payable	1,239,152	1,061,565	193,852	2,494,569	24,059
Accrued expenses	1,030,538	420,976	124,794	1,576,308	40,984
Unearned revenue	-	-	10,000	10,000	-
Due to other funds	708,212	-	-	708,212	-
Escrow held in Trust	-	99,000	-	99,000	-
Current portion advances	-	-	29,940	29,940	-
Current portion notes payable	5,105,000	-	-	5,105,000	-
Current portion bonds payable	1,166,069	1,862,910	-	3,028,979	-
Total current liabilities	9,248,971	3,444,451	358,586	13,052,008	65,043
Long-term liabilities:					
Advances from other funds	-	-	429,218	429,218	-
Notes payable	-	-	200,000	200,000	-
Bonds payable	19,858,682	33,788,407	-	53,647,089	-
Net other post-employment benefit obligation	739,529	-	-	739,529	-
Total long-term liabilities	20,598,211	33,788,407	629,218	55,015,836	-
TOTAL LIABILITIES	29,847,182	37,232,858	987,804	68,067,844	65,043
NET POSITION:					
Net investment in capital assets	32,779,301	48,076,092	7,027,492	87,882,885	10,701
Restricted by regulatory agencies and bond covenants	11,354,929	8,081,069	-	19,435,998	-
Assets held in trust	-	99,000	-	99,000	-
Unrestricted	(1,708,729)	1,021,375	4,290,134	3,602,780	157,756
TOTAL NET POSITION	\$ 42,425,501	\$ 57,277,536	\$ 11,317,626	\$ 111,020,663	\$ 168,457

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

CITY OF NEWPORT, RHODE ISLAND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			TOTALS	GOVERNMENTAL ACTIVITIES
	WATER FUND	W.P.C. FUND	OTHER ENTERPRISE FUNDS		INTERNAL SERVICE FUNDS
OPERATING REVENUES:					
User fees	\$ 11,527,881	\$ 13,486,581	\$ 3,403,559	\$ 28,418,021	\$ 1,478,263
Other revenues	757,429	2,954,125	1,511,972	5,223,526	-
TOTAL OPERATING REVENUES	12,285,310	16,440,706	4,915,531	33,641,547	1,478,263
OPERATING EXPENSES:					
Salaries and benefits	3,892,430	196,949	1,178,121	5,267,500	90,325
Materials and supplies	582,775	12,649	246,676	842,100	530,196
Repairs and maintenance	351,779	-	171,282	523,061	49,852
Support services	238,315	3,883,722	527,087	4,649,124	786,786
Utilities	1,208,281	669,275	54,436	1,931,992	19,291
Administrative and other	708,516	813,578	439,949	1,962,043	231
Property taxes	204,300	-	-	204,300	-
Depreciation	1,621,484	3,415,749	326,764	5,363,997	1,582
TOTAL OPERATING EXPENSES	8,807,880	8,991,922	2,944,315	20,744,117	1,478,263
OPERATING INCOME	3,477,430	7,448,784	1,971,216	12,897,430	-
NONOPERATING REVENUES AND (EXPENSES):					
Investment income	2,042	886	60,270	63,198	-
Interest expense	(719,275)	(1,131,893)	(2,215)	(1,853,383)	-
NET NONOPERATING REVENUES AND (EXPENSES)	(717,233)	(1,131,007)	58,055	(1,790,185)	-
NET INCOME (LOSS) BEFORE TRANSFERS	2,760,197	6,317,777	2,029,271	11,107,245	-
TRANSFERS IN	-	-	75,000	75,000	-
TRANSFERS OUT	-	-	(100,200)	(100,200)	-
NET TRANSFERS	-	-	(25,200)	(25,200)	-
CHANGES IN NET POSITION	2,760,197	6,317,777	2,004,071	11,082,045	-
NET POSITION, BEGINNING	39,665,304	50,959,759	9,313,555	99,938,618	168,457
NET POSITION, ENDING	\$ 42,425,501	\$ 57,277,536	\$ 11,317,626	\$ 111,020,663	\$ 168,457

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

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
	WATER FUND	W.P.C. FUND	OTHER ENTERPRISE FUNDS	TOTALS	INTERNAL SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	\$ 11,968,154	\$ 15,862,308	\$ 4,479,831	\$ 32,310,293	\$ 1,516,208
Cash payments to suppliers for goods and services	(3,046,100)	(7,022,044)	(938,024)	(11,006,168)	(1,382,828)
Cash payments to employees for services	(3,887,354)	(199,301)	(1,171,152)	(5,257,807)	(90,896)
Payment of property taxes	(204,300)	-	-	(204,300)	-
Payment of administrative expense	(708,516)	(813,578)	(439,949)	(1,962,043)	(231)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	4,121,884	7,827,385	1,930,706	13,879,975	42,253
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Interfund loans and transfers	-	-	(25,200)	(25,200)	-
Principal paid on interfund loans and transfers	-	-	(3,515)	(3,515)	-
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	-	-	(28,715)	(28,715)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of capital assets	(10,079,990)	(2,817,322)	(2,080,550)	(14,977,862)	-
Proceeds from borrowing	19,704,077	2,180,910	-	21,884,987	-
Principal paid on bonds, notes and loans	(7,404,243)	(1,235,096)	-	(8,639,339)	-
Interest paid on bonds, notes and loans	(603,226)	(1,107,143)	(2,215)	(1,712,584)	-
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	1,616,618	(2,978,651)	(2,082,765)	(3,444,798)	-
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of investments	-	-	(273,541)	(273,541)	-
Sale of investments	-	-	222,524	222,524	-
Investment income	2,042	886	51,510	54,438	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	2,042	886	493	3,421	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,740,544	4,849,620	(180,281)	10,409,883	42,253
CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED ASSETS) - JULY 1, 2011	5,842,782	3,231,449	3,313,131	12,387,362	70,301
CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED ASSETS) - JUNE 30, 2012	\$ 11,583,326	\$ 8,081,069	\$ 3,132,850	\$ 22,797,245	\$ 112,554
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:					
Operating income (loss)	\$ 3,477,430	\$ 7,448,784	\$ 1,971,216	\$ 12,897,430	\$ -
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	1,621,484	3,415,749	326,764	5,363,997	1,582
Changes in assets and liabilities:					
Decrease (Increase) in accounts receivable	(317,156)	(839,126)	(445,700)	(1,601,982)	-
Decrease (Increase) in accounts receivable - other	-	-	-	-	1,307
Decrease (Increase) in due from other funds	-	260,728	-	260,728	36,638
Decrease (Increase) in inventory	(67,823)	-	-	(67,823)	3,115
Decrease (Increase) in prepaid expense	(3,000)	18,536	-	15,536	-
(Decrease) Increase in accounts payable	(75,802)	(2,420,434)	61,457	(2,434,779)	182
(Decrease) Increase in accrued expenses	47,859	(2,352)	6,969	52,476	(571)
(Decrease) Increase in unearned revenue	-	-	10,000	10,000	-
(Decrease) Increase in due to other funds	(518,325)	(54,500)	-	(572,825)	-
(Decrease) Increase net other post employment benefit obligation	(42,783)	-	-	(42,783)	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 4,121,884	\$ 7,827,385	\$ 1,930,706	\$ 13,879,975	\$ 42,253
NON CASH INVESTING, CAPITAL AND FINANCING TRANSACTIONS:					
Increase in fair value of investments	\$ -	\$ -	\$ 59,777	\$ 59,777	\$ -
TOTAL NON CASH INVESTING, CAPITAL AND FINANCING TRANSACTIONS	\$ -	\$ -	\$ 59,777	\$ 59,777	\$ -

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

CITY OF NEWPORT, RHODE ISLANDSTATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2012

	PENSION AND OTHER POST- EMPLOYMENT BENEFITS TRUST FUNDS	PRIVATE- PURPOSE TRUST FUNDS	AGENCY FUNDS
ASSETS			
Cash and cash equivalents	\$ 335,192	\$ 22,581	\$ 295,681
Investments, at fair value:			
Fixed Income Mutual Funds	21,488,896	536,667	-
Domestic Equity Mutual Funds	56,471,071	797,899	-
International Equity Mutual Funds	13,838,293	-	-
Alternative Investments	5,621,164	-	-
TOTAL INVESTMENTS	97,419,424	1,334,566	-
TOTAL ASSETS	97,754,616	1,357,147	295,681
LIABILITIES			
Cash overdraft	552,001	43,632	-
Accounts payable	88,952	1,054	-
Amounts held in escrow	-	-	295,681
TOTAL LIABILITIES	640,953	44,686	295,681
NET POSITION			
Restricted for pension/other post-employment benefits and other purposes	\$ 97,113,663	\$ 1,312,461	\$ -

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

CITY OF NEWPORT, RHODE ISLAND

EXHIBIT L

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	PENSION AND OTHER POST- EMPLOYMENT BENEFITS TRUST FUNDS	PRIVATE- PURPOSE TRUST FUNDS
ADDITIONS:		
Contributions and other income:		
Employees	\$ 1,327,224	\$ -
Employer	9,960,321	-
Contributions	-	52,050
Total contributions and other income	11,287,545	52,050
Investment income (loss):		
Net change in fair value of investments	(1,383,008)	(154,834)
Interest and dividends	728,585	181,176
Total investment income (loss)	(654,423)	26,342
Less investment expenses	259,471	2,423
Net investment income (loss)	(913,894)	23,919
TOTAL ADDITIONS	10,373,651	75,969
DEDUCTIONS:		
Benefits	10,186,536	-
Administration	150,234	2,289
Awards	-	50,972
TOTAL DEDUCTIONS	10,336,770	53,261
CHANGES IN NET POSITION	36,881	22,708
NET POSITION, BEGINNING	97,076,782	1,289,753
NET POSITION, ENDING	\$ 97,113,663	\$ 1,312,461

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

CITY OF NEWPORT, RHODE ISLANDNOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**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, entities for which the government is considered to be financially accountable. 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 Unit**Newport Public Library**

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of presentation and measurement focus – government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers 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.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. 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. 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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments for the interfund services provided between the governmental funds and enterprise and internal service funds, and charges for services between the water fund and the water pollution control fund.

C. Basis of presentation and measurement focus – fund financial statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of presentation and measurement focus – fund financial statements (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. It is combined with the School’s unrestricted fund, the property proceeds fund and the gift fund for purposes of financial reporting.

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.

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.

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of presentation and measurement focus – fund financial statements (continued)

Additionally, the City reports the following fund types:

The *Special Revenue Funds* account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes by an external party.

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 fund type, 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.

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.

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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of presentation and measurement focus – fund financial statements (continued)

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.

It is the City’s policy for all funds, that when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, the City considers restricted amounts to be spent before any unrestricted amounts are used. Furthermore, it is the City’s policy that when an expenditure/expense is incurred for purposes for which committed, assigned or unassigned resources, including fund balances, are available, the City considers committed amounts to be spent first, followed by assigned amounts and lastly unassigned amounts.

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

1. Deposits and investments

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

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

Investments

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

***D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance
(continued)***

2. Receivables and payables

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.”

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, 2012, is equal to 67% 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 by more than 4%.

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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

4. 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

5. 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)

E. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

5. 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.

6. 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 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.

In the governmental fund financial statements, bond premiums and discounts, as well as bond issuance costs, are recognized during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. 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.

7. Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City does not currently have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City does not currently have any items that qualify for reporting in this category.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

8. Restricted assets

Certain proceeds of the Water Pollution Control Fund and Water Fund revenue bonds are classified as restricted assets on the statement of net position because they are maintained in separate escrow accounts managed by trustees in accordance with the bond covenants. These include debt service reserves and capitalized interest.

The Water Fund has additional cash on the statement of net position classified 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.

9. Net position flow assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

10. Fund balance flow assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

11. Fund balance policies

In the fund financial statements, governmental funds report fund balances in one of five categories depending on the purposes of the revenue sources. Nonspendable fund balances include amounts that are legally or contractually required to be maintained intact, for instance the nonexpendable portion of a trust; or are resources in nonspendable form such as inventory and prepaid amounts. Amounts that are legally required by outside parties to be used for a specific purpose, or have restrictions imposed by law through constitutional provisions or enabling legislation, are classified in the restricted category.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

***E. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance
(continued)***

11. Fund balance policies (continued)

Committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. The City’s highest level of authority is a city ordinance properly adopted by the City Council. Committed fund balance also includes contractual obligations where resources have been specifically committed for use in satisfying those contractual requirements. Assigned fund balance includes amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted or committed. Unassigned fund balance is the residual classification for the general fund, the school unrestricted fund, and deficit fund balances in other funds.

12. Reclassifications

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

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

Bonds payable	\$ 18,025,361
Bond premium	969,290
Note payable	9,000,000
Leases payable	969,865
Claims and judgments	544,126
Compensated absences	7,322,482
Net pension benefit obligation	4,794,287
Net other post-employment benefit obligation	6,938,644
Accrued interest payable	438,603
Net adjustment for long-term liabilities not due and payable in the current period	<u>\$ 49,002,658</u>

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

Net pension asset	\$ 6,325,256
Prepaid expenses	649,728
Deferred property taxes and unearned grant revenue	5,022,388
Allowance for doubtful accounts	(6,567,853)
Property tax and loan interest accrual	4,362,709
Net adjustment for long-term assets not available in the current period	<u>\$ 9,792,228</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, 2011, net of accumulated depreciation	\$ 83,321,959
Capital assets of internal service fund accounted for in the net position adjustment for internal service funds	(10,701)
Current year capital outlay	9,731,697
Depreciation expense	(2,747,643)
Net adjustment for capital assets	<u>\$ 90,295,312</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 governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities.

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, 2012	\$ 9,731,697
Depreciation expense, excluding internal service funds	<u>(2,746,189)</u>
Net adjustment for capital outlays	<u>\$ 6,985,508</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	\$ 282,383
Current year change in claims and judgments	(122,874)
Current year change in pension benefit obligation	(11,449)
Current year change in pension asset	26,497
Current year change in OPEB benefit obligation	699,537
Miscellaneous adjustments	<u>260</u>
Net adjustment for current year expenses	<u>\$ 874,354</u>

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

Principal repayment of debt	\$ 1,756,211
Amortization of bond premium	97,682
Bond premium proceeds	(102,780)
Principal repayment of capital lease	269,592
Bond anticipation note proceeds	(9,000,000)
Amortization of prepaid interest	(216,580)
Current year change in interest accrual	<u>(25,988)</u>
Net adjustment for long-term debt	<u>\$ (7,221,863)</u>

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and budgetary accounting

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

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

- Budgets are adopted on a legally enacted budgetary basis, which differs from generally accepted accounting principles (GAAP) in that budgetary expenditures for goods and non-employment services are recognized when legally binding orders referred to as encumbrances are placed.
- In addition to limits enforced by the budget ordinance, the City Charter further restricts the incurrence of municipal expenditures or expenses to budgeted revenues at the fund level. The City Manager must periodically review revenues and reduce annual appropriations sufficiently to cover any shortfalls in budgeted revenues.
- Costs of operations for all departments established within the City Charter must be appropriated through an annual budget ordinance. These departments are presented within the General Fund and the School Unrestricted Fund.
- Municipal budgetary control is legally enforced at the department level.
- Appropriation transfers between departments require approval by five of the seven-member Council. Other appropriation increases require both the establishment of a funding source and passage of a budget amendment ordinance. Amendments to the budget during the year totaled \$1,157,238 from fund balance due to prior year appropriation carryovers.
- Intra-departmental transfers of municipal appropriations may be made with the approval of the City Manager or his designee.
- Unencumbered and unexpended appropriations lapse at fiscal year-end. School budgetary control is legally enforced only at the unrestricted fund level; inter-departmental transfers may be made without School Committee approval.

