

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

of the

CITY OF NEWPORT, RHODE ISLAND



FOR THE YEAR ENDED

JUNE 30, 2018

PREPARED BY:

LAURA SITRIN, CPA
DIRECTOR OF FINANCE

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 COMPREHENSIVE ANNUAL FINANCIAL REPORT
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Introductory Section



December 10, 2018

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, 2018.

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, 2018 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, 2018, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Newport, Rhode Island was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Newport, Rhode Island's separately issued Single Audit Report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Newport, Rhode Island's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Newport, Rhode Island (City), founded in 1639, incorporated in 1784 and re-chartered in 1853, is located at the southern end of Aquidneck Island in Narragansett Bay, about 30 miles southeast of Rhode Island's capital of Providence. The City is bounded by the Atlantic Ocean on the east and south and Narragansett Bay on the west. The City is 11 square miles in size, with 7.7 square miles of land and 3.3 square miles of inland water. The City has a year-round population of about 25,000, which grows substantially during the summer months. The City is also visited by over 4,000,000 people annually.

The City operates under a Home Rule Charter providing for a council/city manager form of government. There is a seven-member City Council serving two-year terms, headed by its Chairperson, who is elected by the at large City Councilors and also holds the title of Mayor. Four of the Councilors are elected at large and three from voting wards. All legislative powers of the City are vested in the City Council by the Charter, including the ordering of any tax, making appropriations, and transacting any other business pertaining to the financial affairs of the City. The City Council is also responsible for passing ordinances, adopting the budget, appointing committees and hiring the City Manager, City Solicitors, and Municipal Judges. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the government, and for appointing all other employees.

An elected seven-member School Committee, all at large and serving two-year terms, is vested with autonomous legislative authority over the public school system. The School Committee appoints the Superintendent of Schools as the chief executive officer for the school system. The school system provides elementary and primary education to City residents and vocational programs to other Newport County residents.

Municipal services include public safety; potable water and wastewater collection, treatment and distribution; solid waste and recyclables collection and disposal; street and sidewalk maintenance; beach, harbor, recreation, tourism and parking operations; and planning, zoning and economic development functions.

The annual budget serves as the foundation for the City's financial planning and control. All departments and the Newport Public Schools are required to submit requests for appropriations to the City Manager by May 14th of each year. In practice, budget preparation begins in December. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager presents the proposed budget to the City Council for review no later than 45 days prior to June 30. The Council is required to hold 2 public hearings on the proposed budget and to adopt a final budget no later than June 30, the close of the City's fiscal year. The appropriated budget is prepared by fund, function (e.g. public safety) and department. Department heads may make transfers of appropriations within a department with City Manager approval. Transfers of appropriations between departments, however, require the approval of the City Council. Budget-to-actual comparisons are provided in this report for the City's general operating fund and the school general operating fund.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local economy

From its early years when commerce involved the whale-oil trade, to today's highly sophisticated research in electronic submarine warfare, the seaport has continued to play a vital role in Newport's economy. The U.S. Navy, beginning with the founding of the Naval War College in 1884, influenced the development of the City and continues to do so as one of the major contributors to the local economy.

Newport's location, natural and cultural resources, and sense of history are responsible for the growth of tourism into a primary source of revenue. The third largest economic factor in Newport, the service sector, benefits from both the defense and tourism industries. As the State's principal tourist center and resort community, Newport is visited annually by millions of tourists who attend special events, sail and view the City's mansions and other attractions. The City's popularity has stimulated significant private investment in retail shopping facilities, hotels, timeshare units, restaurants, clubs and other tourist-oriented enterprises.

The personal income per capita in 2016 (latest available data) for Newport County is \$61,367 compared to \$50,427, and \$49,246 for Rhode Island and the United States, respectively. The unemployment rate is 3.5% compared to the state unemployment rate of 4.3% as of June 2018. The median selling price of an existing home in June 2018 is \$490,000 compared to \$400,000 in June 2017. 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.

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 \$85 million.

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 \$50 million of projects and is in the process of major upgrades 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 (FY2018) 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 FY2018 of \$600,000 to purchase and implement an educational program of technology for student use in the Newport Public Schools. The City has appropriated an additional \$800,000 to complete the student technology purchase and implementation in FY2019. The City has also authorized a one-time transfer of \$450,000 to the schools to cover a portion of a school deficit at June 30, 2018.

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 FY2018.

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 13th year (declining to 1). The plans are currently funded at 54% for the fire plan and 71% for the police plan.

The City provides pension benefits for its non-public safety employees (except teachers) through a state-wide plan managed by the State Treasurer. Newport teachers are members of the State of Rhode Island Employee Retirement System. State-hired actuaries determine the funding level and unfunded actuarially accrued liability for each individual participating employer. The City is 61% 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, 2018 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, 2018, 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, 2018 is \$125 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 \$47 million have been accumulated as of July 1, 2018. 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. 75 of the Governmental Accounting Standards Board, entitled *Accounting and Reporting for Postemployment Benefit Plans Other Than Pensions* for the financial statements ending June 30, 2018. Essentially, the City added another post employment (OPEB) liability of \$77,704,228 as of July 1, 2017, as a restatement to beginning net position. Changes in the liability were recorded in the statement of activities for the year ended June 30, 2018.

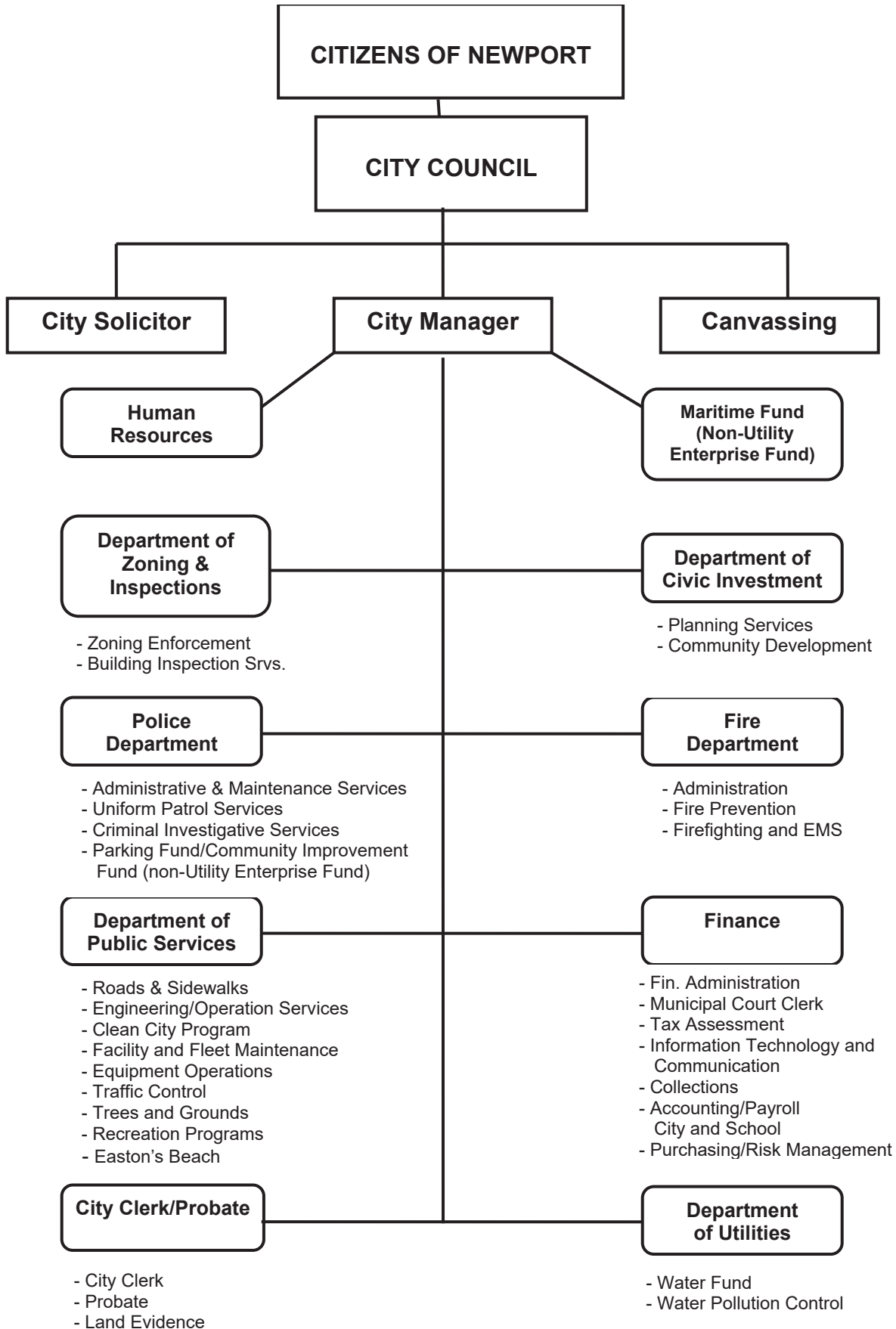
The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance department. We would like to express our appreciation to all members of the department. Credit also must be given to the Mayor and City Council for their unfailing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

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Laura L. Sitrin".

Laura L. Sitrin, CPA
Director of Finance

THE CITY OF NEWPORT, RI



CITY OF NEWPORT, RHODE ISLAND

PRINCIPAL ELECTED AND APPOINTED OFFICIALS

Elected Officials:

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

Mayor
1st Ward Councilor
2nd Ward Councilor, Vice-Chair
3rd Ward Councilor
Councilor At Large
Councilor At Large
Councilor At Large
School Committee
School Committee
School Committee
School Committee
School Committee
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, 2017

Christopher P. Morrill

Executive Director/CEO



Financial Section

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, 2018, 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, 2018 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, 2018, the City of Newport, Rhode Island, adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The net position of the City of Newport, Rhode Island has been restated to recognize the net other postemployment benefit liability in accordance with GASB No. 75. 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, and the pension and OPEB schedules, as listed on the table of contents, 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, statistical section, and Annual Supplemental Transparency Report 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 and the Annual Transparency Report 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 and the Annual Supplementary Transparency Report 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 10, 2018 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 10, 2018

**CITY OF NEWPORT, RHODE ISLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

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, 2018. 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 \$68,185,120 (net position).
- The government's net position increased by \$13,370,672 for the fiscal year 2018. However, beginning net assets were reduced by \$77,704,228 because the City implemented Governmental Accounting Standard No. 75 *Accounting and Reporting for Post Employment Benefits Other than Pensions*. Governmental activities' net position increased \$7,055,063 due to a decrease in net pension liability in the police and fire pension plans and an increase in operating and capital grants. Business-type activities had an increase of \$6,315,609 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, 2018, the City of Newport's governmental funds reported a combined ending fund balance of \$43,964,823, an increase of \$1,396,673 in comparison to the prior year fund balance. Of the total fund balance, \$30,735,927 (70%) is either nonspendable, restricted or committed, leaving \$13,228,896 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 \$15,611,709, or 13.70% of total general fund expenditures and net other financing uses. \$2,349,159 of the fund balance is nonspendable, restricted or committed leaving \$13,262,550 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 \$14,014,354, or 15.07% of city operating expenditures and other financing uses. The School's assigned and unassigned general fund balance is a deficit of (\$751,804).
- The City of Newport's long-term liabilities increase of \$62,756,743 is the result adding the liability for other post employment benefits.

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, 2018**

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, 2018**

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 26-86 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 \$68,185,120 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, 2018**

The City of Newport's net position at the beginning of the year prior to restatement was \$132,518,676. The net position was reduced by \$77,704,228 to a restated net position at the beginning of the year of \$54,814,448. The unrestricted net deficit at June 30, 2018 is (\$186,606,661). 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 | | 2017 | | 2017 | |
| | 2018 | (as Restated) | 2018 | (as Restated) | 2018 | (as Restated) |
| Current and other assets | \$ 54,797,146 | \$ 51,280,003 | \$ 39,906,890 | \$ 46,426,544 | \$ 94,704,036 | \$ 97,706,547 |
| Capital assets | 131,510,260 | 131,038,264 | 252,684,274 | 234,448,511 | 384,194,534 | 365,486,775 |
| Total assets | 186,307,406 | 182,318,267 | 292,591,164 | 280,875,055 | 478,898,570 | 463,193,322 |
| Deferred outflows of resources | 24,970,203 | 21,272,173 | 2,169,644 | 1,595,669 | 27,139,847 | 22,867,842 |
| Total assets and outflows of resources | 211,277,609 | 203,590,440 | 294,760,808 | 282,470,724 | 506,038,417 | 486,061,164 |
| Long-term liabilities | 246,374,108 | 188,665,578 | 136,393,586 | 131,345,373 | 382,767,694 | 320,010,951 |
| Other liabilities | 14,277,117 | 12,816,673 | 16,875,840 | 13,230,870 | 31,152,957 | 26,047,543 |
| Total liabilities | 260,651,225 | 201,482,251 | 153,269,426 | 144,576,243 | 413,920,651 | 346,058,494 |
| Deferred inflows of resources | 22,807,966 | 7,164,875 | 1,124,680 | 319,119 | 23,932,646 | 7,483,994 |
| Total liabilities and inflows of resources | 283,459,191 | 208,647,126 | 154,394,106 | 144,895,362 | 437,853,297 | 353,542,488 |
| Net assets: | | | | | | |
| Net investment in capital assets | 92,189,696 | 87,510,639 | 119,347,616 | 106,853,154 | 211,537,312 | 194,363,793 |
| Restricted | 12,899,320 | 12,052,981 | 30,355,149 | 36,277,706 | 43,254,469 | 48,330,687 |
| Unrestricted (deficit) | (177,270,598) | (104,620,306) | (9,336,063) | (5,555,498) | (186,606,661) | (110,175,804) |
| Total Net Position | \$ (72,181,582) | \$ (5,056,686) | \$ 140,366,702 | \$ 137,575,362 | \$ 68,185,120 | \$ 132,518,676 |

An additional portion of the City of Newport's net position (63%) represents resources that are restricted by external parties.

The City's net position increased by \$13,370,672 during the current fiscal year. The primary reasons for the increase is because sewer rates were increased to cover debt service related to mandated capital projects in the business-type activities; and an increase in property taxes and operating and capital grants in the governmental activities. There were significant increases in activities expenses from the prior year due to increased pension and other post employment benefit costs, as well as education expense. The increases were offset by reductions in other expenditures due to good departmental management, and increased revenues and grants.

**CITY OF NEWPORT, RHODE ISLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

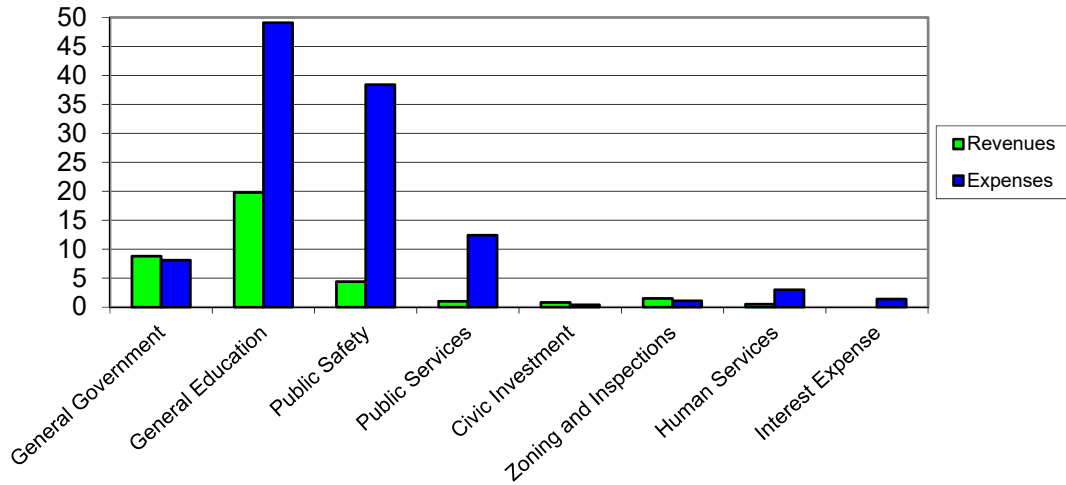
Governmental Activities

Governmental activities net position increased by \$7,055,063. A comparison of FY2018 and FY2017 activity can be found below which indicates the changes identified above.

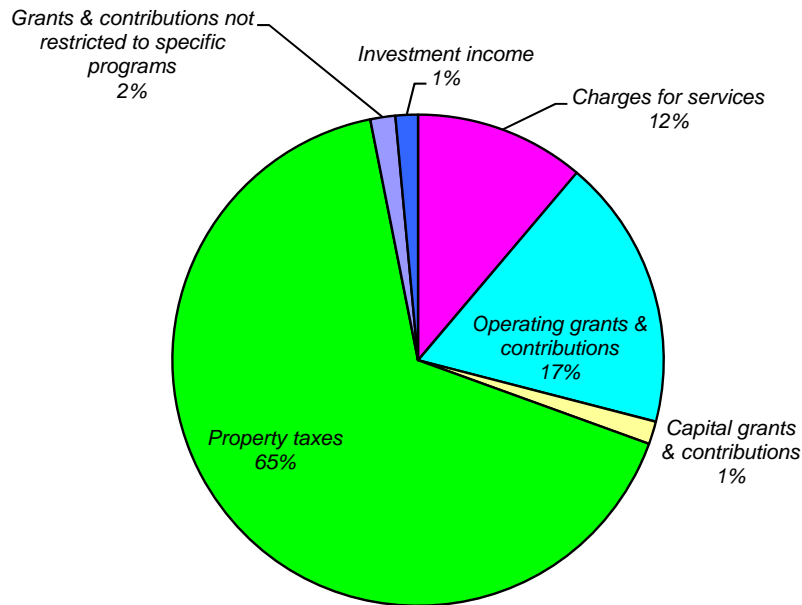
City of Newport's Changes in Net Position

| | Governmental Activities | | Business-type Activities | | Total | |
|---|----------------------------|-----------------|-----------------------------|----------------|---------------|---------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 13,439,237 | \$ 12,977,555 | \$ 38,860,798 | \$ 37,911,168 | \$ 52,300,035 | \$ 50,888,723 |
| Operating grants and contributions | 21,451,434 | 19,885,710 | | | 21,451,434 | 19,885,710 |
| Capital grants and contributions | 1,811,795 | 915,808 | | | 1,811,795 | 915,808 |
| General revenues: | | | | | | |
| Property taxes | 79,746,848 | 77,746,437 | | | 79,746,848 | 77,746,437 |
| Grants and contributions not restricted to specific programs | 1,974,129 | 1,758,319 | | | 1,974,129 | 1,758,319 |
| Investment income | 1,777,489 | 1,613,258 | 126,204 | 12,546 | 1,903,693 | 1,625,804 |
| Total revenues | 120,200,932 | 114,897,087 | 38,987,002 | 37,923,714 | 159,187,934 | 152,820,801 |
| Expenses: | | | | | | |
| General government | 8,072,122 | 7,372,458 | | | 8,072,122 | 7,372,458 |
| General education | 49,050,514 | 45,453,582 | | | 49,050,514 | 45,453,582 |
| Public safety | 38,361,508 | 39,921,674 | | | 38,361,508 | 39,921,674 |
| Public services | 12,405,363 | 11,728,084 | | | 12,405,363 | 11,728,084 |
| Civic investment | 423,068 | 489,296 | | | 423,068 | 489,296 |
| Inspections and zoning | 1,096,513 | 1,028,570 | | | 1,096,513 | 1,028,570 |
| Human services | 3,014,102 | 3,121,298 | | | 3,014,102 | 3,121,298 |
| Interest expense | 1,397,679 | 1,493,058 | | | 1,397,679 | 1,493,058 |
| Water | | | 14,236,860 | 14,826,722 | 14,236,860 | 14,826,722 |
| Water pollution control | | | 15,296,821 | 13,857,667 | 15,296,821 | 13,857,667 |
| Nonmajor business-type | | | 2,462,712 | 2,393,388 | 2,462,712 | 2,393,388 |
| Total expenses | 113,820,869 | 110,608,020 | 31,996,393 | 31,077,777 | 145,817,262 | 141,685,797 |
| Increase in net position | 6,380,063 | 4,289,067 | 6,990,609 | 6,845,937 | 13,370,672 | 11,135,004 |
| Transfers | 675,000 | 100,000 | (675,000) | (100,000) | | |
| Change in net position | 7,055,063 | 4,389,067 | 6,315,609 | 6,745,937 | 13,370,672 | 11,135,004 |
| Net position beginning | (79,236,645) | (9,445,753) | 134,051,093 | 130,829,425 | 54,814,448 | 121,383,672 |
| Restatement | | (74,179,959) | | (3,524,269) | - | (77,704,228) |
| Net Position Ending | \$ (72,181,582) | \$ (79,236,645) | \$ 140,366,702 | \$ 134,051,093 | \$ 68,185,120 | \$ 54,814,448 |

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



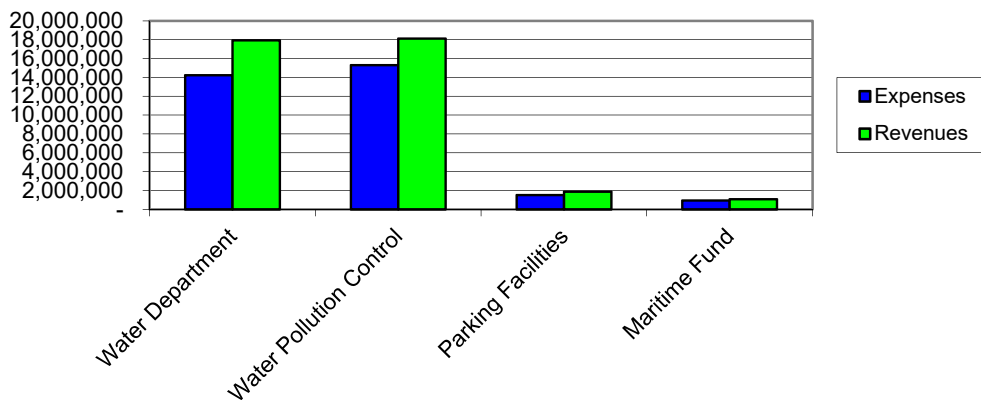
**CITY OF NEWPORT, RHODE ISLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

Business-Type Activities

Business-type activities' net position increased by \$6,315,609. 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 capacity and upgrades of combined sewer overflow pump stations. These are part of the projected \$100 million in capital projects resulting from a consent decree.

The Water Fund had income before transfers of \$3,691,858 for the year ended June 30, 2018, the Water Pollution Control Fund had income before transfers of \$2,820,137, and the non-major proprietary funds had income before transfers of \$478,614.

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.

**CITY OF NEWPORT, RHODE ISLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

As of the end of the current fiscal year, the City of Newport's governmental funds reported combined ending fund balances of \$43,964,823, an increase of \$1,396,673 in comparison with the prior year fund balance. The increase is the result of investment returns of \$1,086,529 in the permanent fund and expenditures less than the amount budgeted in the City general fund. \$1,300,000 in budgeted transfers were made from the Property Acquisition Fund into the Capital Projects and Sheffield Hub Fund, a redevelopment project. There was a fiscal year end surplus of \$2,400,412 in the Capital Project Fund which is the result of the timing of project cash flows. The School department had a deficit for the year of \$1,727,394 leaving them with a June 30, 2018 fund deficit of (\$751,804). The deficit will be covered in the next five years through a combination of transfers from the City and budgeted appropriations. Much of the total combined ending fund balance amount (\$30,735,927) constitutes fund balance that is either nonspendable, restricted by outside legal sources or committed for capital or contractual purposes. An additional \$637,126 of the fund balance is assigned by the City Council. The balance of \$12,591,770 is unassigned and available for spending at the government's discretion.

The General Fund is the combined operating general fund of the City of Newport and the operating general fund of the Newport Public Schools. Two smaller funds are combined into the General Fund as well. They include the property acquisition fund and a gifts fund. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$12,625,424, while total fund balance was \$15,611,709. 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 net transfers. Unassigned fund balance in the general fund represents 11.2% of total general fund expenditures and transfers, while total fund balance represents 13.9% 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 \$15,652,034, an increase of \$988,854 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 deficit is (\$751,804).

The fund balance of the Newport Schools under the control of the School Committee decreased by \$1,727,394 due to higher than anticipated costs and lower than anticipated revenues.

**CITY OF NEWPORT, RHODE ISLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

The table on this page shows the comparison of revenues and expenditures in the City and School general funds between FY2018 and FY2017.

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

| | City General Fund | | School General Fund | |
|--------------------------------|-------------------|---------------|---------------------|------------|
| | 2018 | 2017 | 2018 | 2017 |
| Local Taxes | \$ 79,856,764 | \$ 77,505,920 | \$ | \$ |
| Intergovernmental Revenues | 3,803,823 | 3,411,092 | 14,392,794 | 13,541,210 |
| Charges for Services | 10,626,598 | 10,494,746 | 803,973 | 775,739 |
| Use of money and property | 151,231 | 28,926 | 478,544 | 238,899 |
| Contributions | | 191,715 | | |
| Other Revenues | 271,738 | 27,974 | | |
| Total Revenues | 94,710,154 | 91,660,373 | 15,675,311 | 14,555,848 |
| Total Expenditures | 64,745,861 | 63,160,471 | 43,497,628 | 40,124,336 |
| Other Financing Sources (Uses) | (28,975,439) | (28,737,982) | 26,094,923 | 25,283,301 |
| Net Change in Fund Balances | 988,854 | (238,080) | (1,727,394) | (285,187) |
| Fund Balance, Beginning | 14,663,180 | 14,901,260 | 975,590 | 1,260,777 |
| Fund Balance, Ending | \$ 15,652,034 | \$ 14,663,180 | \$ (751,804) | \$ 975,590 |

| | Combined | |
|--------------------------------|---------------|---------------|
| | 2018 | 2017 |
| Local Taxes | \$ 79,856,764 | \$ 77,505,920 |
| Intergovernmental Revenues | 18,196,617 | 16,952,302 |
| Charges for Services | 11,430,571 | 11,270,485 |
| Use of money and property | 629,775 | 267,825 |
| Contributions | - | 191,715 |
| Other Revenues | 271,738 | 27,974 |
| Total Revenues | 110,385,465 | 106,216,221 |
| Total Expenditures | 108,243,489 | 103,284,807 |
| Other Financing Sources (Uses) | (2,880,516) | (3,454,681) |
| Net Change in Fund Balances | (738,540) | (523,267) |
| Fund Balance, Beginning | 15,638,770 | 16,162,037 |
| Fund Balance, Ending | \$ 14,900,230 | \$ 15,638,770 |

The Capital Projects Fund had an increase in fund balance of \$2,400,412 that is primarily the result of timing differences between revenues and actual expenditures as of June 30, 2018.

The Permanent Fund had an increase in fund balance of \$846,339 due to net results from market returns.

**CITY OF NEWPORT, RHODE ISLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were primarily due to budgetary carryovers from fiscal year 2017 of \$489,361 and an appropriation of \$600,000 of fund balance for technology for students in Newport Public Schools.

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 (\$11,816,639) while restricted net position was \$16,222,656 and net investment in capital assets was \$51,516,745. 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 (\$3,499,236) while restricted net position was \$14,132,493 and net investment in capital assets was \$62,860,424. Much of the revenue in the Water Pollution Control Fund is to fund debt service or non-debt funded capital improvements. Cash is restricted in the Water Pollution Control Fund because it is subject to debt covenant requirements.

The Parking Fund had unrestricted net position of \$4,634,309 and the Maritime Fund had unrestricted net position of \$1,345,503. 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, 2018 is \$384,194,534 (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 5.1%.

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

- \$6,911,000 was spent on water treatment plants, water infrastructure, and mains.
- \$18,112,000 was spent on combined sewer overflow and other water pollution control issues.
- \$1,430,000 was spent on Sheffield Hub redevelopment project.
- \$1,814,000 was spent on road and sidewalk reconstruction and improvements.
- \$699,000 was spent on facilities, parks and playgrounds
- \$335,000 was spent on seawall repairs.

**CITY OF NEWPORT, RHODE ISLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

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

| | Governmental Activities | | Business-type Activities | | Total | |
|--------------------------|-------------------------|----------------|--------------------------|----------------|----------------|----------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Land | \$ 4,880,057 | \$ 4,880,057 | \$ 6,492,359 | \$ 6,492,359 | \$ 11,372,416 | \$ 11,372,416 |
| Construction in progress | 3,678,275 | 1,902,305 | 25,921,744 | 22,530,057 | 29,600,019 | 24,432,362 |
| Buildings & systems | 67,511,156 | 68,882,743 | 218,668,340 | 204,015,649 | 286,179,496 | 272,898,392 |
| Machinery & equipment | 3,285,572 | 2,466,617 | 548,299 | 364,643 | 3,833,871 | 2,831,260 |
| Vehicles | 4,280,251 | 4,801,461 | 1,053,532 | 1,045,803 | 5,333,783 | 5,847,264 |
| Infrastructure | 47,874,949 | 48,105,081 | | | 47,874,949 | 48,105,081 |
| Total | \$ 131,510,260 | \$ 131,038,264 | \$ 252,684,274 | \$ 234,448,511 | \$ 384,194,534 | \$ 365,486,775 |

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 \$170,809,226. Of this amount, \$36,211,000 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 | |
|--------------------------|-------------------------|---------------|--------------------------|----------------|----------------|----------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| General Obligation Bonds | \$ 36,211,000 | \$ 40,000,000 | | | \$ 36,211,000 | \$ 40,000,000 |
| Revenue Bonds | | | 134,598,226 | 131,420,200 | 134,598,226 | 131,420,200 |
| Total | \$ 36,211,000 | \$ 40,000,000 | \$ 134,598,226 | \$ 131,420,200 | \$ 170,809,226 | \$ 171,420,200 |

The City of Newport's total bonds decreased by \$610,974 during the current fiscal year. Debt increased by \$10,375,103 from revenue bond drawdowns for the sewer project. Bonds of \$10,986,077 were retired during fiscal year 2018.

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 \$205,445,517, which is significantly in excess of the City's outstanding general obligation debt of \$36,211,000.

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 June 2018 for the City of Newport was 3.5%, which is less than the state's unemployment rate of 4.3% and the federal unemployment rate of 4.0%.
- 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, 2018**

All of these factors were considered in preparing the City of Newport's budget for the 2019 fiscal year.

