

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

of the

CITY OF NEWPORT, RHODE ISLAND



FOR THE YEAR ENDED

JUNE 30, 2016

PREPARED BY:

LAURA SITRIN, CPA
DIRECTOR OF FINANCE

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



December 22, 2016

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, 2016.

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, 2016 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, 2016, 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, and Municipal Judges. 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. In practice, budget preparation begins in December. 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 2014 (latest available data) for Newport County is \$57,488 compared to \$48,359 and \$40,794 for Rhode Island and the United States, respectively. The unemployment rate is 4.3% compared to the state unemployment rate of 5.5%. The median selling price of an existing home in June 2016 is \$366,225 compared to \$366,225 in June 2015. 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.

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 (FY2016) 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 FY2016, and one adopted budgeted appropriation in FY2017 of \$310,000 from prior year fuel savings for a one-time capital expense. The Newport Public Schools appropriated \$250,000 in FY2017.

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 FY2016.

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 15th year (declining to 1). The plans are currently funded at 45% for the fire plan and 60% for the police plan. The City recently changed the assumed rate of return on investment assets from 7.50% to 7.25%, which increased the liability.

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, 2016 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, 2016, 524 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, 2016 is \$115 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 \$36 million have been accumulated as of June 30, 2016. 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 13 and 14 in the notes to the basic financial statements.

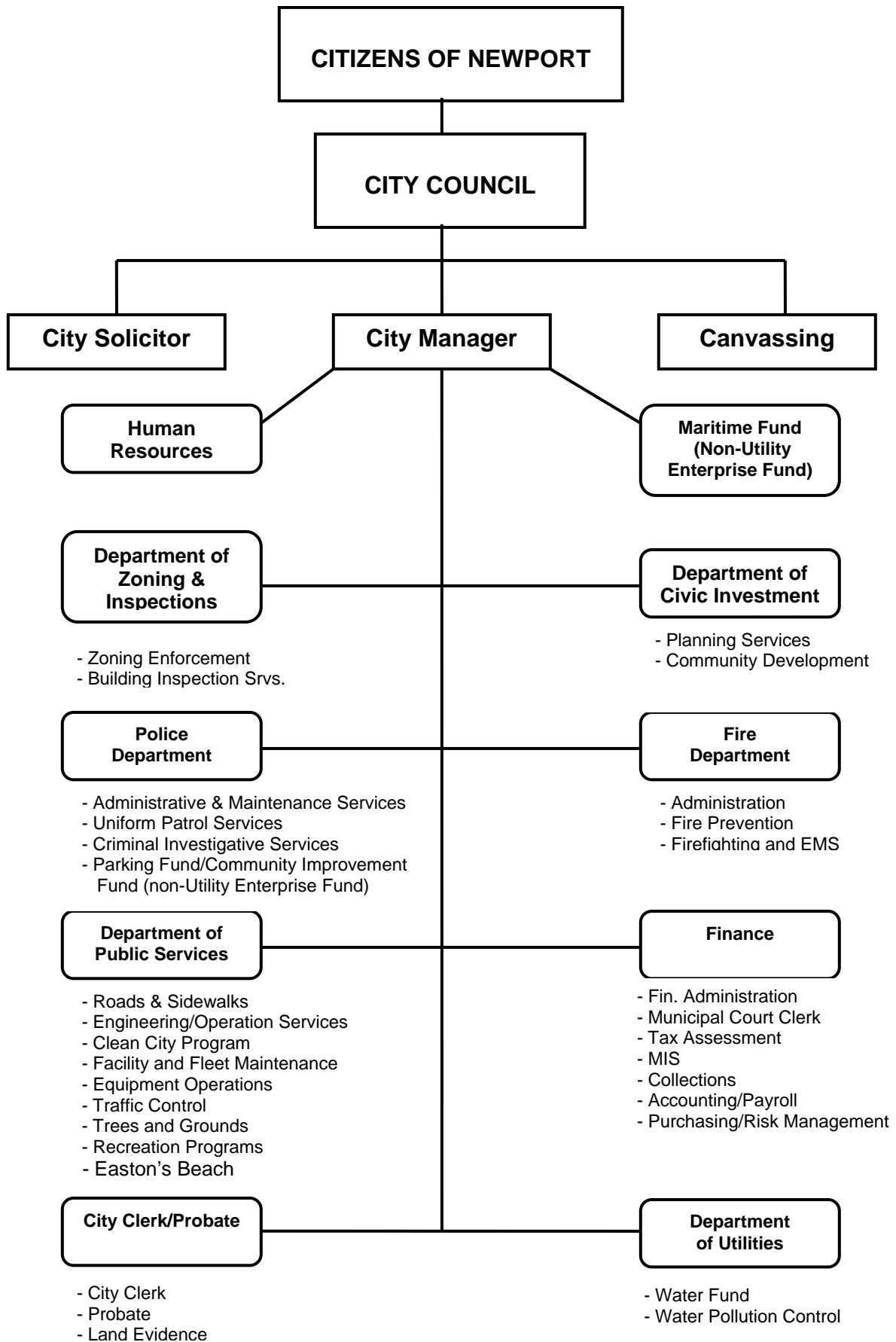
The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance department. We would like to express our appreciation to all members of the department. Credit also must be given to the Mayor and City Council for their unfailing 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 Fogue
William Riccio
Gary Silva
Peter Connerton
Laura C. Swistak

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
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Presented to

**City of Newport
Rhode Island**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

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, 2016, 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 from 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, 2016 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 3 to the financial statements, during the fiscal year ended June 30, 2016, the City of Newport, Rhode Island adopted new accounting guidance, GASB Statement No. 72, *Fair Value Measurement and Application*. 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 15 and the pension and OPEB schedules on pages 81 through 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, 2016 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.

Cranston, Rhode Island
December 22, 2016

**CITY OF NEWPORT, RHODE ISLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

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, 2016. 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 \$121,538,500 (net position).
- The government's net position increased by \$6,379,594. Governmental activities' net position decreased \$717,943 due primarily to an increase in pension expense, deferred outflows and deferred inflows, much of which is related to the City's decision to reduce the projected return on investments in the police and fire pension funds from 7.50% to 7.25%. Business-type activities had an increase of \$7,097,537 in net position due to programmed rate increases in the water pollution control department to pay current and projected debt service related to consent decree mandated upgrades to the wastewater treatment plant and pump stations.
- At June 30, 2016, the City of Newport's governmental funds reported a combined ending fund balance of \$41,993,735, a decrease of \$3,737,043 in comparison to the prior year fund balance. Of the total fund balance, \$24,472,585 (58%) is either nonspendable, restricted or committed, leaving \$17,521,150 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 \$18,451,067, or 17.83% of total general fund expenditures and net other financing uses. \$911,058 of the fund balance is restricted or committed leaving \$17,540,009 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 \$14,585,364, or 16.25% of city operating expenditures and other financing uses. The School's assigned and unassigned fund balance is a \$786,902.
- The City of Newport's long-term liabilities increase of \$18,418,149 is the result of an increase in the pension liability of \$18,368,905, and in the net OPEB obligation of \$919,037. There were also additional drawdowns on utility revenue bonds for water pollution control projects.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

The *statement of net 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.

**CITY OF NEWPORT, RHODE ISLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

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.

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 V.

**CITY OF NEWPORT, RHODE ISLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

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.

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 28-80 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.

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 \$121,538,500 at the close of the most recent fiscal year.

**CITY OF NEWPORT, RHODE ISLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

The City of Newport's unrestricted deficit increased by \$7,642,656. 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.

City of Newport's Net Position

	Governmental activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 51,886,899	\$ 59,346,188	\$ 45,270,252	\$ 38,275,948	\$ 97,157,151	\$ 97,622,136
Capital assets	126,081,173	122,042,120	220,310,213	217,417,772	346,391,386	339,459,892
Total assets	177,968,072	181,388,308	265,580,465	255,693,720	443,548,537	437,082,028
Deferred outflows of resources - pensions	24,901,276	7,213,303	924,182	513,579	25,825,458	7,726,882
Total assets and outflows of resources	202,869,348	188,601,611	266,504,647	256,207,299	469,373,995	444,808,910
Long-term liabilities	196,173,217	180,782,255	122,886,342	119,859,155	319,059,559	300,641,410
Other liabilities	11,154,027	13,292,234	11,749,295	11,517,212	22,903,322	24,809,446
Total liabilities	207,327,244	194,074,489	134,635,637	131,376,367	341,962,881	325,450,856
Deferred inflows of resources - pensions	5,449,972	3,717,047	422,642	482,101	5,872,614	4,199,148
Total liabilities and inflows of resources	212,777,216	197,791,536	135,058,279	131,858,468	347,835,495	329,650,004
Net assets:						
Net investment in capital assets	81,672,157	71,918,140	89,858,674	96,257,736	171,530,831	168,175,876
Restricted	10,467,095	12,874,644	34,525,954	27,491,934	44,993,049	40,366,578
Unrestricted (deficit)	(102,047,120)	(93,982,709)	7,061,740	599,161	(94,985,380)	(93,383,548)
Total Net Position	\$ (9,907,868)	\$ (9,189,925)	\$ 131,446,368	\$ 124,348,831	\$ 121,538,500	\$ 115,158,906

An additional portion of the City of Newport's net position (37%) represents resources that are restricted by external parties.

The City's net position increased by \$6,6,379,594 during the current fiscal year. The primary reason for the increase is because water and sewer rates were increased to cover debt service related to mandated capital projects. There were significant increases in governmental activities expenses from the prior year due to increased pension costs, and significant decreases in revenues in governmental activities from the prior year. However, the net effect was a slight decrease in net position of \$446,167. This is because revenues received were close to what was anticipated, while expenditures outside of pension expense were lower than anticipated because of good departmental management of expenses.

**CITY OF NEWPORT, RHODE ISLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

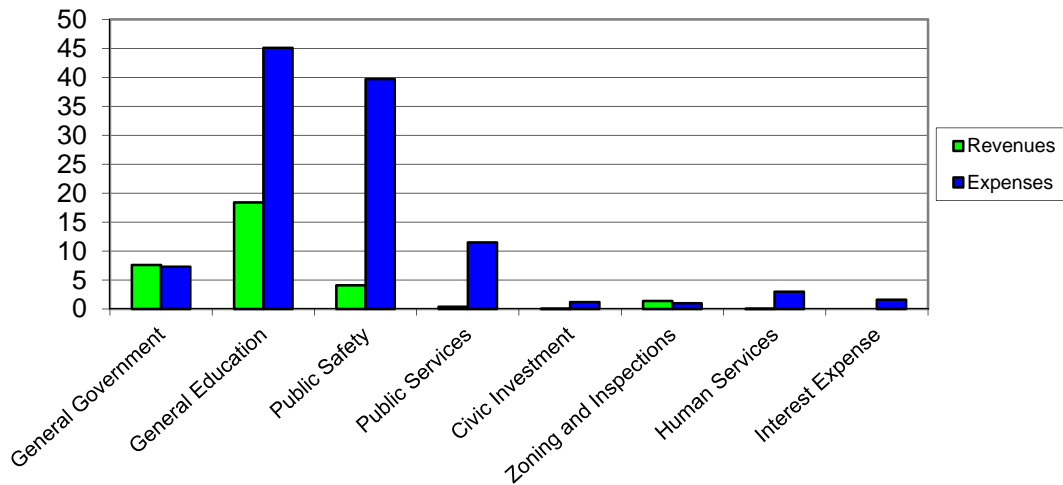
Governmental Activities

Governmental activities net position decreased by \$717,973. A comparison of FY2016 and FY2015 activity can be found below which indicates the changes identified above.

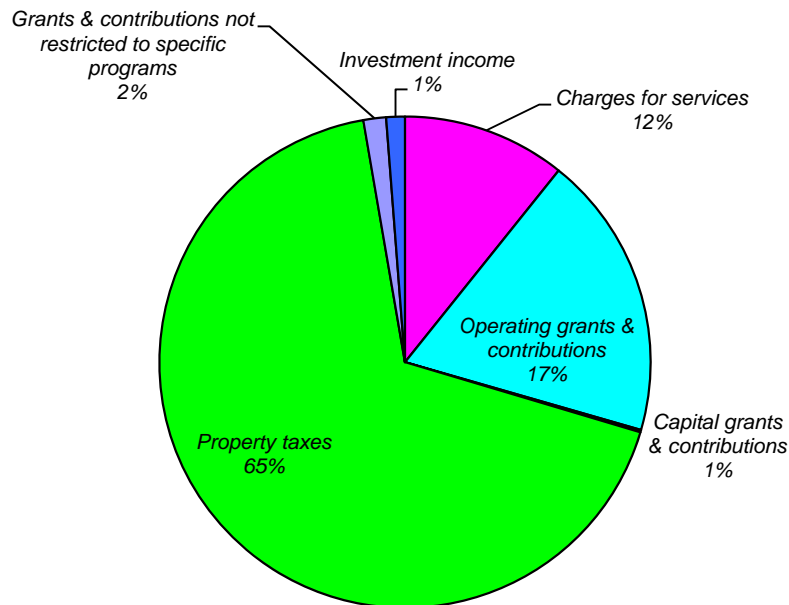
City of Newport's Changes in Net Position

	Governmental activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 11,811,858	\$ 14,103,950	\$ 34,255,527	\$ 33,776,340	\$ 46,067,385	\$ 47,880,290
Operating grants and contributions	20,528,850	19,838,253			20,528,850	19,838,253
Capital grants and contributions	168,394	136,278			168,394	136,278
General revenues:						
Property taxes	74,300,180	74,033,014			74,300,180	74,033,014
Grants and contributions not restricted to specific programs	1,629,686	1,723,595			1,629,686	1,723,595
Investment income	1,353,830	1,148,704	27,939	26,405	1,381,769	1,175,109
Total revenues	109,792,798	110,983,794	34,283,466	33,802,745	144,076,264	144,786,539
Expenses:						
General government	7,575,124	6,870,007			7,575,124	6,870,007
General education	45,116,380	41,716,565			45,116,380	41,716,565
Public safety	39,702,989	36,070,275			39,702,989	36,070,275
Public services	11,472,956	12,094,748			11,472,956	12,094,748
Civic Investment	1,202,455	511,690			1,202,455	511,690
Inspections and zoning	1,017,597	772,793			1,017,597	772,793
Human services	2,951,701	2,428,828			2,951,701	2,428,828
Interest expense	1,571,539	1,480,976			1,571,539	1,480,976
Water			14,240,369	12,966,669	14,240,369	12,966,669
Water pollution control			10,615,475	10,508,627	10,615,475	10,508,627
Nonmajor business-type			2,230,085	2,156,032	2,230,085	2,156,032
Total expenses	110,610,741	101,945,882	27,085,929	25,631,328	137,696,670	127,577,210
Increase (decrease) in net position	(817,943)	9,037,912	7,197,537	8,171,417	6,379,594	17,209,329
Gain on disposal of assets		2,422,500				2,422,500
Transfers	100,000	300,000	(100,000)	(300,000)		
Change in net position	(717,943)	11,760,412	7,097,537	7,871,417	6,379,594	19,631,829
Net position beginning	(9,189,925)	(20,950,337)	124,348,831	116,477,414	115,158,906	95,527,077
Net Position Ending	\$ (9,907,868)	\$ (9,189,925)	\$ 131,446,368	\$ 124,348,831	\$ 121,538,500	\$ 115,158,906

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



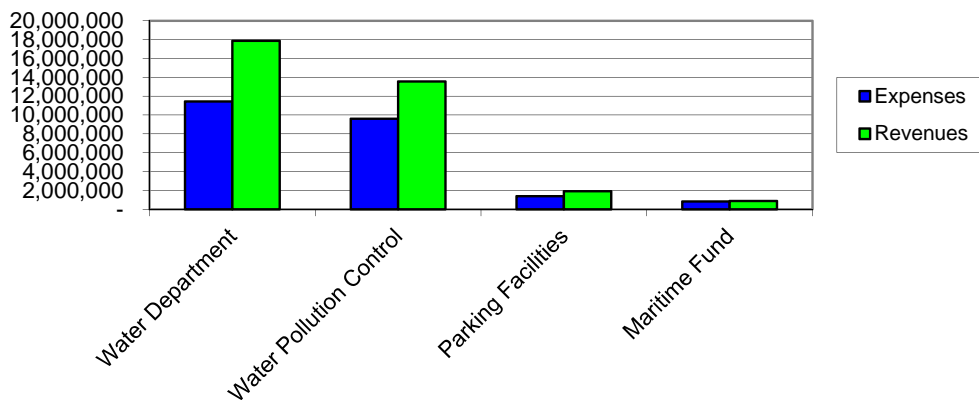
**CITY OF NEWPORT, RHODE ISLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

Business-Type Activities

Business-type activities' net position increased by \$7,097,537. Revenues have been increased in the last couple of years to pay for debt service on mandated water and sewer capital projects. The water fund projects of approximately \$85 million have been completed, and the City has begun work on a \$50 million expansion of the wastewater treatment plant and upgrades of combined sewer overflow pump stations. These are part of the projected \$100 million in capital projects resulting from a consent decree.

The Water Fund had income before transfers of \$3,640,725 for the year ended June 30, 2016, the Water Pollution Control Fund had income before transfers of \$2,943,103, and the non-major proprietary funds had income before transfers of \$513,709.

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 \$41,993,735, a decrease of \$3,737,043 in comparison with the prior year fund balance. Most of the decrease is the result of capital project fund expenditures for projects that have been budgeted and funded in prior years. There were also some transfers out of nonmajor governmental funds to pay for economic development projects in accordance with restricted fund requirements. Much of the total combined ending fund balance amount (\$24,472,585) constitutes fund balance that is either nonspendable, restricted by outside legal sources or committed for capital or contractual purposes. An additional \$2,167,743 of the fund balance is assigned by the City Council. The balance of \$15,353,407 is unassigned and available for spending at the government's discretion.

**CITY OF NEWPORT, RHODE ISLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

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 \$15,372,266, while total fund balance was \$18,451,067. 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 in the general fund represents 15% of total general fund expenditures and transfers, while total fund balance represents 18% 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 \$14,901,260, an increase of \$111,511 which is 16.6% of City operating expenditures and other financing uses. The general operating fund of the Newport Public Schools is under the control of the elected School Committee. That fund balance is \$1,260,777. 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 \$111,511 indicating that revenues and expenditures were about what was budgeted. Local taxes increased due to a slight property tax increase and increases in hotel tax and meals and beverage tax.

The fund balance of the Newport Schools under the control of the School Committee increased by \$1,389,666 due to expenditures that were less than anticipated, particularly in the area of special education.

**CITY OF NEWPORT, RHODE ISLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

The table on the next page shows the comparison of revenues and expenditures in the City and School general funds between FY2016 and FY2015.

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

	City General Fund		School General Fund	
	2016	2015	2016	2015
Local Taxes	\$ 75,173,854	\$ 73,924,776	\$	\$
Intergovernmental Revenues	3,659,525	3,695,750	13,329,690	13,442,710
Charges for Services	9,990,376	10,563,017	509,628	357,886
Use of money and property	232,756	113,027	419,668	180,551
Contributions	183,243	230,419		114,570
Other Revenues	8,856	11,896		
Total Revenues	89,248,610	88,538,885	14,258,986	14,095,717
Total Expenditures	61,408,965	60,076,134	38,014,461	38,509,732
Other Financing Sources (Uses)	(27,728,134)	(25,657,993)	25,145,141	23,770,211
Net Change in Fund Balances	111,511	2,804,758	1,389,666	(643,804)
Fund Balance, Beginning	14,789,749	11,984,991	(128,889)	514,915
Fund Balance, Ending	\$ 14,901,260	\$ 14,789,749	\$ 1,260,777	\$ (128,889)

	Combined	
	2016	2015
Local Taxes	\$ 75,173,854	\$ 73,924,776
Intergovernmental Revenues	16,989,215	17,138,460
Charges for Services	10,500,004	10,920,903
Use of moey and property	652,424	293,578
Contributions	183,243	344,989
Other Revenues	8,856	11,896
Total Revenues	103,507,596	102,634,602
Total Expenditures	99,423,426	98,585,866
Other Financing Sources (Uses)	(2,582,993)	(1,887,782)
Net Change in Fund Balances	1,501,177	2,160,954
Fund Balance, Beginning	14,660,860	12,499,906
Fund Balance, Ending	\$ 16,162,037	\$ 14,660,860

The Community Development Block Grant Fund had an increase in fund balance of \$1,671,126 which was repayment of the Clarke School loan.

The Capital Projects Fund had a decrease in fund balance of \$3,941,948 that is primarily the result of timing differences between revenues and actual expenditures as of June 30, 2016.

The Permanent Fund had a decrease in fund balance of \$205,465 due to net results from market returns.

**CITY OF NEWPORT, RHODE ISLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were primarily due to budgetary carryovers from fiscal year 2015 of \$1,283,160.

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 (\$4,894,152) while restricted net position was \$22,949,151 and net investment in capital assets was \$34,753,364. 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 (\$533,838) while restricted net position was \$11,576,803 and net investment in capital assets was \$56,535,541. 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.

The Parking Fund had unrestricted net position of \$4,801,318 and the Maritime Fund had unrestricted net position of \$1,647,588. The total growth in net position for the Water Fund was \$3,640,725; for the Water Pollution Control Fund \$2,943,103; for the parking operations fund \$461,469; and for the Maritime Fund \$52,240. Factors concerning the finances of these funds have already been addressed in the discussion of the City of Newport's business-type activities.

Capital Asset and Debt Administration

Capital Assets

The City of Newport's investment in capital assets for its governmental and business-type activities as of June 30, 2016 is \$346,391,386 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and systems, machinery and equipment, vehicles, infrastructure and construction in progress. There was a total increase in the City of Newport's investment in capital assets for the current fiscal year of 2%.

