

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

of the

CITY OF NEWPORT, RHODE ISLAND



FOR THE YEAR ENDED

JUNE 30, 2015

PREPARED BY:

LAURA SITRIN, CPA
DIRECTOR OF FINANCE

Comprehensive Annual Financial Report

of the

City of Newport, Rhode Island

Fiscal Year Ended June 30, 2015

**CITY OF NEWPORT, RHODE ISLAND
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
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Introductory Section



December 22, 2015

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, 2015.

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 Blum, Shapiro & Company, P.C., 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, 2015 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 unmodified opinion that the City of Newport, Rhode Island's financial statements as of and for the fiscal year ended June 30, 2015, 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 annual budget serves as the foundation for the City's financial planning and control. All departments and the Newport Public Schools 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 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 2013 (latest available data) for Newport County is \$56,472 compared to \$46,989 and \$41,416 for Rhode Island and the United States, respectively. The unemployment rate is 4.6% compared to the state unemployment rate of 5.6%. The median selling price of an existing home in June 2015 is \$366,225 compared to \$376,500 in June 2014. The City continues to attract older retired residents and empty-nesters as well as tourists. Properties, especially those over \$1 million, continue to maintain value and 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 continues to grow. After an extremely successful North American stop in Newport in 2015, the organizers of the Volvo Ocean Race have selected Newport as the only North American stop during the next race in 2017. The economic impact of the Volvo race was determined to be \$41 million statewide with over 130,000 people attending the week-long docking and sail.

Long-term financial planning

The City was awarded a federal grant for the redevelopment and adaptive reuse of the former Sheffield public school to be used as the Newport TechWorks Accelerator and Innovation Center. Another major economic development initiative is the establishment of a North End Innovation Hub. In addition, the City continues to 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.

Long-term financial planning includes continuing 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 replacement of the 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 have been completed. The cost associated with this project was 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 evaluating options concerning the sale or redevelopment of three former elementary schools that can be used for economic development possibilities.

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 (FY2015) 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. There were no appropriations of fund balance in FY2015, and no adopted budgeted appropriations in FY2016 or FY2017, although it is likely that some of the city's FY2015 surplus will be used to cover a school FY2015 deficit of approximately \$700,000.

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 has complied with this policy.

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 FY2015.

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 actuarially determined contributions to the pension plans. 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 16th year (declining to 1). The plans are currently funded at 48% for the fire plan and 65% 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 64% funded in the State's municipal employees' retirement plan. The State of Rhode Island General Assembly enacted legislation that significantly changed the pension plan for participants in the State Municipal Employees Plan and the State Teachers Plan and reduced the long-term liability. These changes are reflected in the June 30, 2015 Statements of Net Position and Activities, footnotes and required supplementary information. The City implemented Governmental Accounting Standard 68 on pensions in FY2015 in accordance with the Standard.

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, 2015, 526 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, 2015 is \$119 million. 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 \$37 million have been accumulated as of June 30, 2015. 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 basic financial statements.

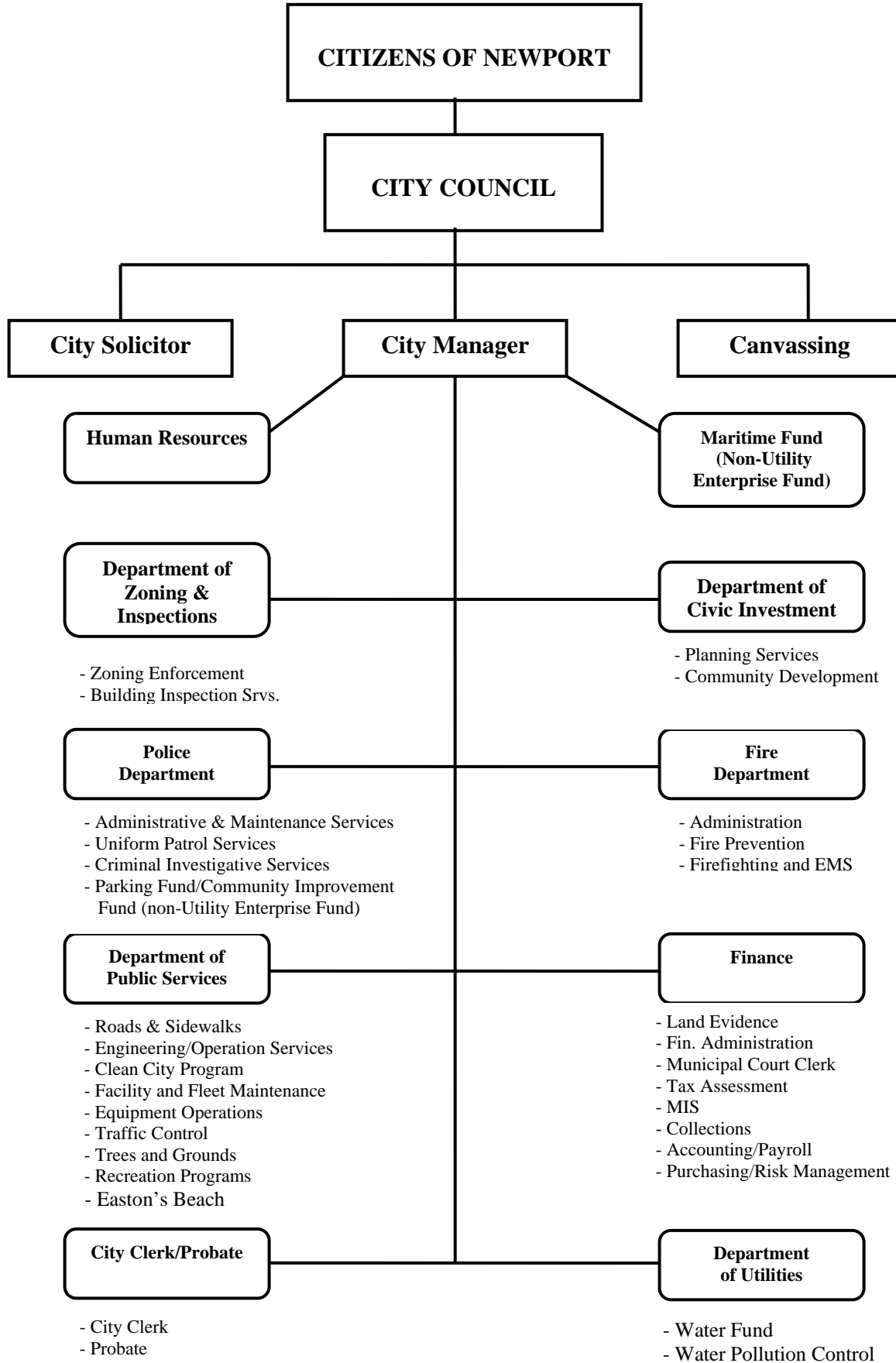
The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance department. We would like to express our appreciation to all members of the department. Credit also must be given to the Mayor and City Council for their unfailing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

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "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 Jeanne Marie Napolitano
Marco T. Camacho
Lynn Underwood Ceglie
Kathryn E. Leonard
Justin S. McLaughlin
Naomi L. Neville
John F. Florez
Jo Eva Gaines
David C. Hanos
Rebecca Bolan
David R. Carlin III
Sandra J. Flowers, Ph.D.
Robert J. Leary
Kathleen Silvia

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

Principal Appointed Officials:

Joseph J. Nicholson, Jr.
Laura L. Sitrin, CPA
Colleen B. Jermain
Joan Tracey, CPA
Christopher J. Behan, Esq.
Julia Forgue
William Riccio
Gary Silva
Peter Connerton
Laura C. Swistak

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



Government Finance Officers Association

**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, 2014

Executive Director/CEO

Financial Section

BlumShapiro

Accounting | Tax | Business Consulting

Independent Auditors' Report

To the Members of the City Council
City of Newport, Rhode Island

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, 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, 2015, and the related notes to the financial statements, which collectively comprise the City of Newport, Rhode Island's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, each major fund and the aggregate remaining fund information of the City of Newport, Rhode Island, as of June 30, 2015 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 accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 18 to the financial statements, during the fiscal year ended June 30, 2015, the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The net position of the City has been restated to recognize the net pension liability required in implementing both GASB No. 68 and GASB No.71. Our opinion is not modified with respect to this matter

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 17, the pension schedules on pages 81 through 90 and the OPEB schedules on pages 91 and 92 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, which 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.

Other Information

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

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2015 on our consideration of the City of Newport, Rhode Island'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* in considering the City of Newport, Rhode Island's internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
December 22, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2015

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, 2015. 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 and deferred outflows of resources of the City of Newport exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$115,158,906 (*net position*).
- The government's net position increased by \$19,631,829. Governmental activities' net position increased by \$11,760,412 due primarily to an increase in property taxes of \$2.7 million, sale of Underwood School of \$2.4 million, additional human services grant revenue of \$1.6 million and expenditure savings. Business-type activities had an increase of \$7,871,417, including a prior period adjustment to correct an error, in net position due to programmed rate increases in the water and water pollution control departments over the last couple of years to pay debt service related to major capital improvements.
- At June 30, 2015, the City of Newport's governmental funds reported a combined ending fund balance of \$45,730, 778, an increase of \$11,404,211 in comparison to the prior year fund balance. Of the total fund balance, \$29,582,240 (65%) is either nonspendable, restricted or committed, leaving \$16,148,538 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 \$17,610,107, or 17.95% of total general fund expenditures and net other financing uses. \$1,396,889 of the fund balance is restricted or committed leaving \$16,213,218 of assigned or unassigned fund balance. The general fund total fund balance is split between the control of the City Council and the School Committee. Assigned and unassigned fund balance under the control of the City Council is \$16,342,107, or 19.1% of city operating expenditures and other financing uses. The School's fund balance is a deficit of \$128,889.
- The City of Newport's long-term liabilities increase of \$4,961,405 is the result of new debt (note that beginning long-term liabilities was restated by \$128,917,467 to add pension liabilities as required by Governmental Accounting Standards Statement 68).

Overview of the Financial Statements

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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.

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, and harbor facilities.

The government-wide financial statements can be found on Exhibits I and II 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Fund Financial Statements (Continued)

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 Gifts 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 Exhibits A-5 and A-6 of this report. Individual fund data for each of the nonmajor governmental funds is included on Exhibits C-1 and C-2 of this report.

The City of Newport adopts an annual budget for its General Fund and School Unrestricted Fund. A Budgetary comparison statement has been provided on Exhibit A-1.

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, 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 and Maritime 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 VI, VII and VIII of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Fund Financial Statements (Continued)

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 IX and X 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 pages 30-80 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 \$115,158,906 at the close of the most recent fiscal year.

The City of Newport's unrestricted deficit was reduced by \$19,631,829 (note that beginning long-term liabilities was restated by \$128,917,467 to add pension liabilities as required by Governmental Accounting Standards Statement 68). Consistent with prior years the City of Newport has a significant 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.

	Governmental activities		Business-type activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 59,346,188	\$ 46,051,620	\$ 38,275,948	\$ 38,472,521	\$ 97,622,136	\$ 84,524,141
Capital assets	122,042,120	121,409,871	217,417,772	205,714,307	339,459,892	327,124,178
Total assets	<u>181,388,308</u>	<u>167,461,491</u>	<u>255,693,720</u>	<u>244,186,828</u>	<u>437,082,028</u>	<u>411,648,319</u>
Deferred outflows of resources - pensions	7,213,303	3,856,350	513,579	434,602	7,726,882	4,290,952
Total assets and outflows of resources	<u>188,601,611</u>	<u>171,317,841</u>	<u>256,207,299</u>	<u>244,621,430</u>	<u>444,808,910</u>	<u>415,939,271</u>
Long-term liabilities	180,782,255	179,846,397	119,859,155	116,833,608	300,641,410	296,680,005
Other liabilities	13,292,234	12,421,781	11,517,212	12,691,870	24,809,446	25,113,651
Total liabilities	<u>194,074,489</u>	<u>192,268,178</u>	<u>131,376,367</u>	<u>129,525,478</u>	<u>325,450,856</u>	<u>321,793,656</u>
Deferred inflows of resources - pensions	3,717,047	-	482,101	-	4,199,148	-
Total liabilities and inflows of resources	<u>197,791,536</u>	<u>192,268,178</u>	<u>131,858,468</u>	<u>129,525,478</u>	<u>329,650,004</u>	<u>321,793,656</u>
Net assets:						
Invested in capital assets, net of related debt	71,918,140	75,523,117	96,257,736	90,596,425	168,175,876	166,119,542
Restricted	12,874,644	12,270,831	27,491,934	27,875,957	40,366,578	40,146,788
Unrestricted	(93,982,709)	(108,744,285)	599,161	(3,376,430)	(93,383,548)	(112,120,715)
Total net position	<u>\$ (9,189,925)</u>	<u>\$ (20,950,337)</u>	<u>\$ 124,348,831</u>	<u>\$ 115,095,952</u>	<u>\$ 115,158,906</u>	<u>\$ 94,145,615</u>

An additional portion of the City of Newport's net position (35%) represents resources that are restricted by external parties.

The City's net position increased by \$19,631,829 during the current fiscal year. Several factors contributed to this increase. The FY2015 total tax levy increase was 3.02% leading to an increase of \$2.7 million in property and motor vehicle taxes. Other major increases included the sale of Underwood School for \$2.4 million, additional human services grant revenues of \$1.6 million and lower than budgeted expenditures.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-Wide Financial Analysis (Continued)

Governmental Activities

Governmental activities net position increased by \$11,760,412. A comparison of FY2015 and FY2014 activity can be found on the next page which indicates the changes identified above.

City of Newport's Changes in Net Position

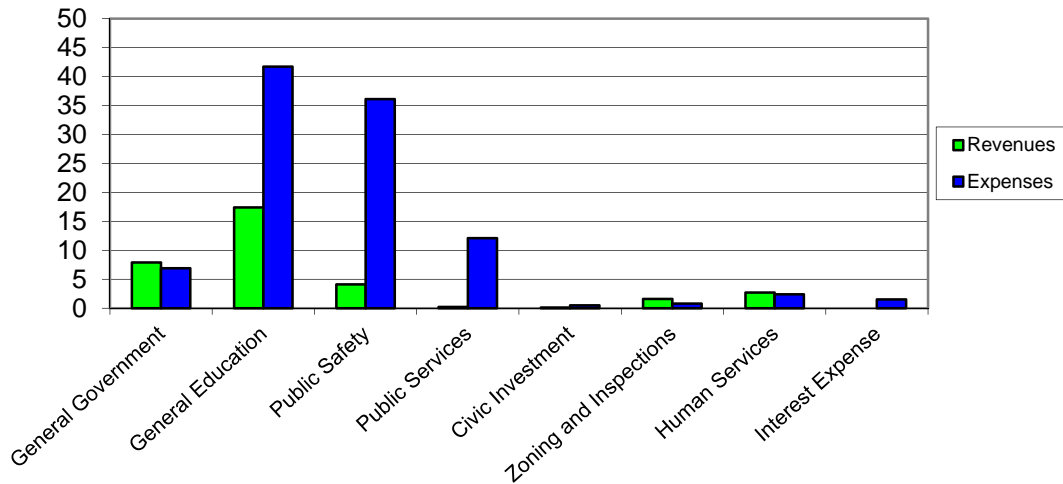
	Governmental activities		Business-type activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 14,103,950	\$ 12,063,082	\$ 33,776,340	\$ 30,104,744	\$ 47,880,290	\$ 42,167,826
Operating grants and contributions	19,838,253	20,758,313			19,838,253	20,758,313
Capital grants and contributions	136,278	3,112,761		484,760	136,278	3,597,521
General revenues:						
Property taxes	74,033,014	71,303,614			74,033,014	71,303,614
Grants and contributions not restricted to specific programs	1,723,595	1,543,540			1,723,595	1,543,540
Investment income	1,148,704	2,054,867	26,405	46,272	1,175,109	2,101,139
Total revenues	<u>110,983,794</u>	<u>110,836,177</u>	<u>33,802,745</u>	<u>30,635,776</u>	<u>144,786,539</u>	<u>141,471,953</u>
Expenses:						
General government	6,870,007	6,583,867			6,870,007	6,583,867
General education	41,716,565	40,053,778			41,716,565	40,053,778
Public safety	36,070,275	35,076,377			36,070,275	35,076,377
Public services	12,094,748	10,949,931			12,094,748	10,949,931
Civic Investment	511,690	662,952			511,690	662,952
Inspections and zoning	772,793	745,706			772,793	745,706
Human services	2,428,828	2,979,211			2,428,828	2,979,211
Interest expense	1,480,976	1,405,987			1,480,976	1,405,987
Water			12,966,669	13,646,827	12,966,669	13,646,827
Water pollution control			10,508,627	10,399,257	10,508,627	10,399,257
Nonmajor business-type			2,156,032	2,396,654	2,156,032	2,396,654
Total expenses	<u>101,945,882</u>	<u>98,457,809</u>	<u>25,631,328</u>	<u>26,442,738</u>	<u>127,577,210</u>	<u>124,900,547</u>
Increase in net position	9,037,912	12,378,368	8,171,417	4,193,038	17,209,329	16,571,406
Loss on disposal of assets	2,422,500			(2,463,956)	2,422,500	(2,463,956)
Transfers	300,000	(1,062,223)	(300,000)	1,062,223	-	-
Change in net position	11,760,412	11,316,145	7,871,417	2,791,305	19,631,829	14,107,450
Net position, as Restated, July 1	(20,950,337)	(32,266,482)	116,477,414	112,304,647	95,527,077	80,038,165
Net Position, June 30	<u>\$ (9,189,925)</u>	<u>\$ (20,950,337)</u>	<u>\$ 124,348,831</u>	<u>\$ 115,095,952</u>	<u>\$ 115,158,906</u>	<u>\$ 94,145,615</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

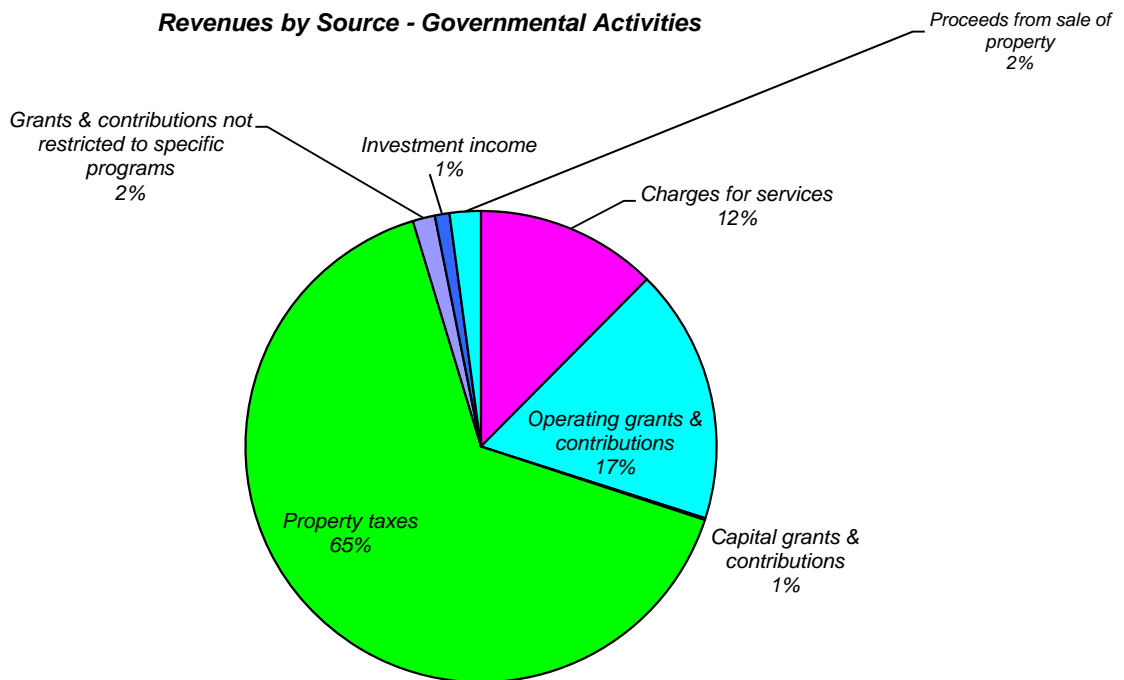
Government-Wide Financial Analysis (Continued)

Governmental Activities (continued)

***Expenses and Program Revenues -
Governmental Activities***



Revenues by Source - Governmental Activities



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

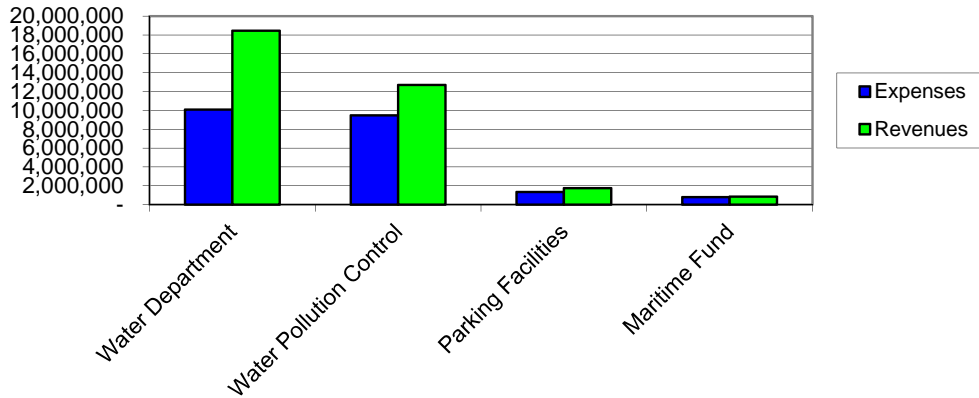
Government-Wide Financial Analysis (Continued)

Business-type activities

Business-type activities' net position increased by \$7,871,417. The increase was due primarily to a the third and final rate increase for debt service related to the \$85 million water treatment plants project which were included in the water rates. The rate increase in the water rates was to help fund debt service.

The Water Fund had income before transfers of \$5,495,280 for the year ended June 30, 2015, the Water Pollution Control Fund had income before transfers of \$2,193,311, and the non-major proprietary funds had income before transfers of \$482,826.

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.

As of the end of the current fiscal year, the City of Newport's governmental funds reported combined ending fund balances of \$45,730,778, an increase of \$11,404,211 in comparison with the prior year fund balance. Much of the total combined ending fund balance amount (\$29,582,240) constitutes fund balance that is either nonspendable, restricted by outside legal sources or committed for capital or contractual purposes. An additional \$2,844,064 of the fund balance is assigned by the City Council and the balance of \$13,304,474 is unassigned, which is available for spending at the government's discretion.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis of the City's Funds (Continued)

Governmental funds (continued)

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 gifts fund. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$13,369,154, while total fund balance was \$17,610,107. 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 13.62% of total General Fund expenditures, transfers and proceeds from sale of assets, while total fund balance represents 17.95% of that same amount.

The total fund balance in the general operating fund of the City (does not include the gift fund and the property acquisition fund also combined into the general fund) under the control of the City Council is \$14,789,749 which is 17.25% 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 deficit is (\$128,889). 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 \$2,804,758 (not including the property acquisition fund and gifts fund) due to building permit revenue of \$500,000 above what was anticipated; the use of \$838,000 of a bond premium to pay debt service; and expenditures of \$1,000,000 less than budgeted because of a freeze on discretionary spending. The fund balance of the Newport Schools under the control of the School Committee decreased by \$643,804 due to expenditures that were larger than budgeted. The table on the next page shows the comparison of revenues and expenditures in the General Fund between FY2015 and FY2014.

There was an overall increase in City general operating fund revenues of \$3,479,016 from the prior year due to an increase in property tax revenue. The School saw an increase in revenues of \$136,053 from the prior year due to an increase in state and federal aid.

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	
	2015	2014	2015	2014
Local Taxes	\$ 73,924,776	\$ 71,336,608	\$	\$
Intergovernmental Revenues	3,695,750	3,155,485	13,442,710	13,294,029
Charges for Services	10,563,017	10,077,998	357,886	366,371
Use of money and property	113,027	208,150	180,551	74,919
Contributions	230,419	179,200	114,570	224,345
Other Revenues	11,896	102,428		
Total Revenues	88,538,885	85,059,869	14,095,717	13,959,664
Total Expenditures	60,076,134	58,548,880	38,509,732	37,678,436
Other Financing Sources (Uses)	(25,657,993)	(25,402,611)	23,770,211	23,103,397
Net Change in Fund Balances	2,804,758	1,108,378	(643,804)	(615,375)
Fund Balance, Beginning, as Restated	11,984,991	10,876,613	514,915	1,130,290
Fund Balance, Ending	\$ 14,789,749	\$ 11,984,991	\$ (128,889)	\$ 514,915
	Combined			
	2015	2014		
Local Taxes	\$ 73,924,776	\$ 71,336,608		
Intergovernmental Revenues	17,138,460	16,449,514		
Charges for Services	10,920,903	10,444,369		
Use of money and property	293,578	283,069		
Contributions	344,989	403,545		
Other Revenues	11,896	102,428		
Total Revenues	102,634,602	99,019,533		
Total Expenditures	98,585,866	96,227,316		
Other Financing Sources (Uses)	(1,887,782)	(2,299,214)		
Net Change in Fund Balances	2,160,954	493,003		
Fund Balance, Beginning, as Restated	12,499,906	12,006,903		
Fund Balance, Ending	\$ 14,660,860	\$ 12,499,906		

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis of the City's Funds (Continued)

Governmental funds (continued)

The Community Development Block Grant Fund had an increase in fund balance of \$298,861 which is due to timing differences between grant revenues and expenditures.

The Capital Projects Fund had an increase in fund balance of \$5,866,519 that is primarily the result of bond proceeds and timing differences between revenues and actual expenditures as of June 30, 2015.

The Permanent Fund had an increase in fund balance of \$398,168 due to net results from market returns.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were due to budgetary carryovers from fiscal year 2014 of \$659,885.

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 (\$4,915,957) while restricted net position was \$16,739,519 and net position invested in capital assets, net of related debt was \$37,344,076. 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 a deficit of (\$153,468) while restricted net position was \$10,752,415 and net position invested in capital assets, net of related debt was \$54,036,456. 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 \$4,202,643 and the Maritime Fund had unrestricted net position of \$1,465,943. The total growth in net position for the Water Fund was \$5,495,280; for the Water Pollution Control Fund \$2,193,311; for the parking operations fund \$323,089. The Maritime Fund has a reduction in net position of \$140,263. 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, 2015 is \$339,460,018 (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 3.8%. Individually, governmental activities had a 0.5% increase and business-type activities had a 5.7% increase.