Fund balance in the City's general operating fund at June 30, 2018 is \$15,652,034 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, 2018

| | Primary Government | | Total |
|---|------------------------------------|-------------------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | |
| Assets: | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 8,195,637 | \$ 5,403,656 | \$ 13,599,293 |
| Investments | 23,270,485 | 1,277,819 | 24,548,304 |
| Receivables, net | 5,251,776 | 4,228,296 | 9,480,072 |
| Internal balances (advances) | 1,553,195 | (1,553,195) | - |
| Inventories | 12,806 | 294,165 | 306,971 |
| Prepaid expenses | 277,724 | | 277,724 |
| Total current assets | <u>38,561,623</u> | <u>9,650,741</u> | <u>48,212,364</u> |
| Noncurrent assets: | | | |
| Restricted assets: | | | |
| Temporarily restricted cash and cash equivalents | | 28,044,590 | 28,044,590 |
| Permanently restricted investments | 12,760,718 | | 12,760,718 |
| Bond proceeds | | 2,211,559 | 2,211,559 |
| Receivables, net | 601,716 | | 601,716 |
| Net pension asset | 2,873,089 | | 2,873,089 |
| Capital assets not being depreciated | 8,558,332 | 32,414,103 | 40,972,435 |
| Capital assets (net of accumulated depreciation) | 122,951,928 | 220,270,171 | 343,222,099 |
| Total noncurrent assets | <u>147,745,783</u> | <u>282,940,423</u> | <u>430,686,206</u> |
| Total assets | <u>186,307,406</u> | <u>292,591,164</u> | <u>478,898,570</u> |
| Deferred outflow of resources: | | | |
| Deferred outflows - pensions | 24,008,631 | 2,122,681 | 26,131,312 |
| Deferred outflows - other post employment benefit | 961,572 | 46,963 | 1,008,535 |
| Total deferred outflow of resources | <u>24,970,203</u> | <u>2,169,644</u> | <u>27,139,847</u> |
| Liabilities: | | | |
| Current liabilities: | | | |
| Accounts payable | 3,811,906 | 5,484,417 | 9,296,323 |
| Accrued liabilities | 1,006,930 | 2,304,305 | 3,311,235 |
| Unearned revenue | | 25,032 | 25,032 |
| Other liabilities | 1,150,821 | 99,000 | 1,249,821 |
| Current portion of long-term obligations | 8,307,460 | 8,963,086 | 17,270,546 |
| Total current liabilities | <u>14,277,117</u> | <u>16,875,840</u> | <u>31,152,957</u> |
| Noncurrent liabilities: | | | |
| Long-term obligations | <u>246,374,108</u> | <u>136,393,586</u> | <u>382,767,694</u> |
| Total liabilities | <u>260,651,225</u> | <u>153,269,426</u> | <u>413,920,651</u> |
| Deferred inflow of resources: | | | |
| Deferred inflows - pensions | 14,261,608 | 707,283 | 14,968,891 |
| Deferred inflows - other post employment benefit | 8,546,358 | 417,397 | 8,963,755 |
| Total deferred inflow of resources | <u>22,807,966</u> | <u>1,124,680</u> | <u>23,932,646</u> |
| Net Position: | | | |
| Net investment in capital assets | 92,189,696 | 119,347,616 | 211,537,312 |
| Restricted for: | | | |
| Various endowments: | | | |
| Expendable | 10,297,669 | | 10,297,669 |
| Nonexpendable | 2,601,651 | | 2,601,651 |
| Held in trust | | 99,000 | 99,000 |
| Debt service | | 30,256,149 | 30,256,149 |
| Unrestricted (deficit) | <u>(177,270,598)</u> | <u>(9,336,063)</u> | <u>(186,606,661)</u> |
| Total net position | <u>\$ (72,181,582)</u> | <u>\$ 140,366,702</u> | <u>\$ 68,185,120</u> |

The accompanying notes are an integral part of the financial statements

**CITY OF NEWPORT, RHODE ISLAND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

| 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 | \$ 8,072,122 | \$ 7,108,842 | \$ 1,745,741 | \$ | \$ 782,461 | \$ | \$ 782,461 |
| General education | 49,050,514 | 948,690 | 18,802,682 | | (29,299,142) | | (29,299,142) |
| Public safety | 38,361,508 | 3,858,914 | 331,151 | 236,158 | (33,935,285) | | (33,935,285) |
| Public services | 12,405,363 | 215,284 | 52,496 | 681,281 | (11,456,302) | | (11,456,302) |
| Civic investment | 423,068 | | 30,282 | 801,584 | 408,798 | | 408,798 |
| Zoning and inspections | 1,096,513 | 1,472,991 | | | 376,478 | | 376,478 |
| Human services | 3,014,102 | (165,484) | 489,082 | 92,772 | (2,597,732) | | (2,597,732) |
| Interest expense | 1,397,679 | | | | (1,397,679) | | (1,397,679) |
| Total governmental activities | <u>113,820,869</u> | <u>13,439,237</u> | <u>21,451,434</u> | <u>1,811,795</u> | <u>(77,118,403)</u> | <u>-</u> | <u>(77,118,403)</u> |
| Business-type activities: | | | | | | | |
| Water Department | 14,236,860 | 17,857,261 | | | | 3,620,401 | 3,620,401 |
| Water Pollution Control | 15,296,821 | 18,071,759 | | | | 2,774,938 | 2,774,938 |
| Recreational and parking facilities | 2,462,712 | 2,931,778 | | | | 469,066 | 469,066 |
| Total business-type activities | <u>31,996,393</u> | <u>38,860,798</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>6,864,405</u> | <u>6,864,405</u> |
| Total | <u>\$ 145,817,262</u> | <u>\$ 52,300,035</u> | <u>\$ 21,451,434</u> | <u>\$ 1,811,795</u> | <u>(77,118,403)</u> | <u>6,864,405</u> | <u>(70,253,998)</u> |
| General revenues: | | | | | | | |
| Property taxes | | | | | 79,746,848 | | 79,746,848 |
| Grants and contributions not restricted to specific programs | | | | | 1,974,129 | | 1,974,129 |
| Investment income | | | | | 1,777,489 | 126,204 | 1,903,693 |
| Transfers | | | | | 675,000 | (675,000) | - |
| Total general revenues and transfers | | | | | <u>84,173,466</u> | <u>(548,796)</u> | <u>83,624,670</u> |
| Change in net position | | | | | 7,055,063 | 6,315,609 | 13,370,672 |
| Net Position at Beginning of Year, as restated | | | | | <u>(79,236,645)</u> | <u>134,051,093</u> | <u>54,814,448</u> |
| Net Position at End of Year | | | | | <u>\$ (72,181,582)</u> | <u>\$ 140,366,702</u> | <u>\$ 68,185,120</u> |

The accompanying notes are an integral part of the financial statements

**CITY OF NEWPORT, RHODE ISLAND
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018**

| | <u>General</u> | <u>Community Development Block Grant</u> | <u>Permanent Funds</u> | <u>Capital Projects</u> | <u>Nonmajor Governmental</u> | <u>Total Governmental Funds</u> |
|---|----------------------|--|----------------------------|-----------------------------|----------------------------------|---|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 1,226,528 | \$ 2,413,498 | \$ 142,405 | \$ 10,348,358 | \$ 3,053,630 | \$ 17,184,419 |
| Investments | 23,270,485 | | 12,760,718 | | | 36,031,203 |
| Receivables: | | | | | | |
| Property taxes | 1,080,015 | | | | | 1,080,015 |
| Motor vehicle excise | 533,226 | | | | | 533,226 |
| Intergovernmental | | 137,680 | | | 1,675,175 | 1,812,855 |
| Note/loan | | 1,195,557 | | | 105,000 | 1,300,557 |
| Other | 1,973,616 | | | | 26,250 | 1,999,866 |
| Prepaid items | 61,148 | | | | | 61,148 |
| Due from other funds | 516,998 | | | | 26,250 | 543,248 |
| Advances to other funds | 749,991 | | | | 267,459 | 1,017,450 |
| Total Assets | \$ 29,412,007 | \$ 3,746,735 | \$ 12,903,123 | \$ 10,348,358 | \$ 5,153,764 | \$ 61,563,987 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Cash overdraft | \$ 8,225,616 | | | | \$ 858,669 | \$ 9,084,285 |
| Accounts payable | 2,741,725 | 16,950 | 3,803 | 476,569 | 555,140 | 3,794,187 |
| Accrued liabilities | 807,199 | | | | | 807,199 |
| Due to other funds | 26,250 | | | | | 26,250 |
| Other liabilities | 1,150,821 | | | | | 1,150,821 |
| Total liabilities | 12,951,611 | 16,950 | 3,803 | 476,569 | 1,413,809 | 14,862,742 |
| Deferred inflows of resources: | | | | | | |
| Unavailable revenue - property taxes | 848,687 | | | | | 848,687 |
| Unavailable revenue - loans receivable | | 1,195,557 | | | 424,959 | 1,620,516 |
| Unavailable revenue - intergovernmental receivable | | 40,572 | | | 226,647 | 267,219 |
| Total deferred inflows of resources | 848,687 | 1,236,129 | - | - | 651,606 | 2,736,422 |
| Fund balances: | | | | | | |
| Nonspendable | 61,148 | | 2,601,651 | | | 2,662,799 |
| Restricted | 74,353 | 2,493,656 | 10,297,669 | | 3,122,003 | 15,987,681 |
| Committed | 2,213,658 | | | 9,871,789 | | 12,085,447 |
| Assigned | 637,126 | | | | | 637,126 |
| Unassigned | 12,625,424 | | | | (33,654) | 12,591,770 |
| Total fund balances | 15,611,709 | 2,493,656 | 12,899,320 | 9,871,789 | 3,088,349 | 43,964,823 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 29,412,007 | \$ 3,746,735 | \$ 12,903,123 | \$ 10,348,358 | \$ 5,153,764 | \$ 61,563,987 |

(Continued on next page)

CITY OF NEWPORT, RHODE ISLAND
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2018

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) \$ 43,964,823

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

| | | |
|-------------------------------|----------------|-------------|
| Governmental capital assets | \$ 188,270,534 | |
| Less accumulated depreciation | (56,760,274) | |
| Net capital assets | | 131,510,260 |

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

| | | |
|--|--|-------------|
| Net pension asset | | 2,873,089 |
| Prepaid interest from school bonds | | 216,576 |
| Unavailable property taxes, loans and grant revenues | | 2,736,422 |
| Allowance for doubtful accounts | | (1,524,678) |
| Property tax and loan interest accrual | | 611,126 |

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 | | (36,211,000) |
| Bond premium | | (2,756,546) |
| Interest payable on bonds and notes | | (218,326) |
| Capital lease payable | | (353,018) |
| Claims and judgments | | (465,000) |
| Compensated absences | | (6,609,729) |
| Net pension liability | | (136,431,195) |
| Net OPEB liability | | (71,855,080) |

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

| | | |
|--|--|--------------|
| Deferred outflows of resources - other post employment benefit | | 961,572 |
| Deferred inflows of resources - other post employment benefit | | (8,546,358) |
| Deferred outflows of resources - pensions | | 24,008,631 |
| Deferred inflows of resources - pensions | | (14,261,608) |

Net Position of Governmental Activities (Exhibit I) \$ (72,181,582)

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, 2018

| | <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 | \$ 79,856,764 | \$ | \$ | \$ | \$ | \$ 79,856,764 |
| Intergovernmental revenues | 18,196,617 | 168,450 | | 576,451 | 4,087,668 | 23,029,186 |
| Charges for services | 11,430,571 | 148,969 | | 1,241,130 | 312,217 | 13,132,887 |
| Use of money and property | 629,775 | 35,782 | 1,086,529 | 28 | 25,375 | 1,777,489 |
| Contributions | 52,496 | | | 214,968 | 1,110,641 | 1,378,105 |
| Other revenues | 271,738 | | | | | 271,738 |
| Total revenues | <u>110,437,961</u> | <u>353,201</u> | <u>1,086,529</u> | <u>2,032,577</u> | <u>5,535,901</u> | <u>119,446,169</u> |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General government | 7,401,749 | | | | | 7,401,749 |
| General education | 42,498,659 | | | | 3,790,895 | 46,289,554 |
| Public safety | 37,464,378 | | | | 154,475 | 37,618,853 |
| Public services | 9,304,094 | | | | 7,915 | 9,312,009 |
| Civic investment | 239,188 | | | | 9,970 | 249,158 |
| Zoning and inspections | 1,071,244 | | | | | 1,071,244 |
| Human services | 1,986,467 | 210,689 | 240,190 | | 564,876 | 3,002,222 |
| Pension expenditures | 1,509,419 | | | | | 1,509,419 |
| Debt service: | | | | | | |
| Principal | 3,899,733 | | | | | 3,899,733 |
| Interest | 1,650,512 | | | | | 1,650,512 |
| Capital outlays | 1,310,308 | - | | 3,623,811 | 1,785,924 | 6,720,043 |
| Total expenditures | <u>108,335,751</u> | <u>210,689</u> | <u>240,190</u> | <u>3,623,811</u> | <u>6,314,055</u> | <u>118,724,496</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>2,102,210</u> | <u>142,512</u> | <u>846,339</u> | <u>(1,591,234)</u> | <u>(778,154)</u> | <u>721,673</u> |
| Other Financing Sources (Uses): | | | | | | |
| Transfers in from other funds | 30,887 | | | 4,091,286 | 1,294,757 | 5,416,930 |
| Transfers out to other funds | (4,211,403) | | | (99,640) | (430,887) | (4,741,930) |
| Total other financing sources (uses) | <u>(4,180,516)</u> | <u>-</u> | <u>-</u> | <u>3,991,646</u> | <u>863,870</u> | <u>675,000</u> |
| Net Change in Fund Balances | (2,078,306) | 142,512 | 846,339 | 2,400,412 | 85,716 | 1,396,673 |
| Fund Balances at Beginning of Year, adjusted | <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> |
| Fund Balances at End of Year | <u>\$ 15,611,709</u> | <u>\$ 2,493,656</u> | <u>\$ 12,899,320</u> | <u>\$ 9,871,789</u> | <u>\$ 3,088,349</u> | <u>\$ 43,964,823</u> |

(Continued on next page)

CITY OF NEWPORT, RHODE ISLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

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 | \$ 1,396,673 |
|--|--------------|

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 | 6,677,120 |
| Loss on disposal of assets | (741,374) |
| Depreciation expense | (5,455,867) |

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 | (109,916) |
| Property tax and loan interest receivable | (156,532) |
| Change in allowance for doubtful accounts | 426,914 |
| Activity related to property tax and loan receivable | 169,511 |
| Change in net pension assets | (411,470) |
| Change in deferred outflows - related to pensions | 2,324,988 |
| Change in deferred outflows - related to OPEB | 961,572 |

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 | 3,789,000 |
| Capital lease payments | 110,733 |

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:

| | |
|--|----------------|
| Change in compensated absences | (109,705) |
| Change in claims and judgments | 127,000 |
| Change in deferred inflows - related to pensions | (7,096,733) |
| Change in deferred inflows - related to OPEB | (8,546,358) |
| Change in net pension liability | 4,817,635 |
| Change in net OPEB liability | 8,629,039 |
| Amortization of prepaid interest | (72,192) |
| Change in accrued interest | 17,698 |
| Amortization of bond premiums | <u>307,327</u> |

| | |
|--|---------------------|
| Change in Net Position of Governmental Activities (Exhibit II) | <u>\$ 7,055,063</u> |
|--|---------------------|

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, 2018

| | <u>Budgeted Amounts</u> | | | <u>Variance with Final Budget - Positive (Negative)</u> |
|---|-------------------------|-----------------------|----------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues: | | | | |
| Property taxes | \$ 80,664,572 | \$ 80,664,572 | \$ 79,856,764 | \$ (807,808) |
| Intergovernmental revenues | 16,205,954 | 16,205,954 | 16,442,667 | 236,713 |
| Charges for services | 9,820,052 | 9,820,052 | 10,626,598 | 806,546 |
| Use of money and property | 350,000 | 350,000 | 151,231 | (198,769) |
| Other revenues | 1,321,397 | 1,321,397 | 1,554,255 | 232,858 |
| Total revenues | <u>108,361,975</u> | <u>108,361,975</u> | <u>108,631,515</u> | <u>269,540</u> |
| Expenditures: | | | | |
| General government: | | | | |
| Mayor and City Council | 102,674 | 102,674 | 96,770 | 5,904 |
| City Manager | 1,045,856 | 1,050,856 | 975,608 | 75,248 |
| City Solicitor | 538,910 | 538,910 | 481,607 | 57,303 |
| Canvassing | 255,901 | 255,901 | 217,427 | 38,474 |
| City Clerk | 552,933 | 552,933 | 620,578 | (67,645) |
| Finance | 4,077,294 | 4,207,964 | 4,071,553 | 136,411 |
| Reserve accounts | 935,000 | 930,000 | 1,162,731 | (232,731) |
| School: | | | | |
| General Education | 39,380,364 | 39,380,364 | 41,743,678 | (2,363,314) |
| Public Safety: | | | | |
| Police Department | 18,089,158 | 18,091,458 | 18,024,053 | 67,405 |
| Fire Department | 19,381,437 | 19,381,437 | 19,390,165 | (8,728) |
| Public Services | 10,742,389 | 11,183,780 | 10,812,474 | 371,306 |
| Civic Investment | 339,337 | 254,337 | 239,188 | 15,149 |
| Zoning and Inspections | 1,039,347 | 1,039,347 | 1,071,244 | (31,897) |
| Human Services: | | | | |
| Donations | 118,450 | 118,450 | 118,450 | - |
| Public Library | 1,868,017 | 1,868,017 | 1,868,017 | - |
| Pension expenditures | 1,614,700 | 1,614,700 | 1,509,419 | 105,281 |
| Debt service | 5,563,922 | 5,563,922 | 5,550,245 | 13,677 |
| Total expenditures | <u>105,645,689</u> | <u>106,135,050</u> | <u>107,953,207</u> | <u>(1,818,157)</u> |
| Excess of Revenues over Expenditures | <u>2,716,286</u> | <u>2,226,925</u> | <u>678,308</u> | <u>(1,548,617)</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 25,585,004 | 25,585,004 | 26,215,891 | 630,887 |
| Transfers out | (28,401,290) | (29,001,290) | (29,096,406) | (95,116) |
| Total other financing sources (uses) | <u>(2,816,286)</u> | <u>(3,416,286)</u> | <u>(2,880,515)</u> | <u>535,771</u> |
| Excess of Revenues and Other Sources over over Expenditures and Other Uses | <u>\$ (100,000)</u> | <u>\$ (1,189,361)</u> | <u>(2,202,207)</u> | <u>\$ (1,012,846)</u> |
| Fund Balance at Beginning of Year | | | <u>15,149,409</u> | |
| Fund Balance at End of Year | | | <u>\$ 12,947,202</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, 2018

| | Business-Type Activities - Enterprise Funds | | | | Governmental Activities |
|--|--|----------------------|-----------------------|-----------------------|--------------------------------|
| | Major Funds | | | Total | Internal Service Fund |
| | Water Fund | W.P.C. Fund | Nonmajor Funds | | |
| Assets: | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 21,728 | \$ | \$ 5,381,928 | \$ 5,403,656 | \$ 95,503 |
| Investments | | | 1,277,819 | 1,277,819 | |
| Accounts receivable: | | | | | |
| User fees (net of allowances) | 1,728,322 | 2,484,192 | 15,782 | 4,228,296 | |
| Other | | | | - | 40,525 |
| Due from other funds | | 140,691 | | 140,691 | 18,747 |
| Inventories | 294,165 | | | 294,165 | 12,806 |
| Total current assets | <u>2,044,215</u> | <u>2,624,883</u> | <u>6,675,529</u> | <u>11,344,627</u> | <u>167,581</u> |
| Noncurrent assets: | | | | | |
| Cash and cash equivalents - restricted | 14,011,097 | 14,033,493 | | 28,044,590 | |
| Bond proceeds - restricted | 2,211,559 | | | 2,211,559 | |
| Capital assets, net of accumulated depreciation | 133,545,223 | 113,968,604 | 5,170,447 | 252,684,274 | 18,595 |
| Total noncurrent assets | <u>149,767,879</u> | <u>128,002,097</u> | <u>5,170,447</u> | <u>282,940,423</u> | <u>18,595</u> |
| Total assets | <u>151,812,094</u> | <u>130,626,980</u> | <u>11,845,976</u> | <u>294,285,050</u> | <u>186,176</u> |
| Deferred outflow of resources: | | | | | |
| Deferred outflows - pension | 1,626,356 | 404,413 | 91,912 | 2,122,681 | |
| Deferred outflows - other post employment benefit | 46,274 | | 689 | 46,963 | |
| Total deferred outflow of resources | <u>1,672,630</u> | <u>404,413</u> | <u>92,601</u> | <u>2,169,644</u> | <u>-</u> |
| Liabilities: | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | 1,285,076 | 4,146,984 | 52,357 | 5,484,417 | 17,719 |
| Accrued expenses | 1,548,064 | 706,141 | 50,100 | 2,304,305 | |
| Unearned revenue | | | 25,032 | 25,032 | |
| Due to other funds | 676,436 | | | 676,436 | |
| Escrow held in Trust | | 99,000 | | 99,000 | |
| Current portion bonds payable | 4,463,000 | 4,500,086 | | 8,963,086 | |
| Total current liabilities | <u>7,972,576</u> | <u>9,452,211</u> | <u>127,489</u> | <u>17,552,276</u> | <u>17,719</u> |
| Long-term liabilities: | | | | | |
| Advances from other funds | | 749,991 | 267,459 | 1,017,450 | |
| Notes payable | | | 200,000 | 200,000 | |
| Bonds payable | 79,777,037 | 45,858,103 | | 125,635,140 | |
| Net pension liability | 5,401,259 | 1,342,686 | 305,156 | 7,049,101 | |
| Net OPEB liability | 3,457,871 | | 51,474 | 3,509,345 | |
| Total long-term liabilities | <u>88,636,167</u> | <u>47,950,780</u> | <u>824,089</u> | <u>137,411,036</u> | <u>-</u> |
| Total liabilities | <u>96,608,743</u> | <u>57,402,991</u> | <u>951,578</u> | <u>154,963,312</u> | <u>17,719</u> |
| Deferred inflow of resources: | | | | | |
| Deferred inflows - pension | 541,944 | 134,721 | 30,618 | 707,283 | |
| Deferred inflows - other post employment benefit | 411,275 | | 6,122 | 417,397 | |
| Total deferred inflow of resources | <u>953,219</u> | <u>134,721</u> | <u>36,740</u> | <u>1,124,680</u> | <u>-</u> |
| Net position: | | | | | |
| Net investment in capital assets | 51,516,745 | 62,860,424 | 4,970,447 | 119,347,616 | 18,595 |
| Restricted by regulatory agencies and bond covenants | 16,222,656 | 14,033,493 | | 30,256,149 | |
| Assets held in trust | | 99,000 | | 99,000 | |
| Unrestricted | (11,816,639) | (3,499,236) | 5,979,812 | (9,336,063) | 149,862 |
| Total Net Position | <u>\$ 55,922,762</u> | <u>\$ 73,493,681</u> | <u>\$ 10,950,259</u> | <u>\$ 140,366,702</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, 2018

| | Business-Type Activities - Enterprise Funds | | | | Governmental |
|--|--|----------------------|-----------------------|-----------------------|------------------------------|
| | Major Funds | | | | Activities |
| | Water Fund | W.P.C. Fund | Nonmajor Funds | Total | Internal Service Fund |
| Operating revenues: | | | | | |
| User fees | \$ 17,195,771 | \$ 18,071,759 | \$ 2,931,778 | \$ 38,199,308 | \$ 1,242,609 |
| Other revenues | 661,490 | | | 661,490 | |
| Total operating revenues | <u>17,857,261</u> | <u>18,071,759</u> | <u>2,931,778</u> | <u>38,860,798</u> | <u>1,242,609</u> |
| Operating expenses: | | | | | |
| Salaries and benefits | 4,464,055 | 1,820,938 | 894,799 | 7,179,792 | 1,573 |
| Materials and supplies | 628,130 | 87,471 | 81,580 | 797,181 | 388,809 |
| Repairs and maintenance | 573,539 | 121,157 | 331,049 | 1,025,745 | 75,485 |
| Support services | 43,843 | 6,595,640 | 440,807 | 7,080,290 | 748,160 |
| Utilities | 1,344,337 | 720,839 | 50,866 | 2,116,042 | 23,605 |
| Administrative and other | 1,010,886 | 515,720 | 349,166 | 1,875,772 | 474 |
| Property taxes | 535,316 | | | 535,316 | |
| Depreciation | 3,047,461 | 3,830,458 | 314,445 | 7,192,364 | 4,503 |
| Total operating expenses | <u>11,647,567</u> | <u>13,692,223</u> | <u>2,462,712</u> | <u>27,802,502</u> | <u>1,242,609</u> |
| Operating Income | <u>6,209,694</u> | <u>4,379,536</u> | <u>469,066</u> | <u>11,058,296</u> | <u>-</u> |
| Nonoperating revenues and expenses: | | | | | |
| Investment income | 71,457 | 45,199 | 9,548 | 126,204 | |
| Interest expense | (2,589,293) | (1,604,598) | | (4,193,891) | |
| Net operating revenues and expenses | <u>(2,517,836)</u> | <u>(1,559,399)</u> | <u>9,548</u> | <u>(4,067,687)</u> | <u>-</u> |
| Income Before Transfers | 3,691,858 | 2,820,137 | 478,614 | 6,990,609 | |
| Transfers: | | | | | |
| Transfers out | | | (675,000) | (675,000) | |
| Change in Net Position | 3,691,858 | 2,820,137 | (196,386) | 6,315,609 | - |
| Net Position at Beginning of Year, as Restated | <u>52,230,904</u> | <u>70,673,544</u> | <u>11,146,645</u> | <u>134,051,093</u> | <u>168,457</u> |
| Net Position at End of Year | <u>\$ 55,922,762</u> | <u>\$ 73,493,681</u> | <u>\$ 10,950,259</u> | <u>\$ 140,366,702</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, 2018

| | 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 | \$ 17,723,172 | \$ 17,563,722 | \$ 3,106,559 | \$ 38,393,453 | \$ 1,202,166 |
| Cash payments to suppliers for goods and services | (2,101,985) | (6,054,076) | (892,802) | (9,048,863) | (1,226,665) |
| Cash payments to employees for services | (4,878,676) | (1,073,278) | (886,815) | (6,838,769) | (41,721) |
| Payment of property taxes | (535,316) | | | (535,316) | |
| Payment of administrative expense | (1,010,886) | (515,720) | (349,166) | (1,875,772) | (474) |
| Net cash provided by (used in) operating activities | <u>9,196,309</u> | <u>9,920,648</u> | <u>977,776</u> | <u>20,094,733</u> | <u>(66,694)</u> |
| Cash Flows from Noncapital Financing Activities: | | | | | |
| Interfund loans and transfers | | 749,991 | (675,000) | 74,991 | |
| Cash Flows from Capital and Related Financing Activities: | | | | | |
| Acquisition and construction of capital assets | (6,911,496) | (18,112,376) | (420,855) | (25,444,727) | |
| Proceeds from borrowing | 1,813,315 | 10,375,103 | | 12,188,418 | |
| Principal paid on bonds, notes and loans | (4,366,000) | (2,831,077) | | (7,197,077) | |
| Interest paid on bonds, notes and loans | (2,619,473) | (1,463,818) | | (4,083,291) | |
| Net cash provided by (used in) capital and related financing activities | <u>(12,083,654)</u> | <u>(12,032,168)</u> | <u>(420,855)</u> | <u>(24,536,677)</u> | <u>-</u> |
| Cash Flows from Investing Activities: | | | | | |
| Investment income | 71,457 | 45,199 | 16,592 | 133,248 | |
| Net Increase (Decrease) in Cash and Cash Equivalents | (2,815,888) | (1,316,330) | (101,487) | (4,233,705) | (66,694) |
| Cash and Cash Equivalents at Beginning of Year | 16,848,713 | 15,349,823 | 5,483,415 | 37,681,951 | 162,197 |
| Cash and Cash Equivalents at End of Year | <u>\$ 14,032,825</u> | <u>\$ 14,033,493</u> | <u>\$ 5,381,928</u> | <u>\$ 33,448,246</u> | <u>\$ 95,503</u> |
| Reconciliation of Operating Income to Net Cash | | | | | |
| Provided by (Used in) Operating Activities: | | | | | |
| Operating income (loss) | \$ 6,209,694 | \$ 4,379,536 | \$ 469,066 | \$ 11,058,296 | \$ |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | | |
| Depreciation | 3,047,461 | 3,830,458 | 314,445 | 7,192,364 | 4,503 |
| Changes in assets and liabilities: | | | | | |
| Decrease (Increase) in accounts receivable | (134,089) | (478,010) | 179,749 | (432,350) | |
| Decrease (Increase) in accounts receivable - other | | | | | (29,798) |
| Decrease (Increase) in due from other funds | | (30,027) | | (30,027) | (10,645) |
| Decrease (Increase) in inventory | (1,761) | | | (1,761) | 6,194 |
| Decrease (Increase) in deferred outflows of resources: | | | | | |
| Deferred outflows - pension | (221,084) | (287,245) | (18,683) | | |
| Deferred outflows - other post employment benefit | (46,274) | - | (689) | | |
| (Decrease) Increase in accounts payable | 293,288 | 1,471,031 | 11,500 | 1,775,819 | (181) |
| (Decrease) Increase in accrued expenses | (61,886) | 59,809 | 5,587 | 3,510 | (36,767) |
| (Decrease) Increase in unearned revenue | | | (4,968) | (4,968) | |
| (Decrease) Increase in due to other funds | 196,337 | | | 196,337 | |
| (Decrease) Increase net pension liability | (342,300) | 863,807 | 5,856 | (342,300) | |
| (Decrease) Increase net other post employment benefit liability | (415,254) | | (6,182) | (415,254) | |
| (Decrease) Increase in deferred inflows of resources: | | | | | |
| Deferred inflows - pension | 260,902 | 111,289 | 15,973 | | |
| Deferred inflows - other post employment benefit | 411,275 | - | 6,122 | | |
| Net Cash Provided by (Used in) Operating Activities | <u>\$ 9,196,309</u> | <u>\$ 9,920,648</u> | <u>\$ 977,776</u> | <u>\$ 20,094,733</u> | <u>\$ (66,694)</u> |
| Noncash Investing, Capital and Related Financing Transactions: | | | | | |
| Increase (decrease) in fair value of investments | | | <u>\$ (7,044)</u> | <u>\$ (7,044)</u> | |

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, 2018

| | Pension and Other Post- Employment Benefit Trust Funds | Private Purpose Trust Funds | Agency Funds |
|---|---|--|-----------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Assets: | | | |
| Cash and cash equivalents | \$ 2,594,280 | \$ 25,581 | \$ 311,673 |
| Investments, at fair value: | | | |
| Fixed income mutual funds | 27,746,525 | 592,962 | |
| Domestic equity mutual funds | 107,567,585 | 1,390,342 | |
| International equity mutual funds | 23,410,560 | | |
| Alternative investments | 19,742,214 | | |
| Total investments | <u>178,466,884</u> | <u>1,983,304</u> | <u>-</u> |
| Total assets | <u>181,061,164</u> | <u>2,008,885</u> | <u>311,673</u> |
| Liabilities: | | | |
| Cash overdraft | 704,858 | 77,043 | |
| Accounts payable | 130,032 | 636 | |
| Amounts held in escrow | | | 311,673 |
| Total liabilities | <u>834,890</u> | <u>77,679</u> | <u>311,673</u> |
| Net Position: | | | |
| Restricted for Pension/Other Post-Employment Benefits and Other Purposes | <u>\$ 180,226,274</u> | <u>\$ 1,931,206</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, 2018**

| | Pension and Other Post- Employment Benefit Trust Funds | Private Purpose Trust Funds |
|---|---|--|
| Additions: | | |
| Contributions: | | |
| Employees | \$ 1,050,362 | \$ |
| Employer | 17,153,077 | |
| Contributions | | 35,065 |
| Total contributions | <u>18,203,439</u> | <u>35,065</u> |
| Investment income: | | |
| Net change in fair value of investments | 7,074,920 | 3,209 |
| Interest and dividends | <u>11,871,840</u> | <u>165,269</u> |
| Total investment income | <u>18,946,760</u> | <u>168,478</u> |
| Less investment expenses | <u>476,367</u> | <u>9,690</u> |
| Net investment income | <u>18,470,393</u> | <u>158,788</u> |
| Total additions | <u>36,673,832</u> | <u>193,853</u> |
| Deductions: | | |
| Benefits | 17,830,796 | |
| Administration | 180,877 | 1,507 |
| Awards | | 53,254 |
| Total deductions | <u>18,011,673</u> | <u>54,761</u> |
| Change in Net Position | 18,662,159 | 139,092 |
| Net Position at Beginning of Year | <u>161,564,115</u> | <u>1,792,114</u> |
| Net Position at End of Year | <u>\$ 180,226,274</u> | <u>\$ 1,931,206</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 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, 2018**

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, 2018**

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 collection and treatment of stormwater, 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 School.

