

**COMPREHENSIVE  
ANNUAL FINANCIAL REPORT**

of the

**CITY OF NEWPORT, RHODE ISLAND**



**FOR THE YEAR ENDED**

**JUNE 30, 2017**

PREPARED BY:

LAURA SITRIN, CPA  
DIRECTOR OF FINANCE

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



December 7, 2017

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, 2017.

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, 2017 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, 2017, 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 14<sup>th</sup> 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 2015 (latest available data) for Newport County is \$61,666 compared to \$50,018, and \$48,112 for Rhode Island and the United States, respectively. The unemployment rate is 4.2% compared to the state unemployment rate of 4.3% as of December 2016. 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 2018. 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) that has been approved as part of a consent decree with the federal Environmental Protection Agency and the Rhode Island Department of Environmental Management. Projects on the master plan are in process and in compliance with the consent decree. Total costs of the options in the master plan are estimated at \$100 million spread over 30 years. The City has completed about \$25 million of projects and is in the process of major upgrades of \$50 million to the wastewater treatment plant. Funds have 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 (FY2017) 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 was one adopted budgeted appropriation in FY2017 of \$310,000 from prior year fuel savings for a one-time capital expense for the City. The Newport Public Schools appropriated \$250,000 in FY2017. The City has not appropriated any funds for FY2018.

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 FY2017.

### *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 14th year (declining to 1). The plans are currently funded at 50% for the fire plan and 64% 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 59% 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, 2017 Statements of Net Position and Activities, footnotes and required supplementary information.

The City provides postretirement health coverage for all vested retirees, certain dependents and beneficiaries and life insurance benefits to police retirees. Vesting and participation is determined by bargaining contract and varies by length of employment and type of employment. As of June 30, 2017, 535 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 July 1, 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 July 1, 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 City implemented Statement No. 74 of the Governmental Accounting Standards Board, entitled "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" for the financial statements ending June 30, 2017.

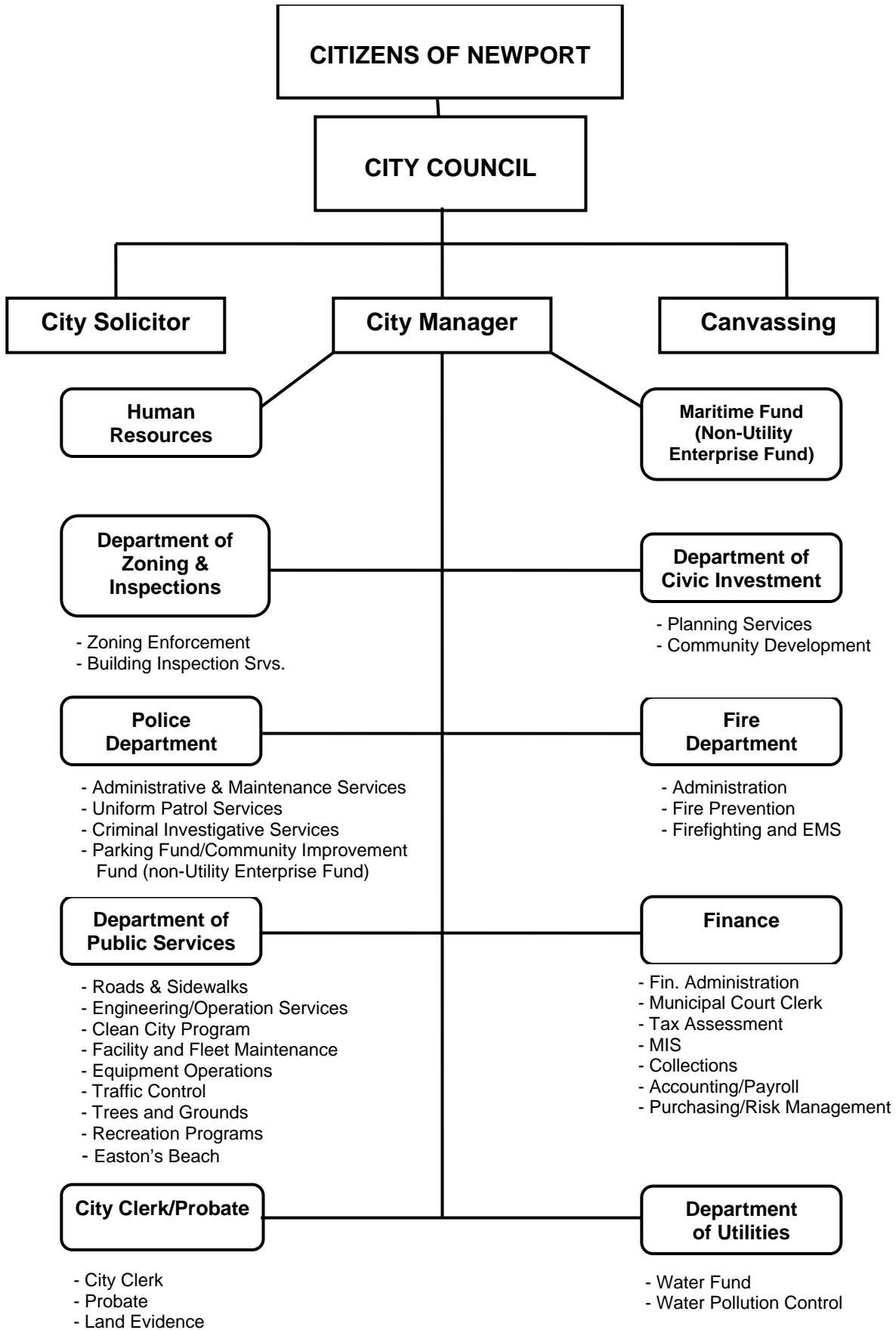
The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance department. We would like to express our appreciation to all members of the department. Credit also must be given to the Mayor and City Council for their unfailing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

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### Elected Officials:

Honorable Henry F. Winthrop  
Susan D. Taylor  
Lynn Underwood Ceglie  
Kathryn E. Leonard  
Jamie P. Bova  
Jeanne-Marie Napolitano  
John F. Florez  
Jo Eva Gaines  
David C. Hanos  
Rebecca Bolan  
David R. Carlin III  
Sandra J. Flowers, Ph.D.  
Raymond E. Gomes  
Kathleen Silvia

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

### Principal Appointed Officials:

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

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



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Newport  
Rhode Island**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

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, 2017, 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, 2017 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 14 to the financial statements, during the fiscal year ended June 30, 2017, the City of Newport, Rhode Island, adopted new accounting guidance, GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. 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 84 through 98 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 7, 2017 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Newport, Rhode Island's 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 7, 2017

**CITY OF NEWPORT, RHODE ISLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017**

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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, 2017. 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 \$132,518,676 (net position).
- The government's net position increased by \$11,135,004. Governmental activities' net position increased \$4,389,067 due to a decrease in net pension liability in the police and fire pension plans because of 13.0% investment returns. Business-type activities had an increase of \$6,745,937 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, 2017, the City of Newport's governmental funds reported a combined ending fund balance of \$42,568,150, an increase of \$682,807 in comparison to the prior year fund balance. Of the total fund balance, \$25,911,242 (61%) is either nonspendable, restricted or committed, leaving \$16,656,908 as available for spending at the City's discretion (assigned and unassigned fund balance).
- At the end of the current fiscal year, total fund balance for the general fund was \$17,690,015, or 16.50% of total general fund expenditures and net other financing uses. \$1,013,318 of the fund balance is nonspendable, restricted or committed leaving \$16,676,697 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 \$14,115,433, or 15.36% of city operating expenditures and other financing uses. The School's assigned and unassigned general fund balance is a \$610,644.
- The City of Newport's long-term liabilities increase of \$951,392 is the result of an increase in the debt for the water pollution control fund.

**Overview of the Financial Statements**

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

**Government-Wide Financial Statements**

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

The *statement of net 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, 2017**

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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 twelve 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 five 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, 2017**

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*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 28-83 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 \$132,518,676 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, 2017**

The City of Newport's unrestricted deficit increased by \$3,108,776. 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	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 51,280,003	\$ 51,886,899	\$ 46,426,544	\$ 45,270,252	\$ 97,706,547	\$ 97,157,151
Capital assets	131,038,264	126,081,173	234,448,511	220,310,213	365,486,775	346,391,386
Total assets	182,318,267	177,968,072	280,875,055	265,580,465	463,193,322	443,548,537
Deferred outflows of resources - pensions	21,272,173	24,901,276	1,595,669	924,182	22,867,842	25,825,458
Total assets and outflows of resources	203,590,440	202,869,348	282,470,724	266,504,647	486,061,164	469,373,995
Long-term liabilities	188,665,578	196,173,217	131,345,373	122,886,342	320,010,951	319,059,559
Other liabilities	12,816,673	11,154,027	13,230,870	11,749,295	26,047,543	22,903,322
Total liabilities	201,482,251	207,327,244	144,576,243	134,635,637	346,058,494	341,962,881
Deferred inflows of resources - pensions	7,164,875	5,449,972	319,119	422,642	7,483,994	5,872,614
Total liabilities and inflows of resources	208,647,126	212,777,216	144,895,362	135,058,279	353,542,488	347,835,495
Net assets:						
Net investment in capital assets	87,510,639	81,672,157	106,853,154	101,940,322	194,363,793	183,612,479
Restricted	12,052,981	10,467,095	36,277,706	34,525,954	48,330,687	44,993,049
Unrestricted (deficit)	(104,620,306)	(102,047,120)	(5,555,498)	(5,019,908)	(110,175,804)	(107,067,028)
Total Net Position	\$ (5,056,686)	\$ (9,907,868)	\$ 137,575,362	\$ 131,446,368	\$ 132,518,676	\$ 121,538,500

An additional portion of the City of Newport's net position (36%) represents resources that are restricted by external parties.

The City's net position increased by \$11,135,004 during the current fiscal year. The primary reasons for the increase were as follows:

- There were significant increases in governmental activities revenues from the prior year from property tax collections, charges for services and capital grants and contributions. Expenditures remained flat compared to the prior year. The net effect was an increase in net position of \$4,389,067.
- In Business-type activities, revenues and expenses both increased in a relatively proportional fashion to the prior year. Sewer rates which were increased in the prior year continue to cover debt service related to mandated capital projects and overall the net effect was an increase in net position of \$6,745,937.

**CITY OF NEWPORT, RHODE ISLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017**

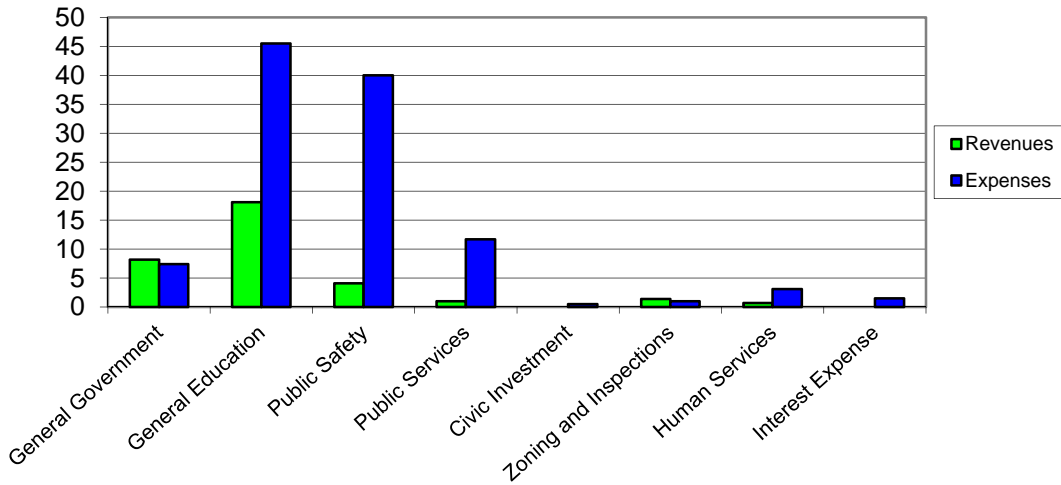
**Governmental Activities**

A comparison of FY2017 and FY2016 activity can be found below which indicates the changes identified above.

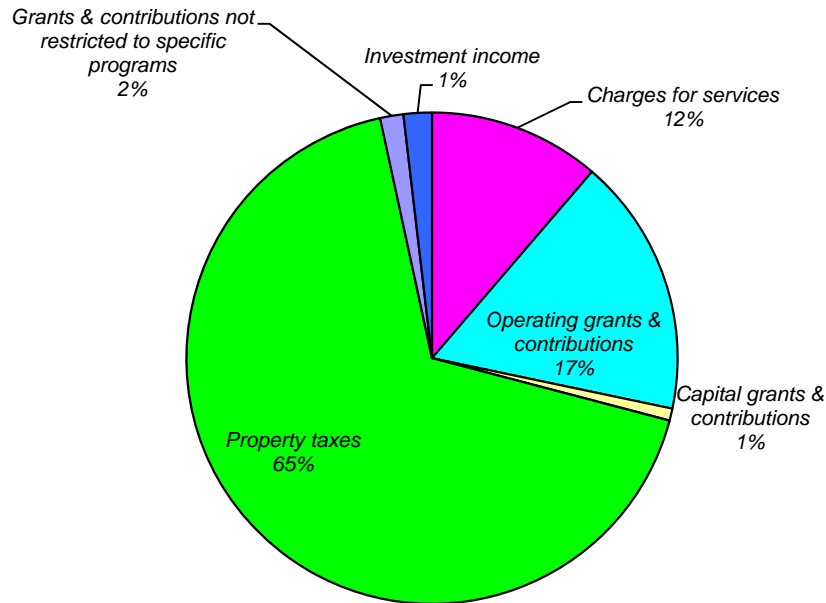
City of Newport's Changes in Net Position

	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 12,977,555	\$ 11,811,858	\$ 37,911,168	\$ 34,255,527	\$ 50,888,723	\$ 46,067,385
Operating grants and contributions	19,885,710	20,528,850			19,885,710	20,528,850
Capital grants and contributions	915,808	168,394			915,808	168,394
General revenues:						
Property taxes	77,746,437	74,300,180			77,746,437	74,300,180
Grants and contributions not restricted to specific programs	1,758,319	1,629,686			1,758,319	1,629,686
Investment income	1,613,258	1,353,830	12,546	27,939	1,625,804	1,381,769
Total revenues	114,897,087	109,792,798	37,923,714	34,283,466	152,820,801	144,076,264
Expenses:						
General government	7,372,458	7,575,124			7,372,458	7,575,124
General education	45,453,582	45,116,380			45,453,582	45,116,380
Public safety	39,921,674	39,702,989			39,921,674	39,702,989
Public services	11,728,084	11,472,956			11,728,084	11,472,956
Civic Investment	489,296	1,202,455			489,296	1,202,455
Inspections and zoning	1,028,570	1,017,597			1,028,570	1,017,597
Human services	3,121,298	2,951,701			3,121,298	2,951,701
Interest expense	1,493,058	1,571,539			1,493,058	1,571,539
Water			14,826,722	14,240,369	14,826,722	14,240,369
Water pollution control			13,857,667	10,615,475	13,857,667	10,615,475
Nonmajor business-type			2,393,388	2,230,085	2,393,388	2,230,085
Total expenses	110,608,020	110,610,741	31,077,777	27,085,929	141,685,797	137,696,670
Increase (decrease) in net position	4,289,067	(817,943)	6,845,937	7,197,537	11,135,004	6,379,594
Transfers	100,000	100,000	(100,000)	(100,000)		
Change in net position	4,389,067	(717,943)	6,745,937	7,097,537	11,135,004	6,379,594
Net position beginning, restated	(9,445,753)	(9,189,925)	130,829,425	124,348,831	121,383,672	115,158,906
Net Position Ending	\$ (5,056,686)	\$ (9,907,868)	\$ 137,575,362	\$ 131,446,368	\$ 132,518,676	\$ 121,538,500

## Expenses and Program Revenues - Governmental Activities



### Revenues by Source - Governmental Activities



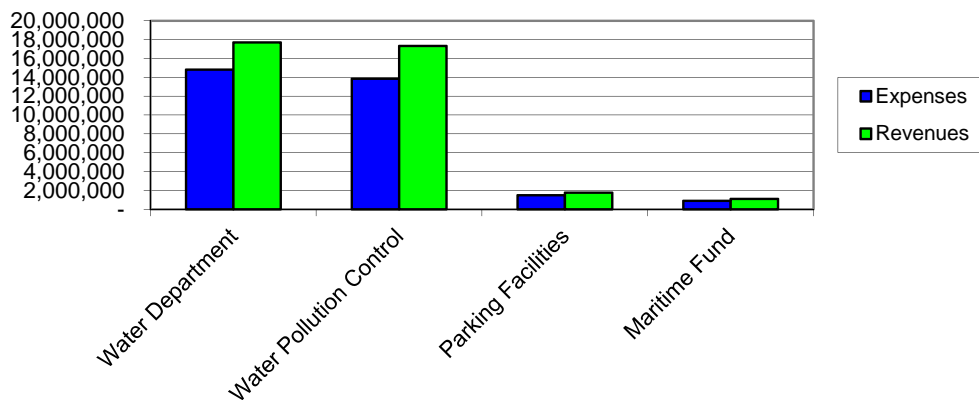
**CITY OF NEWPORT, RHODE ISLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017**

**Business-Type Activities**

Business-type activities' net position increased by \$6,745,937. Revenues have been increasing in the last few 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 \$2,889,154 for the year ended June 30, 2017, the Water Pollution Control Fund had income before transfers of \$3,474,695, and the non-major proprietary funds had income before transfers of \$482,088.

***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 \$42,568,150, an increase of \$682,807 in comparison with the prior year fund balance. The increase is the result of investment returns of \$1,299,886 in the permanent fund. There were budgeted uses of fund balance in both the City and School General Funds. Much of the total combined ending fund balance amount (\$25,911,242) constitutes fund balance that is either nonspendable, restricted by outside legal sources or committed for capital or contractual purposes. An additional \$1,950,620 of the fund balance is assigned by the City Council. The balance of \$14,706,288 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, 2017**

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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 \$14,726,077, while total fund balance was \$17,690,015. 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 13.7% of total general fund expenditures and transfers, while total fund balance represents 16.5% 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 \$14,663,180, a decrease of \$238,080 which is 16% 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 \$975,590. 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 decreased by \$238,080. This is slightly lower than the anticipated appropriated fund balance of \$310,000. Fund balance was appropriated by the City Council from lower than anticipated fuel expenditures to be used for additional one-time road work. Other revenues and expenditures were closely aligned with budgeted numbers.

The fund balance of the Newport Schools under the control of the School Committee decreased by \$285,187 as anticipated in the FY2017 budget. Fund balance of \$250,000 was appropriated to offset expenses.

**CITY OF NEWPORT, RHODE ISLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017**

The table on this page shows the comparison of revenues and expenditures in the City and School general funds between FY2017 and FY2016.

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

	City General Fund		School General Fund	
	2017	2016	2017	2016
Local Taxes	\$ 77,505,920	\$ 75,173,854	\$	\$
Intergovernmental Revenues	3,411,092	3,659,525	13,541,210	13,329,690
Charges for Services	10,494,746	9,990,376	775,739	509,628
Use of money and property	28,926	232,756	238,899	419,668
Contributions	191,715	183,243		
Other Revenues	27,974	8,856		
Total Revenues	91,660,373	89,248,610	14,555,848	14,258,986
Total Expenditures	63,160,471	61,408,965	40,124,336	38,014,461
Other Financing Sources (Uses)	(28,737,982)	(27,728,134)	25,283,301	25,145,141
Net Change in Fund Balances	(238,080)	111,511	(285,187)	1,389,666
Fund Balance, Beginning	14,901,260	14,789,749	1,260,777	(128,889)
Fund Balance, Ending	\$ 14,663,180	\$ 14,901,260	\$ 975,590	\$ 1,260,777

	Combined	
	2017	2016
Local Taxes	\$ 77,505,920	\$ 75,173,854
Intergovernmental Revenues	16,952,302	16,989,215
Charges for Services	11,270,485	10,500,004
Use of money and property	267,825	652,424
Contributions	191,715	183,243
Other Revenues	27,974	8,856
Total Revenues	106,216,221	103,507,596
Total Expenditures	103,284,807	99,423,426
Other Financing Sources (Uses)	(3,454,681)	(2,582,993)
Net Change in Fund Balances	(523,267)	1,501,177
Fund Balance, Beginning	16,162,037	14,660,860
Fund Balance, Ending	\$ 15,638,770	\$ 16,162,037

The Capital Projects Fund had a decrease in fund balance of \$66,912 that is primarily the result of timing differences between revenues and actual expenditures as of June 30, 2017.

The Permanent Fund had an increase in fund balance of \$1,585,886 due to net results from market returns.

**CITY OF NEWPORT, RHODE ISLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget were primarily due to budgetary carryovers from fiscal year 2016 of \$297,808.

**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 (\$10,231,391) while restricted net position was \$20,828,883 and net investment in capital assets was \$45,100,025. The Rhode Island Public Utilities Commission (PUC) 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. Cash is restricted in the Water Fund because it is subject to debt covenant requirements and PUC requirements.

Unrestricted net position of the Water Pollution Control Fund at the end of the year amounted to a deficit of (\$1,647,802) while restricted net position was \$15,448,823 and net investment in capital assets was \$56,872,523. 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 Operations Fund had unrestricted net position of \$4,801,009 and the Maritime Fund had unrestricted net position of \$1,522,686. 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 \$365,486,775 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and systems, machinery and equipment, vehicles, infrastructure and construction in progress. There was a total increase in the City of Newport's investment in capital assets for the current fiscal year of 5.5%.

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

- \$4,990,000 was spent on water treatment plants, water infrastructure, and mains.
- \$15,384,000 was spent on combined sewer overflow and other water pollution control issues.
- \$3,260,000 was spent on school roof repairs.
- \$1,763,000 was spent on road and sidewalk reconstruction and improvements.
- \$1,462,000 was spent on equipment replacement in the general fund.
- \$433,000 was spent on seawall repairs.

**CITY OF NEWPORT, RHODE ISLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017**

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

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 4,880,057	\$ 4,880,057	\$ 6,492,359	\$ 6,492,359	\$ 11,372,416	\$ 11,372,416
Construction in progress	1,902,305	6,543,853	22,530,057	7,585,217	24,432,362	14,129,070
Buildings & systems	68,882,743	63,378,273	204,015,649	205,665,628	272,898,392	269,043,901
Machinery & equipment	2,466,617	2,867,583	364,643	305,574	2,831,260	3,173,157
Vehicles	4,801,461	3,570,074	1,045,803	261,435	5,847,264	3,831,509
Infrastructure	48,105,081	44,841,333			48,105,081	44,841,333
<b>Total</b>	<b>\$ 131,038,264</b>	<b>\$ 126,081,173</b>	<b>\$ 234,448,511</b>	<b>\$ 220,310,213</b>	<b>\$ 365,486,775</b>	<b>\$ 346,391,386</b>

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 \$171,420,200. Of this amount, \$40,000,000 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	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds	\$ 40,000,000	\$ 40,838,000	\$	\$	\$ 40,000,000	\$ 40,838,000
Revenue Bonds			131,420,200	124,210,715	131,420,200	124,210,715
<b>Total</b>	<b>\$ 40,000,000</b>	<b>\$ 40,838,000</b>	<b>\$ 131,420,200</b>	<b>\$ 124,210,715</b>	<b>\$ 171,420,200</b>	<b>\$ 165,048,715</b>

The City of Newport's total bonds increased by \$6,371,485 during the current fiscal year. Debt increased by \$13,840,309 from revenue bond drawdowns for the water and sewer project, and issuance of general obligation bonds of \$2,865,000 for school roof repairs. Bonds of \$10,333,824 were retired during fiscal year 2017.