B. Budgetary-GAAP reporting reconciliation

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

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

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

B. Budgetary-GAAP reporting reconciliation (continued)

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

	General Fund	
	Expenditures	Fund Balance
Balance, Budgetary Basis, Exhibit F - June 30, 2012	\$ 52,562,292	\$ 8,730,573
Encumbrances outstanding at June 30, 2011 and liquidated during the year ended June 30, 2012	1,157,238	
Miscellaneous adjustments	53,401	(1,226)
Encumbrances outstanding at June 30, 2012 charged to budgetary expenditures	(554,702)	554,702
Balance, GAAP Basis, Schedule 4 - June 30, 2012	\$ 53,218,229	\$ 9,284,049
	School Unrestricted Fund	
	Revenues	Expenditures
Balance, Budgetary Basis, Exhibit G - June 30, 2012	\$ 13,698,896	\$ 36,418,785
Teachers' retirement on-behalf payment	1,364,864	1,364,864
Balance, GAAP Basis, Schedule 4 - June 30, 2012	\$ 15,063,760	\$ 37,783,649

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 2012 appropriations (after approved transfers).

Department	Expenditures in Excess of Budget
City manager	\$ 70,161
Pension expenditures	443,892

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

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

D. *Capital projects authorizations*

Capital Project	Total Project Authorizations	Cumulative Expenditures	Balance June 30, 2012
Building, Facilities and Infrastructure			
Improvements and Renovation Projects	\$ 56,440,210	\$ 21,989,521	\$ 34,450,689
Maritime Fund Improvements	2,552,840	1,542,051	1,010,789
Parking Improvements	666,368	430,451	235,917
Water Pollution Control Projects	11,715,248	5,722,291	5,992,957
Water Fund Projects	100,928,632	20,192,637	80,735,995
Total	\$ 172,303,298	\$ 49,876,951	\$ 122,426,347

F. *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. Net appreciation on investments at June 30, 2012 was \$1,278,448 and is reported in restricted net assets.

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. Rhode Island Public Law requires 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. 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 U.S. Government agencies or Certificates of Deposit (CDs) less than or equal to the amount covered by the Federal Deposit Insurance Corporation (FDIC). The City Council also requires that CDs 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, 2012, 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 Home Loan Mortgage Corporation (FHLMC) 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, 2012, the City's bank balance of \$39,658,924 was insured and collateralized as follows:

Insured	\$ 1,812,879
Collateralized:	
Collateral held by the pledging bank's trust department in the City's name	37,846,045
Total amount subject to custodial credit risk	\$ 39,658,924

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, 2012, 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	\$ 1,826,729	\$ 1,826,729	\$ -	\$ -
Certificates of Deposits	3,669,677	3,669,677	-	-
U.S. Government Agency Securities	7,824,329	-	7,824,329	-
Fixed Income Mutual Funds	25,303,374	-	25,303,374	-
	38,624,109	\$ 5,496,406	\$ 33,127,703	\$ -
Other Investments:				
Alternative Investments	5,621,164			
Equity Mutual Funds	75,979,081			
	\$ 120,224,354			

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 .19 years. The City intends to hold all certificates to maturity, although they are subject to interest rate risk in the event that they are sold prior to maturity.

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

Average Rating	U.S.		
	Money Market Funds	Government Agency Securities	Fixed Income Mutual Funds
AAA.....	\$ 1,826,729	\$ 7,824,329	\$ 25,303,374

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	\$ 7,824,329	\$ 500,000	\$ 7,324,329

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

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. *Cash and investments (continued)*

Fiduciary and permanent funds

The City Council and Charter grant authority to a five-member Trust and Investment Commission (Commission) to manage fiduciary fund assets. The members are appointed by the City Council. The fiduciary funds include the police pension plan assets, the fire pension plan assets, the OPEB Trust assets, trust assets and scholarship assets. 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, 2012 totaled \$106,905,156.

Component unit

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, 2012, \$286,562 of the Library's bank balances of \$988,498 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 unit (continued)

Investments - Library

At June 30, 2012, 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	\$ 27,733	\$ 27,733	\$ -
Other Securities:			
Certificates of Deposit	323,489		
Equity Mutual Funds	357,201		
	<u>\$ 708,423</u>		

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, high-grade municipal securities and bond or equity mutual funds.

The Library’s investments in money market funds had average ratings as follows by Standard & Poor’s.

AVERAGE RATING	MONEY MARKET FUNDS
AA.....	<u>\$ 27,733</u>

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

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. *Cash and investments (continued)*

Component unit (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	\$ 323,489	\$ 250,000	\$ 73,489

B. *Receivables*

At June 30, 2012, 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	\$ 3,244,370	\$ -	\$ -	\$ -	\$ 3,244,370
Intergovernmental	-	617,380	299,015	791,752	1,708,147
Interest	3,771,515	481,598	-	109,597	4,362,710
Other	1,289,866	-	-	81,243	1,371,109
Notes/loans	-	2,733,254	-	283,630	3,016,884
	<u>8,305,751</u>	<u>3,832,232</u>	<u>299,015</u>	<u>1,266,222</u>	<u>13,703,220</u>
Less allowance for doubtful accounts	(5,024,094)	(1,288,079)	-	(255,680)	(6,567,853)
	<u>3,281,657</u>	<u>2,544,153</u>	<u>299,015</u>	<u>1,010,542</u>	<u>7,135,367</u>
Less current portion	<u>3,281,657</u>	<u>1,321,476</u>	<u>299,015</u>	<u>1,010,542</u>	<u>5,912,690</u>
Net long-term portion	<u>\$ -</u>	<u>\$ 1,222,677</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,222,677</u>

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	\$ 1,679,971	\$ 2,498,166	\$ 50,136	\$ 4,228,273
Less allowance for doubtful accounts	(225,000)	(150,000)	-	(375,000)
Net receivables	1,454,971	2,348,166	50,136	3,853,273
Intergovernmental	-	-	538,610	538,610
Other	-	-	-	-
Net receivables	<u>\$ 1,454,971</u>	<u>\$ 2,348,166</u>	<u>\$ 588,746</u>	<u>\$ 4,391,883</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)	\$ 2,197,346
Loan receivable not yet earned (special revenue fund)	3,743,196
Grant receivable not yet collected (special revenue fund)	263,714
Grant receivable not yet collected (capital projects fund)	<u>299,004</u>

TOTAL DEFERRED REVENUE FOR GOVERNMENTAL FUNDS

\$ 6,503,260

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, 2012 was as follows:

	BALANCE JULY 1, 2011	INCREASES	DECREASES	BALANCE JUNE 30, 2012
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 4,920,148	\$ -	\$ -	\$ 4,920,148
Construction in progress	1,404,700	4,773,845	-	6,178,545
Total capital assets not being depreciated	6,324,848	4,773,845	-	11,098,693
Capital assets being depreciated:				
Buildings and structures	45,909,370	717,927	-	46,627,297
Machinery and equipment	7,117,808	175,739	-	7,293,547
Vehicles	7,842,642	161,972	-	8,004,614
Infrastructure	48,724,411	3,902,214	-	52,626,625
Total capital assets being depreciated	109,594,231	4,957,852	-	114,552,083
Total capital assets	115,919,079	9,731,697	-	125,650,776
Less accumulated depreciation:				
Buildings and structures	12,564,958	887,297	-	13,452,255
Machinery and equipment	3,717,455	515,241	-	4,232,696
Vehicles	5,113,728	404,783	-	5,518,511
Infrastructure	11,200,979	940,322	-	12,141,301
Total accumulated depreciation	32,597,120	2,747,643	-	35,344,763
Total capital assets being depreciated, net	76,997,111	2,210,209	-	79,207,320
Governmental activities capital assets, net	\$ 83,321,959	\$ 6,984,054	\$ -	\$ 90,306,013

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	\$ 297,799
General education	498,650
Public safety	502,956
Public health	1,311,891
Planning, zoning and development	114,409
Human services	1,881
Recreation and parks	18,603
Capital assets held by the City's internal service fund are charged to various functions based on usage of the assets	<u>1,454</u>
	<u>\$ 2,747,643</u>

	BALANCE				BALANCE
	JULY 1, 2011	RECLASS	INCREASES	DECREASES	JUNE 30, 2012
Business-type Activities					
Capital assets not being depreciated:					
Land and land improvements	\$ 6,492,359	\$ -	\$ -	\$ -	\$ 6,492,359
Construction in progress	4,133,403	(895,581)	9,413,301	(370,925)	12,280,198
Total capital assets not being depreciated	<u>10,625,762</u>	<u>(895,581)</u>	<u>9,413,301</u>	<u>(370,925)</u>	<u>18,772,557</u>
Capital assets being depreciated:					
Buildings and systems	204,321,996	895,581	5,823,236	-	211,040,813
Machinery and equipment	4,706,797	-	68,777	-	4,775,574
Vehicles	912,939	-	41,473	-	954,412
Total capital assets being depreciated	<u>209,941,732</u>	<u>895,581</u>	<u>5,933,486</u>	<u>-</u>	<u>216,770,799</u>
Total capital assets	<u>220,567,494</u>	<u>-</u>	<u>15,346,787</u>	<u>(370,925)</u>	<u>235,543,356</u>
Less accumulated depreciation:					
Buildings and systems	75,996,771	-	5,194,015	(1,999)	81,188,787
Machinery and equipment	3,959,667	-	106,755	-	4,066,422
Vehicles	360,967	-	63,227	-	424,194
Total accumulated depreciation	<u>80,317,405</u>	<u>-</u>	<u>5,363,997</u>	<u>(1,999)</u>	<u>85,679,403</u>
Total capital assets being depreciated, net	<u>129,624,327</u>	<u>895,581</u>	<u>569,489</u>	<u>1,999</u>	<u>131,091,396</u>
Net capital assets, business-type activities	<u>\$ 140,250,089</u>	<u>\$ -</u>	<u>\$ 9,982,790</u>	<u>\$ (368,926)</u>	<u>\$ 149,863,953</u>

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

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital assets (continued)

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

Water	\$ 1,621,484
Water Pollution Control	3,415,749
Maritime	70,441
Easton's Beach	132,223
Parking	<u>124,100</u>
	<u>\$ 5,363,997</u>

Discretely Presented Component Units

Activity for the Newport Public Library for the year ended June 30, 2012 was as follows:

	BALANCE JULY 1, 2011	INCREASES	DECREASES	BALANCE JUNE 30, 2012
Capital assets being depreciated:				
Buildings	\$ 7,925,960	\$ 83,450	\$ -	\$ 8,009,410
Improvements other than buildings	400,590	-	-	400,590
Furniture, fixtures and equipment	969,850	47,713	-	<u>1,017,563</u>
Total capital assets being depreciated	<u>9,296,400</u>	<u>131,163</u>	<u>-</u>	<u>9,427,563</u>
Less accumulated depreciation:				
Buildings	3,397,595	300,303	-	3,697,898
Improvements other than buildings	202,161	20,029	-	222,190
Furniture, fixtures and equipment	863,137	27,609	-	<u>890,746</u>
Total accumulated depreciation	<u>4,462,893</u>	<u>347,941</u>	<u>-</u>	<u>4,810,834</u>
Net capital assets, library	<u>\$ 4,833,507</u>	<u>\$ (216,778)</u>	<u>\$ -</u>	<u>\$ 4,616,729</u>

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

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Interfund accounts

Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2012 is as follows:

	Corresponding Fund	Due From	Due To	Description
Major Governmental Funds				
General Fund				
	Water Fund	\$ 483,171	\$ -	Payroll, benefits and overhead
	Nonmajor Governmental Fund	-	78,750	Library parking lot
	Total	483,171	78,750	
Nonmajor Governmental Funds				
UDAG Fund				
	General Fund	78,750	-	Library parking lot
	Total Governmental Funds	\$ 561,921	\$ 78,750	
Major Enterprise Funds				
Water Fund				
	Water Pollution Control Fund	\$ -	\$ 149,850	Sludge charges
	General Fund	-	483,171	Payroll, benefits and overhead
	Internal Service Fund	-	75,191	Maintenance charges
	Total	-	708,212	
Water Pollution Control Fund				
	Water Fund	149,850	-	Sludge charges
	Total	149,850	-	
	Total Enterprise Funds	\$ 149,850	\$ 708,212	
Internal Service Fund				
	Water Funds	\$ 75,191	\$ -	Maintenance charges
	Total All Funds	\$ 786,962	\$ 786,962	

All interfund balances resulted from the time lag between the dates payments occurred between funds and services or short-term internal financing were provided.

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

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Interfund accounts (continued)

Advances

Advance From	Corresponding Fund	Amount	Description
<u>Nonmajor Funds</u>			
Urban Development	Maritime Fund	\$ 267,459	Loans related to armory building
Parking Fund	Easton's Beach Fund	162,254	Loan for beach equipment
Urban Development	Easton's Beach Fund	<u>29,445</u>	Loans for beach repairs/activities
Total advances to other funds		<u>\$ 459,158</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, 2012 is \$29,445. 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, 2012 is \$162,254.

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
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	3,661	27,186	30,847	1,011
2017	3,698	27,458	31,156	702
2018-2020	<u>11,319</u>	<u>27,655</u>	<u>38,974</u>	<u>505</u>
	<u>\$ 29,445</u>	<u>\$ 162,254</u>	<u>\$ 191,699</u>	<u>\$ 7,072</u>

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

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Interfund accounts (continued)

Advances (continued)

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 a loan from the City of Newport urban development special revenue fund. The remaining balance of \$267,459 is due to the urban development grant fund only upon sale of the armory building. No interest accrues on the advance.

Transfers

A summary of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfers To:</u>		<u>Transfers From:</u>	
Governmental Funds:			
Capital Projects Fund	\$ 1,494,097	General Fund	
Capital Projects Fund	100,200	Maritime Fund	
Debt Service Fund	133,110	General Fund	
	<u>1,727,407</u>		
Business-type Funds:			
Beach Fund	75,000	General Fund	
	<u>75,000</u>		
 Total	 <u>\$ 1,802,407</u>		
 Summary:		<u>Transfers In</u>	<u>Transfers Out</u>
General Fund Transfers Out		\$ -	\$ 1,702,207
Capital Projects Transfers In		1,594,297	-
Nonmajor Business-Type Funds Transfers In		75,000	-
Nonmajor Governmental Fund Transfers In		133,110	-
Nonmajor Business-Type Funds Transfers Out		-	100,200
Total		<u>\$ 1,802,407</u>	<u>\$ 1,802,407</u>

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

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

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Changes in long-term obligations

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

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds are generally issued as 20-year serial bonds. Revenue bonds are obligations that pledge the revenues derived from the use of services in that particular fund. These are issued for business-type activities and are generally collateralized by the asset under construction or renovation. The bonds are usually issued as 20-year bonds. The QZAB bond is a 12-year bond, which is supported by annual sinking fund payments to a third-party escrow agent. Changes in bonded debt outstanding during fiscal year 2012 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, 2011	Additions	Retired	Outstanding June 30, 2012	Interest Expense
Governmental Activities:								
Thompson School QZAB	2001	2013	N/A	\$ 1,863,536	\$ -	\$ -	\$ 1,863,536	\$ -
Thompson School Refunding	2010	2021	1.50 to 5.0	13,015,000	-	1,015,000	12,000,000	447,501
Roadway Improvements	2009	2023	2.50 to 5.0	4,500,000	-	500,000	4,000,000	143,750
Series B Refunding Bonds	2004	2012	2.00 to 3.50	403,036	-	241,211	161,825	9,797
Total Governmental Activities				\$ 19,781,572	\$ -	\$ 1,756,211	\$ 18,025,361	\$ 601,048
Business-type Activities:								
Sewer Improvements - SRF	2002	2023	1.90	\$ 8,769,603	\$ -	\$ 609,096	\$ 8,160,507	\$ 155,037
Sewer Improvements - SRF	2009	2029	0.84 to 3.16	5,713,525	288,340	261,000	5,740,865	161,686
Sewer Improvements - SRF	2010	2030	0.55 to 3.25	6,881,386	1,892,570	359,000	8,414,956	292,442
Sewer Improvements - SRF	2011	2031	0.73 to 3.81	2,995,989	-	1,000	2,994,989	105,139
Sewer Improvements	2011	2026	4.30	10,345,000	-	5,000	10,340,000	417,589
Total Water Pollution Control Fund				34,705,503	2,180,910	1,235,096	35,651,317	1,131,893
Series B Refunding Bonds	2004	2012	2.00 to 3.50	930,858	-	548,789	382,069	21,699
Water Improvements - SRF	2007	2027	3.28 - 3.72	2,670,000	-	117,000	2,553,000	94,085
Water Improvements - SRF	2012	2033	0.94 - 3.61	-	7,803,567	-	7,803,567	44,114
Water Improvements	2011	2027	3.40	-	3,172,341	-	3,172,341	176,195
Water Improvements - SRF	2008	2029	2.08 - 3.63	4,640,931	411,782	217,000	4,835,713	207,858
Water Improvements - SRF	2009	2030	0.65 to 3.54	2,253,058	147,003	122,000	2,278,061	88,326
Total Water Fund				10,494,847	11,534,693	1,004,789	21,024,751	632,277
Total Business-type Activities				\$ 45,200,350	\$ 13,715,603	\$ 2,239,885	\$ 56,676,068	\$ 1,764,170

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.