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, 2018**

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, 2018, is equal to 36% of outstanding property taxes. Other allowances vary depending on the nature of the receivable and the history of collections.

Taxes are levied each July 1 on (a) the full and fair value of real and tangible personal property owned within the City the previous December 31; and (b) the value, as determined by the Rhode Island Vehicle Valuation Commission, of vehicles registered within the City the previous calendar year, prorated for the actual number of days so registered. Taxes are levied for the year commencing on that date, payable in equal quarterly installments on the fifth days of August, November, February and May. Taxes are considered overdue on the 6th day of each quarter and are assessed penalties and will be collected through the sale of tax titles if required. The City has a tax lien on the property as a matter of law on the date the roll is certified, which is December 31 of the previous year.

Rhode Island general laws restrict the City’s ability to increase its total tax levy by more than 4%.

F. Inventories and Prepaid Items

All inventories are valued at cost using the first-in, first-out (FIFO) method of valuation.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepayments will be recognized as an expenditure during the period benefited by the prepayment.

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, 2018**

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 and OPEB Liabilities

The net pension and OPEB liabilities are measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service (total pension/OPEB liability), net of the pension/OPEB plan's fiduciary net position. The pension/OPEB plan's fiduciary net position is determined using the same valuation methods that are used by the pension/OPEB plan for purposes of preparing its statement of fiduciary net position. The net pension/OPEB 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. Post-Employment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City of Newport OPEB Plan and additions to/deductions from the City's fiduciary net position have been determined on the economic resources basis using full accrual accounting. For this purpose, the City recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

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 and OPEB in the government-wide and business-type activities, enterprise funds statements of net position. A deferred outflow of resources related to pension or OPEB results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension or OPEB expense, as applicable, 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 and OPEB plans (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 and OPEB in the government-wide and business-type activities, enterprise funds statements of net position. A deferred inflow of resources related to pension or OPEB results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension or OPEB expense, as applicable, 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 and OPEB plans (active employees and inactive employees).

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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.

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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.
- 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. The City approved an additional \$600,000 appropriation from fund balance to pay for school technology for students. The difference between the original and final expenditure budget for the City of \$489,361 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.

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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

| | General Fund | | |
|--|--------------------------------------|---|-------------------------|
| | Revenues and Transfers In | Expenditures and Transfers Out | Fund Balance |
| Balance, Budgetary Basis, Exhibit V - June 30, 2018 | \$ 134,847,406 | \$ 137,049,613 | \$ 12,947,202 |
| Add unbudgeted Property Acquisition Fund and Gift Fund | 52,496 | 92,261 | 711,479 |
| State teachers' retirement on-behalf payments | 1,753,950 | 1,753,950 | |
| Elimination of school unrestricted transfers | (26,185,004) | (26,185,004) | |
| Liquidation of prior year approved carryovers | | | 489,361 |
| Encumbrances outstanding at June 30, 2018 charged to budgetary expenditures | | (1,463,667) | 1,463,667 |
| Balance, GAAP Basis, Exhibit IV - June 30, 2018 | <u>\$ 110,468,848</u> | <u>\$ 111,247,153</u> | <u>\$ 15,611,709</u> |

C. Excess of Expenditures over Appropriations

The legal level of control for which expenditures cannot exceed appropriations is at the category level within a department. The table below shows the amounts by which certain departmental expenditures exceeded fiscal year 2018 appropriations (after approved transfers).

| Department | Expenditures in Excess of Budget |
|------------------------|---|
| City Clerk | \$ 67,645 |
| Reserve Accounts | 232,731 |
| School Education | 2,363,314 |
| Fire Department | 8,728 |
| Zoning and Inspections | 31,897 |
| Transfers Out | 95,116 |

The deficits above were offset, in most cases, by expenditure savings in other departments. The school department deficit will have to be corrected in future budgets.

D. Deficit Fund Equity

The following fund had a deficit net position balance as of June 30, 2018:

| | Amount |
|----------------------------|---------------|
| Nonmajor and Other Funds: | |
| Substance Abuse Task Force | \$ 33,654 |

The deficit is the result of timing differences between expenditures and grant reimbursements.

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, 2018 was \$1,188,699 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, 2018, 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, 2018, the City’s bank balance of \$45,657,430 was insured and collateralized as follows:

| | |
|---|---------------|
| Insured | \$ 1,136,135 |
| Collateralized: | |
| Collateral held by the pledging bank's trust department in the City's name | 44,521,295 |
| Total Amount Subject to Custodial Credit Risk | \$ 45,657,430 |

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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, 2018, 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 | \$ 187,743 | \$ 187,743 | \$ | \$ | \$ |
| Certificates of deposit | 18,943,677 | 13,186,289 | 3,114,724 | 1,840,111 | 802,553 |
| U.S. Government agency securities | 5,564,840 | | 79,106 | 427,416 | 5,058,318 |
| Fixed income mutual funds | 32,154,185 | 6,958,468 | 13,949,357 | 5,993,430 | 5,252,930 |
| | 56,850,445 | \$ 20,332,500 | \$ 17,143,187 | \$ 8,260,957 | \$ 11,113,801 |
| Other Investments: | | | | | |
| Alternative investments | 19,742,214 | | | | |
| Equity mutual funds | 141,312,964 | | | | |
| Total | 217,905,623 | | | | |
| Money market funds classified as cash equivalents | (187,743) | | | | |
| | \$ 217,717,880 | | | | |

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, 2018:

| | June 30, 2018 | Fair Value Measurements Using | | |
|---------------------------------------|------------------|-------------------------------|---------------|--------------|
| | | Level 1 | Level 2 | Level 3 |
| Investments by fair value level: | | | | |
| U.S. Government securities | \$ 5,564,840 | \$ 5,564,840 | \$ | \$ |
| Mutual funds | 173,467,149 | 133,640,679 | 39,826,470 | |
| Alternative investments | 19,742,214 | | 15,107,308 | 4,634,906 |
| Certificates of deposit | 18,943,677 | 18,943,677 | | |
| Money market | 187,743 | 918 | 186,825 | |
| Total Investments by Fair Value Level | \$ 217,905,623 | \$ 158,150,114 | \$ 55,120,603 | \$ 4,634,906 |

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.

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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 0.20 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+ | \$ 187,743 | \$ 5,564,840 | |
| AA- | | | \$ 16,636,899 |
| A- | | | 15,517,286 |
| | <u>\$ 187,743</u> | <u>\$ 5,564,840</u> | <u>\$ 32,154,185</u> |

**CITY OF NEWPORT, RHODE ISLAND
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018**

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>\$ 5,564,840</u> | <u>\$ 500,000</u> | <u>\$ 5,064,840</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, 2018 totaled \$193,210,906.

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

4. RECEIVABLES

At June 30, 2018, receivables, including the applicable allowances for doubtful accounts, are as follows:

Governmental Activities

| | <u>General</u> | <u>CDBG Fund</u> | <u>Other Govern- mental Funds</u> | <u>Total</u> |
|---|----------------------|----------------------|---|--------------------|
| Taxes | \$ 1,613,241 | \$ | \$ | \$ 1,613,241 |
| Intergovernmental | | 137,680 | 1,675,175 | 1,812,855 |
| Interest | 580,111 * | 31,015 * | * | 611,126 |
| Other | 2,014,141 ** | | 26,250 | 2,040,391 |
| Notes/loans | | 1,195,557 | 105,000 | 1,300,557 |
| | <u>4,207,493</u> | <u>1,364,252</u> | <u>1,806,425</u> | <u>7,378,170</u> |
| Less allowance for doubtful accounts | <u>(1,031,911) *</u> | <u>(492,767) *</u> | <u>*</u> | <u>(1,524,678)</u> |
| | <u>3,175,582</u> | <u>871,485</u> | <u>1,806,425</u> | <u>5,853,492</u> |
| Less current portion | <u>3,175,582</u> | <u>269,769</u> | <u>1,806,425</u> | <u>5,251,776</u> |
| Net Long-Term Portion | <u>\$ -</u> | <u>\$ 601,716</u> | <u>\$ -</u> | <u>\$ 601,716</u> |

* Amount is not included in the fund financial statements.

** Includes \$40,525 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 | \$ 1,803,322 | \$ 2,534,192 | \$ 15,782 | \$ 4,353,296 |
| Less allowance for doubtful accounts | <u>(75,000)</u> | <u>(50,000)</u> | | <u>(125,000)</u> |
| Net Receivables | <u>\$ 1,728,322</u> | <u>\$ 2,484,192</u> | <u>\$ 15,782</u> | <u>\$ 4,228,296</u> |

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

Governmental Activities

| | Balance July 1, 2017 | Increases | Decreases | Balance June 30, 2018 |
|---|---------------------------------|---------------------|---------------------|----------------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 4,880,057 | \$ | | \$ 4,880,057 |
| Construction in progress | 1,902,305 | 1,775,970 | | 3,678,275 |
| Total capital assets not being depreciated | <u>6,782,362</u> | <u>1,775,970</u> | <u>-</u> | <u>8,558,332</u> |
| Capital assets being depreciated: | | | | |
| Buildings and structures | 91,332,764 | 1,357,999 | (869,323) | 91,821,440 |
| Machinery and equipment | 8,954,554 | 1,257,931 | (181,737) | 10,030,748 |
| Vehicles | 10,584,711 | 631,066 | (2,109,097) | 9,106,680 |
| Infrastructure | 67,128,808 | 1,654,154 | (29,628) | 68,753,334 |
| Total capital assets being depreciated | <u>178,000,837</u> | <u>4,901,150</u> | <u>(3,189,785)</u> | <u>179,712,202</u> |
| Total capital assets | <u>184,783,199</u> | <u>6,677,120</u> | <u>(3,189,785)</u> | <u>188,270,534</u> |
| Less accumulated depreciation: | | | | |
| Buildings and structures | 22,450,021 | 2,368,706 | (508,443) | 24,310,284 |
| Machinery and equipment | 6,487,937 | 416,024 | (158,785) | 6,745,176 |
| Vehicles | 5,783,250 | 815,056 | (1,771,877) | 4,826,429 |
| Infrastructure | 19,023,727 | 1,860,584 | (5,926) | 20,878,385 |
| Total accumulated depreciation | <u>53,744,935</u> | <u>5,460,370</u> | <u>(2,445,031)</u> | <u>56,760,274</u> |
| Total capital assets being depreciated, net | <u>124,255,902</u> | <u>(559,220)</u> | <u>(744,754)</u> | <u>122,951,928</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 131,038,264</u> | <u>\$ 1,216,750</u> | <u>\$ (744,754)</u> | <u>\$ 131,510,260</u> |

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

| | |
|--|---------------------|
| General government | \$ 520,800 |
| General education | 1,370,199 |
| Public safety | 730,619 |
| Public services | 2,652,148 |
| Civic Support | 170,221 |
| Human services | 11,880 |
| Capital assets held by the City's internal service fund are charged to various functions based on usage of the assets | <u>4,503</u> |
| | <u>\$ 5,460,370</u> |

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Business-Type Activities

| | <u>Balance July 1, 2017</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance June 30, 2018</u> |
|--|---------------------------------|----------------------|------------------------|----------------------------------|
| Capital assets not being depreciated: | | | | |
| Land and land improvements | \$ 6,492,359 | \$ | \$ | \$ 6,492,359 |
| Construction in progress | <u>22,530,057</u> | <u>13,278,372</u> | <u>(9,886,685)</u> | <u>25,921,744</u> |
| Total capital assets not being depreciated | <u>29,022,416</u> | <u>13,278,372</u> | <u>(9,886,685)</u> | <u>32,414,103</u> |
| Capital assets being depreciated: | | | | |
| Buildings and systems | 313,062,911 | 21,714,293 | (437,941) | 334,339,263 |
| Machinery and equipment | 4,887,425 | 234,620 | (302,492) | 4,819,553 |
| Vehicles | <u>1,592,439</u> | <u>252,040</u> | <u>(38,560)</u> | <u>1,805,919</u> |
| Total capital assets being depreciated | <u>319,542,775</u> | <u>22,200,953</u> | <u>(778,993)</u> | <u>340,964,735</u> |
| Total capital assets | <u>348,565,191</u> | <u>35,479,325</u> | <u>(10,665,678)</u> | <u>373,378,838</u> |
| Less accumulated depreciation: | | | | |
| Buildings and systems | 109,047,262 | 6,922,975 | (299,314) | 115,670,923 |
| Machinery and equipment | 4,522,782 | 34,397 | (285,925) | 4,271,254 |
| Vehicles | <u>546,636</u> | <u>234,992</u> | <u>(29,241)</u> | <u>752,387</u> |
| Total accumulated depreciation | <u>114,116,680</u> | <u>7,192,364</u> | <u>(614,480)</u> | <u>120,694,564</u> |
| Total capital assets being depreciated, net | <u>205,426,095</u> | <u>15,008,589</u> | <u>(164,513)</u> | <u>220,270,171</u> |
| Net Capital Assets, Business-Type Activities | <u>\$ 234,448,511</u> | <u>\$ 28,286,961</u> | <u>\$ (10,051,198)</u> | <u>\$ 252,684,274</u> |

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

| | |
|-------------------------|---------------------|
| Water | \$ 3,047,461 |
| Water Pollution Control | 3,830,458 |
| Maritime | 156,884 |
| Parking | <u>157,561</u> |
| | <u>\$ 7,192,364</u> |

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

6. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2018 is as follows:

| | <u>Corresponding Fund</u> | <u>Due From</u> | <u>Due To</u> | <u>Description</u> |
|------------------------------------|-------------------------------|-----------------------------|-----------------------------|--------------------------------|
| Major Governmental Funds | | | | |
| General Fund | | | | |
| | Water Fund | \$ 516,998 | \$ | Payroll, benefits and overhead |
| | Nonmajor Governmental Fund | <u> </u> | <u>26,250</u> | Library parking lot |
| | Total | <u>516,998</u> | <u>26,250</u> | |
| Nonmajor Governmental Funds | | | | |
| UDAG Fund | | | | |
| | General Fund | <u>26,250</u> | <u> </u> | Library parking lot |
| | | <u>\$ 543,248</u> | <u>\$ 26,250</u> | |
| Major Enterprise Funds | | | | |
| Water Fund | | | | |
| | Water Pollution Control Fund | \$ | \$ 140,691 | Sludge charges |
| | General Fund | <u> </u> | 516,998 | Payroll, benefits and overhead |
| | Internal Service Fund | <u> </u> | <u>18,747</u> | Maintenance charges |
| | Total | <u>-</u> | <u>676,436</u> | |
| Water Pollution Control Fund | | | | |
| | Water Fund | <u>140,691</u> | <u> </u> | Sludge charges |
| | Total | <u>140,691</u> | <u>-</u> | |
| Total Enterprise Funds | | <u>\$ 140,691</u> | <u>\$ 676,436</u> | |
| Internal Service Fund | | | | |
| | Water Funds | <u>\$ 18,747</u> | <u>\$ -</u> | Maintenance charges |
| Total All Funds | | <u>\$ 702,686</u> | <u>\$ 702,686</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 City's general fund loaned \$749,991 to the Water Pollution Control Fund for equipment purchases. The loan is non-interest bearing, and will be repaid over the next three years at \$250,000 annually.

**CITY OF NEWPORT, RHODE ISLAND
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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 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 From</u> | <u>Advance To</u> | <u>Amount</u> | <u>Description</u> |
|-------------------------------|-------------------------|----------------------------|----------------------------------|
| <u>Major Funds</u> | | | |
| General Fund | Water Pollution Control | \$ 749,991 | Equipment loan |
| <u>Nonmajor Funds</u> | | | |
| Urban Development | Maritime Fund | <u>267,459</u> | Loans related to armory building |
| Total advances to other funds | | <u><u>\$ 1,017,450</u></u> | |

Transfers

A summary of interfund transfers for the year ended June 30, 2018 is as follows:

| | <u>Transfers In</u> | | | | <u>Purpose</u> |
|------------------------------|-------------------------|--------------------------------------|--|------------------------------------|------------------|
| | <u>General Fund</u> | <u>Capital Projects Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Transfers Out</u> | |
| Transfer out: | | | | | |
| General Fund | \$ | \$ 3,416,286 | \$ 795,117 | \$ 4,211,403 | Capital Projects |
| Capital Projects Fund | | | 99,640 | 99,640 | Capital Projects |
| Nonmajor Governmental Fund | 30,887 | | 400,000 | 430,887 | Capital Projects |
| Nonmajor Business-Type Funds | | <u>675,000</u> | | <u>675,000</u> | Capital Projects |
| Total | <u>\$ 30,887</u> | <u>\$ 4,091,286</u> | <u>\$ 1,294,757</u> | <u>\$ 5,416,930</u> | |

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

7. CHANGES IN LONG-TERM OBLIGATIONS

The City issues general obligation 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.

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
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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 2018 are summarized as follows:

| | <u>Date Issued</u> | <u>Maturity Date</u> | <u>Interest Rate (%)</u> | <u>Outstanding July 1, 2017</u> | <u>Additions</u> | <u>Retired</u> | <u>Outstanding June 30, 2018</u> |
|----------------------------------|--------------------|----------------------|--------------------------|---------------------------------|----------------------|---------------------|----------------------------------|
| Governmental Activities: | | | | | | | |
| Thompson School Refunding | 2010 | 2021 | 1.50 to 5.0 | \$ 6,405,000 | \$ | \$ 1,190,000 | \$ 5,215,000 |
| Road and Bridge Loan | 2014 | 2024 | 0.12 - 5.0 | 1,215,000 | | 144,000 | 1,071,000 |
| Roadway Improvements | 2009 | 2023 | 2.50 to 5.0 | 2,000,000 | | 250,000 | 1,750,000 |
| Road and Facility Improve | 2015 | 2025 | 2.0 - 5.0 | 4,740,000 | | 515,000 | 4,225,000 |
| Rogers Roof | 2016 | 2026 | 2.0 - 4.0 | 2,680,000 | | 255,000 | 2,425,000 |
| Pell School | 2013 | 2033 | 0.55 to 5.0 | 22,960,000 | | 1,435,000 | 21,525,000 |
| Total Governmental Activities | | | | <u>\$ 40,000,000</u> | <u>\$ -</u> | <u>\$ 3,789,000</u> | <u>\$ 36,211,000</u> |
| Business-type Activities: | | | | | | | |
| Sewer Improvements - SRF | 2002 | 2023 | 1.90 | \$ 4,804,612 | \$ | \$ 738,077 | \$ 4,066,535 |
| Sewer Improvements - SRF | 2009 | 2029 | 0.84 to 3.16 | 4,694,532 | | 297,000 | 4,397,532 |
| Sewer Improvements - SRF | 2010 | 2030 | 0.55 to 3.25 | 7,082,000 | | 404,000 | 6,678,000 |
| Sewer Improvements - SRF | 2011 | 2031 | 0.73 to 3.81 | 2,495,505 | | 128,000 | 2,367,505 |
| Sewer Improvements | 2011 | 2026 | 4.30 | 7,625,000 | | 620,000 | 7,005,000 |
| Sewer Improvements - SRF | 2015 | 2034 | 0.69 to 2.89 | 4,661,182 | 453,196 | 236,000 | 4,878,378 |
| Sewer Improvements - SRF | 2016 | 2035 | 0.37 to 2.41 | 8,210,062 | 931,938 | 408,000 | 8,734,000 |
| Energy Efficiency Bond | 2016 | 2027 | 0.765 - 1.709 | 635,018 | 7,868 | | 642,886 |
| Sewer Improvements - SRF | 2017 | 2036 | 0.59 - 2.44 | 2,606,252 | 8,982,101 | | 11,588,353 |
| Total W.P.C. Fund | | | | <u>42,814,163</u> | <u>10,375,103</u> | <u>2,831,077</u> | <u>50,358,189</u> |
| Water Improvements - SRF | 2007 | 2027 | 3.28 - 3.72 | 1,904,000 | | 144,000 | 1,760,000 |
| Water Improvements - SRF | 2012 | 2033 | 0.94 - 3.61 | 46,811,000 | | 2,166,000 | 44,645,000 |
| Water Improvements - SRF | 2013 | 2034 | 0.37 - 2.92 | 28,484,000 | | 1,279,000 | 27,205,000 |
| Water Improvements | 2011 | 2027 | 3.40 | 4,596,037 | | 375,000 | 4,221,037 |
| Water Improvements - SRF | 2008 | 2029 | 2.08 - 3.63 | 4,283,000 | | 261,000 | 4,022,000 |
| Water Improvements - SRF | 2009 | 2030 | 0.65 to 3.54 | 2,528,000 | | 141,000 | 2,387,000 |
| Total Water Fund | | | | <u>88,606,037</u> | <u>-</u> | <u>4,366,000</u> | <u>84,240,037</u> |
| Total Business-type Activities | | | | <u>\$ 131,420,200</u> | <u>\$ 10,375,103</u> | <u>\$ 7,197,077</u> | <u>\$ 134,598,226</u> |

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.

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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 | 5,400,000 | 372,878 | N/A |
| Sewer Plant Upgrades | WPC | 2016 | 9,142,000 | 9,142,000 | 611,388 | N/A |
| Sewer Plant Upgrades | WPC | 2017 | 33,443,000 | 11,588,353 | 2,178,395 | N/A |

**CITY OF NEWPORT, RHODE ISLAND
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Bonded indebtedness on June 30, 2018 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> |
| 2019 | \$ 3,836,000 | \$ 1,486,381 | \$ 8,963,086 | \$ 4,401,038 |
| 2020 | 3,963,000 | 1,331,942 | 9,178,877 | 4,269,487 |
| 2021 | 4,020,000 | 1,153,127 | 9,405,474 | 4,050,217 |
| 2022 | 4,147,000 | 978,204 | 9,657,904 | 3,813,382 |
| 2023 | 2,775,000 | 831,416 | 9,927,193 | 3,558,928 |
| 2024-2028 | 10,295,000 | 2,684,361 | 48,625,000 | 13,564,384 |
| 2029-2033 | 7,175,000 | 904,050 | 43,313,037 | 6,267,904 |
| 2034-2037 | | | 18,387,000 | 780,184 |
| Amounts Not Yet Drawn | | | (22,859,345) | |
| | <u>\$ 36,211,000</u> | <u>\$ 9,369,481</u> | <u>\$ 134,598,226</u> | <u>\$ 40,705,524</u> |

Debt authorized by the City Council and voters, where applicable, and not yet issued at June 30, 2018 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 |

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, 2018, \$200,000 was payable. The note is required to be paid only upon the sale of the building.

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2018 was as follows:

| | Balance July 1, 2017 (as Restated) | Additions | Reductions | Balance June 30, 2018 | Due Within One Year |
|----------------------------------|---|----------------------|----------------------|----------------------------------|--------------------------------|
| Governmental activities: | | | | | |
| Bonds payable | \$ 40,000,000 | \$ | \$ 3,789,000 | \$ 36,211,000 | \$ 3,836,000 |
| Bond premium | 3,063,873 | | 307,327 | 2,756,546 | 307,327 |
| Leases payable | 463,751 | | 110,733 | 353,018 | 114,133 |
| Claims and judgments | 592,000 | | 127,000 | 465,000 | 150,000 |
| Compensated absences * | 6,500,024 | 3,972,833 | 3,863,128 | 6,609,729 | 3,900,000 |
| Net pension liability * | 141,248,830 | | 4,817,635 | 136,431,195 | |
| Net OPEB liability * | 80,484,119 | | 8,629,039 | 71,855,080 | |
| TOTAL | \$ 272,352,597 | \$ 3,972,833 | \$ 21,643,862 | \$ 254,681,568 | \$ 8,307,460 |
| Business-type activities: | | | | | |
| Bonds payable | \$ 131,420,200 | \$ 10,375,103 | \$ 7,197,077 | \$ 134,598,226 | \$ 8,963,086 |
| Note payable | 200,000 | | | 200,000 | |
| Net pension liability | 6,521,738 | 527,363 | | 7,049,101 | |
| Net OPEB liability | 3,930,781 | | 421,436 | 3,509,345 | |
| TOTAL | \$ 142,072,719 | \$ 10,902,466 | \$ 7,618,513 | \$ 145,356,672 | \$ 8,963,086 |

* Generally, the liabilities for compensated absences, net pension liability and net OPEB liability 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, 2017 was \$6,848,183,901 limiting the amount of non-excepted general obligation bonds outstanding to \$205,445,517. Bonds of \$36,211,000 outstanding at June 30, 2018 are general obligations and subject to the statutory limitation.

9. OPERATING LEASES

The City leases certain office equipment under multi-year agreements that are subject to annual appropriation. Additionally, the Water Fund assesses the General Fund an annual lease charge of \$589,193 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, 2018, the General Fund incurred expenditures of \$589,193 associated with these agreements. The minimum annual lease obligations of the General Fund related to these agreements are \$589,193 until such time as the Rhode Island Public Utilities Commission approves a rate change.

**CITY OF NEWPORT, RHODE ISLAND
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10. CAPITAL LEASES

The City entered into an agreement to lease purchase a new HVAC system for the School Department in the principal amount of \$1,062,226 at an interest rate of 3.07%. Payments of principal and interest are being amortized as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> |
|-----------------------------|-------------------|------------------|
| 2019 | \$ 114,133 | \$ 10,838 |
| 2020 | 117,637 | 7,334 |
| 2021 | 121,248 | 3,722 |
| | <u>\$ 353,018</u> | <u>\$ 21,894</u> |

Equipment under capital leases in capital assets at June 30, 2018 included the following:

| | |
|-------------------------------|-------------------|
| Machinery and equipment | \$ 1,239,457 |
| Less accumulated depreciation | <u>(754,003)</u> |
| Net | <u>\$ 485,454</u> |

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
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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: | | | | | | |
| Prepays | \$ 61,148 | \$ | \$ | \$ | \$ | \$ 61,148 |
| Endowments | | | 2,601,651 | | | 2,601,651 |
| Total Nonspendable | <u>61,148</u> | <u>-</u> | <u>2,601,651</u> | <u>-</u> | <u>-</u> | <u>2,662,799</u> |
| Restricted: | | | | | | |
| Trust purposes | | | 10,297,669 | | | 10,297,669 |
| Education | | | | | 338,348 | 338,348 |
| For recreation by donors | 74,353 | | | | | 74,353 |
| Planning, urban and economic development | | | | | 2,254,460 | 2,254,460 |
| Public safety | | | | | 529,195 | 529,195 |
| Community and social services | | 2,493,656 | | | | 2,493,656 |
| Total Restricted | <u>74,353</u> | <u>2,493,656</u> | <u>10,297,669</u> | <u>-</u> | <u>3,122,003</u> | <u>15,987,681</u> |
| Committed: | | | | | | |
| General government | 1,463,667 | | | | | 1,463,667 |
| Water pollution control | 749,991 | | | | | 749,991 |
| Capital improvements | | | | 9,871,789 | | 9,871,789 |
| Total Committed | <u>2,213,658</u> | <u>-</u> | <u>-</u> | <u>9,871,789</u> | <u>-</u> | <u>12,085,447</u> |
| Assigned: | | | | | | |
| Public improvements | <u>637,126</u> | | | | | <u>637,126</u> |
| Unassigned | <u>12,625,424</u> | | | | <u>(33,654)</u> | <u>12,591,770</u> |
| Totals | <u>\$ 15,611,709</u> | <u>\$ 2,493,656</u> | <u>\$ 12,899,320</u> | <u>\$ 9,871,789</u> | <u>\$ 3,088,349</u> | <u>\$ 43,964,823</u> |

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

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

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

12. RISK MANAGEMENT

Through its operations, the City is exposed to various risks of loss related to torts, general liability, errors and omissions, and property losses due to theft, damage, or destruction, each of which is insured through a public entity risk pool; and to employee injuries and claims for unemployment, for which the City retains the risk of loss. Terms of collective bargaining agreements also require the City to assume risks of employee financial losses resulting from health and dental catastrophes and death, each of which the City has transferred to commercial insurers.