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 \$180,429,436, which is significantly in excess of the City's outstanding general obligation debt of \$40,000,000.

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 as of December 2016 for the City of Newport was 4.2%, which is less than the state's unemployment rate of 4.3% and the federal unemployment rate of 4.7%.
- 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, 2017**

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All of these factors were considered in preparing the City of Newport's budget for the 2018 fiscal year.

Fund balance in the City's general operating fund at June 30, 2017 is \$14,663,181 or 16.0% 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 two 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 \$100 million. The Water Fund rates are controlled and set by the Rhode Island Public Utilities Commission. A rate increase was approved effective 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, 2017**

	<b>Primary Government</b>		<b>Total</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	
<b>Assets:</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 6,740,441	\$ 5,528,088	\$ 12,268,529
Investments	24,283,826	1,268,294	25,552,120
Receivables, net	4,064,175	3,795,946	7,860,121
Internal balances (advances)	636,894	(636,894)	-
Inventories	19,000	292,404	311,404
Prepaid expenses	347,151		347,151
Total current assets	<u>36,091,487</u>	<u>10,247,838</u>	<u>46,339,325</u>
<b>Noncurrent assets:</b>			
<b>Restricted assets:</b>			
Temporarily restricted cash and cash equivalents		32,153,863	32,153,863
Permanently restricted investments	11,730,384		11,730,384
Bond proceeds		4,024,843	4,024,843
Receivables, net	173,573		173,573
Net pension asset	3,284,559		3,284,559
Capital assets not being depreciated	6,782,362	29,022,416	35,804,778
Capital assets (net of accumulated depreciation)	124,255,902	205,426,095	329,681,997
Total noncurrent assets	<u>146,226,780</u>	<u>270,627,217</u>	<u>416,853,997</u>
Total assets	<u>182,318,267</u>	<u>280,875,055</u>	<u>463,193,322</u>
<b>Deferred outflow of resources:</b>			
Changes in actuarial experience	2,262,530	43,360	2,305,890
Assumption changes	4,800,150	10,350	4,810,500
Proportional contribution differences	52,629		52,629
Change in pension investment gains or losses	9,260,783	890,851	10,151,634
Contributions after the measurement date	4,896,081	651,108	5,547,189
Total deferred outflow of resources	<u>21,272,173</u>	<u>1,595,669</u>	<u>22,867,842</u>
<b>Liabilities:</b>			
<b>Current liabilities:</b>			
Accounts payable	2,167,374	3,708,598	5,875,972
Accrued liabilities	792,227	2,190,195	2,982,422
Unearned revenue		30,000	30,000
Other liabilities	350,012	99,000	449,012
Current portion of long-term obligations	9,507,060	7,203,077	16,710,137
Total current liabilities	<u>12,816,673</u>	<u>13,230,870</u>	<u>26,047,543</u>
<b>Noncurrent liabilities:</b>			
Long-term obligations	<u>188,665,578</u>	<u>131,345,373</u>	<u>320,010,951</u>
Total liabilities	<u>201,482,251</u>	<u>144,576,243</u>	<u>346,058,494</u>
<b>Deferred inflow of resources:</b>			
Change in pension investment gains or losses	2,235,411	48,373	2,283,784
Changes in actuarial experience	2,418,064	270,746	2,688,810
Proportional contribution differences	1,924,439		1,924,439
Assumption changes	586,961		586,961
Total deferred inflow of resources	<u>7,164,875</u>	<u>319,119</u>	<u>7,483,994</u>
<b>Net Position:</b>			
Net investment in capital assets	87,510,639	106,853,154	194,363,793
<b>Restricted for:</b>			
<b>Various endowments:</b>			
Expendable	9,451,330		9,451,330
Nonexpendable	2,601,651		2,601,651
Held in trust		99,000	99,000
Debt service		36,178,706	36,178,706
Unrestricted (deficit)	<u>(104,620,306)</u>	<u>(5,555,498)</u>	<u>(110,175,804)</u>
<b>Total Net Position</b>	<u>\$ (5,056,686)</u>	<u>\$ 137,575,362</u>	<u>\$ 132,518,676</u>

The accompanying 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, 2017**

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 7,372,458	\$ 6,377,401	\$ 1,804,023	\$	\$ 808,966	\$	\$ 808,966
General education	45,453,582	1,180,588	17,221,485		(27,051,509)		(27,051,509)
Public safety	39,921,674	3,636,896	256,508	212,668	(35,815,602)		(35,815,602)
Public services	11,728,084	223,173	37,635	703,140	(10,764,136)		(10,764,136)
Civic investment	489,296		26,000		(463,296)		(463,296)
Zoning and inspections	1,028,570	1,376,854			348,284		348,284
Human services	3,121,298	182,643	540,059		(2,398,596)		(2,398,596)
Interest expense	1,493,058				(1,493,058)		(1,493,058)
Total governmental activities	<u>110,608,020</u>	<u>12,977,555</u>	<u>19,885,710</u>	<u>915,808</u>	<u>(76,828,947)</u>	<u>-</u>	<u>(76,828,947)</u>
Business-type activities:							
Water Department	14,826,722	17,709,574				2,882,852	2,882,852
Water Pollution Control	13,857,667	17,327,524				3,469,857	3,469,857
Recreational and parking facilities	2,393,388	2,874,070				480,682	480,682
Total business-type activities	<u>31,077,777</u>	<u>37,911,168</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,833,391</u>	<u>6,833,391</u>
Total	<u>\$ 141,685,797</u>	<u>\$ 50,888,723</u>	<u>\$ 19,885,710</u>	<u>\$ 915,808</u>	<u>(76,828,947)</u>	<u>6,833,391</u>	<u>(69,995,556)</u>
General revenues:							
Property taxes					77,746,437		77,746,437
Grants and contributions not restricted to specific programs					1,758,319		1,758,319
Investment income					1,613,258	12,546	1,625,804
Transfers					100,000	(100,000)	
Total general revenues and transfers					<u>81,218,014</u>	<u>(87,454)</u>	<u>81,130,560</u>
Change in net position					4,389,067	6,745,937	11,135,004
Net Position at Beginning of Year, as Restated					<u>(9,445,753)</u>	<u>130,829,425</u>	<u>121,383,672</u>
Net Position at End of Year					<u>\$ (5,056,686)</u>	<u>\$ 137,575,362</u>	<u>\$ 132,518,676</u>

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



**CITY OF NEWPORT, RHODE ISLAND  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2017**

	<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>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 3,504,749	\$ 2,357,113	\$ 326,322	\$ 8,156,446	\$ 2,872,899	\$ 17,217,529
Investments	24,283,826		11,730,384			36,014,210
Receivables:						
Property taxes	1,128,831					1,128,831
Motor vehicle excise	507,012					507,012
Intergovernmental		124,525		95,204	525,375	745,104
Note/loan		1,280,137			255,000	1,535,137
Other	1,459,870				35,000	1,494,870
Prepaid items	58,386					58,386
Due from other funds	361,333				35,000	396,333
Advances to other funds					267,459	267,459
Total Assets	<u>\$ 31,304,007</u>	<u>\$ 3,761,775</u>	<u>\$ 12,056,706</u>	<u>\$ 8,251,650</u>	<u>\$ 3,990,733</u>	<u>\$ 59,364,871</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
Liabilities:						
Cash overdraft	\$ 10,439,642	\$	\$	\$	\$ 199,643	\$ 10,639,285
Accounts payable	1,312,395	5,969	3,725	685,069	142,316	2,149,474
Accrued liabilities	534,650					534,650
Due to other funds	35,000					35,000
Other liabilities	350,012					350,012
Total liabilities	<u>12,671,699</u>	<u>5,969</u>	<u>3,725</u>	<u>685,069</u>	<u>341,959</u>	<u>13,708,421</u>
Deferred inflows of resources:						
Unavailable revenue - property taxes	942,293					942,293
Unavailable revenue - loans receivable		1,280,137			592,459	1,872,596
Unavailable revenue - intergovernmental receivable		124,525		95,204	53,682	273,411
Total deferred inflows of resources	<u>942,293</u>	<u>1,404,662</u>		<u>95,204</u>	<u>646,141</u>	<u>3,088,300</u>
Fund balances:						
Nonspendable	58,385		2,601,651			2,660,036
Restricted	465,571	2,351,144	9,451,330		3,022,422	15,290,467
Committed	489,362			7,471,377		7,960,739
Assigned	1,950,620					1,950,620
Unassigned	14,726,077				(19,789)	14,706,288
Total fund balances	<u>17,690,015</u>	<u>2,351,144</u>	<u>12,052,981</u>	<u>7,471,377</u>	<u>3,002,633</u>	<u>42,568,150</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 31,304,007</u>	<u>\$ 3,761,775</u>	<u>\$ 12,056,706</u>	<u>\$ 8,251,650</u>	<u>\$ 3,990,733</u>	<u>\$ 59,364,871</u>

(Continued on next page)

**CITY OF NEWPORT, RHODE ISLAND**  
**BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)**  
**JUNE 30, 2017**

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) \$ 42,568,150

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Governmental capital assets	\$ 184,404,022	
Less accumulated depreciation	(53,392,238)	
Net capital assets		131,011,784

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

Net pension asset	3,284,559
Prepaid interest from school bonds	288,768
Unavailable property taxes, loans and grant revenues	3,088,300
Allowance for doubtful accounts	(1,951,592)
Property tax and loan interest accrual	767,658

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	(40,000,000)
Bond premium	(3,063,874)
Interest payable on bonds and notes	(217,429)
Capital lease payable	(463,751)
Claims and judgments	(592,000)
Compensated absences	(6,500,024)
Net pension liability	(141,248,830)
Net OPEB obligation	(6,304,160)

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

Deferred outflows of resources - pensions	21,272,173
Deferred inflows of resources - pensions	(7,164,875)

Net Position of Governmental Activities (Exhibit I) \$ (5,056,686)

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, 2017**

	<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	\$ 77,505,920	\$	\$	\$	\$	\$ 77,505,920
Intergovernmental revenues	16,952,302	120,520		888,606	4,242,927	22,204,355
Charges for services	11,270,485	129,191		1,156,200	422,349	12,978,225
Use of money and property	267,825	26,487	1,299,886	30	19,030	1,613,258
Contributions	229,068		325,000	14,500	10,582	579,150
Other revenues	27,974					27,974
Total revenues	<u>106,253,574</u>	<u>276,198</u>	<u>1,624,886</u>	<u>2,059,336</u>	<u>4,694,888</u>	<u>114,908,882</u>
Expenditures:						
Current:						
General government	6,635,035					6,635,035
General education	40,019,211				3,882,433	43,901,644
Public safety	36,230,185				116,653	36,346,838
Public services	9,045,503					9,045,503
Civic investment	351,316				1,885	353,201
Zoning and inspections	1,025,559					1,025,559
Human services	1,973,861	324,014	239,000		573,385	3,110,260
Pension expenditures	1,914,981					1,914,981
Debt service:						
Principal	3,703,000					3,703,000
Interest	1,836,043					1,836,043
Capital outlays	625,251	-		8,902,540	162,590	9,690,381
Total expenditures	<u>103,359,945</u>	<u>324,014</u>	<u>239,000</u>	<u>8,902,540</u>	<u>4,736,946</u>	<u>117,562,445</u>
Excess (Deficiency) of Revenues over Expenditures	<u>2,893,629</u>	<u>(47,816)</u>	<u>1,385,886</u>	<u>(6,843,204)</u>	<u>(42,058)</u>	<u>(2,653,563)</u>
Other Financing Sources (Uses):						
Bond proceeds				2,865,000		2,865,000
Bond premium				371,370		371,370
Payment to escrow agent						-
Transfers in from other funds	75,620		200,000	3,614,960	15,341	3,905,921
Transfers out to other funds	(3,730,301)			(75,038)	(582)	(3,805,921)
Total other financing sources (uses)	<u>(3,654,681)</u>	<u>-</u>	<u>200,000</u>	<u>6,776,292</u>	<u>14,759</u>	<u>3,336,370</u>
Net Change in Fund Balances	(761,052)	(47,816)	1,585,886	(66,912)	(27,299)	682,807
Fund Balances at Beginning of Year, as Restated	<u>18,451,067</u>	<u>2,398,960</u>	<u>10,467,095</u>	<u>7,538,289</u>	<u>3,029,932</u>	<u>41,885,343</u>
Fund Balances at End of Year	<u>\$ 17,690,015</u>	<u>\$ 2,351,144</u>	<u>\$ 12,052,981</u>	<u>\$ 7,471,377</u>	<u>\$ 3,002,633</u>	<u>\$ 42,568,150</u>

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**CITY OF NEWPORT, RHODE ISLAND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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	\$ 682,807
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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	9,603,130
Depreciation expense	(4,641,421)

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	338,639
Property tax and loan interest receivable	(48,487)
Change in allowance for doubtful accounts	(133,896)
Activity related to property tax and loan receivable	(46,702)
Change in net pension assets	(7,706)

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	3,703,000
Bond issuance	(2,865,000)
Bond premium	(371,371)
Capital lease payments	107,435

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	293,780
Claims and judgments	(23,224)
OPEB obligations	(736,553)
Net change for pension liability	3,577,945
Amortization of prepaid interest	(72,192)
Change in accrued interest	415
Amortization of bond premiums	307,327
Deferred outflows/inflows related to pension actuarial experience	(1,512,172)
Deferred outflows/inflows related to assumption changes	264,618
Deferred outflows/inflows related to pensions investment gains or losses	(3,026,411)
Deferred outflows/inflows related to proportional contribution differences	(1,298,321)
Deferred outflows/inflows related to contributions made after the measurement date	293,427

Change in Net Position of Governmental Activities (Exhibit II)	<u>\$ 4,389,067</u>
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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, 2017**

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property taxes	\$ 77,885,293	\$ 77,885,293	\$ 77,505,920	\$ (379,373)
Intergovernmental revenues	15,453,393	15,453,393	15,231,769	(221,624)
Charges for services	9,914,787	9,914,787	10,494,746	579,959
Use of money and property	350,000	350,000	28,926	(321,074)
Other revenues	1,179,373	1,179,373	1,234,327	54,954
Total revenues	<u>104,782,846</u>	<u>104,782,846</u>	<u>104,495,688</u>	<u>(287,158)</u>
Expenditures:				
General government:				
Mayor and City Council	95,422	111,984	104,307	7,677
City Manager	1,034,378	1,034,378	907,063	127,315
City Solicitor	513,234	513,473	464,503	48,970
Canvassing	259,414	259,414	241,013	18,401
City Clerk	532,027	532,027	512,083	19,944
Finance	3,516,583	3,541,636	3,413,527	128,109
Reserve accounts	785,000	808,156	1,021,088	(212,932)
School:				
General Education	38,613,304	38,613,304	38,403,803	209,501
Public Safety:				
Police Department	17,667,447	17,667,653	17,539,347	128,306
Fire Department	18,593,920	18,616,302	18,693,138	(76,836)
Public Services	10,350,476	10,573,615	9,949,004	624,611
Civic Investment	378,591	334,591	351,316	(16,725)
Zoning and Inspections	1,030,837	1,031,908	1,025,559	6,349
Human Services:				
Donations	120,450	120,450	118,450	2,000
Public Library	1,840,411	1,840,411	1,855,411	(15,000)
Pension expenditures	1,613,331	1,613,331	1,914,981	(301,650)
Debt service	5,313,061	5,313,061	5,539,043	(225,982)
Total expenditures	<u>102,257,886</u>	<u>102,525,694</u>	<u>102,053,636</u>	<u>472,058</u>
Excess of Revenues over Expenditures	<u>2,524,960</u>	<u>2,257,152</u>	<u>2,442,052</u>	<u>184,900</u>
Other Financing Sources (Uses):				
Transfers in	25,284,733	25,284,733	25,358,921	74,188
Transfers out	(28,369,693)	(28,399,693)	(28,813,602)	(413,909)
Total other financing sources (uses)	<u>(3,084,960)</u>	<u>(3,114,960)</u>	<u>(3,454,681)</u>	<u>(339,721)</u>
Excess of Revenues and Other Sources over over Expenditures and Other Uses	<u>\$ (560,000)</u>	<u>\$ (857,808)</u>	(1,012,629)	<u>\$ (154,821)</u>
Fund Balance at Beginning of Year			<u>15,846,141</u>	
Fund Balance at End of Year			<u>\$ 14,833,512</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, 2017**

	Business-Type Activities - Enterprise Funds				Governmental
	Major Funds				Internal
	Water Fund	W.P.C. Fund	Nonmajor Funds	Total	Service Fund
<b>Assets:</b>					
<b>Current assets:</b>					
Cash and cash equivalents	\$ 44,673	\$	\$ 5,483,415	\$ 5,528,088	\$ 162,197
Investments			1,268,294	1,268,294	
<b>Accounts receivable:</b>					
User fees (net of allowances)	1,594,233	2,006,182	195,531	3,795,946	
Other				-	10,727
Due from other funds		110,664		110,664	8,102
Inventories	292,404			292,404	19,000
Total current assets	<u>1,931,310</u>	<u>2,116,846</u>	<u>6,947,240</u>	<u>10,995,396</u>	<u>200,026</u>
<b>Noncurrent assets:</b>					
Cash and cash equivalents - restricted	16,804,040	15,349,823		32,153,863	
Bond proceeds - restricted	4,024,843			4,024,843	
Capital assets, net of accumulated depreciation	<u>129,681,219</u>	<u>99,686,686</u>	<u>5,080,606</u>	<u>234,448,511</u>	<u>26,480</u>
Total noncurrent assets	<u>150,510,102</u>	<u>115,036,509</u>	<u>5,080,606</u>	<u>270,627,217</u>	<u>26,480</u>
Total assets	<u>152,441,412</u>	<u>117,153,355</u>	<u>12,027,846</u>	<u>281,622,613</u>	<u>226,506</u>
<b>Deferred outflow of resources:</b>					
Changes in actuarial experience	38,186	3,184	1,990	43,360	
Changes in assumptions	9,115	760	475	10,350	
Change in pension investment gains or losses	784,554	65,414	40,883	890,851	
Contributions after the measurement date, net	<u>573,417</u>	<u>47,810</u>	<u>29,881</u>	<u>651,108</u>	
Total deferred outflow of resources	<u>1,405,272</u>	<u>117,168</u>	<u>73,229</u>	<u>1,595,669</u>	<u>-</u>
<b>Liabilities:</b>					
<b>Current liabilities:</b>					
Accounts payable	991,788	2,675,953	40,857	3,708,598	17,901
Accrued expenses	1,640,130	505,552	44,513	2,190,195	40,148
Unearned revenue			30,000	30,000	
Due to other funds	480,099			480,099	
Escrow held in Trust		99,000		99,000	
Current portion bonds payable	<u>4,366,000</u>	<u>2,837,077</u>		<u>7,203,077</u>	
Total current liabilities	<u>7,478,017</u>	<u>6,117,582</u>	<u>115,370</u>	<u>13,710,969</u>	<u>58,049</u>
<b>Long-term liabilities:</b>					
Advances from other funds			267,459	267,459	
Notes payable			200,000	200,000	
Bonds payable	84,240,037	39,977,086		124,217,123	
Net pension liability	5,743,559	478,879	299,300	6,521,738	
Net OPEB obligation	<u>406,512</u>			<u>406,512</u>	
Total long-term liabilities	<u>90,390,108</u>	<u>40,455,965</u>	<u>766,759</u>	<u>131,612,832</u>	<u>-</u>
Total liabilities	<u>97,868,125</u>	<u>46,573,547</u>	<u>882,129</u>	<u>145,323,801</u>	<u>58,049</u>
<b>Deferred inflow of resources:</b>					
Change in pension investment gains or losses	238,441	19,880	12,425	270,746	
Change in actuarial experience	<u>42,601</u>	<u>3,552</u>	<u>2,220</u>	<u>48,373</u>	
Total deferred inflow of resources	<u>281,042</u>	<u>23,432</u>	<u>14,645</u>	<u>319,119</u>	<u>-</u>
<b>Net position:</b>					
Net investment in capital assets	45,100,025	56,872,523	4,880,606	106,853,154	26,480
Restricted by regulatory agencies and bond covenants	20,828,883	15,349,823		36,178,706	
Assets held in trust		99,000		99,000	
Unrestricted	<u>(10,231,391)</u>	<u>(1,647,802)</u>	<u>6,323,695</u>	<u>(5,555,498)</u>	<u>141,977</u>
Total Net Position	<u>\$ 55,697,517</u>	<u>\$ 70,673,544</u>	<u>\$ 11,204,301</u>	<u>\$ 137,575,362</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, 2017**

	<b>Business-Type Activities - Enterprise Funds</b>				<b>Governmental</b>
	<b>Major Funds</b>				<b>Activities</b>
	<b>Water Fund</b>	<b>W.P.C. Fund</b>	<b>Nonmajor Funds</b>	<b>Total</b>	<b>Internal Service Fund</b>
Operating revenues:					
User fees	\$ 17,025,036	\$ 17,327,524	\$ 2,874,070	\$ 37,226,630	\$ 1,207,094
Other revenues	684,538			684,538	
Total operating revenues	<u>17,709,574</u>	<u>17,327,524</u>	<u>2,874,070</u>	<u>37,911,168</u>	<u>1,207,094</u>
Operating expenses:					
Salaries and benefits	4,839,920	321,376	856,705	6,018,001	106,405
Materials and supplies	931,900	1,011	79,354	1,012,265	302,470
Repairs and maintenance	402,610	42,869	323,330	768,809	37,705
Support services	146,497	7,230,422	482,054	7,858,973	734,169
Utilities	1,326,183	721,573	48,033	2,095,789	21,527
Administrative and other	959,884	599,787	330,453	1,890,124	200
Property taxes	558,411			558,411	
Depreciation	2,951,376	3,556,501	273,459	6,781,336	4,618
Total operating expenses	<u>12,116,781</u>	<u>12,473,539</u>	<u>2,393,388</u>	<u>26,983,708</u>	<u>1,207,094</u>
Operating Income	<u>5,592,793</u>	<u>4,853,985</u>	<u>480,682</u>	<u>10,927,460</u>	<u>-</u>
Nonoperating revenues and expenses:					
Investment income	6,302	4,838	1,406	12,546	
Interest expense	(2,709,941)	(1,384,128)		(4,094,069)	
Net operating revenues and expenses	<u>(2,703,639)</u>	<u>(1,379,290)</u>	<u>1,406</u>	<u>(4,081,523)</u>	<u>-</u>
Income Before Transfers	2,889,154	3,474,695	482,088	6,845,937	
Transfers:					
Transfers out			(100,000)	(100,000)	
Change in Net Position	2,889,154	3,474,695	382,088	6,745,937	-
Net Position at Beginning of Year, as Restated	<u>52,808,363</u>	<u>67,198,849</u>	<u>10,822,213</u>	<u>130,829,425</u>	<u>168,457</u>
Net Position at End of Year	<u>\$ 55,697,517</u>	<u>\$ 70,673,544</u>	<u>\$ 11,204,301</u>	<u>\$ 137,575,362</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, 2017**