The Water Pollution Control Fund borrowed \$6,595,532 in FY2009 from the state revolving loan fund. Of that, \$995,579 of American Reinvestment and Recovery Act (ARRA) funds 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 annual ARRA offset will be taken into revenue each year the bonds are outstanding.

The City of Newport Water and Water Pollution Control Funds have the following outstanding State Revolving Fund (SRF) revenue bonds and non-SRF revenue bonds all issued through the Rhode Island Clean Water Finance Agency (RICWFA). The bond proceeds are held by RICWFA or their escrow agent. Bonds are issued for a specific purpose and for a total approved amount. The revenue bonds are drawdown bonds whereby the City sends vendor invoices to RICWFA for payment and the City's outstanding bond amounts equal the total of the drawdowns less principal payments per a set amortization schedule. The following schedule shows the amounts of the bonds and the purpose for which it was issued. Each revenue bond issue requires a debt service reserve to be held by the City's escrow agent.

Description	Fund	Year Issued	Total Bond	Amount Drawdown To Date	Debt Service Reserve	ARRA Funding
Radio read meter system and improvements to plants	Water	2008	\$ 5,900,000	\$ 5,264,713	\$ 433,173	na
St. Mary's Raw Water Main Project	Water	2007	3,000,000	3,000,000	212,633	na
Distribution improvements	Water	2009	3,300,000	2,401,061	181,313	765,452
Easton's Pond Dam and Moat Repairs	Water	2011	6,640,000	3,172,341	544,095	na
Water Treatment Plants	Water	2012	53,100,000	7,803,567	3,476,201	na
Sewer Improvements	WPC	2002	13,000,000	13,000,000	894,371	na
Easton Pond ultraviolet disinfection system; railroad interceptor replacement; combined sewer overflow projects	WPC	2009	6,595,532	6,259,865	384,978	995,579
Thames Street and Wellington Avenue interceptor repairs and replacement; and Long Wharf force main repairs	WPC	2010	9,327,000	8,774,956	650,475	na
Long Wharf force main repairs	WPC	2011	3,095,505	2,995,989	224,754	na
Long Wharf force main repairs	WPC	2011	10,345,000	10,345,000	544,095	na

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 \$1,605,509 which amount is reported in the debt service fund, a nonmajor governmental fund.

Bonded indebtedness on June 30, 2012 matures over fiscal years through 2034 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>
2013	\$ 1,726,825	\$ 577,733	\$ 3,028,979	\$ 2,237,101
2014	1,580,000	528,944	2,732,368	3,173,733
2015	1,610,000	484,744	4,888,492	3,150,221
2016	3,263,536	412,181	5,001,303	3,038,266
2017	1,440,000	348,037	5,133,824	2,916,949
2018-2022	7,655,000	936,620	28,014,418	12,392,736
2023-2027	750,000	39,062	29,268,192	7,886,998
2028-2032	-	-	22,894,532	3,183,281
2033-2034	-	-	6,998,000	268,817
Amounts Not Yet Drawn	-	-	(51,284,040)	-
	<u>\$ 18,025,361</u>	<u>\$ 3,327,321</u>	<u>\$ 56,676,068</u>	<u>\$ 38,248,102</u>

Debt authorized by the City Council and voters, where applicable, and not yet issued at June 30, 2012 is as follows:

Road Improvement Bonds Capital Projects Fund	\$7,000,000
Water System Improvements	31,900,000
Sewer System Improvements	10,673,000
School Building Bonds	21,000,000 (\$18,440,000 issued on 9/12/12)

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

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Notes payable

Governmental activities

The City issued a bond anticipation note (BAN) for \$9,000,000 on July 7, 2011 for construction of a new elementary school. The total project authorization is \$30,000,000 and will be completed by June 2013. There was a premium on the BAN of \$102,780 and the interest rate is 1.50%. The BAN was rolled over in July 2012 with a note (BAN) for \$9,000,000 at an interest rate of 1.25%. The note is expected to be replaced by a long-term general obligation bond.

Business-type activities

The Water Fund has borrowed \$5,105,000 as a short-term note due to Bank of America for the long-term improvements to the Newport Station 1 Treatment Plant and the replacement of the Lawton Valley Treatment Plant. The note will be funded when due with draw down proceeds from the \$53,100,000 bonds issued in June 2012. The note cannot be prepaid.

In 1984, the Redevelopment Agency of Newport 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, 2012, \$200,000 was payable. The note is required to be paid only upon the sale of the building.

Component unit - 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, 2011	Additions	Reductions	Balance June 30, 2012	Due Within One Year
Notes Payable	\$ 87,500	\$ -	\$ 8,750	\$ 78,750	\$ 8,750
Compensated Absences	134,393	47,030	-	181,423	181,423
	<u>\$ 221,893</u>	<u>\$ 47,030</u>	<u>\$ 8,750</u>	<u>\$ 260,173</u>	<u>\$ 190,173</u>

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

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. *Changes in long-term liabilities:*

Long-term liability activity for the year ended June 30, 2012 was as follows:

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Due Within One Year
Governmental activities:					
Bonds payable	\$ 19,781,572	\$ -	\$ 1,756,211	\$ 18,025,361	\$ 1,726,825
Bond premium	964,192	102,780	97,682	969,290	97,682
Note payable	-	9,000,000	-	9,000,000	-
Leases payable	1,239,457	-	269,592	969,865	95,196
Claims and judgments	421,252	122,874	-	544,126	147,685
Compensated absences	7,604,865	3,778,585	4,060,968	7,322,482	3,500,000
Net pension obligation	4,782,838	11,449	-	4,794,287	-
Net OPEB obligation	7,638,181	-	699,537	6,938,644	-
TOTAL	\$ 42,432,357	\$ 13,015,688	\$ 6,883,990	\$ 48,564,055	\$ 5,567,388
Business-type activities:					
Bonds payable	\$ 45,200,350	\$ 13,715,603	\$ 2,239,885	\$ 56,676,068	\$ 3,028,979
Note payable	200,000	-	-	200,000	-
Note payable	3,335,070	8,169,384	6,399,454	5,105,000	5,105,000
Net OPEB obligation	782,312	-	42,783	739,529	-
TOTAL	\$ 49,517,732	\$ 21,884,987	\$ 8,682,122	\$ 62,720,597	\$ 8,133,979

H. *Operating leases*

The Water Fund assesses the General Fund an annual lease charge of \$608,640 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, 2012, the General Fund incurred expenditures of \$608,640 associated with these agreements. The minimum annual lease obligations of the General Fund related to these agreements are \$608,640 until such time as the Rhode Island Public Utilities Commission approves a rate change.

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

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

I. *Capital leases*

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 are being amortized as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 95,196	\$ 29,775
2014	98,118	26,852
2015	101,130	23,840
2016	104,235	20,735
2017	107,435	17,535
2018 - 2021	463,751	36,131
	<u>\$ 969,865</u>	<u>\$ 154,868</u>

Equipment under capital leases in capital assets at June 30, 2012 included the following:

Machinery and equipment	\$1,062,226
Less: Accumulated Depreciation	(265,558)
Net	<u>\$ 796,668</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, 2011 was \$5,900,638,406 limiting the amount of non-expected general obligation bonds outstanding to \$177,019,152. Bonds of \$18,407,430 outstanding at June 30, 2012 are general obligations and subject to the statutory limitation.

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

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

K. Fund balances

The following table details the purposes for which fund balances may be nonspendable, restricted, committed or assigned.

	General Fund	Community Development Block Grant	Permanent Fund	Capital Projects Fund	Other Governmental Funds	Total
Nonspendable:						
Endowments	\$ -	\$ -	\$ 2,181,651	\$ -	\$ -	\$ 2,181,651
Restricted:						
Trust purposes			5,844,993			5,844,993
Education					355,107	355,107
For recreation by donors	65,453					65,453
Planning, urban and economic development					1,595,264	1,595,264
Public safety					418,488	418,488
Community and social services		258,779				258,779
Debt service					1,605,509	1,605,509
Total Restricted	65,453	258,779	5,844,993	-	3,974,368	10,143,593
Committed:						
General government	554,702					554,702
Capital improvements				7,902,015		7,902,015
Total Committed	554,702	-	-	7,902,015	-	8,456,717
Assigned:						
Public improvements	869,960					869,960
Unassigned	10,146,290				(28,728)	10,117,562
Totals	\$ 11,636,405	\$ 258,779	\$ 8,026,644	\$ 7,902,015	\$ 3,945,640	\$ 31,769,483

The restricted amounts consist of state and federal grants as well as the expendable portion of the trust funds. Funds cannot be spent for any purpose other than that specified by the grantor, trust donor or law.

The committed amounts in the general fund are encumbrances wherein the amounts or service has been ordered but not yet delivered.

The assigned amount in the general fund is the balance of proceeds from the sale of Lenthal School. The Council has assigned those amounts by resolution.

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.

** See subsequent events note.

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 2012 was \$38,064,841. Total City payroll was \$47,682,696 for the same period.

Legislative changes

In November 2011, the State enacted The Rhode Island Retirement Security Act of 2011 which makes broad changes to the Teachers' Retirement Plan and the Municipal Employee's Retirement System of the State of Rhode Island. The most significant changes include:

- Changing the structure of the retirement program from a traditional defined benefit plan to a hybrid plan designed with a smaller defined benefit plan and supplemental defined contribution plan.
- Changing the automatic COLA to a formula contingent on the actual investment performance over time.
- Suspension/reduction of the COLA during times when the funded ratio is lower than targeted 80% levels.
- The accumulated benefit multiplier and the final average compensation as of June 30, 2012 will be preserved and any changes to accruals will be made prospectively.
- All members eligible to retire before July 1, 2012 will retain the ability to retire in accordance with the provisions prior to the Act.
- Current teachers and municipal employees that participate in the State plan who have five years of service as of June 30, 2012 will have a new retirement age delayed in proportion to the amount of service they have earned as of June 30, 2012 and to their current expected retirement age (defined as federal social security age), but not less than age 59.

Teachers' plan

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 2012 was \$16,308,469, including \$1,290,029 of federally reimbursed payroll.

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

V. OTHER INFORMATION (CONTINUED)

B. Pension plans (continued)

Teachers' plan (continued)

Plan provisions

Participants' rights to pension benefits become fully vested after 5 years of service. Participants are eligible to retire after 5 years of service if they have attained federal social security retirement age, except that active employees with at least 5 years of service as of June 30, 2012 may have a retirement age that is somewhat less depending on their years of service as of June 30, 2012. In no event can a person retire with a normal retirement prior to age 59 unless they elect to take a reduced benefit. 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. The provisions of the legislation noted above were effective as of July 1, 2012. Employees will be eligible for 1.00% of the monthly final average compensation for service performed after June 30, 2012. 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. (See above notes on the current suspension of the COLA.) 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)

Teachers' plan (continued)

Funding Policy

Rhode Island general laws set the contribution rates of participating employees at 9.5% of salary prior to June 30, 2012 and 3.75% of salary effective July 1, 2012. 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 individual entry age 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 2012, actuarial required contributions were 22.32% of participants' salary (also 22.32% for federally reimbursed salary). This resulted in a contribution rate paid by the State on behalf of City teachers of 9.09%. In accordance with the provisions of GASB Statement No. 24, the City has recorded "on-behalf" payments of \$1,364,864 for amounts paid by the State on behalf of City teachers. The City's contribution rate was 13.23%. The City's required and actual contributions to the Teachers' Plan for fiscal years 2012, 2011, and 2010 were \$2,274,802, \$1,952,662, and \$2,040,145, respectively.

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

V. OTHER INFORMATION (CONTINUED)

B. Pension plans (continued)

Municipal plan

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 2012, payroll for employees covered under the plan totaled \$10,971,505.

Participants' rights to pension benefits become fully vested after 5 years of service. If they were eligible to retire as of June 30, 2012, they are 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 five 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. Participants are eligible to retire after 5 years of service if they have attained federal social security retirement age, except that active employees with at least 5 years of service as of June 30, 2012 may have a retirement age that is somewhat less depending on their years of service as of June 30, 2012. In no event can a person retire with a normal retirement prior to age 59 unless they elect to take a reduced benefit.

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, 2012, 253 active employees were members of the Municipal Plan.

Funding Policy

Rhode Island general laws set contributions of participating employees at 6% of salary prior to July 1, 2012, and 1% of salary as of July 1, 2012. The City participates in an optional cost-of-living provision which assesses an additional 1% of salary to the participants. 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 17 years remaining as of June 30, 2012. 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.

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

V. OTHER INFORMATION (CONTINUED)

B. *Pension plans (continued)*

Municipal plan (continued)

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.

	2012	2011	2010
Annual Pension Costs	\$ 1,803,085	\$ 1,556,090	\$ 1,685,903
Actual Employer Contributions	1,803,085	1,556,090	1,685,903
Percent of annual pension costs contributed	100%	100%	100%

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2011 was as follows:

Actuarial Valuation Date	(A) Actuarial Value of Assets	(B) Actuarial Accrued Liability (AAL) Entry Age	(A - B) Under Funded AAL	(A/B) Funded AAL Ratio	(C) Covered Payroll	[(A-B)/C] Underfunded AAL as a Percentage of Covered Payroll
June 30, 2011	\$ 44,242,231	\$ 67,501,891	\$ 23,259,660	65.5%	\$ 10,971,505	212.0%

V. OTHER INFORMATION (CONTINUED)

B. Pension plans (continued)

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 ("RSI"), immediately following the notes to the financial statements 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.

Actuarial Methods and Significant Assumptions

The State used the entry age actuarial cost 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. The actuarial value of pension assets is used in the calculation of the actuarial accrued liabilities and funding requirements. The actuarial value of pension assets means that the value is smoothed over 5 years. 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:	4.00% annually, plus a service component
Payroll growth rate (for amortization)	3.75% annually
Cost of living adjustments:	2.00%, not compounded
Inflation rate	2.75% annually
Retirement probability	100% at age 75 or upon eligibility

Mortality:

Healthy members – Males: pre-retirement 75% and post retirement 115% of RP2000 Combined Healthy with White Collar Adjustments Mortality Table; Females pre-retirement 75% and postretirement 95% of RP2000 Combined Healthy with White Collar Adjustments Table;
 Disabled members – 60% of the PBGC Table Va for disabled male members eligible for Social Security disability benefits and 60% of the PBGC Table Via for disabled female members eligible for Social Security

Disability: Probabilities ranging from .06% at age 25 to .98% at age 60

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

V. OTHER INFORMATION (CONTINUED)

B. *Pension plans (continued)*

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.

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. The City does not use an actuarial smoothing process in determining value of assets.