The City is a member of the Rhode Island Inter-local Risk Management Trust (the Trust), a non-profit public entity risk pool which provides insurance coverage to participants in exchange for an annual premium and a pro-rata share of certain administrative expenses. Coverage is provided in accordance with each member's policy, subject to deductibles, through a pooling of risks among participants, supplemented by commercial reinsurance for excess losses. Management believes the Trust's 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 2018 was \$44,787,267. Total City payroll was \$54,685,873 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 2018, City 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 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; the rates were 9.89% and 13.24% of annual covered payroll for the fiscal year ended June 30, 2018 for the state and the City, respectively. The City contributed \$2,532,188, \$2,436,992 and \$2,383,068 for the fiscal years ended June 30, 2018, 2017 and 2016, respectively, equal to 100% of the required contributions for each year.

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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

At June 30, 2018, the City reported a liability of \$32,872,313 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 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 were as follows:

| | |
|--|---------------------|
| City's proportionate share of net pension liability | \$32,872,313 |
| State's proportionate share of net pension liability | <u>24,843,571</u> |
| Total Net Pension Liability | <u>\$57,715,884</u> |

The net pension liability was measured as of June 30, 2017, 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, 2016 rolled forward to June 30, 2017. 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, 2017, the City's proportion was 1.04% (rounded).

For the year ended June 30, 2018, the City recognized gross (combined state and city) pension expense for the teachers' Plan of \$5,580,165 and revenue of \$2,590,208 for support provided by the State. At June 30, 2018, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Net difference between projected and actual earnings on pension plan investments | \$ 2,543,488 | \$ 1,713,112 |
| Differences between expected and actual experience | | 779,325 |
| Changes of assumptions | 2,870,923 | 518,016 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 2,434,309 | 1,604,373 |
| City contributions subsequent to the measurement date | <u>2,532,188</u> | |
| Totals | <u>\$ 10,380,908</u> | <u>\$ 4,614,826</u> |

**CITY OF NEWPORT, RHODE ISLAND
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The amount of \$2,532,188 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, 2019. 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> | |
|-----------------------------|------------|
| 2019 | \$ 400,947 |
| 2020 | 948,228 |
| 2021 | 543,190 |
| 2022 | (34,614) |
| 2023 | 421,870 |
| Thereafter | 954,273 |

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 - 7.0%

Projected Salary Increases - 3.0% to 13.5%

Inflation - 2.5%

Mortality - variants of the RP-2014 mortality tables - for the improvement scale, update to the ultimate rates of the MP-2016 projection scale

The actuarial assumptions used in the June 30, 2016 valuation rolled forward to June 30, 2017 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 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: | | |
| U.S. Equity | 20.6% | 6.85% |
| International Developed | 15.9% | 6.71% |
| International Emerging Markets | 3.5% | 8.91% |
| Private Growth: | | |
| Private Equity | 11.3% | 9.62% |
| Non-Core RE | 2.2% | 5.17% |
| OPP Private Credit | 1.5% | 9.62% |
| Income: | | |
| High Yield Infrastructure | 1.0% | 4.26% |
| REITS | 1.0% | 5.17% |
| Liquid Credit | 2.8% | 4.26% |
| Private Credit | 3.2% | 4.26% |
| Crisis Protection Class: | | |
| Treasury Duration | 4.0% | 0.83% |
| Systematic Trend | 4.0% | 3.81% |
| Inflation Protection: | | |
| Core Real Estate | 3.6% | 5.17% |
| Private Infrastructure | 2.4% | 5.57% |
| TIPs | 1.0% | 1.72% |
| Natural Resources | 1.0% | 3.98% |
| Volatility Protection: | | |
| IG Fixed Income | 11.5% | 2.12% |
| Absolute Return | 6.5% | 3.81% |
| Cash | 3.0% | 0.83% |

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 7.0%. 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 7.0%, 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 (6.00%) or 1 percentage point higher (8.00%) than the current rate:

| | <u>1% Decrease 6.00%</u> | <u>Current Discount Rate 7.00%</u> | <u>1% Increase 8.00%</u> |
|--|----------------------------------|--|----------------------------------|
| City's Proportionate Share of the Net Pension Liability | \$ 41,312,643 | \$ 32,872,313 | \$ 26,585,610 |

B. Teachers’ Survivors Benefit Plan

Plan Description

Certain employees of the City’s 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 \$27,070, \$20,487 and \$20,862 for the fiscal years ended June 30, 2018, 2017, and 2016, 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, 2018, the City of Newport School District reported an asset of \$2,873,089 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, 2017, 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 3.47% (rounded).

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For the year ended June 30, 2018, the City recognized pension expense of \$567,502 - a decrease in the net pension asset. At June 30, 2018, 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 | \$ 660,550 | \$ 476,986 |
| Differences between expected and actual experience | 567,025 | 603,747 |
| Changes in assumptions | 473,316 | |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 204,468 | 334,447 |
| City contributions subsequent to the measurement date | <u>27,070</u> | |
| Totals | <u>\$ 1,932,429</u> | <u>\$ 1,415,180</u> |

The amount of \$27,070 reported as deferred outflows of resources related to pensions resulting from the City's contributions in fiscal year 2018 subsequent to the measurement date will be recognized as an addition to the net pension asset for the year ended June 30, 2019. 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> | |
|-----------------------------|-----------|
| 2019 | \$ 80,640 |
| 2020 | 221,905 |
| 2021 | 118,910 |
| 2022 | (32,610) |
| 2023 | 51,320 |
| Thereafter | 50,014 |

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 - 7.0%

Projected Salary Increases - 3.0% to 13.5%

Inflation - 2.55%

Mortality - variants of the RP-2014 mortality tables - for the improvement scale, update to the ultimate rates of the MP-2016 projection scale

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.

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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.

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: | | |
| U.S. Equity | 20.6% | 6.85% |
| International Developed | 15.9% | 6.71% |
| International Emerging Markets | 3.5% | 8.91% |
| Private Growth: | | |
| Private Equity | 11.3% | 9.62% |
| Non-Core RE | 2.2% | 5.17% |
| OPP Private Credit | 1.5% | 9.62% |
| Income: | | |
| High Yield Infrastructure | 1.0% | 4.26% |
| REITS | 1.0% | 5.17% |
| Liquid Credit | 2.8% | 4.26% |
| Private Credit | 3.2% | 4.26% |
| Crisis Protection Class: | | |
| Treasury Duration | 4.0% | 0.83% |
| Systematic Trend | 4.0% | 3.81% |
| Inflation Protection: | | |
| Core Real Estate | 3.6% | 5.17% |
| Private Infrastructure | 2.4% | 5.57% |
| TIPs | 1.0% | 1.72% |
| Natural Resources | 1.0% | 3.98% |
| Volatility Protection: | | |
| IG Fixed Income | 11.5% | 2.12% |
| Absolute Return | 6.5% | 3.81% |
| Cash | 3.0% | 0.83% |

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 7.0%. 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 7.0% 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>Decrease 6.0%</u> | <u>Discount Rate 7.0%</u> | <u>Increase 8.0%</u> |
|--|--------------------------|-------------------------------|--------------------------|
| City’s Proportionate Share of the Net Pension Liability (Asset) | \$ (1,965,113) | \$ (2,873,089) | \$ (3,549,055) |

C. Municipal Employees’ Plan (MERS)

General Information about the Plan

Plan Description

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

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

Summary of Benefit Provisions

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

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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.

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.

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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 \$30,000 for members and beneficiaries who retired on or before June 30, 2015.

This COLA is calculated on the first \$26,098, effective January 1, 2017, 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 \$26,098, which will continue to be indexed annually.

At the June 30, 2017 valuation date, the following employees were covered by the benefit terms:

| | |
|-------------------------------|-------------------|
| Retirees and Beneficiaries | 253 |
| Inactive, Non-Retired Members | 137 |
| Active Members - Police | 6 |
| Active Members | <u>274</u> |
| Total | <u><u>670</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 22.74% for general employees and 8.33% for police employees. The City contributed \$3,208,916 in the year ended June 30, 2018, which was 21.85% of annual covered payroll.

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Net Pension Liability

The total pension liability used to calculate the net pension liability was determined by actuarial valuations performed as of June 30, 2016 and rolled forward to June 30, 2017, which is the plan measurement date for fiscal 2018 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, 2017 Measurement Date (June 30, 2016 Valuation Rolled Forward to June 30, 2017)

| | |
|----------------------------|--|
| Actuarial Cost Method | Entry Age Normal |
| Amortization | Level Percent of Payroll - Closed |
| Asset Valuation Method | 5 year smoothed market |
| Investment Rate of Return | 7.00% |
| Projected Salary Increases | 3.50% to 7.50% general employees; 4.00% to 14.00% for Police and Fire |
| Inflation | 2.50% |
| Mortality | Variants of the RP-2014 mortality tables |

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, 2016 valuation and a measurement date of June 30, 2017. The liabilities are rolled forward one-year using standard actuarial methods.

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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: | | |
| U.S. Equity | 20.6% | 6.85% |
| International Developed | 15.9% | 6.71% |
| International Emerging Markets | 3.5% | 8.91% |
| Private Growth: | | |
| Private Equity | 11.3% | 9.62% |
| Non-Core RE | 2.2% | 5.17% |
| OPP Private Credit | 1.5% | 9.62% |
| Income: | | |
| High Yield Infrastructure | 1.0% | 4.26% |
| REITS | 1.0% | 5.17% |
| Liquid Credit | 2.8% | 4.26% |
| Private Credit | 3.2% | 4.26% |
| Crisis Protection Class: | | |
| Treasury Duration | 4.0% | 0.83% |
| Systematic Trend | 4.0% | 3.81% |
| Inflation Protection: | | |
| Core Real Estate | 3.6% | 5.17% |
| Private Infrastructure | 2.4% | 5.57% |
| TIPs | 1.0% | 1.72% |
| Natural Resources | 1.0% | 3.98% |
| Volatility Protection: | | |
| IG Fixed Income | 11.5% | 2.12% |
| Absolute Return | 6.5% | 3.81% |
| Cash | 3.0% | 0.83% |

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 7.0% (reduced from 7.5% in FY2018). The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Changes in the Net Pension Liability

| MERS Plan | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (c) |
|--|--|--|--|
| Beginning Balances | \$ 73,776,503 | \$ 43,841,950 | \$ 29,934,553 |
| Changes for the Year: | | | |
| Service Cost | 1,183,562 | | 1,183,562 |
| Interest on the Total Pension Liability | 5,388,417 | | 5,388,417 |
| Benefit Changes | | | |
| Differences Between Expected and Actual Experience | (1,135,652) | | (1,135,652) |
| Changes in Assumptions | 3,826,008 | | 3,826,008 |
| Other | | 274,332 | (274,332) |
| Contributions - Employer | | 3,100,551 | (3,100,551) |
| Contributions - Employees | | 513,971 | (513,971) |
| Net Investment Income | | 5,065,942 | (5,065,942) |
| Benefit Payments, Including Refunds of | | | |
| Member Contributions | (5,045,437) | (5,045,437) | - |
| Plan Administrative Expenses | | (47,861) | 47,861 |
| Net Changes | <u>4,216,898</u> | <u>3,861,498</u> | <u>355,400</u> |
| Ending Balances | <u>\$ 77,993,401</u> | <u>\$ 47,703,448</u> | <u>\$ 30,289,953</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 7.00%, as well as what the employers' net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

| | 1% Decrease 6.00% | Current Discount Rate 7.00% | 1% Increase 8.00% |
|--|----------------------------------|--|----------------------------------|
| City's Proportionate Share of the Net Pension Liability- General Employees | \$ 39,649,772 | \$ 30,515,588 | \$ 23,712,626 |
| City's Proportionate Share of the Net Pension Liability- Police Employees | \$ (213,184) | \$ (225,635) | \$ (234,927) |

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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

For the year ended June 30, 2018, the employer recognized pension expense of \$3,524,277 and (\$187,163) for general and police employees, respectively. At June 30, 2018, the City reported deferred outflows and inflows of resources related to the MERS pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Net difference between projected and actual earnings on pension plan investments | \$ 2,948,562 | \$ 2,079,633 |
| Assumption changes | 2,988,533 | |
| Difference between expected and actual experience | 133,397 | 1,001,173 |
| City contributions subsequent to the measurement date | <u>3,208,916</u> | |
| Totals | <u>\$ 9,279,408</u> | <u>\$ 3,080,806</u> |

The amount of \$3,208,916 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, 2019. Deferred outflows and deferred inflows of resources will be recognized in future pension expense as follows:

| <u>Year Ending June 30,</u> | <u>Net Deferred Outflows/ (Inflows) of Resources</u> |
|-----------------------------|--|
| 2019 | \$ 707,319 |
| 2020 | 1,422,465 |
| 2021 | 896,006 |
| 2022 | (45,366) |
| 2023 | 686 |
| Thereafter | 8,576 |

**CITY OF NEWPORT, RHODE ISLAND
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018**

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 uses an actuarial smoothing method to value assets. The actuarial value of assets used in the development of plan contributions phases in the recognition of differences between the actual return on market value and expected return on market value over a 5-year period at 20% per year.

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, 2018, membership in each plan was as follows:

| | <u>Fire Plan</u> | <u>Police Plan</u> |
|---------------------------------------|-----------------------------|-------------------------------|
| Total active employees | 95 | 63 |
| Inactive employees with vested rights | | 1 |
| Pensioners and beneficiaries | <u>119</u> | <u>129</u> |
| Total Plan Members | <u><u>214</u></u> | <u><u>193</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 2018, covered payroll under the plans was \$6,835,155 and \$5,175,212 for the fire and police plans, respectively. Rights to pension benefits become fully vested for fire and police participants after ten years of service. Police are eligible to retire after 20 years of service, and firefighters hired prior to July 1, 2011 are eligible to retire after 25 years of service. Firefighters hired on or after July 1, 2011 shall not be entitled to collect any pension or retirement benefits until they have attained the age of 58 or have completed 30 years of service.

Police benefits are equal to 50% of salary with an additional 2.5% for each year of service after 20 years and up to 24 years of service. The percentage increases to 65% of salary at 25 years of service. Police retirees who work more than 25 years are entitled to an additional 1.5%, with the total benefit not to exceed 70% of salary.

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
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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 13 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, 2018**

Financial Information

**STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018**

| | <u>Police Pension Fund</u> | <u>Fire Pension Fund</u> |
|--|--------------------------------|------------------------------|
| Assets: | | |
| Cash and investments | \$ 73,632,348 | \$ 59,376,422 |
| Liabilities: | | |
| Accounts payable | <u>53,776</u> | <u>41,450</u> |
| Net Position: | | |
| Net Position Restricted for Pension Benefits | <u>\$ 73,578,572</u> | <u>\$ 59,334,972</u> |

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018**

| | <u>Police Pension Fund</u> | <u>Fire Pension Fund</u> |
|---|--------------------------------|------------------------------|
| Additions: | | |
| Contributions and other income | \$ 4,849,589 | \$ 6,739,635 |
| Investment gain, net of investment expenses | <u>8,533,829</u> | <u>5,150,801</u> |
| Total additions | <u>13,383,418</u> | <u>11,890,436</u> |
| Deductions: | | |
| Benefits | 5,746,765 | 6,189,816 |
| Administration | <u>74,866</u> | <u>57,662</u> |
| Total deductions | <u>5,821,631</u> | <u>6,247,478</u> |
| Changes in Net Position | 7,561,787 | 5,642,958 |
| Net Position at Beginning of Year | <u>66,016,785</u> | <u>53,692,014</u> |
| Net Position at End of Year | <u>\$ 73,578,572</u> | <u>\$ 59,334,972</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 inform investment

**CITY OF NEWPORT, RHODE ISLAND
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018**

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, 2018, 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 12.62% for police and 9.08% for fire for the year ended June 30, 2018. 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, 2018, 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, 2018**

The components of the net pension liability of the City at June 30, 2018, were as follows:

| | <u>Police Plan</u> | <u>Fire Plan</u> |
|--|----------------------|----------------------|
| Total pension liability | \$103,915,509 | \$109,316,065 |
| Plan fiduciary net position | <u>(73,578,572)</u> | <u>(59,334,972)</u> |
| City's Net Pension Liability | <u>\$ 30,336,937</u> | <u>\$ 49,981,093</u> |
| Plan fiduciary net position as a percentage of total pension liability | 70.81% | 54.28% |

Actuarial Assumptions

Pension assets are valued at their fair market value's 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, 2018 | June 30, 2018 |
| Actuarial Cost Method | Individual Entry Age | Individual Entry Age |
| Amortization Method | Level Dollar Closed | Level Dollar Closed |
| Remaining Amortization Period | 13 years | 13 years |
| Asset appreciation | 7.25% annually | 7.25% annually |
| Salary increases | 2.6% plus longevity increases of 3.00% annually after 7 th year of employment | 2.6% plus longevity increases of 3.00% annually after 7 th year of employment |
| Cost of living increase: | | |
| Members retired prior to 8/21/11 | 2.6% | 2.6% |
| Members retiring after 8/21/11 | Bureau of Labor CPI for Northeast Urban Wage Earners, not exceeding 3.00% or less than .05% | |
| Inflation | 2.6% | 2.6% |
| Mortality: | | |
| Healthy Members (police and fire) | RP2014 Adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale MP-2017 | |
| Disabled Members (police and fire) | 1985 Wyatt Pension Disability Table | |

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. The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return are developed. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability of the City, calculated using the discount rate of 7.25%, as well as what the City’s pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate:

| | 1% Decrease 6.25% | Current Discount Rate 7.25% | 1% Increase 8.25% |
|--------------------------------|------------------------------|--|------------------------------|
| Net pension liability - police | \$ 44,079,346 | \$ 30,336,937 | \$ 19,097,093 |
| Net pension liability - fire | 63,895,672 | 49,981,093 | 38,504,643 |

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Changes in the Net Pension Liability

| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
|---|--|--|--|
| Policemen's Pension Plan | | | |
| Balances at June 30, 2017, Policemen's Plan | \$ 102,420,432 | \$ 66,016,785 | \$ 36,403,647 |
| Changes for the Year: | | | |
| Service Cost | 1,384,448 | | 1,384,448 |
| Interest | 7,321,178 | | 7,321,178 |
| Changes of Benefit Terms | | | - |
| Differences Between Expected and Actual Experience | (288,627) | | (288,627) |
| Changes of Assumptions | (1,175,156) | | (1,175,156) |
| Contributions - Employer | | 4,396,285 | (4,396,285) |
| Contributions - Employees | | 453,304 | (453,304) |
| Net Investment Income | | 8,533,830 | (8,533,830) |
| Benefit Payments, Including Refunds of Member Contributions | (5,746,766) | (5,746,766) | - |
| Plan Administrative Expenses | | (74,866) | 74,866 |
| Net Changes | <u>1,495,077</u> | <u>7,561,787</u> | <u>(6,066,710)</u> |
| Balances at June 30, 2018, Policemen's Plan | <u>\$ 103,915,509</u> | <u>\$ 73,578,572</u> | <u>\$ 30,336,937</u> |
| Firemen's Pension Plan | | | |
| Balances at June 30, 2017, Firemen's Plan | \$ 106,788,608 | \$ 53,692,014 | \$ 53,096,594 |
| Changes for the Year: | | | |
| Service Cost | 1,732,271 | | 1,732,271 |
| Interest | 7,647,309 | | 7,647,309 |
| Differences Between Expected and Actual Experience | (433,125) | | (433,125) |
| Changes of Assumptions | (229,183) | | (229,183) |
| Contributions - Employer | | 6,142,577 | (6,142,577) |
| Contributions - Employees | | 597,058 | (597,058) |
| Net Investment Income | | 5,150,800 | (5,150,800) |
| Benefit Payments, Including Refunds of Member Contributions | (6,189,815) | (6,189,815) | - |
| Plan Administrative Expenses | | (57,662) | 57,662 |
| Net Changes | <u>2,527,457</u> | <u>5,642,958</u> | <u>(3,115,501)</u> |
| Balances at June 30, 2018, Firemen's Plan | <u>\$ 109,316,065</u> | <u>\$ 59,334,972</u> | <u>\$ 49,981,093</u> |

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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

For the year ended June 30, 2018, the City recognized pension expense of \$4,330,096 and \$5,545,618 for the Police and Fire Plans, respectively. The City reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

Police Pension Plan:

| | | |
|---|---------------------|-----------------------|
| Difference between expected and actual experience experience | \$ 1,104,599 | \$ (575,410) |
| Difference between expected and actual earnings on pension plan investments | | (2,838,113) |
| Changes in assumptions | <u>1,289,121</u> | <u>(895,357)</u> |
| Total Police Pension Plan | <u>\$ 2,393,720</u> | <u>\$ (4,308,880)</u> |

Fire Pension Plan:

| | | |
|---|---------------------|-----------------------|
| Difference between expected and actual experience experience | \$ 24,407 | \$ (1,206,817) |
| Difference between expected and actual earnings on pension plan investments | | (152,714) |
| Changes in assumptions | <u>2,120,264</u> | <u>(189,669)</u> |
| Total Fire Pension Plan | <u>\$ 2,144,671</u> | <u>\$ (1,549,200)</u> |

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

| <u>Year Ending June 30,</u> | <u>Police Pension</u> | <u>Fire Pension</u> |
|---------------------------------|-----------------------|---------------------|
| 2019 | \$ 775,164 | \$ 842,198 |
| 2020 | (134,581) | 596,290 |
| 2021 | (1,762,026) | (464,920) |
| 2022 | (793,717) | (286,744) |
| 2023 | | (91,353) |

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
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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 \$594,556 for the fiscal year ended June 30, 2018.

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, 2018, 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 equity portion

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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, 2018, 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 11.26% for the year ended June 30, 2018. 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. The City's net OPEB liability was measured as of June 30, 2018. The components of the net OPEB liability of the City at June 30, 2018 were as follows:

| | |
|---|----------------------|
| Total OPEB liability | \$ 122,677,157 |
| Plan fiduciary net position | <u>47,312,731</u> |
| Net OPEB Liability | <u>\$ 75,364,426</u> |
| Plan fiduciary net position as a Percentage of the total OPEB liability | 38.57% |

Actuarial Assumptions

OPEB Trust assets are valued at their fair market value as established by quotations from applicable national securities exchanges. The July 1, 2017 Actuarial Valuation total OPEB liability was increased by service cost and interest and decreased by benefit payments to estimate the total OPEB liability as of June 30, 2018.

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

The total OPEB liability at June 30, 2017 was determined using the Entry Age Normal actuarial cost method with the following actuarial assumptions, applied to all periods included in the measurement unless otherwise specified:

| | |
|---|---|
| Inflation | 2.30% |
| Medical Care Inflation | 5.50% for 2017 decreasing to an ultimate rate of 4.6% 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 long-term expected rate of return on OPEB plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return are developed. Best estimates of the real rates of return for each major asset class are included in the OPEB plan's target asset allocation.

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return*</u> | <u>Weighting</u> |
|-----------------------------------|--------------------------|--|------------------|
| Large Cap Equity | 20.00% | 4.50% | 0.90% |
| Mid Cap Equity | 15.00% | 5.00% | 0.75% |
| Small Cap Equity | 15.00% | 5.00% | 0.75% |
| International Equity | 15.00% | 5.25% | 0.79% |
| Fixed Income | 20.00% | 2.50% | 0.50% |
| Real Estate and Timber | 15.00% | 4.50% | 0.68% |
| | 100.00% | | 4.37% |
| Long-Term Inflation Expectation | | | <u>2.60%</u> |
| Long-Term Expected Nominal Return | | | <u>6.97%</u> |

* Long-Term Returns are geometric means and do not reflect additional returns through investment selection, asset allocation and rebalancing. The results support a rate between 7.00% and 7.50%.

The discount rate used to measure the total OPEB liability was 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.

**CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Changes in the Net OPEB Liability

| | Increase (Decrease) | | |
|----------------------------------|-----------------------------------|---|----------------------------------|
| | Total OPEB Liability (a) | Plan Fiduciary Net Postion (b) | Net OPEB Liability (a)-(b) |
| Balances as of June 30, 2017 | \$ 126,270,216 | \$ 41,855,316 | \$ 84,414,900 |
| Changes for the year: | | | |
| Service Cost | 1,602,911 | | 1,602,911 |
| Interest on total OPEB liability | 9,373,447 | | 9,373,447 |
| Differences in experience | (9,989,353) | | (9,989,353) |
| Changes in assumptions | 1,314,151 | | 1,314,151 |
| Employer contributions | | 6,614,215 | (6,614,215) |
| Net investment income (loss) | | 4,785,765 | (4,785,765) |
| Benefit payments | (5,894,215) | (5,894,215) | |
| Administrative expenses | | (48,350) | 48,350 |
| Net changes | <u>(3,593,059)</u> | <u>5,457,415</u> | <u>(9,050,474)</u> |
| Balances as of June 30, 2018 | \$ <u>122,677,157</u> | \$ <u>47,312,731</u> | \$ <u>75,364,426</u> |

The mortality table assumptions have been changed to an RP-2014 Table with a Scale of MP-2017 based on the most recent study published by the Society of Actuaries (SOA). Life expectancies generally continue to increase, and the mortality assumption reflects this trend. Scale MP-2017 captures the most recent pensioner mortality experience available (as published by the SOA in October 2017), with respect to future expected mortality improvement. The impact of the mortality assumption change is to increase the plan's total actuarial liability by about 2.6%, all else being equal.

The inflation and salary scale assumptions have been reduced from 3.00% to 2.60%, to reflect lower long-term inflation expectations going forward (a long-term inflation assumption of 2.6% is consistent with the Social Security Administration's current best estimate of the long-term (75-year horizon) annual percentage increase in CPI, as published in the 2018 OASDI Trustees Report). The impact of the proposed assumption change has virtually no impact on the OPEB plan's actuarial liability, but produces an UAL amortization pattern that is slightly less back-loaded over the long-term, thereby increasing the ADEC in the near-term by about 2.2%, all else being equal.

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:

| 1% Decrease 6.50% | Current Discount 7.50% | 1% Increase 8.50% |
|----------------------|---------------------------|----------------------|
| \$ 89,770,957 | \$ 75,364,426 | \$ 63,288,696 |

**CITY OF NEWPORT, RHODE ISLAND
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018**

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:

| 1% Decrease Healthcare Cost Trend Rates (4.5% decreasing to 3.6%) | Current Healthcare Cost Trend Rates (5.5% decreasing to 4.6%) | 1% Increase Healthcare Cost Trend Rates (6.5% decreasing to 5.6%) |
|--|--|--|
| \$ 61,445,220 | \$ 75,364,426 | \$ 92,113,398 |

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources

For the year ended June 30, 2018, the City recognized OPEB expense of \$5,518,962. The City reported the following deferred outflows of resources and deferred inflows of resources related to OPEB as of June 30, 2018:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Outflows of Resources</u> |
|---|--|--|
| Differences between expected and actual experience | \$ | \$ (7,666,248) |
| Changes of assumptions | 1,008,534 | |
| Net difference between projected and actual earnings on OPEB plan investments | | <u>(1,297,507)</u> |
| Total | <u>\$ 1,008,534</u> | <u>\$ (8,963,755)</u> |

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

| <u>Year Ended June 30,</u> | |
|---|----------------|
| 2019 | \$ (2,341,865) |
| 2020 | (2,341,865) |
| 2021 | (2,341,865) |
| 2022 | (929,626) |
| 2023 | - |
| Thereafter | - |

**CITY OF NEWPORT, RHODE ISLAND
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018**

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, 2018**

| | |
|---|-----------------------------|
| Assets: | |
| Cash and investments | \$ 47,347,536 |
| | |
| Liabilities: | |
| Accounts payable | <u>34,806</u> |
| | |
| Net Position: | |
| Net Position Restricted for OPEB Benefits | <u><u>\$ 47,312,730</u></u> |

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 OTHER POST-EMPLOYMENT BENEFITS TRUST FUND
 FOR THE YEAR ENDED JUNE 30, 2018**

| | |
|---|-----------------------------|
| Additions: | |
| Contributions and other income | \$ 6,614,215 |
| Investment income, net of investment expenses | <u>4,785,763</u> |
| Total additions | <u>11,399,978</u> |
| | |
| Deductions: | |
| Benefits | 5,894,215 |
| Administration | <u>48,349</u> |
| Total deductions | <u>5,942,564</u> |
| | |
| Changes in net position | 5,457,414 |
| | |
| Net Position at Beginning of Year | <u>41,855,316</u> |
| | |
| Net Position at End of Year | <u><u>\$ 47,312,730</u></u> |

**CITY OF NEWPORT, RHODE ISLAND
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018**

15. TAX ABATEMENTS

The City negotiates property tax abatement agreements on an individual basis. The City has one tax abatement agreement as of June 30, 2018. 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, 2018 under this agreement were \$8,230.

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 \$1,753,950.