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

- \$3,024,260 was spent on water treatment plants, water infrastructure, and mains.
- \$6,466,889 was spent on combined sewer overflow and other water pollution control issues.
- \$3,420,877 was spent on road and sidewalk reconstruction and improvements.
- \$693,656 was spent on equipment replacement in the general fund.
- \$1,850,098 was spent on the new ADA compliant elevator in City Hall.
- \$505,400 was spent on economic development initiatives in the North End.
- \$312,841 was spent on information systems network enhancements.
- \$451,668 was spent on seawall repairs.

**CITY OF NEWPORT, RHODE ISLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

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

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 4,880,057	\$ 4,920,148	\$ 6,492,359	\$ 6,492,359	\$ 11,372,416	\$ 11,412,507
Construction in progress	6,543,853	3,196,366	7,585,217	8,644,553	14,129,070	11,840,919
Buildings & systems	63,378,273	64,359,949	205,665,628	201,584,104	269,043,901	265,944,053
Machinery & equipment	2,867,583	3,111,823	305,574	395,489	3,173,157	3,507,312
Vehicles	3,570,074	3,523,261	261,435	301,268	3,831,509	3,824,529
Infrastructure	44,841,333	42,930,573			44,841,333	42,930,573
Total	\$ 126,081,173	\$ 122,042,120	\$ 220,310,213	\$ 217,417,773	\$ 346,391,386	\$ 339,459,893

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

Long-Term Debt

At the end of the current fiscal year, the City of Newport had total bonded debt outstanding of \$165,048,715. Of this amount, \$40,838,000 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	
	2016	2015	2016	2015	2016	2015
General Obligation Bonds	\$ 40,838,000	\$ 46,178,536			\$ 40,838,000	\$ 46,178,536
Revenue Bonds			124,210,715	120,960,036	124,210,715	120,960,036
Total	\$ 40,838,000	\$ 46,178,536	\$ 124,210,715	\$ 120,960,036	\$ 165,048,715	\$ 167,138,572

The City of Newport's total bonds decreased by \$2,089,857 during the current fiscal year. Debt increased by \$9,502,982 from revenue bond drawdowns for the water and sewer project. Bonds of \$11,592,839 were retired during fiscal year 2016.

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 \$183,665,254, which is significantly in excess of the City's outstanding general obligation debt of \$40,838,000.

Additional information on the City of Newport's long-term debt can be found in Note 7 to the Financial Statements of this report.

Economic Factors and Next Year's Budgets and Rates

- The average annual not seasonally adjusted unemployment rate in 2016 for the City of Newport was 4.3%, which is less than the state's unemployment rate of 5.5% and the federal unemployment rate of 4.9% in June 2016.
- 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.

**CITY OF NEWPORT, RHODE ISLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

All of these factors were considered in preparing the City of Newport's budget for the 2017 fiscal year.

Fund balance in the City's general operating fund at June 30, 2016 is \$14,901,260 or 16.6% 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.

The Water Pollution Control Fund's rates 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. A recent water rate change was approved beginning October 1, 2016.

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, 2016

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Current assets:			
Cash and cash equivalents	\$ 9,643,350	\$ 6,029,383	\$ 15,672,733
Investments	22,902,356	1,267,097	24,169,453
Receivables, net	4,019,156	3,668,340	7,687,496
Internal balances (advances)	513,864	(513,864)	-
Inventories	14,360	262,587	276,947
Prepaid expenses	416,586	129,755	546,341
Total current assets	<u>37,509,672</u>	<u>10,843,298</u>	<u>48,352,970</u>
Noncurrent assets:			
Restricted assets:			
Temporarily restricted cash and cash equivalents		28,386,130	28,386,130
Permanently restricted investments	10,424,891		10,424,891
Bond proceeds		6,040,824	6,040,824
Receivables, net	660,071		660,071
Net pension asset	3,292,265		3,292,265
Capital assets not being depreciated	11,423,910	14,077,576	25,501,486
Capital assets (net of accumulated depreciation)	<u>114,657,263</u>	<u>206,232,637</u>	<u>320,889,900</u>
Total noncurrent assets	<u>140,458,400</u>	<u>254,737,167</u>	<u>395,195,567</u>
Total assets	<u>177,968,072</u>	<u>265,580,465</u>	<u>443,548,537</u>
Deferred outflow of resources:			
Changes in actuarial experience	1,968,345		1,968,345
Assumption changes	4,701,455	19,102	4,720,557
Change in pension investment gains or losses	13,558,388	362,930	13,921,318
Contributions after the measurement date	4,673,088	542,150	5,215,238
Total deferred outflow of resources	<u>24,901,276</u>	<u>924,182</u>	<u>25,825,458</u>
Liabilities:			
Current liabilities:			
Accounts payable	3,151,147	2,458,609	5,609,756
Accrued liabilities	996,483	2,129,862	3,126,345
Unearned revenue		20,000	20,000
Other liabilities	352,772	99,000	451,772
Current portion of long-term obligations	6,653,625	7,041,824	13,695,449
Total current liabilities	<u>11,154,027</u>	<u>11,749,295</u>	<u>22,903,322</u>
Noncurrent liabilities:			
Long-term obligations	196,173,217	122,886,342	319,059,559
Total noncurrent liabilities	<u>196,173,217</u>	<u>122,886,342</u>	<u>319,059,559</u>
Total liabilities	<u>207,327,244</u>	<u>134,635,637</u>	<u>341,962,881</u>
Deferred inflow of resources:			
Change in pension investment gains or losses	3,504,870	359,339	3,864,209
Changes in actuarial experience	619,948	63,303	683,251
Proportional contribution differences	573,489		573,489
Assumption changes	751,665		751,665
Total deferred inflow of resources	<u>5,449,972</u>	<u>422,642</u>	<u>5,872,614</u>
Net Position:			
Net investment in capital assets	81,672,157	89,858,674	171,530,831
Restricted for:			
Various endowments:			
Expendable	7,865,444		7,865,444
Nonexpendable	2,601,651		2,601,651
Held in trust		99,000	99,000
Debt service		34,426,954	34,426,954
Unrestricted (deficit)	<u>(102,047,120)</u>	<u>7,061,740</u>	<u>(94,985,380)</u>
Total net position	<u>\$ (9,907,868)</u>	<u>\$ 131,446,368</u>	<u>\$ 121,538,500</u>

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

**CITY OF NEWPORT, RHODE ISLAND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

Functions/Programs	Program Revenues				Net Revenue (Expense) and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 7,575,124	\$ 5,471,717	\$ 2,112,541	\$	\$ 9,134	\$	\$ 9,134
General education	45,116,380	1,039,993	17,421,741		(26,654,646)		(26,654,646)
Public safety	39,702,989	3,631,210	485,269		(35,586,510)		(35,586,510)
Public services	11,472,956	229,091	82,656	118,394	(11,042,815)		(11,042,815)
Civic investment	1,202,455			50,000	(1,152,455)		(1,152,455)
Zoning and inspections	1,017,597	1,439,847			422,250		422,250
Human services	2,951,701		426,643		(2,525,058)		(2,525,058)
Interest expense	1,571,539				(1,571,539)		(1,571,539)
Total governmental activities	<u>110,610,741</u>	<u>11,811,858</u>	<u>20,528,850</u>	<u>168,394</u>	<u>(78,101,639)</u>	<u>-</u>	<u>(78,101,639)</u>
Business-type activities:							
Water Department	14,240,369	17,880,464				3,640,095	3,640,095
Water Pollution Control	10,615,475	13,558,415				2,942,940	2,942,940
Recreational and parking facilities	2,230,085	2,816,648				586,563	586,563
Total business-type activities	<u>27,085,929</u>	<u>34,255,527</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,169,598</u>	<u>7,169,598</u>
Total	<u>\$ 137,696,670</u>	<u>\$ 46,067,385</u>	<u>\$ 20,528,850</u>	<u>\$ 168,394</u>	<u>(78,101,639)</u>	<u>7,169,598</u>	<u>(70,932,041)</u>
General revenues:							
Property taxes					74,300,180		74,300,180
Grants and contributions not restricted to specific programs					1,629,686		1,629,686
Investment income					1,353,830	27,939	1,381,769
Transfers					100,000	(100,000)	
Total general revenues and transfers					<u>77,383,696</u>	<u>(72,061)</u>	<u>77,311,635</u>
Change in net position					(717,943)	7,097,537	6,379,594
Net Position at Beginning of Year					(9,189,925)	124,348,831	115,158,906
Net Position at End of Year					<u>\$ (9,907,868)</u>	<u>\$ 131,446,368</u>	<u>\$ 121,538,500</u>

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

**CITY OF NEWPORT, RHODE ISLAND
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016**

	<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	\$ 4,813,958	\$ 2,408,779	\$ 46,782	\$ 8,224,042	\$ 2,771,345	\$ 18,264,906
Investments	22,902,356		10,424,891			33,327,247
Receivables:						
Property taxes	1,342,728					1,342,728
Motor vehicle excise	523,363					523,363
Intergovernmental		155,171		82,802	1,034,030	1,272,003
Note/loan		1,300,104			255,000	1,555,104
Other	1,287,844				43,750	1,331,594
Prepaid expenses	55,628					55,628
Due from other funds	216,828				43,750	260,578
Advances to other funds					267,459	267,459
Total Assets	\$ 31,142,705	\$ 3,864,054	\$ 10,471,673	\$ 8,306,844	\$ 4,415,334	\$ 58,200,610
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Cash overdraft	\$ 8,244,399				\$ 512,210	\$ 8,756,609
Accounts payable	2,440,497		4,578	685,753	1,693	3,132,521
Accrued liabilities	734,884					734,884
Due to other funds	43,750					43,750
Other liabilities	352,772					352,772
Total liabilities	11,816,302		4,578	685,753	513,903	13,020,536
Deferred inflows of resources:						
Unavailable revenue - property taxes	875,336					875,336
Unavailable revenue - loans receivable		1,300,104			609,958	1,910,062
Unavailable revenue - intergovernmental receivable		164,990		82,802	153,149	400,941
Total deferred inflows of resources	875,336	1,465,094		82,802	763,107	3,186,339
Fund balances:						
Nonspendable	55,628		2,601,651			2,657,279
Restricted	595,162	2,398,960	7,865,444		3,157,183	14,016,749
Committed	315,896			7,538,289		7,854,185
Assigned	2,167,743					2,167,743
Unassigned	15,316,638				(18,859)	15,297,779
Total fund balances	18,451,067	2,398,960	10,467,095	7,538,289	3,138,324	41,993,735
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 31,142,705	\$ 3,864,054	\$ 10,471,673	\$ 8,306,844	\$ 4,415,334	\$ 58,200,610

(Continued on next page)

CITY OF NEWPORT, RHODE ISLAND
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2016

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)	\$ 41,993,735
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Governmental capital assets	\$ 174,800,892
Less accumulated depreciation	<u>(48,750,815)</u>
Net capital assets	126,050,077
Other long-term assets are not available to pay for current period expenditures and, therefore, are not recorded in the funds:	
Net pension asset	3,292,264
Prepaid interest from school bonds	360,960
Unavailable property taxes, loans and grant revenues	3,186,336
Allowance for doubtful accounts	(2,085,488)
Property tax and loan interest accrual	719,173
Internal service funds are used by management to charge the cost of fleet maintenance to individual funds. The assets and liabilities of the internal service fund 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	(40,838,000)
Bond premium	(2,999,830)
Interest payable on bonds and notes	(217,844)
Capital lease payable	(571,186)
Claims and judgments	(568,776)
Compensated absences	(6,793,804)
Net pension liability	(145,487,639)
Net OPEB obligation	(5,567,607)
Certain transactions related to pensions have deferred outflows and inflows not required to be reported in the funds:	
Deferred outflows of resources - pensions	24,901,276
Deferred inflows of resources - pensions	<u>(5,449,972)</u>
Net Position of Governmental Activities (Exhibit I)	<u>\$ (9,907,868)</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
FOR THE YEAR ENDED JUNE 30, 2016

	<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>
Revenues:						
Property taxes	\$ 75,173,854	\$	\$	\$	\$	\$ 75,173,854
Intergovernmental revenues	16,989,215	225,838		153,594	4,062,255	21,430,902
Charges for services	10,500,004	1,468,199		869,907	556,303	13,394,413
Use of money and property	652,424	284,498	15,694	25	401,189	1,353,830
Contributions	242,399			14,800	25,500	282,699
Other revenues	8,856					8,856
Total revenues	<u>103,566,752</u>	<u>1,978,535</u>	<u>15,694</u>	<u>1,038,326</u>	<u>5,045,247</u>	<u>111,644,554</u>
Expenditures:						
Current:						
General government	6,280,935					6,280,935
General education	37,977,318				3,601,126	41,578,444
Public safety	35,140,780				156,434	35,297,214
Public services	9,057,691					9,057,691
Civic investment	343,505				91,585	435,090
Zoning and inspections	953,053					953,053
Human services	1,921,223	285,911	221,159		520,778	2,949,071
Pension expenditures	1,448,234					1,448,234
Debt service:						
Principal	1,608,319				2,337,000	3,945,319
Interest	3,711,590					3,711,590
Capital outlays	1,282,034	21,498		8,455,055	66,369	9,824,956
Total expenditures	<u>99,724,682</u>	<u>307,409</u>	<u>221,159</u>	<u>8,455,055</u>	<u>6,773,292</u>	<u>115,481,597</u>
Excess (Deficiency) of Revenues over Expenditures	<u>3,842,070</u>	<u>1,671,126</u>	<u>(205,465)</u>	<u>(7,416,729)</u>	<u>(1,728,045)</u>	<u>(3,837,043)</u>
Other Financing Sources (Uses):						
Transfers in from other funds	752,641			3,602,524	1,808,094	6,163,259
Transfers out to other funds	<u>(3,753,751)</u>			<u>(127,743)</u>	<u>(2,181,765)</u>	<u>(6,063,259)</u>
Total other financing sources (uses)	<u>(3,001,110)</u>	<u>-</u>	<u>-</u>	<u>3,474,781</u>	<u>(373,671)</u>	<u>100,000</u>
Net Change in Fund Balances	840,960	1,671,126	(205,465)	(3,941,948)	(2,101,716)	(3,737,043)
Fund Balances at Beginning 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>
Fund Balances at End of Year	<u>\$ 18,451,067</u>	<u>\$ 2,398,960</u>	<u>\$ 10,467,095</u>	<u>\$ 7,538,289</u>	<u>\$ 3,138,324</u>	<u>\$ 41,993,735</u>

(Continued on next page)

CITY OF NEWPORT, RHODE ISLAND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016

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 \$ (3,737,043)

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	9,086,969
Depreciation expense	(4,571,570)
Loss on disposition of assets	(476,472)

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 in the statement of activities:

Property tax receivable - accrual basis change	1,422,536
Property tax and loan interest receivable	4,726,056
Change in allowance for doubtful accounts	(5,068,200)
Activity related to property tax and loan receivable	1,217,290
Change in net pension assets	827,187

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 issues, 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:

Bond principal payments	5,340,536
Capital lease payments	104,236

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	83,128
Claims and judgments	(271,776)
OPEB obligations	(919,037)
Net change for pension liability	(18,368,905)
Amortization of prepaid interest	(72,192)
Change in accrued interest	442,598
Amortization of bond premiums	270,192
Deferred outflows/inflows related to pension actuarial experience	(1,405,078)
Deferred outflows/inflows related to assumption changes	3,171,917
Deferred outflows/inflows related to pensions investment gains or losses	7,224,153
Deferred outflows/inflows related to proportional contribution differences	(573,489)
Deferred outflows/inflows related to contributions made after the measurement date	829,021

Change in Net Position of Governmental Activities (Exhibit II) \$ (717,943)

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, 2016

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property taxes	\$ 75,248,402	\$ 75,248,402	\$ 75,173,854	\$ (74,548)
Intergovernmental revenues	15,213,704	15,213,704	15,464,311	250,607
Charges for services	9,727,328	9,727,328	9,990,376	263,048
Use of money and property	350,000	350,000	232,756	(117,244)
Other revenues	975,719	975,719	1,121,395	145,676
Total revenues	<u>101,515,153</u>	<u>101,515,153</u>	<u>101,982,692</u>	<u>467,539</u>
Expenditures:				
General government:				
Mayor and City Council	94,655	159,645	117,632	42,013
City Manager	922,817	935,603	860,212	75,391
City Solicitor	545,794	545,794	373,870	171,924
Canvassing	210,729	210,729	158,350	52,379
City Clerk	447,830	481,717	474,043	7,674
Finance	3,423,029	3,432,951	3,279,215	153,736
Reserve accounts	918,598	802,608	503,538	299,070
School:				
General Education	36,831,937	36,831,937	36,489,557	342,380
Public Safety:				
Police Department	17,107,654	17,207,762	16,994,486	213,276
Fire Department	18,233,607	18,470,336	18,157,436	312,900
Public Services	10,057,385	10,944,721	9,535,926	1,408,795
Civic Investment	411,193	368,693	343,505	25,188
Zoning and Inspections	977,437	977,437	954,122	23,315
Human Services:				
Donations	100,700	125,700	125,700	-
Public Library	1,795,523	1,795,523	1,795,523	-
Pension expenditures	1,423,469	1,423,469	1,448,234	(24,765)
Debt service	5,360,272	5,360,272	5,319,909	40,363
Total expenditures	<u>98,862,629</u>	<u>100,074,897</u>	<u>96,931,258</u>	<u>3,143,639</u>
Excess of Revenues over Expenditures	<u>2,652,524</u>	<u>1,440,256</u>	<u>5,051,434</u>	<u>3,611,178</u>
Other Financing Sources (Uses):				
Transfers in	24,312,243	24,812,243	25,772,884	960,641
Transfers out	(28,964,767)	(28,222,767)	(28,355,877)	(133,110)
Total other financing sources (uses)	<u>(2,652,524)</u>	<u>(3,410,524)</u>	<u>(2,582,993)</u>	<u>827,531</u>
Excess of Revenues and Other Sources over over Expenditures and Other Uses	<u>\$ -</u>	<u>\$ (1,970,268)</u>	<u>2,468,441</u>	<u>\$ 4,438,709</u>
Fund Balance at Beginning of Year			<u>13,377,700</u>	
Fund Balance at End of Year			<u>\$ 15,846,141</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, 2016

	Business-Type Activities - Enterprise Funds				Governmental
	Major Funds			Total	Internal
	Water Fund	W.P.C. Fund	Nonmajor Funds		Service Fund
Assets:					
Current assets:					
Cash and cash equivalents	\$ 426,277	\$	\$ 5,603,106	\$ 6,029,383	\$ 135,053
Investments			1,267,097	1,267,097	
Accounts receivable:					
User fees (net of allowances)	1,872,268	1,771,641	24,431	3,668,340	
Other				-	20,750
Due from other funds		108,168		108,168	29,578
Inventories	262,587			262,587	14,360
Prepaid expenses		129,755		129,755	
Total current assets	<u>2,561,132</u>	<u>2,009,564</u>	<u>6,894,634</u>	<u>11,465,330</u>	<u>199,741</u>
Noncurrent assets:					
Cash and cash equivalents - restricted	16,908,327	11,477,803		28,386,130	
Bond proceeds - restricted	6,040,824			6,040,824	
Capital assets, net of accumulated depreciation	<u>127,640,401</u>	<u>87,859,219</u>	<u>4,810,593</u>	<u>220,310,213</u>	<u>31,098</u>
Total noncurrent assets	<u>150,589,552</u>	<u>99,337,022</u>	<u>4,810,593</u>	<u>254,737,167</u>	<u>31,098</u>
Total assets	<u>153,150,684</u>	<u>101,346,586</u>	<u>11,705,227</u>	<u>266,202,497</u>	<u>230,839</u>
Deferred outflow of resources:					
Assumptions	19,102			19,102	
Change in pension investment gains or losses	362,930			362,930	
Contributions after the measurement date, net	<u>542,150</u>			<u>542,150</u>	
Total deferred outflow of resources	<u>924,182</u>	<u>-</u>	<u>-</u>	<u>924,182</u>	<u>-</u>
Liabilities:					
Current liabilities:					
Accounts payable	383,962	1,959,421	115,225	2,458,608	18,627
Accrued expenses	1,700,837	385,981	43,044	2,129,862	43,755
Unearned revenue			20,000	20,000	
Due to other funds	354,574			354,574	
Escrow held in Trust		99,000		99,000	
Current portion bonds payable	<u>4,281,000</u>	<u>2,760,824</u>		<u>7,041,824</u>	
Total current liabilities	<u>6,720,373</u>	<u>5,205,226</u>	<u>178,269</u>	<u>12,103,868</u>	<u>62,382</u>
Long-term liabilities:					
Advances from other funds			267,459	267,459	
Notes payable			200,000	200,000	
Bonds payable	88,606,037	28,562,854		117,168,891	
Net pension liability	5,076,282			5,076,282	
Net OPEB obligation	<u>441,169</u>			<u>441,169</u>	
Total long-term liabilities	<u>94,123,488</u>	<u>28,562,854</u>	<u>467,459</u>	<u>123,153,801</u>	<u>-</u>
Total liabilities	<u>100,843,861</u>	<u>33,768,080</u>	<u>645,728</u>	<u>135,257,669</u>	<u>62,382</u>
Deferred inflow of resources:					
Differences in actuarial experience	63,303			63,303	
Change in pension investment gains or losses	<u>359,339</u>			<u>359,339</u>	
Total deferred inflow of resources	<u>422,642</u>	<u>-</u>	<u>-</u>	<u>422,642</u>	<u>-</u>
Net position:					
Net investment in capital assets	28,712,540	56,535,541	4,610,593	89,858,674	31,098
Restricted by regulatory agencies and bond covenants	22,949,151	11,477,803		34,426,954	
Assets held in trust		99,000		99,000	
Unrestricted	<u>1,146,672</u>	<u>(533,838)</u>	<u>6,448,906</u>	<u>7,061,740</u>	<u>137,359</u>
Total Net Position	<u>\$ 52,808,363</u>	<u>\$ 67,578,506</u>	<u>\$ 11,059,499</u>	<u>\$ 131,446,368</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, 2016