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

- \$13,966,998 was spent on water treatment plants, water infrastructure, and mains.
- \$4,147,069 was spent on combined sewer overflow and other water pollution control issues.
- \$3,016,824 was spent on road and sidewalk reconstruction and improvements.
- \$413,053 was spent on fire equipment replacement.
- \$360,987 was spent on Freebody Park improvements
- \$336,562 was spent on information systems network enhancements

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

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 4,920,148	\$ 4,920,148	\$ 6,492,359	\$ 6,492,359	\$ 11,412,507	\$ 11,412,507
Construction in progress	3,196,366	1,218,960	8,644,553	68,973,934	11,840,919	70,192,894
Buildings & systems	64,359,949	65,745,886	201,584,104	129,589,425	265,944,053	195,335,311
Machinery & equipment	3,111,823	3,166,201	395,489	488,094	3,507,312	3,654,295
Vehicles	3,523,261	3,404,696	301,268	170,495	3,824,529	3,575,191
Infrastructure	42,930,573	42,953,980	-	-	42,930,573	42,953,980
Total	\$ 122,042,120	\$ 121,409,871	\$ 217,417,773	\$ 205,714,307	\$ 339,459,893	\$ 327,124,178

Additional information on the City of Newport’s capital assets can be found Note 5 to the Financial Statements.

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 \$167,138,572. Of this amount, \$46,178,536 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	
	2015	2014	2015	2014	2015	2014
General Obligation Bonds	\$ 46,178,536	\$ 41,993,536	\$ -	\$ -	\$ 46,178,536	\$ 41,993,536
Revenue Bonds	-	-	120,960,036	115,998,677	120,960,036	115,998,677
Total	\$ 46,178,536	\$ 41,993,536	\$ 120,960,036	\$ 115,998,677	\$ 167,138,572	\$ 157,992,213

The City of Newport's total bonds increased by \$9,146,359 (6%) during the current fiscal year. The increase was the result of new governmental debt of \$7,235,000 for road and facility improvement and revenue bond drawdowns of \$9,850,850 primarily for the water treatment plants project. Bonds of \$7,939,491 were retired during fiscal year 2015.

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 \$179,550,194, 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 Note 7 to the Financial Statements.

Economic Factors and Next Year's Budgets and Rates

- The average annual not seasonally adjusted unemployment rate in 2014 for the City of Newport was 6.3%, which is less than the state's unemployment rate of 6.6% but higher than the federal unemployment rate of 5.8% in November 2014.
- 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.
- Inflationary trends in the region follow national indices.

All of these factors were considered in preparing the City of Newport's budget for the 2015 fiscal year.

Fund balance in the City's general operating fund at June 30, 2015 is \$17,610,107 or 17.8% of City general operating fund expenditures, which complies with the City's fiscal policy of maintaining a minimum of 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 change in FY2015 but are expected to increase in the next several years to fund projects required under a consent decree with the federal Environmental Protection Agency. The total cost for projects associated with the consent decree is not known but is estimated to be around \$100 million. The Water Fund rates are controlled and set by the Rhode Island Public Utilities Commission. A rate increase was approved effective July 1, 2014 of 22.1% to cover debt service related to the rebuilding and major improvements in the two water treatment plants.

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, 2015

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Current assets:			
Cash and cash equivalents	\$ 27,169,477	\$ 5,674,874	\$ 32,844,351
Investments	9,181,203	1,239,988	10,421,191
Receivables, net	6,592,328	3,695,432	10,287,760
Internal balances (advances)	179,884	(179,884)	-
Inventories	20,367	299,313	319,680
Prepaid expenses	433,152	153,291	586,443
Total current assets	<u>43,576,411</u>	<u>10,883,014</u>	<u>54,459,425</u>
Noncurrent assets:			
Restricted assets:			
Temporarily restricted cash and cash equivalents		26,352,416	26,352,416
Permanently restricted investments	10,994,095		10,994,095
Bond proceeds		1,040,518	1,040,518
Receivables (net)	656,230		656,230
Net pension asset	4,119,452		4,119,452
Capital assets not being depreciated	8,116,514	15,136,912	23,253,426
Capital assets (net of accumulated depreciation)	113,925,606	202,280,860	316,206,466
Total noncurrent assets	<u>137,811,897</u>	<u>244,810,706</u>	<u>382,622,603</u>
Total assets	<u>181,388,308</u>	<u>255,693,720</u>	<u>437,082,028</u>
Deferred outflow of resources:			
Changes in actuarial experience	2,753,475		2,753,475
Assumption changes	109,809	26,431	136,240
Contributions after the measurement date	4,350,019	487,148	4,837,167
Total deferred outflow of resources	<u>7,213,303</u>	<u>513,579</u>	<u>7,726,882</u>
Liabilities:			
Current liabilities:			
Accounts payable	2,344,989	2,847,031	5,192,020
Accrued liabilities	2,232,472	2,309,878	4,542,350
Unearned revenue		10,000	10,000
Other liabilities	431,812	99,000	530,812
Current portion of long-term obligations	8,282,961	6,251,303	14,534,264
Total current liabilities	<u>13,292,234</u>	<u>11,517,212</u>	<u>24,809,446</u>
Noncurrent liabilities:			
Long-term obligations	<u>180,782,255</u>	<u>119,859,155</u>	<u>300,641,410</u>
Total noncurrent liabilities	<u>180,782,255</u>	<u>119,859,155</u>	<u>300,641,410</u>
Total liabilities	<u>194,074,489</u>	<u>131,376,367</u>	<u>325,450,856</u>
Deferred inflow of resources			
Change in pension investment gains or losses	2,827,976	482,101	3,310,077
Assumption changes	889,071		889,071
Total deferred inflow of resources	<u>3,717,047</u>	<u>482,101</u>	<u>4,199,148</u>
Net Position:			
Net investment in capital assets:	71,918,140	96,257,736	168,175,876
Restricted for:			
Various Endowments:			
Expendable	8,070,909		8,070,909
Nonexpendable	2,601,651		2,601,651
Held in trust		99,000	99,000
Debt service	2,202,084	27,392,934	29,595,018
Unrestricted (deficit)	<u>(93,982,709)</u>	<u>599,161</u>	<u>(93,383,548)</u>
Total Net Position	<u>\$ (9,189,925)</u>	<u>\$ 124,348,831</u>	<u>\$ 115,158,906</u>

The accompanying notes are an integral part of the financial statements

**CITY OF NEWPORT, RHODE ISLAND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 6,870,007	\$ 5,765,967	\$ 2,085,885	\$	\$ 981,845	\$	\$ 981,845
General education	41,716,565	873,012	16,546,669	\$	(24,296,884)	\$	(24,296,884)
Public safety	36,070,275	3,790,637	302,814		(31,976,824)		(31,976,824)
Public services	12,094,748	237,252			(11,857,496)		(11,857,496)
Civic investment	511,690		85,525	50,000	(376,165)		(376,165)
Zoning and inspections	772,793	1,643,399			870,606		870,606
Human services	2,428,828	1,793,683	817,360	86,278	268,493		268,493
Interest expense	1,480,976				(1,480,976)		(1,480,976)
Total governmental activities	<u>101,945,882</u>	<u>14,103,950</u>	<u>19,838,253</u>	<u>136,278</u>	<u>(67,867,401)</u>	<u>-</u>	<u>(67,867,401)</u>
Business-type activities:							
Water Department	12,966,669	18,458,859				5,492,190	5,492,190
Water Pollution Control	10,508,627	12,701,733				2,193,106	2,193,106
Recreational and parking facilities	2,156,032	2,615,748				459,716	459,716
Total business-type activities	<u>25,631,328</u>	<u>33,776,340</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,145,012</u>	<u>8,145,012</u>
Total	<u>\$ 127,577,210</u>	<u>\$ 47,880,290</u>	<u>\$ 19,838,253</u>	<u>\$ 136,278</u>	<u>(67,867,401)</u>	<u>8,145,012</u>	<u>(59,722,389)</u>
General revenues:							
Property taxes					74,033,014		74,033,014
Grants and contributions not restricted to specific programs					1,723,595		1,723,595
Investment income (loss)					1,148,704	26,405	1,175,109
Proceeds from sale of property					2,422,500		2,422,500
Transfers					300,000	(300,000)	-
Total general revenues and transfers					<u>79,627,813</u>	<u>(273,595)</u>	<u>79,354,218</u>
Change in net position					11,760,412	7,871,417	19,631,829
Net Position at Beginning of Year					102,184,940	119,636,961	221,821,901
Prior period adjustment/restatement					<u>(123,135,277)</u>	<u>(3,159,547)</u>	<u>(126,294,824)</u>
Net Position at End of Year					<u>\$ (9,189,925)</u>	<u>\$ 124,348,831</u>	<u>\$ 115,158,906</u>

The accompanying notes are an integral part of the financial statements

CITY OF NEWPORT, RHODE ISLAND
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015

	<u>General</u>	<u>Community Development Block Grant</u>	<u>Permanent Funds</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 9,625,949	\$ 752,833	\$	\$ 11,771,156	\$ 5,227,016	\$ 27,376,954
Investments	9,181,203		10,994,095			20,175,298
Receivables:						
Property taxes	1,723,926					1,723,926
Motor vehicle excise	1,564,700					1,564,700
Intergovernmental		207,758		82,487	830,706	1,120,951
Note/loan		2,602,838			255,000	2,857,838
Other	1,612,534				53,000	1,665,534
Due from other funds	14,293				52,500	66,793
Advances to other funds					267,459	267,459
Total Assets	<u>\$ 23,722,605</u>	<u>\$ 3,563,429</u>	<u>\$ 10,994,095</u>	<u>\$ 11,853,643</u>	<u>\$ 6,685,681</u>	<u>\$ 56,819,453</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Cash overdraft	\$	\$	\$ 313,535	\$	\$ 27,618	\$ 341,153
Accounts payable	1,495,260	25,000	8,000	290,919	498,656	2,317,835
Accrued liabilities	1,642,831					1,642,831
Due to other funds	179,876					179,876
Other liabilities	431,812					431,812
Total liabilities	<u>3,749,779</u>	<u>25,000</u>	<u>321,535</u>	<u>290,919</u>	<u>526,274</u>	<u>4,913,507</u>
Deferred inflows of resources:						
Unavailable revenue:						
Property taxes	2,362,719					2,362,719
Loans receivable		2,602,837			627,459	3,230,296
Intergovernmental receivable		207,758		82,487	291,908	582,153
Total deferred inflows of resources	<u>2,362,719</u>	<u>2,810,595</u>	<u>-</u>	<u>82,487</u>	<u>919,367</u>	<u>6,175,168</u>
Fund balances:						
Nonspendable			2,601,651			2,601,651
Restricted	105,183	727,834	8,070,909		5,304,720	14,208,646
Committed	1,291,706			11,480,237		12,771,943
Assigned	2,844,064					2,844,064
Unassigned	13,369,154				(64,680)	13,304,474
Total fund balances	<u>17,610,107</u>	<u>727,834</u>	<u>10,672,560</u>	<u>11,480,237</u>	<u>5,240,040</u>	<u>45,730,778</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 23,722,605</u>	<u>\$ 3,563,429</u>	<u>\$ 10,994,095</u>	<u>\$ 11,853,643</u>	<u>\$ 6,685,681</u>	<u>\$ 56,819,453</u>

The accompanying notes are an integral part of the financial statements

CITY OF NEWPORT, RHODE ISLAND
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2015

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position:

Amounts reported for governmental activities in the statement of
net position (Exhibit I) are different because of the following:

Fund balances - total governmental funds (Exhibit III)	\$	45,730,778
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Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds:

Governmental capital assets	\$ 165,464,408	
Less accumulated depreciation	<u>(43,458,441)</u>	
Net capital assets		122,005,967

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

Net pension asset	4,119,452
Prepaid expenses	433,152
Unavailable property taxes, loans and grant revenue	6,175,168
Allowance for doubtful accounts	(7,153,688)
Property tax and loan interest accrual	5,445,229

Internal service funds are used by management to charge the costs of
risk management to individual funds. The assets and liabilities of
the internal service funds are reported with governmental activities
in the statement of net assets.

168,457

Long-term liabilities, including bonds payable and deferred inflows
of resources, are not due and payable in the current period and,
therefore, are not reported in the funds:

Bonds payable	(44,678,536)
Bond premium	(3,270,022)
Interest payable on bonds and notes	(545,480)
Note payable	(1,500,000)
Capital lease payable	(675,422)
Claims and judgments	(297,000)
Compensated absences	(6,876,932)
Net pension liability	(127,118,734)
Net OPEB obligation	(4,648,570)

Certain transactions related to pensions have deferred outflows and inflows
not required to be reported in the funds:

Deferred outflows of resources - pensions	7,213,303
Deferred inflows of resources - pensions	<u>(3,717,047)</u>

Net Position of Governmental Activities (Exhibit I)	\$	<u><u>(9,189,925)</u></u>
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The accompanying notes are an integral part of the financial statements

CITY OF NEWPORT, RHODE ISLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General	Community Development Block Grant	Permanent Funds	Capital Projects	Nonmajor Governmental	Total Governmental Funds
Revenues:						
Property taxes	\$ 73,924,776					\$ 73,924,776
Intergovernmental revenues	17,138,460	486,861		150,000	3,796,961	21,572,282
Charges for services	10,920,903	306,417		869,907	532,626	12,629,853
Use of money and property	293,578	44,894	623,305	32	186,895	1,148,704
Contributions	392,424				19,148	411,572
Other revenues	11,896					11,896
Total revenues	<u>102,682,037</u>	<u>838,172</u>	<u>623,305</u>	<u>1,019,939</u>	<u>4,535,630</u>	<u>109,699,083</u>
Expenditures:						
Current:						
General government	5,988,047					5,988,047
General education	38,509,732				3,322,932	41,832,664
Public safety	35,109,343				136,466	35,245,809
Public services	9,577,893					9,577,893
Civic investment	338,116				68,686	406,802
Zoning and inspections	784,609					784,609
Human services	1,851,475	330,555	225,137		427,908	2,835,075
Pension expenditures	1,341,546					1,341,546
Debt service:						
Principal retirement	1,629,784					1,629,784
Interest and other charges	3,257,800					3,257,800
Capital outlay	269,905	196,045		5,186,082	123,857	5,775,889
Total expenditures	<u>98,658,250</u>	<u>526,600</u>	<u>225,137</u>	<u>5,186,082</u>	<u>4,079,849</u>	<u>108,675,918</u>
Excess (Deficiency) of Revenues over Expenditures	<u>4,023,787</u>	<u>311,572</u>	<u>398,168</u>	<u>(4,166,143)</u>	<u>455,781</u>	<u>1,023,165</u>
Other Financing Sources (Uses):						
Bond Proceeds				5,735,000		5,735,000
Bond Premium				423,546		423,546
Loan Proceeds				1,500,000		1,500,000
Proceeds from sale of assets	2,422,500					2,422,500
Transfers in from other funds	1,189,278			3,243,950	133,110	4,566,338
Transfers out to other funds	(3,077,060)	(12,711)		(869,834)	(306,733)	(4,266,338)
Total other financing sources (uses)	<u>534,718</u>	<u>(12,711)</u>	<u>-</u>	<u>10,032,662</u>	<u>(173,623)</u>	<u>10,381,046</u>
Net Change in Fund Balances	4,558,505	298,861	398,168	5,866,519	282,158	11,404,211
Fund Balances at Beginning of Year	<u>13,051,602</u>	<u>428,973</u>	<u>10,274,392</u>	<u>5,613,718</u>	<u>4,957,882</u>	<u>34,326,567</u>
Fund Balances at End of Year	<u>\$ 17,610,107</u>	<u>\$ 727,834</u>	<u>\$ 10,672,560</u>	<u>\$ 11,480,237</u>	<u>\$ 5,240,040</u>	<u>\$ 45,730,778</u>

The accompanying notes are an integral part of the financial statements

CITY OF NEWPORT, RHODE ISLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities:

Net Change in Fund Balances-Total Governmental Funds \$ 11,404,211

Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	5,516,193
Depreciation expense	(3,923,991)
Loss on disposition of assets	(955,286)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, and revenues recognized in the funds are not reported in the statement of activities:

Property tax receivable - accrual basis change	(362,963)
Activity related to property tax and loan receivable	1,685,374
Change in net pension assets	876,845

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 has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized and deferred in the statement of activities. The details of these differences in the treatment of long-term debt and related items are as follows:

Bonds and loans issued	(7,235,000)
Bond principal payments	3,050,000
Bond issue premium	(423,546)
Capital lease payments	101,130

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.

Compensated absences	249,144
Claims and judgement	13,000
OPEB obligations	315,314
Net change for pension liability	1,554,603
Amortization of prepaid interest	(72,192)
Change in accrued interest	57,480
Amortization of bond premiums	270,190
Deferred outflows/inflows related to pension actuarial experience	2,753,475
Deferred outflows/inflows related to assumption changes	(779,262)
Deferred outflows/inflows related to pensions investment gains or losses	(2,827,976)
Deferred outflows related to contributions made after the measurement date	493,669

Change in Net Position of Governmental Activities (Exhibit II) \$ 11,760,412

The accompanying notes are an integral part of the financial statements

**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, 2015**

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property taxes	\$ 74,395,501	\$ 74,395,501	\$ 73,924,776	\$ (470,725)
Intergovernmental revenues	15,361,568	15,361,568	15,657,997	296,429
Charges for services	10,074,786	10,074,786	10,563,017	488,231
Use of money and property	350,000	350,000	113,027	(236,973)
Other revenues	752,092	752,092	895,322	143,230
Total revenues	<u>100,933,947</u>	<u>100,933,947</u>	<u>101,154,139</u>	<u>220,192</u>
Expenditures:				
General government:				
Mayor and City Council	128,788	128,788	100,684	28,104
City Manager	462,558	471,693	862,774	(391,081)
City Solicitor	511,050	511,050	370,008	141,042
Canvassing	253,678	253,678	230,790	22,888
City Clerk	481,574	481,574	376,217	105,357
Finance	3,480,545	3,493,092	3,272,566	220,526
Reserve accounts	1,110,000	1,191,812	887,899	303,913
School:				
General Education	35,772,965	35,772,965	37,029,269	(1,256,304)
Public Safety:				
Police Department	17,437,630	17,691,192	17,007,782	683,410
Fire Department	18,460,478	18,465,037	18,119,277	345,760
Public Services	9,838,445	10,166,215	10,247,818	(81,603)
Civic Investment	586,864	556,864	338,116	218,748
Zoning and Inspections	805,014	805,014	784,609	20,405
Human Services:				
Donations	95,200	95,700	95,450	250
Public Library	1,756,025	1,756,025	1,756,025	
Pension expenditures	1,405,812	1,405,812	1,341,546	64,266
Debt service	5,300,261	5,300,261	4,887,584	412,677
Total expenditures	<u>97,886,887</u>	<u>98,546,772</u>	<u>97,708,414</u>	<u>838,358</u>
Excess of Revenues over Expenditures	<u>3,047,060</u>	<u>2,387,175</u>	<u>3,445,725</u>	<u>1,058,550</u>
Other Financing Uses:				
Transfers in	23,377,157	23,377,157	24,566,435	1,189,278
Transfers out	<u>(26,424,217)</u>	<u>(26,454,217)</u>	<u>(26,454,217)</u>	
Total other financing uses	<u>(3,047,060)</u>	<u>(3,077,060)</u>	<u>(1,887,782)</u>	<u>1,189,278</u>
Excess of Revenues and Other Sources over Expenditures and Other Uses	\$ <u> -</u>	\$ <u>(689,885)</u>	1,557,943	\$ <u>2,247,828</u>
Fund Balance at Beginning of Year			<u>11,801,036</u>	
Fund Balance at End of Year			\$ <u>13,358,979</u>	

The accompanying notes are an integral part of the financial statements

**CITY OF NEWPORT, RHODE ISLAND
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015**

	Business-Type Activities - Enterprise Funds				Governmental Activities
	Major Funds				Internal Service Fund
	Water Fund	W.P.C. Fund	Nonmajor Funds	Total	
Assets:					
Current assets:					
Cash and cash equivalents	\$ 789,389	\$	\$ 4,885,485	\$ 5,674,874	\$ 133,676
Investments			1,239,988	1,239,988	
Accounts receivable:					
User fees (net of allowances)	2,048,510	1,635,501	11,421	3,695,432	
Other				-	24,068
Due from other funds		107,436		107,436	25,508
Inventories	299,313			299,313	20,367
Prepaid expenses	5,000	148,291		153,291	
Total current assets	<u>3,142,212</u>	<u>1,891,228</u>	<u>6,136,894</u>	<u>11,170,334</u>	<u>203,619</u>
Noncurrent assets:					
Cash and cash equivalents - restricted	15,699,001	10,653,415		26,352,416	
Bond proceeds - restricted	1,040,518			1,040,518	
Capital assets, net of accumulated depreciation	127,440,338	84,900,230	5,077,204	217,417,772	36,153
Total noncurrent assets	<u>144,179,857</u>	<u>95,553,645</u>	<u>5,077,204</u>	<u>243,770,188</u>	<u>36,153</u>
Total assets	<u>147,322,069</u>	<u>97,444,873</u>	<u>11,214,098</u>	<u>255,981,040</u>	<u>239,772</u>
Deferred outflow of resources:					
Assumption changes	26,431			26,431	
Contributions after the measurement date	487,148			487,148	
Total deferred outflow of resources	<u>513,579</u>	<u>-</u>	<u>-</u>	<u>513,579</u>	<u>-</u>
Liabilities:					
Current liabilities:					
Accounts payable	1,278,269	1,468,153	100,609	2,847,031	27,154
Accrued expenses	1,841,095	378,543	90,240	2,309,878	44,161
Unearned revenue			10,000	10,000	
Due to other funds	19,861			19,861	
Escrow held in Trust		99,000		99,000	
Current portion bonds payable	4,206,000	2,045,303		6,251,303	
Total current liabilities	<u>7,345,225</u>	<u>3,990,999</u>	<u>200,849</u>	<u>11,537,073</u>	<u>71,315</u>
Long-term liabilities:					
Advances from other funds			267,459	267,459	
Notes payable			200,000	200,000	
Bonds payable	85,890,262	28,818,471		114,708,733	
Net pension liability	4,475,459			4,475,459	
Net other post-employment benefit obligation	474,963			474,963	
Total long-term liabilities	<u>90,840,684</u>	<u>28,818,471</u>	<u>467,459</u>	<u>120,126,614</u>	<u>-</u>
Total liabilities	<u>98,185,909</u>	<u>32,809,470</u>	<u>668,308</u>	<u>131,663,687</u>	<u>71,315</u>
Deferred inflow of resources:					
Change in pension investment gains or losses	482,101			482,101	
Total deferred inflow of resources	<u>482,101</u>	<u>-</u>	<u>-</u>	<u>482,101</u>	<u>-</u>
Net position:					
Net investment in capital assets	37,344,076	54,036,456	4,877,204	96,257,736	36,153
Restricted by regulatory agencies and bond covenants	16,739,519	10,653,415		27,392,934	
Assets held in trust		99,000		99,000	
Unrestricted	(4,915,957)	(153,468)	5,668,586	599,161	132,304
Total Net Position	<u>\$ 49,167,638</u>	<u>\$ 64,635,403</u>	<u>\$ 10,545,790</u>	<u>\$ 124,348,831</u>	<u>\$ 168,457</u>

The accompanying notes are an integral part of the financial statements

CITY OF NEWPORT, RHODE ISLAND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Business-Type Activities - Enterprise Funds				Governmental
	Major Funds				Activities
	Water Fund	W.P.C. Fund	Nonmajor Funds	Total	Internal Service Fund
Operating revenues:					
User fees	\$ 17,917,864	\$ 12,701,733	\$ 2,615,748	\$ 33,235,345	\$ 1,365,690
Other revenues	540,995			540,995	
Total operating revenues	<u>18,458,859</u>	<u>12,701,733</u>	<u>2,615,748</u>	<u>33,776,340</u>	<u>1,365,690</u>
Operating expenses:					
Salaries and benefits	4,345,615	279,561	812,116	5,437,292	106,101
Materials and supplies	642,289		98,573	740,862	391,134
Repairs and maintenance	503,185	79,221	59,210	641,616	75,601
Support services	70,876	4,065,592	465,563	4,602,031	767,696
Utilities	1,281,575	668,513	37,440	1,987,528	20,491
Administrative and other	850,497	911,150	416,170	2,177,817	
Property taxes	465,821			465,821	
Depreciation	1,931,773	3,467,261	266,960	5,665,994	4,667
Total operating expenses	<u>10,091,631</u>	<u>9,471,298</u>	<u>2,156,032</u>	<u>21,718,961</u>	<u>1,365,690</u>
Operating Income	<u>8,367,228</u>	<u>3,230,435</u>	<u>459,716</u>	<u>12,057,379</u>	<u>-</u>
Nonoperating revenues and expenses:					
Investment income	3,090	205	23,110	26,405	
Interest expense	(2,875,038)	(1,037,329)		(3,912,367)	
Net nonoperating revenues and expenses	<u>(2,871,948)</u>	<u>(1,037,124)</u>	<u>23,110</u>	<u>(3,885,962)</u>	<u>-</u>
Income Before Transfers	5,495,280	2,193,311	482,826	8,171,417	-
Transfers:					
Transfers out			(300,000)	(300,000)	
Change in Net Position	5,495,280	2,193,311	182,826	7,871,417	-
Net Position at Beginning of Year	46,831,905	62,442,092	10,362,964	119,636,961	168,457
Prior period adjustment/restatement	(3,159,547)			(3,159,547)	
Net Position at End of Year	<u>\$ 49,167,638</u>	<u>\$ 64,635,403</u>	<u>\$ 10,545,790</u>	<u>\$ 124,348,831</u>	<u>\$ 168,457</u>