18. RESTATEMENT OF BEGINNING NET POSITION

The following restatements were recorded to the beginning net position of the governmental and business-type activities as a result of the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*:

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> |
|--|------------------------------------|-------------------------------------|
| Net position at June 30, 2017, as previously reported | \$ (5,056,686) | \$ 137,575,362 |
| Adjustments: | | |
| Eliminate net OPEB obligation reported per GASB No. 45 | 6,304,160 | 406,512 |
| Record starting total OPEB liability per GASB No. 75 | <u>(80,484,119)</u> | <u>(3,930,781)</u> |
| Net Position at July 1, 2017, as Restated | <u>\$ (79,236,645)</u> | <u>\$ 134,051,093</u> |

CITY OF NEWPORT, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

The following restatements were recorded to the beginning net position of the enterprise funds activities as a result of the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*:

| | <u>Major Funds</u> <u>Water Fund</u> | <u>Nonmajor Funds</u> <u>Maritime Fund</u> |
|--|---|---|
| Net position at June 30, 2017, as previously reported | \$ 55,697,517 | \$ 4,945,767 |
| Adjustments: | | |
| Eliminate net OPEB obligation reported per GASB No. 45 | 406,512 | |
| Record starting total OPEB liability per GASB No. 75 | <u>(3,873,125)</u> | <u>(57,656)</u> |
| Net Position at July 1, 2017, as Restated | <u>\$ 52,230,904</u> | <u>\$ 4,888,111</u> |



Required Supplementary Information

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

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|--|------------------------------|------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Total pension liability: | | | | | | | |
| Service cost | \$ 1,384,448 | \$ 1,419,028 | \$ 1,354,511 | \$ 1,175,418 | \$ 1,159,989 | \$ 1,089,741 | \$ 1,185,085 |
| Interest | 7,321,178 | 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 | (288,627) | 1,006,987 | (982,867) | 3,395,866 | 413,108 | (1,568,795) | 2,472,564 |
| Changes of assumptions | (1,175,156) | 494,208 | 2,833,210 | | | (1,055,592) | 931,710 |
| Benefit payments, including refunds of member contributions | (5,746,766) | (5,449,333) | (5,075,242) | (4,990,121) | (4,676,133) | (4,431,444) | (4,154,488) |
| Net change in total pension liability | <u>1,495,077</u> | <u>4,480,344</u> | <u>5,013,792</u> | <u>7,063,504</u> | <u>3,024,640</u> | <u>153,793</u> | <u>6,113,584</u> |
| Total pension liability, beginning | <u>102,420,432</u> | <u>97,940,088</u> | <u>92,926,296</u> | <u>85,862,792</u> | <u>82,838,152</u> | <u>82,684,359</u> | <u>76,570,775</u> |
| Total Pension Liability, Ending (a) | <u>\$ 103,915,509</u> | <u>\$ 102,420,432</u> | <u>\$ 97,940,088</u> | <u>\$ 92,926,296</u> | <u>\$ 85,862,792</u> | <u>\$ 82,838,152</u> | <u>\$ 82,684,359</u> |
| Plan fiduciary net position: | | | | | | | |
| Contributions - employer | \$ 4,396,285 | \$ 4,314,776 | \$ 4,012,174 | \$ 4,012,174 | \$ 3,954,174 | \$ 3,461,972 | \$ 2,899,580 |
| Contributions - member | 453,304 | 418,174 | 447,063 | 487,883 | 407,872 | 403,980 | 393,524 |
| Net investment income (loss) | 8,533,830 | 8,344,427 | (896,323) | 3,315,144 | 9,496,182 | 6,725,692 | (525,652) |
| Benefit payments, including refunds of member contributions | (5,746,766) | (5,449,333) | (5,075,242) | (4,990,121) | (4,676,133) | (4,431,444) | (4,154,488) |
| Administrative expense | (74,866) | (176,061) | (125,892) | (130,044) | (86,063) | (114,392) | (114,960) |
| Net change in plan fiduciary net position | <u>7,561,787</u> | <u>7,451,983</u> | <u>(1,638,220)</u> | <u>2,695,036</u> | <u>9,096,032</u> | <u>6,045,808</u> | <u>(1,501,996)</u> |
| Plan fiduciary net position - beginning | <u>66,016,785</u> | <u>58,564,802</u> | <u>60,203,022</u> | <u>57,507,986</u> | <u>48,411,954</u> | <u>42,366,146</u> | <u>43,868,142</u> |
| Plan Fiduciary Net Position - Ending (b) | <u>\$ 73,578,572</u> | <u>\$ 66,016,785</u> | <u>\$ 58,564,802</u> | <u>\$ 60,203,022</u> | <u>\$ 57,507,986</u> | <u>\$ 48,411,954</u> | <u>\$ 42,366,146</u> |
| City's Net Pension Liability (a)-(b) | <u>\$ 30,336,937</u> | <u>\$ 36,403,647</u> | <u>\$ 39,375,286</u> | <u>\$ 32,723,274</u> | <u>\$ 28,354,806</u> | <u>\$ 34,426,198</u> | <u>\$ 40,318,213</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 70.81% | 64.46% | 59.80% | 64.79% | 66.98% | 58.44% | 51.24% |
| Covered employee payroll | \$ 5,175,212 | \$ 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 | 586.20% | 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 SEVEN FISCAL YEARS

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|--|------------------------------|------------------------------|------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Total pension liability: | | | | | | | |
| Service cost | \$ 1,732,271 | \$ 1,657,897 | \$ 1,459,460 | \$ 1,288,336 | \$ 1,301,858 | \$ 1,347,221 | \$ 1,167,259 |
| Interest | 7,647,309 | 7,426,079 | 7,256,466 | 7,047,145 | 6,926,242 | 6,935,131 | 6,083,467 |
| Differences between expected and actual experience | (433,125) | (1,067,973) | (268,376) | 78,639 | (880,942) | (1,813,565) | 8,664,711 |
| Changes of assumptions | (229,183) | 993,720 | 2,868,540 | | | (1,018,173) | 981,952 |
| Benefit payments, including refunds of member contributions | (6,189,815) | (5,880,883) | (5,794,738) | (5,793,864) | (5,651,902) | (5,400,180) | (6,032,049) |
| Net change in total pension liability | <u>2,527,457</u> | <u>3,128,840</u> | <u>5,521,352</u> | <u>2,620,256</u> | <u>1,695,256</u> | <u>50,434</u> | <u>10,865,340</u> |
| Total pension liability, beginning | <u>106,788,608</u> | <u>103,659,768</u> | <u>98,138,416</u> | <u>95,518,160</u> | <u>93,822,904</u> | <u>93,772,470</u> | <u>82,907,130</u> |
| Total Pension Liability, Ending (a) | \$ <u>109,316,065</u> | \$ <u>106,788,608</u> | \$ <u>103,659,768</u> | \$ <u>98,138,416</u> | \$ <u>95,518,160</u> | \$ <u>93,822,904</u> | \$ <u>93,772,470</u> |
| Plan fiduciary net position: | | | | | | | |
| Contributions - employer | \$ 6,142,577 | \$ 5,918,258 | \$ 6,048,094 | \$ 6,048,094 | \$ 5,990,094 | \$ 4,822,711 | \$ 4,560,741 |
| Contributions - member | 597,058 | 594,650 | 602,467 | 607,260 | 518,936 | 501,618 | 541,383 |
| Net investment income (loss) | 5,150,800 | 6,435,115 | (1,435,206) | 2,366,045 | 6,786,391 | 5,211,622 | (395,285) |
| Benefit payments, including refunds of member contributions | (6,189,815) | (5,880,883) | (5,794,738) | (5,793,864) | (5,651,902) | (5,400,180) | (6,032,049) |
| Administrative expense | (57,662) | (135,705) | (96,388) | (98,299) | (64,329) | (85,948) | (86,457) |
| Net change in plan fiduciary net position | <u>5,642,958</u> | <u>6,931,435</u> | <u>(675,771)</u> | <u>3,129,236</u> | <u>7,579,190</u> | <u>5,049,823</u> | <u>(1,411,667)</u> |
| Plan fiduciary net position - beginning | <u>53,692,014</u> | <u>46,760,579</u> | <u>47,436,350</u> | <u>44,307,114</u> | <u>36,727,924</u> | <u>31,678,101</u> | <u>33,089,768</u> |
| Plan Fiduciary Net Position - Ending (b) | \$ <u>59,334,972</u> | \$ <u>53,692,014</u> | \$ <u>46,760,579</u> | \$ <u>47,436,350</u> | \$ <u>44,307,114</u> | \$ <u>36,727,924</u> | \$ <u>31,678,101</u> |
| City's Net Pension Liability (a)-(b) | \$ <u>49,981,093</u> | \$ <u>53,096,594</u> | \$ <u>56,899,189</u> | \$ <u>50,702,066</u> | \$ <u>51,211,046</u> | \$ <u>57,094,980</u> | \$ <u>62,094,369</u> |
| Plan fiduciary net position as a percentage of total pension liability | 54.28% | 50.28% | 45.11% | 48.34% | 46.39% | 39.15% | 33.78% |
| Covered employee payroll | \$ 6,835,155 | \$ 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 | 731.24% | 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 FOUR FISCAL YEARS

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|----------------------|----------------------|----------------------|----------------------|
| City's proportion of the net pension liability | 1.042213410% | 0.949724730% | 1.015625070% | 1.031202720% |
| City's proportionate share of the net pension liability | \$ 32,872,313 | \$ 28,335,774 | \$ 27,960,185 | \$ 25,099,478 |
| State's proportionate share of the net pension liability | <u>24,843,571</u> | <u>19,405,844</u> | <u>19,101,521</u> | <u>17,211,868</u> |
| Total Liability | <u>\$ 57,715,884</u> | <u>\$ 47,741,618</u> | <u>\$ 47,061,706</u> | <u>\$ 42,311,346</u> |
| City's covered employee payroll | \$ 18,564,634 | \$ 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 | 177.07% | 154.59% | 164.32% | 150.80% |
| Plan fiduciary net position as a percentage of the total pension liability | 54.00% | 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 FOUR FISCAL YEARS

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|----------------|----------------|----------------|----------------|
| City's proportion of the net pension asset | 3.47300144% | 3.29868150% | 3.52658498% | 3.31356806% |
| City's proportionate share of the net pension liability (asset) | \$ (2,873,089) | \$ (3,284,559) | \$ (3,292,265) | \$ (4,119,452) |
| City's covered employee payroll | \$ 18,564,634 | \$ 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 | -15.48% | -17.92% | -19.35% | -24.75% |
| Plan fiduciary net position as a percentage of the total pension liability | 146.6% | 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 FOUR FISCAL YEARS

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Total pension liability: | | | | |
| Service cost | \$ 1,183,562 | \$ 1,112,632 | \$ 1,012,748 | \$ 1,027,962 |
| Interest | 5,388,417 | 5,264,384 | 5,102,024 | 5,004,233 |
| Changes of benefit terms | | | 1,364,563 | |
| Differences between expected and actual experience | (1,135,652) | 264,579 | (434,672) | |
| Changes of assumptions | 3,826,008 | | | 180,610 |
| Benefit payments, including refunds of member contributions | <u>(5,045,437)</u> | <u>(5,001,120)</u> | <u>(4,858,492)</u> | <u>(4,944,136)</u> |
| Net change in total pension liability | 4,216,898 | 1,640,475 | 2,186,171 | 1,268,669 |
| Total pension liability, beginning | <u>73,776,503</u> | <u>72,136,028</u> | <u>69,949,857</u> | <u>68,681,188</u> |
| Total Pension Liability, Ending (a) | <u>\$ 77,993,401</u> | <u>\$ 73,776,503</u> | <u>\$ 72,136,028</u> | <u>\$ 69,949,857</u> |
| Plan fiduciary net position: | | | | |
| Contributions - employer | \$ 3,100,551 | \$ 2,670,159 | \$ 2,518,304 | \$ 2,240,214 |
| Contributions - member | 513,971 | 465,743 | 234,906 | 226,656 |
| Net investment income | 5,065,942 | 21,439 | 1,073,486 | 6,243,957 |
| Benefit payments, including refunds of member contributions | (5,045,437) | (5,001,120) | (4,858,492) | (4,944,136) |
| Administrative expense | (47,861) | (77,595) | (43,154) | (39,099) |
| Other | <u>274,332</u> | <u>(43,443)</u> | <u>1,235</u> | <u>119,179</u> |
| Net change in plan fiduciary net position | 3,861,498 | (1,964,817) | (1,073,715) | 3,846,771 |
| Plan fiduciary net position - beginning | <u>43,841,950</u> | <u>45,806,767</u> | <u>46,880,482</u> | <u>43,033,711</u> |
| Plan Fiduciary Net Position - Ending (b) | <u>\$ 47,703,448</u> | <u>\$ 43,841,950</u> | <u>\$ 45,806,767</u> | <u>\$ 46,880,482</u> |
| City's Net Pension Liability (a)-(b) | <u>\$ 30,289,953</u> | <u>\$ 29,934,553</u> | <u>\$ 26,329,261</u> | <u>\$ 23,069,375</u> |
| Plan fiduciary net position as a percentage of total pension liability | 61.16% | 59.43% | 63.50% | 67.02% |
| Covered employee payroll | \$ 13,388,168 | \$ 12,543,133 | \$ 11,708,075 | \$ 11,271,517 |
| City's net pension liability as a percentage of covered employee payroll | 226.24% | 238.65% | 224.88% | 204.67% |

Notes to Schedule:

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

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

| Fire Pension Plan | | | | | | |
|--|--|--------------------------------|---|-------------------------------------|---|--|
| Actuarial Valuation Date July 1 | Actuarially Determined Contribution | Actual Contribution | Contribution Deficiency (Excess) | % of ADC Contributed | Covered Employee Payroll | Contributions as a Percentage of Covered Employee Payroll |
| 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% |
| 2018 | 6,142,577 | 6,142,577 | - | 100.0% | 6,835,155 | 89.87% |

| Police Pension Plan | | | | | | |
|--|--|--------------------------------|---|-------------------------------------|---|--|
| Actuarial Valuation Date July 1 | Actuarially Determined Contribution | Actual Contribution | Contribution Deficiency (Excess) | % of ADC Contributed | Covered Employee Payroll | Contributions as a Percentage of Covered Employee Payroll |
| 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% |
| 2018 | 4,396,285 | 4,396,285 | - | 100.0% | 5,175,212 | 84.95% |

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 | 13 years |
| Asset valuation method | Actuarial Value of assets; phases in recognition of differences between return on Market Value and expected return on Market Value over a 5-year period at 20% per year. |
| Inflation | 2.60% |
| Salary increases, including longevity | 2.60% per year plus longevity increases after seventh year of employment |
| 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-2014 Adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale AA |

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

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|------------------|------------------|------------------|------------------|------------------|
| Contractually required contribution | \$ 2,532,188 | \$ 2,436,992 | \$ 2,383,068 | \$ 2,213,075 | \$ 2,030,553 |
| Contributions in relation to the contractually required contribution | <u>2,532,188</u> | <u>2,436,992</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> | <u>\$ -</u> |
| City's Covered Employee Payroll | \$ 18,564,634 | \$ 18,329,802 | \$ 17,015,623 | \$ 16,643,677 | \$ 16,002,256 |
| Contributions as a percentage of covered employee payroll | 13.64% | 13.30% | 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 FOUR FISCAL YEARS

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|---------------|---------------|---------------|---------------|
| Contractually required contribution | \$ 27,070 | \$ 20,487 | \$ 20,862 | \$ 21,216 |
| Contributions in relation to the contractually required contribution | <u>27,070</u> | <u>20,487</u> | <u>20,862</u> | <u>21,216</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's Covered Employee Payroll | \$ 18,564,634 | \$ 18,329,802 | \$ 17,015,623 | \$ 16,643,677 |
| Contributions as a percentage of covered employee payroll | 0.15% | 0.11% | 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 SEVEN FISCAL YEARS**

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Contractually required contribution | \$ 3,208,916 | \$ 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>3,208,916</u> | <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> | <u>\$ -</u> |
| City's Covered Employee Payroll | \$ 13,388,168 | \$ 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 | 23.97% | 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 SIX FISCAL YEARS**

| | <u>2018</u> | <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% |
| Police Plan | 12.62% | | | | | |
| Fire Plan | 9.08% | | | | | |

* The plans are invested together and the amount per plan was not calculated prior to 2018.

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

| | <u>2018</u> | <u>2017</u> |
|---|------------------------------|------------------------------|
| Total OPEB liability: | | |
| Service cost | \$ 1,602,911 | \$ 1,365,521 |
| Interest | 9,373,447 | 8,932,105 |
| Changes of benefit terms | | |
| Differences between expected and actual experience | (9,989,353) | |
| Changes of assumptions | 1,314,151 | |
| Benefit payments | <u>(5,894,215)</u> | <u>(6,244,280)</u> |
| Net change in total OPEB liability | (3,593,059) | 4,053,346 |
| Total OPEB liability, beginning | <u>126,270,216</u> | <u>122,216,870</u> |
| Total Pension Liability, Ending (a) | <u>\$ 122,677,157</u> | <u>\$ 126,270,216</u> |
| Plan fiduciary net position: | | |
| Contributions - employer | \$ 6,614,215 | \$ 6,964,280 |
| Net investment income | 4,785,765 | 4,972,032 |
| Benefit payments | (5,894,215) | (6,244,280) |
| Administrative expense | <u>(48,350)</u> | <u>(45,922)</u> |
| Net change in plan fiduciary net position | 5,457,415 | 5,646,110 |
| Plan fiduciary net position - beginning | <u>41,855,316</u> | <u>36,209,206</u> |
| Plan Fiduciary Net Position - Ending (b) | <u>\$ 47,312,731</u> | <u>\$ 41,855,316</u> |
| City's Net OPEB Liability (a)-(b) | <u>\$ 75,364,426</u> | <u>\$ 84,414,900</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | 38.57% | 33.15% |
| Covered employee payroll | \$ 44,521,160 | \$ 44,273,402 |
| Net OPEB liability as a percentage of covered-employee payroll | 169.28% | 190.67% |

Notes 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>2018</u> | <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> |
|--|-------------------|-------------------|-------------------|---------------------|---------------------|-----------------------|---------------------|---------------------|-----------------------|---------------------|
| Actuarially determined contribution | \$ 7,162,648 | \$ 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 |
| Contributions in relation to the actuarially determined contribution | <u>6,614,215</u> | <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> |
| Contribution deficiency (excess) | \$ <u>548,433</u> | \$ <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> |
| Covered-employee payroll | \$ 44,521,160 | \$ 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 |
| Contributions as a percentage of covered-employee payroll | 14.86% | 15.73% | 16.95% | 18.24% | 20.57% | 24.70% | 26.96% | 26.08% | 29.43% | 30.52% |


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 TWO FISCAL YEARS**

| | <u>2018</u> | <u>2017</u> |
|--|-------------|-------------|
| Annual money-weighted rate of return, net of investment expense | 11.26% | 13.65% |

Note: 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, 2018**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual (Budgetary Basis)</u> | <u>Variance with Final Budget</u> |
|--------------------------------------|----------------------------|-------------------------|---|---|
| Revenues: | | | | |
| City: | | | | |
| Property taxes | \$ 80,664,572 | \$ 80,664,572 | \$ 79,856,764 | \$ (807,808) |
| Intergovernmental revenues | 3,597,491 | 3,597,491 | 3,803,823 | 206,332 |
| Charges for services | 9,820,052 | 9,820,052 | 10,626,598 | 806,546 |
| Use of money and property | 350,000 | 350,000 | 151,231 | (198,769) |
| Other revenues | 134,500 | 134,500 | 271,738 | 137,238 |
| School: | | | | |
| Intergovernmental revenues | 12,608,463 | 12,608,463 | 12,638,844 | 30,381 |
| Local revenues | 1,186,897 | 1,186,897 | 1,282,517 | 95,620 |
| Total revenues | <u>108,361,975</u> | <u>108,361,975</u> | <u>108,631,515</u> | <u>269,540</u> |
| Expenditures: | | | | |
| City: | | | | |
| Mayor and city council | 102,674 | 102,674 | 96,770 | 5,904 |
| City manager | 1,045,856 | 1,050,856 | 975,608 | 75,248 |
| City solicitor | 538,910 | 538,910 | 481,607 | 57,303 |
| Canvassing | 255,901 | 255,901 | 217,427 | 38,474 |
| City clerk | 552,933 | 552,933 | 620,578 | (67,645) |
| Finance | 4,077,294 | 4,207,964 | 4,071,553 | 136,411 |
| Reserve accounts | 935,000 | 930,000 | 1,162,731 | (232,731) |
| Police department | 18,089,158 | 18,091,458 | 18,024,053 | 67,405 |
| Fire department | 19,381,437 | 19,381,437 | 19,390,165 | (8,728) |
| Public services | 10,742,389 | 11,183,780 | 10,812,474 | 371,306 |
| Civic investment | 339,337 | 254,337 | 239,188 | 15,149 |
| Zoning and inspections | 1,039,347 | 1,039,347 | 1,071,244 | (31,897) |
| Donations | 118,450 | 118,450 | 118,450 | - |
| Public library | 1,868,017 | 1,868,017 | 1,868,017 | - |
| Pension expenditures | 1,614,700 | 1,614,700 | 1,509,419 | 105,281 |
| Debt service | 5,563,922 | 5,563,922 | 5,550,245 | 13,677 |
| School: | | | | |
| General education | 39,380,364 | 39,380,364 | 41,743,678 | (2,363,314) |
| Total expenditures | <u>105,645,689</u> | <u>106,135,050</u> | <u>107,953,207</u> | <u>(1,818,157)</u> |
| Excess of Revenues over Expenditures | <u>2,716,286</u> | <u>2,226,925</u> | <u>678,308</u> | <u>(1,548,617)</u> |
| Other Financing Sources (Uses): | | | | |
| City: | | | | |
| Transfers in | | | 30,887 | 30,887 |
| Transfers out | (28,401,290) | (29,001,290) | (29,006,325) | (5,035) |
| School: | | | | |
| Transfers out | | | (90,081) | (90,081) |
| Transfers in | 25,585,004 | 25,585,004 | 26,185,004 | 600,000 |
| Net Other Financing Sources (Uses) | <u>(2,816,286)</u> | <u>(3,416,286)</u> | <u>(2,880,515)</u> | <u>535,771</u> |
| Net Change in Fund Balances | <u>\$ (100,000)</u> | <u>\$ (1,189,361)</u> | <u>(2,202,207)</u> | <u>\$ (1,012,846)</u> |
| Fund Balances at Beginning of Year | | | | |
| City fund balance, beginning | | | 14,173,819 | |
| School fund balance, beginning | | | 975,590 | |
| Combined fund balance, beginning | | | <u>15,149,409</u> | |
| Fund Balances at End of Year | | | | |
| City fund balance, ending | | | 13,699,006 | |
| School fund balance, ending | | | <u>(751,804)</u> | |
| Combined Fund Balance, Ending | | | <u>\$ 12,947,202</u> | |

**CITY OF NEWPORT, RHODE ISLAND
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

| | Original Budget | Final Budget | Actual (Budgetary Basis) | Variance with Final Budget |
|--|----------------------|----------------------|--------------------------------|-------------------------------------|
| Property Taxes: | | | | |
| Current taxes - Real Estate | \$ 72,644,995 | \$ 72,644,995 | \$ 71,485,159 | \$ (1,159,836) |
| Current taxes - MV | 2,106,872 | 2,106,872 | 1,923,697 | (183,175) |
| Delinquent taxes & penalties | 1,720,000 | 1,720,000 | 1,375,157 | (344,843) |
| Tax Abatements | (1,000,000) | (1,000,000) | | 1,000,000 |
| Meals and beverage tax | 2,592,705 | 2,592,705 | 2,626,679 | 33,974 |
| Hotel occupancy tax | 2,600,000 | 2,600,000 | 2,446,072 | (153,928) |
| Total property taxes | <u>80,664,572</u> | <u>80,664,572</u> | <u>79,856,764</u> | <u>(807,808)</u> |
| Intergovernmental Revenues: | | | | |
| Telephone company tax | 316,689 | 316,689 | 305,570 | (11,119) |
| Miscellaneous state and federal aid | 94,560 | 94,560 | 86,036 | (8,524) |
| MV tax phase out | 77,989 | 77,989 | 263,311 | 185,322 |
| School housing aid | 1,535,005 | 1,535,005 | 1,564,530 | 29,525 |
| PILOT | 1,405,248 | 1,405,248 | 1,405,248 | - |
| State aid - library construction | 168,000 | 168,000 | 179,128 | 11,128 |
| Total intergovernmental revenues | <u>3,597,491</u> | <u>3,597,491</u> | <u>3,803,823</u> | <u>206,332</u> |
| Charges for Services: | | | | |
| GMH service fees | 360,000 | 360,000 | 361,975 | 1,975 |
| Hope IV Project service fees | 180,000 | 180,000 | 201,763 | 21,763 |
| Salve Regina service charges | 6,902 | 6,902 | 6,902 | - |
| Police special detail | 1,900,000 | 1,900,000 | 1,722,925 | (177,075) |
| Document prep and handling | 65,000 | 65,000 | 59,105 | (5,895) |
| Planning Services | 900 | 900 | 904 | 4 |
| Solid waste hauler fees | 4,500 | 4,500 | 3,500 | (1,000) |
| Management services | 832,750 | 832,750 | 830,436 | (2,314) |
| Fire alarm assessments | 154,000 | 154,000 | 157,200 | 3,200 |
| Bulky waste sticker program | 25,000 | 25,000 | 24,640 | (360) |
| HR regional testing | 3,500 | 3,500 | | (3,500) |
| Recreation activity fees | 85,000 | 85,000 | | (85,000) |
| Ballfield rentals | 28,000 | 28,000 | | (28,000) |
| Recreation Scholarship Revenue | | | 3,400 | 3,400 |
| Recreation Program Revenue | 25,000 | 25,000 | 151,070 | 126,070 |
| Parking tickets | 800,000 | 800,000 | 960,643 | 160,643 |
| Recording fees | 300,000 | 300,000 | 273,601 | (26,399) |
| Conveyance tax | 800,000 | 800,000 | 972,498 | 172,498 |
| Probate fees | 45,000 | 45,000 | 41,422 | (3,578) |
| Rescue fees | 700,000 | 700,000 | 916,780 | 216,780 |
| Archival Trust revenue | | | 92,729 | 92,729 |
| General business | 90,000 | 90,000 | 95,685 | 5,685 |
| Hotel registration fees | 7,000 | 7,000 | 17,400 | 10,400 |
| Entertainment | 25,000 | 25,000 | 28,890 | 3,890 |
| Liquor | 190,000 | 190,000 | 190,435 | 435 |
| Mech amusement | 12,000 | 12,000 | 9,800 | (2,200) |
| Sunday selling | 25,000 | 25,000 | 24,173 | (827) |
| Victualing | 56,000 | 56,000 | 57,200 | 1,200 |
| Animal | 4,000 | 4,000 | 4,171 | 171 |
| Marriage | 5,000 | 5,000 | 5,888 | 888 |
| Building | 1,000,000 | 1,000,000 | 1,004,377 | 4,377 |
| Plumbing | 50,000 | 50,000 | 72,462 | 22,462 |
| Mechanical | 170,000 | 170,000 | 207,187 | 37,187 |
| Electrical | 150,000 | 150,000 | 128,303 | (21,697) |
| Board of Appeals | 17,000 | 17,000 | 44,012 | 27,012 |
| HDC application fee | 12,000 | 12,000 | 16,650 | 4,650 |
| Road opening | 80,000 | 80,000 | 36,174 | (43,826) |
| Fire inspection fees | 100,000 | 100,000 | 69,316 | (30,684) |
| Fire - sundry | 15,000 | 15,000 | 21,690 | 6,690 |
| Police - sundry | 10,000 | 10,000 | 10,360 | 360 |
| Municipal court cost assessment | 120,000 | 120,000 | 131,325 | 11,325 |
| Payphone commissions | | | 220 | 220 |
| Vendor rights | | | 145 | 145 |
| Newport Grand Slot Machines | 450,000 | 450,000 | 477,135 | 27,135 |
| Other miscellaneous | 101,000 | 101,000 | 115,914 | 14,914 |
| Parking fund salary reimbursement | | | 100,000 | 100,000 |
| Beach bounce fees | | | 28,306 | 28,306 |
| Bathhouses | 44,000 | 44,000 | 52,995 | 8,995 |
| Rotunda rentals | 130,000 | 130,000 | 113,267 | (16,733) |
| Carousel | 15,000 | 15,000 | 16,371 | 1,371 |
| Food service concessions | 48,000 | 48,000 | 52,922 | 4,922 |
| Outside vendor commissions | 6,000 | 6,000 | 21,264 | 15,264 |
| Beach parking | 515,000 | 515,000 | 644,280 | 129,280 |
| Beach store | 20,000 | 20,000 | 3,746 | (16,254) |
| Beach meters | 37,500 | 37,500 | 43,042 | 5,542 |
| Total charges for services | <u>9,820,052</u> | <u>9,820,052</u> | <u>10,626,598</u> | <u>806,546</u> |
| Use of Money and Property: | | | | |
| Rental of property | 100,000 | 100,000 | 106,850 | 6,850 |
| Investment interest | 350,000 | 350,000 | 44,381 | (305,619) |
| Total use of money and property | <u>450,000</u> | <u>450,000</u> | <u>151,231</u> | <u>(298,769)</u> |
| Other Revenues: | | | | |
| Sale of surplus equipment | 3,000 | 3,000 | 88,126 | 85,126 |
| Public donations | 131,500 | 131,500 | 183,612 | 52,112 |
| Total other revenues | <u>134,500</u> | <u>134,500</u> | <u>271,738</u> | <u>137,238</u> |
| Total revenues | 94,666,615 | 94,566,615 | 94,710,154 | 36,689 |
| Other Financing Sources: | | | | |
| Transfers in | | | 30,887 | 30,887 |
| Appropriated Fund Balance | | 600,000 | | |
| Total Revenues and Other Financing Sources | <u>\$ 94,666,615</u> | <u>\$ 95,166,615</u> | <u>\$ 94,741,041</u> | <u>\$ 67,576</u> |

**CITY OF NEWPORT, RHODE ISLAND
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

| | <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 | \$ 102,674 | \$ 102,674 | \$ 96,770 | \$ 5,904 |
| City Manager | 1,045,856 | 1,050,856 | 975,608 | 75,248 |
| City Solicitor | 538,910 | 538,910 | 481,607 | 57,303 |
| Canvassing | 255,901 | 255,901 | 217,427 | 38,474 |
| City Clerk | 552,933 | 552,933 | 620,578 | (67,645) |
| Finance | 4,077,294 | 4,207,964 | 4,071,553 | 136,411 |
| Reserve Accounts | 935,000 | 930,000 | 1,162,731 | (232,731) |
| Public Safety: | | | | |
| Police Department | 18,089,158 | 18,091,458 | 18,024,053 | 67,405 |
| Fire Department | 19,381,437 | 19,381,437 | 19,390,165 | (8,728) |
| Public Services | 10,742,389 | 11,183,780 | 10,812,474 | 371,306 |
| Civic Investment | 339,337 | 254,337 | 239,188 | 15,149 |
| Zoning and Inspections | 1,039,347 | 1,039,347 | 1,071,244 | (31,897) |
| Human services: | | | | |
| Donations | 118,450 | 118,450 | 118,450 | - |
| Public Library | 1,868,017 | 1,868,017 | 1,868,017 | - |
| Pension expenditures | 1,614,700 | 1,614,700 | 1,509,419 | 105,281 |
| Debt service | 5,563,922 | 5,563,922 | 5,550,245 | 13,677 |
| Total expenditures | <u>66,265,325</u> | <u>66,754,686</u> | <u>66,209,529</u> | <u>545,157</u> |
| Other financing uses: | | | | |
| Transfers out | <u>28,401,290</u> | <u>29,001,290</u> | <u>29,006,325</u> | <u>(5,035)</u> |
| Total Expenditures and Other Financing Uses | <u>\$ 94,666,615</u> | <u>\$ 95,755,976</u> | <u>\$ 95,215,854</u> | <u>\$ 540,122</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, 2018**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual (Budgetary Basis)</u> | <u>Variance with Final Budget</u> |
|--------------------------------------|----------------------------|-------------------------|---|---|
| Revenues: | | | | |
| Federal revenues | \$ 1,075,973 | \$ 1,075,973 | \$ 1,071,409 | \$ (4,564) |
| State revenues | 11,532,490 | 11,532,490 | 11,567,435 | 34,945 |
| Local revenues | <u>1,186,897</u> | <u>1,186,897</u> | <u>1,282,517</u> | <u>95,620</u> |
| Total revenues | <u>13,795,360</u> | <u>13,795,360</u> | <u>13,921,361</u> | <u>126,001</u> |
| Expenditures: | | | | |
| General education | <u>39,380,364</u> | <u>39,380,364</u> | <u>41,743,678</u> | <u>(2,363,314)</u> |
| Excess of Expenditures over Revenues | (25,585,004) | (25,585,004) | (27,822,317) | (2,237,313) |
| Other Financing Sources: | | | | |
| Transfers out | | | (90,081) | (90,081) |
| Transfers in | <u>25,585,004</u> | <u>25,585,004</u> | <u>26,185,004</u> | <u>600,000</u> |
| Net Change in Fund Balances | \$ <u>-</u> | \$ <u>-</u> | (1,727,394) | \$ <u>(1,727,394)</u> |
| Fund Balances at Beginning of Year | | | <u>975,590</u> | |
| Fund Balances at End of Year | | | <u>\$ (751,804)</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, 2018 | \$ 13,921,361 | \$ 41,743,678 |
| State teachers' retirement on-behalf payments | <u>1,753,950</u> | <u>1,753,950</u> |
| Balance, GAAP Basis, Schedule A-6 - June 30, 2018 | <u>\$ 15,675,311</u> | <u>\$ 43,497,628</u> |