	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	\$ 17,081,157	\$ 13,558,415	\$ 2,816,648	\$ 33,456,220	\$ 1,210,036
Other revenues	799,307			799,307	
Total operating revenues	<u>17,880,464</u>	<u>13,558,415</u>	<u>2,816,648</u>	<u>34,255,527</u>	<u>1,210,036</u>
Operating expenses:					
Salaries and benefits	4,737,315	329,428	854,681	5,921,424	109,107
Materials and supplies	803,605		152,863	956,468	285,156
Repairs and maintenance	367,441	179,843	89,919	637,203	77,969
Support services	187,951	4,106,133	492,722	4,786,806	713,759
Utilities	1,116,909	839,020	48,165	2,004,094	19,154
Administrative and other	851,102	652,455	325,124	1,828,681	224
Property taxes	552,652			552,652	
Depreciation	2,824,196	3,507,901	266,611	6,598,708	4,667
Total operating expenses	<u>11,441,171</u>	<u>9,614,780</u>	<u>2,230,085</u>	<u>23,286,036</u>	<u>1,210,036</u>
Operating Income	<u>6,439,293</u>	<u>3,943,635</u>	<u>586,563</u>	<u>10,969,491</u>	<u>-</u>
Nonoperating revenues and expenses:					
Investment income	630	163	27,146	27,939	
Interest expense	(2,799,198)	(1,000,695)		(3,799,893)	
Net operating revenues and expenses	<u>(2,798,568)</u>	<u>(1,000,532)</u>	<u>27,146</u>	<u>(3,771,954)</u>	<u>-</u>
Income Before Transfers	3,640,725	2,943,103	613,709	7,197,537	
Transfers:					
Transfers out			(100,000)	(100,000)	
Change in Net Position	3,640,725	2,943,103	513,709	7,097,537	-
Net Position at Beginning 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>
Net Position at End of Year	<u>\$ 52,808,363</u>	<u>\$ 67,578,506</u>	<u>\$ 11,059,499</u>	<u>\$ 131,446,368</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, 2016

	Business-Type Activities - Enterprise Funds				Governmental
	Major Funds				Activities
	Water	W.P.C.	Nonmajor	Total	Internal
	Fund	Fund	Funds		Service Fund
Cash Flows from Operating Activities:					
Cash received from customers	\$ 18,056,706	\$ 13,421,543	\$ 2,813,638	\$ 34,291,887	\$ 1,209,284
Cash payments to suppliers for goods and services	(2,993,770)	(4,615,192)	(769,053)	(8,378,015)	(1,098,394)
Cash payments to employees for services	(4,752,264)	(337,524)	(901,877)	(5,991,665)	(109,513)
Payment of property taxes	(552,652)			(552,652)	
Payment of administrative expense	(851,102)	(652,455)	(325,123)	(1,828,680)	
Net cash provided by (used in) operating activities	<u>8,906,918</u>	<u>7,816,372</u>	<u>817,585</u>	<u>17,540,875</u>	<u>1,377</u>
Cash Flows from Noncapital Financing Activities:					
Interfund loans and transfers			(100,000)	(100,000)	
Cash Flows from Capital and Related Financing Activities:					
Acquisition and construction of capital assets	(3,024,260)	(6,466,889)		(9,491,149)	
Proceeds from borrowing	1,996,471	2,506,205		4,502,676	
Principal paid on bonds, notes and loans	(4,206,000)	(2,046,303)		(6,252,303)	
Interest paid on bonds, notes and loans	(2,827,545)	(985,160)		(3,812,705)	
Net cash provided by (used in) capital and related financing activities	<u>(8,061,334)</u>	<u>(6,992,147)</u>	<u>-</u>	<u>(15,053,481)</u>	<u>-</u>
Cash Flows from Investing Activities:					
Investment income	630	163	36	829	
Net Increase (Decrease) in Cash and Cash Equivalents	846,214	824,388	717,621	2,388,223	1,377
Cash and Cash Equivalents at Beginning of Year	16,488,390	10,653,415	4,885,485	32,027,290	133,676
Cash and Cash Equivalents at End of Year	\$ 17,334,604	\$ 11,477,803	\$ 5,603,106	\$ 34,415,513	\$ 135,053
Reconciliation of Operating Income to Net Cash					
Provided by (Used in) Operating Activities:					
Operating income (loss)	\$ 6,439,293	\$ 3,943,635	\$ 586,563	\$ 10,969,491	\$
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	2,824,196	3,507,901	266,611	6,598,708	4,667
Changes in assets and liabilities:					
Decrease (Increase) in accounts receivable	176,242	(136,140)	(13,010)	27,092	
Decrease (Increase) in accounts receivable - other					3,318
Decrease (Increase) in due from other funds		(732)		(732)	(4,070)
Decrease (Increase) in inventory	36,726			36,726	6,007
Decrease (Increase) in prepaid expense	5,000	18,536		23,536	
Decrease (Increase) in deferred outflows of resources:					
Changes of assumptions	7,328				
Change in pension investment gains or losses	(362,930)				
Change in contributions after the measurement date	(55,002)				
(Decrease) Increase in accounts payable	(894,303)	491,268	14,617	(388,418)	(8,139)
(Decrease) Increase in accrued expenses	(111,911)	(8,096)	(47,196)	(167,203)	(406)
(Decrease) Increase in unearned revenue			10,000	10,000	
(Decrease) Increase in due to other funds	334,709			334,709	
(Decrease) Increase net pension obligations	600,823			600,823	
(Decrease) Increase net other post employment benefit obligations	(33,794)			(33,794)	
(Decrease) Increase in deferred inflows of resources:					
Changes of differences in actuarial experience	63,303				
Change in pension investment gains or losses	(122,762)				
Net Cash Provided by (Used in) Operating Activities	\$ 8,906,918	\$ 7,816,372	\$ 817,585	\$ 17,540,875	\$ 1,377
Noncash Investing, Capital and Related Financing Transactions:					
Increase (decrease) in fair value of investments			\$ 27,110	\$ 27,110	

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, 2016

	Pension and Other Post- Employment Benefit Trust Funds	Private Purpose Trust Funds	Agency Funds
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash and cash equivalents	\$ 2,919,378	\$ 30,119	\$ 305,131
Investments, at fair value:			
Fixed income mutual funds	26,759,818	574,061	
Domestic equity mutual funds	81,521,076	1,046,158	
International equity mutual funds	15,846,569		
Alternative investments	<u>14,600,562</u>		
Total investments	<u>138,728,025</u>	<u>1,620,219</u>	<u>-</u>
Total assets	<u>141,647,403</u>	<u>1,650,338</u>	<u>305,131</u>
Liabilities:			
Accounts payable	112,816	715	
Amounts held in escrow			<u>305,131</u>
Total liabilities	<u>112,816</u>	<u>715</u>	<u>305,131</u>
Net Position:			
Restricted for Pension/Other Post-Employment Benefits and Other Purposes	<u>\$ 141,534,587</u>	<u>\$ 1,649,623</u>	<u>\$ -</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, 2016

	Pension and Other Post- Employment Benefit Trust Funds	Private Purpose Trust Funds
Additions:		
Contributions:		
Employees	\$ 1,049,530	\$
Employer	10,560,268	
Contributions		10,000
Total contributions	<u>11,609,798</u>	<u>10,000</u>
Investment income (loss):		
Net change in fair value of investments	(7,906,741)	(48,730)
Interest and dividends	<u>5,189,447</u>	<u>51,620</u>
Total investment income (loss)	<u>(2,717,294)</u>	2,890
Less investment expenses	<u>378,303</u>	<u>2,359</u>
Net investment income (loss)	<u>(3,095,597)</u>	<u>531</u>
Total additions	<u>8,514,201</u>	<u>10,531</u>
Deductions:		
Benefits	10,869,980	
Return of employee contributions	159,371	
Administration	229,469	2,027
Awards		<u>58,605</u>
Total deductions	<u>11,258,820</u>	<u>60,632</u>
Change in Net Position	(2,744,619)	(50,101)
Net Position at Beginning of Year	<u>144,279,206</u>	<u>1,699,724</u>
Net Position at End of Year	<u>\$ 141,534,587</u>	<u>\$ 1,649,623</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, 2016

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, 2016

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, 2016**

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 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.

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

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, 2016, is equal to 39% 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, 2016**

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 of 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 and firefighters hired after July 1, 2015 are capped at 300 hours.
 Police officers are capped at \$25,000 maximum payout for sick leave; firefighter sick leave payout is capped at the higher of the accrued amount in existence at January 1, 2016 or \$25,000.
- 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 to be paid out upon separation, except that an employee with twenty or more years of service as of his/her retirement date is allowed to accumulate 65 days in year leading up to retirement all of which will be paid out at retirement; 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 a straight-line 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 net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City 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 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 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 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. Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and expenditures during the reporting period. Actual results could differ from those estimates.

Q. 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 nonemployment services are recognized when legally binding orders referred to as encumbrances are placed.

**CITY OF NEWPORT, RHODE ISLAND
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- In addition to limits enforced by the budget ordinance, the City Charter further restricts the incurrence of municipal expenditures or expenses to budgeted revenues at the fund level. The City Manager must periodically review revenues and reduce annual appropriations sufficiently to cover any shortfalls in budgeted revenues.
- Costs of operations for all departments established within the City Charter must be appropriated through an annual budget ordinance. These departments are presented within the General Fund and the School Unrestricted Fund.
- Municipal budgetary control is legally enforced at the department level.
- Appropriation transfers between departments require approval by five of the seven-member Council. Other appropriation increases require both the establishment of a funding source and passage of a budget amendment ordinance. Amendments to the budget during the year totaled \$2,470,268 of which increases of \$500,000 for an economic development contract and \$708,000 to cover the school deficit from fiscal year 2015 were from Council approved amendments. An additional \$1,262,268 is 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, 2016	\$ 101,982,692	\$ 96,931,258	\$ 15,846,141
Encumbrances outstanding at June 30, 2015 and liquidated during the year ended June 30, 2016		1,283,160	
Add unbudgeted Property Acquisition Fund and Gift Fund	59,156	301,256	2,289,030
State teachers' retirement on-behalf payments	1,524,904	1,524,904	
Encumbrances outstanding at June 30, 2016 charged to budgetary expenditures		(315,896)	315,896
Balance, GAAP Basis, Schedule IV - June 30, 2016	<u>\$ 103,566,752</u>	<u>\$ 99,724,682</u>	<u>\$ 18,451,067</u>

**CITY OF NEWPORT, RHODE ISLAND
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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 2016 appropriations (after approved transfers).

<u>Department</u>	<u>Expenditures in Excess of Budget</u>
Pension Expenditures	\$ 24,765
Transfers Out	133,110

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 depreciation on investments at June 30, 2016 was \$348,456 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, 2016, the City's deposits are not exposed to custodial risk since most of the above deposits are collateralized at 102% with assets held either in trust or by a third party bank, in U.S. Government National Mortgage Association (GNMA) pass-through pools or Federal Home Loan Mortgage Corporation (FHLMC) securities held in the City's name. The remaining deposits are insured by the FDIC.

**CITY OF NEWPORT, RHODE ISLAND
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As of June 30, 2016, the City's bank balance of \$46,947,642 was insured and collateralized as follows:

Insured	\$ 1,103,761
Collateralized:	
Collateral held by the pledging bank's trust department in the City's name	<u>45,843,881</u>
 Total Amount Subject to Custodial Credit Risk	 <u><u>\$ 46,947,642</u></u>

Investments

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

At June 30, 2016, 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	\$ 2,263,288	\$ 2,263,288	\$	\$	\$
Certificates of Deposits	17,101,103	13,244,985	447,168	2,179,043	1,229,907
U.S. Government Agency Securities	6,814,565			590,092	6,224,473
Fixed Income Mutual Funds	31,275,975	3,304,460	11,861,258	11,416,952	4,693,305
	<u>57,454,931</u>	<u>\$ 18,812,733</u>	<u>\$ 12,308,426</u>	<u>\$ 14,186,087</u>	<u>\$ 12,147,685</u>
Other Investments:					
Alternative Investments	14,691,889				
Equity Mutual Funds	<u>105,144,046</u>				
 Total	 177,290,866				
 Money Market Funds classified as cash equivalents	 <u>(2,348,278)</u>				
	 <u><u>\$ 174,942,588</u></u>				

**CITY OF NEWPORT, RHODE ISLAND
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The City adopted new accounting guidance, GASB Statement No. 72, *Fair Value Measurement and Application*. The new disclosure is presented below:

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements); followed by quoted prices in inactive markets or for similar assets or with observable inputs (Level 2 measurements); and the lowest priority to unobservable inputs (Level 3 measurements). The City has the following recurring fair value measurements as of June 30, 2016:

	June 30, 2016	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level:				
U.S. Government securities	\$ 6,814,565	\$ 6,814,565	\$	\$
Corporate bonds	248,991	248,991		
Mutual funds	136,171,030	99,447,555	36,723,475	
Alternative investments	14,691,889		7,608,828	7,083,061
Certificates of deposit	17,101,103	17,101,103		
Money market	2,263,288	1,078,197	1,185,091	
Total Investments by Fair Value Level	\$ 177,290,866	\$ 124,690,411	\$ 45,517,394	\$ 7,083,061

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Alternative investments classified in Level 3 are valued using discounted cash flow techniques.

U.S. Government Securities

U.S. Government securities are valued at the closing price reported in the active market in which the individual securities are traded.

Corporate Bonds

Corporate bonds are valued at the closing price reported in the active market in which the individual securities are traded.

Mutual Funds

Mutual funds are valued at the quoted price of shares held by the City at year end.

Alternative Investments

Alternative investments are valued by incorporating subjective judgments and assumptions including capitalization rates, discount rates, cash flows and other factors that are not observable in the market. The alternative investment's valuation use significant unobservable inputs.

Certificates of Deposit

Certificates of deposit are valued by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the creditworthiness of the issuer.

Money Market

Money market funds are valued at the closing price reported in the active market in which the fund is traded.

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing 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 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 certificates of deposit held with Wells Fargo 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.

<u>Average Rating</u>	<u>Money Market Funds</u>	<u>U.S. Government Agency Securities</u>	<u>Fixed Income Funds</u>
AA+	\$ 433,404	\$ 6,819,358	\$ 15,430,422
AA-	1,078,197		15,596,559
Aa3			
A3			
A1	<u>1,185,091</u>		<u>248,991</u>
	<u>\$ 2,696,692</u>	<u>\$ 6,819,358</u>	<u>\$ 31,275,972</u>

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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	<u>\$ 6,819,358</u>	<u>\$ 500,000</u>	<u>\$ 6,319,358</u>

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, 2016 totaled \$154,868,102.

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

4. RECEIVABLES

At June 30, 2016, 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	\$ 1,866,091	\$	\$	\$	\$ 1,866,091
Intergovernmental		155,171	82,802	1,034,030	1,272,003
Interest	531,703 *	33,190 *		154,280 *	719,173
Other	1,308,594 **			43,750	1,352,344
Notes/loans		1,300,104		255,000	1,555,104
	<u>3,706,388</u>	<u>1,488,465</u>	<u>82,802</u>	<u>1,487,060</u>	<u>6,764,715</u>
Less allowance for doubtful accounts	<u>(1,140,752) *</u>	<u>(535,456) *</u>		<u>(409,280) *</u>	<u>(2,085,488)</u>
	<u>2,565,636</u>	<u>953,009</u>	<u>82,802</u>	<u>1,077,780</u>	<u>4,679,227</u>
Less current portion	<u>2,565,636</u>	<u>292,938</u>	<u>82,802</u>	<u>1,077,780</u>	<u>4,019,156</u>
Net Long-Term Portion	<u>\$ -</u>	<u>\$ 660,071</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 660,071</u>

* Amount is not included in the fund financial statements.

** Includes \$20,750 of other receivables recognized for government-wide financial statements.

Business-type Activities

	<u>Water Fund</u>	<u>W.P.C. Fund</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
User fees	\$ 1,947,268	\$ 1,821,641	\$ 24,431	\$ 3,793,340
Less allowance for doubtful accounts	<u>(75,000)</u>	<u>(50,000)</u>		<u>(125,000)</u>
Net receivables	<u>\$ 1,872,268</u>	<u>\$ 1,771,641</u>	<u>\$ 24,431</u>	<u>\$ 3,668,340</u>

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

Governmental Activities

	Adjusted Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Capital assets not being depreciated:				
Land	\$ 4,920,148	\$	\$ (40,091)	\$ 4,880,057
Construction in progress	<u>3,196,366</u>	<u>3,747,127</u>	<u>(399,640)</u>	<u>6,543,853</u>
Total capital assets not being depreciated	<u>8,116,514</u>	<u>3,747,127</u>	<u>(439,731)</u>	<u>11,423,910</u>
Capital assets being depreciated:				
Buildings and structures	83,325,666	1,096,719	(587,408)	83,834,977
Machinery and equipment	8,852,229	414,999	(392,815)	8,874,413
Vehicles	8,356,203	713,659	(283,701)	8,786,161
Infrastructure	<u>58,769,881</u>	<u>3,514,105</u>	<u>(23,378)</u>	<u>62,260,608</u>
Total capital assets being depreciated	<u>159,303,979</u>	<u>5,739,482</u>	<u>(1,287,302)</u>	<u>163,756,159</u>
Total capital assets	<u>167,420,493</u>	<u>9,486,609</u>	<u>(1,727,033)</u>	<u>175,180,069</u>
Less accumulated depreciation:				
Buildings and structures	18,965,715	1,902,720	(411,731)	20,456,704
Machinery and equipment	5,740,281	547,661	(281,112)	6,006,830
Vehicles	4,832,943	541,222	(158,078)	5,216,087
Infrastructure	<u>15,839,308</u>	<u>1,579,967</u>	<u></u>	<u>17,419,275</u>
Total accumulated depreciation	<u>45,378,247</u>	<u>4,571,570</u>	<u>(850,921)</u>	<u>49,098,896</u>
Total capital assets being depreciated, net	<u>113,925,732</u>	<u>1,167,912</u>	<u>(436,381)</u>	<u>114,657,263</u>
Governmental Activities Capital Assets, Net	<u>\$ 122,042,246</u>	<u>\$ 4,915,039</u>	<u>\$ (876,112)</u>	<u>\$ 126,081,173</u>

The July 1, 2015 beginning balance was adjusted to correctly add prior year assets and accumulated depreciation associated with the transfer of the Easton's Beach assets to the General Fund in FY2014. There is no effect on the bottom line.

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

General government	\$ 493,633
General education	1,226,306
Public safety	600,053
Public services	2,121,031
Planning, zoning and development	123,250
Human services	2,630
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>\$ 4,571,570</u>

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Business-Type Activities

	<u>Balance July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2016</u>
Capital assets not being depreciated:				
Land and land improvements	\$ 6,492,359	\$	\$	\$ 6,492,359
Construction in progress	8,644,553	5,532,521	(6,591,857)	7,585,217
Total capital assets not being depreciated	<u>15,136,912</u>	<u>5,532,521</u>	<u>(6,591,857)</u>	<u>14,077,576</u>
Capital assets being depreciated:				
Buildings and systems	297,619,329	10,489,798		308,109,127
Machinery and equipment	4,742,504			4,742,504
Vehicles	655,663	60,687		716,350
Total capital assets being depreciated	<u>303,017,496</u>	<u>10,550,485</u>	<u>-</u>	<u>313,567,981</u>
Total capital assets	<u>318,154,408</u>	<u>16,083,006</u>	<u>(6,591,857)</u>	<u>327,645,557</u>
Less accumulated depreciation:				
Buildings and systems	96,035,224	6,408,275		102,443,499
Machinery and equipment	4,347,015	89,915		4,436,930
Vehicles	354,397	100,518		454,915
Total accumulated depreciation	<u>100,736,636</u>	<u>6,598,708</u>	<u>-</u>	<u>107,335,344</u>
Total capital assets being depreciated, net	<u>202,280,860</u>	<u>3,951,777</u>	<u>-</u>	<u>206,232,637</u>
Net Capital Assets, Business-Type Activities	<u>\$ 217,417,772</u>	<u>\$ 9,484,298</u>	<u>\$ (6,591,857)</u>	<u>\$ 220,310,213</u>

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

Water	\$ 2,824,196
Water Pollution Control	3,507,901
Maritime	129,404
Parking	<u>137,207</u>
	<u>\$ 6,598,708</u>

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

6. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2016 is as follows:

	<u>Corresponding Fund</u>	<u>Due From</u>	<u>Due To</u>	<u>Description</u>
Major Governmental Funds				
General Fund				
	Water Fund	\$ 216,828		Payroll, benefits and overhead
	Nonmajor Governmental Fund		43,750	Library parking lot
	Total	<u>216,828</u>	<u>43,750</u>	
Nonmajor Governmental Funds				
UDAG Fund				
	General Fund	43,750		Library parking lot
		<u>\$ 260,578</u>	<u>\$ 43,750</u>	
Major Enterprise Funds				
Water Fund				
	Water Pollution Control Fund	\$	\$ 108,168	Sludge charges
	General Fund		216,828	Payroll, benefits and overhead
	Internal Service Fund		29,578	Maintenance charges
	Total	<u>-</u>	<u>354,574</u>	
Water Pollution Control Fund				
	Water Fund	108,168		Sludge charges
	Total	<u>108,168</u>	<u>-</u>	
Total Enterprise Funds		<u>\$ 108,168</u>	<u>\$ 354,574</u>	
Internal Service Fund				
	Water Funds	<u>\$ 29,578</u>	<u>\$ -</u>	Maintenance charges
Total All Funds		<u>\$ 398,324</u>	<u>\$ 398,324</u>	

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

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.