	Business-Type Activities - Enterprise Funds				Governmental
	Major Funds				Activities
	Water Fund	W.P.C. Fund	Nonmajor Funds	Total	Internal Service Fund
Cash Flows from Operating Activities:					
Cash received from customers	\$ 17,987,609	\$ 17,090,487	\$ 2,712,970	\$ 37,791,066	\$ 1,238,593
Cash payments to suppliers for goods and services	(2,103,656)	(7,149,588)	(1,007,139)	(10,260,383)	(1,101,237)
Cash payments to employees for services	(4,863,864)	(310,633)	(851,806)	(6,026,303)	(110,012)
Payment of property taxes	(558,411)			(558,411)	
Payment of administrative expense	(959,884)	(599,787)	(330,453)	(1,890,124)	(200)
Net cash provided by (used in) operating activities	<u>9,501,794</u>	<u>9,030,479</u>	<u>523,572</u>	<u>19,055,845</u>	<u>27,144</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	(4,992,194)	(15,383,968)	(543,472)	(20,919,634)	
Proceeds from borrowing	2,015,981	13,840,309		15,856,290	
Principal paid on bonds, notes and loans	(4,281,000)	(2,349,824)		(6,630,824)	
Interest paid on bonds, notes and loans	(2,736,774)	(1,269,814)		(4,006,588)	
Net cash provided by (used in) capital and related financing activities	<u>(9,993,987)</u>	<u>(5,163,297)</u>	<u>(543,472)</u>	<u>(15,700,756)</u>	<u>-</u>
Cash Flows from Investing Activities:					
Investment income	<u>6,302</u>	<u>4,838</u>	<u>209</u>	<u>11,349</u>	
Net Increase (Decrease) in Cash and Cash Equivalents	(485,891)	3,872,020	(119,691)	3,266,438	27,144
Cash and Cash Equivalents at Beginning of Year	<u>17,334,604</u>	<u>11,477,803</u>	<u>5,603,106</u>	<u>34,415,513</u>	<u>135,053</u>
Cash and Cash Equivalents at End of Year	<u>\$ 16,848,713</u>	<u>\$ 15,349,823</u>	<u>\$ 5,483,415</u>	<u>\$ 37,681,951</u>	<u>\$ 162,197</u>
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:					
Operating income (loss)	\$ 5,592,793	\$ 4,853,985	\$ 480,682	\$ 10,927,460	\$
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	2,951,376	3,556,501	273,459	6,781,336	4,618
Changes in assets and liabilities:					
Decrease (Increase) in accounts receivable	278,035	(234,541)	(171,100)	(127,606)	
Decrease (Increase) in accounts receivable - other					10,023
Decrease (Increase) in due from other funds		(2,496)		(2,496)	21,476
Decrease (Increase) in inventory	(29,817)			(29,817)	(4,640)
Decrease (Increase) in prepaid expense		129,755		129,755	
Decrease (Increase) in deferred outflows of resources:					
Changes of assumptions	9,987	731	458	11,176	
Changes of differences in actuarial experience	(38,186)	(3,184)	(1,990)	(43,360)	
Change in pension investment gains or losses	(421,624)	(35,202)	(22,001)	(478,827)	
Change in contributions after the measurement date	(31,267)	(2,829)	(1,768)	(35,864)	
(Decrease) Increase in accounts payable	607,828	716,532	(74,368)	1,249,992	(726)
(Decrease) Increase in accrued expenses	(33,874)	5,257	1,469	(27,148)	(3,607)
(Decrease) Increase in unearned revenue			10,000	10,000	
(Decrease) Increase in due to other funds	125,523			125,523	
(Decrease) Increase net pension liability	667,277	57,611	36,007	760,895	
(Decrease) Increase net other post employment benefit obligations	(34,657)			(34,657)	
(Decrease) Increase in deferred inflows of resources:					
Changes of differences in actuarial experience	(20,702)	(1,701)	(1,063)		
Change in pension investment gains or losses	(120,898)	(9,940)	(6,213)		
Net Cash Provided by (Used in) Operating Activities	<u>\$ 9,501,794</u>	<u>\$ 9,030,479</u>	<u>\$ 523,572</u>	<u>\$ 19,055,845</u>	<u>\$ 27,144</u>
Noncash Investing, Capital and Related Financing Transactions:					
Increase (decrease) in fair value of investments			\$ 1,197	\$ 1,197	

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, 2017**

	<b>Pension and Other Post- Employment Benefit Trust Funds</b>	<b>Private Purpose Trust Funds</b>	<b>Agency Funds</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Assets:			
Cash and cash equivalents	\$ 1,671,118	\$ 24,581	\$ 307,963
Investments, at fair value:			
Fixed income mutual funds	27,602,365	592,603	
Domestic equity mutual funds	96,288,304	1,230,785	
International equity mutual funds	19,204,320		
Alternative investments	18,479,811		
Total investments	<u>161,574,800</u>	<u>1,823,388</u>	<u>-</u>
Total assets	<u>163,245,918</u>	<u>1,847,969</u>	<u>307,963</u>
Liabilities:			
Cash overdraft	1,566,609	55,276	
Accounts payable	115,194	579	
Amounts held in escrow			307,963
Total liabilities	<u>1,681,803</u>	<u>55,855</u>	<u>307,963</u>
Net Position:			
Restricted for Pension/Other Post-Employment Benefits and Other Purposes	<u>\$ 161,564,115</u>	<u>\$ 1,792,114</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, 2017**

	<b>Pension and Other Post- Employment Benefit Trust Funds</b>	<b>Private Purpose Trust Funds</b>
Additions:		
Contributions:		
Employees	\$ 1,012,824	\$
Employer	10,953,034	
Contributions		11,000
Total contributions	<u>11,965,858</u>	<u>11,000</u>
Investment income (loss):		
Net change in fair value of investments	17,133,163	153,740
Interest and dividends	<u>2,838,483</u>	<u>49,428</u>
Total investment income (loss)	19,971,646	203,168
Less investment expenses	<u>416,927</u>	<u>1,113</u>
Net investment income (loss)	<u>19,554,719</u>	<u>202,055</u>
Total additions	<u>31,520,577</u>	<u>213,055</u>
Deductions:		
Benefits	11,330,216	
Return of employee contributions		
Administration	160,833	1,414
Awards		69,150
Total deductions	<u>11,491,049</u>	<u>70,564</u>
Change in Net Position	20,029,528	142,491
Net Position at Beginning of Year	<u>141,534,587</u>	<u>1,649,623</u>
Net Position at End of Year	<u>\$ 161,564,115</u>	<u>\$ 1,792,114</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, 2017**

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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, 2017**

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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 *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 that exist for purposes normally provided by the City.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule include fees for services provided by one fund to another fund, annual lease payments for vehicles paid to the capital projects fund, and other charges between the City's water and water pollution control (sewer) function and various other functions of the City.

**CITY OF NEWPORT, RHODE ISLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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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.

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, 2017, is equal to 33% 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 6<sup>th</sup> 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 acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The value of both governmental and business-type activities infrastructure is fully reported and depreciated as applicable.

**CITY OF NEWPORT, RHODE ISLAND  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2017**

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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. Net Pension Liability**

The net pension liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service (total pension liability), net of the pension plan's fiduciary net position. The pension plan's fiduciary net position is determined using the same valuation methods that are used by the pension plan for purposes of preparing its statement of fiduciary net position. The net pension liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period.



## **J. Net OPEB Obligations**

The net OPEB obligation represents the cumulative difference between the annual OPEB cost and the City's contributions to the plan. These amounts are calculated on an actuarial basis and are recorded as noncurrent liabilities in the government-wide financial statements.

## **K. 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.

## **L. 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.

**M. 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.

**N. 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.

**O. 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.

**P. 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.

**Q. 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. Only the City Council or School Committee may assign fund balance. Unassigned fund balance is the residual classification for the general fund, the school unrestricted fund, and deficit fund balances in other funds.

**R. 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.

**S. 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.

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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. There were no Council or School Committee approved amendments to the originally adopted budget. The difference between the original and final expenditure budget for the City of \$297,808 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:

	<b>General Fund</b>		
	<b>Revenues</b>	<b>Expenditures</b>	<b>Fund Balance</b>
Balance, Budgetary Basis, Exhibit V - June 30, 2017	\$ 104,495,688	\$ 102,053,636	\$ 14,833,512
Add unbudgeted Property Acquisition Fund and Gift Fund	37,353	75,138	2,051,245
State teachers' retirement on-behalf payments	1,720,533	1,720,533	
Liquidation of prior year approved carryovers			315,896
Encumbrances outstanding at June 30, 2017 charged to budgetary expenditures		(489,362)	489,362
	<u>\$ 106,253,574</u>	<u>\$ 103,359,945</u>	<u>\$ 17,690,015</u>
Balance, GAAP Basis, Exhibit IV - June 30, 2017	<u>\$ 106,253,574</u>	<u>\$ 103,359,945</u>	<u>\$ 17,690,015</u>

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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 2017 appropriations (after approved transfers).

<u>Department</u>	<u>Expenditures in Excess of Budget</u>
Pension Expenditures	\$ 301,650
Reserve Accounts	212,932
Fire Department	76,836
Civic Investment	16,725
Public Library	15,000
Debt Service	225,982
Transfers Out	413,909

The deficits above were offset, in most cases, by expenditure savings in other departments. The Library expenditure in excess of budget was only due to a classification difference between actual and budgeted capital funds.

**C. Deficit Fund Equity**

The following fund had a deficit net position balance as of June 30, 2017:

	<u>Amount</u>
Nonmajor and Other Funds:	
Substance Abuse Task Force	\$ 19,789

The deficit balance will be reduced through future revenue contributions.

**E. Donor Restricted Endowments**

Investments in marketable equity and all debt securities are carried at market value. The City allocates investment income in accordance with donor restrictions and Rhode Island law, which adopted the provisions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA requires the investment of endowments in good faith and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances. It requires prudence in incurring investment costs, authorizing only costs that are appropriate and reasonable. Factors to be considered in investing are expanded to include, for example, the effects of inflation. UPMIFA emphasizes that investment decisions be made in relation to the overall resources of the City. Net appreciation on investments at June 30, 2017 was \$1,510,212 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, 2017, the City’s deposits are not exposed to custodial risk since most of the above deposits are collateralized at 102% with assets held either in trust or by a third party bank, in U.S. Government National Mortgage Association (GNMA) pass-through pools or Federal Home Loan Mortgage Corporation (FHLMC) securities held in the City’s name. The remaining deposits are insured by the FDIC.

As of June 30, 2017, the City’s bank balance of \$47,657,945 was insured and collateralized as follows:

Insured	\$ 1,122,304
Collateralized:	
Collateral held by the pledging bank's trust department in the City's name	<u>46,535,641</u>
Total Amount Subject to Custodial Credit Risk	<u><u>\$ 47,657,945</u></u>

**CITY OF NEWPORT, RHODE ISLAND  
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**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, 2017, 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	\$ 1,225,010	\$ 1,225,010	\$	\$	\$
Certificates of deposit	18,829,007	14,083,540	1,131,510	2,270,369	1,343,588
U.S. Government agency securities	6,723,113			434,800	6,288,313
Fixed income mutual funds	32,007,355	6,083,706	13,944,569	7,290,074	4,689,006
	58,784,485	\$ 21,392,256	\$ 15,076,079	\$ 9,995,243	\$ 12,320,907
Other Investments:					
Alternative investments	18,479,811				
Equity mutual funds	124,641,406				
Total	201,905,702				
Money market funds classified as cash equivalents	(1,225,010)				
	<u>\$ 200,680,692</u>				

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, 2017:

	June 30, 2017	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level:				
U.S. Government securities	\$ 6,723,113	\$ 6,723,113	\$	\$
Mutual funds	156,648,761	117,444,198	39,204,563	
Alternative investments	18,479,811		13,758,335	4,721,476
Certificates of deposit	18,829,007	18,829,007		
Money market	1,225,010	215	1,224,795	
Total Investments by Fair Value Level	<u>\$ 201,905,702</u>	<u>\$ 142,996,533</u>	<u>\$ 54,187,693</u>	<u>\$ 4,721,476</u>

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.

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**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.

**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.

**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 0.39 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+	\$ 1,225,010	\$ 6,723,113	\$
AA-			15,530,952
A-			16,476,403
	<u>\$ 1,225,010</u>	<u>\$ 6,723,113</u>	<u>\$ 32,007,355</u>



**CITY OF NEWPORT, RHODE ISLAND  
 NOTES TO FINANCIAL STATEMENTS  
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**Custodial Credit Risk**

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

	<u>Total</u>	<u>Less Insured Amounts</u>	<u>Amount Subject To Custodial Credit Risk</u>
U.S. Government Agency Securities	<u>\$ 6,723,113</u>	<u>\$ 500,000</u>	<u>\$ 6,223,113</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 7.0% for the pension plans, and 7.5% for 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, 2017 totaled \$175,128,572.

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

At June 30, 2017, 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	\$ 1,635,843	\$	\$	\$	\$ 1,635,843
Intergovernmental		124,525	95,204	525,375	745,104
Interest	506,770 *	34,582 *		226,306 *	767,658
Other	1,470,598 **			35,000	1,505,598
Notes/loans		1,280,137		255,000	1,535,137
	<u>3,613,211</u>	<u>1,439,244</u>	<u>95,204</u>	<u>1,041,681</u>	<u>6,189,340</u>
Less allowance for doubtful accounts	<u>(942,260) *</u>	<u>(528,026) *</u>		<u>(481,306) *</u>	<u>(1,951,592)</u>
	<u>2,670,951</u>	<u>911,218</u>	<u>95,204</u>	<u>560,375</u>	<u>4,237,748</u>
Less current portion	<u>2,670,951</u>	<u>737,645</u>	<u>95,204</u>	<u>560,375</u>	<u>4,064,175</u>
Net Long-Term Portion	<u>\$ -</u>	<u>\$ 173,573</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 173,573</u>

\* Amount is not included in the fund financial statements.

\*\* Includes \$10,728 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	\$ 1,669,233	\$ 2,056,182	\$ 195,531	\$ 3,920,946
Less allowance for doubtful accounts	<u>(75,000)</u>	<u>(50,000)</u>		<u>(125,000)</u>
Net receivables	<u>\$ 1,594,233</u>	<u>\$ 2,006,182</u>	<u>\$ 195,531</u>	<u>\$ 3,795,946</u>

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

Capital asset activity for the year ended June 30, 2017 was as follows:

**Governmental Activities**

	<u>Balance July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2017</u>
Capital assets not being depreciated:				
Land	\$ 4,880,057	\$		\$ 4,880,057
Construction in progress	<u>6,543,853</u>	<u>158,119</u>	<u>(4,799,667)</u>	<u>1,902,305</u>
Total capital assets not being depreciated	<u>11,423,910</u>	<u>158,119</u>	<u>(4,799,667)</u>	<u>6,782,362</u>
Capital assets being depreciated:				
Buildings and structures	83,834,977	7,497,787		91,332,764
Machinery and equipment	8,874,413	80,141		8,954,554
Vehicles	8,786,161	1,798,550		10,584,711
Infrastructure	<u>62,260,608</u>	<u>4,868,200</u>		<u>67,128,808</u>
Total capital assets being depreciated	<u>163,756,159</u>	<u>14,244,678</u>	<u>-</u>	<u>178,000,837</u>
Total capital assets	<u>175,180,069</u>	<u>14,402,797</u>	<u>(4,799,667)</u>	<u>184,783,199</u>
Less accumulated depreciation:				
Buildings and structures	20,456,704	1,993,317		22,450,021
Machinery and equipment	6,006,830	481,107		6,487,937
Vehicles	5,216,087	567,163		5,783,250
Infrastructure	<u>17,419,275</u>	<u>1,604,452</u>		<u>19,023,727</u>
Total accumulated depreciation	<u>49,098,896</u>	<u>4,646,039</u>	<u>-</u>	<u>53,744,935</u>
Total capital assets being depreciated, net	<u>114,657,263</u>	<u>9,598,639</u>	<u>-</u>	<u>124,255,902</u>
Governmental Activities Capital Assets, Net	<u>\$ 126,081,173</u>	<u>\$ 9,756,758</u>	<u>\$ (4,799,667)</u>	<u>\$ 131,038,264</u>

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

General government	\$ 448,377
General education	1,244,434
Public safety	620,182
Public services	2,184,035
Civic Support	133,355
Human services	11,038
Capital assets held by the City's internal service fund are charged to various functions based on usage of the assets	<u>4,618</u>
	<u>\$ 4,646,039</u>

**CITY OF NEWPORT, RHODE ISLAND  
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**Business-Type Activities**

	<u>Balance July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2017</u>
Capital assets not being depreciated:				
Land and land improvements	\$ 6,492,359	\$	\$	\$ 6,492,359
Construction in progress	7,585,217	14,944,840		22,530,057
Total capital assets not being depreciated	<u>14,077,576</u>	<u>14,944,840</u>	<u>-</u>	<u>29,022,416</u>
Capital assets being depreciated:				
Buildings and systems	308,109,127	4,953,784		313,062,911
Machinery and equipment	4,742,504	144,921		4,887,425
Vehicles	716,350	876,089		1,592,439
Total capital assets being depreciated	<u>313,567,981</u>	<u>5,974,794</u>	<u>-</u>	<u>319,542,775</u>
Total capital assets	<u>327,645,557</u>	<u>20,919,634</u>	<u>-</u>	<u>348,565,191</u>
Less accumulated depreciation:				
Buildings and systems	102,443,499	6,603,763		109,047,262
Machinery and equipment	4,436,930	85,852		4,522,782
Vehicles	454,915	91,721		546,636
Total accumulated depreciation	<u>107,335,344</u>	<u>6,781,336</u>	<u>-</u>	<u>114,116,680</u>
Total capital assets being depreciated, net	<u>206,232,637</u>	<u>(806,542)</u>	<u>-</u>	<u>205,426,095</u>
Net Capital Assets, Business-Type Activities	<u>\$ 220,310,213</u>	<u>\$ 14,138,298</u>	<u>\$ -</u>	<u>\$ 234,448,511</u>

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

Water	\$ 2,951,376
Water Pollution Control	3,556,501
Maritime	133,295
Parking	<u>140,164</u>
	<u>\$ 6,781,336</u>

**CITY OF NEWPORT, RHODE ISLAND  
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**6. INTERFUND RECEIVABLES AND PAYABLES**

The composition of interfund balances as of June 30, 2017 is as follows:

	<u>Corresponding Fund</u>	<u>Due From</u>	<u>Due To</u>	<u>Description</u>
<b>Major Governmental Funds</b>				
General Fund				
	Water Fund	\$ 361,333		Payroll, benefits and overhead
	Nonmajor Governmental Fund		35,000	Library parking lot
	Total	<u>361,333</u>	<u>35,000</u>	
<b>Nonmajor Governmental Funds</b>				
UDAG Fund				
	General Fund	35,000		Library parking lot
		<u>\$ 396,333</u>	<u>\$ 35,000</u>	
<b>Major Enterprise Funds</b>				
Water Fund				
	Water Pollution Control Fund	\$	\$ 110,664	Sludge charges
	General Fund		361,333	Payroll, benefits and overhead
	Internal Service Fund		8,102	Maintenance charges
	Total	<u>-</u>	<u>480,099</u>	
Water Pollution Control Fund				
	Water Fund	110,664		Sludge charges
	Total	<u>110,664</u>	<u>-</u>	
<b>Total Enterprise Funds</b>		<u>\$ 110,664</u>	<u>\$ 480,099</u>	
<b>Internal Service Fund</b>				
	Water Funds	<u>\$ 8,102</u>	<u>\$ -</u>	Maintenance charges
<b>Total All Funds</b>		<u>\$ 515,099</u>	<u>\$ 515,099</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>
<b><u>Nonmajor Funds</u></b>			
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  
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**Transfers**

A summary of interfund transfers for the year ended June 30, 2017 is as follows:

	Transfers In				Total Transfers Out
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Permanent Fund	
Transfer out:					
General Fund	\$	\$ 3,514,960	\$ 15,341	\$ 200,000	\$ 3,730,301
Capital Projects Fund	75,038				75,038
Nonmajor Governmental Fund	582				582
Nonmajor Business-Type Funds		100,000			100,000
<b>Total</b>	<b>\$ 75,620</b>	<b>\$ 3,614,960</b>	<b>\$ 15,341</b>	<b>\$ 200,000</b>	<b>\$ 3,905,921</b>

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 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. Changes in bonded debt outstanding during fiscal year 2017 are summarized as follows:

	Date Issued	Maturity Date	Interest Rate (%)	Outstanding July 1, 2016	Additions	Retired	Outstanding June 30, 2017
<b>Governmental Activities:</b>							
Thompson School Refunding	2010	2021	1.50 to 5.0	\$ 7,595,000	\$	\$ 1,190,000	\$ 6,405,000
Road and Bridge Loan	2014	2024	0.12 - 5.0	1,358,000		143,000	1,215,000
Roadway Improvements	2009	2023	2.50 to 5.0	2,250,000		250,000	2,000,000
Road and Facility Improve	2015	2025	2.0 - 5.0	5,240,000		500,000	4,740,000
Rogers Roof	2016	2026	2.0 - 4.0	-	2,865,000	185,000	2,680,000
Pell School	2013	2033	0.55 to 5.0	24,395,000		1,435,000	22,960,000
<b>Total Governmental Activities</b>				<b>\$ 40,838,000</b>	<b>\$ 2,865,000</b>	<b>\$ 3,703,000</b>	<b>\$ 40,000,000</b>
<b>Business-type Activities:</b>							
Sewer Improvements - SRF	2002	2023	1.90	\$ 5,519,436	\$	\$ 714,824	\$ 4,804,612
Sewer Improvements - SRF	2009	2029	0.84 to 3.16	4,983,532		289,000	4,694,532
Sewer Improvements - SRF	2010	2030	0.55 to 3.25	7,475,000		393,000	7,082,000
Sewer Improvements - SRF	2011	2031	0.73 to 3.81	2,620,505		125,000	2,495,505
Sewer Improvements	2011	2026	4.30	8,220,000		595,000	7,625,000
Sewer Improvements - SRF	2015	2034	0.69 to 2.89	1,802,397	3,091,785	233,000	4,661,182
Sewer Improvements - SRF	2016	2035	0.37 to 2.41	702,808	7,507,254		8,210,062
Energy Efficiency Bond	2016	2027	0.765 - 1.709	-	635,018		635,018
Sewer Improvements - SRF	2017	2036	0.59 - 2.44	-	2,606,252		2,606,252
<b>Total W.P.C. Fund</b>				<b>\$ 31,323,678</b>	<b>\$ 13,840,309</b>	<b>\$ 2,349,824</b>	<b>\$ 42,814,163</b>
Water Improvements - SRF	2007	2027	3.28 - 3.72	2,043,000		139,000	1,904,000
Water Improvements - SRF	2012	2033	0.94 - 3.61	48,939,000		2,128,000	46,811,000
Water Improvements - SRF	2013	2034	0.37 - 2.92	29,748,000		1,264,000	28,484,000
Water Improvements	2011	2027	3.40	4,956,037		360,000	4,596,037
Water Improvements - SRF	2008	2029	2.08 - 3.63	4,536,000		253,000	4,283,000
Water Improvements - SRF	2009	2030	0.65 to 3.54	2,665,000		137,000	2,528,000
<b>Total Water Fund</b>				<b>\$ 92,887,037</b>	<b>\$ -</b>	<b>\$ 4,281,000</b>	<b>\$ 88,606,037</b>
<b>Total Business-type Activities</b>				<b>\$ 124,210,715</b>	<b>\$ 13,840,309</b>	<b>\$ 6,630,824</b>	<b>\$ 131,420,200</b>

**CITY OF NEWPORT, RHODE ISLAND  
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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 W.P.C. Fund borrowed \$33,443,000 in FY2017 from the state revolving loan fund. Of that, \$896,200 of federal funds will be applied against principal over the life of the bond for “green projects.” The Water Fund borrowed \$3,300,000 in FY2009 from the state revolving loan fund. Over the 20-year life of the bond, \$765,452 of ARRA funds will be applied against principal. The annual offsets 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 Drawn Down 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	6,595,532	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	5,131,182	372,878	N/A
Sewer Plant Upgrades	WPC	2016	9,142,000	8,210,062	611,388	N/A
Sewer Plant Upgrades	WPC	2017	33,443,000	2,606,252	2,178,395	N/A

**CITY OF NEWPORT, RHODE ISLAND  
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Bonded indebtedness on June 30, 2017 matures over fiscal years through 2037 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>
2018	\$ 3,789,000	\$ 1,624,952	\$ 7,203,077	\$ 4,144,759
2019	3,836,000	1,486,381	8,971,086	4,392,248
2020	3,963,000	1,331,942	9,188,877	4,259,472
2021	4,020,000	1,153,127	9,416,474	4,038,920
2022	4,147,000	978,204	9,669,904	3,800,754
2023-2027	11,635,000	3,128,327	49,041,193	14,933,761
2028-2032	7,175,000	1,234,100	44,848,038	7,546,205
2033-2037	1,435,000	57,400	25,672,000	1,400,235
Amounts Not Yet Drawn			(32,590,449)	
	<u>\$ 40,000,000</u>	<u>\$ 10,994,433</u>	<u>\$ 131,420,200</u>	<u>\$ 44,516,354</u>

Debt authorized by the City Council and voters, where applicable, and not yet issued at June 30, 2017 is as follows:

Road Improvement Bonds Capital Projects Fund	\$ 2,505,000
Municipal Facilities	1,760,000
Water System Improvements	900,000
Sewer System Improvements	13,788,000



**CITY OF NEWPORT, RHODE ISLAND  
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**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, 2017, \$200,000 was payable. The note is required to be paid only upon the sale of the building.