**CITY OF NEWPORT, RHODE ISLAND
COMBINING BALANCE SHEET
GENERAL FUND
JUNE 30, 2018**

| | General Funds | | | | Total Governmental General Funds |
|---|-------------------------|--------------------------------|---------------------------------|------------------|---|
| | City General Fund | School Unrestricted Fund | Property Acquisition Fund | Gift Fund | |
| Assets: | | | | | |
| Cash and cash equivalents | \$ | \$ | \$ | \$ | \$ |
| Investments | 23,270,485 | 466,200 | 679,382 | 80,946 | 1,226,528 |
| Receivables: | | | | | |
| Property taxes | 1,080,015 | | | | 1,080,015 |
| Motor vehicle excise | 533,226 | | | | 533,226 |
| Other | 1,550,651 | 422,965 | | | 1,973,616 |
| Prepaid expenses | 61,148 | | | | 61,148 |
| Due from other funds | 516,998 | | | | 516,998 |
| Advances from other funds | 749,991 | | | | 749,991 |
| Total Assets | \$ 27,762,514 | \$ 889,165 | \$ 679,382 | \$ 80,946 | \$ 29,412,007 |
| Liabilities, Deferred Inflows of Resources and Fund Balances: | | | | | |
| Liabilities: | | | | | |
| Cash overdraft | \$ 8,225,616 | \$ | \$ | \$ | \$ 8,225,616 |
| Accounts payable | 1,331,450 | 1,401,426 | 2,256 | 6,593 | 2,741,725 |
| Accrued liabilities | 567,656 | 239,543 | | | 807,199 |
| Due to other funds | 26,250 | | | | 26,250 |
| Other liabilities | 1,110,821 | | 40,000 | | 1,150,821 |
| Total liabilities | 11,261,793 | 1,640,969 | 42,256 | 6,593 | 12,951,611 |
| Deferred Inflows of Resources: | | | | | |
| Unavailable revenue - property taxes | 848,687 | | | | 848,687 |
| Fund Balances: | | | | | |
| Nonspendable | 61,148 | | | | 61,148 |
| Restricted | | | | 74,353 | 74,353 |
| Committed | 2,213,658 | | | | 2,213,658 |
| Assigned | | | 637,126 | | 637,126 |
| Unassigned | 13,377,228 | (751,804) | | | 12,625,424 |
| Total fund balances | 15,652,034 | (751,804) | 637,126 | 74,353 | 15,611,709 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 27,762,514 | \$ 889,165 | \$ 679,382 | \$ 80,946 | \$ 29,412,007 |

CITY OF NEWPORT, RHODE ISLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

| | General Funds | | | | Total Governmental General Funds |
|--|-------------------------|--------------------------------|---------------------------------|------------------|---|
| | City General Fund | School Unrestricted Fund | Property Acquisition Fund | Gift Fund | |
| Revenues: | | | | | |
| Local taxes | \$ 79,856,764 | \$ | \$ | \$ | \$ 79,856,764 |
| Intergovernmental revenues | 3,803,823 | 14,392,794 | | | 18,196,617 |
| Charges for services | 10,626,598 | 803,973 | | | 11,430,571 |
| Use of money and property | 151,231 | 478,544 | | | 629,775 |
| Contributions | | | | 52,496 | 52,496 |
| Other revenues | 271,738 | | | | 271,738 |
| Total revenues | <u>94,710,154</u> | <u>15,675,311</u> | <u></u> | <u>52,496</u> | <u>110,437,961</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| General government | 7,388,255 | | 13,494 | | 7,401,749 |
| General education | | 42,498,659 | | | 42,498,659 |
| Public safety | 37,414,217 | | | 50,161 | 37,464,378 |
| Public services | 9,275,487 | | | 28,607 | 9,304,094 |
| Civic investment | 239,188 | | | | 239,188 |
| Zoning and inspections | 1,071,244 | | | | 1,071,244 |
| Human services | 1,986,467 | | | | 1,986,467 |
| Pension expenditures | 1,509,419 | | | | 1,509,419 |
| Debt service: | | | | | |
| Principal | 3,899,733 | | | | 3,899,733 |
| Interest | 1,650,512 | | | | 1,650,512 |
| Capital outlays | 311,339 | 998,969 | | | 1,310,308 |
| Total expenditures | <u>64,745,861</u> | <u>43,497,628</u> | <u>13,494</u> | <u>78,768</u> | <u>108,335,751</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>29,964,293</u> | <u>(27,822,317)</u> | <u>(13,494)</u> | <u>(26,272)</u> | <u>2,102,210</u> |
| Other Financing Sources (Uses): | | | | | |
| Transfers out | (29,006,326) | (90,081) | (1,300,000) | | (30,396,407) |
| Transfers in | 30,887 | 26,185,004 | | | 26,215,891 |
| Net other financing sources (uses) | <u>(28,975,439)</u> | <u>26,094,923</u> | <u>(1,300,000)</u> | <u>-</u> | <u>(4,180,516)</u> |
| Net Change in Fund Balances | 988,854 | (1,727,394) | (1,313,494) | (26,272) | (2,078,306) |
| Fund Balances at Beginning 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> |
| Fund Balances at End of Year | <u>\$ 15,652,034</u> | <u>\$ (751,804)</u> | <u>\$ 637,126</u> | <u>\$ 74,353</u> | <u>\$ 15,611,709</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, 2018**

| | <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) | \$ 4,156,248 | \$ | \$ 750,000 | \$ 3,406,248 |
| David Sears Trust - Heirs of David Sears | 1,656,688 | | 1,039,381 | 617,307 |
| David Sears Trust - Public Improvements | 48,577 | | | 48,577 |
| Joseph Hammett Fund (1892) | 44,966 | | 1,500 | 43,466 |
| Henderson Home Fund (1980) | 1,292,591 | | 139,781 | 1,152,810 |
| Freebody Fund | 170,741 | | 97,000 | 73,741 |
| EV Coles Fund (1899) | 418,271 | | 61,321 | 356,950 |
| Hunter Industrial Fund (1942) | 137,572 | | 25,000 | 112,572 |
| King School Fund (1864) | 284,380 | | 8,914 | 275,466 |
| City Burial Lots | 638,262 | | | 638,262 |
| Private Burial Lots | 11,604 | | | 11,604 |
| Belmont Memorial Fund (1950) | 55,313 | | 2,000 | 53,313 |
| Judah Touro M & C Fund (1879) | 212,148 | | 10,000 | 202,148 |
| Touro Street Fund (1823) | 111,690 | | 5,000 | 106,690 |
| Derby Fuel Fund (1849) | 24,246 | | 500 | 23,746 |
| Fry Orphan Fund (1859) | 35,519 | | 5,131 | 30,388 |
| R & E Bullock Fund (1944) | 93,247 | | 1,000 | 92,247 |
| Poor and Aged Fund (1863) | 1,432,101 | | 100,000 | 1,332,101 |
| Alexander Agassiz Fund (1901) | 215,787 | | 31,087 | 184,700 |
| George H Norman Foundation Fund (1901) | 73,961 | | 6,899 | 67,062 |
| Barbara Chapman Fund (1990) | 7,077 | | 2,000 | 5,077 |
| E Townsend Fund (1889) | 353,447 | | 155,137 | 198,310 |
| George N Buckout Fund (1955) | 169,600 | | 15,000 | 154,600 |
| Edward Newton Fund (1959) | 59,061 | | | 59,061 |
| Braman Cemetery | 274,962 | | | 274,962 |
| Louis H Hobbs Fund (1988) | 63,308 | | 25,000 | 38,308 |
| RIICAN Fund | 13,381 | | | 13,381 |
| Pell School Tech Endowment Fund (2015) | 844,572 | | 120,000 | 724,572 |
| Unallocated | 3,803 | 3,803 | | |
| Total Permanent Trust Funds | \$ 12,903,123 | \$ 3,803 | 2,601,651 | \$ 10,297,669 |

CITY OF NEWPORT, RHODE ISLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
PERMANENT TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

| | <u>Fund Balance June 30, 2017</u> | <u>Revenues Use of Money and Property and Investment Changes</u> | <u>Expenditures Human Services</u> | <u>Fund Balance June 30, 2017</u> |
|--|---|--|--|---|
| David Sears Trusts 1-10 (City Portion) | \$ 3,845,149 | \$ 311,099 | \$ | \$ 4,156,248 |
| David Sears Trust - Heirs of David Sears | 1,532,031 | 124,657 | | 1,656,688 |
| David Sears Trust - Public Improvements | 129,736 | 341 | (81,500) | 48,577 |
| Joseph Hammett Fund (1892) | 43,978 | 1,818 | (830) | 44,966 |
| Henderson Home Fund (1980) | 1,234,585 | 103,946 | (45,940) | 1,292,591 |
| Freebody Fund | 158,905 | 11,836 | | 170,741 |
| EV Coles Fund (1899) | 401,666 | 31,345 | (14,740) | 418,271 |
| Hunter Industrial Fund (1942) | 132,112 | 10,310 | (4,850) | 137,572 |
| King School Fund (1864) | 273,089 | 21,311 | (10,020) | 284,380 |
| City Burial Lots | 593,431 | 44,831 | | 638,262 |
| Private Burial Lots | 10,771 | 833 | | 11,604 |
| Belmont Memorial Fund (1950) | 51,426 | 3,887 | | 55,313 |
| Judah Touro M & C Fund (1879) | 203,730 | 15,898 | (7,480) | 212,148 |
| Touro Street Fund (1823) | 103,842 | 7,848 | | 111,690 |
| Derby Fuel Fund (1849) | 24,154 | 1,002 | (910) | 24,246 |
| Fry Orphan Fund (1859) | 34,195 | 2,584 | (1,260) | 35,519 |
| R & E Bullock Fund (1944) | 92,915 | 3,842 | (3,510) | 93,247 |
| Poor and Aged Fund (1863) | 1,374,099 | 107,211 | (49,209) | 1,432,101 |
| Alexander Agassiz Fund (1901) | 207,226 | 16,171 | (7,610) | 215,787 |
| George H Norman Foundation Fund (1901) | 71,029 | 5,542 | (2,610) | 73,961 |
| Barbara Chapman Fund (1990) | 6,579 | 498 | | 7,077 |
| E Townsend Fund (1889) | 328,611 | 24,836 | | 353,447 |
| George N Buckout Fund (1955) | 157,682 | 11,918 | | 169,600 |
| Edward Newton Fund (1959) | 54,910 | 4,151 | | 59,061 |
| Braman Cemetery | 255,640 | 19,322 | | 274,962 |
| Louis H Hobbs Fund (1988) | 58,863 | 4,445 | | 63,308 |
| RIICAN Fund | 12,440 | 941 | | 13,381 |
| Pell School Tech Endowment Fund (2015) | 660,187 | 184,385 | | 844,572 |
| Unallocated Investment Expense | | 9,720 | (9,721) | - |
| Total Permanent Trust Funds | \$ 12,052,981 | \$ 1,086,528 | \$ (240,190) | \$ 12,899,320 |



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, 2018**

| | 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 | \$ | \$ 244,174 | \$ 523,358 | \$ | \$ 2,286,098 | \$ 3,053,630 |
| Receivables: | | | | | | |
| Intergovernmental | 1,174,067 | | 10,377 | 28,914 | 461,817 | 1,675,175 |
| Note/loan | | 105,000 | | | | 105,000 |
| Other | | 26,250 | | | | 26,250 |
| Due from other funds | | 26,250 | | | | 26,250 |
| Advances to other funds | | 267,459 | | | | 267,459 |
| Total Assets | \$ 1,174,067 | \$ 669,133 | \$ 533,735 | \$ 28,914 | \$ 2,747,915 | \$ 5,153,764 |
| Liabilities, Deferred Inflows of Resources and Fund Balances: | | | | | | |
| Liabilities: | | | | | | |
| Cash overdraft | \$ 835,719 | \$ | \$ | \$ 22,950 | \$ | \$ 858,669 |
| Accounts payable | | | 4,540 | 10,704 | 539,896 | 555,140 |
| Total liabilities | 835,719 | - | 4,540 | 33,654 | 539,896 | 1,413,809 |
| Deferred Inflows of Resources: | | | | | | |
| Unavailable revenue - loans receivable | | 424,959 | | | | 424,959 |
| Unavailable revenue - intergovernmental receivable | | | | 28,914 | 197,733 | 226,647 |
| Total deferred inflows of resources | - | 424,959 | - | 28,914 | 197,733 | 651,606 |
| Fund Balances: | | | | | | |
| Restricted | 338,348 | 244,174 | 529,195 | | 2,010,286 | 3,122,003 |
| Unassigned | | | | (33,654) | | (33,654) |
| Total fund balances | 338,348 | 244,174 | 529,195 | (33,654) | 2,010,286 | 3,088,349 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 1,174,067 | \$ 669,133 | \$ 533,735 | \$ 28,914 | \$ 2,747,915 | \$ 5,153,764 |

**CITY OF NEWPORT, RHODE ISLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

| | Special Revenue | | | | | Total Nonmajor Governmental Funds |
|--|-------------------------------|-------------------|-------------------------|----------------------------------|------------------------|--|
| | School Restricted Funds | UDAG Fund | State Grants Fund | Substance Abuse Task Force | Sheffield Hub Grant | |
| Revenues: | | | | | | |
| Intergovernmental revenues | \$ 3,122,539 | \$ | \$ 566,591 | \$ 134,454 | \$ 264,084 | \$ 4,087,668 |
| Charges for services | 144,717 | 167,500 | | | | 312,217 |
| Use of money and property | | 25,375 | | | | 25,375 |
| Contributions | 451,091 | | 120,050 | 2,000 | 537,500 | 1,110,641 |
| Total Revenues | <u>3,718,347</u> | <u>192,875</u> | <u>686,641</u> | <u>136,454</u> | <u>801,584</u> | <u>5,535,901</u> |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General education | 3,790,895 | | | | | 3,790,895 |
| Public safety | | | 154,475 | | | 154,475 |
| Public services | | | 7,915 | | | 7,915 |
| Civic investment | | | 1,581 | | 8,389 | 9,970 |
| Human services | | | 411,404 | 153,472 | | 564,876 |
| Debt service | | | | | | - |
| Capital outlays | | | 382,284 | | 1,403,640 | 1,785,924 |
| Total Expenditures | <u>3,790,895</u> | <u></u> | <u>957,659</u> | <u>153,472</u> | <u>1,412,029</u> | <u>6,314,055</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>(72,548)</u> | <u>192,875</u> | <u>(271,018)</u> | <u>(17,018)</u> | <u>(610,445)</u> | <u>(778,154)</u> |
| Other Financing Sources (Uses): | | | | | | |
| Transfers in | 90,081 | | 1,883 | 3,153 | 1,199,640 | 1,294,757 |
| Transfers out | | (400,000) | (30,887) | | | (430,887) |
| Net Other Financing Sources (Uses) | <u>90,081</u> | <u>(400,000)</u> | <u>(29,004)</u> | <u>3,153</u> | <u>1,199,640</u> | <u>863,870</u> |
| Net Change in Fund Balances | 17,533 | (207,125) | (300,022) | (13,865) | 589,195 | 85,716 |
| Fund Balances at Beginning 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> |
| Fund Balances at End of Year | <u>\$ 338,348</u> | <u>\$ 244,174</u> | <u>\$ 529,195</u> | <u>\$ (33,654)</u> | <u>\$ 2,010,286</u> | <u>\$ 3,088,349</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, 2018

| | <u>Maritime Fund</u> | <u>Parking Operations Fund</u> | <u>Totals</u> |
|---|--------------------------|--|--------------------------|
| Assets: | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 1,958,957 | \$ 3,422,971 | \$ 5,381,928 |
| Investments | | 1,277,819 | 1,277,819 |
| Accounts receivable: | | | |
| User fees (net of allowances) | 15,782 | | 15,782 |
| Total current assets | <u>1,974,739</u> | <u>4,700,790</u> | <u>6,675,529</u> |
| Noncurrent assets: | | | |
| Capital assets | 4,753,501 | 3,812,494 | 8,565,995 |
| Less accumulated depreciation | <u>(977,628)</u> | <u>(2,417,920)</u> | <u>(3,395,548)</u> |
| Total noncurrent assets | <u>3,775,873</u> | <u>1,394,574</u> | <u>5,170,447</u> |
| Total Assets | <u>5,750,612</u> | <u>6,095,364</u> | <u>11,845,976</u> |
| Deferred outflow of resources: | | | |
| Deferred outflows - pension | 91,912 | | 91,912 |
| Deferred outflows - other post employment benefit | 689 | | 689 |
| Total deferred outflow of resources | <u>92,601</u> | | <u>92,601</u> |
| Liabilities: | | | |
| Current liabilities: | | | |
| Accounts payable | 21,871 | 30,486 | 52,357 |
| Accrued expenses | 39,137 | 10,963 | 50,100 |
| Unearned revenue | | 25,032 | 25,032 |
| Total current liabilities | <u>61,008</u> | <u>66,481</u> | <u>127,489</u> |
| Long-term liabilities: | | | |
| Notes payable | 200,000 | | 200,000 |
| Advances from other funds | 267,459 | | 267,459 |
| Net OPEB liability | 51,474 | | 51,474 |
| Net pension liability | 305,156 | | 305,156 |
| Total long-term liabilities | <u>824,089</u> | | <u>824,089</u> |
| Total Liabilities | <u>885,097</u> | <u>66,481</u> | <u>951,578</u> |
| Deferred inflow of resources: | | | |
| Deferred inflows - pension | 30,618 | | 30,618 |
| Deferred inflows - other post employment benefit | 6,122 | | 6,122 |
| Total deferred inflow of resources | <u>36,740</u> | | <u>36,740</u> |
| Net Position: | | | |
| Net investment in capital assets | 3,575,873 | 1,394,574 | 4,970,447 |
| Unrestricted | <u>1,345,503</u> | <u>4,634,309</u> | <u>5,979,812</u> |
| Total Net Position | <u>\$ 4,921,376</u> | <u>\$ 6,028,883</u> | <u>\$ 10,950,259</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, 2018**

| | <u>Maritime Fund</u> | <u>Parking Operations Fund</u> | <u>Totals</u> |
|--|--------------------------|--|----------------------|
| Operating Revenues: | | | |
| User fees | \$ 1,070,662 | \$ 1,861,116 | \$ 2,931,778 |
| Operating Expenses: | | | |
| Salaries and benefits | 417,465 | 477,334 | 894,799 |
| Materials and supplies | 60,961 | 20,619 | 81,580 |
| Repairs and maintenance | 84,641 | 246,408 | 331,049 |
| Support services | 33,754 | 407,053 | 440,807 |
| Utilities | 35,271 | 15,595 | 50,866 |
| Administrative and other | 148,441 | 200,725 | 349,166 |
| Depreciation | 156,884 | 157,561 | 314,445 |
| Total operating expenses | <u>937,417</u> | <u>1,525,295</u> | <u>2,462,712</u> |
| Operating Income | 133,245 | 335,821 | 469,066 |
| Nonoperating revenues and expenses: | | | |
| Investment income | <u>20</u> | <u>9,528</u> | <u>9,548</u> |
| Income Before Transfers | 133,265 | 345,349 | 478,614 |
| Transfers: | | | |
| Transfers out | <u>(100,000)</u> | <u>(575,000)</u> | <u>(675,000)</u> |
| Changes in Net Position | 33,265 | (229,651) | (196,386) |
| Net Position at Beginning of Year, as Restated | <u>4,888,111</u> | <u>6,258,534</u> | <u>11,146,645</u> |
| Net Position at End of Year | <u>\$ 4,921,376</u> | <u>\$ 6,028,883</u> | <u>\$ 10,950,259</u> |

**CITY OF NEWPORT, RHODE ISLAND
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

| | Maritime Fund | Parking Operations Fund | Totals |
|--|--------------------------|--|---------------------|
| Cash Flows from Operating Activities: | | | |
| Cash received from customers | \$ 1,130,884 | \$ 1,975,675 | \$ 3,106,559 |
| Cash payments to suppliers for goods and services | (212,966) | (679,836) | (892,802) |
| Cash payments to employees for services | (413,424) | (473,391) | (886,815) |
| Payment of administrative expense | (148,441) | (200,725) | (349,166) |
| Net cash provided by (used in) operating activities | <u>356,053</u> | <u>621,723</u> | <u>977,776</u> |
| Cash Flows from Noncapital Financing Activities: | | | |
| Interfund loans and transfers | <u>(100,000)</u> | <u>(575,000)</u> | <u>(675,000)</u> |
| Cash Flows from Capital and Related Financing Activities: | | | |
| Acquisition and construction of capital assets | <u>(309,676)</u> | <u>(111,179)</u> | <u>(420,855)</u> |
| Cash Flows from Investing Activities: | | | |
| Investment income (loss) | <u>20</u> | <u>16,572</u> | <u>16,592</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (53,603) | (47,884) | (101,487) |
| Cash and Cash Equivalents at Beginning of Year | <u>2,012,560</u> | <u>3,470,855</u> | <u>5,483,415</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 1,958,957</u> | <u>\$ 3,422,971</u> | <u>\$ 5,381,928</u> |
| Reconciliation of Operating Income (Loss) to net Cash Provided by (Used in) Operating Activities: | | | |
| Operating income (loss) | \$ 133,245 | \$ 335,821 | \$ 469,066 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | |
| Depreciation and amortization | 156,884 | 157,561 | 314,445 |
| Changes in assets and liabilities: | | | |
| Decrease (Increase) in accounts receivable | 60,222 | 119,527 | 179,749 |
| Decrease (Increase) in deferred outflows of resources: | | | |
| Deferred outflows - pension | (18,683) | | (18,683) |
| Deferred outflows - other post employment benefit | (689) | | (689) |
| (Decrease) Increase in accounts payable | 1,661 | 9,839 | 11,500 |
| (Decrease) Increase in unearned revenues | | (4,968) | (4,968) |
| (Decrease) Increase in accrued liabilities | 1,644 | 3,943 | 5,587 |
| (Decrease) Increase in net pension liability | 5,856 | | 5,856 |
| (Decrease) Increase in net OPEB liability | (6,182) | | (6,182) |
| (Decrease) Increase in deferred inflow of resources: | | | |
| Deferred inflows - pension | 15,973 | | 15,973 |
| Deferred inflows - other post employment benefit | 6,122 | | 6,122 |
| Net Cash Provided by (Used in) Operating Activities | <u>\$ 356,053</u> | <u>\$ 621,723</u> | <u>\$ 977,776</u> |
| Noncash Investing, Capital and Related Financing Transactions: | | | |
| Increase (decrease) in fair value of investments | <u>\$ -</u> | <u>\$ (7,044)</u> | <u>\$ (7,044)</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, 2018

| | 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 | \$ | \$ 2,078,850 | \$ 2,078,850 | \$ 515,430 | \$ 2,594,280 |
| Investments, at fair value: | | | | | |
| Fixed income mutual funds | 11,440,965 | 8,818,458 | 20,259,423 | 7,487,102 | 27,746,525 |
| Domestic equity mutual funds | 44,869,008 | 34,584,098 | 79,453,106 | 28,114,479 | 107,567,585 |
| International equity mutual funds | 9,747,398 | 7,513,092 | 17,260,490 | 6,150,070 | 23,410,560 |
| Alternative investments | 8,279,835 | 6,381,924 | 14,661,759 | 5,080,455 | 19,742,214 |
| Total assets | <u>74,337,206</u> | <u>59,376,422</u> | <u>133,713,628</u> | <u>47,347,536</u> | <u>181,061,164</u> |
| Liabilities: | | | | | |
| Cash overdraft | 704,858 | | 704,858 | | 704,858 |
| Accounts payable | 53,776 | 41,450 | 95,226 | 34,806 | 130,032 |
| Total liabilities | <u>758,634</u> | <u>41,450</u> | <u>800,084</u> | <u>34,806</u> | <u>834,890</u> |
| Net Position: | | | | | |
| Net position - restricted for pension benefits | 73,578,572 | 59,334,972 | 132,913,544 | | 132,913,544 |
| Net position - restricted for other post-employment benefit | | | | 47,312,730 | 47,312,730 |
| Total Net Position | <u>\$ 73,578,572</u> | <u>\$ 59,334,972</u> | <u>\$ 132,913,544</u> | <u>\$ 47,312,730</u> | <u>\$ 180,226,274</u> |

**CITY OF NEWPORT, RHODE ISLAND
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 PRIVATE-PURPOSE TRUST FUNDS
 JUNE 30, 2018**

| | Private-Purpose Trust Funds | | |
|--|---|---|--|
| | Expendable Scholarship Funds | Nonexpendable Scholarship Trusts | Total Private Purpose Trust Funds |
| Assets: | | | |
| Cash | \$ 25,581 | \$ | \$ 25,581 |
| Investments, at fair value: | | | |
| Fixed income mutual funds | | 592,962 | 592,962 |
| Domestic equity mutual funds | | 1,390,342 | 1,390,342 |
| Total assets | <u>25,581</u> | <u>1,983,304</u> | <u>2,008,885</u> |
| Liabilities: | | | |
| Cash overdraft | | 77,043 | 77,043 |
| Accounts payable | | 636 | 636 |
| Total liabilities | <u>-</u> | <u>77,679</u> | <u>77,679</u> |
| Net Position: | | | |
| Net position - restricted for trust purposes | <u>25,581</u> | <u>1,905,625</u> | <u>1,931,206</u> |
| Total Net Position | <u>\$ 25,581</u> | <u>\$ 1,905,625</u> | <u>\$ 1,931,206</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, 2018**

| | 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 | \$ 453,304 | \$ 597,058 | \$ 1,050,362 | \$ | \$ 1,050,362 |
| Employer | 4,396,285 | 6,142,577 | 10,538,862 | 6,614,215 | 17,153,077 |
| Total contributions | <u>4,849,589</u> | <u>6,739,635</u> | <u>11,589,224</u> | <u>6,614,215</u> | <u>18,203,439</u> |
| Investment income: | | | | | |
| Net change in fair value of investments | 3,871,416 | 1,555,918 | 5,427,334 | 1,647,586 | 7,074,920 |
| Interest, dividends and realized gains | 4,864,271 | 3,750,471 | 8,614,742 | 3,257,098 | 11,871,840 |
| Total investment income | <u>8,735,687</u> | <u>5,306,389</u> | <u>14,042,076</u> | <u>4,904,684</u> | <u>18,946,760</u> |
| Less investment expenses | <u>201,858</u> | <u>155,588</u> | <u>357,446</u> | <u>118,921</u> | <u>476,367</u> |
| Net investment income | <u>8,533,829</u> | <u>5,150,801</u> | <u>13,684,630</u> | <u>4,785,763</u> | <u>18,470,393</u> |
| Total additions | <u>13,383,418</u> | <u>11,890,436</u> | <u>25,273,854</u> | <u>11,399,978</u> | <u>36,673,832</u> |
| Deductions: | | | | | |
| Benefits | 5,746,765 | 6,189,816 | 11,936,581 | 5,894,215 | 17,830,796 |
| Administration | 74,866 | 57,662 | 132,528 | 48,349 | 180,877 |
| Total deductions | <u>5,821,631</u> | <u>6,247,478</u> | <u>12,069,109</u> | <u>5,942,564</u> | <u>18,011,673</u> |
| Changes in Net Position | 7,561,787 | 5,642,958 | 13,204,745 | 5,457,414 | 18,662,159 |
| Net Position at Beginning 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> |
| Net Position at End of Year | <u>\$ 73,578,572</u> | <u>\$ 59,334,972</u> | <u>\$ 132,913,544</u> | <u>\$ 47,312,730</u> | <u>\$ 180,226,274</u> |

**CITY OF NEWPORT, RHODE ISLAND
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018**

| | <u>Expendable Scholarship Funds</u> | <u>Non- Expendable Scholarship Trusts</u> | <u>Total Private Purpose Trust Funds</u> |
|---|---|---|--|
| Additions: | | | |
| Contributions | \$ 10,000 | \$ 25,065 | \$ 35,065 |
| Investment income: | | | |
| Net appreciation in fair value of investments | | 3,209 | 3,209 |
| Interest, dividends and realized gains | | 165,269 | 165,269 |
| Total investment income | - | 168,478 | 168,478 |
| Less investment expenses | | 9,690 | 9,690 |
| Net investment income | - | 158,788 | 158,788 |
| Total additions | 10,000 | 183,853 | 193,853 |
| Deductions: | | | |
| Awards | 9,000 | 44,254 | 53,254 |
| Administration | | 1,507 | 1,507 |
| Total deductions | 9,000 | 45,761 | 54,761 |
| Changes in Net Position | 1,000 | 138,092 | 139,092 |
| Net Position at Beginning of Year | 24,581 | 1,767,533 | 1,792,114 |
| Net Position at End of Year | \$ 25,581 | \$ 1,905,625 | \$ 1,931,206 |