Plan Descriptions and Contribution Information

As of June 30, 2012, membership in each plan was as follows:

	<u>Fire Plan</u>	<u>Police Plan</u>
Active employees hired before July 1, 1984	3	3
Active employees hired on or after July 1, 1984	<u>85</u>	<u>71</u>
Total active employees	88	74
Inactive employees with vested rights	1	1
Pensioners and beneficiaries	<u>118</u>	<u>114</u>
Total plan members	<u>207</u>	<u>189</u>

V. OTHER INFORMATION (CONTINUED)**B. *Pension plans (continued)*****Firemen's pension plan and policemen's pension plan (continued)**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 2012, covered payroll under the plans was \$6,261,043 and \$4,938,573 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. Fire employees hired after July 1, 2011 cannot receive pension benefits until they reach the age of 58.

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 (9% for firefighters as of October 1, 2011). The City policy is to fund a minimum of 100% of the annual required contribution as determined by an independent actuary. Rhode Island general laws, City ordinances and collective bargaining agreements establish minimum employer funding. However, the City's policy results in required contributions in excess of the statutory and contractual minimum levels. The City is amortizing the unfunded accrued liability over a closed 30 year period, of which 20 years remain.

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

V. OTHER INFORMATION (CONTINUED)

B. *Pension plans (continued)*

Firemen's pension plan and policemen's pension plan (continued)

Financial Information

STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2012

	POLICE PENSION FUND	FIRE PENSION FUND
ASSETS		
Cash and investments	\$ 42,630,385	\$ 32,034,536
LIABILITIES		
Accounts payable	264,239	356,435
NET POSITION		
Net position held in trust for pension benefits	<u>\$ 42,366,146</u>	<u>\$ 31,678,101</u>

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2012

	POLICE PENSION FUND	FIRE PENSION FUND
ADDITIONS		
Contributions and other income	\$ 3,293,104	\$ 5,102,124
Investment income (loss), net of investment expenses	(573,204)	(430,803)
TOTAL ADDITIONS	2,719,900	4,671,321
DEDUCTIONS		
Benefits	4,154,488	6,032,048
Administration	67,408	50,940
TOTAL DEDUCTIONS	4,221,896	6,082,988
CHANGES IN NET POSITION	(1,501,996)	(1,411,667)
NET POSITION - JULY 1, 2011	43,868,142	33,089,768
NET POSITION - JUNE 30, 2012	<u>\$ 42,366,146</u>	<u>\$ 31,678,101</u>

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

V. OTHER INFORMATION (CONTINUED)

B. *Pension plans (continued)*

Firemen's pension plan and policemen's pension plan (continued)

Funded Status and Funding Progress

The funded status of the plans as of July 1, 2011 (the date of the most recent actuarial valuation) was as follows:

Actuarial Valuation Date	(A) Actuarial Value of Assets	(B) Actuarial Accrued Liability (AAL) Individual Entry Age	(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, 2011	\$ 32,832,334	\$ 82,907,130	\$ 50,074,796	39.6%	\$ 4,891,283	1023.8%
<u>POLICE PLAN</u>						
July 1, 2011	\$ 43,693,248	\$ 76,570,775	\$ 32,877,527	57.1%	\$ 5,048,815	651.2%

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.

Annual Pension Costs and Net Pension Obligations

Separate actuarial valuations for each plan were performed as of July 1, 2011. 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)	\$ 4,560,741	\$ 2,899,579
Amount representing interest on NPO	358,713	(472,407)
Adjustment to ARC	(347,264)	445,911
Total annual pension costs	<u>\$ 4,572,190</u>	<u>\$ 2,873,083</u>

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

V. OTHER INFORMATION (CONTINUED)

B. *Pension plans (continued)*

Firemen's pension plan and policemen's pension plan (continued)

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		
	2012	2011	2010
Annual pension costs	\$ 4,572,190	\$ 4,370,773	\$ 3,830,457
Actual contributions	<u>4,560,741</u>	<u>4,359,109</u>	<u>3,981,258</u>
Increase (decrease) in NPO	11,449	11,664	(150,801)
Net pension obligation, July 1	<u>4,782,838</u>	<u>4,771,174</u>	<u>4,921,975</u>
Net pension obligation, June 30	<u>\$ 4,794,287</u>	<u>\$ 4,782,838</u>	<u>\$ 4,771,174</u>
% of annual pension costs contributed	<u>99.7%</u>	<u>99.7%</u>	<u>103.9%</u>
	Police Plan		
	2012	2011	2010
Annual pension costs	\$ 2,873,083	\$ 3,089,660	\$ 2,399,432
Actual contributions	<u>2,899,580</u>	<u>3,116,642</u>	<u>2,670,822</u>
Increase in NPA	(26,497)	(26,982)	(271,390)
Net pension asset, July 1	<u>(6,298,759)</u>	<u>(6,271,777)</u>	<u>(6,000,387)</u>
Net pension asset, June 30	<u>\$ (6,325,256)</u>	<u>\$ (6,298,759)</u>	<u>\$ (6,271,777)</u>
% of annual pension costs contributed	<u>100.9%</u>	<u>100.9%</u>	<u>111.3%</u>

Actuarial Methods and Significant Assumptions

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

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

V. OTHER INFORMATION (CONTINUED)

B. *Pension plans (continued)*

Firemen's pension plan and policemen's pension plan (continued)

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, 2011	July 1, 2011
Actuarial Cost Method	Individual Entry Age	Individual Entry Age
Amortization Method	Level Dollar Closed	Level Dollar Closed
Remaining Amortization Period	20 Years	20 Years
Asset appreciation	7.50% annually	7.50% annually
Salary increases	3.00% annually	3.00% annually
Cost of living increase:	3.00%	3.00%
Members retired prior to August 26, 2011	3.00%	
Members retiring after August 26, 2011	Bureau of Labor CPI for Northeast Urban Wage Earners, not exceeding 3.00% or less than .05%	
Inflation	3.00%	3.00%
Mortality:		
Healthy Members (both police and fire)	Mortality tables prescribed by the IRS for non-governmental plans, as specified in IRS Regulation 1.430(h)(3)-1, applied on a fully generational basis	
Disabled Members (both police and fire)	1985 Wyatt Pension Disability Table	

Concentrations - As of June 30, 2012, 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)*

Plan description

The City of Newport offers family or individual health insurance to retirees and life insurance to police retirees. The plan is reported as an OPEB trust fund in the City's financial statements. The plan does not issue separate financial statements. 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. AFSCME and NEA employees, police employees hired after July 1, 2009, and fire employees hired after July 1, 2011 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)*

Summary of significant accounting policies and plan asset matters

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.

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.

Classes of Employees Covered

As of July 1, 2012 membership data was as follows:

Active employees	634
Retirees	<u>714</u>
Total plan members	<u>1,348</u>

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. Members hired after July 1, 2011 are not eligible for Plan65. 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)*

Summary financial information

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

STATEMENT OF FIDUCIARY NET POSITION
 OTHER POST-EMPLOYMENT BENEFITS TRUST FUND
 JUNE 30, 2012

ASSETS	
Cash and investments	\$ 23,089,695
LIABILITIES	
Accounts payable	<u>20,279</u>
NET POSITION	
Net position held in trust for OPEB benefits	<u><u>\$ 23,069,416</u></u>

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 OTHER POST-EMPLOYMENT BENEFITS TRUST FUND
 FOR THE YEAR ENDED JUNE 30, 2012

ADDITIONS	
Contributions and other income	\$ 2,892,317
Investment income (loss), net of investment expenses	<u>90,113</u>
TOTAL ADDITIONS	2,982,430
DEDUCTIONS	
Benefits	-
Administration	<u>31,886</u>
TOTAL DEDUCTIONS	31,886
CHANGES IN NET POSITION	2,950,544
NET POSITION - JULY 1, 2011	<u>20,118,872</u>
NET POSITION - JUNE 30, 2012	<u><u>\$ 23,069,416</u></u>

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

V. OTHER INFORMATION (CONTINUED)

C. *Other post-employment benefits (OPEB) (continued)*

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	\$ 9,380,150
Interest on net OPEB obligation	631,537
Adjustment to annual required contribution	<u>(492,607)</u>
Annual OPEB cost (expense)	9,519,080
Contributions made	<u>10,261,400</u>
Increase (decrease) in net OPEB obligation	(742,320)
Net OPEB obligation - July 1, 2011	<u>8,420,493</u>
Net OPEB obligation - June 30, 2012	<u>\$ 7,678,173</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the previous six years is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2006	\$ 9,706,604	53.9%	\$ 4,466,938
June 30, 2007	9,282,550	75.0%	6,756,362
June 30, 2008	9,997,870	72.3%	9,521,806
June 30, 2009	10,615,386	104.6%	9,037,637
June 30, 2010	9,243,181	121.6%	7,429,179
June 30, 2011	11,191,505	90.0%	8,420,493
June 30, 2012	9,680,364	107.7%	7,678,173

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

V. OTHER INFORMATION (CONTINUED)

C. *Other post-employment benefits (OPEB) (continued)*

Funded status and funding progress

The funded status of the plan as of July 1, 2011 (the date of the most recent actuarial valuation) was as follows:

Actuarial Valuation Date	(A) Actuarial Value of Assets	(B) Actuarial Accrued Liability (AAL) Projected Unit Credit	(A-B) Unded Funded AAL	(A/B) Funded AAL Ratio	(C) Covered Payroll	[(A-B)/C] Under Funded AAL as a Percentage of Covered Payroll
July 1, 2011	\$ 20,075,296	\$ 146,820,053	\$ 126,744,757	13.7%	\$ 37,623,567	336.9%

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.

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.

V. OTHER INFORMATION (CONTINUED)***C. Other post-employment benefits (OPEB) (continued)*****Actuarial methods and assumptions (continued)**

The projected unit credit cost method was used in the July 1, 2011 actuarial valuation. Actuarial assumptions included a 7.5% investment rate of return (net of administrative expenses). Only assets that have been contributed to the OPEB Trust are considered available for liabilities for purposes of the valuation. Assets are valued at Fair Market Value. The actuarial assumptions for healthcare cost trend is growth of 8% for 2011 and declining by 1% per year until 5% is reached. The 5% growth is used on a go-forward basis. The CPI is assumed to increase by 3.00% per year. 100% of future retirees are assumed to participate in the plan. No benefits are projected to increase. The UAAL is being amortized over a closed thirty year period using a level percent of pay. The City is in year 25 of the amortization schedule.

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.

E. On-Behalf Payments

The amount recognized in the general fund intergovernmental revenues and education expenditures for contribution made by the state on-behalf of the City's teachers to the State Employees' Retirement System of Rhode Island was \$1,364,864.

F. Restatement

The City restated beginning fund balance in the school restricted fund to correct for prior year errors. Certain grant receivables recorded in the prior year were recorded in error. The restatement decreased the beginning governmental activities net position by \$185,325 from \$76,622,021 to \$76,436,696 and the non-major governmental funds beginning fund balance by \$185,325 from \$3,477,248 to \$3,291,923. The effect on prior year change in net position in the government-wide financial statements and fund balance in the fund financial statements was a reduction of \$185,325.

G. Subsequent Events

Certain of City of Newport facilities suffered wind and flood damage from Hurricane Sandy. The facilities involved include Easton's Beach bathhouses, storage shed and rotunda building. The flood from the associated storm surge destroyed the Save the Bay Aquarium Center and the City's beach offices. The City also had flood and debris damage on portions of Ocean Drive, the Cliff Walk (not specifically owned by the City of Newport) and at the Convention and Visitor's Bureau. The City was self-insured for floods at Easton's Beach and at the Convention and Visitor's Bureau. The Federal Emergency Management Agency has evaluated the damage and will likely pay for a portion of costs related to the storm. Damage estimates are not yet available.

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

V. OTHER INFORMATION (CONTINUED)**G. *Subsequent Events (continued)***

The City issued Bond Anticipation Notes as follows:

<u>Date Issued</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
7/6/2012	\$ 9,000,000	1.25%	7/3/2013
9/12/2012	18,440,000	0.75%	7/3/2013

**Required
Supplementary
Information**

CITY OF NEWPORT, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 JUNE 30, 2012

Fire Pension Plan							
Actuarial Valuation Date July 1	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets as % of AAL	Unfunded AAL	Annual Covered Payroll	Unfunded AAL as % of Covered Payroll	
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%	
2011	32,832,334	82,907,130	39.6%	50,074,796	4,891,283	1023.8%	

Police Pension Plan							
Actuarial Valuation Date July 1	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets as % of AAL	Unfunded AAL	Annual Covered Payroll	Unfunded AAL as % of Covered Payroll	
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%	
2011	43,693,248	76,570,775	57.1%	32,877,527	5,048,815	651.2%	

(Continued)

CITY OF NEWPORT, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS (CONTINUED)
 JUNE 30, 2012

Municipal Employees Retirement System						
Actuarial Valuation Date June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets as % of AAL	Unfunded AAL	Annual Covered Payroll	Unfunded (Excess) AAL as % of Covered Payroll
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%
2010	45,258,714	75,087,374	60.3%	29,828,660	11,778,197	253.3%
2011	44,242,231	67,501,891	65.5%	23,259,660	10,971,505	212.0%

OPEB Trust Plan						
Actuarial Valuation Date July 1	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets as % of AAL	Unfunded AAL	Annual Covered Payroll	Unfunded AAL as % of Covered Payroll
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%
2010	13,952,666	150,082,585	9.3%	136,129,919	38,198,664	356.4%
2011	20,075,296	146,820,053	13.7%	126,744,757	37,623,567	336.9%

(Concluded)

CITY OF NEWPORT, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
JUNE 30, 2012

Fire Pension Plan

Actuarial Valuation Date July 1	Annual Required Contribution (ARC)	Actual Contribution	% of ARC Contributed
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%
2011	4,359,109	4,359,109	100.0%
2012	4,560,741	4,560,741	100.0%

Police Pension Plan

Actuarial Valuation Date July 1	Annual Required Contribution (ARC)	Actual Contribution	% of ARC Contributed
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%
2011	3,116,642	3,116,642	100.0%
2012	2,899,579	2,899,580	100.0%

Other Post-Employment Benefits Plan

Actuarial Valuation Date July 1	Annual Required Contribution (ARC)	Actual Contribution	% of ARC Contributed
2006	\$ 9,706,604	\$ 5,239,666	54.0%
2007	9,282,550	6,993,126	75.3%
2008	9,997,870	7,232,426	72.3%
2009	10,238,391	11,099,555	108.4%
2010	9,050,275	11,241,301	124.2%
2011	10,751,437	9,810,529	91.2%
2012	9,380,150	10,422,684	111.1%

Supplemental Schedules

General Fund

The General Fund is composed of four separate funds. Schedules 1 and 2 show activity from the City's general operating fund only. Schedules 3 and 4 are General Fund combining schedules which combine four separate funds into one General Fund.

The City's general operating fund is used to account for all activities of the City, except those required to be accounted for in another fund. The City's general operating 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. This fund is under the control of the City Council.

The School Unrestricted Fund is under control of the elected School Committee and is used to account for all activities of the school except for those required to be accounted for in the School Restricted Fund (primarily federal and state aid).

The City's Property Acquisition Fund is used to account for proceeds from the sale of City-owned properties. These funds are assigned by Council resolution for one-time expenditures or capital improvements.

The City's Gift Fund is used to account for monies given by outside donors for specific activities provided by the City. Examples include basketball tournaments, evening and children's programs and public safety equipment. These funds are considered restricted by donors.