**Changes in Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2017 was as follows:

	<b>Balance July 1, 2016 (as restated)</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2017</b>	<b>Due Within One Year</b>
<b>Governmental activities:</b>					
Bonds payable	\$ 40,838,000	\$ 2,865,000	\$ 3,703,000	\$ 40,000,000	\$ 3,789,000
Bond premium	2,999,830	371,370	307,327	3,063,873	307,327
Leases payable	571,186		107,435	463,751	110,733
Claims and judgments	568,776	23,224		592,000	400,000
Compensated absences *	6,793,804	4,619,845	4,913,625	6,500,024	4,900,000
Net pension liability *	144,826,775		3,577,945	141,248,830	
Net OPEB obligation *	5,567,607	736,553		6,304,160	
<b>TOTAL</b>	<b>\$ 202,165,978</b>	<b>\$ 8,615,992</b>	<b>\$ 12,609,332</b>	<b>\$ 198,172,638</b>	<b>\$ 9,507,060</b>
<b>Business-type activities:</b>					
Bonds payable	\$ 124,210,715	\$ 13,840,309	\$ 6,630,824	\$ 131,420,200	\$ 7,203,077
Note payable	200,000			200,000	
Net pension liability	5,737,146	784,592		6,521,738	
Net OPEB obligation	441,169		34,657	406,512	
<b>TOTAL</b>	<b>\$ 130,589,030</b>	<b>\$ 14,624,901</b>	<b>\$ 6,665,481</b>	<b>\$ 138,548,450</b>	<b>\$ 7,203,077</b>

\* 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, 2016 was \$6,028,719,479 limiting the amount of non-excepted general obligation bonds outstanding to \$180,861,584. Bonds of \$40,000,000 outstanding at June 30, 2017 are general obligations and subject to the statutory limitation.

**CITY OF NEWPORT, RHODE ISLAND  
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**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, 2017, 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.

**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>
2018	\$ 110,733	\$ 14,237
2019	114,133	10,838
2020	117,637	7,334
2021	121,248	3,722
	<u>\$ 463,751</u>	<u>\$ 36,131</u>

Equipment under capital leases in capital assets at June 30, 2017 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  
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**11. FUND BALANCES**

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

	<u>General Fund</u>	<u>Community Development Block Grant</u>	<u>Permanent Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Nonspendable:						
Endowments	\$ 58,385	\$	\$ 2,601,651	\$	\$	\$ 2,660,036
Restricted:						
Trust purposes			9,451,330			9,451,330
Education					320,815	320,815
Education, capital improvements	364,946					364,946
For recreation by donors	100,625					100,625
Planning, urban and economic development					1,872,390	1,872,390
Public safety					829,217	829,217
Community and social services		2,351,144				2,351,144
Total Restricted	<u>465,571</u>	<u>2,351,144</u>	<u>9,451,330</u>	<u>-</u>	<u>3,022,422</u>	<u>15,290,467</u>
Committed:						
General government	489,362					489,362
Capital improvements				7,471,377		7,471,377
Total Committed	<u>489,362</u>	<u>-</u>	<u>-</u>	<u>7,471,377</u>	<u>-</u>	<u>7,960,739</u>
Assigned:						
Public improvements	<u>1,950,620</u>					<u>1,950,620</u>
Unassigned	<u>14,726,077</u>				<u>(19,789)</u>	<u>14,706,288</u>
Totals	<u>\$ 17,690,015</u>	<u>\$ 2,351,144</u>	<u>\$ 12,052,981</u>	<u>\$ 7,471,377</u>	<u>\$ 3,002,633</u>	<u>\$ 42,568,150</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.

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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**

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 2017 was \$42,200,581. Total City payroll was \$52,316,902 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**

Certain employees of the City of Newport participate in a cost-sharing multiple-employer defined benefit pension plan - the Employees' Retirement System (ERS) 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 retirement, disability benefits and death benefits to plan members and beneficiaries.

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>.

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The Plan covers teachers, 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.

**Benefit Provisions**

The level of benefits provided to participants is established by Chapter 36-10 of the General Laws, which is subject to amendment by the General Assembly. Member benefit provisions vary based on service credits accumulated at dates specified in various amendments to the General Laws outlining minimum retirement age, benefit accrual rates and maximum benefit provisions. In general, members accumulate service credits for each year of service subject to maximum benefit accruals of 80% or 75%. For those hired after June 30, 2012, the benefit accrual is 1% per year with a maximum benefit accrual of 40%. Members eligible to retire at September 30, 2009 may retire with 10 years of service at age 60 or after 28 years of service at any age. The retirement eligibility age increases proportionately for other members reflecting years of service and other factors until it aligns with the Social Security Normal Retirement Age, which applies to any member with less than 5 years of service as of July 1, 2012. Members are vested after 5 years of service.

The Plan provides for survivor's benefits for service connected death and certain lump sum death benefits. Joint and survivor benefit provision options are available to members.

Cost of living adjustments are provided but are currently suspended until the collective plans administered by ERSRI reach a funded status of 80%. Until the plans reach an 80% funded status, interim cost of living adjustments are provided at four-year intervals commencing with the plan year ending June 30, 2016.

The plan also provides nonservice-connected disability benefits after five years of service and service-connected disability benefits with no minimum service requirement.

**Contributions**

The funding policy, as set forth in the General Laws, Section 16-16-22, provides for actuarially determined periodic contributions to the plan. For fiscal year 2017, City of Newport teachers were required to contribute 3.75% of their annual covered salary, except that teachers with twenty or more years of service as of June 30, 2012 must contribute 11% of their annual covered salary. The state and the City of Newport are required to contribute at an actuarially determined rate, 40% of which is to be paid by the state and the remaining 60% is to be paid by the City of Newport; the rates were 9.95% and 13.18% of annual covered payroll for the fiscal year ended June 30, 2017 for the state and the City of Newport, respectively. The City of Newport contributed \$2,537,641, \$2,383,068 and \$2,213,075 for the fiscal years ended June 30, 2017, 2016 and 2015, respectively, equal to 100% of the required contributions for each year.

**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**

At June 30, 2017, the City of Newport reported a liability of \$28,335,774 for its proportionate share of the net pension liability, that reflected a reduction for contributions made by the State. The amount recognized by the City of Newport as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the City of Newport were as follows:

City of Newport proportionate share of net pension liability	\$28,335,774
State’s proportionate share of net pension liability	<u>19,405,844</u>
Total Net Pension Liability	<u>\$47,741,618</u>

The net pension liability was measured as of June 30, 2016, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the state, actuarially determined. At June 30, 2106 the City’s proportion was 0.95% (rounded).

For the year ended June 30, 2017, the City recognized gross (combined state and city) pension expense for the teachers’ Plan of \$3,678,434 and revenue of \$1,624,395 for support provided by the State. At June 30, 2017, 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	\$ 3,206,473	\$ 995,281
Differences between expected and actual experience		559,080
Changes of assumptions		586,961
Changes in proportion and differences between employer contributions and proportionate share of contributions		1,924,439
City contributions subsequent to the measurement date	<u>2,537,641</u>	
Totals	<u>\$ 5,744,114</u>	<u>\$ 4,065,761</u>

**CITY OF NEWPORT, RHODE ISLAND  
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The amount of \$2,537,641 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, 2018. The proportionate share reported as deferred outflows (inflows) of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2018	\$ (133,980)
2019	(133,980)
2020	363,660
2021	(4,639)
2022	(530,033)
Thereafter	(420,316)

**Actuarial Assumptions**

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

Investment Rate of Return - 7.50%

Projected Salary Increases - 3.50% to 13.50%

Inflation - 2.75%

Mortality - 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.

The actuarial assumptions used in the June 30, 2015 valuation rolled forward to June 30, 2016 and the calculation of the total pension liability at June 30, 2016 were consistent with the results of an actuarial experience study performed as of June 30, 2013.

**CITY OF NEWPORT, RHODE ISLAND  
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The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on collective summary of capital market expectations from 35 sources. The June 30, 2016 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

<b><u>Type of Investment</u></b>	<b><u>Target Allocation</u></b>	<b><u>Long-Term Expected Real Rate of Return</u></b>
Global Equity:	38.0%	
U.S. Equity		6.98%
International Developed		7.26%
International Emerging Markets		9.57%
Equity Hedge Funds	8.0%	4.10%
Private Equity	7.0%	10.15%
Core Fixed Income	15.0%	2.37%
Absolute Return Hedge Funds	7.0%	4.10%
Infrastructure	3.0%	5.58%
Real Estate	8.0%	5.33%
Other Real Return Assets:	11.0%	
Master Limited Partnerships		4.97%
Credit		4.97%
Inflation Linked Bonds		1.76%
Cash, Overlay and Money Market	3.0%	0.82%

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall long-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	\$ 34,992,201	\$ 28,335,774	\$ 22,886,490

**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>.

**Eligibility and Plan Benefits**

The plan provides a survivor benefit to public school teachers in lieu of Social Security. Specific eligibility criteria and the amount of the benefit is subject to the provisions of Chapter 16-16 of the Rhode Island General Laws which are subject to amendment by the General Assembly.

Spouse, parents, family and children’s benefits are payable following the death of a member. A spouse shall be entitled to benefits upon attaining the age of sixty (60) years. Children’s benefits are payable to the child, including a stepchild or adopted child of a deceased member if the child is unmarried and under the age of eighteen (18) years or twenty-three (23) years and a full-time student, and was dependent upon the member at the time of the member’s death. Family benefits are provided if at the time of the member’s death the surviving spouse has in his or her care a child of the deceased member entitled to child benefits. Parents benefits are payable to the parent or parents of a deceased member if the member did not leave a widow, widower, or child who could ever qualify for monthly benefits on the member’s wages and the parent has reached the age of 60 years, has not remarried, and received support from the member.

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

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

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

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

**Contributions**

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

The City of Newport School District contributed \$21,443, \$20,862 and \$21,216 for the fiscal years ended June 30, 2017, 2016, and 2015, 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, 2017, the City of Newport School District reported an asset of \$3,284,559 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, 2016, 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, 2016. The City’s proportion of the net pension asset was based on its share of contributions to the TSB for fiscal year 2016 relative to the total contributions of all participating employers for that fiscal year. At June 30, 2016, the City’s proportion was 3.30% (rounded).

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For the year ended June 30, 2017, the City recognized pension expense of \$(52,841) - an increase in the net pension asset. At June 30, 2017, 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	\$ 869,135	\$ 268,349
Differences between expected and actual experience	625,272	652,963
Changes in proportion and differences between employer contributions and proportionate share of contributions	52,629	
City contributions subsequent to the measurement date	<u>21,443</u>	
Totals	<u>\$ 1,568,479</u>	<u>\$ 921,312</u>

The amount of \$21,443 reported as deferred outflows of resources related to pensions resulting from the City's contributions in fiscal year 2017 subsequent to the measurement date will be recognized as an addition to the net pension asset for the year ended June 30, 2018. 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>	
2018	\$ 118,120
2019	118,119
2020	252,294
2021	154,469
2022	10,554
Thereafter	(27,832)

**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, 2016 valuation rolled and the calculation of the total pension liability at June 30, 2016 were consistent with the results of an actuarial experience study performed as of June 30, 2016.

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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 a collective summary of capital market expectations from 35 sources. The June 30, 2016 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

<u>Type of Investment</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity:	38.0%	
U.S. Equity		6.98%
International Developed		7.26%
International Emerging Markets		9.57%
Equity Hedge Funds	8.0%	4.10%
Private Equity	7.0%	10.15%
Core Fixed Income	15.0%	2.37%
Absolute Return Hedge Funds	7.0%	4.10%
Infrastructure	3.0%	5.58%
Real Estate	8.0%	5.33%
Other Real Return Assets:	11.0%	
Master Limited Partnerships		4.97%
Credit		4.97%
Inflation Linked Bonds		1.76%
Cash, Overlay and Money Market	3.0%	0.82%

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall long-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.

	<u>1% Decrease 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>1% Increase 8.50%</u>
City's proportionate share of the net pension liability (asset)	\$ (2,606,336)	\$ (3,284,559)	\$ (3,839,470)

## **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](http://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.

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

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Effective July 1, 2015, general employees with more than 20 years of service at July 1, 2012 increased their employee contribution rates to 8.25% (9.25% for units with a cost of living adjustment provision) and participate solely in the defined benefit plan. These members receive a benefit accrual of 2% per year based on the three or five-year average compensation.

Effective July 1, 2015, general employees are eligible to retire upon the attainment of: age 65 with 30 years of service, 64 with 31 years of service, 63 with 32 years of service, or 62 with 33 years of service. Members may retire earlier if they are eligible under a transition rule.

Joint and survivor options are available. For members with 10 years of service as of July 1, 2005, the Service Retirement Allowance (SRA) Plus option provides for the payment of a larger benefit before the attainment of age 62 and a reduced amount thereafter. The reduced amount is equal to the benefit before age 62, including the cost-of-living increases, minus the member's estimated social security benefit payable at age 62.

Police officers may retire at age 50 with 25 years of service, or any age with 27 years of service. MERS Police personnel contribute 9.00%. The City did not elect the additional cost-of-living option for police MERS members. 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.

For police officers in the MERS plan, the benefit accrual is 2.0% per year based on the five-year average compensation exclusive of overtime. Police employees may retire with a reduced pension benefit if they have 20 years of service and are within five years of their retirement eligibility date.

**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 for general employees, which allows COLA's for current retired members as well as current and future active members.

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 calculation is represented by the following formula: 50% of the COLA is calculated by taking the previous 5-year average investment return, less 5.5% (5 year return – 5.5%, with a maximum of 4%) and 50% calculated using the percentage increase in the CPI-U from the prior September 30 (maximum of 3%) for a total maximum COLA of 3.5%. This COLA is calculated on the first \$31,026 for members and beneficiaries who retired on or before June 30, 2015.

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This COLA is calculated on the first \$25,855, effective January 1, 2016, for all other members/beneficiaries and indexed as of that date as well. The indexing formula is run annually regardless of funding level each year. The COLA will be delayed until the later of the Social Security Retirement Age or three years after retirement for general employees. Once the plan achieves 80% funding, the COLA limitation will be returned to the \$25,855, which will continue to be indexed annually.

At the June 30, 2015 valuation date, the following employees were covered by the benefit terms:

Retirees and Beneficiaries	247
Inactive, Non-Retired Members	137
Active Members	<u>260</u>
Total	<u><u>644</u></u>

**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. General employees with 20 plus years of service as of July 1, 2012 contribute 9.25% to the defined benefit plan. Police employees contribute 9% of salary to the defined benefit plan. The City's actuarial determined rates of contribution are 23.09% for general employees and 8.33% for police employees. The City contributed \$2,988,105 in the year ended June 30, 2017, which was 22.61% of annual covered payroll.

**Net Pension Liability**

The total pension liability used to to calculate the net pension liability was determined by actuarial valuations performed as of June 30, 2015 and rolled forward to June 30, 2016, which is the plan measurement date for fiscal 2017 reporting. The valuations were performed 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, 2015 Valuation Rolled Forward to June 30, 2016)**

Actuarial Cost Method	Entry Age Normal
Amortization	Level Percent of Payroll - Closed
Equivalent Single Remaining Amortization Period	20 years
Asset Valuation Method	5 year smoothed market
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.

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

The actuarial assumptions used in the June 30, 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.

**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 35 sources. The June 30, 2016 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

<u>Type of Investment</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity:	38.0%	
U.S. Equity		6.98%
International Developed		7.26%
International Emerging Markets		9.57%
Equity Hedge Funds	8.0%	4.10%
Private Equity	7.0%	10.15%
Core Fixed Income	15.0%	2.37%
Absolute Return Hedge Funds	7.0%	4.10%
Infrastructure	3.0%	5.58%
Real Estate	8.0%	5.33%
Other Real Return Assets:	11.0%	
Master Limited Partnerships		4.97%
Credit		4.97%
Inflation Linked Bonds		1.76%
Cash, Overlay and Money Market	3.0%	0.82%

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall long-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.



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**Changes in the Net Pension Liability**

<b>MERS Plan</b>	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (c)</b>
Beginning Balances	\$ 72,136,028	\$ 45,806,767	\$ 26,329,261
Changes for the Year:			
Service Cost	1,112,632		1,112,632
Interest on the Total Pension Liability	5,264,384		5,264,384
Benefit Changes			
Differences Between Expected and Actual Experience	264,579		264,579
Other		(43,443)	43,443
Contributions - Employer		2,670,159	(2,670,159)
Contributions - Employees		465,743	(465,743)
Net Investment Income		21,439	(21,439)
Benefit Payments, Including Refunds of Member Contributions	(5,001,120)	(5,001,120)	-
Plan Administrative Expenses		(77,595)	77,595
Net Changes	<u>1,640,475</u>	<u>(1,964,817)</u>	<u>3,605,292</u>
Ending Balances	<u>\$ 73,776,503</u>	<u>\$ 43,841,950</u>	<u>\$ 29,934,553</u>

**Pension Plan Fiduciary Net Position**

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

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

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

	<b>1% Decrease 6.50%</b>	<b>Current Discount Rate 7.50%</b>	<b>1% Increase 8.50%</b>
City's Proportionate Share of the Net Pension Liability- General Employees	\$ 37,829,182	\$ 29,929,957	\$ 23,463,733
City's Proportionate Share of the Net Pension Liability- Police Employees	\$ 6,927	\$ 4,596	\$ 2,689

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

For the year ended June 30, 2017, the employer recognized pension expense of \$3,181,403 and \$12,567 for general and police employees, respectively. The following deferred outflows and inflows of resources were recognized in current pension expense:

<b>Current Pension Expense</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual earnings on pension plan investments	\$ 1,140,323	\$ 621,265
Assumption changes	44,370	
Difference between expected and actual experience	65,591	106,337
Totals	<u>\$ 1,250,284</u>	<u>\$ 727,602</u>

For the year ended June 30, 2017, the following deferred outflows and inflows of resources will be recognized in future pension expense:

<b>Future Pension Expense</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual earnings on pension plan investments	\$ 4,088,885	\$ 1,242,528
Assumption changes	47,500	
Difference between expected and actual experience	198,988	221,998
City contributions subsequent to the measurement date	2,988,105	
Totals	<u>\$ 7,323,478</u>	<u>\$ 1,464,526</u>

The amount of \$2,988,105 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, 2018. 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>	
2018	\$ 522,682
2019	481,444
2020	1,196,590
2021	670,131

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**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, 2017, membership in each plan was as follows:

	<u>Fire Plan</u>	<u>Police Plan</u>
Total active employees	95	64
Inactive employees with vested rights	1	1
Pensioners and beneficiaries	<u>115</u>	<u>131</u>
Total Plan Members	<u><u>211</u></u>	<u><u>196</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 2017, covered payroll under the plans was \$6,734,507 and \$5,003,060 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.

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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 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 are put into the State of Rhode Island Municipal Employees' Retirement Plan.