CITY OF NEWPORT, RHODE ISLAND
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FIDUCIARY NET POSITION
NONEXPENDABLE SCHOLARSHIP TRUSTS
JUNE 30, 2018

| | 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 | \$ 23,038 | \$ - | \$ 1,827 | \$ - | \$ 24,865 |
| American Culinary Federation Award | 52,496 | - | 4,630 | - | 57,126 |
| Eileen Jeanes Jachna Award | 43,784 | - | 3,976 | (1,490) | 46,270 |
| William T Bull Award | 40,515 | - | 3,677 | (1,613) | 42,579 |
| Mercedes S Coulombe Award | 114,870 | - | 10,147 | - | 125,017 |
| Carol Ann Page Award | 8,861 | - | 804 | (200) | 9,465 |
| Avis G Marden Award | 6,797 | - | 597 | (245) | 7,149 |
| Class of 41 American Government Award | 7,761 | - | 681 | - | 8,442 |
| PF Carroll Scholarship | 34,885 | - | 3,262 | (1,395) | 36,752 |
| J Fitzgerald Scholarship | 3,154 | - | 290 | - | 3,444 |
| Smales Scholarship | 18,673 | - | 1,698 | (778) | 19,593 |
| Henry Vaughn Memorial Award | 7,572 | - | 688 | (269) | 7,991 |
| Adelson Biology Award | 5,351 | - | 499 | (102) | 5,748 |
| Leavitt Trust Award | 23,145 | - | 2,100 | (899) | 24,346 |
| Alliance Francaise Award | 1,870 | - | 170 | (45) | 1,995 |
| Lalli Trust Award | 7,913 | - | 713 | - | 8,626 |
| Goldstein Music Award | 7,396 | - | 671 | - | 8,067 |
| MB Howard Award | 20,439 | - | 1,856 | (795) | 21,500 |
| Newport School Book Award | 524 | - | 46 | - | 570 |
| Edward King Medal Award | 97,685 | - | 8,643 | - | 106,328 |
| Koehne Latin Award | 4,966 | - | 454 | - | 5,420 |
| Mirman Math Award | 4,130 | - | 373 | (160) | 4,343 |
| GH Norman Award | 10,602 | - | 992 | - | 11,594 |
| Peckham Award | 129,913 | - | 11,418 | (3,302) | 138,029 |
| Pell Medal | 3,961 | - | 348 | - | 4,309 |
| Read Medal #1 | 1,330 | - | 117 | - | 1,447 |
| Read Medal #2 | 1,476 | - | 130 | - | 1,606 |
| Charles B King Award | 25,227 | - | 2,291 | - | 27,518 |
| Rogers High School Centennial Award | 58,378 | - | 5,290 | (2,260) | 61,408 |
| Almira Coffin Award | 6,355 | - | 577 | - | 6,932 |
| HH Toole Scholarship | 20,450 | - | 1,853 | (794) | 21,509 |
| Henry Heffernan Award | 98,798 | - | 9,230 | (3,940) | 104,088 |
| Bruen Scholarship | 34,151 | - | 3,195 | (1,300) | 36,046 |
| Sullivan Scholarship | 52,363 | - | 4,817 | (2,063) | 55,117 |
| Joseph P Cotton Memorial Award | 30,742 | - | 2,790 | - | 33,532 |
| Rufus E Darrah Memorial Award | 10,522 | - | 925 | (398) | 11,049 |
| Margaret P Stevens Award | 1,222 | - | 107 | - | 1,329 |
| Christine Meek Sullivan/Marx Award | 23,853 | - | 2,100 | - | 25,953 |
| Zelda Mirman Music/Drama Award | 43,541 | - | 4,008 | (838) | 46,711 |
| Wosencroft Scholarship | 9,398 | - | 853 | (360) | 9,891 |
| M/M Thomas Archambault Award | 20,423 | - | 1,852 | - | 22,275 |
| Class of 46 Rogers High School DLS Award | 23,914 | - | 2,167 | (880) | 25,201 |
| General Contractors Association Award | 32,260 | - | 2,924 | (1,250) | 33,934 |
| Cohen Scholarship | 8,475 | - | 793 | (190) | 9,078 |
| Townsend Scholarship | 10,529 | - | 955 | (400) | 11,084 |
| Dorothy Drinkwater Lecraw Award | 70,276 | - | 6,370 | (2,730) | 73,916 |
| Nicholas Logothets Award | 7,188 | - | 616 | - | 7,804 |
| Helene Lewis Memorial Scholarship | 109,005 | - | 9,902 | - | 118,907 |
| Kristen Jorge Memorial Scholarship | 26,414 | - | 2,393 | (975) | 27,832 |
| James Colton Crowley Award | 115,496 | - | 10,475 | (4,481) | 121,490 |
| Florence J Alofsin English Award | 8,566 | - | 778 | (318) | 9,026 |
| Sandra Clooney Memorial Scholarship | 36,101 | - | 3,272 | (1,402) | 37,971 |
| Allan Family Scholarship | 130,666 | - | 12,227 | (5,232) | 137,661 |
| Loeb/George Washington Essay Award | 8,015 | - | 704 | (750) | 7,969 |
| Tift-Oxley Scholarship Fund | 62,098 | - | 5,647 | (2,400) | 65,345 |
| John J Egan Scholarship | - | 25,065 | - | - | 25,065 |
| Unallocated Investment Expense | - | - | (1,130) | (1,507) | (2,637) |
| Total Nonexpendable Scholarship Trusts | \$ 1,767,533 | \$ 25,065 | \$ 158,788 | \$ (45,761) | \$ 1,905,625 |

CITY OF NEWPORT, RHODE ISLAND
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2018

| | <u>Balance Beginning</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance Ending</u> |
|--------------------------------------|------------------------------|-------------------|-------------------|---------------------------|
| ASSETS | | | | |
| Cash: | | | | |
| Thompson Middle School Student Funds | \$ 93,652 | \$ 33,580 | \$ 39,093 | \$ 88,139 |
| Rogers High School Student Funds | 190,051 | 179,424 | 173,222 | 196,253 |
| Newport Tech Student Funds | 21,117 | 116,676 | 115,321 | 22,472 |
| Chandler Student Funds | <u>3,143</u> | <u>1,666</u> | <u></u> | <u>4,809</u> |
| Total Assets | <u>\$ 307,963</u> | <u>\$ 331,346</u> | <u>\$ 327,636</u> | <u>\$ 311,673</u> |
| LIABILITIES | | | | |
| Amounts held in escrow: | | | | |
| Student activity funds | <u>\$ 307,963</u> | <u>\$ 331,346</u> | <u>\$ 327,636</u> | <u>\$ 311,673</u> |
| Total Liabilities | <u>\$ 307,963</u> | <u>\$ 331,346</u> | <u>\$ 327,636</u> | <u>\$ 311,673</u> |



Annual Supplemental Transparency Report

City of Newport
Annual Supplemental Transparency Report (MTP2)
Fiscal Year Ended June 30, 2018

EXHIBIT G-1

| <u>REVENUE</u> | <u>Municipal</u> | <u>Education Department</u> |
|--|----------------------|---------------------------------|
| Current Year Levy Tax Collection | \$ 73,411,207 | \$ - |
| Last Year's Levy Tax Collection | 996,718 | - |
| Prior Years Property Tax Collection | 64,898 | - |
| Interest & Penalty | 311,190 | - |
| PILOT & Tax Treaty (excluded from levy) Collection | - | - |
| Other Local Property Taxes | - | - |
| Licenses and Permits | 1,845,971 | - |
| Fines and Forfeitures | 1,091,968 | - |
| Investment Income | 53,929 | - |
| Departmental | 8,359,320 | - |
| Rescue Run Revenue | 916,780 | - |
| Police & Fire Detail | 1,722,925 | - |
| Other Local Non-Property Tax Revenues | 2,446,072 | - |
| Tuition | - | 803,973 |
| Impact Aid | - | 560,654 |
| Medicaid | - | 430,239 |
| Federal Stabilization Funds | - | - |
| Federal Food Service Reimbursement | - | 916,988 |
| CDBG | - | - |
| COPS Grants | - | - |
| SAFER Grants | - | - |
| Other Federal Aid Funds | - | 2,875,884 |
| MV Excise Tax Reimbursement & Phase-out | 263,311 | - |
| State PILOT Program | 1,405,248 | - |
| Distressed Community Relief Fund | - | - |
| Library Resource Aid | - | - |
| Library Construction Aid | 179,128 | - |
| Public Service Corporation Tax | 305,570 | - |
| Meals & Beverage Tax / Hotel Tax | 2,626,679 | - |
| LEA Aid | - | 11,567,435 |
| Group Home | - | - |
| Housing Aid Capital Projects | - | - |
| Housing Aid Bonded Debt | 1,564,530 | - |
| State Food Service Revenue | - | 10,182 |
| Incentive Aid | - | - |
| Property Revaluation Reimbursement | 86,036 | - |
| Other State Revenue | - | - |
| Other Revenue | - | 474,353 |
| Local Appropriation for Education | - | 25,585,004 |
| Regional Appropriation for Education | - | - |
| Supplemental Appropriation for Education | - | - |
| Regional Supplemental Appropriation for Education | - | - |
| Other Education Appropriation | - | 600,000 |
| Rounding | - | - |
| Total Revenue | \$ 97,651,480 | \$ 43,824,712 |
| Financing Sources: Transfer from Capital Funds | \$ - | \$ - |
| Financing Sources: Transfer from Other Funds | 30,887 | - |
| Financing Sources: Debt Proceeds | - | - |
| Financing Sources: Other | - | - |
| Rounding | - | - |
| Total Other Financing Sources | \$ 30,887 | \$ - |

City of Newport
Annual Supplemental Transparency Report (MTP2)
Fiscal Year Ended June 30, 2018

EXHIBIT G-1

| EXPENDITURES | General | | Social | Centralized | | | Public | Parks and | Police |
|---|---------------------|---------------------|-------------|-------------|---------------------|---------------------|---------------------|---------------------|----------------------|
| | Government | Finance | Services | IT | Planning | Libraries | Works | Rec | Department |
| Compensation- Group A | \$ 1,413,182 | \$ 1,487,177 | \$ - | \$ - | \$ 841,605 | \$ - | \$ 1,315,831 | \$ 1,909,063 | \$ 6,552,746 |
| Compensation - Group B | - | - | - | - | - | - | - | - | 1,111,110 |
| Compensation - Group C | - | - | - | - | - | - | - | - | - |
| Compensation -Volunteer | - | - | - | - | - | - | - | - | - |
| Overtime- Group A | 62,712 | 32,812 | - | - | 45 | - | 60,916 | 49,360 | 623,717 |
| Overtime - Group B | - | - | - | - | - | - | - | - | - |
| Overtime - Group C | - | - | - | - | - | - | - | - | - |
| Police & Fire Detail | - | - | - | - | - | - | - | - | 1,206,593 |
| Active Medical Insurance - Group A | 259,257 | 231,194 | - | - | 101,322 | - | 215,433 | 299,970 | 1,112,692 |
| Active Medical Insurance- Group B | - | - | - | - | - | - | - | - | 194,755 |
| Active Medical Insurance- Group C | - | - | - | - | - | - | - | - | - |
| Active Dental insurance- Group A | 19,988 | 18,524 | - | - | 7,525 | - | 15,715 | 20,776 | 68,903 |
| Active Dental Insurance- Group B | - | - | - | - | - | - | - | - | 14,113 |
| Active Dental Insurance- Group C | - | - | - | - | - | - | - | - | - |
| Payroll Taxes | 91,745 | 116,063 | - | - | 64,347 | - | 99,172 | 152,775 | 236,153 |
| Life Insurance | 913 | 1,277 | - | - | 885 | - | 1,982 | 987 | 7,822 |
| State Defined Contribution- Group A | 8,713 | 24,259 | - | - | 7,365 | - | 7,385 | 11,988 | 27,305 |
| State Defined Contribution - Group B | - | - | - | - | - | - | - | - | 6,344 |
| State Defined Contribution - Group C | - | - | - | - | - | - | - | - | - |
| Other Benefits- Group A | - | - | - | - | - | - | - | - | - |
| Other Benefits- Group B | - | - | - | - | - | - | - | - | - |
| Other Benefits- Group C | - | - | - | - | - | - | - | - | - |
| Local Defined Benefit Pension- Group A | - | - | - | - | - | - | - | - | 4,396,285 |
| Local Defined Benefit Pension - Group B | - | - | - | - | - | - | - | - | - |
| Local Defined Benefit Pension - Group C | - | - | - | - | - | - | - | - | - |
| State Defined Benefit Pension- Group A | 258,631 | 326,251 | - | - | 172,338 | - | 255,035 | 272,420 | 75,810 |
| State Defined Benefit Pension - Group B | - | - | - | - | - | - | - | - | 188,199 |
| State Defined Benefit Pension - Group C | - | - | - | - | - | - | - | - | - |
| Other Defined Benefit / Contribution | - | - | - | - | - | - | - | - | - |
| Purchased Services | 443,700 | 977,629 | - | - | 96,317 | - | 342,191 | 191,350 | 330,387 |
| Materials/Supplies | 99,077 | 482,333 | - | - | 16,070 | - | 137,301 | 269,336 | 240,273 |
| Software Licenses | - | 265,839 | - | - | - | - | - | 4,248 | - |
| Capital Outlays | - | - | - | - | 11,200 | - | 504,930 | - | 150,000 |
| Insurance | 377,303 | - | - | - | - | - | - | - | - |
| Maintenance | - | - | - | - | - | - | 60,401 | 59,980 | 54,049 |
| Vehicle Operations | 1,001 | - | - | - | 22,055 | - | 212,379 | 165,456 | 329,478 |
| Utilities | 100,000 | - | - | - | - | - | 23,135 | 69,406 | 71,145 |
| Contingency | - | - | - | - | - | - | - | - | - |
| Street Lighting | - | - | - | - | - | - | 733,542 | - | - |
| Revaluation | - | 134,663 | - | - | - | - | - | - | - |
| Snow Removal-Raw Material & External Contracts | - | - | - | - | - | - | 119,682 | - | - |
| Trash Removal & Recycling | - | - | - | - | - | - | 1,923,784 | - | - |
| Claims & Settlements | - | - | - | - | - | - | - | - | - |
| Community Support | 118,450 | - | - | - | - | - | - | - | - |
| Other Operation Expenditures | - | - | - | - | - | 1,868,017 | - | - | - |
| Local Appropriation for Education | - | - | - | - | - | - | - | - | - |
| Regional Appropriation for Education | - | - | - | - | - | - | - | - | - |
| Supplemental Appropriation for Education | - | - | - | - | - | - | - | - | - |
| Regional Supplemental Appropriation for Education | - | - | - | - | - | - | - | - | - |
| Other Education Appropriation | - | - | - | - | - | - | - | - | - |
| Municipal Debt- Principal | - | - | - | - | - | - | - | - | - |
| Municipal Debt- Interest | - | - | - | - | - | - | - | - | - |
| School Debt- Principal | - | - | - | - | - | - | - | - | - |
| School Debt- Interest | - | - | - | - | - | - | - | - | - |
| Retiree Medical Insurance- Total | - | - | - | - | - | - | - | - | - |
| Retiree Dental Insurance- Total | - | - | - | - | - | - | - | - | - |
| OPEB Contribution- Total | - | - | - | - | - | - | - | - | - |
| Non-Qualified OPEB Trust Contribution | - | - | - | - | - | - | - | - | - |
| Rounding | - | - | - | - | - | - | - | - | - |
| Total Expenditures | \$ 3,254,672 | \$ 4,098,021 | \$ - | \$ - | \$ 1,341,074 | \$ 1,868,017 | \$ 6,028,814 | \$ 3,477,115 | \$ 16,997,879 |

City of Newport
Annual Supplemental Transparency Report (MTP2)
Fiscal Year Ended June 30, 2018

EXHIBIT G-1

| EXPENDITURES | Fire | Centralized | Public Safety | Education | Debt | OPEB | Total | Education |
|---|----------------------|-------------|---------------------|----------------------|---------------------|---------------------|----------------------|----------------------|
| | Department | Dispatch | Other | Appropriation | | | Municipal | Department |
| Compensation- Group A | \$ 7,450,328 | \$ - | \$ 760,967 | \$ - | \$ - | \$ - | \$ 21,730,899 | \$ 18,327,762 |
| Compensation - Group B | - | - | - | - | - | - | 1,111,110 | 1,794,803 |
| Compensation - Group C | - | - | - | - | - | - | - | 4,393,122 |
| Compensation -Volunteer | - | - | - | - | - | - | - | - |
| Overtime- Group A | 972,614 | - | 7,346 | - | - | - | 1,809,522 | - |
| Overtime - Group B | - | - | - | - | - | - | - | - |
| Overtime - Group C | - | - | - | - | - | - | - | 102,319 |
| Police & Fire Detail | 405,840 | - | - | - | - | - | 1,612,433 | - |
| Active Medical Insurance - Group A | 1,469,943 | - | 36,236 | - | - | - | 3,726,047 | 2,118,641 |
| Active Medical Insurance- Group B | - | - | - | - | - | - | 194,755 | 160,747 |
| Active Medical Insurance- Group C | - | - | - | - | - | - | - | 737,645 |
| Active Dental insurance- Group A | 93,165 | - | 2,284 | - | - | - | 246,880 | 171,707 |
| Active Dental Insurance- Group B | - | - | - | - | - | - | 14,113 | 11,241 |
| Active Dental Insurance- Group C | - | - | - | - | - | - | - | 49,836 |
| Payroll Taxes | 124,206 | - | 52,621 | - | - | - | 937,082 | 709,113 |
| Life Insurance | 15,053 | - | 162 | - | - | - | 29,081 | 200,055 |
| State Defined Contribution- Group A | - | - | 1,594 | - | - | - | 88,609 | 419,182 |
| State Defined Contribution - Group B | - | - | - | - | - | - | 6,344 | 33,493 |
| State Defined Contribution - Group C | - | - | - | - | - | - | - | 38,115 |
| Other Benefits- Group A | - | - | - | - | - | - | - | 27,644 |
| Other Benefits- Group B | - | - | - | - | - | - | - | 9,069 |
| Other Benefits- Group C | - | - | - | - | - | - | - | 202,744 |
| Local Defined Benefit Pension- Group A | 6,142,577 | - | - | - | - | - | 10,538,862 | - |
| Local Defined Benefit Pension - Group B | - | - | - | - | - | - | - | - |
| Local Defined Benefit Pension - Group C | - | - | - | - | - | - | - | - |
| State Defined Benefit Pension- Group A | - | - | 31,192 | - | - | - | 1,391,677 | 2,312,853 |
| State Defined Benefit Pension - Group B | - | - | - | - | - | - | 188,199 | 470,328 |
| State Defined Benefit Pension - Group C | - | - | - | - | - | - | - | 860,522 |
| Other Defined Benefit / Contribution | - | - | - | - | - | - | - | - |
| Purchased Services | 798,049 | - | 440,807 | - | - | - | 3,620,430 | 6,338,407 |
| Materials/Supplies | 254,430 | - | 433,143 | - | - | - | 1,931,963 | 551,308 |
| Software Licenses | - | - | - | - | - | - | 270,087 | 149,854 |
| Capital Outlays | 575,000 | - | - | - | - | - | 1,241,130 | 602,911 |
| Insurance | - | - | - | - | - | - | 377,303 | 193,795 |
| Maintenance | 32,995 | - | 331,049 | - | - | - | 538,474 | 701,960 |
| Vehicle Operations | 103,865 | - | - | - | - | - | 834,234 | 93,667 |
| Utilities | 56,386 | - | 50,866 | - | - | - | 370,938 | 1,055,690 |
| Contingency | - | - | - | - | - | - | - | - |
| Street Lighting | - | - | - | - | - | - | 733,542 | - |
| Revaluation | - | - | - | - | - | - | 134,663 | - |
| Snow Removal-Raw Material & External Contracts | - | - | - | - | - | - | 119,682 | - |
| Trash Removal & Recycling | - | - | - | - | - | - | 1,923,784 | - |
| Claims & Settlements | - | - | - | - | - | - | - | 19,606 |
| Community Support | - | - | - | - | - | - | 118,450 | 778 |
| Other Operation Expenditures | - | - | 314,445 | - | - | - | 2,182,462 | 91,242 |
| Local Appropriation for Education | - | - | - | 25,585,004 | - | - | 25,585,004 | - |
| Regional Appropriation for Education | - | - | - | - | - | - | - | - |
| Supplemental Appropriation for Education | - | - | - | - | - | - | - | - |
| Regional Supplemental Appropriation for Education | - | - | - | - | - | - | - | - |
| Other Education Appropriation | - | - | - | 600,000 | - | - | 600,000 | - |
| Municipal Debt- Principal | - | - | - | - | 1,099,876 | - | 1,099,876 | - |
| Municipal Debt- Interest | - | - | - | - | 298,360 | - | 298,360 | - |
| School Debt- Principal | - | - | - | - | 2,799,857 | - | 2,799,857 | - |
| School Debt- Interest | - | - | - | - | 1,352,152 | - | 1,352,152 | - |
| Retiree Medical Insurance- Total | - | - | - | - | - | - | - | - |
| Retiree Dental Insurance- Total | - | - | - | - | - | - | - | - |
| OPEB Contribution- Total | - | - | - | - | - | 3,635,574 | 3,635,574 | 2,584,418 |
| Non-Qualified OPEB Trust Contribution | - | - | - | - | - | - | - | - |
| Rounding | - | - | - | - | - | - | - | - |
| Total Expenditures | \$ 18,494,451 | \$ - | \$ 2,462,712 | \$ 26,185,004 | \$ 5,550,245 | \$ 3,635,574 | \$ 93,393,578 | \$ 45,534,573 |

| | | |
|--|----------------------|---------------------|
| Financing Uses: Transfer to Capital Funds | \$ 2,816,286 | \$ - |
| Financing Uses: Transfer to Other Funds | 680,035 | - |
| Financing Uses: Payment to Bond Escrow Agent | - | - |
| Financing Uses: Other | - | - |
| Total Other Financing Uses | \$ 3,496,321 | \$ - |
| Net Change in Fund Balance¹ | 792,468 | (1,709,861) |
| Fund Balance¹- beginning of year | \$25,809,825 | \$1,296,405 |
| Funds removed from Reportable Government Services (RGS) | - | - |
| Funds added to Reportable Government Services (RGS) | - | - |
| Prior period adjustments | - | - |
| Misc. Adjustment | - | - |
| Fund Balance¹ - beginning of year adjusted | 25,809,825 | 1,296,405 |
| Rounding | - | - |
| Fund Balance¹ - end of year | \$ 26,602,293 | \$ (413,456) |

¹ and Net Position if Enterprise Fund activity is included in the transparency portal report.

City of Newport
 Combining Schedule of
 Reportable Government Services with
 Reconciliation to MTP2
 Municipal
 Fiscal Year Ended June 30, 2018

| Per Audited Fund Financial Statements Fund Description | Total Revenue | Total Other Financing Sources | Total Expenditures | Total Other Financing Uses | Net Change in Fund Balance ¹ | Beginning Fund Fund Balance ¹ (Deficit) | Prior Period Adjustment | Restated Beginning Fund Balance ¹ (Deficit) | Ending Fund Balance ¹ (Deficit) |
|---|----------------------|-------------------------------------|-----------------------|----------------------------------|---|--|----------------------------|--|--|
| General Fund | \$ 94,710,154 | \$ 30,887 | \$ 64,745,861 | \$ 29,006,326 | \$ 988,854 | \$ 14,663,180 | \$ - | \$ 14,663,180 | \$ 15,652,034 |
| Maritime Fund | 1,070,682 | - | 937,417 | 100,000 | 33,265 | 4,945,767 | (57,656) | 4,888,111 | 4,921,376 |
| Parking Fund | 1,870,644 | - | 1,525,295 | 575,000 | (229,651) | 6,258,534 | - | 6,258,534 | 6,028,883 |
| Totals per audited financial statements | \$ 97,651,480 | \$ 30,887 | \$ 67,208,573 | \$ 29,681,326 | \$ 792,468 | \$ 25,867,481 | \$ (57,656) | \$ 25,809,825 | \$ 26,602,293 |
| Reconciliation from financial statements to MTP2 | | | | | | | | | |
| Reclassify transfer of municipal appropriation to Education Department as expenditure on MTP2 | \$ - | \$ - | 25,585,004 | (25,585,004) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Reclassify one-time transfer of municipal appropriation to Education Department for student technology as expenditure on MTP2 | - | - | 600,000 | (600,000) | - | - | - | - | - |
| Rounding | - | - | 1 | (1) | - | - | - | - | - |
| Totals Per MTP2 | \$ 97,651,480 | \$ 30,887 | \$ 93,393,578 | \$ 3,496,321 | \$ 792,468 | \$ 25,867,481 | \$ (57,656) | \$ 25,809,825 | \$ 26,602,293 |

¹ and Net Position if Enterprise Fund activity is included in the transparency portal report.

City of Newport
 Combining Schedule of
 Reportable Government Services with
 Reconciliation to MTP2
 Education Department
 Fiscal Year Ended June 30, 2018

| Per Audited Fund Financial Statements Fund Description | Total | Total Other | Total | Total Other | Net Change | Beginning Fund | Prior Period | Restated Beginning | Ending |
|---|----------------------|----------------------|----------------------|------------------|------------------------------|-------------------------------------|--------------|-------------------------------------|-------------------------------------|
| | Revenue | Financing Sources | Total Expenditures | Financing Uses | in Fund Balance ¹ | Fund Balance ¹ (Deficit) | Adjustment | Fund Balance ¹ (Deficit) | Fund Balance ¹ (Deficit) |
| School Unrestricted Fund | \$ 15,675,311 | \$ 26,185,004 | \$ 43,497,628 | \$ 90,081 | \$ (1,727,394) | \$ 975,590 | \$ - | \$ 975,590 | \$ (751,804) |
| Enterprise Fund ¹ | - | - | - | - | - | - | - | - | - |
| Capital Project Fund | - | - | - | - | - | - | - | - | - |
| School Special Revenue Funds | 3,718,347 | 90,081 | 3,790,895 | - | 17,533 | 320,815 | - | 320,815 | 338,348 |
| Totals per audited financial statements | \$ 19,393,658 | \$ 26,275,085 | \$ 47,288,523 | \$ 90,081 | \$ (1,709,861) | \$ 1,296,405 | \$ - | \$ 1,296,405 | \$ (413,456) |

Reconciliation from financial statements to MTP2

Municipal appropriation for Education reported as a transfer on financial statements but a revenue on MTP2

State contributions on behalf of teacher pensions are reported as revenue and expenditures on financial statements only

Reclassify one-time transfer of municipal appropriation to Education Department for student technology as other municipal appropriation on MTP2

Transfer of \$90,081 from School Unrestricted to the School special revenue funds is reported as an Other Financing Sources and Use for GAAP while it is not reported in UCOA or the MTP2 because the transfers net out to zero.

Rounding

| | | | | | | | | | |
|--|----------------------|-----------------|----------------------|-------------|-----------------------|---------------------|-------------|---------------------|---------------------|
| Municipal appropriation for Education reported as a transfer on financial statements but a revenue on MTP2 | 25,585,004 | \$ (25,585,004) | \$ - | \$ - | | \$ - | | \$ - | \$ - |
| State contributions on behalf of teacher pensions are reported as revenue and expenditures on financial statements only | (1,753,950) | - | (1,753,950) | | | - | | - | - |
| Reclassify one-time transfer of municipal appropriation to Education Department for student technology as other municipal appropriation on MTP2 | 600,000 | (600,000) | - | - | | - | | - | - |
| Transfer of \$90,081 from School Unrestricted to the School special revenue funds is reported as an Other Financing Sources and Use for GAAP while it is not reported in UCOA or the MTP2 because the transfers net out to zero. | - | (90,081) | - | (90,081) | | - | | - | - |
| Rounding | - | - | - | - | | - | | - | - |
| Totals Per MTP2 | \$ 43,824,712 | \$ - | \$ 45,534,573 | \$ - | \$ (1,709,861) | \$ 1,296,405 | \$ - | \$ 1,296,405 | \$ (413,456) |

Reconciliation from MTP2 to UCOA

No reconciling items from MTP2 to UCOA

Totals per UCOA Validated Totals Report

| | | |
|--|----------------------|----------------------|
| | <u>\$ 43,824,712</u> | <u>\$ 45,534,573</u> |
|--|----------------------|----------------------|

¹ and Net Position if Enterprise Fund activity is included in the transparency portal report.

Notes to Supplementary Information - *Annual Supplemental Transparency Report (MTP2)*

NOTE 1. Basis of Presentation

The *Annual Supplemental Transparency Report (MTP2)* is a new supplemental schedule required by the State of Rhode Island, as a result of newly enacted legislation, Article 8 of the Appropriations Act (2016 House Bill 7454 sub A as amended). This supplementary schedule included within the audit report is part of a broader project to create a municipal transparency portal (MTP) on the Division of Municipal Finance website to host municipal financial information in a centralized location.

The format of the Annual Supplemental Transparency Report (MTP2) was prescribed by the State Department of Revenue (Division of Municipal Finance), Office of the Auditor General and the Department of Education.

NOTE 2. Reportable Government Services

Data consistency and comparability are among the key objectives of the State's Municipal Transparency portal. Consistent with that goal, the State has defined "reportable government services", RGS, to include those operational revenues, expenditures, and transfers related to activities which are essential to the achievement of municipal operations. The determination of RGS may be different from the activities included within the legally adopted budget of the municipality. In practice, some communities report certain RGS in separate funds (e.g., special revenue funds, enterprise funds) rather than the municipality's general fund. The Annual Supplemental Transparency Report (MTP2) includes a reconciliation to the fund level statements.

NOTE 3. Allocations

The State reporting requires expenditures to be reported by departments, as defined by the State. Some of the departmental groupings are not consistent with the departments reflected in the City's (or Town's) budget and accounting system. To report these costs, the City (or Town) made reasonable allocations of costs to the State's departmental groupings based on a reasonable basis.

NOTE 4. Employee Groups

Group A - This item includes compensation (salaries, longevity, stipends, clothing, shift differential, out-of-rank, holiday pay, and bonuses) and benefits (medical and dental insurance, pension contributions, OPEB (pay-go and ADC contributions) for the primary work force of the department (Police Department: Police Officers, Fire Department: Fire Fighters, Education Department: Certified Employees, and Other Departments: All Employees).