CITY OF NEWPORT, RHODE ISLAND

GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET
LOCAL TAXES:				
Current taxes - Real Estate	\$ 61,730,155	\$ 61,730,155	\$ 60,237,359	\$ (1,492,796)
Current taxes - MV	1,700,000	1,700,000	1,622,970	(77,030)
Delinquent - Real Estate	1,100,000	1,100,000	1,507,777	407,777
Delinquent taxes - MV	110,000	110,000	83,487	(26,513)
Penalties	335,000	335,000	377,813	42,813
Tax lien fees	25,000	25,000	26,823	1,823
Tax Abatements	(1,000,000)	(1,000,000)	-	1,000,000
Meals and beverage tax	1,625,000	1,625,000	1,833,841	208,841
Hotel occupancy tax	1,675,000	1,675,000	1,705,873	30,873
TOTAL LOCAL TAXES	67,300,155	67,300,155	67,395,943	95,788
INTERGOVERNMENTAL REVENUES:				
Telephone company tax	280,000	280,000	277,691	(2,309)
Miscellaneous state and federal aid	-	-	6,699	6,699
MV tax phase out	138,000	138,000	133,343	(4,657)
School housing aid	222,000	222,000	511,556	289,556
PILOT	830,000	830,000	932,980	102,980
State aid - library construction	225,000	225,000	219,628	(5,372)
TOTAL INTERGOVERNMENTAL REVENUES	1,695,000	1,695,000	2,081,897	386,897
CHARGES FOR SERVICES:				
GMH service fees	350,000	350,000	89,751	(260,249)
Hope IV Project service fees	150,000	150,000	163,868	13,868
Salve Regina service charges	6,902	6,902	6,902	-
Convention and Visitor's Bureau	10,000	10,000	-	(10,000)
Police special detail	1,780,000	1,780,000	1,425,103	(354,897)
Document prep and handling	75,000	75,000	70,711	(4,289)
Planning Services	-	-	980	980
Solid waste hauler fees	2,500	2,500	2,250	(250)
Community development services	59,629	59,629	59,629	-
Computer processing fees	322,072	322,072	331,123	9,051
Management services	940,547	940,547	928,749	(11,798)
Fire alarm assessments	150,000	150,000	153,600	3,600
Recycling bins	-	-	2,919	2,919
HR regional testing	1,000	1,000	6,000	5,000
Recreation activity fees	100,000	100,000	108,631	8,631
Ballfield rentals	18,000	18,000	23,666	5,666
Parking tickets	900,000	900,000	836,632	(63,368)
Recording fees	300,000	300,000	331,259	31,259
Conveyance tax	450,000	450,000	393,355	(56,645)
Probate fees	50,000	50,000	52,963	2,963
Rescue fees	675,000	675,000	684,977	9,977
General business	75,000	75,000	84,642	9,642
Hotel registration fees	6,000	6,000	6,150	150
Entertainment	20,000	20,000	22,470	2,470
Liquor	185,000	185,000	185,465	465
Mech amusement	15,000	15,000	13,225	(1,775)
Sunday selling	26,000	26,000	24,100	(1,900)
Taxi	1,000	1,000	2,632	1,632
Victualing	55,000	55,000	59,400	4,400
Animal	4,400	4,400	4,842	442
Marriage	5,000	5,000	5,296	296
Building	630,000	630,000	563,058	(66,942)
Plumbing	40,000	40,000	38,724	(1,276)
Mechanical	120,000	120,000	116,290	(3,710)
Electrical	110,000	110,000	110,283	283
Board of Appeals	17,000	17,000	17,700	700
HDC application fee	16,000	16,000	19,800	3,800
Road opening	60,000	60,000	84,541	24,541
Fire inspection fees	40,000	40,000	63,731	23,731
Fire - sundry	12,000	12,000	18,704	6,704
Police - sundry	8,000	8,000	9,511	1,511
Municipal court cost assessment	200,000	200,000	169,869	(30,131)
Payphone commissions	-	-	377	377
Vendor rights	8,800	8,800	9,433	633
Newport Grand Slot Machines	525,000	525,000	524,051	(949)
Other miscellaneous	50,000	50,000	6,633	(43,367)
Rental of property	95,000	95,000	106,883	11,883
TOTAL CHARGES FOR SERVICES	8,664,850	8,664,850	7,940,878	(723,972)
USE OF MONEY AND PROPERTY:				
Investment interest	400,000	400,000	276,349	(123,651)
OTHER REVENUES:				
Salary reimbursements	100,000	100,000	100,000	-
Sale of surplus equipment	11,800	11,800	3,017	(8,783)
Public donations	150,150	150,150	270,270	120,120
TOTAL OTHER REVENUES	261,950	261,950	373,287	111,337
TOTAL REVENUES	78,321,955	78,321,955	78,068,354	(253,601)
OTHER FINANCING SOURCES:				
Appropriations of fund balance	446,311	446,311	-	(446,311)
Transfers in	-	-	96,000	96,000
TOTAL OTHER FINANCING SOURCES	446,311	446,311	96,000	(350,311)
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 78,768,266	\$ 78,768,266	\$ 78,164,354	\$ (603,912)

CITY OF NEWPORT, RHODE ISLAND

GENERAL FUND
 SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2012

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET
EXPENDITURES:				
General Government:				
Mayor and City Council	\$ 119,981	\$ 119,981	\$ 90,797	\$ 29,184
City Manager	692,175	692,175	762,336	(70,161)
City Solicitor	408,898	408,898	387,619	21,279
Canvassing	179,906	194,906	178,619	16,287
Finance	3,136,817	3,132,108	2,872,334	259,774
City Clerk	510,836	552,315	489,859	62,456
Reserve Accounts	518,890	1,334,545	517,321	817,224
Public Safety:				
Police Department	15,398,647	15,038,647	14,359,080	679,567
Fire Department	16,385,800	16,633,494	16,129,304	504,190
Public Health	7,734,792	8,136,911	7,129,056	1,007,855
Planning, Zoning, and Development	1,248,482	1,248,482	1,164,521	83,961
Recreation	475,551	475,551	421,990	53,561
Human services:				
Donations	83,150	83,150	79,900	3,250
Public Library	1,671,719	1,671,719	1,671,719	-
Pension expenditures	3,491,200	3,491,200	3,935,092	(443,892)
Debt service	2,525,368	2,392,258	2,372,745	19,513
TOTAL EXPENDITURES	54,582,212	55,606,340	52,562,292	3,044,048
OTHER FINANCING USES:				
Transfers out	24,186,054	24,319,164	24,319,164	-
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 78,768,266	\$ 79,925,504	\$ 76,881,456	\$ 3,044,048

CITY OF NEWPORT, RHODE ISLAND

COMBINING BALANCE SHEET
GENERAL FUND
JUNE 30, 2012

	GENERAL FUNDS				TOTAL GOVERNMENTAL GENERAL FUNDS
	CITY GENERAL FUND	SCHOOL UNRESTRICTED FUND	PROPERTY ACQUISITION FUND	GIFT FUND	
<u>ASSETS</u>					
Cash and cash equivalents	\$ 1,247,334	\$ 1,850,275	\$ 699,797	\$ 87,108	\$ 3,884,514
Investments	8,952,704	-	-	-	8,952,704
Receivables, net:					
Property taxes	1,860,910	-	-	-	1,860,910
Motor vehicle excise	1,383,460	-	-	-	1,383,460
Intergovernmental	-	-	-	-	-
Note/loan	-	-	-	-	-
Other	821,417	273,697	177,875	-	1,272,989
Due from other funds	483,171	-	-	-	483,171
Advances to other funds	-	-	-	-	-
TOTAL ASSETS	\$ 14,748,996	\$ 2,123,972	\$ 877,672	\$ 87,108	\$ 17,837,748
<u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES:</u>					
Accounts payable	\$ 1,094,348	\$ 484,539	\$ 7,712	\$ 21,655	\$ 1,608,254
Accrued liabilities	1,170,899	222,490	-	-	1,393,389
Deferred revenue	2,197,346	-	-	-	2,197,346
Due to other funds	78,750	-	-	-	78,750
Other liabilities	923,604	-	-	-	923,604
Total liabilities	5,464,947	707,029	7,712	21,655	6,201,343
<u>Fund balances:</u>					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	65,453	65,453
Committed	554,702	-	-	-	554,702
Assigned	-	-	869,960	-	869,960
Unassigned	8,729,347	1,416,943	-	-	10,146,290
Total fund balances	9,284,049	1,416,943	869,960	65,453	11,636,405
TOTAL LIABILITIES AND FUND BALANCES	\$ 14,748,996	\$ 2,123,972	\$ 877,672	\$ 87,108	\$ 17,837,748

CITY OF NEWPORT, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

	GENERAL FUNDS				TOTAL GOVERNMENTAL GENERAL FUNDS
	CITY GENERAL FUND	SCHOOL UNRESTRICTED FUND	PROPERTY ACQUISITION FUND	GIFT FUND	
REVENUES:					
Local taxes	\$ 67,395,943	\$ -	\$ -	\$ -	\$ 67,395,943
Intergovernmental revenues	2,081,897	14,147,313	-	-	16,229,210
Charges for services	7,940,878	730,112	-	-	8,670,990
Use of money and property	276,349	59,564	108	-	336,021
Contributions	270,270	126,771	-	22,969	420,010
Other revenues	103,017	-	5,000	-	108,017
TOTAL REVENUES	78,068,354	15,063,760	5,108	22,969	93,160,191
EXPENDITURES:					
Current:					
General government	5,691,806	-	-	-	5,691,806
General education	-	37,783,649	-	-	37,783,649
Public safety	30,320,731	-	-	28,929	30,349,660
Public health	6,541,950	-	-	-	6,541,950
Planning, zoning and development	1,164,521	-	-	-	1,164,521
Recreation	421,990	-	-	-	421,990
Human services	1,804,419	-	-	32,531	1,836,950
Pension expenditures	3,935,092	-	-	-	3,935,092
Debt service:					
Principal	1,756,211	-	-	-	1,756,211
Interest	616,534	-	-	-	616,534
Capital outlays	964,975	-	-	-	964,975
TOTAL EXPENDITURES	53,218,229	37,783,649	-	61,460	91,063,338
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	24,850,125	(22,719,889)	5,108	(38,491)	2,096,853
OTHER FINANCING SOURCES (USES):					
Transfers out	(24,266,364)	-	-	(96,000)	(24,362,364)
Transfers in	96,000	22,564,157	-	-	22,660,157
NET OTHER FINANCING SOURCES (USES)	(24,170,364)	22,564,157	-	(96,000)	(1,702,207)
NET CHANGE IN FUND BALANCES	679,761	(155,732)	5,108	(134,491)	394,646
FUND BALANCES, BEGINNING	8,604,288	1,572,675	864,852	199,944	11,241,759
FUND BALANCES, ENDING	\$ 9,284,049	\$ 1,416,943	\$ 869,960	\$ 65,453	\$ 11,636,405

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 5

CITY OF NEWPORT, RHODE ISLAND

COMBINING BALANCE SHEET
PERMANENT TRUST FUNDS
JUNE 30, 2012

	CASH AND INVESTMENTS NET OF LIABILITIES	NONSPENDABLE FUND BALANCE	RESTRICTED FUND BALANCE
David Sears Trusts 1 - 9 (City Portion)	\$ 2,580,382	\$ 450,000	\$ 2,130,382
David Sears Trust - Heirs of David Sears	1,033,952	1,039,381	(5,429)
David Sears Trust - Public Improvements	74,066	-	74,066
Joseph Hammett Fund (1892)	32,488	1,500	30,988
Henderson Home Fund (1980)	959,644	139,781	819,863
Freebody Fund	102,813	97,000	5,813
EV Coles Fund (1899)	313,141	61,321	251,820
Hunter Industrial Fund (1942)	103,005	25,000	78,005
King School Fund (1864)	212,912	8,914	203,998
City Burial Lots	372,130	-	372,130
Private Burial Lots	6,913	-	6,913
Belmont Memorial Fund (1950)	32,236	2,000	30,236
Judah Touro M & C Fund (1879)	158,837	10,000	148,837
Touro Street Fund (1823)	65,093	5,000	60,093
Derby Fuel Fund (1849)	17,843	500	17,343
Fry Orphan Fund (1859)	23,830	5,131	18,699
R & E Bullock Fund (1944)	68,623	1,000	67,623
Poor and Aged Fund (1863)	1,132,828	100,000	1,032,828
Alexander Agassiz Fund (1901)	161,550	31,087	130,463
George H Norman Foundation Fund (1901)	55,378	6,899	48,479
Barbara Chapman Fund (1990)	4,124	2,000	2,124
E Townsend Fund (1889)	205,988	155,137	50,851
George N Buckout Fund (1955)	98,843	15,000	83,843
Edward Newton Fund (1959)	34,420	-	34,420
Braman Cemetery	160,247	-	160,247
Louis H Hobbs Fund (1988)	36,941	25,000	11,941
RIICAN Fund	7,799	-	7,799
Unallocated Expense	(29,382)	-	(29,382)
Total Permanent Trust Funds	\$ 8,026,644	\$ 2,181,651	\$ 5,844,993

CITY OF NEWPORT, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
PERMANENT TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	FUND BALANCE JULY 1, 2011	REVENUES Use of Money & Property and Investment Losses	EXPENDITURES Human Services	FUND BALANCE JUNE 30, 2012
David Sears Trusts 1 - 9 (City Portion)	\$ 2,579,630	\$ 752	\$ -	\$ 2,580,382
David Sears Trust - Heirs of David Sears	1,036,318	(2,366)	-	1,033,952
David Sears Trust - Public Improvements	90,000	67,216	(83,150)	74,066
Joseph Hammett Fund (1892)	32,934	724	(1,170)	32,488
Henderson Home Fund (1980)	978,170	16,274	(34,800)	959,644
Freebody Fund	102,966	1,582	(1,735)	102,813
EV Coles Fund (1899)	320,203	4,328	(11,390)	313,141
Hunter Industrial Fund (1942)	105,331	1,424	(3,750)	103,005
King School Fund (1864)	217,721	2,941	(7,750)	212,912
City Burial Lots	364,398	7,732	-	372,130
Private Burial Lots	6,775	388	(250)	6,913
Belmont Memorial Fund (1950)	31,542	694	-	32,236
Judah Touro M & C Fund (1879)	162,423	2,194	(5,780)	158,837
Touro Street Fund (1823)	63,691	1,402	-	65,093
Derby Fuel Fund (1849)	18,086	397	(640)	17,843
Fry Orphan Fund (1859)	24,708	292	(1,170)	23,830
R & E Bullock Fund (1944)	69,572	1,531	(2,480)	68,623
Poor and Aged Fund (1863)	1,168,151	15,012	(50,335)	1,132,828
Alexander Agassiz Fund (1901)	165,197	2,233	(5,880)	161,550
George H Norman Foundation Fund (1901)	56,625	763	(2,010)	55,378
Barbara Chapman Fund (1990)	4,036	88	-	4,124
E Townsend Fund (1889)	201,553	4,435	-	205,988
George N Buckout Fund (1955)	96,714	2,129	-	98,843
Edward Newton Fund (1959)	33,677	743	-	34,420
Braman Cemetery	156,798	3,449	-	160,247
Louis H Hobbs Fund (1988)	42,331	(90)	(5,300)	36,941
RIICAN Fund	7,631	168	-	7,799
Unallocated Investment Expense	-	-	(29,382)	(29,382)
Total Permanent Trust Funds	\$ 8,137,181	\$ 136,435	\$ (246,972)	\$ 8,026,644

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.