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

**CITY OF NEWPORT, RHODE ISLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**Financial Information**

**STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2017**

	<u>Police Pension Fund</u>	<u>Fire Pension Fund</u>
Assets:		
Cash and investments	\$ 66,064,545	\$ 53,728,826
Liabilities:		
Accounts payable	<u>47,760</u>	<u>36,812</u>
Net Position:		
Net Position Restricted for Pension Benefits	<u>\$ 66,016,785</u>	<u>\$ 53,692,014</u>

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Police Pension Fund</u>	<u>Fire Pension Fund</u>
Additions:		
Contributions and other income	\$ 4,732,950	\$ 6,512,908
Investment gain, net of investment expenses	<u>8,234,631</u>	<u>6,348,056</u>
Total additions	<u>12,967,581</u>	<u>12,860,964</u>
Deductions:		
Benefits	5,449,333	5,880,883
Administration	<u>66,265</u>	<u>48,646</u>
Total deductions	<u>5,515,598</u>	<u>5,929,529</u>
Changes in Net Position	7,451,983	6,931,435
Net Position at Beginning of Year	<u>58,564,802</u>	<u>46,760,579</u>
Net Position at End of Year	<u>\$ 66,016,785</u>	<u>\$ 53,692,014</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  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2017**

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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, 2017, 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 13.83% for the year ended June 30, 2017. 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, 2017, 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, 2017**

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The components of the net pension liability of the City at June 30, 2017, were as follows:

	<u>Police Plan</u>	<u>Fire Plan</u>
Total pension liability	\$ 102,420,432	\$ 106,788,608
Plan fiduciary net position	<u>(66,016,785)</u>	<u>(53,692,014)</u>
City's Net Pension Liability	<u>\$ 36,403,647</u>	<u>\$ 53,096,594</u>
Plan fiduciary net position as a percentage of total pension liability	64.46%	50.28%

**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, 2017	June 30, 2017
Actuarial Cost Method	Individual Entry Age	Individual Entry Age
Amortization Method	Level Dollar Closed	Level Dollar Closed
Remaining Amortization Period	14 years	14 years
Asset appreciation	7.25% annually	7.25% annually
Salary increases	2.75% through July 2022, 3.00% annually thereafter	2.75% through July 2022, 3.00% annually thereafter
Cost of living increase:	2.75 through July 2022, 3.00% annually thereafter	2.75 through July 22, 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, 2017**

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**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:

	<b>1% Decrease 6.25%</b>	<b>Current Discount Rate 7.25%</b>	<b>1% Increase 8.25%</b>
Net pension liability - police	\$ 49,783,160	\$ 36,403,647	\$ 25,418,926
Net pension liability - fire	66,358,632	53,096,594	42,085,065



**CITY OF NEWPORT, RHODE ISLAND  
NOTES TO FINANCIAL STATEMENTS  
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**Changes in the Net Pension Liability**

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
<b>Policemen's Pension Plan</b>			
Balances at June 30, 2016, Policemen's Plan	\$ 97,940,088	\$ 58,564,802	\$ 39,375,286
Changes for the Year:			
Service Cost	1,419,028		1,419,028
Interest	7,009,454		7,009,454
Changes of Benefit Terms			-
Differences Between Expected and Actual Experience	1,006,987		1,006,987
Changes of Assumptions	494,208		494,208
Contributions - Employer		4,314,776	(4,314,776)
Contributions - Employees		418,174	(418,174)
Net Investment Loss		8,344,427	(8,344,427)
Benefit Payments, Including Refunds of Member Contributions	(5,449,333)	(5,449,333)	-
Plan Administrative Expenses		(176,061)	176,061
Net Changes	<u>4,480,344</u>	<u>7,451,983</u>	<u>(2,971,639)</u>
Balances at June 30, 2017, Policemen's Plan	<u>\$ 102,420,432</u>	<u>\$ 66,016,785</u>	<u>\$ 36,403,647</u>
<b>Firemen's Pension Plan</b>			
Balances at June 30, 2016, Firemen's Plan	\$ 103,659,768	\$ 46,760,579	\$ 56,899,189
Changes for the Year:			
Service Cost	1,657,897		1,657,897
Interest	7,426,079		7,426,079
Differences Between Expected and Actual Experience	(1,067,973)		(1,067,973)
Changes of Assumptions	993,720		993,720
Contributions - Employer		5,918,258	(5,918,258)
Contributions - Employees		594,650	(594,650)
Net Investment Loss		6,435,115	(6,435,115)
Benefit Payments, Including Refunds of Member Contributions	(5,880,883)	(5,880,883)	-
Plan Administrative Expenses		(135,705)	135,705
Net Changes	<u>3,128,840</u>	<u>6,931,435</u>	<u>(3,802,595)</u>
Balances at June 30, 2017, Firemen's Plan	<u>\$ 106,788,608</u>	<u>\$ 53,692,014</u>	<u>\$ 53,096,594</u>

**CITY OF NEWPORT, RHODE ISLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

For the year ended June 30, 2017, the City recognized pension expense of \$5,802,255 and \$6,158,118 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	\$ 1,481,629	\$
Difference between expected and actual earnings on pension plan investments	596,868	
Changes in assumptions	2,006,864	
Fire Pension Plan:		
Difference between expected and actual experience experience		1,032,396
Difference between expected and actual earnings on pension plan investments	1,390,273	
Changes in assumptions	2,756,136	
	<u>\$ 8,231,770</u>	<u>\$ 1,032,396</u>
Totals		

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>			
2018	\$	3,148,392	
2019		3,006,896	
2020		1,851,243	
2021		(837,412)	
2022		30,255	

**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  
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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.

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 \$557,666 for the fiscal year ended June 30, 2017.

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 a single-employer defined benefit healthcare plan to retirees and life insurance to police retirees. The plan is administered by the City and is reported as an OPEB trust fund in the City's financial statements. The plan does not issue separate financial statements. 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.

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, employees 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, fire employees hired after July 1, 2011, and teachers that did not have 29 years of service or 25 years of service as of June 30, 2015 that retire before June 30, 2018 are not entitled to Plan65. Medicare ineligible participants remain in the medical plan they chose as active employees. The School Department has a Memorandum of Understanding with teacher retirees which eliminates extended benefit coverage for School retirees.

**Classes of Employees Covered**

As of June 30, 2017 membership data was as follows:

Active employees	687
Retirees	<u>535</u>
Total plan members	<u><u>1,222</u></u>

### **Benefit Provisions and Contributions**

A portion of health insurance premiums is borne by the City, dependent upon each retiree's covered group, date of retirement and credited service. For members covered under the Police Pension Plan retiring after June 30, 1987, the City pays 50% of premiums plus an additional 5% of premiums for each year of service between 11 and 20 years, until 100% is paid. Retirees prior to that date are responsible for premiums for each year between 11 and 25 years, until 100% is paid. Employees hired after July 1, 2009 are not eligible for Plan65. Police retirees contribute various amounts towards the cost of their health insurance depending upon their date of retirement. 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 (age 58 or 30 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 of 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. Retirees contribute a portion of the cost of the life insurance policy.

### **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.

### **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 7.50% 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 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

**CITY OF NEWPORT, RHODE ISLAND  
NOTES TO FINANCIAL STATEMENTS  
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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%	8.4%
Mid Cap Equity	15%	11.0%
Small Cap Equity	15%	9.2%
International Equity	15%	6.7%
Fixed Income	20%	5.3%
Real Estate and Timber	15%	9.8%

**Concentrations**

As of June 30, 2017, and during the year then ended, no pension or other post-employment benefit 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 OPEB Trust plan investments, net of OPEB plan investment expense was 13.65% for the year ended June 30, 2017. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Net OPEB Liability of the City**

During the year, the City implemented GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans (OPEB)*. This Statement requires the net OPEB liability to be measured as the total OPEB liability, less the amount of the OPEB plan’s fiduciary net position. Actuarial calculations were made as of July 1, 2016 using census data and healthcare premium information for the fiscal year 2016 rolled forward for fiscal year end 2017 using standard actuarial techniques. The components of the net OPEB liability of the City at June 30, 2017 were as follows:

Total OPEB liability	\$ 126,270,216
Plan fiduciary net position	<u>41,855,316</u>
Net OPEB Liability	<u>\$ 84,414,900</u>
Plan fiduciary net position as a Percentage of the total OPEB liability	33.15%

The City’s net OPEB liability will be required to be recorded on the government-wide financial statement of net position at June 30, 2018.

**CITY OF NEWPORT, RHODE ISLAND  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2017**

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**Actuarial Assumptions**

OPEB Trust assets are valued at their fair market value as established by quotations from applicable national securities exchanges. Valuation of OPEB liabilities and OPEB assets for the plan is performed annually as of June 30.

The total OPEB liability was determined by an actuarial valuation, using the Projected Unit Credit actuarial cost method, as of June 30, 2017, with the following actuarial assumptions, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.30%
Medical Care Inflation	5.90% for 2016 decreasing to an ultimate rate of 4.0% by 2075
Wage Inflation	3.00%
Investment Rate of Return	7.50%
Amortization Period	20-year remaining level percent of pay, closed basis
Mortality Rates are based on the RP-2000 Combined Healthy Mortality Table, applied on a fully generational basis using Mortality Projection Scale AA.	

**Discount Rate**

The discount rate used to measure the total pension liabilities is 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

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

<b>1% Decrease</b>	<b>Current Discount</b>	<b>1% Increase</b>
<b>6.50%</b>	<b>7.50%</b>	<b>8.50%</b>
\$ 99,829,809	\$ 84,414,900	\$ 71,548,175

**CITY OF NEWPORT, RHODE ISLAND  
NOTES TO FINANCIAL STATEMENTS  
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**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.6% decreasing to 3.0%) or 1-percentage-point higher (6.6% decreasing to 5.0%) than the current healthcare cost trend rates:

	<u>4.6% decreasing to 3.0%</u>	<u>5.6% decreasing to 4.0%</u>	<u>6.6% decreasing to 5.0%</u>
Net OPEB Liability	\$ 70,767,857	\$ 84,414,900	\$ 100,836,380

**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	\$ 7,648,722
Interest on net OPEB obligation	450,658
Adjustment to annual required contribution	<u>(433,204)</u>
Annual OPEB cost (expense)	7,666,176
Contributions made	<u>6,964,280</u>
Increase (decrease) in net OPEB obligation	701,896
Net OPEB obligation - July 1, 2016	<u>6,008,776</u>
 Net OPEB Obligation - June 30, 2017	 <u><u>\$ 6,710,672</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 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, 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
June 30, 2017	7,666,176	90.8%	6,710,672

**CITY OF NEWPORT, RHODE ISLAND  
 NOTES TO FINANCIAL STATEMENTS  
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**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, 2017**

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Assets:	
Cash and investments	\$ 41,885,938
Liabilities:	
Accounts payable	<u>30,622</u>
Net Position:	
Net Position Restricted for OPEB Benefits	<u><u>\$ 41,855,316</u></u>

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 OTHER POST-EMPLOYMENT BENEFITS TRUST FUND  
 FOR THE YEAR ENDED JUNE 30, 2017**

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Additions:	
Contributions and other income	\$ 720,000
Investment income, net of investment expenses	4,972,032
Total additions	<u>5,692,032</u>
Deductions:	
Administration	<u>45,922</u>
Total deductions	<u>45,922</u>
Changes in net position	5,646,110
Net Position at Beginning of Year	<u>36,209,206</u>
Net Position at End of Year	<u><u>\$ 41,855,316</u></u>



**CITY OF NEWPORT, RHODE ISLAND  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2017**

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**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:

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

**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, 2017. The agreement was entered into on October 14, 2015 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 took effect with the taxes for the fiscal year ended June 30, 2017. Total taxes abated during the fiscal year ended June 30, 2017 under this agreement were \$10,699.

**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 \$1,720,533.

**CITY OF NEWPORT, RHODE ISLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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**18. RESTATEMENT OF BEGINNING NET POSITION**

The City restated net position and fund balances of Governmental Activities, Business-Type Activities, the W.P.C. Fund, School Restricted Funds and the Maritime Fund as follows:

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>W.P.C. Fund</u>	<u>School Restricted Funds</u>	<u>Maritime Fund</u>
Net position/fund balance as previously reported at June 30, 2016	\$ (9,907,868)	\$ 131,446,368	\$ 67,578,506	\$ 453,946	\$ 4,970,508
To correct receivable balance	(108,392)			(108,392)	
To correct allocation of deferred outflows, net pension liability, and deferred inflows	<u>570,507</u>	<u>(616,943)</u>	<u>(379,657)</u>		<u>(237,286)</u>
Net Position/Fund Balance as Restated at July 1, 2016	<u>\$ (9,445,753)</u>	<u>\$ 130,829,425</u>	<u>\$ 67,198,849</u>	<u>\$ 345,554</u>	<u>\$ 4,733,222</u>

**Required Supplementary  
Information**

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Total pension liability:						
Service cost	\$ 1,419,028	\$ 1,354,511	\$ 1,175,418	\$ 1,159,989	\$ 1,089,741	\$ 1,185,085
Interest	7,009,454	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	1,006,987	(982,867)	3,395,866	413,108	(1,568,795)	2,472,564
Changes of assumptions	494,208	2,833,210			(1,055,592)	931,710
Benefit payments, including refunds of member contributions	(5,449,333)	(5,075,242)	(4,990,121)	(4,676,133)	(4,431,444)	(4,154,488)
Net change in total pension liability	4,480,344	5,013,792	7,063,504	3,024,640	153,793	6,113,584
Total pension liability - beginning	97,940,088	92,926,296	85,862,792	82,838,152	82,684,359	76,570,775
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 102,420,432</b>	<b>\$ 97,940,088</b>	<b>\$ 92,926,296</b>	<b>\$ 85,862,792</b>	<b>\$ 82,838,152</b>	<b>\$ 82,684,359</b>
Plan fiduciary net position:						
Contributions - employer	\$ 4,314,776	\$ 4,012,174	\$ 4,012,174	\$ 3,954,174	\$ 3,461,972	\$ 2,899,580
Contributions - member	418,174	447,063	487,883	407,872	403,980	393,524
Net investment income	8,344,427	(896,323)	3,315,144	9,496,182	6,725,692	(525,652)
Benefit payments, including refunds of member contributions	(5,449,333)	(5,075,242)	(4,990,121)	(4,676,133)	(4,431,444)	(4,154,488)
Administrative expense	(176,061)	(125,892)	(130,044)	(86,063)	(114,392)	(114,960)
Net change in plan fiduciary net position	7,451,983	(1,638,220)	2,695,036	9,096,032	6,045,808	(1,501,996)
Plan fiduciary net position - beginning	58,564,802	60,203,022	57,507,986	48,411,954	42,366,146	43,868,142
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 66,016,785</b>	<b>\$ 58,564,802</b>	<b>\$ 60,203,022</b>	<b>\$ 57,507,986</b>	<b>\$ 48,411,954</b>	<b>\$ 42,366,146</b>
<b>City's Net Pension Liability (a) - (b)</b>	<b>\$ 36,403,647</b>	<b>\$ 39,375,286</b>	<b>\$ 32,723,274</b>	<b>\$ 28,354,806</b>	<b>\$ 34,426,198</b>	<b>\$ 40,318,213</b>
Plan fiduciary net position as a percentage of the total pension liability	64.46%	59.80%	64.79%	66.98%	58.44%	51.24%
Covered employee payroll	\$ 5,003,060	\$ 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	727.63%	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 SIX FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Total pension liability:						
Service cost	\$ 1,657,897	\$ 1,459,460	\$ 1,288,336	\$ 1,301,858	\$ 1,347,221	\$ 1,167,259
Interest	7,426,079	7,256,466	7,047,145	6,926,242	6,935,131	6,083,467
Differences between expected and actual experience	(1,067,973)	(268,376)	78,639	(880,942)	(1,813,565)	8,664,711
Changes of assumptions	993,720	2,868,540			(1,018,173)	981,952
Benefit payments, including refunds of member contributions	(5,880,883)	(5,794,738)	(5,793,864)	(5,651,902)	(5,400,180)	(6,032,049)
Net change in total pension liability	3,128,840	5,521,352	2,620,256	1,695,256	50,434	10,865,340
Total pension liability - beginning	103,659,768	98,138,416	95,518,160	93,822,904	93,772,470	82,907,130
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 106,788,608</b>	<b>\$ 103,659,768</b>	<b>\$ 98,138,416</b>	<b>\$ 95,518,160</b>	<b>\$ 93,822,904</b>	<b>\$ 93,772,470</b>
Plan fiduciary net position:						
Contributions - employer	\$ 5,918,258	\$ 6,048,094	\$ 6,048,094	\$ 5,990,094	\$ 4,822,711	\$ 4,560,741
Contributions - member	594,650	602,467	607,260	518,936	501,618	541,383
Net investment income	6,435,115	(1,435,206)	2,366,045	6,786,391	5,211,622	(395,285)
Benefit payments, including refunds of member contributions	(5,880,883)	(5,794,738)	(5,793,864)	(5,651,902)	(5,400,180)	(6,032,049)
Administrative expense	(135,705)	(96,388)	(98,299)	(64,329)	(85,948)	(86,457)
Net change in plan fiduciary net position	6,931,435	(675,771)	3,129,236	7,579,190	5,049,823	(1,411,667)
Plan fiduciary net position - beginning	46,760,579	47,436,350	44,307,114	36,727,924	31,678,101	33,089,768
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 53,692,014</b>	<b>\$ 46,760,579</b>	<b>\$ 47,436,350</b>	<b>\$ 44,307,114</b>	<b>\$ 36,727,924</b>	<b>\$ 31,678,101</b>
<b>City's Net Pension Liability (a)- (b)</b>	<b>\$ 53,096,594</b>	<b>\$ 56,899,189</b>	<b>\$ 50,702,066</b>	<b>\$ 51,211,046</b>	<b>\$ 57,094,980</b>	<b>\$ 62,094,369</b>
Plan fiduciary net position as a percentage of total pension liability	50.28%	45.11%	48.34%	46.39%	39.15%	33.78%
Covered employee payroll	\$ 6,734,507	\$ 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	788.43%	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 THREE FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.949724730%	1.015625070%	1.031202720%
City's proportionate share of the net pension liability	\$ 28,335,774	\$ 27,960,185	\$ 25,099,478
State's proportionate share of the net pension liability	<u>19,405,844</u>	<u>19,101,521</u>	<u>17,211,868</u>
Total Liability	<u>\$ 47,741,618</u>	<u>\$ 47,061,706</u>	<u>\$ 42,311,346</u>
City's covered employee payroll	\$ 18,329,802	\$ 17,015,623	\$ 16,643,677
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	154.59%	164.32%	150.80%
Plan fiduciary net position as a percentage of the total pension liability	54.06%	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 THREE FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension asset	3.29868150%	3.52658498%	3.31356806%
City's proportionate share of the net pension liability (asset)	\$ (3,284,559)	\$ (3,292,265)	\$ (4,119,452)
City's covered employee payroll	\$ 18,329,802	\$ 17,015,623	\$ 16,643,677
City's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	-17.92%	-19.35%	-24.75%
Plan fiduciary net position as a percentage of the total pension liability	146.6%	146.6%	173.3%

Notes to Schedule:

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability:			
Service cost	\$ 1,112,632	\$ 1,012,748	\$ 1,027,962
Interest	5,264,384	5,102,024	5,004,233
Changes of benefit terms		1,364,563	
Differences between expected and actual experience	264,579	(434,672)	
Changes of assumptions			180,610
Benefit payments, including refunds of member contributions	<u>(5,001,120)</u>	<u>(4,858,492)</u>	<u>(4,944,136)</u>
Net change in total pension liability	1,640,475	2,186,171	1,268,669
Total pension liability - beginning	<u>72,136,028</u>	<u>69,949,857</u>	<u>68,681,188</u>
<b>Total Pension Liability - Ending (a)</b>	<b><u>\$ 73,776,503</u></b>	<b><u>\$ 72,136,028</u></b>	<b><u>\$ 69,949,857</u></b>
Plan fiduciary net position:			
Contributions - employer	\$ 2,670,159	\$ 2,518,304	\$ 2,240,214
Contributions - member	465,743	234,906	226,656
Net investment income	21,439	1,073,486	6,243,957
Benefit payments, including refunds of member contributions	(5,001,120)	(4,858,492)	(4,944,136)
Administrative expense	(77,595)	(43,154)	(39,099)
Other	<u>(43,443)</u>	<u>1,235</u>	<u>119,179</u>
Net change in plan fiduciary net position	(1,964,817)	(1,073,715)	3,846,771
Plan fiduciary net position - beginning	<u>45,806,767</u>	<u>46,880,482</u>	<u>43,033,711</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b><u>\$ 43,841,950</u></b>	<b><u>\$ 45,806,767</u></b>	<b><u>\$ 46,880,482</u></b>
<b>City's Net Pension Liability (a) - (b)</b>	<b><u>\$ 29,934,553</u></b>	<b><u>\$ 26,329,261</u></b>	<b><u>\$ 23,069,375</u></b>
Plan fiduciary net position as a percentage of total pension liability	59.43%	63.50%	67.02%
Covered employee payroll	\$ 12,543,133	\$ 11,708,075	\$ 11,271,517
City's net pension liability as a percentage of covered employee payroll	238.65%	224.88%	204.67%

## Notes to Schedule:

- 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.
- 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**

<b>Actuarial Valuation Date July 1</b>	<b>Actuarially Determined Contribution</b>	<b>Actual Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>% of ADC Contributed</b>	<b>Covered Employee Payroll</b>	<b>Contributions as a Percentage of Covered Employee Payroll</b>
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%
2017	5,918,258	5,918,258	-	100.0%	6,734,507	87.88%

**Police Pension Plan**

<b>Actuarial Valuation Date July 1</b>	<b>Actuarially Determined Contribution</b>	<b>Actual Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>% of ADC Contributed</b>	<b>Covered Employee Payroll</b>	<b>Contributions as a Percentage of Covered Employee Payroll</b>
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%
2017	4,314,776	4,314,776	-	100.0%	5,003,060	86.24%

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	14 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	7.25% effective July 1, 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 FOUR FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 2,537,641	\$ 2,383,068	\$ 2,213,075	\$ 2,030,553
Contributions in relation to the contractually required contribution	<u>2,537,641</u>	<u>2,383,068</u>	<u>2,213,075</u>	<u>2,030,553</u>
Contribution Deficiency (Excess)	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>          -</u>
City's covered employee payroll	\$ 18,329,802	\$ 17,015,623	\$ 16,643,677	\$ 16,002,256
Contributions as a percentage of covered employee payroll	13.84%	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.
- 3.) In May 2017, the Employees' Retirement System of Rhode Island Board voted to lower the investment rate of return assumption from 7.5% to 7.0% which will be reflected in the determination of the net pension liability for the various plans administered by the System beginning with the June 30, 2017 measurement date valuations.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 21,443	\$ 20,862	\$ 21,216
Contributions in relation to the contractually required contribution	<u>21,443</u>	<u>20,862</u>	<u>21,216</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Employee Payroll	\$ 18,329,802	\$ 17,015,623	\$ 16,643,677
Contributions as a percentage of covered employee payroll	0.12%	0.12%	0.13%

Notes to Schedule:

- 1.) Employers participating in the State Employee's Retirement System are required by RI General Laws, Section 36-10-2, to contribute an actuarially determined contribution rate each year.
- 2.) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.
- 3.) In May 2017, the Employees' Retirement System of Rhode Island Board voted to lower the investment rate of return assumption from 7.5% to 7.0% which will be reflected in the determination of the net pension liability for the various plans administered by the System beginning with the June 30, 2017 measurement date valuations.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 2,988,105	\$ 2,811,308	\$ 2,506,948	\$ 2,343,262	\$ 2,045,444	\$ 1,803,085
Contributions in relation to the contractually required contribution	<u>2,988,105</u>	<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>	\$ <u>-</u>
City's covered employee payroll	\$ 13,217,927	\$ 12,860,503	\$ 11,692,085	\$ 11,259,620	\$ 10,891,431	\$ 10,971,505
Contributions as a percentage of covered employee payroll	22.61%	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.
- 3.) In May 2017, the Employees' Retirement System of Rhode Island Board voted to lower the investment rate of return assumption from 7.5% to 7.0% which will be reflected in the determination of the net pension liability for the various plans administered by the System beginning with the June 30, 2017 measurement date valuations.

## Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	20 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 FIVE FISCAL YEARS**

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	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Annual money-weighted rate of return, net of investment expense	13.83%	-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**

<b>Other Post-Employment Benefits Plan</b>							
<b>Actuarial Valuation Date July 1</b>	<b>Fiscal Year Ending June 30</b>	<b>Annual Required Contribution (ARC)</b>	<b>Actual Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>% of ARC Contributed</b>	<b>Covered Employee Payroll</b>	<b>Contributions as a Percentage of Covered Employee Payroll</b>
2008	2008	\$ 9,642,801	\$ 7,232,426	\$ 2,410,375	75.0%	\$ 38,914,022	18.59%
2009	2009	10,238,391	11,099,555	(861,164)	108.4%	38,541,599	28.80%
2010	2010	9,050,275	11,241,301	(2,191,026)	124.2%	38,198,664	29.43%
2011	2011	10,751,437	9,810,529	940,908	91.2%	37,623,567	26.08%
2012	2012	9,380,150	10,261,400	(881,250)	109.4%	38,064,841	26.96%
2013	2013	7,544,617	9,320,601	(1,775,984)	123.5%	37,728,040	24.70%
2014	2014	7,201,977	7,836,934	(634,957)	108.8%	38,097,950	20.57%
2015	2015	6,859,180	7,332,694	(473,514)	106.9%	38,097,950	19.25%
2016	2016	7,993,309	7,132,978	860,331	89.2%	42,091,451	16.95%
2016	2017	7,648,722	6,964,280	684,442	91.1%	44,273,402	15.73%

## Notes to Schedule:

Valuation Date: July 1, 2016 (rolled forward to June 30, 2017)

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

## Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	20 years
Asset valuation method	Market value
Medical care inflation	2018 - 5.5%; 2019 - 5.4%; 2020 - 5.3%; ultimate is 4.6%
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**

<b>OPEB Trust Plan</b>						
<b>Actuarial Valuation Date July 1</b>	<b>Actuarial Value of Plan Assets</b>	<b>Accrued Liability (AAL)</b>	<b>Actuarial Value of Assets as % of AAL</b>	<b>Unfunded AAL</b>	<b>Annual Covered Payroll</b>	<b>Unfunded AAL as % of Covered Payroll</b>
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%
2017	41,855,316	118,200,260	35.4%	76,344,944	44,273,402	172.4%

**CITY OF NEWPORT, RHODE ISLAND**  
**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS**  
**OTHER POST-EMPLOYMENT BENEFITS PLAN**  
**LAST FISCAL YEAR**

	<u>2017</u>
Total OPEB liability:	
Service cost	\$ 1,365,521
Interest	8,932,105
Benefit payments	<u>(6,244,280)</u>
Net change in total OPEB liability	4,053,346
Total OPEB liability - beginning	<u>122,216,870</u>
<b>Total OPEB Liability - Ending (a)</b>	<b>\$ <u>126,270,216</u></b>
Plan fiduciary net position:	
Contributions - employer	\$ 6,964,280
Net investment income (loss)	4,972,032
Benefit payments	<u>(6,244,280)</u>
Administrative expense	<u>(45,922)</u>
Net change in plan fiduciary net position	5,646,110
Plan fiduciary net position - beginning	<u>36,209,206</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ <u>41,855,316</u></b>
<b>Net OPEB Liability - Ending (a) - (b)</b>	<b>\$ <u>84,414,900</u></b>
Plan fiduciary net position as a percentage of the total OPEB liability	33.15%
Covered-employee payroll	\$ 44,273,402
Net OPEB liability as a percentage of covered-employee payroll	190.67%

Note to Schedule:

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 EMPLOYER CONTRIBUTIONS - OTHER POST-EMPLOYMENT BENEFITS PLAN**  
**LAST TEN FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarially determined contribution	\$ 7,666,176	\$ 8,018,221	\$ 6,943,534	\$ 7,304,803	\$ 7,687,252	\$ 9,519,080	\$ 11,191,505	\$ 9,243,181	\$ 10,615,386	\$ 9,997,870
Contributions in relation to the actuarially determined contribution	<u>6,964,280</u>	<u>7,132,978</u>	<u>7,332,694</u>	<u>7,836,934</u>	<u>9,320,601</u>	<u>10,261,400</u>	<u>9,810,529</u>	<u>11,241,301</u>	<u>11,099,555</u>	<u>7,232,426</u>
Contribution Deficiency (Excess)	\$ <u>701,896</u>	\$ <u>885,243</u>	\$ <u>(389,160)</u>	\$ <u>(532,131)</u>	\$ <u>(1,633,349)</u>	\$ <u>(742,320)</u>	\$ <u>1,380,976</u>	\$ <u>(1,998,120)</u>	\$ <u>(484,169)</u>	\$ <u>2,765,444</u>
Covered-employee payroll	\$ 44,273,402	\$ 42,091,451	\$ 40,192,005	\$ 38,097,950	\$ 37,728,040	\$ 38,064,841	\$ 37,623,567	\$ 38,198,664	\$ 36,366,493	\$ 38,914,022
Contributions as a percentage of covered-employee payroll	15.73%	16.95%	18.24%	20.57%	24.70%	26.96%	26.08%	29.43%	30.52%	18.59%

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, closed
Amortization period	20 year remaining
Asset valuation method	Market value
Inflation	2.30%
Healthcare cost trend rates	2018 - 5.5%; 2019 - 5.4%; 2020 - 5.3%; Ultimate 4.6%
Salary increases	3.0 - 6.0%
Investment rate of return	7.50%
Mortality	RP-2000 Combined Healthy and Disabled Mortality, Male and Female, with generational projection per Scale AA

**CITY OF NEWPORT, RHODE ISLAND  
SCHEDULE OF INVESTMENT RETURNS  
OTHER POST-EMPLOYMENT BENEFITS PLAN  
LAST FISCAL YEAR**

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**2017**

Annual Money-weighted rate of return,  
net of investment expense

13.65%

Note to Schedule:

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

**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, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget</u>
Revenues:				
City:				
Property taxes	\$ 77,885,293	\$ 77,885,293	\$ 77,505,920	\$ (379,373)
Intergovernmental revenues	3,378,688	3,378,688	3,411,092	32,404
Charges for services	9,914,787	9,914,787	10,494,746	579,959
Use of money and property	350,000	350,000	28,926	(321,074)
Other revenues	175,507	175,507	219,689	44,182
School:				
Intergovernmental revenues	12,074,705	12,074,705	11,820,677	(254,028)
Local revenues	1,003,866	1,003,866	1,014,638	10,772
Total revenues	<u>104,782,846</u>	<u>104,782,846</u>	<u>104,495,688</u>	<u>(287,158)</u>
Expenditures:				
City:				
Mayor and city council	95,422	111,984	104,307	7,677
City manager	1,034,378	1,034,378	907,063	127,315
City solicitor	513,234	513,473	464,503	48,970
Canvassing	259,414	259,414	241,013	18,401
City clerk	532,027	532,027	512,083	19,944
Finance	3,516,583	3,541,636	3,413,527	128,109
Reserve accounts	785,000	808,156	1,021,088	(212,932)
Police department	17,667,447	17,667,653	17,539,347	128,306
Fire department	18,593,920	18,616,302	18,693,138	(76,836)
Public services	10,350,476	10,573,615	9,949,004	624,611
Civic investment	378,591	334,591	351,316	(16,725)
Zoning and inspections	1,030,837	1,031,908	1,025,559	6,349
Donations	120,450	120,450	118,450	2,000
Public library	1,840,411	1,840,411	1,855,411	(15,000)
Pension expenditures	1,613,331	1,613,331	1,914,981	(301,650)
Debt service	5,313,061	5,313,061	5,539,043	(225,982)
School:				
General education	<u>38,613,304</u>	<u>38,613,304</u>	<u>38,403,803</u>	<u>209,501</u>
Total expenditures	<u>102,257,886</u>	<u>102,525,694</u>	<u>102,053,636</u>	<u>472,058</u>
Excess of Revenues over Expenditures	<u>2,524,960</u>	<u>2,257,152</u>	<u>2,442,052</u>	<u>184,900</u>
Other Financing Sources (Uses):				
City:				
Transfers in			75,620	75,620
Transfers out	(28,369,693)	(28,399,693)	(28,813,602)	(413,909)
School:				
Transfers in	<u>25,284,733</u>	<u>25,284,733</u>	<u>25,283,301</u>	<u>(1,432)</u>
Net Other Financing Sources (Uses)	<u>(3,084,960)</u>	<u>(3,114,960)</u>	<u>(3,454,681)</u>	<u>(339,721)</u>
Net Change in Fund Balances	<u>\$ (560,000)</u>	<u>\$ (857,808)</u>	<u>(1,012,629)</u>	<u>\$ (154,821)</u>
Fund Balances at Beginning of Year				
City fund balance, beginning			14,585,364	
School fund balance, beginning			<u>1,260,777</u>	
Combined fund balance, beginning			<u>15,846,141</u>	
Fund Balances at End of Year				
City fund balance, ending			13,857,922	
School fund balance, ending			<u>975,590</u>	
Combined Fund Balance, Ending			<u>\$ 14,833,512</u>	

**CITY OF NEWPORT, RHODE ISLAND  
GENERAL FUND  
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget
Property Taxes:				
Current taxes - Real Estate	\$ 70,765,293	\$ 70,765,293	\$ 69,288,114	\$ (1,477,179)
Current taxes - MV	2,050,000	2,050,000	1,999,958	(50,042)
Delinquent taxes & penalties	1,720,000	1,720,000	1,612,691	(107,309)
Tax Abatements	(1,000,000)	(1,000,000)		1,000,000
Meals and beverage tax	2,150,000	2,150,000	2,249,844	99,844
Hotel occupancy tax	2,200,000	2,200,000	2,355,313	155,313
Total property taxes	<u>77,885,293</u>	<u>77,885,293</u>	<u>77,505,920</u>	<u>(379,373)</u>
Intergovernmental revenues:				
Telephone company tax	301,205	301,205	319,958	18,753
Miscellaneous state and federal aid			10,276	10,276
MV tax phase out	77,989	77,989	80,642	2,653
School housing aid	1,473,775	1,473,775	1,456,244	(17,531)
PILOT	1,357,719	1,357,719	1,357,719	-
State aid - library construction	168,000	168,000	186,253	18,253
Total intergovernmental revenues	<u>3,378,688</u>	<u>3,378,688</u>	<u>3,411,092</u>	<u>32,404</u>
Charges for Services:				
GMH service fees	350,000	350,000	361,975	11,975
Hope IV Project service fees	160,000	160,000	259,335	99,335
Salve Regina service charges	6,902	6,902	6,902	-
Police special detail	1,900,000	1,900,000	1,634,243	(265,757)
Document prep and handling	65,000	65,000	60,609	(4,391)
Planning Services	900	900	1,124	224
Solid waste hauler fees	4,500	4,500	3,030	(1,470)
Management services	790,485	790,485	801,077	10,592
Fire alarm assessments	154,000	154,000	158,800	4,800
Bulky waste sticker program	20,000	20,000	22,345	2,345
HR regional testing	3,500	3,500	4,060	560
Recreation activity fees	110,000	110,000	50,143	(59,857)
Ballfield rentals	28,000	28,000	20,247	(7,753)
Recreation Scholarship Revenue			14,333	14,333
Recreation Program Revenue			81,842	81,842
Parking tickets	700,000	700,000	908,767	208,767
Recording fees	300,000	300,000	322,639	22,639
Conveyance tax	700,000	700,000	1,114,443	414,443
Probate fees	45,000	45,000	52,888	7,888
Rescue fees	660,000	660,000	807,027	147,027
General business	90,000	90,000	102,751	12,751
Hotel registration fees	7,000	7,000	12,100	5,100
Entertainment	25,000	25,000	28,225	3,225
Liquor	190,000	190,000	189,480	(520)
Mech amusement	12,000	12,000	9,875	(2,125)
Sunday selling	25,000	25,000	26,450	1,450
Victualing	56,000	56,000	54,050	(1,950)
Animal	4,000	4,000	4,183	183
Marriage	5,000	5,000	6,240	1,240
Building	1,000,000	1,000,000	978,814	(21,186)
Plumbing	50,000	50,000	63,604	13,604
Mechanical	170,000	170,000	163,644	(6,356)
Electrical	150,000	150,000	142,352	(7,648)
Board of Appeals	17,000	17,000	18,040	1,040
HDC application fee	17,000	17,000	10,400	(6,600)
Road opening	85,000	85,000	34,263	(50,737)
Fire inspection fees	150,000	150,000	89,788	(60,212)
Fire - sundry	15,000	15,000	26,407	11,407
Police - sundry	10,000	10,000	11,864	1,864
Municipal court cost assessment	170,000	170,000	120,730	(49,270)
Payphone commissions			95	95
Vendor rights	5,000	5,000	880	(4,120)
Newport Grand Slot Machines	450,000	450,000	464,956	14,956
Other miscellaneous	152,500	152,500	40,534	(111,966)
Parking fund salary reimbursement	100,000	100,000	100,000	-
Beach bounce fees	20,000	20,000	25,517	5,517
Bathhouses	36,000	36,000	50,143	14,143
Rotunda rentals	155,000	155,000	121,025	(33,975)
Carousel	15,000	15,000	18,849	3,849
Food service concessions	49,000	49,000	46,439	(2,561)
Outside vendor commissions	6,000	6,000	27,823	21,823
Beach parking	515,000	515,000	661,266	146,266
Beach store	27,500	27,500	22,447	(5,053)
Beach meters	37,500	37,500	17,756	(19,744)
Rental of property	100,000	100,000	117,927	17,927
Total charges for services	<u>9,914,787</u>	<u>9,914,787</u>	<u>10,494,746</u>	<u>579,959</u>
Use of money and property:				
Investment interest	350,000	350,000	28,926	(321,074)
Other revenues:				
Sale of surplus equipment	3,000	3,000	27,974	24,974
Public donations	172,507	172,507	191,715	19,208
Total other revenues	<u>175,507</u>	<u>175,507</u>	<u>219,689</u>	<u>44,182</u>
Total revenues	91,704,275	91,704,275	91,660,373	(43,902)
Other financing sources:				
Transfers in			75,620	75,620
Appropriated Fund Balance	310,000	310,000		
Total Revenues and Other Financing Sources	<u>\$ 92,014,275</u>	<u>\$ 92,014,275</u>	<u>\$ 91,735,993</u>	<u>\$ 31,718</u>

**CITY OF NEWPORT, RHODE ISLAND  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017**

	<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	\$ 95,422	\$ 111,984	\$ 104,307	\$ 7,677
City Manager	1,034,378	1,034,378	907,063	127,315
City Solicitor	513,234	513,473	464,503	48,970
Canvassing	259,414	259,414	241,013	18,401
City Clerk	532,027	532,027	512,083	19,944
Finance	3,516,583	3,541,636	3,413,527	128,109
Reserve Accounts	785,000	808,156	1,021,088	(212,932)
Public Safety:				
Police Department	17,667,447	17,667,653	17,539,347	128,306
Fire Department	18,593,920	18,616,302	18,693,138	(76,836)
Public Services	10,350,476	10,573,615	9,949,004	624,611
Civic Investment	378,591	334,591	351,316	(16,725)
Zoning and Inspections	1,030,837	1,031,908	1,025,559	6,349
Human services:				
Donations	120,450	120,450	118,450	2,000
Public Library	1,840,411	1,840,411	1,855,411	(15,000)
Pension expenditures	1,613,331	1,613,331	1,914,981	(301,650)
Debt service	5,313,061	5,313,061	5,539,043	(225,982)
Total expenditures	<u>63,644,582</u>	<u>63,912,390</u>	<u>63,649,833</u>	<u>262,557</u>
Other financing uses:				
Transfers out	<u>28,369,693</u>	<u>28,399,693</u>	<u>28,813,602</u>	<u>(413,909)</u>
Total Expenditures and Other Financing Uses	<u>\$ 92,014,275</u>	<u>\$ 92,312,083</u>	<u>\$ 92,463,435</u>	<u>\$ (151,352)</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, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget</u>
Revenues:				
Federal revenues	\$ 1,164,350	\$ 1,164,350	\$ 878,017	\$ (286,333)
State revenues	10,910,355	10,910,355	10,942,660	32,305
Local revenues	1,003,866	1,003,866	1,014,638	10,772
Total revenues	<u>13,078,571</u>	<u>13,078,571</u>	<u>12,835,315</u>	<u>(243,256)</u>
Expenditures:				
General education	<u>38,613,304</u>	<u>38,613,304</u>	<u>38,403,803</u>	<u>209,501</u>
Excess of Expenditures over Revenues	(25,534,733)	(25,534,733)	(25,568,488)	(33,755)
Other Financing Sources:				
Transfers in	<u>25,284,733</u>	<u>25,284,733</u>	<u>25,283,301</u>	<u>(1,432)</u>
Net Change in Fund Balances	<u>\$ (250,000)</u>	<u>\$ (250,000)</u>	(285,187)	<u>\$ (35,187)</u>
Fund Balances at Beginning of Year			<u>1,260,777</u>	
Fund Balances at End of Year			<u>\$ 975,590</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, 2017	\$ 12,835,315	\$ 38,403,803
State teachers' retirement on-behalf payments	<u>1,720,533</u>	<u>1,720,533</u>
Balance, GAAP Basis, Schedule A-6 - June 30, 2017	<u>\$ 14,555,848</u>	<u>\$ 40,124,336</u>

**CITY OF NEWPORT, RHODE ISLAND  
COMBINING BALANCE SHEET  
GENERAL FUND  
JUNE 30, 2017**

	General Funds				Total Governmental General Funds
	City General Fund	School Unrestricted Fund	Property Acquisition Fund	Gift Fund	
Assets:					
Cash and cash equivalents	\$	\$	\$	\$	\$
Investments	24,283,826	1,450,050	1,952,986	101,713	3,504,749
Receivables:					24,283,826
Property taxes	1,128,831				1,128,831
Motor vehicle excise	507,012				507,012
Other	1,226,497	233,373			1,459,870
Prepaid expenses	58,386				58,386
Due from other funds	361,333				361,333
<b>Total Assets</b>	<b>\$ 27,565,885</b>	<b>\$ 1,683,423</b>	<b>\$ 1,952,986</b>	<b>\$ 101,713</b>	<b>\$ 31,304,007</b>
Liabilities, Deferred Inflows of Resources and Fund Balances:					
Liabilities:					
Cash overdraft	\$ 10,439,642	\$	\$	\$	\$ 10,439,642
Accounts payable	713,736	595,205	2,366	1,088	1,312,395
Accrued liabilities	422,022	112,628			534,650
Due to other funds	35,000				35,000
Other liabilities	350,012				350,012
<b>Total liabilities</b>	<b>11,960,412</b>	<b>707,833</b>	<b>2,366</b>	<b>1,088</b>	<b>12,671,699</b>
Deferred Inflows of resources:					
Unavailable revenue - property taxes	942,293				942,293
Fund Balances:					
Nonspendable	58,385				58,385
Restricted		364,946		100,625	465,571
Committed	489,362				489,362
Assigned			1,950,620		1,950,620
Unassigned	14,115,433	610,644			14,726,077
<b>Total fund balances</b>	<b>14,663,180</b>	<b>975,590</b>	<b>1,950,620</b>	<b>100,625</b>	<b>17,690,015</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 27,565,885</b>	<b>\$ 1,683,423</b>	<b>\$ 1,952,986</b>	<b>\$ 101,713</b>	<b>\$ 31,304,007</b>

**CITY OF NEWPORT, RHODE ISLAND**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	General Funds				Total Governmental General Funds
	City General Fund	School Unrestricted Fund	Property Acquisition Fund	Gift Fund	
Revenues:					
Local taxes	\$ 77,505,920	\$	\$	\$	\$ 77,505,920
Intergovernmental revenues	3,411,092	13,541,210			16,952,302
Charges for services	10,494,746	775,739			11,270,485
Use of money and property	28,926	238,899			267,825
Contributions	191,715			37,353	229,068
Other revenues	27,974				27,974
Total revenues	<u>91,660,373</u>	<u>14,555,848</u>	<u></u>	<u>37,353</u>	<u>106,253,574</u>
Expenditures:					
Current:					
General government	6,617,912		17,123		6,635,035
General education		40,019,211			40,019,211
Public safety	36,230,185				36,230,185
Public services	8,987,488			58,015	9,045,503
Civic investment	351,316				351,316
Zoning and inspections	1,025,559				1,025,559
Human services	1,973,861				1,973,861
Pension expenditures	1,914,981				1,914,981
Debt service:					
Principal	3,703,000				3,703,000
Interest	1,836,043				1,836,043
Capital outlays	520,126	105,125			625,251
Total expenditures	<u>63,160,471</u>	<u>40,124,336</u>	<u>17,123</u>	<u>58,015</u>	<u>103,359,945</u>
Excess (Deficiency) of Revenues over Expenditures	<u>28,499,902</u>	<u>(25,568,488)</u>	<u>(17,123)</u>	<u>(20,662)</u>	<u>2,893,629</u>
Other financing sources (uses):					
Transfers out	(28,813,602)	(1,432)	(200,000)		(29,015,034)
Transfers in	75,620	25,284,733			25,360,353
Net other financing sources (uses)	<u>(28,737,982)</u>	<u>25,283,301</u>	<u>(200,000)</u>	<u>-</u>	<u>(3,654,681)</u>
Net Change in Fund Balances	(238,080)	(285,187)	(217,123)	(20,662)	(761,052)
Fund Balances at Beginning 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>
Fund Balances at End of Year	<u>\$ 14,663,180</u>	<u>\$ 975,590</u>	<u>\$ 1,950,620</u>	<u>\$ 100,625</u>	<u>\$ 17,690,015</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, 2017**

	<u>Cash and Investments</u>	<u>Accounts Payable</u>	<u>Reserved for Endowments</u>	<u>Unreserved Fund Balance</u>
David Sears Trusts 1-12 (City Portion)	\$ 3,845,149	\$	\$ 750,000	\$ 3,095,149
David Sears Trust - Heirs of David Sears	1,532,031		1,039,381	492,650
David Sears Trust - Public Improvements	129,736			129,736
Joseph Hammett Fund (1892)	43,978		1,500	42,478
Henderson Home Fund (1980)	1,234,585		139,781	1,094,804
Freebody Fund	158,905		97,000	61,905
EV Coles Fund (1899)	401,666		61,321	340,345
Hunter Industrial Fund (1942)	132,112		25,000	107,112
King School Fund (1864)	273,089		8,914	264,175
City Burial Lots	593,431			593,431
Private Burial Lots	10,771			10,771
Belmont Memorial Fund (1950)	51,426		2,000	49,426
Judah Touro M & C Fund (1879)	203,730		10,000	193,730
Touro Street Fund (1823)	103,842		5,000	98,842
Derby Fuel Fund (1849)	24,154		500	23,654
Fry Orphan Fund (1859)	34,195		5,131	29,064
R & E Bullock Fund (1944)	92,915		1,000	91,915
Poor and Aged Fund (1863)	1,374,099		100,000	1,274,099
Alexander Agassiz Fund (1901)	207,226		31,087	176,139
George H Norman Foundation Fund (1901)	71,029		6,899	64,130
Barbara Chapman Fund (1990)	6,579		2,000	4,579
E Townsend Fund (1889)	328,611		155,137	173,474
George N Buckout Fund (1955)	157,682		15,000	142,682
Edward Newton Fund (1959)	54,910			54,910
Braman Cemetery	255,640			255,640
Louis H Hobbs Fund (1988)	58,863		25,000	33,863
RIICAN Fund	12,440			12,440
Pell School Tech Endowment Fund (2015)	660,187		120,000	540,187
Unallocated	3,725	3,725		
<b>Total Permanent Trust Funds</b>	<b>\$ 12,056,706</b>	<b>3,725</b>	<b>\$ 2,601,651</b>	<b>\$ 9,451,330</b>