Group B - This item would only include compensation (salaries, longevity, stipend, clothing, shift differential, out-of-rank, holiday pay and bonuses) and benefits (medical and dental insurance, pension contributions, OPEB (pay-go and ADC contributions) for administrative and civilian dispatch employees in Police and Fire Departments and Non-Certified employees for Education Department.

NOTE 5. Education Revenue and Expenditures

The revenues and expenditures presented on the MTP2 under the Education Department is consistent with existing Uniform Chart of Accounts (UCOA) guidelines. Each MTP account code has been mapped to the corresponding UCOA code or group of UCOA codes to facilitate the preparation of the MTP reporting.

Additional guidance and definitions regarding the State's Municipal Transparency Portal can be found on the State Division of Municipal Finance website: <http://www.municipalfinance.ri.gov/>. (Documents pertaining to the Transparency Portal will be posted in January 2017)



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 | | | | | | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | (as Restated) 2016 | 2017 | 2018 |
| Governmental activities: | | | | | | | | | | |
| Net investment in capital assets | \$ 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 | \$ 92,189,696 |
| Restricted for: | | | | | | | | | | |
| Permanent funds: | | | | | | | | | | |
| Expendable | 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 | 10,297,669 |
| Nonexpendable | 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 | 2,601,651 |
| Debt service | 1,065,923 | 1,228,776 | 1,400,360 | 1,605,509 | 1,797,817 | 1,996,439 | 2,202,084 | | | |
| Unrestricted | 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) | (177,270,598) |
| Total governmental activities net position | <u>72,380,333</u> | <u>75,780,403</u> | <u>76,622,021</u> | <u>83,022,822</u> | <u>90,868,795</u> | <u>102,886,562</u> | <u>(9,189,925)</u> | <u>(9,445,753)</u> | <u>(5,056,686)</u> | <u>(72,181,582)</u> |
| Business-type activities: | | | | | | | | | | |
| Net investment in capital assets | 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 | 119,347,616 |
| Held in trust | | 99,000 | 99,000 | 99,000 | 99,000 | 99,000 | 99,000 | 99,000 | 99,000 | 99,000 |
| Restricted - other purposes | 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 | 30,256,149 |
| Unrestricted | 1,207,853 | 2,214,069 | (749,281) | 3,602,780 | 494,384 | 2,653,117 | 599,161 | 6,444,797 | (5,555,498) | (9,336,063) |
| Total business-type activities net position | <u>95,827,261</u> | <u>99,058,539</u> | <u>99,938,618</u> | <u>111,020,663</u> | <u>116,845,656</u> | <u>121,125,499</u> | <u>124,348,831</u> | <u>130,829,425</u> | <u>137,575,362</u> | <u>140,366,702</u> |
| Primary government: | | | | | | | | | | |
| Net investment in capital assets | 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 | 211,537,312 |
| Restricted for: | | | | | | | | | | |
| Permanent funds: | | | | | | | | | | |
| Expendable | 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 | 10,297,669 |
| Nonexpendable | 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 | 2,601,651 |
| Held in trust | | 99,000 | 99,000 | 99,000 | 99,000 | 99,000 | 99,000 | 99,000 | 99,000 | 99,000 |
| Debt service | 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 | 30,256,149 |
| Education | | | | | | | | | | |
| Unrestricted | 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) * | (186,606,661) |
| Total primary government net position | <u>\$ 168,207,594</u> | <u>\$ 174,838,942</u> | <u>\$ 176,560,639</u> | <u>\$ 194,043,485</u> | <u>\$ 207,714,451</u> | <u>\$ 224,012,061</u> | <u>\$ 115,158,906</u> | <u>\$ 121,383,672</u> | <u>\$ 132,518,676</u> | <u>\$ 68,185,120</u> |

* 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 | | | | | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018* |
| Expenses: | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | \$ 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 | \$ 8,072,122 |
| General education | 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 | 49,050,514 |
| Public safety | 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 | 38,361,508 |
| Public services | 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 | 12,405,363 |
| Civic investment | 1,829,568 | 1,363,899 | 1,744,516 | 1,510,493 | 1,639,008 | 628,940 | 511,690 | 1,202,455 | 489,296 | 423,068 |
| Zoning and inspections | 1,092,871 | 769,888 | 753,272 | 477,422 | 553,546 | 745,706 | 772,793 | 1,017,597 | 1,028,570 | 1,096,513 |
| Human services | 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 | 3,014,102 |
| Interest expense | 682,805 | 863,546 | 626,020 | 761,420 | 717,665 | 1,405,987 | 1,480,976 | 1,571,539 | 1,493,058 | 1,397,679 |
| Total governmental activities | 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 | 113,820,869 |
| Business-type activities: | | | | | | | | | | |
| Water | 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 | 14,236,860 |
| Water Pollution Control | 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 | 15,296,821 |
| Nonmajor | 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 | 2,462,712 |
| Total business-type activities | 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 | 31,996,393 |
| Total primary government expenses | 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 | 145,817,262 |
| Program Revenues: | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General government | 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 | 7,108,842 |
| General education | 1,782,477 | 1,790,646 | 1,440,324 | 1,321,351 | 837,653 | 840,696 | 873,012 | 1,039,993 | 1,180,588 | 948,690 |
| Public safety | 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 | 3,858,914 |
| Public services | 94,164 | 57,937 | 99,195 | 87,460 | 34,370 | 216,626 | 237,252 | 229,091 | 223,173 | 215,284 |
| Civic investment | 947,823 | 868,638 | 908,497 | 925,484 | 1,318,890 | 59,629 | | | | |
| Zoning and inspections | 129,025 | 117,510 | 113,660 | 137,297 | 144,068 | 1,675,596 | 1,643,399 | 1,439,847 | 1,376,854 | 1,472,991 |
| Human services | 238,794 | (22,957) | (262,752) | 951,451 | 245,112 | 152,053 | 1,793,683 | | 182,643 | (165,484) |
| Operating grants and contributions | 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 | 21,451,434 |
| Capital grants and contributions | 2,981,072 | 1,773,730 | 551,913 | 2,423,972 | 648,087 | 3,112,761 | 136,278 | 168,394 | 915,808 | 1,811,795 |
| Total governmental activities program revenues | 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 | 36,702,466 |
| Business-type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Water | 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 | 17,857,261 |
| Water Pollution Control | 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 | 18,071,759 |
| Recreational and parking facilities | 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 | 2,931,778 |
| Capital grants and contributions | 154,107 | 154,107 | 78,856 | 4,494,396 | 853,295 | 484,760 | | | | |
| Total business-type activities | 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 | 38,860,798 |
| Total primary government program revenues | 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 | 75,563,264 |
| Net (Expense)/Revenue: | | | | | | | | | | |
| Governmental activities | (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) | (77,118,403) |
| Business-type activities | 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 | 6,864,405 |
| Total primary government net expense | (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) | (70,253,998) |

(Continued)

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

| | Fiscal Year | | | | | | | | | |
|---|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|---------------------|----------------------|----------------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| General Revenues and Other Changes in Net Assets: | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Property taxes | \$ 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 | \$ 79,746,848 |
| Unrestricted grants and contributions | 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 | 1,974,129 |
| Investment income (loss) | (1,008,699) | 1,257,806 | 1,989,248 | 692,470 | 1,431,220 | 2,054,867 | 1,148,704 | 1,353,830 | 1,613,258 | 1,777,489 |
| Gain on sale of assets | | | | | 730,000 | | 2,422,500 | | | |
| Transfers | (102,103) | (743,534) | | 25,200 | (23,536) | (1,062,223) | 300,000 | 100,000 | 100,000 | 675,000 |
| Total governmental activities | <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> | <u>84,173,466</u> |
| Business-type activities: | | | | | | | | | | |
| Investment income (loss) | 84,612 | 78,285 | 39,502 | 63,198 | (19,987) | 46,272 | 26,405 | 27,939 | 12,546 | 126,204 |
| Capital contributions | | 320,000 | | | | | | | | |
| Loss on disposal of assets | | | | | | (2,291,267) | | | | |
| Transfer from primary government | 102,103 | 743,534 | | (25,200) | 23,536 | 1,062,223 | (300,000) | (100,000) | (100,000) | (675,000) |
| Total business-type activities | <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> | <u>(548,796)</u> |
| Special Item - Forgiveness of debt | | 454,485 | | | | | | | | |
| Total primary government | <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> | <u>83,624,670</u> |
| Change in Net Position | | | | | | | | | | |
| Governmental activities | 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 | 7,055,063 |
| Business-type activities | <u>1,648,909</u> | <u>3,231,278</u> | <u>880,079</u> | <u>11,082,045</u> | <u>5,824,993</u> | <u>4,569,091</u> | <u>7,871,417</u> | <u>7,097,537</u> | <u>6,745,937</u> | <u>6,315,609</u> |
| Total Primary Government | <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> | <u>\$ 13,370,672</u> |

(Concluded)

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.

* The City implemented Governmental Accounting Standard No. 75 in FY 2018.

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

| | Fiscal Year | | | | | | | | | |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|----------------------|----------------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | (as restated) 2016 | 2017 | 2018 |
| General Fund: | | | | | | | | | | |
| Nonspendable | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ 55,628 | \$ 58,385 | \$ 61,148 |
| Restricted by donors | | | | 65,453 | 88,288 | 99,453 | 105,183 | 595,162 | 465,571 | 74,353 |
| Committed | 773,846 | 838,101 | 1,157,839 | 554,702 | 759,186 | 689,885 | 1,291,706 | 315,896 | 489,362 | 2,213,658 |
| Assigned | | | 864,852 | 869,960 | 1,534,889 | 452,243 | 2,844,064 (2) | 2,167,743 | 1,950,620 | 637,126 |
| Unassigned | 8,011,145 | 9,175,856 | 7,646,392 | 10,146,290 | 11,247,717 | (11,810,021 | 13,369,154 | 15,316,638 | 14,726,077 | 12,625,424 |
| Total general fund | <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> | <u>15,611,709</u> |
| All Other Governmental Funds: | | | | | | | | | | |
| Nonspendable | 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 | 2,601,651 |
| Restricted for Trusts | 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 | 10,297,669 |
| Restricted for Debt Service | 1,065,923 | 1,228,776 | 1,400,360 | 1,605,509 | 1,797,817 | 1,996,439 | 2,202,084 | | | |
| Restricted by Grants | 3,358,230 | 3,131,649 | 2,630,585 | 2,627,638 | 2,775,198 | 3,390,416 | 3,830,470 | 5,447,751 | 5,373,566 | 5,615,659 |
| Committed for Capital Projects | 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 | 9,871,789 |
| Assigned by City Council | 1,816,113 | 863,630 | | | | | | | | |
| Assigned by School Committee | 1,200,000 | 1,153,152 | 1,370,211 | | | | | | | |
| Unassigned | | | (71,296) | (28,728) | (246,686) | | (64,680) | (18,859) | (19,789) | (33,654) |
| School Unassigned | 1,785,759 | 292,259 | 202,464 | | | (1) | | | | |
| Total all other governmental funds | <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> | <u>28,353,114</u> |
| Grand Total | <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> | <u>\$ 43,964,823</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.

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

(2) - Sale of surpluses 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 | | | | | | | | | |
|--|-----------------------|---------------------|-----------------------|---------------------|---------------------|--------------------|----------------------|-----------------------|--------------------|---------------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| Revenues: | | | | | | | | | | |
| Taxes | \$ 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 | \$ 79,856,764 |
| Intergovernmental revenues | 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 | 23,029,186 |
| Charges for services | 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 | 13,132,887 |
| Use of money and property | (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 | 1,777,489 |
| Donations | 95,493 | 52,253 | 161,507 | 625,959 | 494,240 | 543,031 | 411,572 | 282,699 | 579,150 | 1,378,105 |
| Other revenues | 1,194,553 | 1,273,953 | 1,128,835 | 108,017 | 126,852 | 102,428 | 11,896 | 8,856 | 27,974 | 271,738 |
| Total revenues | 98,178,010 | 101,103,664 | 100,543,176 | 102,052,033 | 104,116,870 | 108,000,191 | 109,699,083 | 111,644,554 | 114,908,882 | 119,446,169 |
| Expenditures: | | | | | | | | | | |
| Current: | | | | | | | | | | |
| General government | 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 | 7,401,749 |
| General education | 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 | 46,289,554 |
| Public safety | 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 | 37,618,853 |
| Public services | 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 | 9,312,009 |
| Civic investment | 1,271,653 | 1,187,737 | 1,601,554 | 1,322,831 | 1,495,174 | 532,280 | 406,802 | 435,090 | 353,201 | 249,158 |
| Zoning and inspections | 653,419 | 600,505 | 590,817 | 426,155 | 496,911 | 745,706 | 784,609 | 953,053 | 1,025,559 | 1,071,244 |
| Human services | 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 | 3,002,222 |
| Pension expenses | 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 | 1,509,419 |
| Debt service: | | | | | | | | | | |
| Principal | 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 (1) | 3,899,733 |
| Interest | 712,750 | 896,577 | 693,395 | 616,534 | 725,389 | 3,013,999 | 3,257,800 | 3,711,590 | 1,836,043 | 1,650,512 |
| Capital outlay | 8,039,837 | 5,231,327 | 5,974,911 | 9,922,125 | 27,831,732 | 8,564,163 | 5,775,889 | 9,824,956 | 9,690,381 | 6,720,043 |
| Total expenditures | 104,483,221 | 102,731,366 | 103,799,707 | 105,616,673 | 124,586,073 | 106,847,113 | 108,675,918 | 115,481,597 | 117,562,445 | 118,724,496 |
| Excess (deficiency) of revenues over expenditures | (6,305,211) | (1,627,702) | (3,256,531) | (3,564,640) | (20,469,203) | 1,153,078 | 1,023,165 | (3,837,043) | (2,653,563) | 721,673 |
| Other Financing Sources (Uses): | | | | | | | | | | |
| 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 | 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 | 5,416,930 |
| Transfers out | (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) | (4,741,930) |
| Total other financing sources (uses) | (102,103) | 4,599,440 | 1,239,457 | 9,127,980 | 22,884,508 | (1,062,223) | 10,381,046 | 100,000 | 3,336,370 | 675,000 |
| Net Change in Fund Balances | \$ (6,407,314) | \$ 2,971,738 | \$ (2,017,074) | \$ 5,563,340 | \$ 2,415,305 | \$ 90,855 | \$ 11,404,211 | \$ (3,737,043) | \$ 682,807 | \$ 1,396,673 |
| Debt service as a percentage of noncapital expenditures | 2.01% | 2.19% | 1.77% | 2.48% | 2.54% | 4.50% | 4.75% | 6.63% | 5.13% | 4.96% |

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 | | | | | |
| 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% |
| 2018 | 5,264,464,237 | 1,402,000,263 | 130,881,404 | - | 146,005,110 | 95,167,113 | 6,848,183,901 | 9.99 | 14.98 | 6,943,351,014 | 98.63% |

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)**

| | 2018 | | | 2009 | | |
|--------------------------------|------------------------|------|--|------------------------|------|--|
| | 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) | \$ 74,621,000 | 1 | 1.09% | \$ 57,591,799 | 1 | 0.95% |
| Newport Restoration Foundation | 61,222,100 | 2 | 0.89% | 53,675,153 | 3 | 0.89% |
| GINRI Assets, LLC | 60,109,600 | 3 | 0.88% | 56,908,805 | 2 | 0.94% |
| LSRef3 Viking LLC | 59,639,500 | 4 | 0.87% | 44,700,376 | 4 | 0.74% |
| Shaner Newport Harbour LLC | 33,138,500 | 5 | 0.48% | 24,864,678 | 6 | 0.41% |
| RK Newport, LLC | 31,036,300 | 6 | 0.45% | 32,227,500 | 5 | 0.53% |
| Narraganset Gas | 30,426,936 | 7 | 0.44% | | | |
| Eastern Resorts Company | 29,361,900 | 8 | 0.43% | 22,450,300 | 9 | 0.37% |
| Narraganset Electric | 21,763,146 | 9 | 0.32% | 17,965,557 | 10 | 0.30% |
| Admiral Newport LLC | 20,132,000 | 10 | 0.29% | | | |
| New York Yacht Club | | | | 23,490,031 | 3 | 0.39% |
| Newport Jai Alai, LLC | | | | 22,921,700 | 10 | 0.38% |
| Total | \$ <u>421,450,982</u> | | <u>6.15%</u> | \$ <u>356,795,899</u> | | <u>5.90%</u> |

Source: City of Newport Assessor

TABLE 7

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

| Fiscal Year Ended June 30 | Taxes Levied for the Fiscal Year (net abatements) | Collected within the Fiscal Year of the Levy | | Collections in Subsequent Years | Total Collections to Date | |
|------------------------------------|--|---|-----------------------|---------------------------------------|---------------------------|-----------------------|
| | | Amount | Percentage of Levy | | Amount | Percentage of Levy |
| 2009 | \$ 58,617,626 | \$ 57,082,656 | 97.4% | \$ 1,507,654 | \$ 58,590,310 | 100.0% |
| 2010 | 60,163,158 | 58,578,657 | 97.4% | 1,529,130 | 60,107,787 | 99.9% |
| 2011 | 60,831,265 | 59,194,513 | 97.3% | 1,582,275 | 60,776,788 | 99.9% |
| 2012 | 63,291,283 | 61,974,383 | 97.9% | 1,257,261 | 63,231,644 | 99.9% |
| 2013 | 65,143,925 | 63,789,524 | 97.9% | 1,230,341 | 65,019,865 | 99.8% |
| 2014 | 67,298,950 | 65,882,954 | 97.9% | 1,351,536 | 67,234,490 | 99.9% |
| 2015 | 69,680,408 | 68,356,351 | 98.1% | 1,212,081 | 69,568,432 | 99.8% |
| 2016 | 70,239,804 | 68,936,347 | 98.1% | 1,227,393 | 70,163,740 | 99.9% |
| 2017 | 72,685,804 | 71,587,413 | 98.5% | 996,718 | 72,584,131 | 99.9% |
| 2018 | 74,476,044 | 73,427,810 | 98.6% | - | 73,427,810 | 98.6% |

Source: City of Newport Tax Collector

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

| Fiscal Year June 30, | Governmental Activities | | | | Business-Type Activities | | | | U.S. Census Estimated Population | Net Bonded Debt per Capita | Taxable Assessed Value | Net Bonded Debt as % of Taxable Assessed Value |
|-------------------------|------------------------------------|--------------|-----------------|-------------------|--------------------------|------------|---------------|---------------|--|----------------------------------|------------------------------|--|
| | General Obligation Bonds (2) | QZAB (1) | Bond Premium | Capital Leases | Water | Maritime | Water | | | | | |
| | | | | | Bonds (2) | Notes | Bonds (2) | Total | | | | |
| 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% |
| 2018 | 36,211,000 | | 2,756,546 | 353,018 | 84,240,037 | 200,000 | 50,358,189 | 174,118,790 | 25,543 | 6,817 | 6,848,183,901 | 2.54% |

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 | | | | |
| 2009 | \$ 15,153,587 | \$ | \$ 1,863,536 | \$ 17,017,123 | 0.28% | 0.42% | 24,409 | \$ 697 |
| 2010 | 18,951,472 | | 1,863,536 | 20,815,008 | 0.36% | 0.48% | 24,409 | 853 |
| 2011 | 17,899,756 | | 1,863,536 | 19,763,292 | 0.34% | 0.46% | 24,672 | 801 |
| 2012 | 16,161,825 | 969,290 | 1,863,536 | 18,994,651 | 0.33% | 0.42% | 24,672 | 770 |
| 2013 | 43,010,000 | 3,344,500 | 1,863,536 | 48,218,036 | 0.93% | 1.04% | 25,543 | 1,888 |
| 2014 | 40,130,000 | 3,116,666 | 1,863,536 | 45,110,202 | 0.85% | 0.95% | 25,543 | 1,766 |
| 2015 | 46,178,536 | 3,270,022 | 1,863,536 | 51,312,094 | 0.85% | 1.01% | 25,543 | 2,009 |
| 2016 | 40,838,000 | 2,999,830 | | 43,837,830 | 0.73% | 0.86% | 25,543 | 1,716 |
| 2017 | 40,000,000 | 3,063,873 | | 43,063,873 | 0.71% | Not Available | 25,543 | 1,686 |
| 2018 | 36,211,000 | 2,756,546 | | 38,967,546 | 0.57% | Not Available | 25,543 | 1,526 |

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)**

| | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Total assessed value | \$ 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 | \$ 6,848,183,901 |
| 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>181,569,287</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> | <u>205,445,517</u> |
| Debt applicable to limit: | | | | | | | | | | |
| General obligation bonds | <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> | <u>36,211,000</u> |
| Legal debt limit | <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> | <u>205,445,517</u> |
| Total net debt applicable to the limit | <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> | <u>36,211,000</u> |
| Legal debt margin | <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> | <u>\$ 169,234,517</u> |
| Total net debt applicable to the limit as a percentage of debt limit | <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> | <u>21.40%</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 | |
| 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 |
| 2018 | 17,857,261 | 8,600,106 | 9,257,155 | 4,366,000 | 2,589,293 | 1.33 | 18,071,759 | 9,861,765 | 8,209,994 | 2,831,077 | 1,604,598 | 1.85 |

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)**

| Fiscal Year June 30, | Population | Per Capita Personal Income > | Total County Personal Income > (thousands) | Total State Personal Income > (thousands) | School Enrollment ^ | Unemployment Rate < |
|---------------------------------|-------------------|--|--|---|--------------------------------|-----------------------------------|
| 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 *** | 61,367 | 5,080,183 | 53,272,444 | 2,130 | 5.4% |
| 2017 | 24,672 *** | Not Available | Not Available | Not Available | 2,171 | 4.2% |
| 2018 | 24,672 *** | Not Available | Not Available | Not Available | 2,207 | 2.7% |

* 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)**

| 2018 | | | | 2009 | | | |
|--|--------------|------|-------------------------------------|--|--------------|------|-------------------------------------|
| Employer | Employees | Rank | Percentage of Total City Employment | Employer | Employees | Rank | Percentage of Total City Employment |
| Naval Station Newport | 4,632 | 1 | 33.9% | Naval Undersea Warfare Center | 2,824 | 1 | 17.3% |
| Newport Harbor Corporation | 1,139 | 2 | 8.3% | | | | 0.0% |
| Lifespan | 853 | 3 | 6.2% | Newport Hospital (Lifespan) | 859 | 3 | 5.3% |
| City of Newport | 735 | 4 | 5.4% | City of Newport | 800 | 4 | 4.9% |
| Salve Regina University | 568 | 5 | 4.2% | Salve Regina University | 500 | 6 | 3.1% |
| Gurney's Newport Resort & Marina | 400 | 6 | 2.9% | Hyatt Regency (Gurney's) | 330 | 8 | 2.0% |
| Preservation Society of Newport County | 388 | 7 | 2.8% | Preservation Society of Newport County | 361 | 7 | 2.2% |
| East Bay Community Action Program | 361 | 8 | 2.6% | | | | |
| James L. Maher Center | 328 | 9 | 2.4% | James L. Maher Center | 650 | 5 | 4.0% |
| Marriott International Inc. | 211 | 10 | 1.5% | | | | |
| | | | | Naval Education and Training Center (NETC) | 950 | 2 | 5.8% |
| | | | | Child & Family Services of Newport County | 280 | 10 | 1.7% |
| | | | | Bank Newport | 275 | 9 | 1.7% |
| Total | 9,615 | | 70.3% | Total | 7,829 | | 47.9% |

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 | | | | | | | | | |
|------------------------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| General government: | | | | | | | | | | |
| Mayor and Council | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| City Manager | 5.5 | 5.5 | 5.5 | 5.5 | 5.5 | 5.25 | 6.25 | 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 | 22 | 22 | 22 | 21 | 22 | 18.5 | 18.5 | 18.5 | 18.5 | 22.5 |
| City Clerk | 6 | 6 | 6 | 6 | 5 | 5 | 5 | 5 | 5 | 6 |
| Civic Investment | 13 | 13 | 13 | 14 | 5 | 5 | 4 | 4 | 3 | 2 |
| Zoning & Inspections | | | | | 9 | 9 | 9 | 9 | 10 | 11 |
| Total General Government | <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> | <u>60.25</u> |
| Public safety: | | | | | | | | | | |
| Police | 111.5 | 104.5 | 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>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> | <u>203.5</u> |
| Public health: | | | | | | | | | | |
| Public works | 40 | 40 | 40 | 40 | 43 | 43 | 46 | 46 | 47 | 49 |
| 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 | 14.1 |
| | <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> | <u>109.5</u> |
| Public welfare: | | | | | | | | | | |
| Recreation and parks | 4 | 4 | 4 | 3 | 3 | 3 | n/a | n/a | n/a | n/a |
| Public education: | | | | | | | | | | |
| Teachers | 201 | 197.5 | 211.5 | 212.1 | 208.4 | 198.2 | 208 | 210 | 224 | 220 |
| Pupil support | 60 | 58.5 | 45.5 | 48 | 51 | 50 | 59 | 70 | 66 | 79 |
| Executive and administrative | 74 | 69 | 63 | 59.5 | 56.4 | 57 | 57 | 61 | 64 | 66 |
| | <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> | <u>365</u> |
| Total | <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> | <u>738.25</u> |

Source: City budgets and School Business Manager

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

| Function/Program | Fiscal Year | | | | | | | | | |
|--|-------------|--------------|---------------|---------------|-----------|-----------|---------|---------|---------|---------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| Police: | | | | | | | | | | |
| Arrests | 1,777 | 1,723 | 1,827 | 1,185 | 1,372 | 1,721 | 1,526 | 1,431 | 1,240 | 1,301 |
| Parking violations | 40,962 | 35,535 | 31,679 | 34,765 | 28,804 | 20,775 | 22,753 | 31,152 | 30,689 | 35,031 |
| Calls for Service | 35,677 | 30,058 | 29,220 | 28,785 | 28,620 | 30,804 | 31,728 | 32,180 | 32,757 | 35,326 |
| Fire: | | | | | | | | | | |
| Emergency responses | 5,891 | 3,675 | 3,719 | 4,162 | 4,340 | 4,057 | 4,138 | 3,729 | 3,662 | 3,818 |
| Fires extinguished | 78 | 109 | 78 | 123 | 156 | 118 | 77 | 109 | 105 | 107 |
| Inspections | 948 | 1,414 | 1,136 | 1,545 | 1,466 | 1,584 | 1,301 | 780 | 599 | 572 |
| Refuse collection: | | | | | | | | | | |
| Refuse collected (tons/day, average) | 29.30 | 28.22 | 27.57 | 27.58 | 26.68 | 27.29 | 22.49 | 21.25 | 21.10 | 23.26 |
| Recyclables collected (tons/day, average) | 8.94 | 8.66 | 8.64 | 8.59 | 8.69 | 9.18 | 9.92 | 10.29 | 10.29 | 10.42 |
| Other public works: | | | | | | | | | | |
| Street resurfacing (miles) | 1.90 | 4.2 | 9.43 | 6.5 | 9.26 | 3.283 | 1.41 | 3.61 | 1.34 | 1.51 |
| Parks and recreation: | | | | | | | | | | |
| Athletic field and facility rentals | 309 | 325 *** | 331 | 335 | 415 | 420 | 428 | 468 | 378 | 457 |
| Library: | | | | | | | | | | |
| Volumes in collections | 211,767 | 167,209 **** | 183,506 ***** | 172,814 ***** | 195,105 ^ | 206,451 ^ | 191,980 | 187,113 | 184,949 | 611,715 ***** |
| Water: | | | | | | | | | | |
| New connections | 35 | 30 | 30 | 44 | 55 | 23 | 52 | 49 | 63 | 50 |
| Water mains breaks | 25 | 35 | 24 | 19 | 28 | 31 | 19 | 23 | 21 | 16 |
| Average daily production (avail for sale) (million gallons per day) | 6.93 | 6.65 | 6 | 5.9 | 5.67 | 5.79 | 5.55 | 5.44 | 5.34 | 5.36 |
| Wastewater: | | | | | | | | | | |
| Average daily sewage treatment (thousands of gallons) | 10,000 | 11,100 | 8,550 | 9,463 | 8,240 | 7,094 | 7,200 | 7.14MGD | 7.68MGD | 7.92MGD |

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 (in 2012); includes 459,803 Hoopla items
 ^ Includes 25,553 e books purchased consortially through Ocean State Libraries

Sources: Various city departments

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

| | Fiscal Year | | | | | | | | | |
|---|-------------|--------|--------|--------|--------|--------|--------|-----------|-------|-------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| Function/Program | | | | | | | | | | |
| Police: | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Patrol units | 86 | 79 | 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 | 96.80 | 96.80 | 96.80 | 96.80 | 96.80 | 96.80 |
| Streetlights | 1,974 | 1,974 | 1,918 | 1,918 | 1,918 | 1,918 | 1,918 | 1,940 | 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 | 416 * | 427 | 427 |
| Playgrounds | 13 | 13 | 13 | 13 | 13 | 13 | 15 | 16 * | 16 | 17 |
| Multi purpose playing fields | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 16 * | 16 | 16 |
| Tennis courts | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 17 * | 16 | 17 |
| Community centers | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 * | 1 | 1 |
| Water: | | | | | | | | | | |
| Water mains (miles) | 163 | 163 | 163 | 163 | 163 | 163 | 163 | 163 | 175 | 175 |
| Fire hydrants | 999 | 1,034 | 1,034 | 1,034 | 1,037 | 1,037 | 1,037 | 1,039 | 1,042 | 1,042 |
| Storage capacity (thousands of gallons-treated) | 10,500 | 10,500 | 10,500 | 10,500 | 7,500 | 7,500 | 7,500 | 8.25M ** | 8.25M | 8.25M |
| Wastewater: | | | | | | | | | | |
| Sanitary sewers (miles) | 88 | 88 | 88 | 88 | 88 | 88 | 88 | 90.2 | 90.2 | 90.2 |
| Storm sewers (miles) | 46.5 | 46.5 | 46.5 | 46.5 | 46.5 | 52.0 | 52.0 | 50.1 | 50.1 | 50.1 |
| Treatment capacity (thousands of gallons) (daily) | 10,700 | 10,700 | 10,700 | 10,700 | 10,700 | 10,700 | 10,700 | 19.7M *** | 19.7M | 19.7M |

Source: Various city departments

* Per new Open Space Master Plan

** New water plant

*** Wastewater System Improvements