The accompanying notes are an integral part of the financial statements

**CITY OF NEWPORT, RHODE ISLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Business-Type Activities - Enterprise Funds				Governmental
	Major Funds				Activities
	Water Fund	W.P.C. Fund	Nonmajor Funds	Total	Internal Service Fund
Cash Flows from Operating Activities:					
Cash received from customers	\$ 18,535,394	\$ 13,077,248	\$ 2,634,472	\$ 34,247,114	\$ 1,467,289
Cash payments to suppliers for goods and services	(4,182,290)	(4,450,491)	(631,171)	(9,263,952)	(1,300,652)
Cash payments to employees for services	(4,539,969)	(267,347)	(800,017)	(5,607,333)	(105,376)
Payment of property taxes	(465,821)			(465,821)	
Payment of administrative expense	(850,009)	(911,148)	(416,169)	(2,177,326)	(521)
Net cash provided by operating activities	<u>8,497,305</u>	<u>7,448,262</u>	<u>787,115</u>	<u>16,732,682</u>	<u>60,740</u>
Cash Flows from Noncapital Financing Activities:					
Interfund loans and transfers			(300,000)	(300,000)	
Cash Flows from Capital and Related Financing Activities:					
Acquisition and construction of capital assets	(13,112,074)	(4,147,070)	(120,439)	(17,379,583)	
Proceeds from borrowing	9,850,850			9,850,850	
Principal paid on bonds, notes and loans	(2,903,000)	(1,946,510)		(4,849,510)	
Interest paid on bonds, notes and loans	(2,875,038)	(1,054,877)		(3,929,915)	
Net cash used in capital and related financing activities	<u>(9,039,262)</u>	<u>(7,148,457)</u>	<u>(120,439)</u>	<u>(16,308,158)</u>	<u>-</u>
Cash Flows from Investing Activities:					
Purchase of investments			(8,726)	(8,726)	
Investment income	3,090	205	9	3,304	
Net cash provided by (used in) investing activities	<u>3,090</u>	<u>205</u>	<u>(8,717)</u>	<u>(5,422)</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(538,867)	300,010	357,959	119,102	60,740
Cash and Cash Equivalents at Beginning of Year	17,027,257	10,353,405	4,527,526	31,908,188	72,936
Cash and Cash Equivalents at End of Year	\$ 16,488,390	\$ 10,653,415	\$ 4,885,485	\$ 32,027,290	\$ 133,676
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:					
Operating income	\$ 8,367,228	\$ 3,230,435	\$ 459,716	\$ 12,057,379	\$ -
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:					
Depreciation	1,931,773	3,467,261	266,960	5,665,994	4,667
Prior period adjustment	1,381,462				
Changes in assets and liabilities:					
Decrease (Increase) in accounts receivable	39,367	361,755	38,726	439,848	
Decrease (Increase) in accounts receivable - other				-	24,941
Decrease (Increase) in due from other funds	37,171	13,760		50,931	51,150
Decrease (Increase) in inventory	(24,100)			(24,100)	1,164
Decrease (Increase) in prepaid expense		18,536		18,536	
(Decrease) Increase in accounts payable	(2,863,736)	344,301	29,615	(2,489,820)	(21,905)
(Decrease) Increase in accrued expenses	(22,993)	12,214	12,098	1,319	723
(Decrease) Increase in unearned revenue			(20,000)	(20,000)	
(Decrease) Increase in due to other funds	(177,993)			(177,993)	
(Decrease) Increase in net pension obligations	(97,028)			(97,028)	
(Decrease) Increase net other post employment benefit obligations	(73,846)			(73,846)	
Net Cash Provided by Operating Activities	\$ 8,497,305	\$ 7,448,262	\$ 787,115	\$ 16,732,682	\$ 60,740
Noncash Investing, Capital and Related Financing Transactions:					
Increase (decrease) in fair value of investments	\$ -	\$ -	\$ 31,827	\$ 31,827	\$ -

The accompanying notes are an integral part of the financial statements

**CITY OF NEWPORT, RHODE ISLAND
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015**

	Pension and Other Post- Employment Benefit Trust Funds	Private Purpose Trust Funds	Agency Funds
Assets:			
Cash and cash equivalents	\$ 2,325,346	\$ 23,581	\$ 317,944
Investments, at fair value:			
Fixed income mutual funds	25,624,795	549,115	
Domestic equity mutual funds	90,046,397	1,167,114	
International equity mutual funds	17,494,453		
Alternative investments	8,990,791		
Total investments	<u>142,156,436</u>	<u>1,716,229</u>	<u>-</u>
Total assets	<u>144,481,782</u>	<u>1,739,810</u>	<u>317,944</u>
Liabilities:			
Cash overdraft	90,194	38,808	
Accounts payable	112,382	1,278	
Amounts held in escrow			317,944
Total liabilities	<u>202,576</u>	<u>40,086</u>	<u>\$ 317,944</u>
Net Position:			
Restricted for pension/other post-employment benefits and other purposes	<u>\$ 144,279,206</u>	<u>\$ 1,699,724</u>	

The accompanying notes are an integral part of the financial statements

**CITY OF NEWPORT, RHODE ISLAND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Pension and Other Post- Employment Benefit Trust Funds	Private Purpose Trust Funds
	<u> </u>	<u> </u>
Additions:		
Contributions:		
Employees	\$ 1,095,143	\$
Employer	10,560,268	
Contributions		11,300
Total contributions	<u>11,655,411</u>	<u>11,300</u>
Investment income:		
Net change in fair value of investments	4,157,259	25,073
Interest and dividends	<u>3,252,332</u>	<u>49,748</u>
Total investment income (loss)	7,409,591	74,821
Less investment expenses	<u>393,752</u>	<u>3,515</u>
Net investment income	<u>7,015,839</u>	<u>71,306</u>
Total additions	<u>18,671,250</u>	<u>82,606</u>
Deductions:		
Benefits	10,783,985	
Administration	228,692	2,906
Awards		49,722
Total deductions	<u>11,012,677</u>	<u>52,628</u>
Change in Net Position	7,658,573	29,978
Net Position at Beginning of Year	<u>136,620,633</u>	<u>1,669,746</u>
Net Position at End of Year	<u>\$ 144,279,206</u>	<u>\$ 1,699,724</u>

The accompanying notes are an integral part of the financial statements

1. 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. The City does not have any organizations that meet the definition of component unit, entities for which the government is considered to be financially accountable, under the Governmental Accounting Standards Board Statement No. 61.

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. 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.

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.

CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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.

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.

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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.

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 type fund, is used to account for fleet management services provided to other departments of the government on a cost reimbursement basis.

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

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

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

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

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

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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.

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. 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 the Federal Deposit Insurance Corporation (FDIC) or the Federal Savings and Loan Corporation (FSLIC). Maturities of these instruments are required to be matched to any underlying liabilities.

Investments

Investments of the City 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

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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.

E. 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" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). 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, 2015, is equal to 70% 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%.

F. 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.

G. 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.

**CITY OF NEWPORT, RHODE ISLAND
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015**

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 are depreciated using the straight-line method over the following estimated useful lives:

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

H. 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, except that police officers hired after July 1, 2014 are capped at 300 hours.
 Police officers are capped at \$25,000 maximum payout; no cap for firefighters
- 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.

I. 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.

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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 reports deferred outflows related to pension in the government-wide and business-type activities, enterprise funds statements of net position. A deferred outflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

In addition to liabilities, the statement of financial 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 reports deferred inflows of resources related to pensions in the in the government-wide and business-type activities, enterprise funds statements of net position. A deferred inflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

For governmental funds, the City reports unavailable revenue, which arises only under the modified accrual basis of accounting. Accordingly, unavailable revenue is reported only in the governmental funds' balance sheet. The governmental funds report unavailable revenue from three sources: property taxes, loans receivable, and intergovernmental receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

K. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's Police and Fire Pension Plans have been determined on the economic resources basis using

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

full accrual accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State of Rhode Island Teacher's Retirement System, the State of Rhode Island Teachers Survivor Benefits Fund and the State of Rhode Island Municipal Retirement System Pension Plans have been determined on the same basis as they are reported by the State of Rhode Island Retirement System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

L. 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 assets 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 balance sheet 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.

M. 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.

N. 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.

O. 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.

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.

P. Reclassifications

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

2. 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

**CITY OF NEWPORT, RHODE ISLAND
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budget amendment ordinance. Amendments to the budget during the year totaled \$689,885 from fund balance due to prior year appropriation carryovers.

- Intra-departmental transfers of municipal appropriations may be made with the approval of the City Manager or his designee.
- Unencumbered and unexpended appropriations lapse at fiscal year-end. School budgetary control is legally enforced only at the unrestricted fund level; inter-departmental transfers may be made without School Committee approval.

B. Budgetary-GAAP Reporting Reconciliation

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

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

	General Fund		
	<u>Revenues</u>	<u>Expenditures</u>	<u>Fund Balance</u>
Balance, Budgetary Basis, Exhibit V - June 30, 2015	\$ 101,154,139	\$ 97,708,414	\$ 13,358,979
Encumbrances outstanding at June 30, 2014 and liquidated during the year ended June 30, 2015		659,885	
Add unbudgeted Property Acquisition Fund and Gift Fund	47,435	72,384	2,949,247
State teachers' retirement on-behalf payments	1,480,463	1,480,463	
Miscellaneous adjustments		28,810	10,175
Encumbrances outstanding at June 30, 2015 charged to budgetary expenditures		<u>(1,291,706)</u>	<u>1,291,706</u>
Balance, GAAP Basis, Exhibit IV - June 30, 2015	<u>\$ 102,682,037</u>	<u>\$ 98,658,250</u>	<u>\$ 17,610,107</u>

C. Excess of Expenditures over Appropriations

The legal level of control for which expenditures cannot exceed appropriations is at the category level within a department. The table below shows the amounts by which certain departmental expenditures exceeded fiscal year 2015 appropriations (after approved transfers).

<u>Department</u>	<u>Expenditures in Excess of Budget</u>
City manager	\$ 391,081
Public services	81,603
School unrestricted fund	1,256,304

The deficits above were offset, in most cases, by revenues above what was anticipated.

D. 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, 2015 was \$242,055 and is reported in restricted net position.

3. 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. At June 30, 2015, 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.

As of June 30, 2015, the City's bank balance of \$60,772,977 was insured and collateralized as follows:

Insured	\$ 1,048,746
Collateralized:	
Collateral held by the pledging bank's trust department in the City's name	<u>59,724,231</u>
Total Amount Subject to Custodial Credit Risk	<u><u>\$ 60,772,977</u></u>

Investments

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

**CITY OF NEWPORT, RHODE ISLAND
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At June 30, 2015, 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	More than 10
Debt Securities:					
Money Market Funds	\$ 102,642	\$ 102,642	\$	\$	\$
Certificates of Deposits	3,722,257	3,722,257			
U.S. Government Agency Securities	6,596,558			480,259	6,116,299
Fixed Income Mutual Funds	29,691,432	3,617,110	20,407,556	3,859,421	1,807,345
	40,112,889	<u>7,442,009</u>	<u>20,407,556</u>	<u>4,339,680</u>	<u>7,923,644</u>
Other Investments:					
Alternative Investments	8,990,792				
Equity Mutual Funds	116,184,270				
	<u>\$ 165,287,951</u>				

Interest Rate Risk

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

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 .39 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	Money Market Mutual Funds	U.S. Government Agency Securities	Fixed Income Mutual Funds
AAA	\$ 102,642	\$	\$ 15,139,891
AA+		6,596,558	
AA-			14,551,541
	<u>\$ 102,642</u>	<u>\$ 6,596,558</u>	<u>\$ 29,691,432</u>

**CITY OF NEWPORT, RHODE ISLAND
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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.

	<u>Total</u>	<u>Less Insured Amounts</u>	<u>Amount Subject To Custodial Credit Risk</u>
U.S. Government Agency Securities	\$ 6,596,558	\$ 500,000	\$ 6,096,558

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, 2015 totaled \$154,868,102.

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

4. RECEIVABLES

At June 30, 2015, receivables, including the applicable allowances for doubtful accounts, are as follows:

Governmental Activities

	<u>General</u>	<u>CDBG Fund</u>	<u>Capital Projects Fund</u>	<u>Other Govern- mental Funds</u>	<u>Total</u>
Taxes	\$ 3,288,626	\$	\$	\$	\$ 3,288,626
Intergovernmental		207,758	82,487	830,706	1,120,951
Interest	4,734,038 *	557,951 *		153,240 *	5,445,229
Other	1,636,602 **			53,000	1,689,602
Notes/loans		<u>2,602,838</u>		<u>255,000</u>	<u>2,857,838</u>
	<u>9,659,266</u>	<u>3,368,547</u>	<u>82,487</u>	<u>1,291,946</u>	<u>14,402,246</u>
Less allowance for doubtful accounts	<u>(5,956,407) *</u>	<u>(789,041) *</u>		<u>(408,240) *</u>	<u>(7,153,688)</u>
	<u>3,702,859</u>	<u>2,579,506</u>	<u>82,487</u>	<u>883,706</u>	<u>7,248,558</u>
Less current portion	<u>3,702,859</u>	<u>1,923,276</u>	<u>82,487</u>	<u>883,706</u>	<u>6,592,328</u>
Net Long-Term Portion	<u>\$ -</u>	<u>\$ 656,230</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 656,230</u>

*Amount is not included in the fund financial statements.

**Includes \$24,068 of other receivable recognized for government wide financial statements only.

Business-type Activities

	<u>Water Fund</u>	<u>W.P.C. Fund</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
User fees	\$ 2,123,510	\$ 1,685,501	\$ 11,421	\$ 3,820,432
Less allowance for doubtful accounts	<u>(75,000)</u>	<u>(50,000)</u>		<u>(125,000)</u>
Net Receivables	<u>\$ 2,048,510</u>	<u>\$ 1,635,501</u>	<u>\$ 11,421</u>	<u>\$ 3,695,432</u>

At the end of the current fiscal year, the various components of deferred inflows of resources reported in the governmental funds were as follows:

Deferred inflow of resources:	
Delinquent property taxes receivable unavailable	\$ 2,362,719
Loan receivable unavailable	3,230,296
Grant receivable unavailable	<u>582,153</u>
Total Deferred Inflow of Resources	<u>\$ 6,175,168</u>

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

Governmental Activities

	<u>Balance July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2015</u>
Capital assets not being depreciated:				
Land	\$ 4,920,148	\$	\$	\$ 4,920,148
Construction in progress	<u>1,218,960</u>	<u>1,977,406</u>		<u>3,196,366</u>
Total capital assets not being depreciated	<u>6,139,108</u>	<u>1,977,406</u>	<u>-</u>	<u>8,116,514</u>
Capital assets being depreciated:				
Buildings and structures	81,551,192	993,148	(640,820)	81,903,520
Machinery and equipment	8,356,371	471,500		8,827,871
Vehicles	9,848,986	815,909	(2,439,095)	8,225,800
Infrastructure	<u>57,542,108</u>	<u>1,258,230</u>	<u>(30,457)</u>	<u>58,769,881</u>
Total capital assets being depreciated	<u>157,298,657</u>	<u>3,538,787</u>	<u>(3,110,372)</u>	<u>157,727,072</u>
Total capital assets	<u>163,437,765</u>	<u>5,516,193</u>	<u>(3,110,372)</u>	<u>165,843,586</u>
Less accumulated depreciation:				
Buildings and structures	15,805,306	1,738,265		17,543,571
Machinery and equipment	5,190,170	525,878		5,716,048
Vehicles	6,444,290	413,335	(2,155,086)	4,702,539
Infrastructure	<u>14,588,128</u>	<u>1,251,180</u>		<u>15,839,308</u>
Total accumulated depreciation	<u>42,027,894</u>	<u>3,928,658</u>	<u>(2,155,086)</u>	<u>43,801,466</u>
Total capital assets being depreciated, net	<u>115,270,763</u>	<u>(389,871)</u>	<u>(955,286)</u>	<u>113,925,606</u>
Governmental Activities Capital Assets, Net	<u>\$ 121,409,871</u>	<u>\$ 1,587,535</u>	<u>\$ (955,286)</u>	<u>\$ 122,042,120</u>

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

General government	\$ 419,764
General education	1,190,980
Public safety	492,965
Public services	1,704,801
Planning, zoning and development	113,756
Human services	1,725
Capital assets held by the City's internal service fund are charged to various functions based on usage of the assets	<u>4,667</u>
	<u>\$ 3,928,658</u>

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Business-Type Activities

	<u>Balance July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2015</u>
Capital assets not being depreciated:				
Land and land improvements	\$ 6,492,359	\$	\$	\$ 6,492,359
Construction in progress	<u>68,973,934</u>	<u>2,863,171</u>	<u>(63,192,552)</u>	<u>8,644,553</u>
Total capital assets not being depreciated	<u>75,466,293</u>	<u>2,863,171</u>	<u>(63,192,552)</u>	<u>15,136,912</u>
Capital assets being depreciated:				
Buildings and systems	220,129,885	77,489,444		297,619,329
Machinery and equipment	4,742,504			4,742,504
Vehicles	<u>601,084</u>	<u>209,396</u>	<u>(154,817)</u>	<u>655,663</u>
Total capital assets being depreciated	<u>225,473,473</u>	<u>77,698,840</u>	<u>(154,817)</u>	<u>303,017,496</u>
Total capital assets	<u>300,939,766</u>	<u>80,562,011</u>	<u>(63,347,369)</u>	<u>318,154,408</u>
Less accumulated depreciation:				
Buildings and systems	90,540,460	5,494,764		96,035,224
Machinery and equipment	4,254,410	92,605		4,347,015
Vehicles	<u>430,589</u>	<u>78,625</u>	<u>(154,817)</u>	<u>354,397</u>
Total accumulated depreciation	<u>95,225,459</u>	<u>5,665,994</u>	<u>(154,817)</u>	<u>100,736,636</u>
Total capital assets being depreciated, net	<u>130,248,014</u>	<u>72,032,846</u>	<u>-</u>	<u>202,280,860</u>
Net Capital Assets, Business-Type Activities	<u>\$ 205,714,307</u>	<u>\$ 74,896,017</u>	<u>\$ (63,192,552)</u>	<u>\$ 217,417,772</u>

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

Water	\$ 1,931,773
Water Pollution Control	3,467,261
Maritime	129,404
Parking	<u>137,556</u>
	<u>\$ 5,665,994</u>

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

6. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2015 is as follows:

	Corresponding Fund	Due From	Due To	Description
Major Governmental Funds				
General Fund				
	Water Fund	\$ 14,293	\$ 127,376	Payroll, benefits and overhead
	Nonmajor Governmental Fund		52,500	Library parking lot
	Total	14,293	179,876	
Nonmajor Governmental Funds				
UDAG Fund				
	General Fund	52,500		Library parking lot
Total Governmental Funds		\$ 66,793	\$ 179,876	
Major Enterprise Funds				
Water Fund				
	Water Pollution Control Fund	\$	\$ 107,436	Sludge charges
	General Fund		(113,083)	Payroll, benefits and overhead
	Internal Service Fund		25,508	Maintenance charges
	Total	-	19,861	
Water Pollution Control Fund				
	Water Fund	107,436		Sludge charges
	Total	107,436	-	
Total Enterprise Funds		\$ 107,436	\$ 19,861	
Internal Service Fund				
	Water Funds	\$ 25,508	\$ -	Maintenance charges
Total All Funds		\$ 199,737	\$ 199,737	

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

Advance To	Corresponding Fund	Amount	Description
<u>Nonmajor Funds</u>			
Urban Development	Maritime Fund	\$ 267,459	Loans related to armory building
Total advances to other funds		\$ 267,459	

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Advances

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, 2015 is as follows:

	Transfers In			Total Transfers Out
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	
Transfer out:				
General Fund	\$	\$ 3,077,060	\$	\$ 3,077,060
CDBG Fund	12,711			12,711
Capital Projects Fund	869,834			869,834
Nonmajor Governmental Fund	306,733			306,733
Nonmajor Business-Type Funds		166,890	133,110	300,000
Total	\$ 1,189,278	\$ 3,243,950	\$ 133,110	\$ 4,566,338

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 FINANCIAL STATEMENTS
JUNE 30, 2015**

7. 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 2015 are summarized on the next page as follows:

	<u>Date Issued</u>	<u>Maturity Date</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding July 1, 2014</u>	<u>Additions</u>	<u>Retired</u>	<u>Outstanding June 30, 2015</u>
Governmental Activities:								
Thompson School QZAB	2001	2015	N/A	\$ 2,337,000	\$ 1,863,536	\$	\$	\$ 1,863,536
Thompson School Refunding	2010	2021	1.50 to 5.0	13,285,000	9,855,000		1,110,000	8,745,000
Road and Bridge Fund	2014	2024	0.12 - 5.0	1,500,000		1,500,000		1,500,000
Roadway Improvements	2009	2023	2.50 to 5.0	5,000,000	3,000,000		500,000	2,500,000
Road and Facility Improv	2015	2025	2.0 - 5.0	5,735,000		5,735,000		5,735,000
Pell School	2013	2033	0.55 to 5.0	28,575,000	<u>27,275,000</u>		<u>1,440,000</u>	<u>25,835,000</u>
Total Governmental Activities					<u>\$ 41,993,536</u>	<u>\$ 7,235,000</u>	<u>\$ 3,050,000</u>	<u>\$ 46,178,536</u>
Business-Type Activities:								
Sewer Improvements - SRF	2002	2023	1.90	\$ 13,000,000	\$ 6,882,230	\$	\$ 670,491	\$ 6,211,739
Sewer Improvements - SRF	2009	2029	0.84 to 3.16	6,595,532	5,541,532		276,000	5,265,532
Sewer Improvements - SRF	2010	2030	0.55 to 3.25	9,327,000	8,235,000		376,000	7,859,000
Sewer Improvements - SRF	2011	2031	0.73 to 3.81	3,095,505	2,861,505		119,000	2,742,505
Sewer Improvements	2011	2026	4.30	10,345,000	<u>9,330,000</u>		<u>545,000</u>	<u>8,785,000</u>
Total Water Pollution Control Fund					<u>32,850,267</u>	<u>-</u>	<u>1,986,491</u>	<u>30,863,776</u>
Water Improvements - SRF	2007	2027	3.28 - 3.72	3,000,000	2,307,000		130,000	2,177,000
Water Improvements - SRF	2012	2033	0.94 - 3.61	53,100,000	52,695,435	402,565	2,065,000	51,033,000
Water Improvements - SRF	2013	2034	0.37 - 2.92	31,000,000	14,553,938	9,448,285	1,000	24,001,223
Water Improvements	2011	2027	3.40	6,640,000	5,646,037		340,000	5,306,037
Water Improvements - SRF	2008	2029	2.08 - 3.63	5,900,000	5,019,000		238,000	4,781,000
Water Improvements - SRF	2009	2030	0.65 to 3.54	3,000,000	<u>2,927,000</u>		<u>129,000</u>	<u>2,798,000</u>
Total Water Fund					<u>83,148,410</u>	<u>9,850,850</u>	<u>2,903,000</u>	<u>90,096,260</u>
Total Business-Type Activities					<u>\$ 115,998,677</u>	<u>\$ 9,850,850</u>	<u>\$ 4,889,491</u>	<u>\$ 120,960,036</u>

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.

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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	\$ 5,900,000	\$ 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	3,300,000	181,313	765,452
Easton's Pond Dam and Moat Repairs	Water	2011	6,640,000	6,286,037	544,095	na
Water Treatment Plants	Water	2012	53,100,000	53,100,000	3,476,201	na
Water Treatment Plants	Water	2013	31,000,000	24,003,223	2,275,831	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	9,327,000	650,475	na
Long Wharf force main repairs	WPC	2011	3,095,505	3,095,505	224,754	na
Long Wharf force main repairs	WPC	2011	10,345,000	10,345,000	544,095	na

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 \$2,202,084 which amount is reported in the debt service fund, a nonmajor governmental fund.

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Bonded indebtedness on June 30, 2015 matures over fiscal years through 2035 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>
2016	\$ 5,340,536	\$ 1,731,748	\$ 6,251,303	\$ 3,828,110
2017	3,518,000	1,620,089	6,397,824	3,693,093
2018	3,534,000	1,520,302	6,553,077	3,545,452
2019	3,571,000	1,389,381	6,723,086	3,383,831
2020	3,688,000	1,245,542	6,912,877	3,208,685
2021-2025	15,047,000	4,039,958	36,053,571	12,970,522
2026-2030	7,175,000	1,894,200	35,144,533	7,093,972
2031-2036	4,305,000	344,400	24,274,505	1,831,594
Amounts Not Yet Drawn			(7,350,740)	
	<u>\$ 46,178,536</u>	<u>\$ 13,785,620</u>	<u>\$ 120,960,036</u>	<u>\$ 39,555,259</u>

Debt authorized by the City Council and voters, where applicable, and not yet issued at June 30, 2015 is as follows:

Road Improvement Bonds Capital Projects Fund	\$ 2,505,000
Municipal Facilities	4,760,000
Water System Improvements	900,000
Sewer System Improvements	56,373,000

8. NOTES PAYABLE

Business-Type Activities

In 1984, the Redevelopment Agency of Newport, a component unit, purchased a vacant building in an area of the City designed for redevelopment. As part of the financing for this purchase, the State of Rhode Island loaned the Redevelopment Agency \$200,000. The underlying note bears no stated interest rate or maturity and is secured with a mortgage on the building. The Redevelopment Agency turned over the building to the City of Newport Maritime Fund in April, 2010. As of June 30, 2015, \$200,000 was payable. The note is required to be paid only upon the sale of the building.

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Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2015 was as follows:

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2015</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds payable	\$ 41,993,536	\$ 5,735,000	\$ 3,050,000	\$ 44,678,536	\$ 5,198,536
Bond premium	3,116,666	423,546	270,190	3,270,022	270,190
Note payable		1,500,000		1,500,000	142,000
Leases payable	776,552		101,130	675,422	104,235
Claims and judgments	310,000		13,000	297,000	20,000
Compensated absences	7,126,076	2,298,936	2,548,080	6,876,932	2,548,000
Net pension liability	128,673,337		1,554,603	127,118,734	
Net OPEB obligation	4,963,884		315,314	4,648,570	
TOTAL	\$ <u>186,960,051</u>	\$ <u>9,957,482</u>	\$ <u>7,852,317</u>	\$ <u>189,065,216</u>	\$ <u>8,282,961</u>
Business-Type Activities:					
Bonds payable	\$ 115,998,677	\$ 9,850,850	\$ 4,889,491	\$ 120,960,036	\$ 6,251,303
Note payable	200,000			200,000	
Net pension liability	4,975,611		500,152	4,475,459	
Net OPEB obligation	548,809		73,846	474,963	
TOTAL	\$ <u>121,723,097</u>	\$ <u>9,850,850</u>	\$ <u>5,463,489</u>	\$ <u>126,110,458</u>	\$ <u>6,251,303</u>

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, bonds issued under special acts of the legislature, and special exemptions are granted for other purposes as well. The net assessed value of Newport properties at December 31, 2014 was \$5,985,006,478, limiting the amount of non-excepted general obligation bonds outstanding to \$179,550,194. Bonds of \$44,678,536 outstanding at June 30, 2015 are general obligations and subject to statutory limitation.

9. OPERATING LEASES

The City leases certain office equipment under multi-year agreements that are subject to annual appropriation. Additionally, the Water Fund assesses the General Fund an annual lease charge of \$585,416 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, 2015, the General Fund incurred expenditures of \$585,416 associated with these agreements. The minimum annual lease obligations of the General Fund related to these agreements are \$585,416 until such time as the Rhode Island Public Utilities Commission approves a rate change.