**CITY OF NEWPORT, RHODE ISLAND**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**PERMANENT TRUST FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Fund Balance June 30, 2016</u>	<u>Revenues Use of Money and Property, Investment Changes, and Contributions</u>	<u>Expenditures Human Services</u>	<u>Fund Balance June 30, 2017</u>
David Sears Trusts 1-10 (City Portion)	\$ 3,397,622	\$ 447,527	\$	\$ 3,845,149
David Sears Trust - Heirs of David Sears	1,352,708	179,323		1,532,031
David Sears Trust - Public Improvements	210,745	491	(81,500)	129,736
Joseph Hammett Fund (1892)	39,074	4,904		43,978
Henderson Home Fund (1980)	1,145,008	141,157	(51,580)	1,234,585
Freebody Fund	141,879	17,026		158,905
EV Coles Fund (1899)	371,195	45,091	(14,620)	401,666
Hunter Industrial Fund (1942)	122,091	14,831	(4,810)	132,112
King School Fund (1864)	252,373	30,656	(9,940)	273,089
City Burial Lots	528,941	64,490		593,431
Private Burial Lots	9,572	1,199		10,771
Belmont Memorial Fund (1950)	45,835	5,591		51,426
Judah Touro M & C Fund (1879)	188,269	22,871	(7,410)	203,730
Touro Street Fund (1823)	92,552	11,290		103,842
Derby Fuel Fund (1849)	21,461	2,693		24,154
Fry Orphan Fund (1859)	30,477	3,718		34,195
R & E Bullock Fund (1944)	82,553	10,362		92,915
Poor and Aged Fund (1863)	1,269,795	154,226	(49,922)	1,374,099
Alexander Agassiz Fund (1901)	191,503	23,263	(7,540)	207,226
George H Norman Foundation Fund (1901)	65,637	7,972	(2,580)	71,029
Barbara Chapman Fund (1990)	5,864	715		6,579
E Townsend Fund (1889)	292,882	35,729		328,611
George N Buckout Fund (1955)	140,538	17,144		157,682
Edward Newton Fund (1959)	48,940	5,970		54,910
Braman Cemetery	227,846	27,794		255,640
Louis H Hobbs Fund (1988)	52,468	6,395		58,863
RIICAN Fund	11,088	1,352		12,440
Pell School Tech Endowment Fund (2015)	128,179	532,008		660,187
Unallocated Investment Expense	-	9,098	(9,098)	-
<b>Total Permanent Trust Funds</b>	<b>\$ 10,467,095</b>	<b>\$ 1,824,886</b>	<b>\$ (239,000)</b>	<b>\$ 12,052,981</b>

**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.

**CITY OF NEWPORT, RHODE ISLAND  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2017**

	Special Revenue					Total Nonmajor Governmental Funds
	School Restricted Funds	UDAG Fund	State Grants Fund	Substance Abuse Task Force	Sheffield Hub Grant	
Assets:						
Cash and cash equivalents	\$	\$ 451,299	\$ 965,574	\$	\$ 1,456,026	\$ 2,872,899
Receivables:						
Intergovernmental	495,445		5,976	23,954		525,375
Note/loan		255,000				255,000
Other		35,000				35,000
Due from other funds		35,000				35,000
Advances to other funds		267,459				267,459
<b>Total Assets</b>	<b>\$ 495,445</b>	<b>\$ 1,043,758</b>	<b>\$ 971,550</b>	<b>\$ 23,954</b>	<b>\$ 1,456,026</b>	<b>\$ 3,990,733</b>
Liabilities, Deferred Inflows of Resources and Fund Balances:						
Liabilities:						
Cash overdraft	\$ 174,630	\$	\$	\$ 25,013	\$	\$ 199,643
Accounts payable			103,823	3,558	34,935	142,316
Total liabilities	174,630	-	103,823	28,571	34,935	341,959
Deferred Inflows of Resources:						
Unavailable revenue - loans receivable		592,459				592,459
Unavailable revenue - intergovernmental receivable			38,510	15,172		53,682
Total deferred inflows of resources	-	592,459	38,510	15,172	-	646,141
Fund Balances:						
Restricted	320,815	451,299	829,217		1,421,091	3,022,422
Unassigned				(19,789)		(19,789)
Total fund balances	320,815	451,299	829,217	(19,789)	1,421,091	3,002,633
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 495,445</b>	<b>\$ 1,043,758</b>	<b>\$ 971,550</b>	<b>\$ 23,954</b>	<b>\$ 1,456,026</b>	<b>\$ 3,990,733</b>

**CITY OF NEWPORT, RHODE ISLAND  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	Special Revenue					Total Nonmajor Governmental Funds
	School Restricted Funds	UDAG Fund	State Grants Fund	Substance Abuse Task Force	Sheffield Hub Grant	
Revenues:						
Intergovernmental revenues	\$ 3,451,413	\$	\$ 638,599	\$ 152,915	\$	\$ 4,242,927
Charges for services	404,849	17,500				422,349
Use of money and property		19,030				19,030
Contributions			8,582	2,000		10,582
Total revenues	<u>3,856,262</u>	<u>36,530</u>	<u>647,181</u>	<u>154,915</u>	<u>-</u>	<u>4,694,888</u>
Expenditures:						
Current:						
General education	3,882,433					3,882,433
Public safety			116,653			116,653
Civic investment			1,885			1,885
Human services			417,540	155,845		573,385
Capital outlays			13,600		148,990	162,590
Total expenditures	<u>3,882,433</u>	<u>-</u>	<u>549,678</u>	<u>155,845</u>	<u>148,990</u>	<u>4,736,946</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(26,171)</u>	<u>36,530</u>	<u>97,503</u>	<u>(930)</u>	<u>(148,990)</u>	<u>(42,058)</u>
Other Financing Sources (Uses):						
Transfers in	1,432		13,909			15,341
Transfers out			(582)			(582)
Net other financing sources (uses)	<u>1,432</u>	<u>-</u>	<u>13,327</u>	<u>-</u>	<u>-</u>	<u>14,759</u>
Net Change in Fund Balances	(24,739)	36,530	110,830	(930)	(148,990)	(27,299)
Fund Balances at Beginning of Year, as Restated	<u>345,554</u>	<u>414,769</u>	<u>718,387</u>	<u>(18,859)</u>	<u>1,570,081</u>	<u>3,029,932</u>
Fund Balances at End of Year	<u>\$ 320,815</u>	<u>\$ 451,299</u>	<u>\$ 829,217</u>	<u>\$ (19,789)</u>	<u>\$ 1,421,091</u>	<u>\$ 3,002,633</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, 2017**

	<u>Maritime Fund</u>	<u>Parking Operations Fund</u>	<u>Totals</u>
Assets:			
Current assets:			
Cash and cash equivalents	\$ 2,012,560	\$ 3,470,855	\$ 5,483,415
Investments		1,268,294	1,268,294
Accounts receivable:			
User fees (net of allowances)	76,004	119,527	195,531
Total current assets	<u>2,088,564</u>	<u>4,858,676</u>	<u>6,947,240</u>
Noncurrent assets:			
Capital assets	4,518,308	3,860,638	8,378,946
Less accumulated depreciation	(895,227)	(2,403,113)	(3,298,340)
Total noncurrent assets	<u>3,623,081</u>	<u>1,457,525</u>	<u>5,080,606</u>
Total assets	<u>5,711,645</u>	<u>6,316,201</u>	<u>12,027,846</u>
Deferred outflow of resources:			
Changes in actuarial experience	1,990		1,990
Changes in assumptions	475		475
Change in pension investment gains or losses	40,883		40,883
Contributions after the measurement date, net	29,881		29,881
Total deferred outflow of resources	<u>73,229</u>	<u>-</u>	<u>73,229</u>
Liabilities:			
Current liabilities:			
Accounts payable	20,210	20,647	40,857
Accrued expenses	37,493	7,020	44,513
Unearned revenue		30,000	30,000
Total current liabilities	<u>57,703</u>	<u>57,667</u>	<u>115,370</u>
Long-term liabilities:			
Advances from other funds	267,459		267,459
Notes payable	200,000		200,000
Net pension liability	299,300	-	299,300
Total long-term liabilities	<u>766,759</u>	<u>-</u>	<u>766,759</u>
Total liabilities	<u>824,462</u>	<u>57,667</u>	<u>882,129</u>
Deferred inflow of resources:			
Change in pension investment gains or losses	12,425		12,425
Differences in actuarial experience	2,220		2,220
Total deferred inflow of resources	<u>14,645</u>	<u>-</u>	<u>14,645</u>
Net Position:			
Net investment in capital assets	3,423,081	1,457,525	4,880,606
Unrestricted	1,522,686	4,801,009	6,323,695
Total Net Position	<u>\$ 4,945,767</u>	<u>\$ 6,258,534</u>	<u>\$ 11,204,301</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, 2017**

	<u>Maritime Fund</u>	<u>Parking Operations Fund</u>	<u>Totals</u>
Operating Revenues:			
User fees	\$ 1,107,624	\$ 1,766,446	\$ 2,874,070
Operating Expenses:			
Salaries and benefits	406,099	450,606	856,705
Materials and supplies	60,582	18,772	79,354
Repairs and maintenance	90,442	232,888	323,330
Support services	35,982	446,072	482,054
Utilities	33,093	14,940	48,033
Administrative and other	135,603	194,850	330,453
Depreciation	133,295	140,164	273,459
Total operating expenses	<u>895,096</u>	<u>1,498,292</u>	<u>2,393,388</u>
Operating Income	212,528	268,154	480,682
Nonoperating revenues and expenses:			
Investment income	<u>17</u>	<u>1,389</u>	<u>1,406</u>
Income Before Transfers	212,545	269,543	482,088
Transfers:			
Transfers out	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>
Changes in Net Position	212,545	169,543	382,088
Net Position at Beginning of Year, as Restated	<u>4,733,222</u>	<u>6,088,991</u>	<u>10,822,213</u>
Net Position at End of Year	<u>\$ 4,945,767</u>	<u>\$ 6,258,534</u>	<u>\$ 11,204,301</u>

**CITY OF NEWPORT, RHODE ISLAND**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Maritime Fund</u>	<u>Parking Operations Fund</u>	<u>Totals</u>
Cash Flows from Operating Activities:			
Cash received from customers	\$ 1,047,301	\$ 1,665,669	\$ 2,712,970
Cash payments to suppliers for goods and services	(226,179)	(780,960)	(1,007,139)
Cash payments to employees for services	(402,473)	(449,333)	(851,806)
Payment of administrative expense	(135,603)	(194,850)	(330,453)
Net cash provided by (used in) operating activities	<u>283,046</u>	<u>240,526</u>	<u>523,572</u>
Cash Flows from Noncapital Financing Activities:			
Interfund loans and transfers		<u>(100,000)</u>	<u>(100,000)</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	<u>(233,456)</u>	<u>(310,016)</u>	<u>(543,472)</u>
Cash Flows from Investing Activities:			
Investment income (loss)	<u>17</u>	<u>192</u>	<u>209</u>
Net Increase (Decrease) in Cash and Cash Equivalents	49,607	(169,298)	(119,691)
Cash and Cash Equivalents at Beginning of Year	<u>1,962,953</u>	<u>3,640,153</u>	<u>5,603,106</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,012,560</u>	<u>\$ 3,470,855</u>	<u>\$ 5,483,415</u>
Reconciliation of Operating Income (Loss) to net Cash Provided by (Used in) Operating Activities:			
Operating income (loss)	\$ 212,528	\$ 268,154	\$ 480,682
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	133,295	140,164	273,459
Changes in assets and liabilities:			
Decrease (Increase) in accounts receivable	(60,323)	(110,777)	(171,100)
Decrease (Increase) in deferred outflows of resources:			
Changes of assumptions	458		458
Changes of actuarial experience	(1,990)		(1,990)
Change in pension investment gains or losses	(22,001)		(22,001)
Change in contributions after the measurement date	(1,768)		(1,768)
(Decrease) Increase in accounts payable	(6,080)	(68,288)	(74,368)
(Decrease) Increase in unearned revenues		10,000	10,000
(Decrease) Increase in accrued liabilities	196	1,273	1,469
(Decrease) Increase in net pension liability	36,007		36,007
(Decrease) Increase in deferred inflows of resources:			
Changes of differences in actuarial experience	(1,063)		(1,063)
Change in pension investment gains or losses	<u>(6,213)</u>		<u>(6,213)</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 283,046</u>	<u>\$ 240,526</u>	<u>\$ 523,572</u>
Noncash Investing, Capital and Related Financing Transactions:			
Increase (decrease) in fair value of investments	<u>\$ -</u>	<u>\$ 1,197</u>	<u>\$ 1,197</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, 2017**

	Pension Trust Funds			Other Post- Employment Benefit Trust Fund	Total Pension and Other Post- Employment Benefit Trust Funds
	Police Pension Fund	Fire Pension Fund	Total Pension Trust Funds		
Assets:					
Cash	\$	\$ 1,671,118	\$ 1,671,118	\$	\$ 1,671,118
Investments, at fair value:					
Fixed income mutual funds	11,362,200	8,757,739	20,119,939	7,482,426	27,602,365
Domestic equity mutual funds	40,301,190	31,063,290	71,364,480	24,923,824	96,288,304
International equity mutual funds	8,104,979	6,247,143	14,352,122	4,852,198	19,204,320
Alternative investments	7,770,760	5,989,536	13,760,296	4,719,515	18,479,811
Total assets	<u>67,539,129</u>	<u>53,728,826</u>	<u>121,267,955</u>	<u>41,977,963</u>	<u>163,245,918</u>
Liabilities:					
Cash overdraft	1,474,584		1,474,584	92,025	1,566,609
Accounts payable	47,760	36,812	84,572	30,622	115,194
Total liabilities	<u>1,522,344</u>	<u>36,812</u>	<u>1,559,156</u>	<u>122,647</u>	<u>1,681,803</u>
Net Position:					
Restricted for pension benefits	66,016,785	53,692,014	119,708,799		119,708,799
Restricted for other post-employment benefit			-	41,855,316	41,855,316
Total Net Position	<u>\$ 66,016,785</u>	<u>\$ 53,692,014</u>	<u>\$ 119,708,799</u>	<u>\$ 41,855,316</u>	<u>\$ 161,564,115</u>

**CITY OF NEWPORT, RHODE ISLAND  
 COMBINING STATEMENT OF FIDUCIARY NET POSITION  
 PRIVATE-PURPOSE TRUST FUNDS  
 JUNE 30, 2017**

	<b>Private-Purpose Trust Funds</b>		
	<b>Expendable Scholarship Funds</b>	<b>Nonexpendable Scholarship Trusts</b>	<b>Total Private Purpose Trust Funds</b>
<b>Assets:</b>			
Cash	\$ 24,581	\$	\$ 24,581
Investments, at fair value:			
Fixed income mutual funds		592,603	592,603
Domestic equity mutual funds		1,230,785	1,230,785
Total assets	<u>24,581</u>	<u>1,823,388</u>	<u>1,847,969</u>
<b>Liabilities:</b>			
Cash overdraft		55,276	55,276
Accounts payable		579	579
Total liabilities	<u>-</u>	<u>55,855</u>	<u>55,855</u>
<b>Net Position:</b>			
Restricted for Trust Purposes	<u>\$ 24,581</u>	<u>\$ 1,767,533</u>	<u>\$ 1,792,114</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, 2017**

	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	\$ 418,174	\$ 594,650	\$ 1,012,824	\$	\$ 1,012,824
Employer	4,314,776	5,918,258	10,233,034	720,000	10,953,034
Total contributions	<u>4,732,950</u>	<u>6,512,908</u>	<u>11,245,858</u>	<u>720,000</u>	<u>11,965,858</u>
Investment income (loss):					
Net change in fair value of investments	7,288,812	5,619,008	12,907,820	4,225,343	17,133,163
Interest, dividends and realized gains	1,121,880	864,753	1,986,633	851,850	2,838,483
Total investment income (loss)	<u>8,410,692</u>	<u>6,483,761</u>	<u>14,894,453</u>	<u>5,077,193</u>	<u>19,971,646</u>
Less investment expenses	<u>176,061</u>	<u>135,705</u>	<u>311,766</u>	<u>105,161</u>	<u>416,927</u>
Net investment income (loss)	<u>8,234,631</u>	<u>6,348,056</u>	<u>14,582,687</u>	<u>4,972,032</u>	<u>19,554,719</u>
Total additions	<u>12,967,581</u>	<u>12,860,964</u>	<u>25,828,545</u>	<u>5,692,032</u>	<u>31,520,577</u>
Deductions:					
Benefits	5,449,333	5,880,883	11,330,216		11,330,216
Administration	66,265	48,646	114,911	45,922	160,833
Total deductions	<u>5,515,598</u>	<u>5,929,529</u>	<u>11,445,127</u>	<u>45,922</u>	<u>11,491,049</u>
Changes in Net Position	7,451,983	6,931,435	14,383,418	5,646,110	20,029,528
Net Position at Beginning 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>
Net Position at End of Year	<u>\$ 66,016,785</u>	<u>\$ 53,692,014</u>	<u>\$ 119,708,799</u>	<u>\$ 41,855,316</u>	<u>\$ 161,564,115</u>

**CITY OF NEWPORT, RHODE ISLAND  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 PRIVATE PURPOSE TRUST FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Expendable Scholarship Funds</u>	<u>Non- Expendable Scholarship Trusts</u>	<u>Total Private Purpose Trust Funds</u>
Additions:			
Contributions	\$ 10,000	\$ 1,000	\$ 11,000
Investment income (loss):			
Net appreciation in fair value of investments		153,740	153,740
Interest, dividends and realized gains		49,428	49,428
Total investment income	-	203,168	203,168
Less investment expenses		1,113	1,113
Net investment income	-	202,055	202,055
Total additions	10,000	203,055	213,055
Deductions:			
Awards	10,000	59,150	69,150
Administration		1,414	1,414
Total deductions	10,000	60,564	70,564
Changes in Net Position	-	142,491	142,491
Net Position at Beginning of Year	24,581	1,625,042	1,649,623
Net Position at End of Year	\$ 24,581	\$ 1,767,533	\$ 1,792,114

**CITY OF NEWPORT, RHODE ISLAND**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FIDUCIARY NET POSITION**  
**NONEXPENDABLE SCHOLARSHIP TRUSTS**  
**JUNE 30, 2017**

	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	\$ 21,455	\$	\$ 2,321	\$ (710)	\$ 23,066
American Culinary Federation Award	45,686	1,000	5,882		52,568
Eileen Jeanes Jachna Award	40,286		5,051	(1,490)	43,847
William T Bull Award	37,362		4,671	(1,460)	40,573
Mercedes S Coulombe Award	105,908		12,892	(3,770)	115,030
Carol Ann Page Award	8,052		1,022	(200)	8,874
Avis G Marden Award	6,048		758		6,806
Class of 41 American Government Award	6,906		866		7,772
PF Carroll Scholarship	32,072		4,145	(1,280)	34,937
J Fitzgerald Scholarship	2,900		369	(110)	3,159
Smales Scholarship	17,212		2,158	(670)	18,700
Henry Vaughn Memorial Award	6,969		874	(260)	7,583
Adelson Biology Award	4,915		634	(190)	5,359
Leavitt Trust Award	21,339		2,669	(830)	23,178
Alliance Francaise Award	1,722		216	(65)	1,873
Lalli Trust Award	7,018		906		7,924
Goldstein Music Award	6,814		853	(260)	7,407
MB Howard Award	18,840		2,358	(730)	20,468
Newport School Book Award	467		58		525
Edward King Medal Award	90,231		10,981	(3,390)	97,822
Koehne Latin Award	4,586		577	(190)	4,973
Mirman Math Award	3,812		474	(150)	4,136
GH Norman Award	9,747		1,261	(390)	10,618
Peckham Award	118,582		14,506	(2,995)	130,093
Pell Medal	3,524		442		3,966
Read Medal #1	1,184		148		1,332
Read Medal #2	1,313		165		1,478
Charles B King Award	23,252		2,911	(900)	25,263
Rogers High School Centennial Award	53,821		6,721	(2,080)	58,462
Almira Coffin Award	5,861		733	(230)	6,364
HH Toole Scholarship	18,854		2,355	(730)	20,479
Henry Heffernan Award	90,848		11,726	(3,630)	98,944
Bruen Scholarship	32,382		4,059	(2,240)	34,201
Sullivan Scholarship	48,280		6,120	(1,960)	52,440
Joseph P Cotton Memorial Award	28,341		3,545	(1,100)	30,786
Rufus E Darrah Memorial Award	9,721		1,176	(360)	10,537
Margaret P Stevens Award	1,088		136		1,224
Christine Meek Sullivan/Marx Award	21,968		2,668	(750)	23,886
Zelda Mirman Music/Drama Award	40,052		5,092	(1,540)	43,604
Wosencroft Scholarship	8,667		1,084	(340)	9,411
M/M Thomas Archambault Award	18,829		2,353	(730)	20,452
Class of 46 Rogers High School DLS Award	22,035		2,753	(840)	23,948
General Contractors Association Award	29,741		3,715	(1,150)	32,306
Cohen Scholarship	7,791		1,007	(310)	8,488
Townsend Scholarship	9,711		1,213	(380)	10,544
Dorothy Drinkwater Lecraw Award	64,794		8,093	(2,510)	70,377
Nicholas Logothets Award	6,415		783		7,198
Helene Lewis Memorial Scholarship	100,461		12,580	(3,880)	109,161
Kristen Jorge Memorial Scholarship	24,292		3,040	(880)	26,452
James Colton Crowley Award	106,473		13,309	(4,120)	115,662
Florence J Alofsin English Award	7,881		988	(290)	8,579
Sandra Clooney Memorial Scholarship	33,286		4,157	(1,290)	36,153
Allan Family Scholarship	120,144		15,535	(4,820)	130,859
Loeb/George Washington Essay Award	7,882		894	(750)	8,026
Tift-Oxley Scholarship Fund	57,222		7,165	(2,200)	62,187
Unallocated Investment Expense			(1,113)	(1,414)	(2,527)
<b>Total Nonexpendable Scholarship Trusts</b>	<b>\$ 1,625,042</b>	<b>\$ 1,000</b>	<b>\$ 202,055</b>	<b>\$ (60,564)</b>	<b>\$ 1,767,533</b>