Bramley Bill Fund

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

Office of Economic Adjustment (OEA) 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, 2012

	SPECIAL REVENUE						TOTAL
	SCHOOL RESTRICTED FUND	UDAG FUND	STATE GRANTS FUND	ECONOMIC ADJUSTMENT GRANT	BRAMLEY BILL FUND	DEBT SERVICE FUND	NONMAJOR GOVERNMENTAL FUNDS
<u>ASSETS</u>							
Cash and cash equivalents	\$ -	\$ 1,595,264	\$ 456,168	\$ -	\$ 24,050	\$ 1,605,509	\$ 3,680,991
Investments	-	-	-	-	-	-	-
Receivables:							
Intergovernmental	585,797	-	177,227	28,728	-	-	791,752
Loan	-	283,630	-	-	-	-	283,630
Other	-	78,750	-	-	2,494	-	81,244
Due from other funds	-	78,750	-	-	-	-	78,750
Advances to other funds	-	296,904	-	-	-	-	296,904
TOTAL ASSETS	\$ 585,797	\$ 2,333,298	\$ 633,395	\$ 28,728	\$ 26,544	\$ 1,605,509	\$ 5,213,271
<u>LIABILITIES AND FUND BALANCES</u>							
<u>LIABILITIES:</u>							
Cash overdraft	\$ 221,896	\$ -	\$ -	\$ 23,561	\$ -	\$ -	\$ 245,457
Accounts payable	8,794	-	5,922	5,167	543	-	20,426
Deferred revenue	-	738,034	234,986	28,728	-	-	1,001,748
TOTAL LIABILITIES	230,690	738,034	240,908	57,456	543	-	1,267,631
<u>FUND BALANCES (DEFICIT):</u>							
Nonspendable	-	-	-	-	-	-	-
Restricted	355,107	1,595,264	392,487	-	26,001	1,605,509	3,974,368
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	(28,728)	-	-	(28,728)
TOTAL FUND BALANCES (DEFICIT)	355,107	1,595,264	392,487	(28,728)	26,001	1,605,509	3,945,640
TOTAL LIABILITIES AND FUND BALANCES	\$ 585,797	\$ 2,333,298	\$ 633,395	\$ 28,728	\$ 26,544	\$ 1,605,509	\$ 5,213,271

CITY OF NEWPORT, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	SPECIAL REVENUE FUNDS						TOTAL NONMAJOR GOVERNMENTAL FUNDS
	SCHOOL RESTRICTED FUND	UDAG FUND	STATE GRANTS FUND	ECONOMIC ADJUSTMENT GRANT	BRAMLEY BILL FUND	DEBT SERVICE FUND	
REVENUES:							
Intergovernmental revenues	\$ 3,486,505	\$ -	\$ 913,182	\$ 182,223	\$ 29,927	\$ -	\$ 4,611,837
Charges for services	591,239	46,017	-	-	-	-	637,256
Use of money and property	-	102,853	-	-	-	72,039	174,892
Contributions	89,763	-	39,431	18,655	3,000	-	150,849
TOTAL REVENUES	4,167,507	148,870	952,613	200,878	32,927	72,039	5,574,834
EXPENDITURES:							
Current:							
General government	-	-	-	-	-	-	-
General education	4,138,045	-	-	-	-	-	4,138,045
Public safety	-	-	334,212	-	-	-	334,212
Public health	-	-	16,839	-	-	-	16,839
Planning, zoning and development	-	-	-	158,310	-	-	158,310
Recreation	-	-	4,165	-	-	-	4,165
Human services	-	-	283,337	-	32,883	-	316,220
Pension expenditures	-	-	-	-	-	-	-
Capital outlays	-	-	86,436	-	-	-	86,436
TOTAL EXPENDITURES	4,138,045	-	724,989	158,310	32,883	-	5,054,227
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	29,462	148,870	227,624	42,568	44	72,039	520,607
OTHER FINANCING SOURCES (USES):							
Transfers out	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	133,110	133,110
NET CHANGE IN FUND BALANCES	29,462	148,870	227,624	42,568	44	205,149	653,717
FUND BALANCES (DEFICIT), BEGINNING	510,970	1,446,394	164,863	(71,296)	25,957	1,400,360	3,477,248
Restatement	(185,325)	-	-	-	-	-	(185,325)
FUND BALANCES (DEFICIT), ENDING	\$ 355,107	\$ 1,595,264	\$ 392,487	\$ (28,728)	\$ 26,001	\$ 1,605,509	\$ 3,945,640

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 POSITION
NONMAJOR PROPRIETARY FUNDS
JUNE 30, 2012

	MARITIME FUND	EASTON'S BEACH FUND	PARKING OPERATIONS FUND	TOTALS
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 1,025,863	\$ 360,448	\$ 1,746,539	\$ 3,132,850
Investments	-	-	1,194,088	1,194,088
Accounts receivable:				
User fees (net of allowances)	39,584	1,802	8,750	50,136
Other	-	-	-	-
Intergovernmental	538,610	-	-	538,610
Advances to other funds	-	-	162,254	162,254
Total current assets	1,604,057	362,250	3,111,631	5,077,938
Noncurrent assets:				
Capital assets	3,774,616	3,555,739	3,291,430	10,621,785
Less accumulated depreciation	(252,766)	(1,432,855)	(1,708,672)	(3,394,293)
Total noncurrent assets	3,521,850	2,122,884	1,582,758	7,227,492
TOTAL ASSETS	5,125,907	2,485,134	4,694,389	12,305,430
LIABILITIES:				
Current liabilities:				
Accounts payable	95,006	72,348	26,498	193,852
Accrued expenses	36,930	67,230	20,634	124,794
Unearned revenue	-	-	10,000	10,000
Current portion advances	-	29,940	-	29,940
Total current liabilities	131,936	169,518	57,132	358,586
Long-term liabilities:				
Notes payable	200,000	-	-	200,000
Advances from other funds	267,459	161,759	-	429,218
Total long-term liabilities	467,459	161,759	-	629,218
TOTAL LIABILITIES	599,395	331,277	57,132	987,804
NET POSITION:				
Net investment in capital assets	3,321,850	2,122,884	1,582,758	7,027,492
Unrestricted	1,204,662	30,973	3,054,499	4,290,134
TOTAL NET POSITION	\$ 4,526,512	\$ 2,153,857	\$ 4,637,257	\$ 11,317,626

CITY OF NEWPORT, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	MARITIME FUND	EASTON'S BEACH FUND	PARKING OPERATIONS FUND	TOTALS
OPERATING REVENUES:				
User fees	\$ 1,006,875	\$ 901,772	\$ 1,494,912	\$ 3,403,559
Other revenues	1,484,272	27,700	-	1,511,972
TOTAL OPERATING REVENUES	2,491,147	929,472	1,494,912	4,915,531
OPERATING EXPENSES:				
Salaries and benefits	288,646	448,598	440,877	1,178,121
Materials and supplies	62,259	152,046	32,371	246,676
Repairs and maintenance	76,418	51,419	43,445	171,282
Support services	35,785	60,642	430,660	527,087
Utilities	10,602	35,138	8,696	54,436
Administrative and other	107,988	113,872	218,089	439,949
Depreciation	70,441	132,223	124,100	326,764
TOTAL OPERATING EXPENSES	652,139	993,938	1,298,238	2,944,315
OPERATING INCOME (LOSS)	1,839,008	(64,466)	196,674	1,971,216
NONOPERATING REVENUES AND (EXPENSES):				
Investment income	-	-	60,270	60,270
Interest expense	-	(2,215)	-	(2,215)
NET NONOPERATING REVENUES AND (EXPENSES)	-	(2,215)	60,270	58,055
INCOME BEFORE TRANSFERS AND CONTRIBUTED CAPITAL	1,839,008	(66,681)	256,944	2,029,271
Transfers in		75,000		75,000
Transfers out	(100,200)	-	-	(100,200)
NET TRANSFERS	(100,200)	75,000	-	(25,200)
CHANGES IN NET POSITION	1,738,808	8,319	256,944	2,004,071
NET POSITION, BEGINNING	2,787,704	2,145,538	4,380,313	9,313,555
NET POSITION, ENDING	\$ 4,526,512	\$ 2,153,857	\$ 4,637,257	\$ 11,317,626

CITY OF NEWPORT, RHODE ISLAND

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	MARITIME FUND	EASTON'S BEACH FUND	PARKING OPERATIONS FUND	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 2,036,035	\$ 938,884	\$ 1,504,912	\$ 4,479,831
Cash payments to suppliers for goods and services	(172,332)	(252,670)	(513,022)	(938,024)
Cash payments to employees for services	(287,983)	(444,198)	(438,971)	(1,171,152)
Payment of administrative expense	(107,988)	(113,872)	(218,089)	(439,949)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	1,467,732	128,144	334,830	1,930,706
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Interfund loans and transfers	(100,200)	75,000	-	(25,200)
Principal paid on interfund loans and transfers	-	(29,641)	26,126	(3,515)
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	(100,200)	45,359	26,126	(28,715)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	(1,802,520)	(88,154)	(189,876)	(2,080,550)
Interest paid on bonds, notes and loans	-	(2,215)	-	(2,215)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(1,802,520)	(90,369)	(189,876)	(2,082,765)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of investments	-	-	(273,541)	(273,541)
Sale of investments	-	-	222,524	222,524
Investment income	-	-	51,510	51,510
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	-	-	493	493
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(434,988)	83,134	171,573	(180,281)
CASH AND CASH EQUIVALENTS - JULY 1, 2011	1,460,851	277,314	1,574,966	3,313,131
CASH AND CASH EQUIVALENTS- JUNE 30, 2012	\$ 1,025,863	\$ 360,448	\$ 1,746,539	\$ 3,132,850
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Operating income (loss)	\$ 1,839,008	\$ (64,466)	\$ 196,674	1,971,216
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	70,441	132,223	124,100	326,764
Changes in assets and liabilities:				
Decrease (Increase) in accounts receivable	(455,112)	9,412	-	(445,700)
(Decrease) Increase in accounts payable	12,732	46,575	2,150	61,457
(Decrease) Increase in unearned revenues	-	-	10,000	10,000
(Decrease) Increase in accrued expenses	663	4,400	1,906	6,969
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 1,467,732	\$ 128,144	\$ 334,830	\$ 1,930,706
NONCASH INVESTING, CAPITAL AND FINANCING TRANSACTIONS:				
Increase in fair value of investments	\$ -	\$ -	\$ 59,777	\$ 59,777
TOTAL NONCASH INVESTING, CAPITAL AND FINANCING TRANSACTIONS	\$ -	\$ -	\$ 59,777	\$ 59,777

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 Benefits Trust Fund

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

Private-Purpose Trust Funds

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

Agency Funds

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

Student Activity Funds

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

Newport Municipal Charitable Improvement Fund, Inc.

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

CITY OF NEWPORT, RHODE ISLAND

COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION AND OTHER POST-EMPLOYMENT BENEFITS TRUST FUND
JUNE 30, 2012

	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	\$ -	\$ -	\$ -	\$ 335,192	\$ 335,192
Investments, at fair value:					
Fixed Income Mutual Funds	9,300,855	6,989,113	16,289,968	5,198,928	21,488,896
Domestic Equity Mutual Funds	24,895,851	18,707,948	43,603,799	12,867,272	56,471,071
International Equity Mutual Funds	5,898,508	4,432,425	10,330,933	3,507,360	13,838,293
Alternative Investments	2,535,171	1,905,050	4,440,221	1,180,943	5,621,164
TOTAL ASSETS	42,630,385	32,034,536	74,664,921	23,089,695	97,754,616
LIABILITIES					
Cash overdraft	225,027	326,974	552,001	-	552,001
Accounts payable	39,212	29,461	68,673	20,279	88,952
TOTAL LIABILITIES	264,239	356,435	620,674	20,279	640,953
NET POSITION					
Net position - restricted for pension benefits	42,366,146	31,678,101	74,044,247	-	74,044,247
Net position - restricted for other post-employment benefits	-	-	-	23,069,416	23,069,416
TOTAL NET POSITION	\$ 42,366,146	\$ 31,678,101	\$ 74,044,247	\$ 23,069,416	\$ 97,113,663

CITY OF NEWPORT, RHODE ISLAND

COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUNDS
JUNE 30, 2012

	PRIVATE-PURPOSE TRUST FUNDS		
	EXPENDABLE SCHOLARSHIP FUNDS	NONEXPENDABLE SCHOLARSHIP TRUSTS	TOTAL PRIVATE- PURPOSE TRUST FUNDS
ASSETS			
Cash	\$ 22,581	\$ -	\$ 22,581
Investments, at fair value:			
Fixed Income Mutual Funds	-	536,667	536,667
Domestic Equity Mutual Funds	-	797,899	797,899
TOTAL ASSETS	22,581	1,334,566	1,357,147
LIABILITIES			
Cash overdraft	-	43,632	43,632
Accounts payable	-	1,054	1,054
TOTAL LIABILITIES	-	44,686	44,686
NET POSITION			
Net position - restricted for trust purposes	22,581	1,289,880	1,312,461
TOTAL NET POSITION	\$ 22,581	\$ 1,289,880	\$ 1,312,461

CITY OF NEWPORT, RHODE ISLAND

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION AND OTHER POST EMPLOYMENT BENEFITS TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	PENSION TRUST FUNDS			OTHER POST- EMPLOYMENT BENEFITS TRUST FUND	TOTAL PENSION AND OTHER POST- EMPLOYMENT BENEFITS TRUST FUND
	POLICE PENSION FUND	FIRE PENSION FUND	TOTAL PENSION TRUST FUNDS		
ADDITIONS:					
Employees	\$ 393,524	\$ 541,383	\$ 934,907	\$ 392,317	\$ 1,327,224
Employer	2,899,580	4,560,741	7,460,321	2,500,000	9,960,321
Total contributions and other income	3,293,104	5,102,124	8,395,228	2,892,317	11,287,545
Investment income:					
Net change in fair value of investments	(700,068)	(526,064)	(1,226,132)	(156,876)	(1,383,008)
Interest and dividends	241,824	181,718	423,542	305,043	728,585
Total investment income (loss)	(458,244)	(344,346)	(802,590)	148,167	(654,423)
Less investment expenses	114,960	86,457	201,417	58,054	259,471
Net investment income (loss)	(573,204)	(430,803)	(1,004,007)	90,113	(913,894)
TOTAL ADDITIONS	2,719,900	4,671,321	7,391,221	2,982,430	10,373,651
DEDUCTIONS:					
Benefits	4,154,488	6,032,048	10,186,536	-	10,186,536
Administration	67,408	50,940	118,348	31,886	150,234
TOTAL DEDUCTIONS	4,221,896	6,082,988	10,304,884	31,886	10,336,770
CHANGES IN NET POSITION	(1,501,996)	(1,411,667)	(2,913,663)	2,950,544	36,881
NET POSITION, BEGINNING	43,868,142	33,089,768	76,957,910	20,118,872	97,076,782
NET POSITION, ENDING	\$ 42,366,146	\$ 31,678,101	\$ 74,044,247	\$ 23,069,416	\$ 97,113,663

CITY OF NEWPORT, RHODE ISLAND

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	EXPENDABLE SCHOLARSHIP FUNDS	NON- EXPENDABLE SCHOLARSHIP TRUSTS	TOTAL PRIVATE- PURPOSE TRUST FUNDS
ADDITIONS:			
Contributions	\$ 10,000	\$ 42,050	\$ 52,050
Investment income:			
Net change in fair value of investments	-	(154,834)	(154,834)
Interest and dividends	-	181,176	181,176
Total investment income	-	26,342	26,342
Less investment expenses	-	2,423	2,423
Net investment income	-	23,919	23,919
TOTAL ADDITIONS	10,000	65,969	75,969
DEDUCTIONS:			
Awards	9,000	41,972	50,972
Administration	-	2,289	2,289
TOTAL DEDUCTIONS	9,000	44,261	53,261
CHANGES IN NET POSITION	1,000	21,708	22,708
NET POSITION, BEGINNING	21,581	1,268,172	1,289,753
NET POSITION, ENDING	\$ 22,581	\$ 1,289,880	\$ 1,312,461

CITY OF NEWPORT, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FIDUCIARY NET POSITION
NONEXPENDABLE SCHOLARSHIP TRUSTS
JUNE 30, 2012