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

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Transfers

A summary of interfund transfers for the year ended June 30, 2016 is as follows:

	Transfers In			
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Transfers Out
Transfer out:				
General Fund	\$	\$ 3,202,524	\$ 551,227	\$ 3,753,751
Capital Projects Fund	127,743			127,743
Nonmajor Governmental Fund	624,898	300,000	1,256,867	2,181,765
Nonmajor Business-Type Funds		100,000		100,000
Total	<u>\$ 752,641</u>	<u>\$ 3,602,524</u>	<u>\$ 1,808,094</u>	<u>\$ 6,163,259</u>

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

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. 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 QZAB bond is a 12-year bond that expired on December 14, 2015, which was supported by annual sinking fund payments to a third-party escrow agent. Changes in bonded debt outstanding during fiscal year 2016 are summarized as follows:

	Date Issued	Maturity Date	Interest Rate (%)	Outstanding July 1, 2015	Additions	Retired	Outstanding June 30, 2016
Governmental Activities:							
Thompson School QZAB	2001	2015	N/A	\$ 1,863,536		\$ 1,863,536	\$ -
Thompson School Refunding	2010	2021	1.50 to 5.0	8,745,000		1,150,000	7,595,000
Road and Bridge Loan	2014	2024	0.12 - 5.0	1,500,000		142,000	1,358,000
Roadway Improvements	2009	2023	2.50 to 5.0	2,500,000		250,000	2,250,000
Road and Facility Improve	2015	2025	2.0 - 5.0	5,735,000		495,000	5,240,000
Pell School	2013	2033	0.55 to 5.0	25,835,000		1,440,000	24,395,000
Total Governmental Activities				<u>\$ 46,178,536</u>	<u>\$ -</u>	<u>\$ 5,340,536</u>	<u>\$ 40,838,000</u>
Business-type Activities:							
Sewer Improvements - SRF	2002	2023	1.90	6,211,739	\$	\$ 692,303	\$ 5,519,436
Sewer Improvements - SRF	2009	2029	0.84 to 3.16	5,265,532		282,000	4,983,532
Sewer Improvements - SRF	2010	2030	0.55 to 3.25	7,859,000		384,000	7,475,000
Sewer Improvements - SRF	2011	2031	0.73 to 3.81	2,742,505		122,000	2,620,505
Sewer Improvements	2011	2026	4.30	8,785,000		565,000	8,220,000
Sewer Improvements - SRF	2015	2034	0.69 to 2.89	-	1,803,397	1,000	1,802,397
Sewer Improvements - SRF	2016	2035	0.37 to 2.41	-	702,808		702,808
Total W.P.C. Fund				<u>30,863,776</u>	<u>2,506,205</u>	<u>2,046,303</u>	<u>31,323,678</u>
Water Improvements - SRF	2007	2027	3.28 - 3.72	2,177,000		134,000	2,043,000
Water Improvements - SRF	2012	2033	0.94 - 3.61	51,033,000		2,094,000	48,939,000
Water Improvements - SRF	2013	2034	0.37 - 2.92	24,001,223	6,996,777	1,250,000	29,748,000
Water Improvements	2011	2027	3.40	5,306,037		350,000	4,956,037
Water Improvements - SRF	2008	2029	2.08 - 3.63	4,781,000		245,000	4,536,000
Water Improvements - SRF	2009	2030	0.65 to 3.54	2,798,000		133,000	2,665,000
Total Water Fund				<u>90,096,260</u>	<u>6,996,777</u>	<u>4,206,000</u>	<u>92,887,037</u>
Total Business-type Activities				<u>\$ 120,960,036</u>	<u>\$ 9,502,982</u>	<u>\$ 6,252,303</u>	<u>\$ 124,210,715</u>

**CITY OF NEWPORT, RHODE ISLAND
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JUNE 30, 2016**

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

The Water Pollution Control (W.P.C.) Fund borrowed \$6,595,532 in FY2009 from the state revolving loan fund. Of that, \$995,579 of American Reinvestment and Recovery Act (ARRA) funds will be applied against principal over the life of the 20-year bond. The Water Fund borrowed \$3,300,000 in FY2009 from the state revolving loan fund. \$765,452 of ARRA funds will be applied against principal over the 20-year life of the bond. The annual ARRA offset will be taken into revenue each year the bonds are outstanding.

The City of Newport Water and W.P.C Funds have the following outstanding State Revolving Fund (SRF) revenue bonds and non-SRF revenue bonds all issued through the Rhode Island Infrastructure Bank (RIIB). The bond proceeds are held by RIIB 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 RIIB 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	N/A
St. Mary's Raw Water Main Project	Water	2007	3,000,000	3,000,000	212,633	N/A
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	N/A
Water Treatment Plants	Water	2012	53,100,000	53,100,000	3,476,201	N/A
Water Treatment Plants	Water	2013	31,000,000	31,000,000	2,275,831	N/A
Sewer Improvements	WPC	2002	13,000,000	13,000,000	894,371	N/A
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	N/A
Long Wharf force main repairs	WPC	2011	3,095,505	3,095,505	224,754	N/A
Long Wharf force main repairs	WPC	2011	10,345,000	10,345,000	544,095	N/A
Wellington CSO Repairs	WPC	2015	5,400,000	1,803,397	372,878	N/A
Sewer Plant Upgrades	WPC	2016	9,142,000	702,808	611,388	N/A

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
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Bonded indebtedness on June 30, 2016 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>
2017	\$ 3,518,000	\$ 1,620,089	\$ 7,041,824	\$ 4,014,174
2018	3,534,000	1,520,302	7,203,077	3,860,081
2019	3,571,000	1,389,381	7,381,086	3,690,948
2020	3,688,000	1,245,542	7,580,877	3,507,102
2021	3,735,000	1,077,727	7,787,474	3,308,559
2022-2026	12,747,000	3,464,481	39,931,097	13,108,986
2027-2031	7,175,000	1,564,150	37,861,532	6,717,181
2032-2035	2,870,000	172,200	21,580,505	1,281,348
Amounts Not Yet Drawn			(12,156,757)	
	<u>\$ 40,838,000</u>	<u>\$ 12,053,872</u>	<u>\$ 124,210,715</u>	<u>\$ 39,488,379</u>

Debt authorized by the City Council and voters, where applicable, and not yet issued at June 30, 2016 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	47,231,000

The City issued \$2,850,000 in municipal facilities bonds for roof replacement at Rogers High School on August 17, 2016. The City issued \$1,242,000 in general obligation bonds through the Rhode Island Infrastructure Bank on July 8, 2016 for a solar energy project for the wastewater plant.

8. NOTES PAYABLE

Business-Type Activities

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

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2016 was as follows:

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2016</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable	\$ 46,178,536	\$	\$ 5,340,536	\$ 40,838,000	\$ 3,518,000
Bond premium	3,270,022		270,192	2,999,830	270,190
Leases payable	675,422		104,236	571,186	107,435
Claims and judgments	297,000	271,776		568,776	20,000
Compensated absences *	6,876,932	2,654,884	2,738,012	6,793,804	2,738,000
Net pension liability *	127,118,734	18,368,905		145,487,639	
Net OPEB obligation *	4,648,570	919,037		5,567,607	
TOTAL	<u>\$ 189,065,216</u>	<u>\$ 22,214,602</u>	<u>\$ 8,452,976</u>	<u>\$ 202,826,842</u>	<u>\$ 6,653,625</u>
Business-type activities:					
Bonds payable	\$ 120,960,036	\$ 9,502,982	\$ 6,252,303	\$ 124,210,715	\$ 7,041,824
Note payable	200,000			200,000	
Net pension liability	4,475,459	600,823		5,076,282	
Net OPEB obligation	474,963		33,794	441,169	
TOTAL	<u>\$ 126,110,458</u>	<u>\$ 10,103,805</u>	<u>\$ 6,286,097</u>	<u>\$ 129,928,166</u>	<u>\$ 7,041,824</u>

* Generally, the liabilities for compensated absences, net pension liability and net OPEB obligation are liquidated by the General Fund.

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, 2015 was \$6,014,314,527 limiting the amount of non-excepted general obligation bonds outstanding to \$180,429,436. Bonds of \$40,838,000 outstanding at June 30, 2016 are general obligations and subject to the 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, 2016, 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
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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>
2017	\$ 107,435	\$ 17,535
2018	110,733	14,237
2019	114,133	10,838
2020	117,637	7,334
2021	121,248	3,722
	<u>\$ 571,186</u>	<u>\$ 53,666</u>

Equipment under capital leases in capital assets at June 30, 2016 included the following:

Machinery and equipment	\$ 1,239,457
Less: Accumulated Depreciation	<u>(506,112)</u>
Net	<u>\$ 733,345</u>

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

11. FUND BALANCES

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

	General Fund	Community Development Block Grant	Permanent Fund	Capital Projects Fund	Other Governmental Funds	Total
Nonspendable:						
Endowments	\$ 55,628	\$	\$ 2,601,651	\$	\$	\$ 2,657,279
Restricted:						
Trust purposes			7,865,444			7,865,444
Education					453,946	453,946
Education, capital improvements	473,875					473,875
For recreation by donors	121,287					121,287
Planning, urban and economic development					1,984,850	1,984,850
Public safety					718,387	718,387
Community and social services		2,398,960				2,398,960
Total Restricted	<u>595,162</u>	<u>2,398,960</u>	<u>7,865,444</u>	<u>-</u>	<u>3,157,183</u>	<u>14,016,749</u>
Committed:						
General government	315,896					315,896
Capital improvements				7,538,289		7,538,289
Total Committed	<u>315,896</u>	<u>-</u>	<u>-</u>	<u>7,538,289</u>	<u>-</u>	<u>7,854,185</u>
Assigned:						
Public improvements	<u>2,167,743</u>					<u>2,167,743</u>
Unassigned	<u>15,316,638</u>				<u>(18,859)</u>	<u>15,297,779</u>
Totals	<u>\$ 18,451,067</u>	<u>\$ 2,398,960</u>	<u>\$ 10,467,095</u>	<u>\$ 7,538,289</u>	<u>\$ 3,138,324</u>	<u>\$ 41,993,735</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.

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

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

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 defined benefit pension plan administered by the City. The Firemen's Pension Plan and Policemen's Pension Plan cover all employees covered under a collective bargaining agreement either with the International Association of Firefighters, Local 1080 or the Fraternal Order of Police, Lodge Number 8. Total covered payroll under all plans during 2016 was \$40,023,369. Total City payroll was \$51,335,386 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), a cost sharing multiple employer defined benefit pension 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.

**CITY OF NEWPORT, RHODE ISLAND
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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>.

The City covered payroll under the plan during 2016 was \$17,015,623, including \$1,101,988 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, 2015, 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 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 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 2016, contributions were 23.14% of participants' salary (also 23.14% for federally reimbursed salary). This resulted in a contribution rate paid by the State on behalf of City teachers of 9.41%. The City's contribution rate was 13.73%.

**CITY OF NEWPORT, RHODE ISLAND
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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, 2015, the City reports a net pension liability of \$27,960,185 as its proportional share of the net pension liability. The State’s proportionate share of the net pension liability is \$19,101,521. The net pension liability was measured as of June 30, 2015. The City’s proportion of the net pension liability is based on the City’s fiscal year 2015 contributions as a percentage of total contributions to the Plan. The City’s percentage is 1.016% (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.

For the year ended June 30, 2016, the City recognized gross (combined state and city) pension expense for the teachers’ Plan of \$5,761,876 and revenue of \$2,319,444 for support provided by the State. At June 30, 2016, 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	\$ 1,575,420	\$ 1,596,513
Differences between expected and actual experience		182,059
Changes of assumptions		751,665
Changes in proportion and differences between employer contributions and proportionate share of contributions		368,310
City contributions subsequent to the measurement date	<u>2,383,068</u>	
Totals	<u>\$ 3,958,488</u>	<u>\$ 2,898,547</u>

**CITY OF NEWPORT, RHODE ISLAND
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016**

The amount of \$2,383,068 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, 2017. The proportionate share reported as deferred outflows (inflows) of resources related to pensions will be recognized over 7.4694 years in pension expense as follows:

<u>Year Ending June 30,</u>	
2017	\$ (347,364)
2018	(347,364)
2019	(347,364)
2020	184,807
2021	(209,048)
Thereafter	(256,794)

Actuarial Assumptions

The total pension liability was determined as part of the actuarial calculations performed as of June 30, 2014 and rolled forward to the June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement. The actuarial assumptions used in the June 30, 2014 valuations and the calculation of the total pension liability at June 30, 2015 (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 is used

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 13.50%

Inflation - 2.75%

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.

Post-retirement Benefit Increase - Post-retirement benefit increases are assumed to be 2.2%, per annum, while the plan has a funding level that exceeds 80%; however, an interim COLA will be granted in four-year intervals while the COLA is suspended. The first such COLA will be applicable in Calendar Year 2017. As of June 30, 2015, it is assumed that the COLAs will be suspended for 12 years due to the current funding level of the plans. The actual amount of the COLA is determined based on 50% of the plan’s five-year average investment rate of return minus 5.5% which will range from zero to 4.0%, and 50% of the lesser of 3% or last year’s CPI-U increase for a total maximum increase of 3.50%.

**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 collective summary of capital market expectations from 23 sources.

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.

Discount Rate

The discount rate used to measure the total pension liability of the ERS plan was 7.50%. 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.

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:

	<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	\$ 35,061,848	\$ 27,960,185	\$ 22,146,470

B. Teachers’ Survivors Benefit 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>.

**CITY OF NEWPORT, RHODE ISLAND
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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.

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.

**CITY OF NEWPORT, RHODE ISLAND
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The City of Newport School District contributed \$20,862, \$21,279 and \$20,185 for the fiscal years ended June 30, 2016, 2015, and 2014, 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, 2016 the City of Newport School District reported an asset of \$3,292,265 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, 2015, 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, 2014 rolled forward to June 30, 2015. The City's proportion of the net pension asset was based on its share of contributions to the TSB for fiscal year 2015 relative to the total contributions of all participating employers for that fiscal year. At June 30, 2015, the City's proportion was 3.527 (rounded).

For the year ended June 30, 2016, the City recognized pension expense of \$(234,642). At June 30, 2016, 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	\$ 418,334	\$ 430,333
Differences between expected and actual experience	761,169	
Changes in proportion and differences between employer contributions and proportionate share of contributions		205,179
City contributions subsequent to the measurement date	<u>20,862</u>	
Totals	<u>\$ 1,200,365</u>	<u>\$ 635,512</u>

The amount of \$20,862 reported as deferred outflows of resources related to pensions resulting from the City's contributions in fiscal year 2016 subsequent to the measurement date will be recognized as an addition to the net pension asset for the year ended June 30, 2017. Other amounts reported as deferred outflows (inflows) of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2017	\$ 28,850
2018	28,850
2019	28,850
2020	172,294
2021	67,711
Thereafter	217,436

**CITY OF NEWPORT, RHODE ISLAND
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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, 2014 valuation rolled forward to June 30, 2015 and the calculation of the total pension liability at June 30, 2015 were consistent with the results of an actuarial experience study performed as of June 30, 2013.

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 a collective summary of capital market expectations from 23 sources.

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.

Discount rate

The discount rate used to measure the total pension liability 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 benefit payments to determine the total pension liability.

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% 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.

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
City's proportionate share of the net pension liability (asset)	\$ (2,556,695)	\$ (3,292,265)	\$ (3,894,226)

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.

Summary of Benefit Provisions

General employees, police officers and firefighters employed by electing municipalities participate in MERS. Teachers and school administrators are covered by the separate Employees' Retirement System Plan, but other school employees may be covered by MERS. Eligible employees become members at their date of employment. Elected officials may opt to be covered by MERS. Employees covered by another plan maintained by the employer may not become members of MERS. Members designated as police officers are treated as belonging to a unit separate from the general employees, with separate contribution rates applicable. The City provides separate plans for all firefighters and police officers hired prior to January 1, 2015. Police officers hired on or after January 1, 2015 are covered by MERS.

Salary: Salary includes the member's base earnings plus any payments under a regular longevity or incentive plan. Salary excludes overtime, unused sick and vacation leave, severance pay, and other extraordinary compensations. Certain amounts that are excluded from taxable wages, such as amounts sheltered under a Section 125 plan are not excluded from salary.

Service: Employees receive credit for service while a member. In addition, a member may purchase credit for certain periods by making an additional contribution to purchase the additional service. Special rules and limits govern the purchase of additional service and the contribution required.

Final Average Compensation (FAC): Prior to July 1, 2012 and for general employee members eligible to retire as of June 30, 2012, the average was based on the member's highest three consecutive annual salaries. Effective July 1, 2012, the average was based on the member's highest five consecutive annual salaries. Once a member retires or is terminated, the applicable FAC will be the greater of the member's highest three year FAC as of July 1, 2012 or the five year FAC as of the retirement/termination date. Monthly benefits are based on one-twelfth of this amount.

Subsequent to June 30, 2015, litigation challenging the various pension reform measures enacted in previous years by the General Assembly was settled. The final settlement approved by the Court on July 8, 2015 also included enactment of the pension settlement provisions by the General Assembly. These amended benefit provisions, which have been included in the determination of the total pension liability at the June 30, 2015 measurement date and are reflected in the summary of benefit provisions described below.

**CITY OF NEWPORT, RHODE ISLAND
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General Employees

Members with less than five years of contributory service as of June 30, 2012 and members hired on or after that date are eligible for retirement on or after their Social Security normal retirement age (SSNRA).

Members who had at least five years of contributory service as of June 30, 2012 will be eligible for retirement at an individually determined age. This age is the result of interpolating between the member's prior Retirement Date, described below, and the retirement age applicable to members hired after June 30, 2012 in (a) above. The interpolation is based on service as of June 30, 2012 divided by projected service at the member's prior Retirement Date. The minimum retirement age is 59.

Members with 10 or more years of contributory service on June 30, 2012 may choose to retire at their prior Retirement Date if they continue to work and contribute until that date. If this option is elected, the retirement benefit will be calculated using the benefits accrued as of June 30, 2012, i.e., the member will accumulate no additional defined benefits after this date, but the benefit will be paid without any actuarial reduction.

Effective July 1, 2015, members will be eligible to retire with full benefits at the earlier of their current Rhode Island Retirement Security Act (RIRSA) date described above or upon attainment of age 65 with 30 years of service, age 64 with 31 years of service, age 63 with 32 years of service, or age 62 with 33 years of service.

A member who is within five years of reaching their retirement eligibility date and has 20 or more years of service, may elect to retire at any time with an actuarially reduced benefit.

Prior to July 1, 2012, members were eligible for retirement on or after age 58 if they had credit for 10 or more years of service, or at any age if they had credit for at least 30 years of service. Members eligible to retire before July 1, 2012 were not impacted by the changes to retirement eligibility.

The annual benefit is equal to 2.00% of the member's monthly FAC for each year of service prior to July 1, 2012 and 1.00% of the member's monthly FAC for each year of service from July 1, 2012 through June 30, 2015. For all service after June 30, 2015, the annual benefit is equal to 1.0% per year unless the member had 20 or more years of service as of June 30, 2012 in which case the benefit accrual is 2.00% per year for service after June 30, 2015. The benefit cannot exceed 75% of the member's FAC. Benefits are paid monthly.

Police and Fire Employees

Members are eligible to retire when they are at least 50 years old and have a minimum of 25 years of contributing service or if they have 27 years of contributing service at any age. Members with less than 25 years of contributing service are eligible for retirement on or after their SSNRA. Note that differing eligibility requirements may exist for members hired prior to January 1, 2015, but those are not listed here as they do not apply to the City of Newport MERS police plan. A description of all eligibility can be found on the ERSRI website.

A monthly benefit is paid equal to 2.00% of the member's monthly FAC for each year of service, up to 37.5 years (75% of FAC maximum).

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Other Benefit Provisions

Death and disability benefits are also provided to members. A member is eligible for a disability retirement provided he/she has credit for at least five years of service or if the disability is work-related. Members are not eligible for an ordinary disability benefit if they are eligible for unreduced retirement.

Joint and survivor benefit options are available to retirees. For some employees, a Social Security Option is also available where an annuity is paid at one amount prior to age 62, and at a reduced amount after age 62, designed to provide a level total income when combined with the member's age 62 Social Security benefit. Benefits cease upon the member's death.

Post-retirement benefit increases are paid to members who retire after June 30, 2012. Members will be eligible to receive cost of living increases at the later of the member's third anniversary of retirement and the month following their SSNRA. The City has elected a COLA B option, which allows COLA's for current retired members as well as current and future active members.

- a. The COLA will be suspended for any unit whose funding level is less than 80%; however, an interim COLA may be granted in four-year intervals while the COLA is suspended. The first interim COLA may begin January 1, 2018.
- b. Effective July 1, 2015, the COLA is determined based on 50% of the plan's five-year average investment rate of return less 5.5% limited to a range of 0.0% to 4.0%, plus 50% of the lesser of 3.0% or last year's CPI-U increase for a total maximum increase of 3.50%. Previously, it was the plan's five-year average investment rate of return less 5.5% limited to a range of 0.0% to 4.0%.
- c. The Cola will be limited to the first \$25,000 of the member's annual pension benefit. The COLA will be limited to the first \$30,000 for retirees and beneficiaries who retired on or before July 1, 2015, years in which a COLA is payable based on the every fourth year provision described above. These limits will be indexed annually to increase in the same manner as COLAs, with the known values of \$25,000 for 2013, \$25,000 for 2014, \$25,168 for 2015, \$25,855 for 2016, and \$26,098 for 2017.

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.

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.