**CITY OF NEWPORT, RHODE ISLAND
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10. 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>
2016	\$ 104,235	\$ 20,735
2017	107,435	17,535
2018	110,733	14,237
2019	114,133	10,838
2020	117,637	7,334
2021	<u>121,249</u>	<u>3,722</u>
	<u>\$ 675,422</u>	<u>\$ 74,401</u>

Equipment under capital leases in capital assets at June 30, 2015 included the following:

Machinery and equipment	\$ 1,239,457
Less: Accumulated Depreciation	<u>(382,166)</u>
Net	<u>\$ 857,291</u>

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11. FUND BALANCES

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

	<u>General Fund</u>	<u>Community Development Block Grant</u>	<u>Permanent Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Nonspendable:						
Endowments	\$	\$	\$ 2,601,651	\$	\$	\$ 2,601,651
Restricted:						
Trust purposes			8,070,909			8,070,909
Education					418,463	418,463
For recreation by donors	105,183					105,183
Planning, urban and economic development					2,046,315	2,046,315
Public safety					637,858	637,858
Community and social services		727,834				727,834
Debt service					2,202,084	2,202,084
Total Restricted	<u>105,183</u>	<u>727,834</u>	<u>8,070,909</u>	<u>-</u>	<u>5,304,720</u>	<u>14,208,646</u>
Committed:						
General government	1,291,706					1,291,706
Capital improvements				11,480,237		11,480,237
Total Committed	<u>1,291,706</u>	<u>-</u>	<u>-</u>	<u>11,480,237</u>	<u>-</u>	<u>12,771,943</u>
Assigned:						
Public improvements	2,844,064					2,844,064
Total Assigned	<u>2,844,064</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,844,064</u>
Unassigned	13,369,154				(64,680)	13,304,474
Totals	<u>\$ 17,610,107</u>	<u>\$ 727,834</u>	<u>\$ 10,672,560</u>	<u>\$ 11,480,237</u>	<u>\$ 5,240,040</u>	<u>\$ 45,730,778</u>

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 schools. The Council has assigned those amounts by resolution.

12. 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

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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

<u>Property</u>	<u>Building Value</u>	<u>Contents/Other Value</u>	<u>Total Value</u>
America's Cup Parking Garage	\$ 4,015,328	\$	\$ 4,015,328
Cardine's Field Restrooms	224,609		224,609
Cardine's Field Storage Building	18,566		18,566
Easton's Beach Storage Building	95,836		95,836
Eisenhower Park Structures		53,800	53,800
King's Park Restrooms	127,602		127,602
Long Wharf Harbormaster Shed	39,902	4,051	43,953
Easton's Beach Carousel/Concessions	3,408,394	450,000	3,858,394
Gateway Center	3,343,092		3,343,092
Convention Center Canopies	1,113,819		1,113,819
	<u>\$ 12,387,148</u>	<u>\$ 507,851</u>	<u>\$ 12,894,999</u>

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 \$12,894,999 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. Note that the City has obtained flood insurance for all properties through the Rhode Island Interlocal Trust effective July 1, 2015.

13. PENSION PLANS

The City implemented Statement No. 68 of the Governmental Accounting Standards Board entitled Accounting and Financial Reporting for Pensions. This standard applies to all 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

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the Fraternal Order of Police, Lodge Number 8. Total covered payroll under all plans during 2015 was \$39,804,060. Total City payroll was \$48,873,039 for the same period.

The Employees' Retirement System of the State of Rhode Island (the System) acts as a common investment and administrative agent for pension benefits to be provided through various defined benefit and defined contribution retirement plans. The System is administered by the State of Rhode Island Retirement Board which was authorized, created and established as an independent retirement board to hold and administer, in trust, the funds of the retirement system. Each plan's assets are accounted for separately and may be used only for the payment of benefits to the members of that plan, in accordance with the terms of that plan.

A. Teachers' Plan

Plan Description

The Employees' Retirement System (ERS) Plan (the Plan) was established and placed under the management of the Retirement Board for the purpose of providing retirement allowances for employees of the State of Rhode Island under the provisions of chapter 8 - 10, inclusive, of Title 36, and public school teachers under the provisions of chapters 15 - 17, inclusive, of Title 16 of the Rhode Island General Laws.

The Plan covers most State employees other than certain personnel at the State colleges and university. The Plan also covers teachers, including superintendents, principals, school nurses, and certain other school officials in the public schools in the cities and towns. Membership in the Plan is mandatory for all covered state employees and teachers.

The System issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The report may be obtained at <http://www.ersri.org>.

City of Newport covered payroll under the plan during 2015 was \$16,643,677, including \$1,200,130 of federally reimbursed payroll.

Benefits Provided

The Plan provides benefits based on various eligibility dates, final average compensation (FAC), and years of service credit. For members eligible to retire as of September 30, 2009, their FAC will be based on the highest three consecutive annual salaries. FAC for all other members will be based on the highest five consecutive years of salary. Members vest in the benefits after five years of service. Retirement eligibility dates vary based on years of service as of June 30, 2012. Eligibility, benefit calculations for current retirees, and retirement dates are detailed in the Employees' Retirement System of Rhode Island Actuarial Valuation as of June 30, 2014 which can be located on the ERSRI website under reports and publications. Active employees with more than 20 years of service at July 1, 2012 will receive a retirement benefit equal to 2% of the monthly FAC. All other active employees (i.e. less than 20 years of active service at July 1, 2012) will receive a benefit of 2% for years of service up until June 30, 2012. The benefit drops to 1% for service after June 30, 2012. A defined contribution plan was added for all employees with less than 20 years of service at July 1, 2012.

Death and disability benefits are provided under the Plan. After retirement, death benefits are based on the form of annuity elected. In addition, a lump-sum death benefit is payable upon the death of any retired member, regardless of option elected. This lump sum is equal to a percentage of the lump-sum death benefit that was available to the member at the time of retirement. Percentages depend upon the number of years retired when death occurred. A member is eligible for disability retirement provided

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they have at least five years of service or if the disability is work-related. Ordinary disability is the benefit payable under the retirement formula. Accidental disability benefits are $66 \frac{2}{3}$ of salary for members who are permanently and totally disabled from engaging in any occupation as determined by the Retirement Board.

Contributions

Rhode Island general laws set the contribution rates of participating employees at 10.75% of salary (3.75% to the defined benefit trust and 7.0% to the defined contribution plan) effective July 1, 2012, except that those employees with more than 10 years of service but less than 20 years of service as of July 1, 2012 are eligible for a higher rate of contribution into the defined contribution plan.

Actuarially determined 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 actuarially determined contributions include (a) normal costs; (b) payments to amortize the unfunded frozen actuarial accrued liability as of July 1, 1985 over 30 years; (c) interest on the unfunded frozen actuarial liability; and a percentage of payroll contribution into the defined contribution plan. Normal cost is determined using the individual entry age cost method with frozen initial liability.

As prescribed by Rhode Island general law, the State pays the entire portion of the actuarially determined 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 2015, contributions were 13.41% of participants' salary (also 22.6% for federally reimbursed salary). This resulted in a contribution rate paid by the State on behalf of City teachers of 8.42%. The City's contribution rate was 13.41%.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Teachers' Pensions

As of the Plan's measurement date of June 30, 2014, the City reports a net pension liability of \$25,099,478 as its proportional share of the net pension liability. The State's proportionate share of the net pension liability is \$17,211,868. The net pension liability was measured as of June 30, 2014. The City's proportion of the net pension liability is based on the City's fiscal year 2014 contributions as a percentage of total contributions to the Plan. The City's percentage is 1.031(rounded).

The allocation reflects a special funding situation wherein the State of Rhode Island, by statute, has assumed responsibility to fund 40% of the required employer contribution for teachers. The actual proportionate share of employer contributions to be borne by the State varies slightly from 40% due to local education agency employers not participating in a component of the actuarially determined contribution that related to interest on certain contributions withdrawn, but subsequently restored, to the Plan. The allocation also includes an adjustment to determine equivalent contributions from local educational agencies if all had been shared on a consistent basis. The employer contribution for certain teachers funded by federal programs is borne 100% by the local education agency using federal funds and consequently, there is no State share. The adjustment converts the actual contribution amounts by local educational agency employers to an equivalent basis for the purpose of determining the proportionate share of the net pension liability, pension expense and deferred inflows and outflows of resources.

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For the year ended June 30, 2015, the City recognized gross pension expense for the teachers' Plan of \$2,941,318 and revenue of \$1,196,501 for support provided by the State. At June 30, 2015, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$	\$ 2,161,334
Changes of assumptions		889,071
City contributions subsequent to the measurement date	<u>2,309,003</u>	
Totals	<u>\$ 2,309,003</u>	<u>\$ 3,050,405</u>

\$2,309,003 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The proportionate share reported as deferred inflows of resources related to pensions will be recognized over 8.063 years in pension expense as follows:

Year Ending June 30

2016	\$ (666,211)
2017	(666,211)
2018	(666,211)
2019	(666,211)
2020	(125,877)
Thereafter	(259,684)

Actuarial Assumptions

The total pension liability performed as of June 30, 2013 and rolled forward to the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

The actuarial assumptions used in the June 30, 2013 valuations and the calculation of the total pension liability at June 30, 2014 (measurement date) were consistent with the results of an actuarial experience study performed as of June 30, 2013.

Actuarial Cost Method - Entry Age Normal - the Individual Entry Age Actuarial Cost methodology

Amortization Method - Level Percent of Payroll - Closed

Equivalent Single Remaining Amortization Period - 21 years at June 30, 2014

Investment Rate of Return - 7.50%

Projected Salary Increases - 3.50% to 13.5%

Inflation - 2.75%

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Mortality - teachers: male and female teachers: 97% and 92%, respectively of rates in a Gabriel Roeder Smith table based on male and female teacher experience, projected with Scale AA from 2000.

Cost of Living Adjustments - COLA is equal to the average five-year fund asset performance (percent) greater than 5.5% up to a maximum of 4% - the COLA to be applied to the first \$25,000 of benefits, indexed over time. COLA is delayed until the latter of Social Security Age or 3 years after retirement.

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on forward-looking medium term (10 year) capital market return assumptions developed by eight investment consultant firms. The June 30, 2014 expected arithmetic returns over the medium term by asset class as developed by the State Investment Commission's investment consultant, which are generally consistent with the averages utilized by the actuary, are summarized in the following table:

Asset Class	Target allocation	Medium-term expected real rate of return
Global Equity	38%	6.05%
Private Equity	7%	9.05%
Equity Hedge funds	8%	4.75%
Absolute return hedge	7%	2.95%
Real Return	14%	3.85%
Real Estate	8%	4.45%
Core Fixed	15%	0.25%
Cash	3%	-0.50%
	100%	

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall medium-term expected rate of return best-estimate on an arithmetic basis. To arrive at the long-term expected return estimate, the actuary adjusts the medium-term number to reflect the longer 30-year time frame required for actuarial calculations. This process produces the actuarial expected return, which is based on a 30-year horizon, and can differ from the medium-term, 10-year horizon return expectations.

Discount Rate

The discount rate used to measure the total pension liability of the ERS plan was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits payments to determine the total pension liability.

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Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
City's proportionate share of the net pension liability	\$ 31,433,995	\$ 25,099,478	\$ 18,634,983

B. Teachers’ Survivors Benefit Plan

General Information about the Pension Plan

Plan Description

Certain employees of the City of Newport School District participate in a cost-sharing multiple-employer defined benefit pension plan - the Teachers’ Survivors Benefit plan - (TSB Plan) administered by the Employees’ Retirement System of the State of Rhode Island (System). Under a cost-sharing plan, pension obligations for employees of all employers are pooled and plan assets are available to pay the benefits of the employees of any participating employer providing pension benefits through the plan, regardless of the status of the employers’ payment of its pension obligation to the plan. The plan provides a survivor benefit to public school teachers in lieu of Social Security since not all school districts participate in Social Security.

The System issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The report may be obtained at <http://www.ersri.org>.

Eligibility and Plan Benefits

The plan provides a survivor benefit to public school teachers in lieu of Social Security. Specific eligibility criteria and the amount of the benefit is subject to the provisions of Chapter 16-16 of the Rhode Island General Laws which are subject to amendment by the General Assembly. Spouse, parents, family and children’s benefits are payable following the death of a member. A spouse shall be entitled to benefits upon attaining the age of sixty (60) years. Children’s benefits are payable to the child, including a stepchild or adopted child of a deceased member if the child is unmarried and under the age of eighteen (18) years or twenty-three (23) years and a full time student, and was dependent upon the member at the time of the member’s death. Family benefits are provided if at the time of the member’s death the surviving spouse has in his or her care a child of the deceased member entitled to child benefits. Parents benefits are payable to the parent or parents of a deceased member if the member did not leave a widow, widower, or child who could ever qualify for monthly benefits on the member’s wages and the parent has reached the age of 60 years, has not remarried, and received support from the member.

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In January, a yearly cost-of-living adjustment for spouse's benefits is paid and based on the annual social security adjustment. Survivors are eligible for benefits if the member has made contributions for at least six months prior to death or retirement. The TSB plan provides benefits based on the highest salary at the time of retirement of the teacher. Benefits are payable in accordance with the following table:

<u>Highest Annual Salary</u>	<u>Basic Monthly Spouse's Benefit</u>
\$17,000 or less	\$ 750
\$17,001 to \$25,000	875
\$25,001 to \$33,000	1,000
\$33,001 to \$40,000	1,125
\$40,001 and over	1,250

Benefits payable to children and families are equal to the spousal benefit multiplied by the percentage below:

<u>Parent and 1 Child</u>	<u>Parent and 2 or more Children</u>	<u>1 Child Alone</u>	<u>2 Children Alone</u>	<u>3 or More Children Alone</u>	<u>Dependent Parent</u>
150%	175%	75%	150%	175%	100%

Contributions

The contribution requirements of active employees and the participating school districts were established under Chapter 16-16 of the Rhode Island General Laws, which may be amended by the General Assembly. The cost of the benefits provided by the plan are two percent (2%) of the member's annual salary up to but not exceeding an annual salary of \$9,600; one-half (1/2) of the cost is contributed by the member by deductions from his or her salary, and the other half (1/2) is contributed and paid by the respective school district by which the member is employed. These contributions are in addition to the contributions required for regular pension benefits.

The City of Newport School District contributed \$21,216, \$20,185 and \$21,193 for the fiscal years ended June 30, 2015, 2014 and 2013, respectively, equal to 100% of the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the TSB Plan

At June 30, 2015 the City of Newport School District reported an asset of \$4,119,452 for its proportionate share of the net pension asset related to its participation in TSB. The net pension asset was measured as of June 30, 2014, the measurement date, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014. The City's proportion of the net pension asset was based on its share of contributions to the TSB for fiscal year 2014 relative to the total contributions of all participating employers for that fiscal year. At June 30, 2014 the City's proportion was 3.314 (rounded).

**CITY OF NEWPORT, RHODE ISLAND
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015**

For the year ended June 30, 2015 the City recognized pension expense of \$(317,541) - an increase in the net pension asset. At June 30, 2015 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$	\$ 539,119
City contributions subsequent to the measurement date	<u>21,216</u>	
Totals	<u>\$ 21,216</u>	<u>\$ 539,119</u>

\$21,216 reported as deferred outflows of resources related to pensions resulting from the City's contributions in fiscal year 2015 subsequent to the measurement date will be recognized as an addition to the net pension asset for the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30

2015	\$ (134,780)
2016	(134,780)
2017	(134,780)
2018	(134,779)

Actuarial Assumptions

The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.50% to 13.50%
Investment rate of return	7.50%

Mortality rates for male and female teachers were based on 97% (males) and 92% (females) of rates in a GRS table based on male and female teacher experience, projected with scale AA from 2000.

Cost of living adjustment eligible survivors receive a yearly cost of living adjustment based on the annual social security adjustment - for valuation purposes, a 2.75% cost of living adjustment is assumed.

The actuarial assumptions used in the June 30, 2013 valuation rolled forward to June 30, 2014 and the calculation of the total pension liability at June 30, 2014 were consistent with the results of an actuarial experience study performed as of June 30, 2013.

**CITY OF NEWPORT, RHODE ISLAND
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The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on forward-looking medium-term (10 year) capital market return assumptions developed by eight investment consulting firms. The June 30, 2014 expected arithmetic returns over the medium term by asset class as developed by the State Investment Commission’s investment consultant, which are generally consistent with the averages utilized by the actuary, are summarized in the following table:

<u>Asset Class</u>	<u>Target allocation</u>	<u>Medium-term expected real rate of return</u>
Global Equity	38%	6.05%
Private Equity	7%	9.05%
Equity Hedge funds	8%	4.75%
Real Return	14%	3.85%
Real Estate	8%	4.45%
Core Fixed	15%	0.25%
Cash	3%	-0.50%
	<u>100%</u>	

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall medium-term expected rate of return best-estimate on an arithmetic basis. To arrive at the long-term expected return estimate, the actuary adjusts the medium-term number to reflect the longer 30-year time frame required for actuarial calculations. This process produces the actuarial expected return, which is based on a 30-year horizon, and can differ from the medium-term, 10-year-horizon return expectations.

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
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Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) calculated using the discount rate of 7.5 percent as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	<u>1% Decrease 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>1% Increase 8.50%</u>
City's proportionate share of the net pension liability (asset)	\$ (3,530,311)	\$ (4,119,452)	\$ (4,708,508)

C. Municipal Employees' Plan (MERS)

General Information about the Plan

Plan Description

The Municipal Employees' Retirement System (MERS) - an agent multiple-employer defined benefit pension plan - provides certain retirement, disability and death benefits to plan members and beneficiaries. MERS was established under Rhode Island General Law and placed under the management of the Employee's Retirement System of Rhode Island (ERSRI) Board to provide retirement allowances to employees of municipalities, housing authorities, water and sewer districts, and municipal police and fire persons that have elected to participate. Benefit provisions are subject to amendment by the General Assembly.

MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the ERSRI website at www.ersri.org.

Benefits Provided

For general employees prior to June 30, 2012 the plan provided retirement benefits equal to 2% of a member's final average salary multiplied by the number of years of total service up to a maximum of 75%. Such benefits are available to members at least age 58 with 10 years of service or after 30 years of service at any age. Benefits accrued at June 30, 2012 are protected under the Rhode Island Retirement Security Act until it is exceeded by the member's full years of service credit, including service after June 30, 2012, multiplied by the average of five consecutive years of compensation. Effective July 1, 2012 the retirement age will mirror the Social Security Normal Retirement Age not to exceed age 67. Members with 20 years or more of service as of July 1, 2012 will continue to receive a benefit accrual of 2.0% per year based on the five-year average compensation. Members with less than 20 years of service at July 12, 2012 will receive a benefit accrual of 1.0% per year based on the five-year average compensation. Plan members are vested after five years of service.

Joint and survivor options are available as well as the Service Retirement Allowance (SRA) Plus option that provides for the payment of a larger benefit before the attainment of age sixty-two (62) and a reduced amount thereafter. The reduced amount is equal to the benefit before age sixty-two (62), including cost-of-living increases, minus the member's estimated social security benefit payable at age sixty-two (62).

An optional cost-of-living provision is provided for general employees. The Cost of Living Adjustment (COLA) has been suspended for any unit whose funding level is less than 80%. The COLA provision can be reviewed in a five-year interval. When the funding level of a plan exceeds 80%, funded eligible retirees may receive a COLA annually effective on their date of retirement plus one month.

**CITY OF NEWPORT, RHODE ISLAND
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The COLA will be calculated as the five (5) year smoothed investment rate of return less 5.50%, with a 0.00% floor and a 4.00% cap. For general employee units, COLA will be delayed until the later of the Social Security Normal Retirement Age or three years after retirement. The COLA will be applied to the first \$25,000 of benefits indexed annually.

The plan also provides nonservice-connected disability benefits after 5 years of service; service-connected disability pensions with no minimum service requirement.

At the June 30, 2013 valuation date, the following employees were covered by the benefit terms:

Retirees and Beneficiaries	242
Inactive, No retired Members	123
Active Members	<u>250</u>
Total	<u>615</u>

Contribution

The amount of employee and employer contributions have been established under Rhode Island General Law Chapter 45-21. General employees with less than 20 years of service at July 1, 2012 are required to contribute 2% of their salaries towards the plan. Employees with more than 20 years of service as of July 1, 2012 are required to contribute 9.25% of their salaries as of July 1, 2015. The City contributes at a rate of covered employee payroll as determined by an independent actuary on an annual basis. The General Assembly can amend the amount of these contribution requirements. The City contributed \$2,506,948 in the year ended June 30, 2015 which was 21.5% of annual covered payroll.

Net Pension Liability

The total pension liability used to calculate the net pension liability was determined by actuarial valuations performed as of June 30, 2013 and rolled forward to June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement.

Summary of Actuarial Assumptions Used in the Valuations to Determine the Net Pension Liability at the June 30, 2014 Measurement Date (June 30, 2013 Valuation Rolled Forward to June 30, 2014)

Actuarial Cost Method	Entry Age Normal
Amortization	Level Percent of Payroll - Closed
Equivalent Single Remaining Amortization Period	21 years at June 30, 2014
Investment Rate of Return	7.50%
Projected Salary Increases	3.50% to 7.50%
Inflation	2.75%
Mortality	

Male Employees, MERS General 115% of RP-2000 Combined Healthy for Males with White Collar adjustments, projected with Scale AA from 2000.

Female Employees, MERS General 95% of RP-2000 Combined Healthy for Females with White Collar adjustments, projected with Scale AA from 2000.

**CITY OF NEWPORT, RHODE ISLAND
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Cost of Living Adjustment is equal to the average five-year fund asset performance (percent) greater than 5.5% up to a maximum of 4% - the COLA is to be applied to the first \$25,000 of benefits, indexed over time. COLA is delayed until the latter of Social Security eligibility age or 3 years after retirement. A 2% COLA is assumed after January 1, 2014.

The actuarial assumptions used in the June 30, 2013 valuation rolled forward to June 30, 2014 and the calculation of the total pension liability at June 30, 2014 were consistent with the results of an actuarial experience study performed as of June 30, 2013.

Investments

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on forward-looking medium-term (10 year) capital market return assumptions developed by eight investment consulting firms. The June 30, 2014 expected arithmetic returns over the medium term by asset class as developed by the State Investment Commission's investment consultant, which are generally consistent with the averages utilized by the actuary, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Medium-term Expected Real Rate of Return</u>
Global Equity	38%	6.05%
Private Equity	7%	9.05%
Equity Hedge funds	8%	4.75%
Absolute return hedge	7%	2.95%
Real Return	14%	3.85%
Real Estate	8%	4.45%
Core Fixed	15%	0.25%
Cash	3%	-0.50%
	<u>100%</u>	

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall medium-term expected rate of return best-estimate on an arithmetic basis. To arrive at the long-term expected return estimate, the actuary adjusts the medium-term number to reflect the longer 30-year time frame required for actuarial calculations. This process produces the actuarial expected return, which is based on a 30-year horizon, and can differ from the medium-term, 10-year-horizon return expectations.

Discount Rate

The discount rate used to measure the total pension liability of the plans was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Changes in Net Pension Liability

MERS Plan	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c)
Beginning Balances	\$ 68,681,188	\$ 43,033,711	\$ 25,647,477
Changes for the year:			
Service cost	1,027,962		1,027,962
Interest	5,004,233		5,004,233
Differences between expected and actual experience	180,610		180,610
Other		119,179	(119,179)
Contributions - employer		2,240,214	(2,240,214)
Contributions - employee		226,656	(226,656)
Net investment income		6,243,957	(6,243,957)
Benefit payments, including refunds of member contributions	(4,944,136)	(4,944,136)	-
Plan administrative expenses		(39,099)	39,099
Net changes	<u>1,268,669</u>	<u>3,846,771</u>	<u>(2,578,102)</u>
Ending Balances	<u>\$ 69,949,857</u>	<u>\$ 46,880,482</u>	<u>\$ 23,069,375</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued ERSRI financial report.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability (asset) of the employers calculated using the discount rate of 7.5 percent, as well as what the employers' net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
City's proportionate share of the net pension liability	\$ 30,577,315	\$ 23,069,375	\$ 15,561,435

**CITY OF NEWPORT, RHODE ISLAND
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015**

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the employer recognized pension expense of \$2,010,930. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$	\$ 2,485,058
Changes of assumptions	136,240	
City contributions subsequent to the measurement date	<u>2,506,948</u>	
Totals	<u>\$ 2,643,188</u>	<u>\$ 2,485,058</u>

\$2,506,948 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The proportionate share reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30

2016	\$ (576,895)
2017	(576,895)
2018	(576,895)
2019	(618,133)
2020	-
Thereafter	-

D. Fire Pension Plan And Police 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.

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 Administration

The City's police and fire pension plans are administered internally except that retiree benefits are paid by a third party administrator.

**CITY OF NEWPORT, RHODE ISLAND
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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.

Plan Descriptions and Contribution Information

As of June 30, 2015, membership in each plan was as follows:

	<u>Fire Plan</u>	<u>Police Plan</u>
Total active employees	94	76
Inactive employees with vested rights	1	1
Pensioners and beneficiaries	<u>121</u>	<u>124</u>
 Total plan members	 <u>216</u>	 <u>201</u>

Benefits Provided

Each plan is a single-employer defined benefit pension plan which provides retirement, disability and death benefits to its participants. For fiscal year 2015, covered payroll under the plans was \$6,205,276 and \$5,489,942 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 firefighters hired prior to July 1, 2011 are eligible to retire after 25 years of service. Firefighters hired on or after July 1, 2011 shall not be entitled to collect any pension or retirement benefits until they have attained the age of 58 or have completed 30 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 24 years of service. The percentage increases to 65% of salary at 25 years of service. 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.

For pension purposes, annual salary includes regular and longevity pay.

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.

Cost of living adjustments (COLA's) are provided to both police and fire retirees. All police retirees and fire retirees that have retired prior to September 30, 2011 are entitled to the same cost of living adjustment as that negotiated by the bargaining unit for active participants. Police retirees on or after July 1, 2014 will not be eligible to receive a COLA until they would have attained 25 years of service. Fire retirees that have retired on or after September 30, 2011 receive a cost of living adjustment equal to the Northeast Urban Wage Earner's Consumer Price Index not to exceed 3% in any given year but in no event less than .5%.

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The Police Pension Plan is closed to new hires. Police officers hired after January 1, 2015 will be put into a State of Rhode Island Municipal Employees' Retirement Plan. There were no participants as of June 30, 2015.

Contributions

Under terms of their collective bargaining agreements, firefighters are required to contribute 9% of salary and policemen are required to contribute 8% of salary to their respective pension plans. The City establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance a portion of the unfunded accrued liability. The unfunded accrued liability is being amortized over a closed 30 year period of which there are 16 years remaining. Rhode Island general laws, city ordinances and collective bargaining agreements establish minimum employer funding.