	Net Position July 1, 2011	ADDITIONS:		DEDUCTIONS:		Net Position June 30, 2012
		Donations	Investment Income (Loss)	Awards and Investment Expense		
Peter P Integlia Physical Education Scholarship	\$ 15,054	\$ -	\$ 223	\$ (560)	\$ 14,717	
American Culinary Federation Award	27,142	4,280	1,031	(500)	31,953	
Eileen Jeanes Jachna Award	28,892	-	636	-	29,528	
William T Bull Award	32,210	-	413	(1,260)	31,363	
Mercedes S Coulombe Award	77,542	-	1,041	-	78,583	
Carol Ann Page Award	6,480	-	126	(200)	6,406	
Avis G Marden Award	4,695	-	103	-	4,798	
Class of 41 American Government Award	4,758	-	105	-	4,863	
PF Carroll Scholarship	26,244	-	577	(990)	25,831	
J Fitzgerald Scholarship	2,450	-	43	(90)	2,403	
Smales Scholarship	13,960	-	307	-	14,267	
Henry Vaughn Memorial Award	4,803	-	106	-	4,909	
Adelson Biology Award	3,742	-	82	(140)	3,684	
Leavitt Trust Award	17,611	-	227	(690)	17,148	
Alliance Francaise Award	1,863	-	33	(50)	1,846	
Lalli Trust Award	5,609	-	123	(210)	5,522	
Goldstein Music Award	5,601	-	73	(220)	5,454	
MB Howard Award	16,169	-	212	(630)	15,751	
Newport School Book Award	323	-	7	-	330	
Edward King Medal Award	73,891	-	687	(1,695)	72,883	
Koehne Latin Award	3,932	-	66	(140)	3,858	
Mirman Math Award	3,245	-	43	(100)	3,188	
GH Norman Award	8,123	-	179	(310)	7,992	
Peckham Award	90,414	-	1,177	(888)	90,703	
Pell Medal	2,428	-	53	-	2,481	
Read Medal #1	816	-	18	-	834	
Read Medal #2	904	-	20	-	924	
Charles B King Award	19,941	-	263	(780)	19,424	
Rogers High School Centennial Award	46,141	-	628	(1,800)	44,969	
Almira Coffin Award	5,025	-	65	(200)	4,890	
HH Toole Scholarship	16,219	-	203	(640)	15,782	
Henry Heffernan Award	76,780	-	1,051	(6,000)	71,831	
Bruen Scholarship	25,505	-	392	(1,000)	24,897	
Sullivan Scholarship	41,960	-	541	(2,300)	40,201	
Joseph P Cotton Memorial Award	23,966	-	310	(940)	23,336	
Rufus E Darrah Memorial Award	8,103	-	104	-	8,207	
Margaret P Stevens Award	750	-	16	-	766	
Christine Meek Sullivan/Marx Award	16,734	-	220	-	16,954	
Zelda Mirman Music/Drama Award	32,434	-	566	(1,250)	31,750	
Wosencroft Scholarship	7,149	-	92	(280)	6,961	
M/M Thomas Archambault Award	16,169	-	204	(640)	15,733	
Class of 46 Rogers High School DLS Award	17,399	-	256	(680)	16,975	
General Contractors Association Award	25,490	-	322	(1,000)	24,812	
Cohen Scholarship	6,247	-	137	(240)	6,144	
Townsend Scholarship	8,038	-	101	(320)	7,819	
Dorothy Drinkwater Lecraw Award	53,608	-	671	(2,110)	52,169	
Nicholas Logothets Award	4,528	-	63	-	4,591	
Helene Lewis Memorial Scholarship	84,221	-	1,114	(3,300)	82,035	
Kristen Jorge Memorial Scholarship	18,396	-	240	(720)	17,916	
James Colton Crowley Award	91,015	-	1,268	(3,500)	88,783	
Florence J Alofsin English Award	6,097	-	134	-	6,231	
Sandra Clooney Memorial Scholarship	27,533	-	345	(1,080)	26,798	
Allan Family Scholarship	100,183	-	2,204	(3,770)	98,617	
Loeb/George Washington Essay Award	9,640	-	(106)	(750)	8,784	
Tift-Oxley Scholarship Fund	-	37,770	7,227	-	44,997	
Unallocated Expense	-	-	-	(4,711)	(4,711)	
Total Nonexpendable Scholarship Trusts	\$ 1,268,172	\$ 42,050	\$ 26,342	\$ (46,684)	\$ 1,289,880	

CITY OF NEWPORT, RHODE ISLAND

AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2012

	BALANCE JULY 1, 2011	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2012
<u>ASSETS</u>				
CASH:				
Student activity funds	\$ 242,463	\$ 418,211	\$ 393,804	\$ 266,870
Newport Film Commission	3,100	-	3,100	-
Newport Municipal Charitable Improvement Fund, Inc.	28,811	-	-	28,811
TOTAL ASSETS	<u>\$ 274,374</u>	<u>\$ 418,211</u>	<u>\$ 396,904</u>	<u>\$ 295,681</u>
<u>LIABILITIES</u>				
AMOUNTS HELD IN ESCROW:				
Student activity funds	\$ 242,463	\$ 418,211	\$ 393,804	\$ 266,870
Newport Film Commission	3,100	-	3,100	-
Newport Municipal Charitable Improvement Fund, Inc.	28,811	-	-	28,811
TOTAL LIABILITIES	<u>\$ 274,374</u>	<u>\$ 418,211</u>	<u>\$ 396,904</u>	<u>\$ 295,681</u>

Statistical Section

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

Contents	<u>Page</u>
<u>Financial Trends</u> (Tables 1-4)	110
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)	115
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)	118
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)	122
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)	124
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

CITY OF NEWPORT, RHODE ISLAND

NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(UNAUDITED)

	2003	2004	2005	Fiscal Year 2006	2007	2008	2009	2010	2011	2012
Governmental activities:										
Net investment in capital assets	\$ 33,319,657	\$ 36,213,472	\$ 39,024,214	\$ 43,072,452	\$ 47,999,443	\$ 52,461,114	\$ 59,259,977	58,114,920	62,576,195	65,841,497
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	5,955,530	5,844,993
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	2,181,651	2,181,651
Debt service	-	-	396,470	511,451	676,668	878,998	1,065,923	1,228,776	1,400,360	1,605,509
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	9,706,280	4,508,285	7,549,172
Total governmental activities net position	<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>75,780,403</u>	<u>76,622,021</u>	<u>83,022,822</u>
Business-type activities:										
Net investment in capital assets	86,599,396	87,497,297	85,773,241	84,210,144	86,137,192	87,063,157	90,719,216	87,919,616	91,514,668	87,882,885
Restricted - held in trust	-	-	-	-	-	-	-	99,000	99,000	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	9,074,231	19,435,998
Unrestricted	(4,355,744)	(4,072,754)	171,705	3,719,540	4,222,057	2,365,226	1,207,853	2,214,069	(749,281)	3,602,780
Total business-type activities net position	<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>	<u>99,938,618</u>	<u>111,020,663</u>
Primary government:										
Net investment in capital assets	119,919,053	123,710,769	124,797,467	127,282,596	134,136,635	139,524,271	149,979,193	146,034,536	154,090,863	153,724,382
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	5,955,530	5,844,993
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	2,181,651	2,181,651
Held in trust	-	-	-	-	-	-	-	99,000	99,000	99,000
Debt service	-	-	-	4,912,793	3,730,996	5,628,965	4,966,115	10,054,630	10,474,591	21,041,507
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	11,920,349	3,759,004	11,151,952
Total primary government net position	<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>\$ 174,838,942</u>	<u>\$ 176,560,639</u>	<u>\$ 194,043,485</u>

TABLE 2
(1 of 2)

CITY OF NEWPORT, RHODE ISLAND
CHANGES IN NET POSITION, LAST TEN FISCAL YEARS
GOVERNMENTAL ACTIVITIES
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	\$ 6,782,232	\$ 6,197,935	\$ 6,449,503
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	43,124,023	42,960,456
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	35,191,714	32,531,976
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	8,240,164	8,306,613
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	1,744,516	1,510,493
Recreation and parks	1,868,074	2,189,095	1,773,421	2,121,346	2,415,401	622,368	1,092,871	769,888	753,272	477,422
Human services	2,475,041	2,573,601	2,615,412	2,720,900	3,256,251	3,248,665	3,361,996	3,241,886	3,207,552	2,887,012
Interest expense	1,166,764	1,062,259	889,584	867,107	841,520	782,723	682,805	863,546	626,020	761,420
Total governmental activities	77,414,837	84,838,877	90,115,012	86,521,349	94,518,472	94,348,885	96,655,455	95,945,818	99,085,196	95,884,895
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	10,528,183	9,527,155
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	10,114,458	10,123,815
Nonmajor	9,749,819	1,109,229	1,577,702	1,767,218	2,159,568	2,568,503	2,662,517	2,914,382	2,718,580	2,946,530
Total business-type activities	13,507,316	14,372,518	15,764,325	15,543,284	17,020,466	17,848,080	19,094,561	20,004,661	23,361,221	22,597,500
Total primary government expenses	90,922,153	99,211,395	105,879,337	102,064,633	111,538,938	112,196,965	115,750,016	115,950,479	122,446,417	118,482,395
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	4,343,388	4,014,183
General education	79,913	735,868	940,091	1,538,629	1,856,459	1,356,264	1,782,477	1,790,646	1,440,324	1,321,351
Public safety	2,339,389	1,828,283	2,003,497	2,679,694	3,087,659	3,056,098	3,574,759	3,874,759	3,484,757	3,192,258
Public health	44,819	44,435	44,111	31,560	26,990	85,761	94,164	57,937	99,195	87,460
Planning, zoning and development	286,715	327,609	720,141	1,184,118	1,168,204	1,601,347	947,823	868,638	908,497	925,484
Recreation and parks	686,522	741,853	288,077	96,764	99,126	105,010	129,025	117,510	113,660	137,297
Human services	744,901	333,733	154,514	150,622	297,236	439,667	238,794	(22,957)	(262,752)	951,451
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	21,164,485	20,050,143
Capital grants and contributions	1,683,441	818,007	846,754	1,170,076	786,166	469,484	2,981,072	1,773,730	551,913	2,423,972
Total governmental activities program revenues	29,499,775	29,695,310	31,223,381	31,824,516	34,465,973	33,473,365	34,547,116	32,707,451	31,843,467	33,103,599
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	10,270,053	12,257,011
Water Pollution Control	5,796,526	6,049,193	5,885,602	6,462,089	6,181,907	7,337,836	7,865,579	7,951,054	10,530,416	13,486,581
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	3,322,473	3,403,559
Capital grants and contributions					673,500	305,849	154,107	154,107	78,856	4,494,396
Total business-type activities	15,015,948	15,252,752	14,957,887	18,549,077	17,707,233	19,503,567	20,556,755	21,639,635	24,201,798	33,641,547
Total primary government program revenues	44,515,723	44,948,062	46,181,268	50,373,593	52,173,206	52,976,932	55,103,871	54,347,086	56,045,265	66,745,146
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)	(63,238,367)	(67,241,729)	(62,781,296)
Business-type activities	1,508,632	880,234	(806,438)	3,005,793	686,767	1,655,487	1,462,194	1,634,974	840,577	11,044,047
Total primary government net expense	(46,406,430)	(54,263,333)	(59,698,069)	(51,691,040)	(59,365,732)	(59,220,033)	(60,646,145)	(61,603,393)	(66,401,152)	(51,737,249)

(Continued)

CITY OF NEWPORT, RHODE ISLAND

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	\$ 64,518,899	\$ 67,296,737
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	1,257,171	1,353,015
Investment income	693,902	1,177,711	1,133,676	1,425,620	2,368,396	641,453	(1,008,699) (4)	1,257,806	2,014,016	692,470
Miscellaneous	107,862	116,126	135,206	133,494	-	-	-	-	-	-
Transfers	-	(436,968)	(190,692)	-	(175,500)	1,053,250	(102,103)	(743,534)	-	25,200
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>66,638,437</u>	<u>67,790,086</u>	<u>69,367,422</u>
Business-type activities:										
Investment income	79,810	90,236	98,797	175,220	220,284	162,538	84,612	78,285	39,502	63,198
Capital contributions	-	-	200,863	-	-	-	-	320,000	-	-
Transfers	-	436,968	(10,171)	-	175,500	(1,053,250)	102,103	743,534	-	(25,200)
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>	<u>39,502</u>	<u>37,998</u>
Special Item - Sale of School Building	-	-	-	-	2,168,305	-	-	-	-	-
Special Item - Forgiveness of debt	-	-	-	-	-	-	-	454,485	-	-
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>68,234,741</u>	<u>67,829,588</u>	<u>69,405,420</u>
Change in Net Position										
Governmental activities	6,324,623	(1,369,171)	(896,995)	6,310,972	6,687,274	5,155,562	2,456,756	3,400,070	548,357	6,586,126
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	880,079	11,082,045
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>\$ 6,631,348</u>	<u>\$ 1,428,436</u>	<u>\$ 17,668,171</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

TABLE 3

CITY OF NEWPORT, RHODE ISLAND

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund:										
Restricted by Donors	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 65,453
Committed	1,229,965	2,077,766	1,159,119	1,256,428	983,669	860,549	773,846	838,101	1,157,839	554,702
Assigned	-	-	-	-	-	-	-	-	864,852	869,960
Unassigned	11,311,680	6,059,277	3,885,886	4,098,720	4,114,666	5,974,689	8,011,145	9,175,856	7,646,392	10,146,290
Total general fund	12,541,645	8,137,043	5,045,005	5,355,148	5,098,335	6,835,238	8,784,991	10,013,957	9,669,083	11,636,405
All Other Governmental Funds:										
Nonspendable	1,142,270	1,142,270	1,142,270	1,142,270	1,889,512	1,937,467	1,890,210	1,976,581	2,181,651	2,181,651
Restricted for Trusts	5,315,880	6,145,004	6,677,139	7,230,632	7,148,999	6,281,490	4,356,646	4,753,846	5,955,530	5,844,993
Restricted for Debt Service	124,922	227,798	396,470	511,451	676,668	878,998	1,065,923	1,228,776	1,400,360	1,605,509
Restricted by Grants	4,454,912	4,472,155	4,448,184	3,101,992	2,058,684	2,442,682	3,358,230	3,131,649	2,630,585	2,627,638
Committed for Capital Projects	-	2,109,836	1,578,848	4,432,555	6,374,040	7,017,849	885,671	4,994,692	3,052,879	7,902,015
Committed for Encumbrances	886,814	1,735,562	2,691,401	60,503	-	-	-	-	-	-
Assigned by City Council	1,361,118	1,080,991	683,319	286,332	2,462,183	2,518,604	1,816,113	863,630	-	-
Assigned by School Committee	-	-	-	960,489	800,000	800,000	1,200,000	1,153,152	1,370,211	-
Unassigned	(600,158)	(183,339)	-	-	-	-	-	-	(71,296)	(28,728)
School Unassigned	410,396	(1,100,081)	394,880	693,632	1,940,267	2,838,529	1,785,759	292,259	202,464	-
Total all other governmental funds	13,096,154	15,630,196	18,012,511	18,419,856	23,350,353	24,715,619	16,358,552	18,394,585	16,722,384	20,133,078
Grand Total	\$ 25,637,799	\$ 23,767,239	\$ 23,057,516	\$ 23,775,004	\$ 28,448,688	\$ 31,550,857	\$ 25,143,543	\$ 28,408,542	\$ 26,391,467	\$ 31,769,483

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.

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.