At the June 30, 2014 valuation date, the following employees were covered by the benefit terms:

Retirees and Beneficiaries	242
Inactive, Non-Retired Members	129
Active Members	<u>254</u>
Total	<u><u>625</u></u>

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Contribution

Contribution requirements for plan members and employers are established pursuant to Rhode Island General Laws. Employers are required to contribute at an actuarially determined rate for the defined benefit plans. Employer contributions for the defined contribution plan are prescribed by statute. The General Assembly can amend the amount of these contribution requirements.

General Employees contribute 2% of salary to the defined benefit plan and 5% of salary to the defined contribution plan. Police employees contribute 7% of salary to the defined benefit plan. The City's actuarial determined rates of contribution are 21.86% for general employees and 8.33% for police employees. The City contributed \$2,811,308 in the year ended June 30, 2016, which was 21.86% 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, 2014 and rolled forward to June 30, 2015, 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, 2015 Measurement Date (June 30, 2014 Valuation Rolled Forward to June 30, 2015)

Actuarial Cost Method	Entry Age Normal
Amortization	Level Percent of Payroll - Closed
Equivalent Single Remaining Amortization Period	20 years at June 30, 2015
Investment Rate of Return	7.50%
Projected Salary Increases	3.50% to 7.50% general employees; 4.00% to 14.00% for Police and Fire
Inflation	2.75%
Mortality	

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

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

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, 2014 valuation rolled forward to June 30, 2015 and the calculation of the total pension liability at June 30, 2015 were consistent with the results of an actuarial experience study performed as of June 30, 2013.

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
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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 a collective summary of capital market expectations from 23 sources.

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.

Discount Rate

The discount rate used to measure the total pension liability of the plans 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 benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c)
MERS Plan			
Beginning Balances	\$ 69,949,857	\$ 46,880,482	\$ 23,069,375
Changes for the Year:			
Service Cost	1,012,748		1,012,748
Interest on the Total Pension Liability	5,102,024		5,102,024
Benefit Changes	1,364,563		
Differences Between Expected and Actual Experience	(434,672)		(434,672)
Other		1,235	(1,235)
Contributions - Employer		2,518,304	(2,518,304)
Contributions - Employees		234,906	(234,906)
Net Investment Income		1,073,486	(1,073,486)
Benefit Payments, Including Refunds of Member Contributions	(4,858,492)	(4,858,492)	-
Plan Administrative Expenses		(43,154)	43,154
Net Changes	<u>2,186,171</u>	<u>(1,073,715)</u>	<u>3,259,886</u>
Ending Balances	<u>\$ 72,136,028</u>	<u>\$ 45,806,767</u>	<u>\$ 26,329,261</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.

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
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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.

	<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	\$ 34,051,500	\$ 26,329,261	\$ 20,007,944

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

For the year ended June 30, 2016, the employer recognized pension expense of \$3,640,006. 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	\$ 1,889,624	\$ 1,863,793
Assumption changes	91,870	
Difference between expected and actual experience		328,335
City contributions subsequent to the measurement date	<u>2,811,308</u>	
Totals	<u>\$ 4,792,802</u>	<u>\$ 2,192,128</u>

The amount of \$2,811,308 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, 2017. The proportionate share reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2017	\$ (210,826)
2018	(210,826)
2019	(252,064)
2020	463,082

**CITY OF NEWPORT, RHODE ISLAND
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016**

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.

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, 2016, membership in each plan was as follows:

	<u>Fire Plan</u>	<u>Police Plan</u>
Total active employees	95	71
Inactive employees with vested rights	1	1
Pensioners and beneficiaries	<u>116</u>	<u>125</u>
Total plan members	<u><u>212</u></u>	<u><u>197</u></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 2016, covered payroll under the plans was \$6,585,483 and \$5,351,641 for the fire and police plans, respectively. Rights to pension benefits become fully vested for fire and police participants after ten 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.

**CITY OF NEWPORT, RHODE ISLAND
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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 (COLAs) 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%.

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 was one participant as of June 30, 2016.

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 15 years remaining. Rhode Island general laws, city ordinances and collective bargaining agreements establish minimum employer funding.

**CITY OF NEWPORT, RHODE ISLAND
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Financial Information

**STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2016**

	<u>Police Pension Fund</u>	<u>Fire Pension Fund</u>
Assets:		
Cash and investments	\$ 58,612,820	\$ 46,797,343
Liabilities:		
Accounts payable	<u>48,018</u>	<u>36,764</u>
Net Position:		
Net Position Restricted for Pension Benefits	<u>\$ 58,564,802</u>	<u>\$ 46,760,579</u>

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Police Pension Fund</u>	<u>Fire Pension Fund</u>
Additions:		
Contributions and other income	\$ 4,459,237	\$ 6,650,561
Investment loss, net of investment expenses	<u>(933,558)</u>	<u>(1,463,732)</u>
Total additions	<u>3,525,679</u>	<u>5,186,829</u>
Deductions:		
Benefits	5,075,242	5,794,738
Administration	<u>88,657</u>	<u>67,862</u>
Total deductions	<u>5,163,899</u>	<u>5,862,600</u>
Changes in Net Position	(1,638,220)	(675,771)
Net Position at Beginning of Year	<u>60,203,022</u>	<u>47,436,350</u>
Net Position at End of Year	<u>\$ 58,564,802</u>	<u>\$ 46,760,579</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 7.25% for the pension plans and 7.50% for 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

**CITY OF NEWPORT, RHODE ISLAND
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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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Actuarially Determined Nominal Mean</u>
Large Cap Equity	20%	9.2%
Mid Cap Equity	15%	11.4%
Small Cap Equity	15%	8.8%
International Equity	15%	6.4%
Fixed Income	25%	5.7%
Real Estate and Timber	10%	10.1%

Concentrations

As of June 30, 2016, 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 -2.40% for the year ended June 30, 2016. 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, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

The components of the net pension liability of the City at June 30, 2016, were as follows:

	<u>Police Plan</u>	<u>Fire Plan</u>
Total pension liability	\$ 97,940,088	\$ 103,659,768
Plan fiduciary net position	<u>(58,564,802)</u>	<u>(46,760,579)</u>
City's net pension liability	<u>\$ 39,375,286</u>	<u>\$ 56,899,189</u>
Plan fiduciary net position as a percentage of total pension liability	59.80%	45.11%

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.

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

	<u>Fire</u>	<u>Police</u>
Valuation Date	June 30, 2016	June 30, 2016
Actuarial Cost Method	Individual Entry Age	Individual Entry Age
Amortization Method	Level Dollar Closed	Level Dollar Closed
Remaining Amortization Period	15 years	15 years
Asset appreciation	7.25% annually	7.25% annually
Salary increases	2.75% first 10 years, 3.00% annually thereafter	2.75% first 10 years, 3.00% annually thereafter
Cost of living increase:	2.75 first 10 years, 3.00% annually thereafter	2.75 first 10 years, 3.00% annually thereafter
Members retired prior to 8/21/11	3.00% annually thereafter	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	

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Discount Rate

The discount rate used to measure the total pension liabilities is 7.25%. 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. The City reduced the expected rate of return on pension plan investments from 7.50% to 7.25% effective as of July 1, 2016.

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 7.25%, 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 (6.25%) or 1-percentage point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net pension liability - police	\$ 52,231,767	\$ 39,375,286	\$ 28,815,070
Net pension liability - fire	\$ 69,823,069	\$ 56,899,189	\$ 46,167,593

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Policemen's Pension Plan			
Balances at June 30, 2015, Policemen's Plan	\$ 92,926,296	\$ 60,203,022	\$ 32,723,274
Changes for the Year:			
Service Cost	1,354,511		1,354,511
Interest	6,884,180		6,884,180
Changes of Benefit Terms			-
Differences Between Expected and Actual Experience	(982,867)		(982,867)
Changes of Assumptions	2,833,210		2,833,210
Contributions - Employer		4,012,174	(4,012,174)
Contributions - Employees		447,063	(447,063)
Net Investment Loss		(896,323)	896,323
Benefit Payments, Including Refunds of Member Contributions	(5,075,242)	(5,075,242)	-
Plan Administrative Expenses		(125,892)	125,892
Net Changes	<u>5,013,792</u>	<u>(1,638,220)</u>	<u>6,652,012</u>
Balances at June 30, 2016, Policemen's Plan	<u>\$ 97,940,088</u>	<u>\$ 58,564,802</u>	<u>\$ 39,375,286</u>

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Firemen's Pension Plan			
Balances at June 30, 2015, Firemen's Plan	\$ 98,138,416	\$ 47,436,350	\$ 50,702,066
Changes for the Year:			
Service Cost	1,459,460		1,459,460
Interest	7,256,466		7,256,466
Differences Between Expected and Actual Experience	(268,376)		(268,376)
Changes of Assumptions	2,868,540		2,868,540
Contributions - Employer		6,048,094	(6,048,094)
Contributions - Employees		602,467	(602,467)
Net Investment Loss		(1,435,206)	1,435,206
Benefit Payments, Including Refunds of Member Contributions	(5,794,738)	(5,794,738)	-
Plan Administrative Expenses		(96,388)	96,388
Net Changes	<u>5,521,352</u>	<u>(675,771)</u>	<u>6,197,123</u>
Balances at June 30, 2016, Firemen's Plan	<u>\$ 103,659,768</u>	<u>\$ 46,760,579</u>	<u>\$ 56,899,189</u>

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

For the year ended June 30, 2016, the City recognized pension expense of \$5,710,739 and \$6,126,626 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 experience	\$ 1,207,176	\$ -
Difference between expected and actual earnings on pension plan investments	5,106,904	
Changes in assumptions	2,230,399	
Fire Pension Plan:		
Difference between expected and actual experience experience		172,857
Difference between expected and actual earnings on pension plan investments	4,931,037	
Changes in assumptions	<u>2,398,288</u>	
Totals	<u>\$ 15,873,804</u>	<u>\$ 172,857</u>

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

<u>Year Ending June 30,</u>	
2017	\$ 4,167,677
2018	4,167,677
2019	4,026,181
2020	2,870,528
2021	426,256
2022	42,628

E. 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, 2016**

Employees with 20 or more years of service as of July 1, 2012 do not participate in the defined contribution plan. Employers continue to contribute 1% for employees in the system that had less than 10 years of service as of July 1, 2012. Employers 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 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 recognized defined contribution pension expense of \$530,359 for the fiscal year ended June 30, 2016.

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>.

14. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description

The City 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 after 10 years of service. 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. A Memorandum of Understanding between the School Administration and the Teacher Retirees is currently under negotiation, which will eliminate extended benefit coverage for School retirees. The effects of that agreement have not been included as the agreement is not yet signed.

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.

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Valuation of Investments

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

Classes of Employees Covered

As of June 30, 2016 membership data was as follows:

Active employees	645
Retirees	<u>524</u>
Total plan members	<u>1,169</u>

Benefit Provisions and Contributions

A portion of health insurance premiums is borne by the City, dependent upon each retiree's covered group, date of retirement and credited service. For members covered under the Police Pension Plan retiring after June 30, 1987, the City pays 50% of premiums plus an additional 5% of premiums for each year of service between 11 and 20 years, until 100% is paid. Retirees prior to that date are responsible for premiums for each year between 11 and 25 years, until 100% is paid. Employees hired after July 1, 2009 are not eligible for Plan65. For members covered under the Fire Pension Plan that retired prior to September 12, 2007, the City pays 100% of health insurance premiums for members, provided that the retiree was eligible for retirement (25 years of service) at the date of separation from service. Members that retire after September 12, 2007 contribute 1% of their pension benefit towards the cost of retiree health insurance. For retirees with less than 25 years of service, the City contribution is reduced 4% per year of service less than 25. Members hired after July 1, 2011 are not eligible for Plan65. Premiums for retirees of both the Teachers' Plan and the Municipal Plan are fully paid by the City (less a retiree premium share) until age 65, provided the retiree was eligible for retirement at the time of separation from service. The City pays for a \$25,000 life insurance policy for retired police with at least 10 years of service, and for a temporary (until age 65) \$50,000 life insurance policy for retired teachers. Members of each group may elect dental and life insurance coverage at their expense.

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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, 2016**

Assets:	
Cash and investments	\$ 36,237,240
Liabilities:	
Accounts payable	<u>28,034</u>
Net Position:	
Net Position Restricted for OPEB Benefits	<u><u>\$ 36,209,206</u></u>

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
OTHER POST-EMPLOYMENT BENEFITS TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2016**

Additions:	
Contributions and other income	\$ 500,000
Investment income (loss), net of investment expenses	<u>(698,307)</u>
Total additions	<u>(198,307)</u>
Deductions:	
Benefits	159,371
Administration	<u>72,950</u>
Total deductions	<u>232,321</u>
Changes in net position	(430,628)
Net Position at Beginning of Year	<u>36,639,834</u>
Net Position at End of Year	<u><u>\$ 36,209,206</u></u>

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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	\$ 7,993,309
Interest on net OPEB obligation	384,265
Adjustment to annual required contribution	<u>(359,353)</u>
Annual OPEB cost (expense)	8,018,221
Contributions made	<u>7,132,978</u>
Increase (decrease) in net OPEB obligation	885,243
Net OPEB obligation - July 1, 2015	<u>5,123,533</u>
 Net OPEB obligation - June 30, 2016	 <u><u>\$ 6,008,776</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 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, 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
June 30, 2016	8,018,221	89.0%	6,008,776

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2016 (the date of the most recent actuarial valuation) was as follows:

Actuarial Valuation Date	(A) Actuarial Value of Assets	Accrued Liability (AAL) Projected Unit Credit	(A-B) Under Funded AAL	(A/B) Funded AAL Ratio	(C) Covered Payroll	Under Funded AAL as a Percentage of Covered Payroll
July 1, 2016	\$ 36,209,206	\$ 115,321,652	\$ 79,112,446	31.4%	\$ 42,091,451	188.0%

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, 2016 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 5.9% for 2016, 5.6% for 2017, and 5.4% for 2018 and ultimately 4.0%. 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 21 (remaining) of the amortization schedule.

15. TAX ABATEMENTS

The City of Newport negotiates property tax abatement agreements on an individual basis. The City has one tax abatement agreement as of June 30, 2016. The agreement was entered into on October 14, 2015 for the purpose to promote economic development and employment opportunities, which complies with City ordinance 4.08.110. The agreement allows for an exemption of taxes for any assessed value of this property that exceeds \$4,000,000 as a result of the improvements to land and property on the parcels. The pro-rata exemption is 80% exempt for the first year of new assessment; 60% exempt for the second year; 40% exempt for the third year; and 20% exempt for the fourth year. The exemption will take effect with the taxes for the fiscal year ending June 30, 2017.

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 \$1,524,904.

**Required Supplementary
Information**

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Total pension liability:					
Service cost	\$ 1,354,511	\$ 1,175,418	\$ 1,159,989	\$ 1,089,741	\$ 1,185,085
Interest	6,884,180	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	(982,867)	3,395,866	413,108	(1,568,795)	2,472,564
Changes of assumptions	2,833,210			(1,055,592)	931,710
Benefit payments, including refunds of member contributions	(5,075,242)	(4,990,121)	(4,676,133)	(4,431,444)	(4,154,488)
Net change in total pension liability	<u>5,013,792</u>	<u>7,063,504</u>	<u>3,024,640</u>	<u>153,793</u>	<u>6,113,584</u>
Total pension liability, beginning	<u>92,926,296</u>	<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>\$ 97,940,088</u>	<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	\$ 4,012,174	\$ 3,954,174	\$ 3,461,972	\$ 2,899,580
Contributions - member	447,063	487,883	407,872	403,980	393,524
Net investment income	(896,323)	3,315,144	9,496,182	6,725,692	(525,652)
Benefit payments, including refunds of member contributions	(5,075,242)	(4,990,121)	(4,676,133)	(4,431,444)	(4,154,488)
Administrative expense	(125,892)	(130,044)	(86,063)	(114,392)	(114,960)
Net change in plan fiduciary net position	<u>(1,638,220)</u>	<u>2,695,036</u>	<u>9,096,032</u>	<u>6,045,808</u>	<u>(1,501,996)</u>
Plan fiduciary net position - beginning	<u>60,203,022</u>	<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>\$ 58,564,802</u>	<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>\$ 39,375,286</u>	<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	59.80%	64.79%	66.98%	58.44%	51.24%
Covered employee payroll	\$ 5,351,641	\$ 5,489,942	\$ 5,246,624	\$ 5,147,999	\$ 5,033,625
City's net pension liability as a percentage of covered employee payroll	735.76%	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.

The changes in the liability in 2016 result primarily from a reduction in the assumed investment rate of return from 7.50% to 7.25%.

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Total pension liability:					
Service cost	\$ 1,459,460	\$ 1,288,336	\$ 1,301,858	\$ 1,347,221	\$ 1,167,259
Interest	7,256,466	7,047,145	6,926,242	6,935,131	6,083,467
Differences between expected and actual experience	(268,376)	78,639	(880,942)	(1,813,565)	8,664,711
Changes of assumptions	2,868,540			(1,018,173)	981,952
Benefit payments, including refunds of member contributions	(5,794,738)	(5,793,864)	(5,651,902)	(5,400,180)	(6,032,049)
Net change in total pension liability	<u>5,521,352</u>	<u>2,620,256</u>	<u>1,695,256</u>	<u>50,434</u>	<u>10,865,340</u>
Total pension liability, beginning	<u>98,138,416</u>	<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>\$ 103,659,768</u>	<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	\$ 6,048,094	\$ 5,990,094	\$ 4,822,711	\$ 4,560,741
Contributions - member	602,467	607,260	518,936	501,618	541,383
Net investment income	(1,435,206)	2,366,045	6,786,391	5,211,622	(395,285)
Benefit payments, including refunds of member contributions	(5,794,738)	(5,793,864)	(5,651,902)	(5,400,180)	(6,032,049)
Administrative expense	(96,388)	(98,299)	(64,329)	(85,948)	(86,457)
Net change in plan fiduciary net position	<u>(675,771)</u>	<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>47,436,350</u>	<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>\$ 46,760,579</u>	<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>\$ 56,899,189</u>	<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 total pension liability	45.11%	48.34%	46.39%	39.15%	33.78%
Covered employee payroll	\$ 6,585,483	\$ 6,205,276	\$ 5,505,579	\$ 5,509,307	\$ 5,532,707
City's net pension liability as a percentage of covered employee payroll	864.01%	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.

The changes in the liability in 2016 result primarily from a reduction in the assumed investment rate of return from 7.50% to 7.25%.

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

	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	1.015625070%	1.031202720%
City's proportionate share of the net pension liability	\$ 27,960,185	\$ 25,099,478
State's proportionate share of the net pension liability	<u>19,101,521</u>	<u>17,211,868</u>
Total Liability	<u>\$ 47,061,706</u>	<u>\$ 42,311,346</u>
City's covered employee payroll	\$ 17,015,623	\$ 16,643,677
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	164.32%	150.80%
Plan fiduciary net position as a percentage of the total pension liability	57.55%	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 TWO FISCAL YEARS

	<u>2016</u>	<u>2015</u>
City's proportion of the net pension asset	3.52658498%	3.31356806%
City's proportionate share of the net pension liability (asset)	\$ (3,292,265)	\$ (4,119,452)
City's covered employee payroll	\$ 17,015,623	\$ 16,643,677
City's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	-19.35%	-24.75%
Plan fiduciary net position as a percentage of the total pension liability	146.6%	173.3%

Notes:

- 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 NET PENSION LIABILITY AND RELATED RATIOS
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM AGENT PLAN
LAST TWO FISCAL YEARS

	<u>2016</u>	<u>2015</u>
Total pension liability:		
Service cost	\$ 1,012,748	\$ 1,027,962
Interest	5,102,024	5,004,233
Changes of benefit terms	1,364,563	
Differences between expected and actual experience	(434,672)	
Changes of assumptions		180,610
Benefit payments, including refunds of member contributions	<u>(4,858,492)</u>	<u>(4,944,136)</u>
Net change in total pension liability	2,186,171	1,268,669
Total pension liability, beginning	<u>69,949,857</u>	<u>68,681,188</u>
Total pension liability, ending (a)	<u>\$ 72,136,028</u>	<u>\$ 69,949,857</u>
Plan fiduciary net position:		
Contributions - employer	\$ 2,518,304	\$ 2,240,214
Contributions - member	234,906	226,656
Net investment income	1,073,486	6,243,957
Benefit payments, including refunds of member contributions	(4,858,492)	(4,944,136)
Administrative expense	(43,154)	(39,099)
Other	<u>1,235</u>	<u>119,179</u>
Net change in plan fiduciary net position	(1,073,715)	3,846,771
Plan fiduciary net position - beginning	<u>46,880,482</u>	<u>43,033,711</u>
Plan fiduciary net position - ending (b)	<u>\$ 45,806,767</u>	<u>\$ 46,880,482</u>
City's net pension liability (a)- (b)	<u>\$ 26,329,261</u>	<u>\$ 23,069,375</u>
Plan fiduciary net position as a percentage of total pension liability	63.50%	67.02%
Covered employee payroll	\$ 11,708,075	\$ 11,271,517
City's net pension liability as a percentage of covered employee payroll	224.88%	204.67%

Notes:

- 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
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%
2016	5,436,487	6,048,094	(611,607)	111.3%	6,585,483	91.84%

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
2007	\$ 2,385,996	\$ 2,440,649	\$ (54,653)	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%
2016	3,327,981	4,012,174	(684,193)	120.6%	5,351,641	74.97%

Notes to Schedule

Valuation Date:

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	Individual Entry Age Normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years
Asset valuation method	Market value, as reported by the City
Inflation	3%
Salary increases, including longevity	2.75% through July 1, 2022, and 3.5% thereafter
Investment rate of return	7.5%, net of pension plan investment expense; reduced to 7.25% as of June 30, 2016
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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 2,383,068	\$ 2,213,075	\$ 2,030,553
Contributions in relation to the contractually required contribution	<u>2,383,068</u>	<u>2,213,075</u>	<u>2,030,553</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 17,015,623	\$ 16,643,677	\$ 16,002,256
Contributions as a percentage of covered employee payroll	14.01%	13.30%	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 TWO FISCAL YEARS**