Financial Information

**STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2015**

	Police Pension Fund	Fire Pension Fund
Assets:		
Cash and investments	\$ -	\$ 1,861,355
Investments	<u>60,337,355</u>	<u>45,608,359</u>
Total Assets	<u>60,337,355</u>	<u>47,469,714</u>
Liabilities:		
Cash overdraft	90,194	
Accounts payable	<u>44,139</u>	<u>33,364</u>
Total Liabilities	<u>134,333</u>	<u>33,364</u>
Net Position:		
Net Position Held in Trust for OPEB Benefits	<u>\$ 60,203,022</u>	<u>\$ 47,436,350</u>

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
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**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Police Pension Fund</u>	<u>Fire Pension Fund</u>
Additions:		
Contributions and other income	\$ 4,500,057	\$ 6,655,354
Investment income, net of investment expenses	<u>3,278,600</u>	<u>2,338,421</u>
Total additions	<u>7,778,657</u>	<u>8,993,775</u>
Deductions:		
Benefits	4,990,121	5,793,864
Administration	<u>93,500</u>	<u>70,675</u>
Total deductions	<u>5,083,621</u>	<u>5,864,539</u>
Changes in net position	2,695,036	3,129,236
Net position at beginning of year	<u>57,507,986</u>	<u>44,307,114</u>
Net Position at End of Year	<u>\$ 60,203,022</u>	<u>\$ 47,436,350</u>

Investment Policy

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 and the OPEB Trust 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

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Actuarially Determined Nominal Mean</u>
Large Cap Equity	20%	10.4%
Mid Cap Equity	15%	13.1%
Small Cap Equity	15%	11.6%
International Equity	15%	7.9%
Fixed Income	25%	5.7%
Real Estate and Timber	10%	9.4%

Concentrations

As of June 30, 2015, 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.

Rate of Return

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 4.98% for the year ended June 30, 2015. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the City

The City's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The components of the net pension liability of the City at June 30, 2015, were as follows:

	<u>Police Plan</u>	<u>Fire Plan</u>
Total pension liability	\$ 92,926,296	\$ 98,138,416
Plan fiduciary net position	<u>(60,203,022)</u>	<u>(47,436,350)</u>
City's Net Pension Liability	<u>\$ 32,723,274</u>	<u>\$ 50,702,066</u>
Plan fiduciary net position as a percentage of total pension liability	64.79%	48.34%

Actuarial Assumptions

Pension assets are valued at their fair market value as established by quotations from applicable national securities exchanges. Valuations of pension liabilities and pension assets for both plans are performed annually as of June 30.

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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

	<u>Fire</u>	<u>Police</u>
Valuation Date	July 1, 2015	July 1, 2015
Actuarial Cost Method	Individual Entry Age	Individual Entry Age
Amortization Method	Level Dollar Closed	Level Dollar Closed
Remaining Amortization Period	16 Years	16 Years
Asset appreciation	7.50% annually	7.50% annually
Salary increases	2.75% annually first 10 years, 3.00% annually thereafter	2.75% annually first 10 years, 3.00% annually thereafter
Cost of living increase:		
Members retired prior to 8/21/11	2.75% annually first 10 years, 3.00% annually thereafter	2.75% annually first 10 years, 3.00% annually thereafter
Members retiring after 8/21/11	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 (police and fire)	RP2000 Combined Healthy Mortality Table, applied on a fully generational basis using Mortality Projection Scale AA	
Disabled Members (police and fire)	1985 Wyatt Pension Disability Table	

Discount Rate

The discount rate used to measure the total pension liabilities is 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate - The following presents the net pension liability of the City, calculated using the discount rate of 7.50%, as well as what the City's pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage point higher (8.50%) than the current rate:

	<u>1% Decrease 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>1% Increase 8.50%</u>
Net pension liability - Police	\$ 44,660,493	\$ 32,723,274	\$ 22,892,266
Net pension liability - Fire	62,765,003	50,702,066	40,675,231

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Policemen's Pension Plan			
Balances at 6/30/14, Policemen's Plan	\$ 85,862,792	\$ 57,507,986	\$ 28,354,806
Changes for the year:			
Service cost	1,175,418		1,175,418
Interest	6,344,119		6,344,119
Changes of benefit terms	1,138,222		1,138,222
Differences between expected and actual experience	3,395,866		3,395,866
Contributions - employer		4,012,174	(4,012,174)
Contributions - employee		487,883	(487,883)
Net investment income		3,315,144	(3,315,144)
Benefit payments, including refunds of member contributions	(4,990,121)	(4,990,121)	-
Plan administrative expenses		(130,044)	130,044
Net changes	<u>7,063,504</u>	<u>2,695,036</u>	<u>4,368,468</u>
Balances at 6/30/15, Policemen's Plan	<u>\$ 92,926,296</u>	<u>\$ 60,203,022</u>	<u>\$ 32,723,274</u>
Firemen's Pension Plan			
Balances at 6/30/14, Firemen's Plan	\$ 95,518,160	\$ 44,307,114	\$ 51,211,046
Changes for the year:			
Service cost	1,288,336		1,288,336
Interest	7,047,145		7,047,145
Differences between expected and actual experience	78,639		78,639
Changes of assumptions			-
Contributions - employer		6,048,094	(6,048,094)
Contributions - employee		607,260	(607,260)
Net investment income		2,366,045	(2,366,045)
Benefit payments, including refunds of member contributions	(5,793,864)	(5,793,864)	-
Plan administrative expenses		(98,299)	98,299
Net changes	<u>2,620,256</u>	<u>3,129,236</u>	<u>(508,980)</u>
Balances at 6/30/15, Firemen's Plan	<u>\$ 98,138,416</u>	<u>\$ 47,436,350</u>	<u>\$ 50,702,066</u>

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the City recognized pension expense of \$5,412,410 and \$4,501,237 for the Police and Fire Plans, respectively. The City reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Police Pension Plan:		
Difference between expected and actual experience	\$ 2,688,394	\$
Difference between expected and actual earnings on pension plan investments	902,638	
Fire Pension Plan:		
Difference between expected and actual experience	65,081	
Difference between expected and actual earnings on pension plan investments	<u>972,796</u>	
Total	<u>\$ 4,628,909</u>	<u>\$ -</u>

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	<u>Principal</u>
2016	\$ 1,189,889
2017	1,189,889
2018	1,189,889
2019	1,048,393
2020	10,849

14. DEFINED CONTRIBUTION PENSION PLAN

Employees participating in the defined Teachers' benefit plan and MERS benefit plan, as described above, also participate in a defined contribution plan authorized by General Law Chapter 36-10.3. The defined contribution plan is established under IRS section 401(a), and is administered by TIAA-CREF. Employees may choose among various investment options available to plan participants. Teachers contribute 7% of their annual covered salary, police employees that are in the MERS Plan contribute 3% of their annual covered salary, and all other employees in the MERS Plan contribute 5% of their annual covered salary. Employers contribute 1% of annual covered salary for municipal and non-certified school employees, and 3% for teachers and police officers in MERS who are not eligible for social security. Employee contributions are immediately vested while employer contributions and any investment earnings thereon are vested after three years of contributory service. Benefit terms and contributions required under the plan by both the employee and employer are established by the General Laws of the State of Rhode Island, which are subject to amendment by the General Assembly.

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

A legal settlement was agreed to by the State and various bargaining units in 2015 that changed the contribution rates for certain groups of employees as of July 1, 2015. Employees with 20 or more years of service as of July 1, 2012 will no longer participate in the defined contribution plan. Employers will continue to contribute 1% for employees in the system that had less than 10 years of service as of July 1, 2012. Employers will contribute 3.25% of annual covered salary teachers and 1.25% of annual covered salary for MERS participants that had between 10 and 15 years of service as of July 1, 2012. Employers will contribute 3.5% and 1.5% for teachers and MERS participants, respectively, for employees with between 15 years and 20 years of service as of July 1, 2012.

Amounts in the defined contribution plan are available to participants in accordance with IRS guidelines for such plans.

The City of Newport recognized pension expense of \$611,869 for the fiscal year ended June 30, 2015.

The System issues a publicly available financial report that includes financial statement and required supplementary information for plans administered by the System. The report may be obtained at <http://www.ersri.org>.

15. 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.

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.

**CITY OF NEWPORT, RHODE ISLAND
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015**

Classes of Employees Covered

As of July 1, 2014 membership data was as follows:

Active employees	637
Retirees	<u>526</u>
Total plan members	<u><u>1,163</u></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.

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, 2015**

Assets:	
Cash and investments	\$ 36,674,713
Liabilities:	
Accounts payable	<u>34,879</u>
Net Position:	
Net Position Held in Trust for OPEB Benefits	<u><u>\$ 36,639,834</u></u>

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
OTHER POST-EMPLOYMENT BENEFITS TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2015**

Additions:	
Contributions and other income	\$ 500,000
Investment income (loss), net of investment expenses	<u>1,398,818</u>
Total additions	<u>1,898,818</u>
Deductions:	
Benefits	
Administration	<u>64,517</u>
Total deductions	<u>64,517</u>
Changes in net position	1,834,301
Net position at beginning of year	<u>34,805,533</u>
Net Position at End of Year	<u>\$ 36,639,834</u>

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	\$ 6,859,180
Interest on net OPEB obligation	413,452
Adjustment to annual required contribution	<u>(329,098)</u>
Annual OPEB cost (expense)	6,943,534
Contributions made	<u>7,332,694</u>
Increase (decrease) in net OPEB obligation	<u>(389,160)</u>
Net OPEB obligation - July 1, 2014	<u>5,512,693</u>
Net OPEB Obligation - June 30, 2015	<u>\$ 5,123,533</u>

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the previous nine years is as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost Contributed</u>	<u>OPEB Obligation</u>
June 30, 2006	\$9,706,604	53.9%	\$4,466,938
June 30, 2007	9,282,550	75.0%	6,756,362
June 30, 2008	9,997,870	72.3%	9,521,806
June 30, 2009	10,615,386	104.6%	9,037,637
June 30, 2010	9,243,181	121.6%	7,429,179
June 30, 2011	11,191,505	90.0%	8,420,493
June 30, 2012	9,519,080	107.7%	7,678,173
June 30, 2013	7,687,252	121.2%	6,044,824
June 30, 2014	7,304,803	107.3%	5,512,693
June 30, 2015	6,943,534	105.6%	5,123,533

Funded Status And Funding Progress

The funded status of the plan as of July 1, 2015 (the date of the most recent actuarial valuation) was as follows:

<u>Actuarial Valuation Date</u>	<u>(A) Actuarial Value of Assets</u>	<u>Accrued Liability (AAL) Projected Unit Credit</u>	<u>(A-B) Under Funded AAL</u>	<u>(A/B) Funded AAL Ratio</u>	<u>(C) Covered Payroll</u>	<u>Under Funded AAL as a Percentage of Covered Payroll</u>
July 1, 2015	\$ 36,639,832	\$119,419,305	\$ 82,779,473	30.7%	\$ 40,192,005	206.0%

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.

The projected unit credit cost method was used in the July 1, 2015 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 5.7% for 2015, 6.1% for 2016 and 2017, and ultimately 4.2%. The actuarial assumption for inflation is 2.75%. The UAAL is being amortized over a closed thirty year period using a level percent of pay. The City is in year 22 (remaining) of the amortization schedule.

16. 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.

17. 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 \$1,480,463.

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

18. PRIOR PERIOD ADJUSTMENT AND RESTATEMENT

A prior period adjustment of \$1,381,462 was recorded to reverse an expense that was incorrectly recorded in Fiscal Year 2014 for the Water Fund, an enterprise fund. In addition, restatements were recorded to the beginning of net position of the governmental activities and business-type activities as a result of implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* - an amendment of GASB Statement No. 27 and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* - an amendment of GASB Statement No. 68. A summary of prior period adjustment and restatements is presented below:

Governmental Activities

Net position at June 30, 2014, as previously reported	\$ 102,184,940
Adjustments:	
Eliminate net pension obligation reported per GASB No. 27	4,731,481
Eliminate net pension assets reported per GASB No. 27	(6,292,378)
Record net pension liability per GASB No. 68	(128,673,337)
Record net pension asset per GASB No. 68	3,242,607
Record deferred outflows for contributions made after the measurement date	<u>3,856,350</u>
Total adjustment and restatements	<u>(123,135,277)</u>
Net Position at July 1, 2014, as Restated	<u>\$ (20,950,337)</u>

Business Type Activities

Net position at June 30, 2014, as previously reported	\$ 119,636,961
Adjustments:	
Reversal of expenses incorrectly recorded in FY2014	1,381,462
Record net pension liability per GASB No. 68	(4,975,611)
Record deferred outflows for contributions made after the measurement date	<u>434,602</u>
Total adjustment and restatements	<u>(3,159,547)</u>
Net Position Balance at July 1, 2014, as Restated	<u>\$ 116,477,414</u>

Major Enterprise Fund - Water Fund

Net Position at June 30, 2014, as previously reported	\$ 46,831,905
Adjustments:	
Reversal of expenses incorrectly recorded in FY2014	1,381,462
Record starting net pension liability per GASB No. 68	<u>(4,541,009)</u>
Total adjustment and restatements	<u>(3,159,547)</u>
Net Position at July 1, 2014, as Restated	<u>\$ 43,672,358</u>

**Required Supplementary
Information**

CITY OF NEWPORT, RHODE ISLAND
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
POLICE PENSION PLANS
LAST FOUR FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Total pension liability:				
Service cost	\$ 1,175,418	\$ 1,159,989	\$ 1,089,741	\$ 1,185,085
Interest	6,344,119	6,127,676	6,119,883	5,678,713
Changes of benefit terms	1,138,222			
Differences between expected and actual experience	3,395,866	413,108	(1,568,795)	2,472,564
Changes of assumptions			(1,055,592)	931,710
Benefit payments, including refunds of member	<u>(4,990,121)</u>	<u>(4,676,133)</u>	<u>(4,431,444)</u>	<u>(4,154,488)</u>
Net change in total pension liability	7,063,504	3,024,640	153,793	6,113,584
Total pension liability - beginning	<u>85,862,792</u>	<u>82,838,152</u>	<u>82,684,359</u>	<u>76,570,775</u>
Total pension liability - ending (a)	<u>92,926,296</u>	<u>85,862,792</u>	<u>82,838,152</u>	<u>82,684,359</u>
Plan fiduciary net position:				
Contributions - employer	4,012,174	3,954,174	3,461,972	2,899,580
Contributions - member	487,883	407,872	403,980	393,524
Net investment income	3,315,144	9,496,182	6,725,692	(525,652)
Benefit payments, including refunds of member	(4,990,121)	(4,676,133)	(4,431,444)	(4,154,488)
Administrative expense	<u>(130,044)</u>	<u>(86,063)</u>	<u>(114,392)</u>	<u>(114,960)</u>
Net change in plan fiduciary net position	2,695,036	9,096,032	6,045,808	(1,501,996)
Plan fiduciary net position - beginning	<u>57,507,986</u>	<u>48,411,954</u>	<u>42,366,146</u>	<u>43,868,142</u>
Plan fiduciary net position - ending (b)	<u>60,203,022</u>	<u>57,507,986</u>	<u>48,411,954</u>	<u>42,366,146</u>
City's net pension liability (a)-(b)	<u>\$ 32,723,274</u>	<u>\$ 28,354,806</u>	<u>\$ 34,426,198</u>	<u>\$ 40,318,213</u>
Plan fiduciary net position as a percentage of the total pension liability	64.79%	66.98%	58.44%	51.24%
Covered-employee payroll	\$ 5,489,942	\$ 5,246,624	\$ 5,147,999	\$ 5,033,625
Town's net pension liability as a percentage of covered-employee payroll	596.06%	540.44%	668.73%	800.98%

Notes to Schedule:

Amounts reported as changes of assumptions were primarily the result of adjustments in mortality rates.

The police received a slight increase in 2015 in benefits meant to encourage retirement at 25 years rather than 20 in exchange for closing the plan to new entrants.

Schedules are intended to show information for 10 years - additional years will be displayed as they become available.

CITY OF NEWPORT, RHODE ISLAND
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FIRE PENSION PLANS
LAST FOUR FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Total pension liability:				
Service cost	\$ 1,288,336	\$ 1,301,858	\$ 1,347,221	\$ 1,167,259
Interest	7,047,145	6,926,242	6,935,131	6,083,467
Differences between expected and actual experience	78,639	(880,942)	(1,813,565)	8,664,711
Changes of assumptions			(1,018,173)	981,952
Benefit payments, including refunds of member contributions	<u>(5,793,864)</u>	<u>(5,651,902)</u>	<u>(5,400,180)</u>	<u>(6,032,049)</u>
Net change in total pension liability	<u>2,620,256</u>	<u>1,695,256</u>	<u>50,434</u>	<u>10,865,340</u>
Total pension liability - beginning	<u>95,518,160</u>	<u>93,822,904</u>	<u>93,772,470</u>	<u>82,907,130</u>
Total pension liability - ending (a)	<u>98,138,416</u>	<u>95,518,160</u>	<u>93,822,904</u>	<u>93,772,470</u>
Plan fiduciary net position:				
Contributions - employer	6,048,094	5,990,094	4,822,711	4,560,741
Contributions - member	607,260	518,936	501,618	541,383
Net investment income	2,366,045	6,786,391	5,211,622	(395,285)
Benefit payments, including refunds of member contributions	(5,793,864)	(5,651,902)	(5,400,180)	(6,032,049)
Administrative expense	<u>(98,299)</u>	<u>(64,329)</u>	<u>(85,948)</u>	<u>(86,457)</u>
Net change in plan fiduciary net position	<u>3,129,236</u>	<u>7,579,190</u>	<u>5,049,823</u>	<u>(1,411,667)</u>
Plan fiduciary net position - beginning	<u>44,307,114</u>	<u>36,727,924</u>	<u>31,678,101</u>	<u>33,089,768</u>
Plan fiduciary net position - ending (b)	<u>47,436,350</u>	<u>44,307,114</u>	<u>36,727,924</u>	<u>31,678,101</u>
City's net pension liability (a)-(b)	<u>\$ 50,702,066</u>	<u>\$ 51,211,046</u>	<u>\$ 57,094,980</u>	<u>\$ 62,094,369</u>
Plan fiduciary net position as a percentage of the total pension liability	48.34%	46.39%	39.15%	33.78%
Covered-employee payroll	\$ 6,205,276	\$ 5,505,579	\$ 5,509,307	\$ 5,532,707
Town's net pension liability as a percentage of covered-employee payroll	817.08%	930.17%	1036.34%	1122.31%

Notes to Schedule:

Amounts reported as changes of assumptions were primarily the result of adjustments in mortality rates.

Schedules are intended to show information for 10 years - additional years will be displayed as they become available.

**CITY OF NEWPORT, RHODE ISLAND
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 TEACHERS RETIREMENT PLAN
 LAST FISCAL YEAR**

	<u>2015</u>
City's proportion of the net pension liability	1.03120272%
City's proportionate share of the net pension liability	\$ 25,099,478
State's proportionate share of the net pension liability associated with the City	<u>17,211,868</u>
Total	<u>\$ 42,311,346</u>
City's covered-employee payroll	\$ 16,643,677
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	150.80%
Plan fiduciary net position as a percentage of the total pension liability	61.40%

Notes to Schedule:

- 1) The amounts presented for each fiscal year were determined as of 6/30 measurement date prior to the fiscal year-end.
- 2) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

**CITY OF NEWPORT, RHODE ISLAND
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 TEACHERS' SURVIVORS BENEFITS COST-SHARING PLAN
 LAST FISCAL YEAR**

	<u>2015</u>
City's proportion of the net pension liability (asset)	3.31356806%
City's proportionate share of the net pension liability (asset)	\$ (4,119,452)
City's covered-employee payroll	\$ 16,643,677
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-24.75%
Plan fiduciary net position as a percentage of the total pension liability (asset)	173.30%

Notes to Schedule:

- 1) The amounts presented for each fiscal year were determined as of 6/30 measurement date prior to the fiscal year-end.
- 2) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

CITY OF NEWPORT, RHODE ISLAND
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM AGENT PLAN
LAST FISCAL YEAR

	<u>2015</u>
Total pension liability:	
Service cost	\$ 1,027,962
Interest	5,004,233
Changes of benefit terms	
Differences between expected and actual experience	
Changes of assumptions	180,610
Benefit payments, including refunds of member contributions	<u>(4,944,136)</u>
Net change in total pension liability	1,268,669
Total pension liability - beginning	<u>68,681,188</u>
Total pension liability - ending (a)	<u>69,949,857</u>
Plan fiduciary net position:	
Contributions - employer	2,240,214
Contributions - member	226,656
Net investment income	6,243,957
Benefit payments, including refunds of member contributions	(4,944,136)
Administrative expense	(39,099)
Other	119,179
Net change in plan fiduciary net position	<u>3,846,771</u>
Plan fiduciary net position - beginning	<u>43,033,711</u>
Plan fiduciary net position - ending (b)	<u>46,880,482</u>
City's net pension liability (a)-(b)	<u>\$ 23,069,375</u>
Plan fiduciary net position as a percentage of the total pension liability	67.02%
Covered-employee payroll	\$ 11,271,517
Town's net pension liability as a percentage of covered-employee payroll	204.67%

Notes to Schedule:

- 1) Employers participating in the State Employee's Retirement System are required by RI General Laws, Section 36-10-2, to contribute an actuarially determined contribution rate each year.
- 2) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

CITY OF NEWPORT, RHODE ISLAND
SCHEDULE OF CITY CONTRIBUTIONS - POLICE AND FIRE PENSION PLANS
LAST TEN FISCAL YEARS

Fire Pension Plan						
Actuarial Valuation Date July 1	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	% of ADC Contributed	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2006	\$ 3,543,234	\$ 3,543,235	\$ (1)	100.0%	\$ 4,827,849	73.39%
2007	3,352,662	3,543,235	(190,573)	105.7%	4,960,132	71.43%
2008	3,291,226	3,291,234	(8)	100.0%	5,294,240	62.17%
2009	3,310,557	3,491,226	(180,669)	105.5%	5,047,963	69.16%
2010	3,781,258	3,981,258	(200,000)	105.3%	5,526,615	72.04%
2011	4,359,109	4,359,109		100.0%	4,891,283	89.12%
2012	4,560,741	4,560,741		100.0%	5,532,707	82.43%
2013	4,822,711	4,822,711		100.0%	5,509,307	87.54%
2014	5,990,094	5,990,094		100.0%	5,505,579	108.80%
2015	5,778,428	6,048,094	(269,666)	104.7%	6,205,276	97.47%

Police Pension Plan						
Actuarial Valuation Date July 1	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	% of ADC Contributed	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2006	\$ 2,440,649	\$ 2,440,649	\$	100.0%	\$ 4,757,611	51.30%
2007	2,385,996	2,440,679	(54,683)	102.3%	5,047,477	48.35%
2008	2,272,177	2,272,049	128	100.0%	4,979,082	45.63%
2009	2,406,091	2,472,177	(66,086)	102.7%	5,064,850	48.81%
2010	2,470,822	2,670,822	(200,000)	108.1%	5,023,341	53.17%
2011	3,116,642	3,116,642		100.0%	5,048,815	61.73%
2012	2,899,580	2,899,580		100.0%	5,033,625	57.60%
2013	3,461,972	3,461,972		100.0%	5,147,999	67.25%
2014	3,954,174	3,954,174		100.0%	5,246,624	75.37%
2015	3,729,898	4,012,174	(282,276)	107.6%	5,489,942	73.08%

Notes to Schedule:

Valuation date: July 1, 2013
Measurement date: June 30, 2015
Actuarially determined contribution rates are calculated as of July 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	16 years
Asset valuation method	Fair value
Inflation	3.00%
Salary increases	2.75% first 10 years and 3.5% thereafter.
Investment rate of return	7.5%, net of pension plan investment expense, including inflation
Retirement age	Police members who have completed 20 years of service may retire Fire members who retired prior to July 1, 2011 may retire with 20 years of service and those who retire on or after July 1, 2011 with the earlier of age 58 or 30 years of service
Mortality	RP-2000 Combined Healthy Mortality Table, applied on a fully generational basis using Mortality Projection Scale AA
Cost-of-living-increase	Police plan -3% annually Fire plan-2.75% first 10 years. Members retiring prior to 8/21/11 3% thereafter. Members retiring after 8/21/11 Bureau of Labor CPI for Northeast Urban Wage Earners, not exceeding 3% or less than .05%.