**CITY OF NEWPORT, RHODE ISLAND**  
**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance Ending</u>
<b>ASSETS</b>				
Cash:				
Thompson Middle School Student Funds	\$ 99,443	\$ 38,490	\$ 44,281	\$ 93,652
Rogers High School Student Funds	179,968	187,228	177,145	190,051
Newport Tech Student Funds	22,332	90,307	91,522	21,117
Chandler Student Funds	<u>3,388</u>	<u>5</u>	<u>250</u>	<u>3,143</u>
Total Assets	<u>\$ 305,131</u>	<u>\$ 316,030</u>	<u>\$ 313,198</u>	<u>\$ 307,963</u>
<b>LIABILITIES</b>				
Amounts held in escrow:				
Student activity funds	<u>\$ 305,131</u>	<u>\$ 316,030</u>	<u>\$ 313,198</u>	<u>\$ 307,963</u>
Total Liabilities	<u>\$ 305,131</u>	<u>\$ 316,030</u>	<u>\$ 313,198</u>	<u>\$ 307,963</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									
	2008	2009	2010	2011	2012	2013	2014	2015	(as restated) 2016	2017
Governmental activities:										
Net investment in capital assets	\$ 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	\$ 87,510,639
Restricted for:										
Permanent funds:										
Expendable	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	9,451,330
Nonexpendable	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	2,601,651
Debt service	878,998	1,065,923	1,228,776	1,400,360	1,605,509	1,797,817	1,996,439	2,202,084		
Unrestricted	8,364,508	5,807,577	9,706,280	4,508,285	7,549,172	14,794,102	15,092,614	(93,982,709)	(101,585,005)	(104,620,306)
Total governmental activities net position	69,923,577	72,380,333	75,780,403	76,622,021	83,022,822	90,868,795	102,886,562	(9,189,925)	(9,445,753)	(5,056,686)
Business-type activities:										
Net investment in capital assets	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	106,853,154
Held in trust			99,000	99,000	99,000	99,000	99,000	99,000	99,000	99,000
Restricted - other purposes	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	36,178,706
Unrestricted	2,365,226	1,207,853	2,214,069	(749,281)	3,602,780	494,384	2,653,117	599,161	6,444,797	(5,555,498)
Total business-type activities net position	94,178,350	95,827,261	99,058,539	99,938,618	111,020,663	116,845,656	121,125,499	124,348,831	130,829,425	137,575,362
Primary government:										
Net investment in capital assets	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	194,363,793
Restricted for:										
Permanent funds:										
Expendable	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	9,451,330
Nonexpendable	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	2,601,651
Held in trust			99,000	99,000	99,000	99,000	99,000	99,000	99,000	99,000
Debt service	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	36,178,706
Education										
Unrestricted	10,729,734	7,015,430	11,920,349	3,759,004	11,151,952	15,288,486	17,745,731	(93,383,548) *	(95,140,208) *	(110,175,804)
Total primary government net position	\$ 164,101,927	\$ 168,207,594	\$ 174,838,942	\$ 176,560,639	\$ 194,043,485	\$ 207,714,451	\$ 224,012,061	\$ 115,158,906	\$ 121,383,672	\$ 132,518,676

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

TABLE 2  
(1 of 2)

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses:</b>										
<b>Governmental activities:</b>										
General government	\$ 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	\$ 7,372,458
General education	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	45,453,582
Public safety	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	39,921,674
Public services	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	11,728,084
Civic investment	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	489,296
Zoning and inspections	622,368	1,092,871	769,888	753,272	477,422	553,546	745,706	772,793	1,017,597	1,028,570
Human services	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	3,121,298
Interest expense	782,723	682,805	863,546	626,020	761,420	717,665	1,405,987	1,480,976	1,571,539	1,493,058
Total governmental activities	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	110,608,020
<b>Business-type activities:</b>										
Water	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	14,826,722
Water Pollution Control	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	13,857,667
Nonmajor	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	2,393,388
Total business-type activities	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	31,077,777
Total primary government expenses	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	141,685,797
<b>Program Revenues:</b>										
<b>Governmental activities:</b>										
<b>Charges for services:</b>										
General government	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	6,377,401
General education	1,356,264	1,782,477	1,790,646	1,440,324	1,321,351	837,653	840,696	873,012	1,039,993	1,180,588
Public safety	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	3,636,896
Public services	85,761	94,164	57,937	99,195	87,460	34,370	216,626	237,252	229,091	223,173
Civic investment	1,601,347	947,823	868,638	908,497	925,484	1,318,890	59,629			
Zoning and inspections	105,010	129,025	117,510	113,660	137,297	144,068	1,675,596	1,643,399	1,439,847	1,376,854
Human services	439,667	238,794	(22,957)	(262,752)	951,451	245,112	152,053	1,793,683		182,643
Operating grants and contributions	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	19,885,710
Capital grants and contributions	469,484	2,981,072	1,773,730	551,913	2,423,972	648,087	3,112,761	136,278	168,394	915,808
Total governmental activities program revenues	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	33,779,073
<b>Business-type activities:</b>										
<b>Charges for services:</b>										
Water	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	17,709,574
Water Pollution Control	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	17,327,524
Recreational and parking facilities	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	2,874,070
Capital grants and contributions	305,849	154,107	154,107	78,856	4,494,396	853,295	484,760			
Total business-type activities	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	37,911,168
Total primary government program revenues	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	71,690,241
<b>Net (Expense)/Revenue:</b>										
Governmental activities	(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)	(76,828,947)
Business-type activities	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	6,833,391
Total primary government net expense	(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)	(69,995,556)

(Continued)

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Revenues and Other Changes in Net Assets:										
Governmental activities:										
Property taxes	\$ 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	\$ 77,746,437
Unrestricted grants and contributions	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	1,758,319
Investment income (loss)	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	1,613,258
Gain on sale of assets						730,000		2,422,500		
Transfers	1,053,250	(102,103)	(743,534)		25,200	(23,536)	(1,062,223)	300,000	100,000	100,000
Total governmental activities	<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>	<u>81,218,014</u>
Business-type activities:										
Investment income (loss)	162,538	84,612	78,285	39,502	63,198	(19,987)	46,272	26,405	27,939	12,546
Capital contributions			320,000							
Loss on disposal of assets							(2,291,267)			
Transfer from primary government	(1,053,250)	102,103	743,534		(25,200)	23,536	1,062,223	(300,000)	(100,000)	(100,000)
Total business-type activities	<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>	<u>(87,454)</u>
Special Item - Forgiveness of debt			454,485							
Total primary government	<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>	<u>81,130,560</u>
Change in Net Position										
Governmental activities	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)	4,389,067
Business-type activities	764,775	1,648,909	3,231,278	880,079	11,082,045	5,824,993	4,569,091	7,871,417	7,097,537	6,745,937
Total Primary Government	<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>	<u>\$ 11,135,004</u>

(Concluded)

(1) - 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									
	2008	2009	2010	2011	2012	2013	2014	2015	(as restated) 2016	2017
General Fund:										
Nonspendable	\$	\$	\$	\$	\$	\$	\$	\$	\$ 55,628	\$ 58,385
Restricted by donors					65,453	88,288	99,453	105,183	595,162	465,571
Committed	860,549	773,846	838,101	1,157,839	554,702	759,186	689,885	1,291,706	315,896	489,362
Assigned				864,852	869,960	1,534,889	452,243	2,844,064 (2)	2,167,743	1,950,620
Unassigned	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	14,726,077
Total general fund	<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>	<u>17,690,015</u>
All Other Governmental Funds:										
Nonspendable	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	2,601,651
Restricted for Trusts	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	9,451,330
Restricted for Debt Service	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	2,442,682	3,358,230	3,131,649	2,630,585	2,627,638	2,775,198	3,390,416	3,830,470	5,447,751	5,373,566
Committed for Capital Projects	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	7,471,377
Assigned by City Council	2,518,604	1,816,113	863,630							
Assigned by School Committee	800,000	1,200,000	1,153,152	1,370,211						
Unassigned				(71,296)	(28,728)	(246,686)		(64,680)	(18,859)	(19,789)
School Unassigned	2,838,529	1,785,759	292,259	202,464			(1)			
Total all other governmental funds	<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>23,434,276</u>	<u>24,878,135</u>
Grand Total	<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>\$ 41,885,343</u>	<u>\$ 42,568,150</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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues:</b>										
Taxes	\$ 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	\$ 77,505,920
Intergovernmental revenues	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	22,204,355
Charges for services	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	12,978,225
Use of money and property	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	1,613,258
Donations	198,608	95,493	52,253	161,507	625,959	494,240	543,031	411,572	282,699	579,150
Other revenues	1,144,697	1,194,553	1,273,953	1,128,835	108,017	126,852	102,428	11,896	8,856	27,974
<b>Total revenues</b>	<b>98,612,193</b>	<b>98,178,010</b>	<b>101,103,664</b>	<b>100,543,176</b>	<b>102,052,033</b>	<b>104,116,870</b>	<b>108,000,191</b>	<b>109,699,083</b>	<b>111,644,554</b>	<b>114,908,882</b>
<b>Expenditures:</b>										
<b>Current:</b>										
General government	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	6,635,035
General education	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	43,901,644
Public safety	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	36,346,838
Public services	6,428,621	6,963,674	6,767,348	7,331,032	6,558,789	7,214,122	8,542,562	9,577,893	9,057,691	9,045,503
Civic investment	1,229,936	1,271,653	1,187,737	1,601,554	1,322,831	1,495,174	532,280	406,802	435,090	353,201
Zoning and inspections	558,059	653,419	600,505	590,817	426,155	496,911	745,706	784,609	953,053	1,025,559
Human services	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	3,110,260
Pension expenses	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	1,914,981
<b>Debt service:</b>										
Principal	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 (1)	3,703,000
Interest	755,657	712,750	896,577	693,395	616,534	725,389	3,013,999	3,257,800	3,711,590	1,836,043
<b>Capital outlay</b>	<b>5,097,103</b>	<b>8,039,837</b>	<b>5,231,327</b>	<b>5,974,911</b>	<b>9,922,125</b>	<b>27,831,732</b>	<b>8,564,163</b>	<b>5,775,889</b>	<b>9,824,956</b>	<b>9,690,381</b>
<b>Total expenditures</b>	<b>96,178,839</b>	<b>104,483,221</b>	<b>102,731,366</b>	<b>103,799,707</b>	<b>105,616,673</b>	<b>124,586,073</b>	<b>106,847,113</b>	<b>108,675,918</b>	<b>115,481,597</b>	<b>117,562,445</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>2,433,354</b>	<b>(6,305,211)</b>	<b>(1,627,702)</b>	<b>(3,256,531)</b>	<b>(3,564,640)</b>	<b>(20,469,203)</b>	<b>1,153,078</b>	<b>1,023,165</b>	<b>(3,837,043)</b>	<b>(2,653,563)</b>
<b>Other Financing Sources (Uses):</b>										
Proceeds from borrowing			18,285,000		9,000,000	19,575,000		5,735,000		2,865,000
Bond premium			1,149,278		102,780	2,603,044		423,546		371,370
Payment to refunding escrow agent			(14,091,304)					1,500,000		
Sale of property						730,000		2,422,500		
Lease proceeds				1,239,457						
Transfers in	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	3,905,921
Transfers out	(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)	(3,805,921)
<b>Total other financing sources (uses)</b>	<b>1,053,250</b>	<b>(102,103)</b>	<b>4,599,440</b>	<b>1,239,457</b>	<b>9,127,980</b>	<b>22,884,508</b>	<b>(1,062,223)</b>	<b>10,381,046</b>	<b>100,000</b>	<b>3,336,370</b>
<b>Net Change in Fund Balances</b>	<b>\$ 3,486,604</b>	<b>\$ (6,407,314)</b>	<b>\$ 2,971,738</b>	<b>\$ (2,017,074)</b>	<b>\$ 5,563,340</b>	<b>\$ 2,415,305</b>	<b>\$ 90,855</b>	<b>\$ 11,404,211</b>	<b>\$ (3,737,043)</b>	<b>\$ 682,807</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>2.13%</b>	<b>2.01%</b>	<b>2.19%</b>	<b>1.77%</b>	<b>2.48%</b>	<b>2.54%</b>	<b>4.50%</b>	<b>4.75%</b>	<b>7.20%</b>	<b>5.13%</b>

## Notes:

(1) City paid off a QZAB loan from a debt service account

**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						
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%	
2017	4,561,159,167	1,270,197,223	130,135,183	-	171,273,074	104,045,168	6,028,719,479	11.21	15.55	6,132,764,647	98.30%	

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)**

	2017			2008		
	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%	\$ 66,263,400	1	1.10%
GINRI Assets, LLC	59,325,300	2	0.98%			
LSRef3 Viking LLC	55,117,300	3	0.91%	43,732,600	4	0.73%
Newport Restoration Foundation	53,007,117	4	0.88%	58,054,600	2	0.97%
Narraganset Electric	43,322,664	5	0.72%	25,895,300	7	0.43%
Shaner Newport Harbour LLC	32,625,900	6	0.54%			
Narraganset Gas	30,426,936	7	0.50%	30,132,500	5	0.50%
RK Newport, LLC	28,461,100	8	0.47%	19,062,200	8	0.32%
Premier Entertainment II, LLC	22,000,600	9	0.36%			
FF Apartments LLC	19,475,000	10	0.32%			
H E Newport, LLC				57,784,900	3	0.96%
H E Newport, LLC				27,373,900	6	0.46%
Hammersmith Preservation Assoc.				14,203,100	9	0.24%
Wellington Hotel Association				13,968,000	10	0.23%
Total	\$ <u>414,817,417</u>		<u>6.88%</u>	\$ <u>356,470,500</u>		<u>5.93%</u>

Source: City of Newport Assessor

TABLE 7

**CITY OF NEWPORT, RHODE ISLAND  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

<b>Fiscal Year Ended June 30</b>	<b>Taxes Levied for the Fiscal Year (net abatements)</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
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%	1,183,627	70,119,974	99.8%
2017	72,685,804	71,587,413	98.5%	-	71,587,413	98.5%

Source: City of Newport Tax Collector

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

Fiscal Year June 30,	Governmental Activities				Business-Type Activities			Total	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	Pollution Control Bonds (2)					
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%
2017	40,000,000		3,063,873	463,751	88,606,037	200,000	42,814,163	175,147,824	25,543	6,857	6,028,719,479	2.91%

## 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				
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%	1.01%	25,543	2,008.85
2016	40,838,000	2,999,830		43,837,830	0.73%	Not Available	25,543	1,716.24
2017	40,000,000	3,063,873		43,063,873	0.71%	Not Available	25,543	1,685.94

## 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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total assessed value	\$ 6,051,054,991	\$ 6,052,309,573	\$ 5,777,055,864	\$ 5,757,738,570	\$ 5,900,638,406	\$ 5,195,179,988	\$ 5,216,185,072	\$ 5,985,006,479	\$ 6,014,314,527	\$ 6,028,719,479
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>181,531,650</u>	<u>181,569,287</u>	<u>173,311,676</u>	<u>172,732,157</u>	<u>177,019,152</u>	<u>155,855,400</u>	<u>156,485,552</u>	<u>179,550,194</u>	<u>180,429,436</u>	<u>180,861,584</u>
Debt applicable to limit:										
General obligation bonds	<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>	<u>40,000,000</u>
Legal debt limit	181,531,650	181,569,287	173,311,676	172,732,157	177,019,152	155,855,400	156,485,552	179,550,194	180,429,436	180,861,584
Total net debt applicable to the limit	<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>	<u>40,000,000</u>
Legal debt margin	<u>\$ 163,290,262</u>	<u>\$ 164,552,164</u>	<u>\$ 152,496,668</u>	<u>\$ 152,019,727</u>	<u>\$ 158,611,722</u>	<u>\$ 110,981,864</u>	<u>\$ 114,492,016</u>	<u>\$ 131,508,122</u>	<u>\$ 139,591,436</u>	<u>\$ 140,861,584</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>11.17%</u>	<u>10.34%</u>	<u>13.65%</u>	<u>13.72%</u>	<u>11.61%</u>	<u>40.43%</u>	<u>36.68%</u>	<u>36.53%</u>	<u>29.26%</u>	<u>28.40%</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	
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
2017	17,709,574	9,165,405	8,544,169	4,281,000	2,709,941	1.22 (1)	17,327,524	8,917,038	8,410,486	2,349,824	1,384,128	2.25

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.

"(1) Rates were increased effective October 1, 2016 so first quarter was under old rates.

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

<b>Fiscal Year June 30,</b>	<b>Population</b>	<b>Per Capita Personal Income &gt;</b>	<b>Total County Personal Income &gt; (thousands)</b>	<b>Total State Personal Income &gt; (thousands)</b>	<b>School Enrollment ^</b>	<b>Unemployment Rate &lt;</b>
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	11.2%
2011	24,672 ***	53,089	4,303,320	46,125,394	2,119	10.9%
2012	24,672 ***	55,682	4,529,740	46,112,864	2,029	10.5%
2013	24,672 ***	56,472	4,653,093	49,409,583	2,097	9.2%
2014	24,672 ***	57,488	4,734,561	51,026,876	1,988	7.7%
2015	24,672 ***	61,666	5,082,707	52,833,501	2,078	6.0%
2016	24,672 ***	Not Available	Not Available	Not Available	2,130	5.4%
2017	24,672 ***	Not Available	Not Available	Not Available	2,171	4.2%

\* Source: Rhode Island Department of Planning.

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

\*\*\* Source: 2010 US Census

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

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

^ Source: City School Department.

< Source: RI Department of Labor & Training.

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

2017				2008			
Employer	Employees	Rank	Percentage of Total City Employment	Employer	Employees	Rank	Percentage of Total City Employment
Naval Station Newport	4,182	1	30.7%	Naval Undersea Warfare Center	2,824	1	18.7%
City of Newport	919	2	6.8%	City of Newport	800	4	5.3%
Lifespan	705	3	5.2%	Newport Hospital (Lifespan)	878	3	5.8%
Newport Harbor Corporation	630	4	4.6%				
Salve Regina University	567	5	4.2%	Salve Regina University	500	6	3.3%
East Bay Community Action	487	6	3.6%				
Preservation Society	385	7	2.8%	Preservation Society of Newport County	440	7	2.9%
Gurney's Newport Resort & Marina	340	8	2.5%	Hyatt Regency (Gurney's)	330	8	2.2%
James L. Maher Center	328	9	2.4%	James L. Maher Center	700	5	4.6%
Marriott International Inc.	199	10	1.5%	Newport Marriott Hotel	289	9	1.9%
				Naval Education and Training Center (NETC)	950	2	6.3%
				Child & Family Services of Newport County	280	10	1.9%
<b>Total</b>	<b>8,742</b>		<b>64.2%</b>	<b>Total</b>	<b>7,991</b>		<b>52.9%</b>

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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government:										
Mayor and Council	7	7	7	7	7	7	7	7	7	7
City Manager	6	5.5	5.5	5.5	5.5	5.5	5.25	6.25	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	23	22	22	22	21	22	18.5	18.5	18.5	18.5
City Clerk	6	6	6	6	6	5	5	5	5	5
Administrative services	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Civic Investment	13	13	13	13	14	5	5	4	4	4
Zoning & Inspections						9	9	9	9	9
Total General Government	<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>	<u>55.25</u>
Public safety:										
Police	111.5	111.5	104.5	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>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>	<u>203.5</u>
Public health:										
Public works	39	40	40	40	40	43	43	46	46	47
Water	46.4	46.4	46.4	46.4	46.4	46.4	46.4	46.4	46.4	46.4
Wastewater	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
	<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>	<u>95</u>
Public welfare:										
Recreation and parks	4	4	4	4	3	3	3	n/a	n/a	n/a
Public education:										
Teachers	210	201	197.5	211.5	212.1	208.4	198.2	208	210	224
Pupil support	62	60	58.5	45.5	48	51	50	59	70	66
Executive and administrative	76	74	69	63	59.5	56.4	57	57	61	64
	<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>	<u>354</u>
Total	<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>	<u>707.75</u>

Source: City budgets and School Business Manager

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

Function/Program	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Police:</b>										
Arrests	1,943	1,777	1,723	1,827	1,185	1,372	1,721	1,526	1,431	1,240
Parking violations	39,968	40,962	35,535	31,679	34,765	28,804	20,775	22,753	31,152	30,689
Calls for Service	34,015	35,677	30,058	29,220	28,785	28,620	30,804	31,728	32,180	32,757
<b>Fire:</b>										
Emergency responses	5,625	5,891	3,675	3,719	4,162	4,340	4,057	4,138	3,729	3,662
Fires extinguished	116	78	109	78	123	156	118	77	109	105
Inspections	1,151	948	1,414	1,136	1,545	1,466	1,584	1,301	780	599
<b>Refuse collection:</b>										
Refuse collected (tons/day, average)	29.66	29.30	28.22	27.57	27.58	26.68	27.29	22.49	21.25	21.10
Recyclables collected (tons/day, average)	8.91	8.94	8.66	8.64	8.59	8.69	9.18	9.92	10.29	10.29
<b>Other public works:</b>										
Street resurfacing (miles)	1.92	1.90	4.2	9.43	6.5	9.26	3.283	1.41	3.61	1.34
<b>Parks and recreation:</b>										
Athletic field and facility rentals	87	309	325 ***	331	335	415	420	428	468	378
<b>Library:</b>										
Volumes in collections	205,914	211,767	167,209 ***	183,506 ****	172,814 ****	195,105 ^	206,451 ^	191,980	187,113	184,949
<b>Water:</b>										
New connections	57	35	30	30	44	55	23	52	49	63
Water mains breaks	31	25	35	24	19	28	31	19	23	21
Average daily production (avail for sale) (million gallons per day)	6.87	6.93	6.65	6	5.9	5.67	5.79	5.55	5.44	5.34
<b>Wastewater:</b>										
Average daily sewage treatment (thousands of gallons)	7,820	10,000	11,100	8,550	9,463	8,240	7,094	7,200	7.14MGD	7.68MGD

Note:  
 \*\* Capacity exceeded in an effort to reduce CSO's. A CSO abatement program under RIDEM approval is currently underway.  
 \*\*\* In addition to tracking Salve Regina University and the Gulls' renters, this information now includes newly tracked use of Cardine's Field by sunset league and also 2-hr field use rentals for various practices/functions.  
 \*\*\*\* The bulk of the difference is back issues of periodicals that were discarded  
 \*\*\*\*\* Includes 11,180 electronic holdings  
 ^ Includes 25,553 e books purchased consorcially through Ocean State Libraries

Sources: Various city departments

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Function/Program</b>										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	86	86	79	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	96.80	96.80	96.80	96.80	96.80
Streetlights	1,976	1,974	1,974	1,918	1,918	1,918	1,918	1,918	1,940	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	416 *	427
Playgrounds	13	13	13	13	13	13	13	15	16 *	16
Multi purpose playing fields	7	7	7	7	7	7	7	7	16 *	16
Tennis courts	18	18	18	18	18	18	18	18	17 *	16
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	175
Fire hydrants	999	999	1,034	1,034	1,034	1,037	1,037	1,037	1,039	1,042
Storage capacity (thousands of gallons-treated)	10,500	10,500	10,500	10,500	10,500	7,500	7,500	7,500	8.25M **	8.25M
Wastewater:										
Sanitary sewers (miles)	88	88	88	88	88	88	88	88	90.2	90.2
Storm sewers (miles)	46	46.5	46.5	46.5	46.5	46.5	52.0	52.0	50.1	50.1
Treatment capacity (thousands of gallons) (daily)	10,700	10,700	10,700	10,700	10,700	10,700	10,700	10,700	19.7M ***	19.7M

Source: Various city departments

\* Per new Open Space Master Plan

\*\* New water plant

\*\*\* Wastewater System Improvements