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 20,862	\$ 21,216
Contributions in relation to the contractually required contribution	<u>20,862</u>	<u>21,216</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 17,015,623	\$ 16,643,677
Contributions as a percentage of covered employee payroll	0.12%	0.13%

Notes:

- 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 FIVE FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 2,811,308	\$ 2,506,948	\$ 2,343,262	\$ 2,045,444	\$ 1,803,085
Contributions in relation to the contractually required contribution	<u>2,811,308</u>	<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>	\$ <u>-</u>
City's covered employee payroll	\$ 12,860,503	\$ 11,692,085	\$ 11,259,620	\$ 10,891,431	\$ 10,971,505
Contributions as a percentage of covered employee payroll	21.86%	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 period	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 FOUR FISCAL YEARS**

	2016	2015	2014	2013
Annual money-weighted rate of return, net of investment expense	-2.40%	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 Benefits 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
2007	\$ 9,282,550	\$ 6,993,126	\$ 2,289,424	75.3%	\$ 36,112,767	19.36%
2008	9,997,870	7,232,426	2,765,444	72.3%	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	9,519,080	10,261,400	(742,320)	107.8%	38,064,841	26.96%
2013	7,687,252	9,320,601	(1,633,349)	121.2%	37,728,040	24.70%
2014	7,304,803	7,836,934	(532,131)	107.3%	38,097,950	20.57%
2015	6,943,534	7,332,694	(389,160)	105.6%	38,097,950	19.25%
2016	8,018,221	7,132,978	885,243	89.0%	42,091,451	16.95%

Notes to Schedule:

Valuation Date: July 1, 2016

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	21 years
Asset valuation method	Market value
Medical care inflation	2016 - 5.9%; 2017 - 5.6%; 2018 - 5.4%; ultimate is 4.0%
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
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%
2016	36,209,206	115,321,652	31.4%	79,112,446	42,091,451	188.0%

**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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget</u>
Revenues:				
City:				
Property taxes	\$ 75,248,402	\$ 75,248,402	\$ 75,173,854	\$ (74,548)
Intergovernmental revenues	3,514,222	3,514,222	3,659,525	145,303
Charges for services	9,727,328	9,727,328	9,990,376	263,048
Use of money and property	350,000	350,000	232,756	(117,244)
Other revenues	155,507	155,507	192,099	36,592
School:				
Intergovernmental revenues	11,699,482	11,699,482	11,804,786	105,304
Local revenues	820,212	820,212	929,296	109,084
Total revenues	<u>101,515,153</u>	<u>101,515,153</u>	<u>101,982,692</u>	<u>467,539</u>
Expenditures:				
City:				
Mayor and city council	94,655	159,645	117,632	42,013
City manager	922,817	935,603	860,212	75,391
City solicitor	545,794	545,794	373,870	171,924
Canvassing	210,729	210,729	158,350	52,379
City clerk	447,830	481,717	474,043	7,674
Finance	3,423,029	3,432,951	3,279,215	153,736
Reserve accounts	918,598	802,608	503,538	299,070
Police department	17,107,654	17,207,762	16,994,486	213,276
Fire department	18,233,607	18,470,336	18,157,436	312,900
Public services	10,057,385	10,944,721	9,535,926	1,408,795
Civic investment	411,193	368,693	343,505	25,188
Zoning and inspections	977,437	977,437	954,122	23,315
Donations	100,700	125,700	125,700	-
Public library	1,795,523	1,795,523	1,795,523	-
Pension expenditures	1,423,469	1,423,469	1,448,234	(24,765)
Debt service	5,360,272	5,360,272	5,319,909	40,363
School:				
General education	<u>36,831,937</u>	<u>36,831,937</u>	<u>36,489,557</u>	<u>342,380</u>
Total expenditures	<u>98,862,629</u>	<u>100,074,897</u>	<u>96,931,258</u>	<u>3,143,639</u>
Excess of Revenues over Expenditures	<u>2,652,524</u>	<u>1,440,256</u>	<u>5,051,434</u>	<u>3,611,178</u>
Other Financing Sources (Uses):				
City:				
Transfers in		500,000	627,743	127,743
Transfers out	(26,964,767)	(28,222,767)	(28,355,877)	(133,110)
School:				
Transfers in	<u>24,312,243</u>	<u>24,312,243</u>	<u>25,145,141</u>	<u>832,898</u>
Net Other Financing Sources (Uses)	<u>(2,652,524)</u>	<u>(3,410,524)</u>	<u>(2,582,993)</u>	<u>827,531</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ (1,970,268)</u>	<u>2,468,441</u>	<u>\$ 4,438,709</u>
Fund Balances at Beginning of Year				
City fund balance, beginning			13,506,589	
School fund balance, beginning			<u>(128,889)</u>	
Combined fund balance, beginning			<u>13,377,700</u>	
Fund Balances at End of Year				
City fund balance, ending			14,585,364	
School fund balance, ending			<u>1,260,777</u>	
Combined Fund Balance, Ending			<u>\$ 15,846,141</u>	

**CITY OF NEWPORT, RHODE ISLAND
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget</u>
Property Taxes:				
Current taxes - Real Estate	\$ 68,778,402	\$ 68,778,402	\$ 68,006,736	\$ (771,666)
Current taxes - MV	1,960,000	1,960,000	1,877,339	(82,661)
Delinquent taxes & penalties	1,710,000	1,710,000	1,541,195	(168,805)
Tax Abatements	(1,000,000)	(1,000,000)	(836,111)	163,889
Meals and beverage tax	1,900,000	1,900,000	2,266,128	366,128
Hotel occupancy tax	1,900,000	1,900,000	2,318,567	418,567
Total property taxes	<u>75,248,402</u>	<u>75,248,402</u>	<u>75,173,854</u>	<u>(74,548)</u>
Intergovernmental revenues:				
Telephone company tax	330,398	330,398	301,205	(29,193)
Miscellaneous state and federal aid			155,200	155,200
MV tax phase out	84,173	84,173	77,989	(6,184)
Pension incentive aid	116,689	116,689	118,991	2,302
School housing aid	1,494,641	1,494,641	1,562,420	67,779
PILOT	1,315,321	1,315,321	1,250,492	(64,829)
State aid - library construction	173,000	173,000	193,228	20,228
Total intergovernmental revenues	<u>3,514,222</u>	<u>3,514,222</u>	<u>3,659,525</u>	<u>145,303</u>
Charges for Services:				
GMH service fees	340,000	340,000	361,975	21,975
Hope IV Project service fees	140,000	140,000	178,201	38,201
Salve Regina service charges	6,902	6,902	6,902	-
Police special detail	1,800,000	1,800,000	1,818,733	18,733
Document prep and handling	65,000	65,000	64,765	(235)
Planning Services	900	900	1,297	397
Solid waste hauler fees	4,500	4,500	5,250	750
Management services	872,526	872,526	719,014	(153,512)
Fire alarm assessments	154,000	154,000	154,743	743
Bulky waste sticker program	3,000	3,000	25,780	22,780
HR regional testing	3,500	3,500	4,465	965
Recreation activity fees	110,000	110,000	91,226	(18,774)
Ballfield rentals	28,000	28,000	32,699	4,699
Parking tickets	700,000	700,000	885,992	185,992
Recording fees	350,000	350,000	299,677	(50,323)
Conveyance tax	650,000	650,000	630,271	(19,729)
Probate fees	45,000	45,000	51,341	6,341
Rescue fees	660,000	660,000	661,029	1,029
General business	90,000	90,000	90,307	307
Hotel registration fees	6,000	6,000	8,500	2,500
Entertainment	24,000	24,000	25,680	1,680
Liquor	190,000	190,000	191,680	1,680
Mech amusement	12,000	12,000	10,675	(1,325)
Sunday selling	25,000	25,000	23,400	(1,600)
Victualing	56,000	56,000	56,388	388
Animal	4,000	4,000	4,432	432
Marriage	5,000	5,000	5,992	992
Building	1,000,000	1,000,000	1,013,869	13,869
Plumbing	50,000	50,000	54,822	4,822
Mechanical	170,000	170,000	166,146	(3,854)
Electrical	150,000	150,000	154,018	4,018
Board of Appeals	17,000	17,000	39,442	22,442
HDC application fee	17,000	17,000	11,550	(5,450)
Road opening	75,000	75,000	79,386	4,386
Fire inspection fees	120,000	120,000	81,246	(38,754)
Fire - sundry	15,000	15,000	19,137	4,137
Police - sundry	10,000	10,000	10,330	330
Municipal court cost assessment	170,000	170,000	140,155	(29,845)
Payphone commissions			306	306
Vendor rights	5,000	5,000	994	(4,006)
Newport Grand Slot Machines	400,000	400,000	453,277	53,277
Other miscellaneous	152,500	152,500	206,404	53,904
Parking fund salary reimbursement	100,000	100,000	100,000	-
Beach bounce fees	18,500	18,500	20,504	2,004
Bathhouses	32,500	32,500	44,612	12,112
Rotunda rentals	150,000	150,000	125,740	(24,260)
Carousel	14,000	14,000	16,556	2,556
Food service concessions	40,000	40,000	58,960	18,960
Outside vendor commissions	9,000	9,000	5,705	(3,295)
Beach parking	509,000	509,000	590,169	81,169
Beach store	25,000	25,000	29,995	4,995
Beach meters	37,500	37,500	40,821	3,321
Rental of property	95,000	95,000	115,818	20,818
Total charges for services	<u>9,727,328</u>	<u>9,727,328</u>	<u>9,990,376</u>	<u>263,048</u>
Use of money and property:				
Investment interest	350,000	350,000	232,756	(117,244)
Other revenues:				
Sale of surplus equipment	3,000	3,000	8,856	5,856
Public donations	152,507	152,507	183,243	30,736
Total other revenues	<u>155,507</u>	<u>155,507</u>	<u>192,099</u>	<u>36,592</u>
Total revenues	88,995,459	88,995,459	89,248,610	253,151
Other financing sources:				
Transfers in		500,000	627,743	127,743
Total Revenues and Other Financing Sources	<u>\$ 88,995,459</u>	<u>\$ 89,495,459</u>	<u>\$ 89,876,353</u>	<u>\$ 380,894</u>

**CITY OF NEWPORT, RHODE ISLAND
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016**

	<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	\$ 94,655	\$ 159,645	\$ 117,632	\$ 42,013
City Manager	922,817	935,603	860,212	75,391
City Solicitor	545,794	545,794	373,870	171,924
Canvassing	210,729	210,729	158,350	52,379
City Clerk	447,830	481,717	474,043	7,674
Finance	3,423,029	3,432,951	3,279,215	153,736
Reserve Accounts	918,598	802,608	503,538	299,070
Public Safety:				
Police Department	17,107,654	17,207,762	16,994,486	213,276
Fire Department	18,233,607	18,470,336	18,157,436	312,900
Public Services	10,057,385	10,944,721	9,535,926	1,408,795
Civic Investment	411,193	368,693	343,505	25,188
Zoning and Inspections	977,437	977,437	954,122	23,315
Human services:				
Donations	100,700	125,700	125,700	-
Public Library	1,795,523	1,795,523	1,795,523	-
Pension expenditures	1,423,469	1,423,469	1,448,234	(24,765)
Debt service	5,360,272	5,360,272	5,319,909	40,363
Total expenditures	<u>62,030,692</u>	<u>63,242,960</u>	<u>60,441,701</u>	<u>2,801,259</u>
Other financing uses:				
Transfers out	<u>26,964,767</u>	<u>28,222,767</u>	<u>28,355,877</u>	<u>(133,110)</u>
Total Expenditures and Other Financing Uses	<u>\$ 88,995,459</u>	<u>\$ 91,465,727</u>	<u>\$ 88,797,578</u>	<u>\$ 2,668,149</u>

**CITY OF NEWPORT, RHODE ISLAND
SCHOOL UNRESTRICTED FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget</u>
Revenues:				
Federal revenues	\$ 1,102,263	\$ 1,102,263	\$ 1,197,247	\$ 94,984
State revenues	10,597,219	10,597,219	10,607,539	10,320
Local revenues	820,212	820,212	929,296	109,084
Total revenues	<u>12,519,694</u>	<u>12,519,694</u>	<u>12,734,082</u>	<u>214,388</u>
Expenditures:				
General education	<u>36,831,937</u>	<u>36,831,937</u>	<u>36,489,557</u>	<u>342,380</u>
Excess of Expenditures over Revenues	(24,312,243)	(24,312,243)	(23,755,475)	556,768
Other Financing Sources:				
Transfers in	<u>24,312,243</u>	<u>24,312,243</u>	<u>25,145,141</u>	<u>832,898</u>
Net Change in Fund Balances	\$ <u>-</u>	\$ <u>-</u>	1,389,666	\$ <u>1,389,666</u>
Fund Balances at Beginning of Year			(128,889)	
Fund Balances at End of Year			<u>\$ 1,260,777</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, 2016	\$ 12,734,082	\$ 36,489,557
State teachers' retirement on-behalf payments	<u>1,524,904</u>	<u>1,524,904</u>
Balance, GAAP Basis, Schedule A-6 - June 30, 2016	<u>\$ 14,258,986</u>	<u>\$ 38,014,461</u>

**CITY OF NEWPORT, RHODE ISLAND
COMBINING BALANCE SHEET
GENERAL FUND
JUNE 30, 2016**

	General Funds				Total Governmental General Funds
	City General Fund	School Unrestricted Fund	Property Acquisition Fund	Gift Fund	
Assets:					
Cash and cash equivalents	\$	\$	\$	\$	\$
Investments	22,902,356	2,512,900	2,170,364	130,694	4,813,958
Receivables:					
Property taxes	1,342,728				1,342,728
Motor vehicle excise	523,363				523,363
Other	1,088,726	199,118			1,287,844
Prepaid expenses	55,628				55,628
Due from other funds	216,828				216,828
Total Assets	\$ 26,129,629	\$ 2,712,018	\$ 2,170,364	\$ 130,694	\$ 31,142,705
Liabilities, Deferred Inflows of Resources and Fund Balances:					
Liabilities:					
Cash overdraft	\$ 8,244,399	\$	\$	\$	\$ 8,244,399
Accounts payable	1,323,899	1,104,570	2,621	9,407	2,440,497
Accrued liabilities	388,213	346,671			734,884
Due to other funds	43,750				43,750
Other liabilities	352,772				352,772
Total liabilities	10,353,033	1,451,241	2,621	9,407	11,816,302
Deferred Inflows of resources:					
Unavailable revenue - property taxes	875,336				875,336
Fund Balances:					
Nonspendable	55,628				55,628
Restricted		473,875		121,287	595,162
Committed	315,896				315,896
Assigned			2,167,743		2,167,743
Unassigned	14,529,736	786,902			15,316,638
Total fund balances	14,901,260	1,260,777	2,167,743	121,287	18,451,067
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 26,129,629	\$ 2,712,018	\$ 2,170,364	\$ 130,694	\$ 31,142,705

CITY OF NEWPORT, RHODE ISLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	General Funds				Total Governmental General Funds
	City General Fund	School Unrestricted Fund	Property Acquisition Fund	Gift Fund	
Revenues:					
Local taxes	\$ 75,173,854	\$	\$	\$	\$ 75,173,854
Intergovernmental revenues	3,659,525	13,329,690			16,989,215
Charges for services	9,990,376	509,628			10,500,004
Use of money and property	232,756	419,668			652,424
Contributions	183,243			59,156	242,399
Other revenues	8,856				8,856
Total revenues	<u>89,248,610</u>	<u>14,258,986</u>	<u></u>	<u>59,156</u>	<u>103,566,752</u>
Expenditures:					
Current:					
General government	6,022,731		258,204		6,280,935
General education		37,977,318			37,977,318
Public safety	35,134,781			5,999	35,140,780
Public services	9,020,638			37,053	9,057,691
Civic investment	343,505				343,505
Zoning and inspections	953,053				953,053
Human services	1,921,223				1,921,223
Pension expenditures	1,448,234				1,448,234
Debt service:					
Principal	1,608,319				1,608,319
Interest	3,711,590				3,711,590
Capital outlays	1,244,891	37,143			1,282,034
Total expenditures	<u>61,408,965</u>	<u>38,014,461</u>	<u>258,204</u>	<u>43,052</u>	<u>99,724,682</u>
Excess (Deficiency) of Revenues over Expenditures	<u>27,839,645</u>	<u>(23,755,475)</u>	<u>(258,204)</u>	<u>16,104</u>	<u>3,842,070</u>
Other financing sources (uses):					
Transfers out	(28,355,877)		(418,117)		(28,773,994)
Transfers in	627,743	25,145,141			25,772,884
Net other financing sources (uses)	<u>(27,728,134)</u>	<u>25,145,141</u>	<u>(418,117)</u>	<u>-</u>	<u>(3,001,110)</u>
Net Change in Fund Balances	111,511	1,389,666	(676,321)	16,104	840,960
Fund Balances at Beginning 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>
Fund Balances at End of Year	<u>\$ 14,901,260</u>	<u>\$ 1,260,777</u>	<u>\$ 2,167,743</u>	<u>\$ 121,287</u>	<u>\$ 18,451,067</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, 2016**

	<u>Cash and Investments</u>	<u>Reserved for Endowments</u>	<u>Unreserved Fund Balance</u>
David Sears Trusts 1-12 (City Portion)	\$ 3,397,622	\$ 750,000	\$ 2,647,622
David Sears Trust - Heirs of David Sears	1,352,708	1,039,381	313,327
David Sears Trust - Public Improvements	210,745		210,745
Joseph Hammett Fund (1892)	39,074	1,500	37,574
Henderson Home Fund (1980)	1,145,008	139,781	1,005,227
Freebody Fund	141,879	97,000	44,879
EV Coles Fund (1899)	371,195	61,321	309,874
Hunter Industrial Fund (1942)	122,091	25,000	97,091
King School Fund (1864)	252,373	8,914	243,459
City Burial Lots	528,941		528,941
Private Burial Lots	9,572		9,572
Belmont Memorial Fund (1950)	45,835	2,000	43,835
Judah Touro M & C Fund (1879)	188,269	10,000	178,269
Touro Street Fund (1823)	92,552	5,000	87,552
Derby Fuel Fund (1849)	21,461	500	20,961
Fry Orphan Fund (1859)	30,477	5,131	25,346
R & E Bullock Fund (1944)	82,553	1,000	81,553
Poor and Aged Fund (1863)	1,269,795	100,000	1,169,795
Alexander Agassiz Fund (1901)	191,503	31,087	160,416
George H Norman Foundation Fund (1901)	65,637	6,899	58,738
Barbara Chapman Fund (1990)	5,864	2,000	3,864
E Townsend Fund (1889)	292,882	155,137	137,745
George N Buckout Fund (1955)	140,538	15,000	125,538
Edward Newton Fund (1959)	48,940		48,940
Braman Cemetery	227,846		227,846
Louis H Hobbs Fund (1988)	52,468	25,000	27,468
RIICAN Fund	11,088		11,088
Pell School Tech Endowment Fund (2015)	128,179	120,000	8,179
	<u>10,467,095</u>	<u>2,601,651</u>	<u>7,865,444</u>
Total Permanent Trust Funds	\$ <u>10,467,095</u>	\$ <u>2,601,651</u>	\$ <u>7,865,444</u>

CITY OF NEWPORT, RHODE ISLAND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
PERMANENT TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Fund Balance June 30, 2015</u>	<u>Revenues Use of Money and Property and Investment Changes</u>	<u>Expenditures Human Services</u>	<u>Fund Balance June 30, 2016</u>
David Sears Trusts 1-10 (City Portion)	\$ 3,369,229	\$ 28,393	\$	\$ 3,397,622
David Sears Trust - Heirs of David Sears	1,340,924	11,784		1,352,708
David Sears Trust - Public Improvements	272,212	33	(61,500)	210,745
Joseph Hammett Fund (1892)	41,254	(600)	(1,580)	39,074
Henderson Home Fund (1980)	1,207,707	(17,239)	(45,460)	1,145,008
Freebody Fund	140,760	1,119		141,879
EV Coles Fund (1899)	391,220	(5,505)	(14,520)	371,195
Hunter Industrial Fund (1942)	128,684	(1,813)	(4,780)	122,091
King School Fund (1864)	265,985	(3,742)	(9,870)	252,373
City Burial Lots	524,703	4,238		528,941
Private Burial Lots	9,494	78		9,572
Belmont Memorial Fund (1950)	45,467	368		45,835
Judah Touro M & C Fund (1879)	198,434	(2,795)	(7,370)	188,269
Touro Street Fund (1823)	91,810	742		92,552
Derby Fuel Fund (1849)	22,662	(331)	(870)	21,461
Fry Orphan Fund (1859)	30,233	244		30,477
R & E Bullock Fund (1944)	87,160	(1,267)	(3,340)	82,553
Poor and Aged Fund (1863)	1,337,233	(18,600)	(48,838)	1,269,795
Alexander Agassiz Fund (1901)	201,832	(2,839)	(7,490)	191,503
George H Norman Foundation Fund (1901)	69,181	(974)	(2,570)	65,637
Barbara Chapman Fund (1990)	5,817	47		5,864
E Townsend Fund (1889)	290,534	2,348		292,882
George N Buckout Fund (1955)	139,412	1,126		140,538
Edward Newton Fund (1959)	48,548	392		48,940
Braman Cemetery	226,019	1,827		227,846
Louis H Hobbs Fund (1988)	52,047	421		52,468
RIICAN Fund	11,000	88		11,088
Pell School Tech Endowment Fund (2015)	122,999	5,180		128,179
Unallocated Investment Expense		12,971	(12,971)	
Total Permanent Trust Funds	\$ 10,672,560	\$ 15,694	\$ (221,159)	\$ 10,467,095