**CITY OF NEWPORT, RHODE ISLAND
SCHEDULE OF CITY CONTRIBUTIONS
TEACHERS RETIREMENT PLAN
LAST TWO FISCAL YEARS**

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 2,309,003	\$ 2,030,553
Contributions in relation to the contractually required contribution	<u>2,309,003</u>	<u>2,030,553</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	16,643,677	16,002,256
Contributions as a percentage of covered employee payroll	13.87%	12.69%

Notes to Schedule:

- 1) Employers participating in the State Employee's Retirement System are required by RI General Laws, Section 36-10-2, to contribute an actuarially determined contribution rate each year.
- 2) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

**CITY OF NEWPORT, RHODE ISLAND
 SCHEDULE OF CITY CONTRIBUTIONS
 TEACHERS' SURVIVORS BENEFIT COST-SHARING PLAN
 LAST FISCAL YEAR**

	<u>2015</u>
Contractually required contribution	\$ 21,216
Contributions in relation to the contractually required contribution	<u>21,216</u>
Contribution deficiency (excess)	<u>\$ -</u>
City's covered employee payroll	16,643,677
Contributions as a percentage of covered employee payroll	0.13%

Notes to Schedule:

- 1) Employers participating in the State Employee's Retirement System are required by RI General Laws, Section 36-10-2, to contribute an actuarially determined contribution rate each year.
- 2) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

**CITY OF NEWPORT, RHODE ISLAND
SCHEDULE OF CITY CONTRIBUTIONS
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM AGENT PLAN
LAST FOUR FISCAL YEARS**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 2,506,948	\$ 2,343,262	\$ 2,045,444	\$ 1,803,085
Contributions in relation to the contractually required contribution	<u>2,506,948</u>	<u>2,343,262</u>	<u>2,045,444</u>	<u>1,803,085</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 11,692,085	\$ 11,259,620	\$ 10,891,431	\$ 10,971,505
Contributions as a percentage of covered employee payroll	21.44%	20.81%	18.78%	16.43%

Notes to Schedule:

- 1) Employers participating in the State Employee's Retirement System are required by RI General Laws, Section 36-10-2, to contribute an actuarially determined contribution rate each year.
- 2) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, open
Remaining amortization per	21 years
Inflation	2.75%
Salary increases	3.50% to 7.50%
Investment rate of return	7.50%
Retirement age	Varies depending on years of service and age
Mortality	Males: 115% of RP-2000 Combined Healthy for Males with White Collar adjustments, projected with Scale AA from 2000 Females: 95% of RP-2000 Combined Healthy for Females with White Collar adjustments, projected with Scale AA from 2000

**CITY OF NEWPORT, RHODE ISLAND
SCHEDULE OF INVESTMENT RETURNS
POLICE AND FIRE PENSION PLANS
LAST THREE FISCAL YEARS**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Annual money-weighted rate of return, net of investment expense:	4.98%	19.04%	16.32%

**CITY OF NEWPORT, RHODE ISLAND
SCHEDULE OF CITY CONTRIBUTIONS - OTHER POST-EMPLOYMENT BENEFITS PLAN
LAST TEN FISCAL YEARS**

Other Post-Employment Benefit Plan						
Actuarial Valuation Date July 1	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	% of ARC Contributed	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2006	\$ 9,706,604	\$ 5,239,666	\$ 4,466,938	54.0%	\$ 33,519,292	15.63%
2007	9,282,550	6,993,126	2,289,424	75.3%	36,112,767	19.36%
2008	9,642,801	7,232,426	2,410,375	75.0%	38,914,022	18.59%
2009	10,238,391	11,099,555	(861,164)	108.4%	38,541,599	28.80%
2010	9,050,275	11,241,301	(2,191,026)	124.2%	38,198,664	29.43%
2011	10,751,437	9,810,529	940,908	91.2%	37,623,567	26.08%
2012	9,380,150	10,261,400	(881,250)	109.4%	38,064,841	26.96%
2013	7,544,617	9,320,601	(1,775,984)	123.5%	37,728,040	24.70%
2014	7,201,977	7,836,934	(634,957)	108.8%	38,097,950	20.57%
2015	6,859,180	7,332,694	(473,514)	106.9%	40,192,005	18.24%

Notes to Schedule:

Valuation date: July 1, 2015

Actuarially determined contribution rates are calculated as of July 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Projected unit credit
Amortization method	Level percentage of payroll, closed
Remaining amortization period	22 years
Asset valuation method	Market Value
Medical care inflation	2015 - 5.7%; 2016 - 6.1%; 2017 - 6.1%; ultimate - 4.2%
Investment rate of return	7.5%, net of OPEB plan investment expense
Mortality	Healthy Members: RP-2000 Combined Healthy Mortality Table, applied on a fully generational basis using Mortality Projection Scale AA
	Disabled Members: The 1985 Wyatt Pension Disability Table (unisex rates)

CITY OF NEWPORT, RHODE ISLAND
SCHEDULE OF FUNDING PROGRESS - OTHER POST-EMPLOYMENT BENEFITS PLAN
LAST TEN FISCAL YEARS

OPEB Trust Plan						
Actuarial Valuation Date July 1	Actuarial Value of Plan Assets	Accrued Liability (AAL)	Actuarial Value of Assets as % of AAL	Unfunded AAL	Annual Covered Payroll	Unfunded AAL as % of Covered Payroll
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%
2012	23,113,176	119,342,233	19.4%	96,229,057	38,064,841	252.8%
2013	29,027,818	119,400,005	24.3%	90,372,187	37,728,040	239.5%
2014	34,805,533	118,221,315	29.4%	83,415,782	38,097,950	219.0%
2015	36,639,832	119,419,305	30.7%	82,779,473	40,192,005	206.0%

**Supplemental, Combining and Individual
Fund Statements and Schedules**

General Fund

GENERAL FUND

The General Fund is composed of four separate funds.

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
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
CITY GENERAL FUND AND SCHOOL UNRESTRICTED FUND
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget
Revenues:				
City:				
Property taxes	\$ 74,395,501	\$ 74,395,501	\$ 73,924,776	\$ (470,725)
Intergovernmental revenues	3,573,352	3,573,352	3,695,750	122,398
Charges for services	10,074,786	10,074,786	10,563,017	488,231
Use of money and property	350,000	350,000	113,027	(236,973)
Other revenues	144,500	144,500	242,315	97,815
School:				
Intergovernmental revenues	11,788,216	11,788,216	11,962,247	174,031
Local revenues	607,592	607,592	653,007	45,415
Total revenues	<u>100,933,947</u>	<u>100,933,947</u>	<u>101,154,139</u>	<u>220,192</u>
Expenditures:				
City:				
Mayor and city council	128,788	128,788	100,684	28,104
City manager	462,558	471,693	862,774	(391,081)
City solicitor	511,050	511,050	370,008	141,042
Canvassing	253,678	253,678	230,790	22,888
City clerk	481,574	481,574	376,217	105,357
Finance	3,480,545	3,493,092	3,272,566	220,526
Reserve accounts	1,110,000	1,191,812	887,899	303,913
Police department	17,437,630	17,691,192	17,007,782	683,410
Fire department	18,460,478	18,465,037	18,119,277	345,760
Public services	9,838,445	10,166,215	10,247,818	(81,603)
Civic investment	586,864	556,864	338,116	218,748
Zoning and inspections	805,014	805,014	784,609	20,405
Donations	95,200	95,700	95,450	250
Public library	1,756,025	1,756,025	1,756,025	-
Pension expenditures	1,405,812	1,405,812	1,341,546	64,266
Debt service	5,300,261	5,300,261	4,887,584	412,677
School:				
General education	35,772,965	35,772,965	37,029,269	(1,256,304)
Total expenditures	<u>97,886,887</u>	<u>98,546,772</u>	<u>97,708,414</u>	<u>838,358</u>
Excess of Revenues over Expenditures	<u>3,047,060</u>	<u>2,387,175</u>	<u>3,445,725</u>	<u>1,058,550</u>
Other Financing Sources (Uses):				
City:				
Transfers in			796,224	796,224
Transfers out	(26,424,217)	(26,454,217)	(26,454,217)	-
School:				
Transfers in	<u>23,377,157</u>	<u>23,377,157</u>	<u>23,770,211</u>	<u>393,054</u>
Net Other Financing Sources (Uses)	<u>(3,047,060)</u>	<u>(3,077,060)</u>	<u>(1,887,782)</u>	<u>1,189,278</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ (689,885)</u>	<u>1,557,943</u>	<u>\$ 2,247,828</u>
Fund Balances at Beginning of Year:				
City fund balance, beginning			11,286,121	
School fund balance, beginning			514,915	
Combined fund balance, beginning			<u>11,801,036</u>	
Fund Balances at End of Year:				
City fund balance, ending			13,487,868	
School fund balance, ending			<u>(128,889)</u>	
Combined Fund Balance, Ending			<u>\$ 13,358,979</u>	

CITY OF NEWPORT, RHODE ISLAND
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget
Property taxes:				
Current taxes - Real Estate	\$ 67,785,501	\$ 67,785,501	\$ 66,324,807	\$ (1,460,694)
Current taxes - MV	1,900,000	1,900,000	1,840,371	(59,629)
Delinquent taxes & penalties	1,710,000	1,710,000	1,748,741	38,741
Tax Abatements	(1,000,000)	(1,000,000)		1,000,000
Meals and beverage tax	2,000,000	2,000,000	2,069,020	69,020
Hotel occupancy tax	2,000,000	2,000,000	1,941,837	(58,163)
Total property taxes	<u>74,395,501</u>	<u>74,395,501</u>	<u>73,924,776</u>	<u>(470,725)</u>
Intergovernmental revenues:				
Telephone company tax	308,107	308,107	330,398	22,291
Miscellaneous state and federal aid	76,080	76,080	73,314	(2,766)
MV tax phase out	84,173	84,173	77,876	(6,297)
Pension incentive aid	116,689	116,689	116,689	-
School housing aid	1,506,808	1,506,808	1,582,099	75,291
PILOT	1,301,495	1,301,495	1,315,321	13,826
State aid - library construction	180,000	180,000	200,053	20,053
Total intergovernmental revenues	<u>3,573,352</u>	<u>3,573,352</u>	<u>3,695,750</u>	<u>122,398</u>
Charges for services:				
GMH service fees	340,000	340,000	351,388	11,388
Hope IV Project service fees	140,000	140,000	170,027	30,027
Salve Regina service charges	6,902	6,902	6,902	-
Police special detail	1,800,000	1,800,000	1,955,739	155,739
Document prep and handling	65,000	65,000	60,028	(4,972)
Planning Services	900	900	653	(247)
Solid waste hauler fees	4,500	4,500	4,750	250
Community development services	59,629	59,629		(59,629)
Computer processing fees	317,033	317,033	178,887	(138,146)
Management services	850,551	850,551	881,628	31,077
Fire alarm assessments	150,000	150,000	160,373	10,373
Recycling bins	2,000	2,000	599	(1,401)
Bulky waste sticker program			9,620	9,620
HR regional testing	3,500	3,500	5,130	1,630
Recreation activity fees	110,000	110,000	100,162	(9,838)
Ballfield rentals	25,000	25,000	34,573	9,573
Parking tickets	850,000	850,000	700,913	(149,087)
Recording fees	350,000	350,000	294,772	(55,228)
Conveyance tax	600,000	600,000	765,799	165,799
Probate fees	40,000	40,000	36,451	(3,549)
Rescue fees	660,000	660,000	790,197	130,197
General business	75,000	75,000	92,518	17,518
Hotel registration fees	6,000	6,000	7,550	1,550
Entertainment	20,000	20,000	25,185	5,185
Liquor	190,000	190,000	192,090	2,090
Mech amusement	15,000	15,000	11,200	(3,800)
Sunday selling	25,000	25,000	24,500	(500)
Taxi	1,000	1,000	-	(1,000)
Virtualing	55,000	55,000	57,080	2,080
Animal	4,000	4,000	4,502	502
Marriage	5,000	5,000	5,744	744
Building	1,000,000	1,000,000	1,020,579	20,579

(Continued on next page)

CITY OF NEWPORT, RHODE ISLAND
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES (CONTINUED)
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget</u>
Plumbing	\$ 50,000	\$ 50,000	\$ 82,872	\$ 32,872
Mechanical	170,000	170,000	254,977	84,977
Electrical	150,000	150,000	255,296	105,296
Board of Appeals	17,000	17,000	16,475	(525)
HDC application fee	20,000	20,000	13,200	(6,800)
Road opening	75,000	75,000	99,863	24,863
Fire inspection fees	75,000	75,000	157,244	82,244
Fire - sundry	18,000	18,000	19,550	1,550
Police - sundry	20,000	20,000	6,621	(13,379)
Municipal court cost assessment	170,000	170,000	141,620	(28,380)
Payphone commissions			154	154
Vendor rights	8,800	8,800	659	(8,141)
Newport Grand Slot Machines	400,000	400,000	456,356	56,356
Other miscellaneous	100,000	100,000	55,495	(44,505)
Parking fund salary reimbursement	100,000	100,000	100,000	-
Beach bounce fees	30,000	30,000	15,675	(14,325)
Bathhouses	42,000	42,000	46,936	4,936
Rotunda rentals	142,000	142,000	148,005	6,005
Carousel	1,500	1,500	554	(946)
Beach contributions	12,000	12,000	14,059	2,059
Food service concessions	34,971	34,971	38,553	3,582
Outside vendor commissions	7,500	7,500	8,007	507
Beach parking	500,000	500,000	507,848	7,848
Beach store	35,000	35,000	19,699	(15,301)
Beach meters	30,000	30,000	37,244	7,244
Rental of property	95,000	95,000	116,516	21,516
Total charges for services	<u>10,074,786</u>	<u>10,074,786</u>	<u>10,563,017</u>	<u>488,231</u>
Use of money and property:				
Investment interest	<u>350,000</u>	<u>350,000</u>	<u>113,027</u>	<u>(236,973)</u>
Other revenues:				
Sale of surplus equipment	3,000	3,000	11,896	8,896
Public donations	141,500	141,500	230,419	88,919
Total other revenues	<u>144,500</u>	<u>144,500</u>	<u>242,315</u>	<u>97,815</u>
Total revenues	<u>88,538,139</u>	<u>88,538,139</u>	<u>88,538,885</u>	<u>746</u>
Other financing sources:				
Transfers in			796,224	796,224
Total other financing sources	<u>-</u>	<u>-</u>	<u>796,224</u>	<u>796,224</u>
Total Revenues and Other Financing Sources	<u>\$ 88,538,139</u>	<u>\$ 88,538,139</u>	<u>\$ 89,335,109</u>	<u>\$ 796,970</u>

**CITY OF NEWPORT, RHODE ISLAND
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget</u>
Expenditures:				
General Government:				
Mayor and City Council	\$ 128,788	\$ 128,788	\$ 100,684	\$ 28,104
City Manager	462,558	471,693	862,774	(391,081)
City Solicitor	511,050	511,050	370,008	141,042
Canvassing	253,678	253,678	230,790	22,888
City Clerk	481,574	481,574	376,217	105,357
Finance	3,480,545	3,493,092	3,272,566	220,526
Reserve Accounts	1,110,000	1,191,812	887,899	303,913
Public Safety:				
Police Department	17,437,630	17,691,192	17,007,782	683,410
Fire Department	18,460,478	18,465,037	18,119,277	345,760
Public Services	9,838,445	10,166,215	10,247,818	(81,603)
Civic Investment	586,864	556,864	338,116	218,748
Zoning and Inspections	805,014	805,014	784,609	20,405
Human services:				
Donations	95,200	95,700	95,450	250
Public Library	1,756,025	1,756,025	1,756,025	-
Pension expenditures	1,405,812	1,405,812	1,341,546	64,266
Debt service	5,300,261	5,300,261	4,887,584	412,677
Total expenditures	62,113,922	62,773,807	60,679,145	2,094,662
Other financing uses:				
Transfers out	26,424,217	26,454,217	26,454,217	-
Total Expenditures and Other Financing Uses	<u>\$ 88,538,139</u>	<u>\$ 89,228,024</u>	<u>\$ 87,133,362</u>	<u>\$ 2,094,662</u>

**CITY OF NEWPORT, RHODE ISLAND
SCHOOL UNRESTRICTED FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget</u>
Revenues:				
Federal revenues	\$ 1,165,000	\$ 1,165,000	\$ 1,091,330	\$ (73,670)
State revenues	10,623,216	10,623,216	10,870,917	247,701
Local revenues	<u>607,592</u>	<u>607,592</u>	<u>653,007</u>	<u>45,415</u>
Total revenues	<u>12,395,808</u>	<u>12,395,808</u>	<u>12,615,254</u>	<u>219,446</u>
Expenditures:				
General education	<u>35,772,965</u>	<u>35,772,965</u>	<u>37,029,269</u>	<u>(1,256,304)</u>
Excess of Expenditures over Revenues	(23,377,157)	(23,377,157)	(24,414,015)	(1,036,858)
Other Financing Sources:				
Transfers in	<u>23,377,157</u>	<u>23,377,157</u>	<u>23,770,211</u>	<u>393,054</u>
Net Change in Fund Balances	\$ <u>-</u>	\$ <u>-</u>	(643,804)	\$ <u>(643,804)</u>
Fund Balances at Beginning of Year			<u>514,915</u>	
Fund Balances at End of Year			\$ <u>(128,889)</u>	

Budget - GAAP Reconciliation: A reconciliation of revenues and expenditures between the accounting treatment required by GAAP (Schedule A- 6) and budgetary requirements (Schedule A-4) is as follows:

	<u>School Unrestricted</u>	
	<u>Revenues</u>	<u>Expenditures</u>
Balance, Budgetary Basis, Schedule A-4 - June 30, 2015	\$ 12,615,254	\$ 37,029,269
State teachers' retirement on-behalf payments	<u>1,480,463</u>	<u>1,480,463</u>
Balance, GAAP Basis, Schedule A-6 - June 30, 2015	\$ <u>14,095,717</u>	\$ <u>38,509,732</u>

**CITY OF NEWPORT, RHODE ISLAND
COMBINING BALANCE SHEET
GENERAL FUND
JUNE 30, 2015**

	General Funds				Total Governmental General Funds
	City General Fund	School Unrestricted Fund	Property Acquisition Fund	Gift Fund	
ASSETS					
Cash and cash equivalents	\$ 6,499,994	\$ 395,563	\$ 2,625,209	\$ 105,183	\$ 9,625,949
Investments	9,181,203				9,181,203
Receivables:					
Property taxes	1,723,926				1,723,926
Motor vehicle excise	1,564,700				1,564,700
Other	1,161,236	231,417	219,881		1,612,534
Due from other funds	14,293				14,293
Total Assets	\$ 20,145,352	\$ 626,980	\$ 2,845,090	\$ 105,183	\$ 23,722,605
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 969,037	\$ 525,197	\$ 1,026	\$	\$ 1,495,260
Accrued liabilities	1,412,159	230,672			1,642,831
Due to other funds	179,876				179,876
Other liabilities	431,812				431,812
Total liabilities	2,992,884	755,869	1,026	-	3,749,779
Deferred inflows of resources:					
Unavailable revenue - property taxes	2,362,719				2,362,719
Fund balances:					
Restricted				105,183	105,183
Committed	1,291,706				1,291,706
Assigned			2,844,064		2,844,064
Unassigned	13,498,043	(128,889)			13,369,154
Total fund balances	14,789,749	(128,889)	2,844,064	105,183	17,610,107
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 20,145,352	\$ 626,980	\$ 2,845,090	\$ 105,183	\$ 23,722,605

CITY OF NEWPORT, RHODE ISLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	General Funds				Total Governmental General Funds
	City General Fund	School Unrestricted Fund	Property Acquisition Fund	Gift Fund	
Revenues:					
Property taxes	\$ 73,924,776	\$	\$	\$	\$ 73,924,776
Intergovernmental revenues	3,695,750	13,442,710			17,138,460
Charges for services	10,563,017	357,886			10,920,903
Use of money and property	113,027	180,551			293,578
Contributions	230,419	114,570		47,435	392,424
Other revenues	11,896				11,896
Total revenues	<u>88,538,885</u>	<u>14,095,717</u>	<u>-</u>	<u>47,435</u>	<u>102,682,037</u>
Expenditures:					
Current:					
General government	5,957,368		30,679		5,988,047
General education		38,509,732			38,509,732
Public safety	35,109,343				35,109,343
Public services	9,536,188			41,705	9,577,893
Civic investment	338,116				338,116
Zoning and inspections	784,609				784,609
Human services	1,851,475				1,851,475
Pension expenditures	1,341,546				1,341,546
Debt service:					
Principal retirement	1,629,784				1,629,784
Interest and other charges	3,257,800				3,257,800
Capital outlay	269,905				269,905
Total expenditures	<u>60,076,134</u>	<u>38,509,732</u>	<u>30,679</u>	<u>41,705</u>	<u>98,658,250</u>
Excess (Deficiency) of Revenues over Expenditures	28,462,751	(24,414,015)	(30,679)	5,730	4,023,787
Other Financing Sources (Uses):					
Transfers out	(26,454,217)				(26,454,217)
Transfers in	796,224	23,770,211			24,566,435
Proceeds from sale of assets			2,422,500		2,422,500
Net other financing sources (uses)	<u>(25,657,993)</u>	<u>23,770,211</u>	<u>2,422,500</u>	<u>-</u>	<u>534,718</u>
Net Change in Fund Balances	2,804,758	(643,804)	2,391,821	5,730	4,558,505
Fund Balances at Beginning of Year	<u>11,984,991</u>	<u>514,915</u>	<u>452,243</u>	<u>99,453</u>	<u>13,051,602</u>
Fund Balances at End of Year	<u>\$ 14,789,749</u>	<u>\$ (128,889)</u>	<u>\$ 2,844,064</u>	<u>\$ 105,183</u>	<u>\$ 17,610,107</u>

Permanent Trust Funds

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

**CITY OF NEWPORT, RHODE ISLAND
COMBINING BALANCE SHEET
PERMANENT TRUST FUND
JUNE 30, 2015**

	<u>Cash and Investments</u>	<u>Reserved for Endowments</u>	<u>Unreserved Fund Balance</u>
David Sears Trusts 1 - 10 (City Portion)	\$ 3,369,229	\$ 750,000	\$ 2,619,229
David Sears Trust - Heirs of David Sears	1,340,924	1,039,381	301,543
David Sears Trust - Public Improvements	272,212		272,212
Joseph Hammett Fund (1892)	41,254	1,500	39,754
Henderson Home Fund (1980)	1,207,707	139,781	1,067,926
Freebody Fund	140,760	97,000	43,760
EV Coles Fund (1899)	391,220	61,321	329,899
Hunter Industrial Fund (1942)	128,684	25,000	103,684
King School Fund (1864)	265,985	8,914	257,071
City Burial Lots	524,703		524,703
Private Burial Lots	9,494		9,494
Belmont Memorial Fund (1950)	45,467	2,000	43,467
Judah Touro M & C Fund (1879)	198,434	10,000	188,434
Touro Street Fund (1823)	91,810	5,000	86,810
Derby Fuel Fund (1849)	22,662	500	22,162
Fry Orphan Fund (1859)	30,233	5,131	25,102
R & E Bullock Fund (1944)	87,160	1,000	86,160
Poor and Aged Fund (1863)	1,337,233	100,000	1,237,233
Alexander Agassiz Fund (1901)	201,832	31,087	170,745
George H Norman Foundation Fund (1901)	69,181	6,899	62,282
Barbara Chapman Fund (1990)	5,817	2,000	3,817
E Townsend Fund (1889)	290,534	155,137	135,397
George N Buckout Fund (1955)	139,412	15,000	124,412
Edward Newton Fund (1959)	48,548		48,548
Braman Cemetery	226,019		226,019
Louis H Hobbs Fund (1988)	52,047	25,000	27,047
RIICAN Fund	11,000		11,000
Unallocated Expense	122,999	120,000	2,999
	<u>10,672,560</u>	<u>2,601,651</u>	<u>8,070,909</u>
Total Permanent Trust Funds	\$ <u>10,672,560</u>	\$ <u>2,601,651</u>	\$ <u>8,070,909</u>

**CITY OF NEWPORT, RHODE ISLAND
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 PERMANENT TRUST FUND
 FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Fund Balance July 1, 2014</u>	<u>Revenues Use of Money and Property and Investment Changes</u>	<u>Expenditures Human Services</u>	<u>Fund Balance June 30, 2015</u>
David Sears Trusts 1 - 10 (City Portion)	\$ 3,352,483	\$ 16,746	\$	\$ 3,369,229
David Sears Trust - Heirs of David Sears	1,337,908	3,016		1,340,924
David Sears Trust - Public Improvements	100,476	233,236	(61,500)	272,212
Joseph Hammett Fund (1892)	41,018	1,796	(1,560)	41,254
Henderson Home Fund (1980)	1,201,068	51,449	(44,810)	1,207,707
Freebody Fund	133,987	6,773		140,760
EV Coles Fund (1899)	389,151	16,379	(14,310)	391,220
Hunter Industrial Fund (1942)	128,007	5,387	(4,710)	128,684
King School Fund (1864)	264,580	11,135	(9,730)	265,985
City Burial Lots	499,049	25,654		524,703
Private Burial Lots	9,017	477		9,494
Belmont Memorial Fund (1950)	43,243	2,224		45,467
Judah Touro M & C Fund (1879)	197,387	8,307	(7,260)	198,434
Touro Street Fund (1823)	87,318	4,492		91,810
Derby Fuel Fund (1849)	22,536	986	(860)	22,662
Fry Orphan Fund (1859)	29,063	1,170		30,233
R & E Bullock Fund (1944)	86,656	3,794	(3,290)	87,160
Poor and Aged Fund (1863)	1,346,318	39,925	(49,010)	1,337,233
Alexander Agassiz Fund (1901)	200,762	8,450	(7,380)	201,832
George H Norman Foundation Fund (1901)	68,816	2,895	(2,530)	69,181
Barbara Chapman Fund (1990)	5,533	284		5,817
E Townsend Fund (1889)	276,324	14,210		290,534
George N Buckout Fund (1955)	132,592	6,820		139,412
Edward Newton Fund (1959)	46,173	2,375		48,548
Braman Cemetery	214,963	11,056		226,019
Louis H Hobbs Fund (1988)	49,503	2,544		52,047
RIICAN Fund	10,461	539		11,000
Pell School Tech Endowment Fund (2015)	122,999	122,999		122,999
Total Permanent Trust Funds	\$ 10,274,392	\$ 605,118	\$ (206,950)	\$ 10,672,560

**Nonmajor
Governmental Funds**

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 Funds

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.

Sheffield Hub Grant

This fund is used to account for activities funded by the EDA grant and City match for special 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, 2015**

	Special Revenue					Debt Service Fund	Total Nonmajor Governmental Funds
	School Restricted Funds	UDAG Fund	State Grants Fund	Bramley Bill Fund	Sheffield Hub Grant		
ASSETS							
Cash and cash equivalents	\$ 295,393	\$ 2,046,315	\$ 683,224	\$ -	\$ -	\$ 2,202,084	\$ 5,227,016
Receivables:							
Intergovernmental	572,596		224,074	34,036			830,706
Note/loan		255,000					255,000
Other		52,500		500			53,000
Due from other funds		52,500					52,500
Advances to other funds		267,459					267,459
Total Assets	\$ 867,989	\$ 2,673,774	\$ 907,298	\$ 34,536	\$ -	\$ 2,202,084	\$ 6,685,681
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Cash overdraft	\$ -	\$ -	\$ -	\$ 7,395	\$ 20,223	\$ -	\$ 27,618
Accounts payable	449,526		4,673		44,457		498,656
Total liabilities	449,526	-	4,673	7,395	64,680	-	526,274
Deferred inflows of resources:							
Unavailable revenue - loans receivable		627,459					627,459
Unavailable revenue - intergovernmental receivable			288,316	3,592			291,908
Total deferred inflows of resources	-	627,459	288,316	3,592	-	-	919,367
Fund balances:							
Restricted	418,463	2,046,315	614,309	23,549		2,202,084	5,304,720
Unassigned					(64,680)		(64,680)
Total fund balances	418,463	2,046,315	614,309	23,549	(64,680)	2,202,084	5,240,040
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 867,989	\$ 2,673,774	\$ 907,298	\$ 34,536	\$ -	\$ 2,202,084	\$ 6,685,681

**CITY OF NEWPORT, RHODE ISLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Special Revenue					Debt Service Fund	Total Nonmajor Governmental Funds
	School Restricted Funds	UDAG Fund	State Grants Fund	Bramley Bill Fund	Sheffield Hub Grant		
Revenues:							
Intergovernmental revenues	\$ 3,273,351	\$	\$ 479,424	\$ 44,186	\$	\$	\$ 3,796,961
Charges for services	515,126	17,500					532,626
Use of money and property		114,360				72,535	186,895
Contributions			16,148	3,000			19,148
Total revenues	<u>3,788,477</u>	<u>131,860</u>	<u>495,572</u>	<u>47,186</u>	<u>-</u>	<u>72,535</u>	<u>4,535,630</u>
Expenditures:							
Current:							
General education	3,322,932						3,322,932
Public safety			136,466				136,466
Civic investment			4,006		64,680		68,686
Human services			378,064	49,844			427,908
Capital outlay			123,857				123,857
Total expenditures	<u>3,322,932</u>	<u>-</u>	<u>642,393</u>	<u>49,844</u>	<u>64,680</u>	<u>-</u>	<u>4,079,849</u>
Excess (Deficiency) of Revenues over Expenditures	<u>465,545</u>	<u>131,860</u>	<u>(146,821)</u>	<u>(2,658)</u>	<u>(64,680)</u>	<u>72,535</u>	<u>455,781</u>
Other Financing Sources (Uses):							
Transfers in						133,110	133,110
Transfers out	(306,733)						(306,733)
Net other financing sources (uses)	<u>(306,733)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>133,110</u>	<u>(173,623)</u>
Net Change in Fund Balances	158,812	131,860	(146,821)	(2,658)	(64,680)	205,645	282,158
Fund Balances at Beginning of Year	<u>259,651</u>	<u>1,914,455</u>	<u>761,130</u>	<u>26,207</u>	<u>-</u>	<u>1,996,439</u>	<u>4,957,882</u>
Fund Balances at End of Year	<u>\$ 418,463</u>	<u>\$ 2,046,315</u>	<u>\$ 614,309</u>	<u>\$ 23,549</u>	<u>\$ (64,680)</u>	<u>\$ 2,202,084</u>	<u>\$ 5,240,040</u>

**Nonmajor
Proprietary Funds**

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.