(1) - The School Unrestricted Fund was combined with the City's General Fund, Property Acquisition Fund and Gift Fund in FY2012

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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues:										
Taxes	\$ 48,164,505	\$ 51,117,203	\$ 53,081,970	\$ 54,767,961	\$ 57,519,657	\$ 60,115,303	\$ 62,081,094	\$ 63,485,526	\$ 64,411,792	\$ 67,395,943
Intergovernmental revenues	25,506,817	25,013,440	25,590,182	25,499,996	27,080,891	25,587,672	25,556,603	25,058,739	23,285,265	23,508,604
Charges for services	6,528,107	7,803,657	9,736,504	8,829,175	10,827,781	10,924,457	10,258,966	9,975,467	9,541,761	9,721,040
Use of money and property	693,902	1,177,711	1,133,676	1,425,620	2,368,397	641,456	(1,008,699)	1,257,726	2,014,016	692,470
Donations	1,425,623	*** 770,880	892,441	29,347	(1) 179,343	198,608	95,493	52,253	161,507	625,959
Other revenues	107,862	115,992	135,205	1,672,123	(1) 1,582,706	1,144,697	1,194,553	1,273,953	1,128,835	108,017
Total revenues	<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>101,103,664</u>	<u>100,543,176</u>	<u>102,052,033</u>
Expenditures:										
Current:										
General government	4,919,181	5,192,168	6,346,749	5,248,504	5,757,907	5,459,164	5,558,102	5,931,444	5,435,280	5,691,806
General education	38,551,595	42,680,573	41,354,602	41,206,309	43,164,937	42,382,522	43,227,289	44,349,792	42,740,185	41,921,694
Public safety	16,122,841	^ 25,302,125	27,344,804	26,806,416	27,709,813	27,463,039	28,267,498	30,194,522	32,635,798	30,683,872
Public health	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	7,331,032	6,558,789
Planning, zoning and development	826,369	1,313,138	968,008	1,909,891	(2) 1,244,576	1,229,936	1,271,653	1,187,737	1,601,554	1,322,831
Recreation	1,692,203	2,236,838	1,588,267	1,729,893	1,727,212	558,059	(3) 653,419	600,505	590,817	426,155
Human services	2,466,177	2,534,733	2,510,411	2,630,902	3,228,649	3,163,997	3,358,488	3,087,205	3,033,732	2,781,564
Pension expenditures	7,279,340	^ 436,421	899,423	1,136,621	1,607,335	2,453,316	5,206,245	3,247,795	2,722,514	3,935,092
Debt service:										
Debt issuance	-	-	51,929	-	-	-	-	-	-	-
Principal	1,041,361	1,386,069	1,337,106	1,192,470	1,204,311	1,187,425	1,224,266	1,237,114	1,040,489	1,756,211
Interest	1,463,856	1,033,255	830,345	838,757	803,651	755,657	712,750	896,577	693,395	616,534
Capital outlays	6,808,830	2,689,063	4,258,485	5,096,730	6,381,011	5,097,103	8,039,837	5,231,327	5,974,911	9,922,125
Total expenditures	<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>102,731,366</u>	<u>103,799,707</u>	<u>105,616,673</u>
Excess (deficiency) of revenues over expenditures	<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>(1,627,702)</u>	<u>(3,256,531)</u>	<u>(3,564,640)</u>
Other Financing Sources (Uses):										
Proceeds from borrowing	-	-	3,124,702	-	-	-	-	18,285,000	-	9,000,000
Bond premium	-	-	-	-	-	-	-	1,149,278	-	102,780
Payment to refunding escrow agent	-	-	(3,010,000)	-	-	-	-	(14,091,304)	-	-
Sale of property	-	1,027,000	-	-	2,168,305	-	-	-	-	-
Lease proceeds	-	-	-	-	-	-	-	-	1,239,457	-
Transfers in	22,034,907	27,129,054	27,575,078	27,695,528	28,310,752	28,427,088	25,924,266	24,606,361	24,517,821	24,387,564
Transfers out	(22,034,907)	(27,566,022)	(27,564,906)	(27,695,528)	(28,486,252)	(27,373,838)	(26,026,369)	(25,349,895)	(24,517,821)	(24,362,364)
Total other financing sources (uses)	-	590,032	124,874	-	1,992,805	1,053,250	(102,103)	4,599,440	1,239,457	9,127,980
Net change in fund balances	<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>\$ 2,971,738</u>	<u>\$ (2,017,074)</u>	<u>\$ 5,563,340</u>
Debt service as a percentage of noncapital expenditures	<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>	<u>1.77%</u>	<u>2.48%</u>

Notes:

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

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

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

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

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

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

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

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	Total	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property	Personal Property	Inventory	Motor Vehicles	Less Exemptions		Direct Tax Rate Residential	Direct Tax Rate Commercial		
2003	\$ 1,719,510,154	\$ -	\$ 82,688,796	\$ -	\$ 117,766,454	\$ 52,413,176	\$ 1,867,552,228	12.85	15.27	\$ 1,919,965,404	97.27%
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	3,562,729,202	98.06%
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	3,540,624,754	97.84%
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	3,555,854,111	97.84%
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	3,593,472,358	97.74%
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	6,164,832,536	98.15%
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	5,895,531,377	97.99%
2011	4,403,658,951	1,212,935,549	108,725,938	-	152,504,333	120,086,201	5,757,738,570	9.56	13.25	5,877,824,771	97.96%
2012	4,427,191,489	1,194,775,611	127,148,070	-	151,523,236	118,811,520	5,781,826,886	9.93	13.76	5,900,638,406	97.99%

Source: City of Newport, Rhode Island Assessor

Notes:

The City's total levy cannot exceed 4.00% of the prior year's total levy.

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 TAXPAYERS
CURRENT YEAR AND TEN YEARS AGO
(UNAUDITED)**

	2012			2003		
	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	\$ 49,971,700	1	0.87%	\$ -		0.00%
One Goat Island	48,492,862	2	0.84%	-		0.00%
LHO Viking Hotel, LLC	46,356,028	3	0.81%	32,007,000	5	0.92%
Narraganset Electric	45,386,254	4	0.79%	-		0.00%
Newport Jai Alai, LLC	43,816,200	5	0.76%	13,418,600	8	0.38%
Newport Restoration Foundation	49,987,572	6	0.87%	36,783,600	3	1.05%
Historic Homes own/rent	-		0.00%	-		0.00%
RK Newport, LLC	27,851,400	7	0.48%	20,511,400	7	0.59%
Shaner Hotel Group	23,780,353	8	0.41%	23,553,899	6	0.67%
Eastern Resorts Company	21,331,700	9	0.37%	32,924,520	4	0.94%
New York Yacht Club	14,843,050	10	0.26%	-		0.00%
H E Newport, LLC	-		0.00%	44,453,684	2	1.27%
Vanderbilt Hall LP	-		0.00%	11,374,886	9	0.60%
Marriott	-		0.00%	51,552,029	1	1.48%
Hammersmith Preservation Assoc.	-		0.00%	11,771,600	10	0.34%
Total	\$ 371,817,119		6.46%	\$ 278,351,218		7.97%

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
2003	\$ 47,892,028	\$ 45,366,713	94.7%	\$ 1,563,409	\$ 46,930,122	98.0%
2004	49,028,731	47,848,444	97.6%	1,079,365	48,927,809	99.8%
2005	50,838,373	48,961,086	96.3%	1,223,608	50,144,380	98.6%
2006	52,053,701	50,818,303	97.6%	1,094,264	51,912,567	99.7%
2007	54,164,573	52,784,152	97.5%	1,295,826	54,079,978	99.8%
2008	56,325,863	55,036,635	97.7%	1,220,838	56,257,473	99.9%
2009	58,617,626	57,082,656	97.4%	1,494,590	58,577,246	99.9%
2010	60,163,158	58,578,657	97.4%	1,508,077	60,086,734	99.9%
2011	60,831,265	59,194,513	97.3%	1,456,127	60,650,640	99.7%
2012	63,291,283	61,974,383	97.9%		61,974,383	97.9%

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			Percentage of Personal Income *	Net Bonded Debt per Capita	Taxable Assessed Value	Net Bonded Debt as % of Taxable Assessed Value
	General Obligation Bonds (2)	QZAB (1)	Capital Leases	Water Bonds (2)	Water Pollution Control Bonds (2)	Total				
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	0.1426%	1,445	6,015,352,876	0.59%
2010	18,951,472	1,863,536	-	9,274,225	26,433,662	56,522,895	0.0889%	2,316	5,777,055,863	0.98%
2011	17,918,036	1,863,536	1,239,457	13,829,917	34,705,503	69,556,449	Not available	2,819	5,757,738,570	1.21%
2012	25,161,825	1,863,536	969,865	26,129,751	35,651,317	89,776,294	Not available	3,639	5,781,826,886	1.55%

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.

(2) Includes outstanding bond anticipation notes and revenue anticipation notes

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	Bond Anticipation Notes	Capital Leases	QZAB	Total				
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%	0.42%	24,409	795.97
2010	18,951,472	-	-	1,863,536	20,815,008	0.36%	0.48%	24,409	747.32
2011	17,899,756	-	1,239,457	1,863,536	21,002,749	0.37%	Not Available	24,672	697.17
2012	16,161,825	9,000,000	969,865	1,863,536	27,995,226	0.48%	Not Available	24,672	852.76

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

(UNAUDITED)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Total assessed value	\$ 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	\$ 5,724,320,438	\$ 5,900,638,406
Rhode Island General Law debt limitation as % of assessed value	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Debt limit	<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>	<u>171,729,613</u>	<u>177,019,152</u>
Debt applicable to limit:										
General obligation bonds	<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>	<u>20,712,430</u>	<u>18,407,430</u>
Legal debt limit	106,881,876	103,928,134	106,675,623	107,804,171	184,944,976	184,048,472	185,187,748	176,865,941	171,729,613	177,019,152
Total net debt applicable to the limit	<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>	<u>20,712,430</u>	<u>18,407,430</u>
Legal debt margin	<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>	<u>\$ 151,017,183</u>	<u>\$ 158,611,722</u>
Total net debt applicable to the limit as a percentage of debt limit	<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>	<u>13.72%</u>	<u>11.61%</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	
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
2011	10,270,053	7,570,428	2,699,625	927,679	416,452	2.01	10,530,416	6,854,557	3,675,859	901,737	638,443	2.39
2012	12,257,011	7,186,396	5,070,615	1,004,789	719,275	2.94	13,486,581	5,576,173	7,910,408	1,235,096	1,131,893	3.34

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 <
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 *		50,290	4,038,311	43,594,132	2,134	9.9%
2010	24,409 *		50,259	4,295,271	44,200,452	2,132	9.7%
2011	24,672 ***	Not Available	Not Available	Not Available	Not Available	2,119	8.6%
2012	24,672 ***	Not Available	Not Available	Not Available	Not Available	2,029	8.2%

* Source: Rhode Island Department of Planning.

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

*** Source: 2010 US 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)**

2012				2003			
Employer	Employees	Rank	Percentage of Total City Employment	Employer	Employees	Rank	Percentage of Total City Employment
Naval Station Newport	4,500	1	38.6%	Naval Station Newport	3,089	1	24.0%
Newport Hospital	895	2	7.7%	Newport Hospital	804	2	6.2%
City of Newport	680	3	5.8%	City of Newport	700	3	5.4%
Newport Harbor Corporation	500	4	4.3%	James L. Maher Center	700	4	5.4%
Salve Regina University	420	5	3.6%	Salve Regina University	523	5	4.1%
James L. Maher Center	363	6	3.1%	Preservation Society	350	6	2.6%
Preservation Society	361	7	3.1%	Stop & Shop	225	7	1.7%
Hyatt Regency-Newport	300	8	2.6%	Walmart	225	8	1.7%
Newport Restaurant Group	250	9	2.1%	Marriott	100	9	0.8%
Marriott International Inc.	225	10	1.9%	Health Concepts Ltd - Village House	95	10	0.7%
Total	8,494		72.9%	Total	6,811		52.6%

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

TABLE 14

CITY OF NEWPORT, RHODE ISLAND

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government:										
Mayor and Council	7	7	7	7	7	7	7	7	7	7
City Manager	5	5	5	5	6	6	5.5	5.5	5.5	5.5
City Solicitor	3	3	3	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Canvassing	2	2	2	2	2	2	2	2	2	2
Finance	22	22	22	21	21	23	22	22	22	21
City Clerk	6	6	6	6	6	6	6	6	6	6
Administrative services	17	17	17	17	18	n/a	n/a	n/a	n/a	n/a
Planning	12	12	12.5	13.5	13	13	13	13	13	14
Total General Government	74	74	74.5	75	76.5	60.5	59	59	59	59
Public safety:										
Police	114.5	114.5	114.5	114.5	111.5	111.5	111.5	104.5	104.5	104.5
Fire	99	99	99	99	99	99	99	99	99	99
	213.5	213.5	213.5	213.5	210.5	210.5	210.5	203.5	203.5	203.5
Public health:										
Public works	18.6	18.6	18.6	18.6	18.6	39	40	40	40	40
Water	46	45.7	45.7	46.3	46.3	46.4	46.4	46.4	46.4	46.4
Wastewater	0.7	0.7	0.7	1.1	1.1	1.6	1.6	1.6	1.6	1.6
	65.3	65	65	66	66	87	88	88	88	88
Public welfare:										
Recreation and parks	19	19	19	19	16.28	4	4	4	4	3
Public education:										
Teachers	228	227	219	219	219	210	201	197.5	211.5	214.7
Pupil support	73	75	64	64	64	62	60	58.5	45.5	41
Executive and administrative	90	90	90	90	90	76	74	69	63	17
	391	392	373	373	373	348	335	325	320	272.7
Total	762.8	763.5	745	746.5	742.28	710	696.5	679.5	674.5	626.2

Source: City budgets and School Business Manager

TABLE 15

CITY OF NEWPORT, RHODE ISLAND

OPERATING INDICATORS BY FUNCTION/PROGRAM
(UNAUDITED)

	2004*	2005	2006	Fiscal Year 2007	2008	2009	2010	2011	2012
Function/Program									
Police:									
Arrests	1,649	1,837	1,789	1,599	1,943	1,777	1,723	1,827	1,185
Parking violations	38,273	34,775	50,623	39,423	39,968	40,962	35,535	31,679	34,765
Calls for Service	39,186	38,310	36,465	33,597	34,015	35,677	30,058	29,220	28,785
Fire:									
Emergency responses	3,838	3,653	3,959	5,079	5,625	5,891	3,675	3,719	4,162
Fires extinguished	144	107	95	102	116	78	109	78	123
Inspections	250	385	1,338	1,681	1,151	948	1,414	1,136	1,545
Refuse collection:									
Refuse collected (tons/day, average)	21.71	30.92	33.17	30.99	29.66	29.30	28.22	27.57	27.58
Recyclables collected (tons/day, average)	6.43	8.31	9.32	8.63	8.91	8.94	8.66	8.64	8.59
Other public works:									
Street resurfacing (miles)	4.4	2.9	0.9	1.4	1.92	1.90	4.2	9.43	6.5
Parks and recreation:									
Athletic field rentals	47	25	22	38	87	309	325 ***	331	335
Library:									
Volumes in collections	143,965	186,605	189,727	189,405	205,914	211,767	167,209 ****	183,506 *****	172,814 *****
Water:									
New connections	91	96	69	148	57	35	30	30	44
Water mains breaks	20	16	23	32	31	25	35	24	19
Average daily production (avail for sale) (million gallons per day)	7.54	7.11	6.99	6.69	6.87	6.93	6.65	6	5.9
Wastewater:									
Average daily sewage treatment (thousands of gallons)	9,700	10,900 **	9,872	9,800	7,820	10,000	11,100	8,550	9,463

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

***** Includes 11,180 electronic holdings

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>	<u>Fiscal Year 2011</u>	<u>Fiscal Year 2012</u>
Police:									
Stations	1	1	1	1	1	1	1	1	1
Patrol units	86	86	86	86	86	86	79	79	79
Fire stations	3	3	3	3	3	3	3	3	3
Public works:									
Streets (miles)	94	94	94	94	94	94	94	94	94
Streetlights	1,976	1,976	1,976	1,976	1,976	1,974	1,974	1,918	1,918
Traffic signals	5	5	5	5	5	5	5	5	5
Parks and recreation:									
Acreage	15	15	15	15	15	15	15	15	15
Playgrounds	13	13	13	13	13	13	13	13	13
Multi purpose playing fields	7	7	7	7	7	7	7	7	7
Tennis courts	18	18	18	18	18	18	18	18	18
Community centers	1	1	1	1	1	1	1	1	1
Water:									
Water mains (miles)	162	162	162	163	163	163	163	163	163
Fire hydrants	975	983	987	996	999	999	1,034	1,034	1,034
Storage capacity (thousands of gallons-treated)	10,500	10,500	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	88	88
Storm sewers (miles)	46	46	46	46	46	46.5	46.5	46.5	46.5
Treatment capacity (thousands of gallons) (daily)	10,700	10,700	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