**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.

Substance Abuse Task Force

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, 2016**

	Special Revenue					Debt Service Fund	Total Nonmajor Governmental Funds
	School Restricted Funds	UDAG Fund	State Grants Fund	Substance Abuse Task Force	Sheffield Hub Grant		
Assets:							
Cash and cash equivalents	\$	\$ 414,768	\$ 786,496	\$	\$ 1,570,081	\$	2,771,345
Receivables:							
Intergovernmental	932,709		69,240	32,081			1,034,030
Note/loan		255,000					255,000
Other		43,750					43,750
Due from other funds		43,750					43,750
Advances to other funds		267,459					267,459
Total Assets	\$ 932,709	\$ 1,024,727	\$ 855,736	\$ 32,081	\$ 1,570,081	\$ -	\$ 4,415,334
Liabilities, Deferred Inflows of Resources and Fund Balances:							
Liabilities:							
Cash overdraft	\$ 478,763	\$	\$	\$ 33,447	\$	\$	\$ 512,210
Accounts payable			903	790			1,693
Total liabilities	478,763	-	903	34,237	-	-	513,903
Deferred Inflows of Resources:							
Unavailable revenue - loans receivable		609,958					609,958
Unavailable revenue - intergovernmental receivable			136,446	16,703			153,149
Total deferred inflows of resources	-	609,958	136,446	16,703	-	-	763,107
Fund Balances:							
Restricted	453,946	414,769	718,387		1,570,081		3,157,183
Unassigned				(18,859)			(18,859)
Total fund balances	453,946	414,769	718,387	(18,859)	1,570,081	-	3,138,324
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 932,709	\$ 1,024,727	\$ 855,736	\$ 32,081	\$ 1,570,081	\$ -	\$ 4,415,334

**CITY OF NEWPORT, RHODE ISLAND
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016**

	Special Revenue					Debt Service Fund	Total Nonmajor Governmental Funds
	School Restricted Funds	UDAG Fund	State Grants Fund	Substance Abuse Task Force	Sheffield Hub Grant		
Revenues:							
Intergovernmental revenues	\$ 3,297,511	\$	\$ 668,390	\$ 96,354	\$	\$	\$ 4,062,255
Charges for services	530,365	25,938					556,303
Use of money and property		399,383				1,806	401,189
Contributions			23,500	2,000			25,500
Total Revenues	<u>3,827,876</u>	<u>425,321</u>	<u>691,890</u>	<u>98,354</u>	<u>-</u>	<u>1,806</u>	<u>5,045,247</u>
Expenditures:							
Current:							
General education	3,601,126						3,601,126
Public safety			156,434				156,434
Civic investment			51,362		40,223		91,585
Human services			380,016	140,762			520,778
Debt service						2,337,000	2,337,000
Capital outlays	66,369						66,369
Total Expenditures	<u>3,667,495</u>	<u>-</u>	<u>587,812</u>	<u>140,762</u>	<u>40,223</u>	<u>2,337,000</u>	<u>6,773,292</u>
Excess (Deficiency) of Revenues over Expenditures	<u>160,381</u>	<u>425,321</u>	<u>104,078</u>	<u>(42,408)</u>	<u>(40,223)</u>	<u>(2,335,194)</u>	<u>(1,728,045)</u>
Other Financing Sources (Uses):							
Transfers in					1,674,984	133,110	1,808,094
Transfers out	(124,898)	(2,056,867)					(2,181,765)
Net Other Financing Sources (Uses)	<u>(124,898)</u>	<u>(2,056,867)</u>	<u>-</u>	<u>-</u>	<u>1,674,984</u>	<u>133,110</u>	<u>(373,671)</u>
Net Change in Fund Balances	35,483	(1,631,546)	104,078	(42,408)	1,634,761	(2,202,084)	(2,101,716)
Fund Balances at Beginning 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>
Fund Balances at End of Year	<u>\$ 453,946</u>	<u>\$ 414,769</u>	<u>\$ 718,387</u>	<u>\$ (18,859)</u>	<u>\$ 1,570,081</u>	<u>\$ -</u>	<u>\$ 3,138,324</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, 2016**

	<u>Maritime Fund</u>	<u>Parking Operations Fund</u>	<u>Totals</u>
Assets:			
Current assets:			
Cash and cash equivalents	\$ 1,962,953	\$ 3,640,153	\$ 5,603,106
Investments		1,267,097	1,267,097
Accounts receivable:			
User fees (net of allowances)	15,681	8,750	24,431
Total current assets	<u>1,978,634</u>	<u>4,916,000</u>	<u>6,894,634</u>
Noncurrent assets:			
Capital assets	4,284,853	3,550,622	7,835,475
Less accumulated depreciation	<u>(761,933)</u>	<u>(2,262,949)</u>	<u>(3,024,882)</u>
Total noncurrent assets	<u>3,522,920</u>	<u>1,287,673</u>	<u>4,810,593</u>
Total Assets	<u>5,501,554</u>	<u>6,203,673</u>	<u>11,705,227</u>
Liabilities:			
Current liabilities:			
Accounts payable	26,290	88,935	115,225
Accrued expenses	37,297	5,747	43,044
Unearned revenue		20,000	20,000
Total current liabilities	<u>63,587</u>	<u>114,682</u>	<u>178,269</u>
Long-term liabilities:			
Notes payable	200,000		200,000
Advances from other funds	267,459		267,459
Total long-term liabilities	<u>467,459</u>	<u>-</u>	<u>467,459</u>
Total Liabilities	<u>531,046</u>	<u>114,682</u>	<u>645,728</u>
Net Position:			
Net investment in capital assets	3,322,920	1,287,673	4,610,593
Unrestricted	<u>1,647,588</u>	<u>4,801,318</u>	<u>6,448,906</u>
Total Net Position	<u>\$ 4,970,508</u>	<u>\$ 6,088,991</u>	<u>\$ 11,059,499</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, 2016**

	<u>Maritime Fund</u>	<u>Parking Operations Fund</u>	<u>Totals</u>
Operating Revenues:			
User fees	\$ 891,340	\$ 1,925,308	\$ 2,816,648
Operating Expenses:			
Salaries and benefits	378,869	475,812	854,681
Materials and supplies	63,297	89,566	152,863
Repairs and maintenance	56,480	33,439	89,919
Support services	42,771	449,951	492,722
Utilities	33,405	14,760	48,165
Administrative and other	134,890	190,234	325,124
Depreciation	129,404	137,207	266,611
Total operating expenses	<u>839,116</u>	<u>1,390,969</u>	<u>2,230,085</u>
Operating Income	<u>52,224</u>	<u>534,339</u>	<u>586,563</u>
Nonoperating revenues and expenses:			
Investment income	<u>16</u>	<u>27,130</u>	<u>27,146</u>
Income Before Transfers	52,240	561,469	613,709
Transfers:			
Transfers out	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>
Changes in Net Position	52,240	461,469	513,709
Net Position at Beginning of Year	<u>4,918,268</u>	<u>5,627,522</u>	<u>10,545,790</u>
Net Position at End of Year	<u>\$ 4,970,508</u>	<u>\$ 6,088,991</u>	<u>\$ 11,059,499</u>

CITY OF NEWPORT, RHODE ISLAND
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Maritime Fund	Parking Operations Fund	Totals
Cash Flows from Operating Activities:			
Cash received from customers	\$ 878,330	\$ 1,935,308	\$ 2,813,638
Cash payments to suppliers for goods and services	(187,632)	(581,421)	(769,053)
Cash payments to employees for services	(395,525)	(506,352)	(901,877)
Payment of administrative expense	(134,889)	(190,234)	(325,123)
Net cash provided by (used in) operating activities	<u>160,284</u>	<u>657,301</u>	<u>817,585</u>
Cash Flows from Noncapital Financing Activities:			
Interfund loans and transfers	<u> </u>	<u>(100,000)</u>	<u>(100,000)</u>
Cash Flows from Investing Activities:			
Investment income (loss)	<u>16</u>	<u>20</u>	<u>36</u>
Net Increase (Decrease) in Cash and Cash Equivalents	160,300	557,321	717,621
Cash and Cash Equivalents at Beginning of Year	<u>1,802,653</u>	<u>3,082,832</u>	<u>4,885,485</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,962,953</u>	<u>\$ 3,640,153</u>	<u>\$ 5,603,106</u>
Reconciliation of Operating Income (Loss) to net Cash Provided by (Used in) Operating Activities:			
Operating income (loss)	\$ 52,224	\$ 534,339	\$ 586,563
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	129,404	137,207	266,611
Changes in assets and liabilities:			
Decrease (Increase) in accounts receivable	(13,010)		(13,010)
(Decrease) Increase in accounts payable	8,322	6,295	14,617
(Decrease) Increase in unearned revenues		10,000	10,000
(Decrease) Increase in accrued liabilities	<u>(16,656)</u>	<u>(30,540)</u>	<u>(47,196)</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 160,284</u>	<u>\$ 657,301</u>	<u>\$ 817,585</u>
Noncash Investing, Capital and Related Financing Transactions:			
Increase (decrease) in fair value of investments	<u>\$ -</u>	<u>\$ 27,110</u>	<u>\$ 27,110</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, 2016

	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	\$ 558,692	\$ 2,050,472	\$ 2,609,164	\$ 310,214	\$ 2,919,378
Investments, at fair value:					
Fixed income mutual funds	11,019,927	8,493,922	19,513,849	7,245,969	26,759,818
Domestic equity mutual funds	34,122,140	26,300,611	60,422,751	21,098,325	81,521,076
International equity mutual funds	6,632,574	5,112,245	11,744,819	4,101,750	15,846,569
Alternative investments	6,279,487	4,840,093	11,119,580	3,480,982	14,600,562
Total assets	<u>58,612,820</u>	<u>46,797,343</u>	<u>105,410,163</u>	<u>36,237,240</u>	<u>141,647,403</u>
Liabilities:					
Accounts payable	48,018	36,764	84,782	28,034	112,816
Total liabilities	<u>48,018</u>	<u>36,764</u>	<u>84,782</u>	<u>28,034</u>	<u>112,816</u>
Net Position:					
Net position - restricted for pension benefits	58,564,802	46,760,579	105,325,381		105,325,381
Net position - restricted for other post-employment benefit			-	36,209,206	36,209,206
Total Net Position	<u>\$ 58,564,802</u>	<u>\$ 46,760,579</u>	<u>\$ 105,325,381</u>	<u>\$ 36,209,206</u>	<u>\$ 141,534,587</u>

**CITY OF NEWPORT, RHODE ISLAND
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 PRIVATE-PURPOSE TRUST FUNDS
 JUNE 30, 2016**

	Private-Purpose Trust Funds		
	Expendable Scholarship Funds	Nonexpendable Scholarship Trusts	Total Private Purpose Trust Funds
Assets:			
Cash	\$ 24,581	\$ 5,538	\$ 30,119
Investments, at fair value:			
Fixed income mutual funds		574,061	574,061
Domestic equity mutual funds		1,046,158	1,046,158
Total assets	<u>24,581</u>	<u>1,625,757</u>	<u>1,650,338</u>
Liabilities:			
Accounts payable		715	715
Total liabilities	<u>-</u>	<u>715</u>	<u>715</u>
Net Position:			
Net position - restricted for trust purposes	<u>24,581</u>	<u>1,625,042</u>	<u>1,649,623</u>
Total Net Position	<u>\$ 24,581</u>	<u>\$ 1,625,042</u>	<u>\$ 1,649,623</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, 2016

	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	\$ 447,063	\$ 602,467	\$ 1,049,530	\$	\$ 1,049,530
Employer	4,012,174	6,048,094	10,060,268	500,000	10,560,268
Total contributions	<u>4,459,237</u>	<u>6,650,561</u>	<u>11,109,798</u>	<u>500,000</u>	<u>11,609,798</u>
Investment income (loss):					
Net change in fair value of investments	(3,030,159)	(3,322,094)	(6,352,253)	(1,554,488)	(7,906,741)
Interest, dividends and realized gains	2,249,251	1,975,220	4,224,471	964,976	5,189,447
Total investment income (loss)	<u>(780,908)</u>	<u>(1,346,874)</u>	<u>(2,127,782)</u>	<u>(589,512)</u>	<u>(2,717,294)</u>
Less investment expenses	<u>152,650</u>	<u>116,858</u>	<u>269,508</u>	<u>108,795</u>	<u>378,303</u>
Net investment income (loss)	<u>(933,558)</u>	<u>(1,463,732)</u>	<u>(2,397,290)</u>	<u>(698,307)</u>	<u>(3,095,597)</u>
Total additions	<u>3,525,679</u>	<u>5,186,829</u>	<u>8,712,508</u>	<u>(198,307)</u>	<u>8,514,201</u>
Deductions:					
Benefits	5,075,242	5,794,738	10,869,980		10,869,980
Return of employee contributions				159,371	159,371
Administration	88,657	67,862	156,519	72,950	229,469
Total deductions	<u>5,163,899</u>	<u>5,862,600</u>	<u>11,026,499</u>	<u>232,321</u>	<u>11,258,820</u>
Changes in Net Position	(1,638,220)	(675,771)	(2,313,991)	(430,628)	(2,744,619)
Net Position at Beginning 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>
Net Position at End of Year	<u>\$ 58,564,802</u>	<u>\$ 46,760,579</u>	<u>\$ 105,325,381</u>	<u>\$ 36,209,206</u>	<u>\$ 141,534,587</u>

**CITY OF NEWPORT, RHODE ISLAND
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Expendable Scholarship Funds</u>	<u>Non- Expendable Scholarship Trusts</u>	<u>Total Private Purpose Trust Funds</u>
Additions:			
Contributions	\$ 10,000	\$	\$ 10,000
Investment income (loss):			
Net depreciation in fair value of investments		(48,730)	(48,730)
Interest and dividends		51,620	51,620
Total investment income	-	2,890	2,890
Less investment expenses		2,359	2,359
Net investment income	-	531	531
Total additions	10,000	531	10,531
Deductions:			
Awards	9,000	49,605	58,605
Administration		2,027	2,027
Total deductions	9,000	51,632	60,632
Changes in Net Position	1,000	(51,101)	(50,101)
Net Position at Beginning of Year	23,581	1,676,143	1,699,724
Net Position at End of Year	\$ 24,581	\$ 1,625,042	\$ 1,649,623

CITY OF NEWPORT, RHODE ISLAND
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FIDUCIARY NET POSITION
NONEXPENDABLE SCHOLARSHIP TRUSTS
JUNE 30, 2016

	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	\$ 19,143	\$	\$ 3,041	\$ (680)	\$ 21,504
American Culinary Federation Award	48,018		(2,205)		45,813
Eileen Jeanes Jachna Award	40,069		326		40,395
William T Bull Award	39,268		(345)	(1,460)	37,463
Mercedes S Coulombe Award	104,440		1,746		106,186
Carol Ann Page Award	8,249		25	(200)	8,074
Avis G Marden Award	6,244		40	(220)	6,064
Class of 41 American Government Award	6,808		117		6,925
PF Carroll Scholarship	33,526		(105)	(1,260)	32,161
J Fitzgerald Scholarship	3,029		(11)	(110)	2,908
Smales Scholarship	17,981		(62)	(660)	17,259
Henry Vaughn Memorial Award	6,870		118		6,988
Adelson Biology Award	4,885		44		4,929
Leavitt Trust Award	22,276		(69)	(810)	21,397
Alliance Francaise Award	1,770		7	(50)	1,727
Lalli Trust Award	7,261		47	(270)	7,038
Goldstein Music Award	7,037		45	(250)	6,832
MB Howard Award	19,679		(68)	(720)	18,891
Newport School Book Award	460		8		468
Edward King Medal Award	93,597		141	(3,270)	90,468
Koehne Latin Award	4,799		(21)	(180)	4,598
Mirman Math Award	3,974		(12)	(140)	3,822
GH Norman Award	10,185		(31)	(380)	9,774
Peckham Award	119,886		914	(1,905)	118,895
Pell Medal	3,474		60		3,534
Read Medal #1	1,167		20		1,187
Read Medal #2	1,296		21		1,317
Charles B King Award	24,290		(85)	(890)	23,315
Rogers High School Centennial Award	56,210		(194)	(2,050)	53,966
Almira Coffin Award	6,117		(20)	(220)	5,877
HH Toole Scholarship	19,694		(69)	(720)	18,905
Henry Heffernan Award	94,858		(257)	(3,500)	91,101
Bruen Scholarship	33,435		215	(1,180)	32,470
Sullivan Scholarship	52,113		(170)	(3,530)	48,413
Joseph P Cotton Memorial Award	29,493		(5)	(1,070)	28,418
Rufus E Darrah Memorial Award	10,145		(39)	(360)	9,746
Margaret P Stevens Award	1,072		19		1,091
Christine Meek Sullivan/Marx Award	21,664		362		22,026
Zelda Mirman Music/Drama Award	40,828		94	(760)	40,162
Wosencroft Scholarship	9,049		(29)	(330)	8,690
M/M Thomas Archambault Award	19,644		(64)	(700)	18,880
Class of 46 Rogers High School DLS Award	22,749		145	(800)	22,094
General Contractors Association Award	31,013		(92)	(1,100)	29,821
Cohen Scholarship	8,136		(23)	(300)	7,813
Townsend Scholarship	10,141		(34)	(370)	9,737
Dorothy Drinkwater Lecraw Award	67,673		(234)	(2,470)	64,969
Nicholas Logothets Award	6,325		107		6,432
Helene Lewis Memorial Scholarship	104,308		175	(3,750)	100,733
Kristen Jorge Memorial Scholarship	24,161		197		24,358
James Colton Crowley Award	111,111		(351)	(4,000)	106,760
Florence J Alofsin English Award	7,842		61		7,903
Sandra Clooney Memorial Scholarship	34,766		(120)	(1,270)	33,376
Allan Family Scholarship	125,219			(4,740)	120,479
Loeb/George Washington Essay Award	8,955		(304)	(750)	7,901
Tift-Oxley Scholarship Fund	59,741		(184)	(2,180)	57,377
Unallocated Investment Expense			(2,361)	(2,027)	(4,388)
Total Nonexpendable Scholarship Trusts	\$ 1,676,143	\$ -	\$ 531	\$ (51,632)	\$ 1,625,042

**CITY OF NEWPORT, RHODE ISLAND
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance Ending</u>
ASSETS				
Cash:				
Student activity funds	\$ 289,133	\$ 475,277	\$ 459,279	\$ 305,131
Newport Municipal Charitable Improvement, Inc.	<u>28,811</u>	<u> </u>	<u>28,811</u>	<u>-</u>
Total Assets	<u>\$ 317,944</u>	<u>\$ 475,277</u>	<u>\$ 488,090</u>	<u>\$ 305,131</u>
LIABILITIES				
Amounts held in escrow:				
Student activity funds	\$ 289,133	\$ 475,277	\$ 459,279	\$ 305,131
Newport Municipal Charitable Improvement, Inc.	<u>28,811</u>	<u> </u>	<u>28,811</u>	<u>-</u>
Total Liabilities	<u>\$ 317,944</u>	<u>\$ 475,277</u>	<u>\$ 488,090</u>	<u>\$ 305,131</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)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities:										
Net investment in capital assets	\$ 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	\$ 81,672,157
Restricted for:										
Permanent Funds:										
Expendable	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	7,865,444
Nonexpendable	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	2,601,651
Debt service	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	
Unrestricted	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)	(102,047,120)
Total governmental activities net position	<u>64,199,125</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>	<u>(9,907,868)</u>
Business-type activities:										
Net investment in capital assets	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	89,858,674
Held in trust				99,000	99,000	99,000	99,000	99,000	99,000	99,000
Restricted - Other purposes	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	34,426,954
Unrestricted	4,222,057	2,365,226	1,207,853	2,214,069	(749,281)	3,602,780	494,384	2,653,117	599,161	7,061,740
Total business-type activities net position	<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>	<u>131,446,368</u>
Primary government:										
Net investment in capital assets	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	171,530,831
Restricted for:										
Permanent Funds:										
Expendable	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	7,865,444
Nonexpendable	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	2,601,651
Held in trust				99,000	99,000	99,000	99,000	99,000	99,000	99,000
Debt service	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	34,426,954
Education	953,325									
Unrestricted	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) *	(94,985,380)
Total primary government net position	<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>	<u>\$ 121,538,500</u>

* Governmental accounting standards 67 and 68 were implemented affecting unrestricted fund balance