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, 2015**

	<u>Maritime Fund</u>	<u>Parking Operations Fund</u>	<u>Totals</u>
Assets:			
Current assets:			
Cash and cash equivalents	\$ 1,802,653	\$ 3,082,832	\$ 4,885,485
Investments		1,239,988	1,239,988
Accounts receivable:			
User fees (net of allowances)	2,671	8,750	11,421
Total current assets	<u>1,805,324</u>	<u>4,331,570</u>	<u>6,136,894</u>
Noncurrent assets:			
Capital assets	4,284,853	3,550,622	7,835,475
Less accumulated depreciation	<u>(632,528)</u>	<u>(2,125,743)</u>	<u>(2,758,271)</u>
Total noncurrent assets	<u>3,652,325</u>	<u>1,424,879</u>	<u>5,077,204</u>
 Total assets	 <u>5,457,649</u>	 <u>5,756,449</u>	 <u>11,214,098</u>
Liabilities:			
Current liabilities:			
Accounts payable	17,969	82,640	100,609
Accrued expenses	53,953	36,287	90,240
Unearned revenue		10,000	10,000
Total current liabilities	<u>71,922</u>	<u>128,927</u>	<u>200,849</u>
Long-term liabilities:			
Notes payable	200,000		200,000
Advances from other funds	<u>267,459</u>		<u>267,459</u>
 Total long-term liabilities	 <u>467,459</u>	 <u>-</u>	 <u>467,459</u>
 Total liabilities	 <u>539,381</u>	 <u>128,927</u>	 <u>668,308</u>
Net Position:			
Net investment in capital assets	3,452,325	1,424,879	4,877,204
Unrestricted	<u>1,465,943</u>	<u>4,202,643</u>	<u>5,668,586</u>
 Total Net Position	 <u>\$ 4,918,268</u>	 <u>\$ 5,627,522</u>	 <u>\$ 10,545,790</u>

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, 2015

	<u>Maritime Fund</u>	<u>Parking Operations Fund</u>	<u>Totals</u>
Operating revenues:			
User fees	\$ 858,711	\$ 1,757,037	\$ 2,615,748
Total operating revenues	<u>858,711</u>	<u>1,757,037</u>	<u>2,615,748</u>
Operating expenses:			
Salaries and benefits	378,126	433,990	812,116
Materials and supplies	53,113	45,460	98,573
Repairs and maintenance	39,403	19,807	59,210
Support services	34,217	431,346	465,563
Utilities	23,951	13,489	37,440
Administrative and other	140,769	275,401	416,170
Depreciation	129,404	137,556	266,960
Total operating expenses	<u>798,983</u>	<u>1,357,049</u>	<u>2,156,032</u>
Operating Income	<u>59,728</u>	<u>399,988</u>	<u>459,716</u>
Nonoperating revenues and expenses:			
Investment income	<u>9</u>	<u>23,101</u>	<u>23,110</u>
Income Before Transfers	59,737	423,089	482,826
Transfers:			
Transfers out	<u>(200,000)</u>	<u>(100,000)</u>	<u>(300,000)</u>
Change in Net Position	(140,263)	323,089	182,826
Net Position at Beginning of Year	<u>5,058,531</u>	<u>5,304,433</u>	<u>10,362,964</u>
Net Position at End of Year	<u>\$ 4,918,268</u>	<u>\$ 5,627,522</u>	<u>\$ 10,545,790</u>

**CITY OF NEWPORT, RHODE ISLAND
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Maritime Fund</u>	<u>Parking Operations Fund</u>	<u>Totals</u>
Cash Flows from Operating Activities:			
Cash received from customers	\$ 897,436	\$ 1,737,036	\$ 2,634,472
Cash payments to suppliers for goods and services	(152,465)	(478,706)	(631,171)
Cash payments to employees for services	(373,006)	(427,011)	(800,017)
Payment of administrative expense	(140,768)	(275,401)	(416,169)
Net cash provided by operating activities	<u>231,197</u>	<u>555,918</u>	<u>787,115</u>
Cash Flows from Noncapital Financing Activities:			
Interfund loans and transfers	(200,000)	(100,000)	(300,000)
Net cash used in noncapital financing activities	<u>(200,000)</u>	<u>(100,000)</u>	<u>(300,000)</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets		(120,439)	(120,439)
Interest paid on bonds, notes and loans			-
Net cash used in capital and related financing activities	<u>-</u>	<u>(120,439)</u>	<u>(120,439)</u>
Cash Flows from Investing Activities:			
Purchase of investments		(8,726)	(8,726)
Investment income	9		9
Net cash provided by (used in) investing activities	<u>9</u>	<u>(8,726)</u>	<u>(8,717)</u>
Net Increase in Cash and Cash Equivalents	31,206	326,753	357,959
Cash and Cash Equivalents at Beginning of Year	<u>1,771,447</u>	<u>2,756,079</u>	<u>4,527,526</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,802,653</u>	<u>\$ 3,082,832</u>	<u>\$ 4,885,485</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating income	\$ 59,728	\$ 399,988	\$ 459,716
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	129,404	137,556	266,960
Changes in assets and liabilities:			
Decrease (Increase) in accounts receivable	38,726		38,726
(Decrease) Increase in accounts payable	(1,781)	31,396	29,615
(Decrease) Increase in unearned revenue		(20,000)	(20,000)
(Decrease) Increase in accrued liabilities	5,120	6,978	12,098
Net Cash Provided by Operating Activities	<u>\$ 231,197</u>	<u>\$ 555,918</u>	<u>\$ 787,115</u>
Noncash Investing, Capital and Related Financing Transactions:			
Increase (decrease) in fair value of investments	<u>\$</u>	<u>\$ 31,827</u>	<u>\$ 31,827</u>

Fiduciary Funds

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

Pension Trust Funds

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

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

Other Post-Employment Benefit Trust Fund

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

Private Purpose Trust Funds

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

Agency Funds

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

Student Activity Funds

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

Newport Municipal Charitable Improvement Fund, Inc.

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

CITY OF NEWPORT, RHODE ISLAND
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION AND OTHER POST-EMPLOYMENT BENEFIT TRUST FUNDS
JUNE 30, 2015

	Pension Trust Funds			Other Post- Employment Benefit Trust Fund	Total Pension and Other Post- Employment Benefit Trust Funds
	Police Pension Fund	Fire Pension Fund	Total Pension Trust Funds		
Assets:					
Cash	\$	\$ 1,861,355	\$ 1,861,355	\$ 463,991	\$ 2,325,346
Investments, at fair value:					
Fixed income mutual funds	10,660,349	8,058,045	18,718,394	6,906,401	25,624,795
Domestic equity mutual funds	38,209,545	28,882,184	67,091,729	22,954,668	90,046,397
International equity mutual funds	7,435,049	5,620,073	13,055,122	4,439,331	17,494,453
Alternative investments	4,032,412	3,048,057	7,080,469	1,910,322	8,990,791
Total assets	<u>60,337,355</u>	<u>47,469,714</u>	<u>107,807,069</u>	<u>36,674,713</u>	<u>144,481,782</u>
Liabilities:					
Cash overdraft	90,194		90,194		90,194
Accounts payable	44,139	33,364	77,503	34,879	112,382
Total liabilities	<u>134,333</u>	<u>33,364</u>	<u>167,697</u>	<u>34,879</u>	<u>202,576</u>
Net Position:					
Net position - restricted for pension benefits	60,203,022	47,436,350	107,639,372		107,639,372
Net position - restricted for other post- employment benefit			-	36,639,834	36,639,834
Total Net Position	<u>\$ 60,203,022</u>	<u>\$ 47,436,350</u>	<u>\$ 107,639,372</u>	<u>\$ 36,639,834</u>	<u>\$ 144,279,206</u>

**CITY OF NEWPORT, RHODE ISLAND
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 PRIVATE-PURPOSE TRUST FUNDS
 JUNE 30, 2015**

	Private-Purpose Trust Funds		
	Expendable Scholarship Funds	Nonexpendable Scholarship Trusts	Total Private Purpose Trust Funds
Assets:			
Cash	\$ 23,581	\$	\$ 23,581
Investments, at fair value:			
Fixed income mutual funds		549,115	549,115
Domestic equity mutual funds		1,167,114	1,167,114
Total assets	<u>23,581</u>	<u>1,716,229</u>	<u>1,739,810</u>
Liabilities:			
Cash overdraft		38,808	38,808
Accounts payable		1,278	1,278
Total liabilities	<u>-</u>	<u>40,086</u>	<u>40,086</u>
Net Position:			
Net position - restricted for trust purposes	<u>23,581</u>	<u>1,676,143</u>	<u>1,699,724</u>
Total Net Position	\$ <u>23,581</u>	\$ <u>1,676,143</u>	\$ <u>1,699,724</u>

CITY OF NEWPORT, RHODE ISLAND
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION AND OTHER POST EMPLOYMENT BENEFIT TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Pension Trust Funds			Other Post- Employment Benefit Trust Fund	Total Pension and Other Post- Employment Benefit Trust Funds
	Police Pension Fund	Fire Pension Fund	Total Pension Trust Funds		
Additions:					
Contributions:					
Employees	\$ 487,883	\$ 607,260	\$ 1,095,143	\$	\$ 1,095,143
Employer	4,012,174	6,048,094	10,060,268	500,000	10,560,268
Total contributions	<u>4,500,057</u>	<u>6,655,354</u>	<u>11,155,411</u>	<u>500,000</u>	<u>11,655,411</u>
Investment income:					
Net change in fair value of investments	2,107,640	1,453,202	3,560,842	596,417	4,157,259
Interest, dividends and realized gains	1,333,056	1,007,746	2,340,802	911,530	3,252,332
Total investment income	<u>3,440,696</u>	<u>2,460,948</u>	<u>5,901,644</u>	<u>1,507,947</u>	<u>7,409,591</u>
Less investment expenses	<u>162,096</u>	<u>122,527</u>	<u>284,623</u>	<u>109,129</u>	<u>393,752</u>
Net investment income	<u>3,278,600</u>	<u>2,338,421</u>	<u>5,617,021</u>	<u>1,398,818</u>	<u>7,015,839</u>
Total additions	<u>7,778,657</u>	<u>8,993,775</u>	<u>16,772,432</u>	<u>1,898,818</u>	<u>18,671,250</u>
Deductions:					
Benefits	4,990,121	5,793,864	10,783,985		10,783,985
Administration	93,500	70,675	164,175	64,517	228,692
Total deductions	<u>5,083,621</u>	<u>5,864,539</u>	<u>10,948,160</u>	<u>64,517</u>	<u>11,012,677</u>
Change in Net Position	2,695,036	3,129,236	5,824,272	1,834,301	7,658,573
Net Position at Beginning of Year	<u>57,507,986</u>	<u>44,307,114</u>	<u>101,815,100</u>	<u>34,805,533</u>	<u>136,620,633</u>
Net Position at End of Year	<u>\$ 60,203,022</u>	<u>\$ 47,436,350</u>	<u>\$ 107,639,372</u>	<u>\$ 36,639,834</u>	<u>\$ 144,279,206</u>

**CITY OF NEWPORT, RHODE ISLAND
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Expendable Scholarship Funds</u>	<u>Nonexpendable Scholarship Trusts</u>	<u>Total Private Purpose Trust Funds</u>
Additions:			
Contributions	\$ 10,000	\$ 1,300	\$ 11,300
Investment income:			
Net appreciation in fair value of investment:		25,073	25,073
Interest and dividends		49,748	49,748
Total investment income	-	74,821	74,821
Less investment expenses		3,515	3,515
Net investment income	-	71,306	71,306
Total additions	10,000	72,606	82,606
Deductions:			
Awards	10,000	39,722	49,722
Administration		2,906	2,906
Total deductions	10,000	42,628	52,628
Change in Net Position	-	29,978	29,978
Net Position at Beginning of Year	23,581	1,646,165	1,669,746
Net Position at End of Year	\$ 23,581	\$ 1,676,143	\$ 1,699,724

CITY OF NEWPORT, RHODE ISLAND
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FIDUCIARY NET POSITION
NONEXPENDABLE SCHOLARSHIP TRUSTS
JUNE 30, 2015

	Net Assets Held In Trust For Purposes Beginning	Additions		Deductions Awards and Investment Expense	Net Assets Held In Trust For Purposes Ending
		Donations	Investment Income (Loss)		
Peter P Integlia Physical Education Scholarship	\$ 18,331	\$ 300	\$ 817	\$ (305)	\$ 19,143
American Culinary Federation Award	44,900	1,000	2,118		48,018
Eileen Jeanes Jachna Award	39,453		1,876	(1,260)	40,069
William T Bull Award	39,546		1,712	(1,990)	39,268
Mercedes S Coulombe Award	99,838		4,602		104,440
Carol Ann Page Award	8,114		335	(200)	8,249
Avis G Marden Award	6,008		236		6,244
Class of 41 American Government Award	6,499		309		6,808
PF Carroll Scholarship	33,260		1,356	(1,090)	33,526
J Fitzgerald Scholarship	3,009		120	(100)	3,029
Smales Scholarship	17,871		700	(590)	17,981
Henry Vaughn Memorial Award	6,558		312		6,870
Adelson Biology Award	4,800		235	(150)	4,885
Leavitt Trust Award	21,945		1,041	(710)	22,276
Alliance Francaise Award	1,734		67	(31)	1,770
Lalli Trust Award	6,978		283		7,261
Goldstein Music Award	6,774		263		7,037
MB Howard Award	19,567		762	(650)	19,679
Newport School Book Award	439		21		460
Edward King Medal Award	91,261		3,819	(1,483)	93,597
Koehne Latin Award	4,785		184	(170)	4,799
Mirman Math Award	3,951		153	(130)	3,974
GH Norman Award	10,103		412	(330)	10,185
Peckham Award	116,522		5,167	(1,803)	119,886
Pell Medal	3,316		158		3,474
Read Medal #1	1,114		53		1,167
Read Medal #2	1,237		59		1,296
Charles B King Award	24,146		944	(800)	24,290
Rogers High School Centennial Award	55,885		2,175	(1,850)	56,210
Almira Coffin Award	6,078		239	(200)	6,117
HH Toole Scholarship	19,583		761	(650)	19,694
Henry Heffernan Award	94,010		3,848	(3,000)	94,858
Bruen Scholarship	31,917		1,518		33,435
Sullivan Scholarship	50,126		1,987		52,113
Joseph P Cotton Memorial Award	29,001		1,132	(640)	29,493
Rufus E Darrah Memorial Award	10,107		378	(340)	10,145
Margaret P Stevens Award	1,023		49		1,072
Christine Meek Sullivan/Marx Award	20,881		783		21,664
Zelda Mirman Music/Drama Award	40,546		1,622	(1,340)	40,828
Wosencroft Scholarship	8,916		423	(290)	9,049
M/M Thomas Archambault Award	19,532		762	(650)	19,644
Class of 46 Rogers High School DLS Award	21,889		860		22,749
General Contractors Association Award	30,814		1,199	(1,000)	31,013
Cohen Scholarship	8,004		392	(260)	8,136
Townsend Scholarship	10,077		394	(330)	10,141
Dorothy Drinkwater Lecraw Award	67,254		2,639	(2,220)	67,673
Nicholas Logothets Award	6,046		279		6,325
Helene Lewis Memorial Scholarship	101,975		3,983	(1,650)	104,308
Kristen Jorge Memorial Scholarship	23,792		1,129	(760)	24,161
James Colton Crowley Award	110,393		4,318	(3,600)	111,111
Florence J Alofsin English Award	7,798		304	(260)	7,842
Sandra Clooney Memorial Scholarship	34,550		1,356	(1,140)	34,766
Allan Family Scholarship	124,248		5,071	(4,100)	125,219
Loeb/George Washington Essay Award	9,497		208	(750)	8,955
Tift-Oxley Scholarship Fund	59,164		2,477	(1,900)	59,741
Unallocated Expense	1,000			(1,000)	-
Total Permanent Trust Funds	\$ 1,646,165	\$ 1,300	\$ 68,400	\$ (39,722)	\$ 1,676,143

**CITY OF NEWPORT, RHODE ISLAND
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance Ending</u>
ASSETS				
Cash:				
Student activity funds	\$ 343,558	\$ 334,402	\$ 388,827	\$ 289,133
Newport Municipal Charitable Improvement, Inc.	<u>28,811</u>			<u>28,811</u>
Total Assets	<u>\$ 372,369</u>	<u>\$ 334,402</u>	<u>\$ 388,827</u>	<u>\$ 317,944</u>
LIABILITIES				
Amounts held in escrow:				
Student activity funds	\$ 343,558	\$ 334,402	\$ 388,827	\$ 289,133
Newport Municipal Charitable Improvement, Inc.	<u>28,811</u>			<u>28,811</u>
Total Liabilities	<u>\$ 372,369</u>	<u>\$ 334,402</u>	<u>\$ 388,827</u>	<u>\$ 317,944</u>

Statistical Section

Statistical Section Information

The objectives of statistical section information are to provide financial statement users with additional historical perspective, context and detail to assist in using the information in the financial statements, notes to financial statements and required supplementary information to understand and assess economic condition.

Statistical section information is presented in the following categories:

- *Financial trends information* is intended to assist users in understanding and assessing how financial position has changed over time.
- *Revenue capacity information* is intended to assist users in understanding and assessing the factors affecting the ability to generate *own-source revenues* (property taxes, charges for services, etc.).
- *Debt capacity information* is intended to assist users in understanding and assessing debt burden and the ability to issue additional debt.
- *Demographic and economic information* is intended 1) to assist users in understanding the socioeconomic environment, and 2) to provide information that facilitates comparisons of financial statement information over time and among governments.
- *Operating information* is intended to provide contextual information about operations and resources to assist readers in using financial statement information to understand and assess economic condition.

The accompanying tables are presented in the above order. Refer to the Table of Contents for applicable page number locations.

**CITY OF NEWPORT, RHODE ISLAND
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(UNAUDITED)**

	2006	2007	2008	Fiscal Year 2009	2010	2011	2012	2013	2014	2015
Governmental activities:										
Invested in capital assets, net of related debt	\$ 43,072,452	\$ 47,999,443	\$ 52,461,114	\$ 59,259,977	\$ 58,114,920	\$ 62,576,195	\$ 65,841,497	\$ 65,282,126	\$ 75,523,117	\$ 71,918,140
Restricted for:										
Permanent Funds:										
Expendable	7,255,682	7,148,999	6,281,490	4,356,646	4,753,846	5,955,530	5,844,993	6,813,099	8,179,376	8,070,909
Nonexpendable	1,142,270	1,889,512	1,937,467	1,890,210	1,976,581	2,181,651	2,181,651	2,181,651	2,095,016	2,601,651
Debt service	511,451	676,668	878,998	1,065,923	1,228,776	1,400,360	1,605,509	1,797,817	1,996,439	2,202,084
Education	1,081,801	953,325								
Unrestricted	5,401,520	6,484,503	8,364,508	5,807,577	9,706,280	4,508,285	7,549,172	14,794,102	15,092,614	(93,982,709)
Total governmental activities net position	<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>	<u>90,868,795</u>	<u>102,886,562</u>	<u>(9,189,925)</u>
Business-type activities:										
Invested in capital assets, net of related debt	84,210,144	86,137,192	87,063,157	90,719,216	87,919,616	91,514,668	87,882,885	94,138,176	90,596,425	96,257,736
Held in trust					99,000	99,000	99,000	99,000	99,000	99,000
Restricted - Other purposes	4,401,342	3,054,328	4,749,967	3,900,192	8,825,854	9,074,231	19,435,998	22,114,096	27,776,957	27,392,934
Unrestricted	3,719,540	4,222,057	2,365,226	1,207,853	2,214,069	(749,281)	3,602,780	494,384	2,653,117	599,161
Total business-type activities net position	<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>	<u>116,845,656</u>	<u>121,125,499</u>	<u>124,348,831</u>
Primary government:										
Invested in capital assets, net of related debt	127,282,596	134,136,635	139,524,271	149,979,193	146,034,536	154,090,863	153,724,382	159,420,302	166,119,542	168,175,876
Restricted for:										
Permanent Funds:										
Expendable	7,255,682	7,148,999	6,281,490	4,356,646	4,753,846	5,955,530	5,844,993	6,813,099	8,179,376	8,070,909
Nonexpendable	1,142,270	1,889,512	1,937,467	1,890,210	1,976,581	2,181,651	2,181,651	2,181,651	2,095,016	2,601,651
Held in trust					99,000	99,000	99,000	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	23,911,913	29,773,396	29,595,018
Education	1,081,801	953,325								
Unrestricted	9,121,060	10,706,560	10,729,734	7,015,430	11,920,349	3,759,004	11,151,952	15,288,486	17,745,731	(93,383,548)
Total primary government net position	<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>	<u>\$ 207,714,451</u>	<u>\$ 224,012,061</u>	<u>\$ 115,158,906</u>

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses:										
Governmental activities:										
General government	\$ 4,201,754 (2)	\$ 6,904,515	\$ 5,664,619	\$ 5,638,586	\$ 6,782,232	\$ 6,197,935	\$ 6,449,503	\$ 6,082,791	\$ 6,460,341	\$ 6,870,007
General education	42,119,068	44,860,182	45,420,073	45,273,034	43,071,429	43,124,023	42,960,456	41,859,273	39,877,482	41,716,565
Public safety	27,932,352	29,620,705	30,005,098	30,380,376	31,829,739	35,191,714	32,531,976	34,008,599	34,730,531	36,070,275
Public services	4,564,130	5,179,345	7,000,668	8,396,219	8,023,199	8,240,164	8,306,613	8,979,859	10,927,989	12,094,748
Civic investment	1,994,692	1,440,553	1,604,671	1,829,568	1,363,899	1,744,516	1,510,493	1,639,008	628,940	511,690
Zoning and inspections	2,121,346	2,415,401	622,368	1,092,871	769,888	753,272	477,422	553,546	745,706	772,793
Human services	2,720,900	3,256,251	3,248,665	3,361,996	3,241,886	3,207,552	2,887,012	3,091,514	2,979,211	2,428,828
Interest expense	867,107	841,520	782,723	682,805	863,546	626,020	761,420	717,665	1,405,987	1,480,976
Total governmental activities	<u>86,521,349</u>	<u>94,518,472</u>	<u>94,348,885</u>	<u>96,655,455</u>	<u>95,945,818</u>	<u>99,085,196</u>	<u>95,884,895</u>	<u>96,932,255</u>	<u>97,756,187</u>	<u>101,945,882</u>
Business-type activities:										
Water	6,994,360	7,809,046	7,719,962	9,003,205	8,982,066	10,528,183	9,527,155	11,109,044	12,158,289	12,966,669
Water Pollution Control	6,781,706	7,051,852	7,559,615	7,428,839	8,108,213	10,114,458	10,123,815	10,522,134	10,399,257	10,508,627
Nonmajor	1,767,218	2,159,568	2,568,503	2,662,517	2,914,382	2,718,580	2,946,530	3,050,165	2,280,095	2,156,032
Total business-type activities	<u>15,543,284</u>	<u>17,020,466</u>	<u>17,848,080</u>	<u>19,094,561</u>	<u>20,004,661</u>	<u>23,361,221</u>	<u>22,597,500</u>	<u>24,681,343</u>	<u>24,837,641</u>	<u>25,631,328</u>
Total primary government expenses	<u>102,064,633</u>	<u>111,538,938</u>	<u>112,196,965</u>	<u>115,750,016</u>	<u>115,950,479</u>	<u>122,446,417</u>	<u>118,482,395</u>	<u>121,613,598</u>	<u>122,593,828</u>	<u>127,577,210</u>
Program Revenues:										
Governmental activities:										
Charges for services:										
General government	4,592,923	5,871,413	5,508,299	4,395,451	4,207,690	4,343,388	4,014,183	5,301,995	6,023,083	5,765,967
General education	1,538,629	1,856,459	1,356,264	1,782,477	1,790,646	1,440,324	1,321,351	837,653	840,696	873,012
Public safety	2,679,694	3,087,659	3,056,098	3,574,759	3,874,660	3,484,757	3,192,258	3,820,994	3,095,399	3,790,637
Public services	31,560	26,990	85,761	94,164	57,937	99,195	87,460	34,370	216,626	237,252
Civic investment	1,184,118	1,168,204	1,601,347	947,823	868,638	908,497	925,484	1,318,890	59,629	
Zoning and inspections	96,764	99,126	105,010	129,025	117,510	113,660	137,297	144,068	1,675,596	1,643,399
Human services	150,622	297,236	439,667	238,794	(22,957)	(262,752)	951,451	245,112	152,053	1,793,683
Operating grants and contributions	20,380,130	21,272,720	20,851,435	20,403,551	20,039,597	21,164,485	20,050,143	19,682,834	20,758,313	19,838,253
Capital grants and contributions	1,170,076	786,166	469,484	2,981,072	1,773,730	551,913	2,423,972	648,087	3,112,761	136,278
Total governmental activities program revenues	<u>31,824,516</u>	<u>34,465,973</u>	<u>33,473,365</u>	<u>34,547,116</u>	<u>32,707,451</u>	<u>31,843,467</u>	<u>33,103,599</u>	<u>32,034,003</u>	<u>35,934,156</u>	<u>34,078,481</u>
Business-type activities:										
Charges for services:										
Water	9,514,397 (3)	8,506,460	9,025,966	9,614,675	10,466,106	10,270,053	12,257,011	13,407,886	15,238,273	18,458,859
Water Pollution Control	6,462,089	6,181,907	7,337,836	7,865,579	7,951,054	10,530,416	13,486,581	12,850,160	12,245,091	12,701,733
Recreational and parking facilities	2,572,591	2,345,366	2,833,916	2,922,394	3,068,368	3,322,473	3,403,559	3,391,446	2,621,380	2,615,748
Capital grants and contributions		673,500	305,849	154,107	154,107	78,856	4,494,396	853,295	484,760	
Total business-type activities	<u>18,549,077</u>	<u>17,707,233</u>	<u>19,503,567</u>	<u>20,556,755</u>	<u>21,639,635</u>	<u>24,201,798</u>	<u>33,641,547</u>	<u>30,502,787</u>	<u>30,589,504</u>	<u>33,776,340</u>
Total primary government program revenues	<u>50,373,593</u>	<u>52,173,206</u>	<u>52,976,932</u>	<u>55,103,871</u>	<u>54,347,086</u>	<u>56,045,265</u>	<u>66,745,146</u>	<u>62,536,790</u>	<u>66,523,660</u>	<u>67,854,821</u>
Net (Expense)/Revenue:										
Governmental activities	(54,696,833)	(60,052,499)	(60,875,520)	(62,108,339)	(63,238,367)	(67,241,729)	(62,781,296)	(64,898,252)	(61,822,031)	(67,867,401)
Business-type activities	3,005,793	686,767	1,655,487	1,462,194	1,634,974	840,577	11,044,047	5,821,444	5,751,863	8,145,012
Total primary government net expense	<u>(51,691,040)</u>	<u>(59,365,732)</u>	<u>(59,220,033)</u>	<u>(60,646,145)</u>	<u>(61,603,393)</u>	<u>(66,401,152)</u>	<u>(51,737,249)</u>	<u>(59,076,808)</u>	<u>(56,070,168)</u>	<u>(59,722,389)</u>

(Continued)

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Revenues and Other Changes in Net Assets:										
Governmental activities:										
Property taxes	\$ 54,833,897	\$ 57,736,458	\$ 60,005,572	\$ 62,169,011	\$ 63,583,199	\$ 64,518,899	\$ 67,296,737	\$ 69,218,686	\$ 71,303,614	\$ 74,033,014
Unrestricted grants and contributions	4,614,794	4,642,114	4,330,807	3,506,886	2,540,966	1,257,171	1,353,015	1,387,855	1,543,540	1,723,595
Investment income	1,425,620	2,368,396	641,453	(1,008,699)	1,257,806	1,989,248 (4)	692,470	1,431,220	2,054,867	1,148,704
Miscellaneous	133,494									
Gain on sale of assets								730,000		2,422,500
Transfers		(175,500)	1,053,250	(102,103)	(743,534)		25,200	(23,536)	(1,062,223)	300,000
Total governmental activities	61,007,805	64,571,468	66,031,082	64,565,095	66,638,437	67,765,318	69,367,422	72,744,225	73,839,798	79,627,813
Business-type activities:										
Investment income	175,220	220,284	162,538	84,612	78,285	39,502	63,198	(19,987)	46,272	26,405
Capital contributions					320,000					
Loss on disposal of assets									(2,291,267)	
Transfer from primary government		175,500	(1,053,250)	102,103	743,534		(25,200)	23,536	1,062,223	(300,000)
Total business-type activities	175,220	395,784	(890,712)	186,715	1,141,819	39,502	37,998	3,549	(1,182,772)	(273,595)
Special Item - Sale of School Building		2,168,305								
Special Item - Forgiveness of debt					454,485					
Total primary government	61,183,025	67,135,557	65,140,370	64,751,810	68,234,741	67,804,820	69,405,420	72,747,774	72,657,026	79,354,218
Change in Net Position										
Governmental activities	6,310,972	6,687,274	5,155,562	2,456,756	3,400,070	523,589	6,586,126	7,845,973	12,017,767	11,760,412
Business-type activities	3,181,013	1,082,551	764,775	1,648,909	3,231,278	880,079	11,082,045	5,824,993	4,569,091	7,871,417
Total primary government	\$ 9,491,985	\$ 7,769,825	\$ 5,920,337	\$ 4,105,665	\$ 6,631,348	\$ 1,403,668	\$ 17,668,171	\$ 13,670,966	\$ 16,586,858	\$ 19,631,829

(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

The City combined the recreation division with public services in FY2014; The City closed Easton's Beach operations (a business-type activity) into governmental activities in FY2014; The City split the planning, zoning and inspections division into two divisions in FY2014.

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund:										
Restricted by Donors	\$	\$	\$	\$	\$	\$	\$ 65,453	\$ 88,288	\$ 99,453	\$ 105,183
Committed	1,256,428	983,669	860,549	773,846	838,101	1,157,839	554,702	759,186	689,885	1,291,706
Assigned						864,852	869,960	1,534,889	452,243	2,844,064 (2)
Unassigned	4,098,720	4,114,666	5,974,689	8,011,145	9,175,856	7,646,392	10,146,290	11,247,717 (1)	11,810,021	13,369,154
Total general fund	\$ 5,355,148	\$ 5,098,335	\$ 6,835,238	\$ 8,784,991	\$ 10,013,957	\$ 9,669,083	\$ 11,636,405	\$ 13,630,080	\$ 13,051,602	\$ 17,610,107
All Other Governmental Funds:										
Nonspendable	1,142,270	1,889,512	1,937,467	1,890,210	1,976,581	2,181,651	2,181,651	2,181,651	2,095,016	2,601,651
Restricted for Trusts	7,230,632	7,148,999	6,281,490	4,356,646	4,753,846	5,955,530	5,844,993	6,813,099	8,179,376	8,070,909
Restricted for Debt Service	511,451	676,668	878,998	1,065,923	1,228,776	1,400,360	1,605,509	1,797,817	1,996,439	2,202,084
Restricted by Grants	3,101,992	2,058,684	2,442,682	3,358,230	3,131,649	2,630,585	2,627,638	2,775,198	3,390,416	3,830,470
Committed for Capital Projects	4,432,555	6,374,040	7,017,849	885,671	4,994,692	3,052,879	7,902,015	7,233,629	5,562,794	11,480,237
Committed for Encumbrances	60,503									
Assigned by City Council	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						(71,296)	(28,728)	(246,686)		(64,680)
School Unassigned	693,632	1,940,267	2,838,529	1,785,759	292,259	202,464		(1)		
Total all other governmental funds	18,419,856	23,350,353	24,715,619	16,358,552	18,394,585	16,722,384	20,133,078	20,554,708	21,224,041	28,120,671
Grand Total	\$ 23,775,004	\$ 28,448,688	\$ 31,550,857	\$ 25,143,543	\$ 28,408,542	\$ 26,391,467	\$ 31,769,483	\$ 34,184,788	\$ 34,275,643	\$ 45,730,778

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 Gifts Fund in FY2012

(2) - Sale of surplus school building

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues:										
Taxes	\$ 54,767,961	\$ 57,519,657	\$ 60,115,303	\$ 62,081,094	\$ 63,485,526	\$ 64,411,792	\$ 67,395,943	\$ 69,092,746	\$ 71,336,608	\$ 73,924,776
Intergovernmental revenues	25,499,996	27,080,891	25,587,672	25,556,603	25,058,739	23,285,265	23,508,604	21,351,664	22,005,470	21,572,282
Charges for services	8,829,175	10,827,781	10,924,457	10,258,966	9,975,467	9,541,761	9,721,040	11,620,148	11,957,787	12,629,853
Use of money and property	1,425,620	2,368,397	641,456	(1,008,699)	1,257,726	2,014,016	692,470	1,431,220	2,054,867	1,148,704
Donations	29,347 (1)	179,343	198,608	95,493	52,253	161,507	625,959	494,240	543,031	411,572
Other revenues	1,672,123 (1)	1,582,706	1,144,697	1,194,553	1,273,953	1,128,835	108,017	126,852	102,428	11,896
Total revenues	<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>	<u>104,116,870</u>	<u>108,000,191</u>	<u>109,699,083</u>
Expenditures:										
Current:										
General government	5,248,504	5,757,907	5,459,164	5,558,102	5,931,444	5,435,280	5,691,806	5,482,360	5,890,858	5,988,047
General education	41,206,309	43,164,937	42,382,522	43,227,289	44,349,792	42,740,185	41,921,694	40,793,783	39,375,366	41,832,664
Public safety	26,806,416	27,709,813	27,463,039	28,267,498	30,194,522	32,635,798	30,683,872	32,455,190	34,107,504	35,245,809
Public services	3,710,241	4,048,493	6,428,621 (3)	6,963,674	6,767,348	7,331,032	6,558,789	7,214,122	8,542,562	9,577,893
Civic investment	1,909,891 (2)	1,244,576	1,229,936	1,271,653	1,187,737	1,601,554	1,322,831	1,495,174	532,280	406,802
Zoning and inspections	1,729,893	1,727,212	558,059 (3)	653,419	600,505	590,817	426,155	496,911	745,706	784,609
Human services	2,630,902	3,228,649	3,163,997	3,358,488	3,087,205	3,033,732	2,781,564	2,969,991	2,907,235	2,835,075
Pension expenses	1,136,621	1,607,335	2,453,316	5,206,245	3,247,795	2,722,514	3,935,092	3,388,489	1,762,358	1,341,546
Debt service:										
Principal	1,192,470	1,204,311	1,187,425	1,224,266	1,237,114	1,040,489	1,756,211	1,732,932	1,405,082	1,629,784
Interest	838,757	803,651	755,657	712,750	896,577	693,395	616,534	725,389	3,013,999	3,257,800
Capital outlay	5,096,730	6,381,011	5,097,103	8,039,837	5,231,327	5,974,911	9,922,125	27,831,732	8,564,163	5,775,889
Total expenditures	<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>	<u>124,586,073</u>	<u>106,847,113</u>	<u>108,675,918</u>
Excess (deficiency) of revenues over expenditures	<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>	<u>(20,469,203)</u>	<u>1,153,078</u>	<u>1,023,165</u>
Other Financing Sources (Uses):										
Proceeds from borrowing					18,285,000		9,000,000	19,575,000		5,735,000
Bond premium					1,149,278		102,780	2,603,044		423,546
Payment to refunding escrow agent					(14,091,304)					1,500,000
Sale of property		2,168,305						730,000		2,422,500
Lease proceeds						1,239,457				
Transfers in	27,695,528	28,310,752	28,427,088	25,924,266	24,606,361	24,517,821	24,387,564	2,400,693	2,598,250	4,566,338
Transfers out	(27,695,528)	(28,486,252)	(27,373,838)	(26,026,369)	(25,349,895)	(24,517,821)	(24,362,364)	(2,424,229)	(3,660,473)	(4,266,338)
Total other financing sources (uses)	<u>-</u>	<u>1,992,805</u>	<u>1,053,250</u>	<u>(102,103)</u>	<u>4,599,440</u>	<u>1,239,457</u>	<u>9,127,980</u>	<u>22,884,508</u>	<u>(1,062,223)</u>	<u>10,381,046</u>
Net change in fund balances	<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>	<u>\$ 2,415,305</u>	<u>\$ 90,855</u>	<u>\$ 11,404,211</u>
Debt service as a percentage of noncapital expenditures										
	<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>	<u>2.54%</u>	<u>4.50%</u>	<u>4.75%</u>

Notes:

- (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

The City combined the recreation division with public services in FY2014; The City closed Easton's Beach operations (a business-type activity) into governmental activities in FY2014; The City split the planning, zoning and inspections division into two divisions in FY2014.

**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		
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%
2013	3,966,146,314	1,071,247,506	117,777,139		159,306,729	119,297,700	5,195,179,988	11.36	15.75	5,314,477,688	97.76%
2014	3,968,689,640	1,080,838,650	119,993,234		160,804,599	114,141,051	5,216,185,072	11.71	16.23	5,330,326,123	97.86%
2015	4,540,796,670	1,266,557,910	119,935,595		165,559,532	107,843,228	5,985,006,479	10.67	14.79	6,092,849,707	98.23%

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 2010 (effective 2011). The full revaluation is required by state law every 9 years. Statistical updates are required every 3 years.

TABLE 6

**CITY OF NEWPORT, RHODE ISLAND
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO
(UNAUDITED)**

	2015			2006		
	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value
LSRef3 Viking LLC	\$ 69,379,600	1	1.16%	\$ 43,732,600	4	1.25%
One Goat Island	61,898,391	2	1.03%			
Newport Restoration Foundation	53,019,429	3	0.89%	60,799,600	2	1.73%
Mass Mutual Life (Marriott)	52,401,000	4	0.88%	66,263,400	1	1.89%
Shaner Newport Harbour LLC	32,302,700	5	0.54%	26,283,900	7	0.75%
Narraganset Gas	32,237,512	6	0.54%			
RK Newport, LLC	28,461,100	7	0.48%	34,065,400	6	0.97%
Eastern Resorts Company	27,437,300	8	0.46%	34,723,100	5	0.99%
Newport Jai Alai, LLC	25,956,000	9	0.43%	19,062,200	9	0.54%
Narraganset Electric	24,318,478	10	0.41%			
Newport on Shore Hotel				19,306,500	8	0.55%
H E Newport, LLC				57,784,900	3	1.65%
American Capital Corp.				18,451,500	10	0.53%
Total	<u>\$ 407,411,510</u>		<u>6.81%</u>	<u>\$ 380,473,100</u>		<u>10.83%</u>

Source: City of Newport Assessor

**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
2006	\$ 52,053,701	\$ 50,818,303	97.6%	\$ 1,096,998	\$ 51,915,301	99.7%
2007	54,164,573	52,784,152	97.5%	1,298,474	54,082,626	99.8%
2008	56,325,863	55,036,635	97.7%	1,223,568	56,260,203	99.9%
2009	58,617,626	57,082,656	97.4%	1,505,536	58,588,192	99.9%
2010	60,163,158	58,578,657	97.4%	1,527,213	60,105,870	99.9%
2011	60,831,265	59,194,513	97.3%	1,578,161	60,772,674	99.9%
2012	63,291,283	61,974,383	97.9%	1,242,277	63,216,660	99.9%
2013	65,143,925	63,789,524	97.9%	1,275,732	66,419,657	102.0%
2014	67,298,950	65,882,954	97.9%	1,295,696	68,594,646	101.9%
2015	69,680,408	68,308,409	98.0%			

Source: City of Newport Tax Collector

*Considers addenda applied after 6/30/2013 and 6/30/2014

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

Fiscal Year June 30,	Governmental Activities					Business-Type Activities				Total	Percentage of Personal Income *	U.S. Census Estimated Population	Net Bonded Debt per Capita	Taxable Assessed Value	Net Bonded Debt as % of Taxable Assessed Value
	General Obligation Bonds (2)	QZAB (1)	Bond Premium	Notes Payable	Capital Leases	Water Bonds (2)	Maritime Notes	Water Pollution Control Bonds (2)							
	2006	\$ 18,757,747	\$ 1,863,536	\$	\$	\$	\$ 5,109,518	\$ 200,000	\$ 13,176,781						
2007	17,565,277	1,863,536				5,371,324	200,000	12,191,492	37,191,629	0.1407%	24,409	1,524	3,512,230,080	1.06%	
2008	16,377,852	1,863,536				7,098,563	200,000	11,267,416	36,807,367	0.1399%	24,409	1,508	6,051,054,991	0.61%	
2009	15,153,587	1,863,536				7,909,210	200,000	10,341,988	35,468,321	0.1418%	24,409	1,453	6,015,352,876	0.59%	
2010	18,951,472	1,863,536				9,274,225	200,000	26,433,662	56,722,895	0.0886%	24,409	2,324	5,777,055,863	0.98%	
2011	17,918,036	1,863,536			1,239,457	13,829,917	200,000	34,705,503	69,756,449	0.0746%	24,672	2,827	5,757,738,570	1.21%	
2012	25,161,825	1,863,536	969,290		969,865	26,129,751	200,000	35,651,317	90,945,584	0.0483%	24,672	3,686	5,781,826,886	1.57%	
2013	43,010,000	1,863,536	3,344,500		874,670	52,367,654	200,000	34,775,635	136,435,995	0.0414%	25,543	5,341	5,314,477,688	2.57%	
2014	40,130,000	1,863,536	3,116,666		776,552	83,148,410	200,000	32,850,267	162,085,431	Not available	25,543	6,346	5,330,326,123	3.04%	
2015	44,678,536	1,863,536	3,270,022	1,500,000	675,422	90,096,260	200,000	30,863,776	173,147,552	Not available	25,543	6,779	6,092,849,707	2.84%	

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	Notes Payable	Bond Premium	Capital Leases	QZAB	Total				
2006	\$ 18,757,747	\$	\$	\$	1,863,536	\$ 20,621,283	0.39%	0.54%	24,409	\$ 844.82
2007	17,565,277				1,863,536	19,428,813	0.38%	0.47%	24,409	795.97
2008	16,377,852				1,863,536	18,241,388	0.31%	0.44%	24,409	747.32
2009	15,153,587				1,863,536	17,017,123	0.28%	0.42%	24,409	697.17
2010	18,951,472				1,863,536	20,815,008	0.36%	0.48%	24,409	852.76
2011	17,899,756			1,239,457	1,863,536	21,002,749	0.36%	0.49%	24,672	851.28
2012	16,161,825	9,000,000	969,290	969,865	1,863,536	28,964,516	0.50%	0.64%	24,672	1,173.98
2013	43,010,000		3,344,500	874,670	1,863,536	49,092,706	0.94%	1.06%	25,543	1,921.96
2014	40,130,000		3,116,666	776,552	1,863,536	45,886,754	0.86%	Not Available	25,543	1,796.45
2015	44,678,536	1,500,000	3,270,022	675,422	1,863,536	51,987,516	0.85%	Not Available	25,543	2,035.29

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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total assessed value	\$ 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	\$ 5,314,477,688	\$ 5,330,326,123	\$ 6,092,849,707
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	107,804,171	184,944,976	184,048,472	185,187,748	176,865,941	171,729,613	177,019,152	159,434,331	159,909,784	182,785,491
Debt applicable to limit:										
General obligation bonds	20,621,283	19,428,813	18,241,388	17,017,123	20,815,008	20,712,430	18,407,430	44,873,536	41,993,536	44,678,536
Legal debt limit	107,804,171	184,944,976	184,048,472	185,187,748	176,865,941	171,729,613	177,019,152	159,434,331	159,909,784	182,785,491
Total net debt applicable to the limit	20,621,283	19,428,813	18,241,388	17,017,123	20,815,008	20,712,430	18,407,430	44,873,536	41,993,536	44,678,536
Legal debt margin	\$ 87,182,888	\$ 165,516,163	\$ 165,807,084	\$ 168,170,625	\$ 156,050,933	\$ 151,017,183	\$ 158,611,722	\$ 114,560,795	\$ 117,916,248	\$ 138,106,955
Total net debt applicable to the limit as a percentage of debt limit	23.65%	11.74%	11.00%	10.12%	13.34%	13.72%	11.61%	39.17%	35.61%	32.35%

**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	
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
2013	13,407,886	7,875,093	5,532,793	1,165,069	1,570,155	2.02	12,850,160	5,823,981	7,026,179	1,862,909	1,132,054	2.35
2014	15,238,273	7,780,097	7,458,176	808,000	2,667,530	2.15	12,245,091	5,802,679	6,442,412	1,925,368	1,088,093	2.14
2015	18,458,856	8,256,395	10,202,461	2,903,000	2,875,038	1.77	12,701,733	6,004,037	6,697,696	1,986,491	1,037,329	2.21

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

**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 <
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 ***		52,038		4,303,320		46,125,394	2,119	8.9%
2012	24,672 ***		43,905		4,529,740		46,112,864	2,029	7.6%
2013	25,543 ***		56,472		4,653,093		49,409,582	2,097	8.1%
2014	25,543 ***		Not Available		Not Available		Not Available	1,988	5.6%
2015	25,543 ***		Not Available		Not Available		Not Available	2,078	5.4%

* 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.

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

2015				2006			
Employer	Employees	Rank	Percentage of Total City Employment	Employees	Employees	Rank	Percentage of Total City Employment
Naval Station Newport	4,042	1	32.0%	Naval Undersea Warfare Center	2,824	1	18.7%
Newport Restaurant Group	938	2	7.4%	Newport Hospital	878	3	5.8%
Newport Hospital	803	3	6.4%	City of Newport	800	4	5.3%
Newport Harbor Corporation	612	4	4.8%	James L. Maher Center	700	5	4.6%
City of Newport	649	5	5.1%	Salve Regina University	500	6	3.3%
James L. Maher Center	550	6	4.4%	Preservation Society of Newport County	440	7	2.9%
Salve Regina University	540	7	4.3%	Newport Marriott Hotel	300	9	2.0%
Preservation Society	350	8	2.8%	Naval Education and Training Center (NETC)	950	2	6.3%
Hyatt Regency-Newport	340	9	2.7%	Hyatt Regency	330	8	2.2%
Marriott International Inc.	212	10	1.7%	Child & Family Services of Newport County	280	10	1.9%
Total	<u>9,036</u>		<u>71.6%</u>	Total	<u>8,002</u>		<u>53.0%</u>

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

TABLE 14

CITY OF NEWPORT, RHODE ISLAND
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(UNAUDITED)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government:										
Mayor and Council	7	7	7	7	7	7	7	7	7	7
City Manager	5	6	6	5.5	5.5	5.5	5.5	5.5	5.25	5.25
City Solicitor	3.5	3.5	3.5	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	21	21	23	22	22	22	21	22	18.5	18.5
City Clerk	6	6	6	6	6	6	6	5	5	5
Administrative services	17	18	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Civic Investment	13.5	13	13	13	13	13	14	5	5	4
Zoning & Inspections								9	9	9
Total General Government	<u>75</u>	<u>76.5</u>	<u>60.5</u>	<u>59</u>	<u>59</u>	<u>59</u>	<u>59</u>	<u>59</u>	<u>55.25</u>	<u>54.25</u>
Public safety:										
Police	114.5	111.5	111.5	111.5	104.5	104.5	104.5	104.5	104.5	104.5
Fire	99	99	99	99	99	99	99	99	99	102
	<u>213.5</u>	<u>210.5</u>	<u>210.5</u>	<u>210.5</u>	<u>203.5</u>	<u>203.5</u>	<u>203.5</u>	<u>203.5</u>	<u>203.5</u>	<u>206.5</u>
Public health:										
Public works	18.6	18.6	39	40	40	40	40	43	43	46
Water	46.3	46.3	46.4	46.4	46.4	46.4	46.4	46.4	46.4	46.4
Wastewater	1.1	1.1	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
	<u>66</u>	<u>66</u>	<u>87</u>	<u>88</u>	<u>88</u>	<u>88</u>	<u>88</u>	<u>91</u>	<u>91</u>	<u>94</u>
Public welfare:										
Recreation and parks	19	16.28	4	4	4	4	3	3	3	n/a
Public education:										
Teachers	219	219	210	201	197.5	211.5	212.1	208.4	198.2	208
Pupil support	64	64	62	60	58.5	45.5	48	51	50	59
Executive and administrative	90	90	76	74	69	63	59.5	56.4	57	57
	<u>373</u>	<u>373</u>	<u>348</u>	<u>335</u>	<u>325</u>	<u>320</u>	<u>319.6</u>	<u>315.8</u>	<u>305.2</u>	<u>324</u>
Total	<u>746.5</u>	<u>742.28</u>	<u>710</u>	<u>696.5</u>	<u>679.5</u>	<u>674.5</u>	<u>673.1</u>	<u>672.3</u>	<u>657.95</u>	<u>678.75</u>

Source: City budgets and School Business Manager

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

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Police:										
Arrests	1,789	1,599	1,943	1,777	1,723	1,827	1,185	1,372	1,721	1,526
Parking violations	50,623	39,423	39,968	40,962	35,535	31,679	34,765	28,804	20,775	22,753
Calls for Service	36,465	33,597	34,015	35,677	30,058	29,220	28,785	28,620	30,804	31,728
Fire:										
Emergency responses	3,959	5,079	5,625	5,891	3,675	3,719	4,162	4,340	4,057	4,138
Fires extinguished	95	102	116	78	109	78	123	156	118	77
Inspections	1,338	1,681	1,151	948	1,414	1,136	1,545	1,466	1,584	1,301
Refuse collection:										
Refuse collected (tons/day, average)	33.17	30.99	29.66	29.30	28.22	27.57	27.58	26.68	27.29	22.49
Recyclables collected (tons/day, ave)	9.32	8.63	8.91	8.94	8.66	8.64	8.59	8.69	9.18	9.92
Other public works:										
Street resurfacing (miles)	0.9	1.4	1.92	1.90	4.2	9.43	6.5	9.26	3.283	1.41
Parks and recreation:										
Athletic field and facility rentals	22	38	87	309	325 ***	331	335	415	420	428
Library:										
Volumes in collections	189,727	189,405	205,914	211,767	167,209 ****	183,506 *****	172,814 *****	195,105 ^	206,451 ^	191,980
Water:										
New connections	69	148	57	35	30	30	44	55	23	52
Water mains breaks	23	32	31	25	35	24	19	28	31	19
Average daily production (avail for sale) (million gallons per day)	6.99	6.69	6.87	6.93	6.65	6	5.9	5.67	5.79	5.55
Wastewater:										
Average daily sewage treatment (thousands of gallons)	9,872	9,800	7,820	10,000	11,100	8,550	9,463	8,240	7,094	7,200

Note:

** 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

^ Includes 25,553 e books purchased consorcially through Ocean State Libraries

Sources: Various city departments

**CITY OF NEWPORT, RHODE ISLAND
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
(UNAUDITED)**

Function/Program	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	86	86	86	86	79	79	79	79	79	79
Fire stations	3	3	3	3	3	3	3	3	3	3
Public works:										
Streets (miles)	94	94	94	94	94	94	94	97	97	97
Streetlights	1,976	1,976	1,976	1,974	1,974	1,918	1,918	1,918	1,918	1,918
Traffic signals	5	5	5	5	5	5	5	5	5	5
Parks and recreation:										
Acreage	183	183	183	183	183	183	183	183	183	183
Playgrounds	13	13	13	13	13	13	13	13	13	15
Multi purpose playing fields	7	7	7	7	7	7	7	7	7	7
Tennis courts	18	18	18	18	18	18	18	18	18	18
Community centers	1	1	1	1	1	1	1	1	1	1
Water:										
Water mains (miles)	162	163	163	163	163	163	163	163	163	163
Fire hydrants	987	996	999	999	1,034	1,034	1,034	1,037	1,037	1,037
Storage capacity (thousands of gallons-treated)	10,500	10,500	10,500	10,500	10,500	10,500	10,500	7,500	7,500	7,500
Wastewater:										
Sanitary sewers (miles)	88	88	88	88	88	88	88	88	88	88
Storm sewers (miles)	46	46	46	47	47	47	47	47	52	52
Treatment capacity (thousands of gallons) (daily)	10,700	10,700	10,700	10,700	10,700	10,700	10,700	10,700	10,700	10,700

Source: Various city departments