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses:										
Governmental activities:										
General government	\$ 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	\$ 7,575,124
General education	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	45,116,380
Public safety	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	39,702,989
Public services	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	11,472,956
Civic investment	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	1,202,455
Zoning and inspections	2,415,401	622,368	1,092,871	769,888	753,272	477,422	553,546	745,706	772,793	1,017,597
Human services	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	2,951,701
Interest expense	841,520	782,723	682,805	863,546	626,020	761,420	717,665	1,405,987	1,480,976	1,571,539
Total governmental activities	94,518,472	94,348,885	96,655,455	95,945,818	99,085,196	95,884,895	96,932,255	97,756,187	101,945,882	110,610,741
Business-type activities:										
Water	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	14,240,369
Water Pollution Control	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	10,615,475
Nonmajor	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	2,230,085
Total business-type activities	17,020,466	17,848,080	19,094,561	20,004,661	23,361,221	22,597,500	24,681,343	24,837,641	25,631,328	27,085,929
Total primary government expenses	111,538,938	112,196,965	115,750,016	115,950,479	122,446,417	118,482,395	121,613,598	122,593,828	127,577,210	137,696,670
Program Revenues:										
Governmental activities:										
Charges for services:										
General government	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	5,471,717
General education	1,856,459	1,356,264	1,782,477	1,790,646	1,440,324	1,321,351	837,653	840,696	873,012	1,039,993
Public safety	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	3,631,210
Public services	26,990	85,761	94,164	57,937	99,195	87,460	34,370	216,626	237,252	229,091
Civic investment	1,168,204	1,601,347	947,823	868,638	908,497	925,484	1,318,890	59,629		
Zoning and inspections	99,126	105,010	129,025	117,510	113,660	137,297	144,068	1,675,596	1,643,399	1,439,847
Human services	297,236	439,667	238,794	(22,957)	(262,752)	951,451	245,112	152,053	1,793,683	
Operating grants and contributions	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	20,528,850
Capital grants and contributions	786,166	469,484	2,981,072	1,773,730	551,913	2,423,972	648,087	3,112,761	136,278	168,394
Total governmental activities program revenues	34,465,973	33,473,365	34,547,116	32,707,451	31,843,467	33,103,599	32,034,003	35,934,156	34,078,481	32,509,102
Business-type activities:										
Charges for services:										
Water	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	17,880,464
Water Pollution Control	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	13,558,415
Recreational and parking facilities	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	2,816,648
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	17,707,233	19,503,567	20,556,755	21,639,635	24,201,798	33,641,547	30,502,787	30,589,504	33,776,340	34,255,527
Total primary government program revenues	52,173,206	52,976,932	55,103,871	54,347,086	56,045,265	66,745,146	62,536,790	66,523,660	67,854,821	66,764,629
Net (Expense)/Revenue:										
Governmental activities	(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)	(78,101,639)
Business-type activities	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	7,169,598
Total primary government net expense	(59,365,732)	(59,220,033)	(60,646,145)	(61,603,393)	(66,401,152)	(51,737,249)	(59,076,808)	(56,070,168)	(59,722,389)	(70,932,041)

(Continued)

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Revenues and Other Changes in Net Assets:										
Governmental activities:										
Property taxes	\$ 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	\$ 74,300,180
Unrestricted grants and contributions	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	1,629,686
Investment income (loss)	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	1,353,830
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	100,000
Total governmental activities	<u>64,571,468</u>	<u>66,031,082</u>	<u>64,565,095</u>	<u>66,638,437</u>	<u>67,765,318</u>	<u>69,367,422</u>	<u>72,744,225</u>	<u>73,839,798</u>	<u>79,627,813</u>	<u>77,383,696</u>
Business-type activities:										
Investment income (loss)	220,284	162,538	84,612	78,285	39,502	63,198	(19,987)	46,272	26,405	27,939
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)	(100,000)
Total business-type activities	<u>395,784</u>	<u>(890,712)</u>	<u>186,715</u>	<u>1,141,819</u>	<u>39,502</u>	<u>37,998</u>	<u>3,549</u>	<u>(1,182,772)</u>	<u>(273,595)</u>	<u>(72,061)</u>
Special Item - Sale of School Building	2,168,305									
Special Item - Forgiveness of debt				454,485						
Total primary government	<u>67,135,557</u>	<u>65,140,370</u>	<u>64,751,810</u>	<u>68,234,741</u>	<u>67,804,820</u>	<u>69,405,420</u>	<u>72,747,774</u>	<u>72,657,026</u>	<u>79,354,218</u>	<u>77,311,635</u>
Change in Net Position										
Governmental activities	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	(717,943)
Business-type activities	<u>1,082,551</u>	<u>764,775</u>	<u>1,648,909</u>	<u>3,231,278</u>	<u>880,079</u>	<u>11,082,045</u>	<u>5,824,993</u>	<u>4,569,091</u>	<u>7,871,417</u>	<u>7,097,537</u>
Total primary government	<u>\$ 7,769,825</u>	<u>\$ 5,920,337</u>	<u>\$ 4,105,665</u>	<u>\$ 6,631,348</u>	<u>\$ 1,403,668</u>	<u>\$ 17,668,171</u>	<u>\$ 13,670,966</u>	<u>\$ 16,586,858</u>	<u>\$ 19,631,829</u>	<u>\$ 6,379,594</u>

(Concluded)

- (1) - General government service charges increased significantly in FY 2005 in the following categories:
Management and Computer Processing Charges increased by \$277,000
Fees and charges associated with the sale of residential and commercial property in the City increased by \$340,000
Fees for the use of vehicles increased in the capital fund by \$285,000
- (2) - Reduction in claims and judgments; reduction in the use of salary reserves as a result of open contracts
- (3) - Increase in water rates of 20%
- (4) - Realized and unrealized losses in permanent fund due to significant market declines
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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund:										
Nonspendable	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 55,628
Restricted by donors						65,453	88,288	99,453	105,183	595,162
Committed	983,669	860,549	773,846	838,101	1,157,839	554,702	759,186	689,885	1,291,706	315,896
Assigned					864,852	869,960	1,534,889	452,243	2,844,064 (2)	2,167,743
Unassigned	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	15,316,638
Total general fund	<u>5,098,335</u>	<u>6,835,238</u>	<u>8,784,991</u>	<u>10,013,957</u>	<u>9,669,083</u>	<u>11,636,405</u>	<u>13,630,080</u>	<u>13,051,602</u>	<u>17,610,107</u>	<u>18,451,067</u>
All Other Governmental Funds:										
Nonspendable	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	2,601,651
Restricted for Trusts	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	7,865,444
Restricted for Debt Service	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	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	5,556,143
Committed for Capital Projects	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	7,538,289
Assigned by City Council	2,462,183	2,518,604	1,816,113	863,630						
Assigned by School Committee	800,000	800,000	1,200,000	1,153,152	1,370,211					
Unassigned					(71,296)	(28,728)	(246,686)		(64,680)	(18,859)
School Unassigned	1,940,267	2,838,529	1,785,759	292,259	202,464			(1)		
Total all other governmental funds	<u>23,350,353</u>	<u>24,715,619</u>	<u>16,358,552</u>	<u>18,394,585</u>	<u>16,722,384</u>	<u>20,133,078</u>	<u>20,554,708</u>	<u>21,224,041</u>	<u>28,120,671</u>	<u>23,542,668</u>
Grand Total	<u>\$ 28,448,688</u>	<u>\$ 31,550,857</u>	<u>\$ 25,143,543</u>	<u>\$ 28,408,542</u>	<u>\$ 26,391,467</u>	<u>\$ 31,769,483</u>	<u>\$ 34,184,788</u>	<u>\$ 34,275,643</u>	<u>\$ 45,730,778</u>	<u>\$ 41,993,735</u>

Notes:

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

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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues:										
Taxes	\$ 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	\$ 75,173,854
Intergovernmental revenues	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	21,430,902
Charges for services	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	13,394,413
Use of money and property	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	1,353,830
Donations	179,343	198,608	95,493	52,253	161,507	625,959	494,240	543,031	411,572	282,699
Other revenues	1,582,706	1,144,697	1,194,553	1,273,953	1,128,835	108,017	126,852	102,428	11,896	8,856
Total revenues	99,558,775	98,612,193	98,178,010	101,103,664	100,543,176	102,052,033	104,116,870	108,000,191	109,699,083	111,644,554
Expenditures:										
Current:										
General government	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	6,280,935
General education	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	41,578,444
Public safety	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	35,297,214
Public services	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	9,057,691
Civic investment	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	435,090
Zoning and inspections	1,727,212	558,059 (3)	653,419	600,505	590,817	426,155	496,911	745,706	784,609	953,053
Human services	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	2,949,071
Pension expenses	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	1,448,234
Debt service:										
Principal	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	3,945,319
Interest	803,651	755,657	712,750	896,577	693,395	616,534	725,389	3,013,999	3,257,800	3,711,590
Capital outlay	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	9,824,956
Total expenditures	96,877,895	96,178,839	104,483,221	102,731,366	103,799,707	105,616,673	124,586,073	106,847,113	108,675,918	115,481,597
Excess (deficiency) of revenues over expenditures	2,680,880	2,433,354	(6,305,211)	(1,627,702)	(3,256,531)	(3,564,640)	(20,469,203)	1,153,078	1,023,165	(3,837,043)
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	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	6,163,259
Transfers out	(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)	(6,063,259)
Total other financing sources (uses)	1,992,805	1,053,250	(102,103)	4,599,440	1,239,457	9,127,980	22,884,508	(1,062,223)	10,381,046	100,000
Net Change in Fund Balances	\$ 4,673,685	\$ 3,486,604	\$ (6,407,314)	\$ 2,971,738	\$ (2,017,074)	\$ 5,563,340	\$ 2,415,305	\$ 90,855	\$ 11,404,211	\$ (3,737,043)
Debt service as a percentage of noncapital expenditures	2.22%	2.13%	2.01%	2.19%	1.77%	2.48%	2.54%	4.50%	4.75%	7.25%

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 Assessed Value	Total Direct Tax Rate Residential	Total Direct Tax Rate Commercial	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property	Personal Property	Inventory	Motor Vehicles	Less Exemptions						
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%	
2016	4,563,119,573	1,261,766,017	127,689,244	-	169,600,313	107,860,620	6,014,314,527	10.93	15.16	6,122,175,147	98.24%	

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)**

	2016			2007		
	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value
Mass Mutual Life (Marriott)	\$ 71,055,500	1	1.18%	\$ 67,256,200	1	1.11%
One Goat Island	59,325,300	2	0.99%			
LSRef3 Viking LLC	55,117,300	3	0.92%	44,800,681	4	0.74%
Newport Restoration Foundation	52,967,900	4	0.88%	62,627,172	2	1.03%
Narraganset Gas	33,063,194	5	0.55%			
Shaner Newport Harbour LLC	32,302,700	6	0.54%	27,323,897	7	0.45%
RK Newport, LLC	28,461,100	7	0.47%	33,265,300	5	0.55%
Eastern Resorts Company	27,437,300	8	0.46%	27,542,133	6	0.46%
Newport Jai Alai, LLC	22,000,600	9	0.37%	19,062,200	8	0.32%
Narraganset Electric	19,955,815	10	0.33%			
Newport on Shore Hotel				14,872,300	9	0.25%
H E Newport, LLC				57,784,990	3	0.95%
Hammersmith Preservation Assoc.				14,203,100	10	0.23%
Total	\$ 401,686,709		6.68%	\$ 368,737,973		6.09%

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
2007	\$ 54,164,573	\$ 52,784,152	97.5%	\$ 1,299,102	\$ 54,083,254	99.8%
2008	56,325,863	55,036,635	97.7%	1,223,892	56,260,527	99.9%
2009	58,617,626	57,082,656	97.4%	1,505,789	58,588,445	100.0%
2010	60,163,158	58,578,657	97.4%	1,528,105	60,106,762	99.9%
2011	60,831,265	59,194,513	97.3%	1,580,300	60,774,813	99.9%
2012	63,291,283	61,974,383	97.9%	1,251,389	63,225,772	99.9%
2013	65,143,925	63,789,524	97.9%	1,220,281	65,009,805	99.8%
2014	67,298,950	65,882,954	97.9%	1,336,631	67,219,585	99.9%
2015	69,680,408	68,356,351	98.1%	1,146,562	69,502,913	99.7%
2016	70,239,804	68,936,347	98.1%		68,936,347	98.1%

Source: City of Newport Tax Collector

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

Fiscal Year June 30,	Governmental Activities				Business-Type Activities				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	Capital Leases	Water	Maritime	Water					
					Bonds (2)	Notes	Bonds (2)	Total				
2007	\$ 17,565,277	\$ 1,863,536	\$	\$	\$ 5,371,324	\$ 200,000	\$ 12,191,492	\$ 37,191,629	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	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	24,409	1,453	6,052,309,573	0.59%
2010	18,951,472	1,863,536			9,274,225	200,000	26,433,662	56,722,895	24,409	2,324	5,777,055,864	0.98%
2011	17,918,036	1,863,536		1,239,457	13,829,917	200,000	34,705,503	69,756,449	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	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	25,543	5,341	5,195,179,988	2.63%
2014	40,130,000	1,863,536	3,116,666	776,552	83,148,410	200,000	32,850,267	162,085,431	25,543	6,346	5,216,185,072	3.11%
2015	46,178,536	1,863,536	3,270,022	675,422	90,096,260	200,000	30,863,776	173,147,552	25,543	6,779	5,985,006,479	2.89%
2016	40,838,000		2,999,830	571,186	92,887,037	200,000	31,323,678	168,819,731	25,543	6,609	6,014,314,527	2.81%

Notes:

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

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

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

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

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

Fiscal Year June 30,	Governmental Activities				Percentage of Actual Taxable Value of Property *	Percentage of Personal Income	U.S. Census Estimated Population	Per Capita **
	General Obligation Bonds	Bond Premium	QZAB	Total				
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		1,863,536	19,763,292	0.34%	0.46%	24,672	801.04
2012	16,161,825	969,290	1,863,536	18,994,651	0.33%	0.42%	24,672	769.89
2013	43,010,000	3,344,500	1,863,536	48,218,036	0.93%	1.04%	25,543	1,887.72
2014	40,130,000	3,116,666	1,863,536	45,110,202	0.85%	0.95%	25,543	1,766.05
2015	46,178,536	3,270,022	1,863,536	51,312,094	0.85%	Not Available	25,543	2,008.85
2016	40,838,000	2,999,830		43,837,830	0.73%	Not Available	25,543	1,716.24

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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total assessed value	\$ 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	\$ 6,122,175,147
Rhode Island General Law debt limitation as % of assessed value	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Debt limit	<u>184,944,976</u>	<u>184,048,472</u>	<u>185,187,748</u>	<u>176,865,941</u>	<u>171,729,613</u>	<u>177,019,152</u>	<u>159,434,331</u>	<u>159,909,784</u>	<u>182,785,491</u>	<u>183,665,254</u>
Debt applicable to limit:										
General obligation bonds	<u>19,428,813</u>	<u>18,241,388</u>	<u>17,017,123</u>	<u>20,815,008</u>	<u>20,712,430</u>	<u>18,407,430</u>	<u>44,873,536</u>	<u>41,993,536</u>	<u>48,042,072</u>	<u>40,838,000</u>
Legal debt limit	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	183,665,254
Total net debt applicable to the limit	<u>19,428,813</u>	<u>18,241,388</u>	<u>17,017,123</u>	<u>20,815,008</u>	<u>20,712,430</u>	<u>18,407,430</u>	<u>44,873,536</u>	<u>41,993,536</u>	<u>48,042,072</u>	<u>40,838,000</u>
Legal debt margin	<u>\$ 165,516,163</u>	<u>\$ 165,807,084</u>	<u>\$ 168,170,625</u>	<u>\$ 156,050,933</u>	<u>\$ 151,017,183</u>	<u>\$ 158,611,722</u>	<u>\$ 114,560,795</u>	<u>\$ 117,916,248</u>	<u>\$ 134,743,419</u>	<u>\$ 142,827,254</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>11.74%</u>	<u>11.00%</u>	<u>10.12%</u>	<u>13.34%</u>	<u>13.72%</u>	<u>11.61%</u>	<u>39.17%</u>	<u>35.61%</u>	<u>35.65%</u>	<u>28.59%</u>

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	
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	8,159,858	10,298,998	2,903,000	2,875,038	1.78	12,701,733	6,004,037	6,697,696	1,986,491	1,037,329	2.21
2016	17,880,464	8,616,975	9,263,489	4,206,000	2,799,198	1.32	13,558,415	6,106,879	7,451,536	2,046,303	1,000,695	2.45

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 <
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 ***	53,089	4,303,320	46,125,394	2,119	8.9%
2012	24,672 ***	55,682	4,529,740	46,112,864	2,029	7.6%
2013	24,672 ***	56,472	4,653,093	49,409,583	2,097	8.1%
2014	24,672 ***	57,488	4,734,561	51,026,876	1,988	5.6%
2015	24,672 ***	Not Available	Not Available	Not Available	2,078	4.5%
2016	24,672 ***	Not Available	Not Available	Not Available	2,130	5.5%

* 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 TEN YEARS AGO
(UNAUDITED)**

2016				2007			
Employer	Employees	Rank	Percentage of Total City Employment	Employers	Employees	Rank	Percentage of Total City Employment
Naval Station Newport	4,219	1	31.3%	Naval Undersea Warfare Center	2,824	1	18.7%
Newport Hospital	926	2	6.9%	Newport Hospital	878	3	5.8%
City of Newport	924	3	6.8%	City of Newport	800	4	5.3%
Newport Harbor Corporation	622	4	4.6%				
Salve Regina University	580	5	4.3%	Salve Regina University	500	6	3.3%
Preservation Society	366	6	2.7%	Preservation Society of Newport County	440	7	2.9%
James L. Maher Center	344	7	2.5%	James L. Maher Center	700	5	4.6%
Savings Institute Bank & Trust	315	10	2.3%	Hyatt Regency	330	8	2.2%
Hyatt Regency-Newport	313	8	2.3%	Newport Marriott Hotel	289	9	1.9%
Marriott International Inc.	225	9	1.7%				
				Naval Education and Training Center (NETC)	950	2	6.3%
Total	<u>8,834</u>		<u>65.5%</u>	Child & Family Services of Newport County	280	10	1.9%
				Total	<u>7,991</u>		<u>52.9%</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).

<http://www.dlt.ri.gov/lmi/pdf/lausreport.pdf>

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government:										
Mayor and Council	7	7	7	7	7	7	7	7	7	7
City Manager	6	6	5.5	5.5	5.5	5.5	5.5	5.25	6.25	6.25
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	23	22	22	22	21	22	18.5	18.5	18.5
City Clerk	6	6	6	6	6	6	5	5	5	5
Administrative services	18	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Civic Investment	13	13	13	13	13	14	5	5	4	4
Zoning & Inspections							9	9	9	9
Total General Government	<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>55.25</u>	<u>55.25</u>
Public safety:										
Police	111.5	111.5	111.5	104.5	104.5	104.5	104.5	104.5	104.5	104.5
Fire	99	99	99	99	99	99	99	99	99	99
	<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>203.5</u>	<u>203.5</u>
Public health:										
Public works	18.6	39	40	40	40	40	43	43	46	46
Water	46.3	46.4	46.4	46.4	46.4	46.4	46.4	46.4	46.4	46.4
Wastewater	1.1	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
	<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>	<u>94</u>
Public welfare:										
Recreation and parks	<u>16.28</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>n/a</u>	<u>n/a</u>
Public education:										
Teachers	219	210	201	197.5	211.5	212.1	208.4	198.2	208	210
Pupil support	64	62	60	58.5	45.5	48	51	50	59	70
Executive and administrative	90	76	74	69	63	59.5	56.4	57	57	61
	<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>	<u>341</u>
Total	<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>676.75</u>	<u>693.75</u>

Source: City budgets and School Business Manager

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

Function/Program	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police:										
Arrests	1,599	1,943	1,777	1,723	1,827	1,185	1,372	1,721	1,526	1,431
Parking violations	39,423	39,968	40,962	35,535	31,679	34,765	28,804	20,775	22,753	31,152
Calls for Service	33,597	34,015	35,677	30,058	29,220	28,785	28,620	30,804	31,728	32,180
Fire:										
Emergency responses	5,079	5,625	5,891	3,675	3,719	4,162	4,340	4,057	4,138	3,729
Fires extinguished	102	116	78	109	78	123	156	118	77	109
Inspections	1,681	1,151	948	1,414	1,136	1,545	1,466	1,584	1,301	780
Refuse collection:										
Refuse collected (tons/day, average)	30.99	29.66	29.30	28.22	27.57	27.58	26.68	27.29	22.49	21.25
Recyclables collected (tons/day, average)	8.63	8.91	8.94	8.66	8.64	8.59	8.69	9.18	9.92	10.29
Other public works:										
Street resurfacing (miles)	1.4	1.92	1.90	4.2	9.43	6.5	9.26	3.283	1.41	3.61
Parks and recreation:										
Athletic field and facility rentals	38	87	309	325 ***	331	335	415	420	428	468
Library:										
Volumes in collections	189,405	205,914	211,767	167,209 ****	183,506 ****	172,814 ****	195,105 ^	206,451 ^	191,980	187,113
Water:										
New connections	148	57	35	30	30	44	55	23	52	49
Water mains breaks	32	31	25	35	24	19	28	31	19	23
Average daily production (avail for sale) (million gallons per day)	6.69	6.87	6.93	6.65	6	5.9	5.67	5.79	5.55	5.44
Wastewater:										
Average daily sewage treatment (thousands of gallons)	9,800	7,820	10,000	11,100	8,550	9,463	8,240	7,094	7,200	7.14MGD

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

TABLE 16

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Function/Program										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	86	86	86	79	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	96.80	96.80	96.80	96.80
Streetlights	1,976	1,976	1,974	1,974	1,918	1,918	1,918	1,918	1,918	1,940
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	416 *
Playgrounds	13	13	13	13	13	13	13	13	15	16 *
Multi purpose playing fields	7	7	7	7	7	7	7	7	7	16 *
Tennis courts	18	18	18	18	18	18	18	18	18	17 *
Community centers	1	1	1	1	1	1	1	1	1	1 *
Water:										
Water mains (miles)	163	163	163	163	163	163	163	163	163	163
Fire hydrants	996	999	999	1,034	1,034	1,034	1,037	1,037	1,037	1,039
Storage capacity (thousands of gallons-treated)	10,500	10,500	10,500	10,500	10,500	10,500	7,500	7,500	7,500	8.25M **
Wastewater:										
Sanitary sewers (miles)	88	88	88	88	88	88	88	88	88	90.2
Storm sewers (miles)	46	46	46.5	46.5	46.5	46.5	46.5	52.0	52.0	50.1
Treatment capacity (thousands of gallons) (daily)	10,700	10,700	10,700	10,700	10,700	10,700	10,700	10,700	10,700	19.7M ***

Source: Various city departments

* Per new Open Space Master Plan

** New water plant

*** Wastewater System Improvements