

City of Newport, Vermont  
BASIC FINANCIAL STATEMENTS  
June 30, 2016

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**Kittell Branagan & Sargent**

*Certified Public Accountants*

Vermont License # 167

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor, Board of Aldermen  
and City Manager  
City of Newport  
Newport, Vermont

### 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, Vermont, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City'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.

### Auditor's 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. 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 auditor's 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 auditor considers 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, Vermont, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information on pages 38 through 43 and the schedule of proportionate share of the net pension liability on page 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Newport, Vermont's basic financial statements. The combining and individual nonmajor fund financial statements 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 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 are fairly stated in all material respects in relation to the basic financial statements as a whole.



City of Newport, Vermont  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2016

As management of the City of Newport, we offer readers of the City of Newport's financial statements this narrative overview and analysis of the financial activities of the City of Newport for the fiscal year ended June 30, 2016.

### **Financial Highlights**

- The assets of the City of Newport exceeded its liabilities at the close of the most recent fiscal year by \$11,755,997 (net position). Of this amount, \$586,994 (unrestricted net position) may be used by the governmental activities of the City to meet the City's ongoing obligations to its citizens and creditors. For the business-type activities the net position is \$4,230,450, which means that if we were to liquidate the water/sewer funds we would have a cash surplus of \$4,230,450. Net position attributable to business-type activities decreased by \$197,599 during the last fiscal year.
- As of the close of the current fiscal year, the City of Newport's governmental funds reported combined ending fund balances of \$704,878. Of this total amount, \$325,621 is available for spending at the government's discretion (unassigned fund balance). Management has committed \$361,391 of the fund balance for particular purposes, and \$17,866 is assigned for purposes identified in Note 9.

### **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 comprise 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 themselves.

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

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

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

Both of the government-wide financial statements distinguish functions of the City of Newport that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Newport include general government, public safety, public works, recreation and parks, conservation and development, health and welfare and public improvements. The business-type activities of the City of Newport include water and sewer operations.

The government-wide financial statements are designed to include not only the City of Newport itself (known as the primary government), but also any legally separate entities for which the City of Newport is financially accountable (known as component units). The City of Newport has no such entities that qualify as component units.

**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, like other state and local governments, 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.

City of Newport, Vermont  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2016

**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 short-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 short-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 focus on short-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 evaluation of a government's short-term financing requirements.

The City of Newport maintains four 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 balance for the General Fund and the Capital Projects Fund which are considered to be major funds. The City of Newport has two non-major governmental funds which are reported as "other Governmental Funds". These non-major funds include the Recreation Fund and the Mooring Management Fund. Combining financial statements for these funds are located on pages 45 and 46.

The City of Newport adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided on pages 38-43 for the general fund to demonstrate compliance with its budget.

The basic governmental fund financial statements may be found on pages 3 and 5.

**Proprietary funds** - The City of Newport maintains one type of proprietary fund. 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 Fund and its Sewer Fund.

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 Fund and the Sewer Fund, both of which are considered to be major funds of the City of Newport.

The basic proprietary fund financial statements may be found on pages 7 through 9.

**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. We have two types of fiduciary funds, expendable and non-expendable.

The expendable funds are the Police Public Safety Fund, East Main Street Cemetery Fund and the Community Development Block Grant Fund. The financial statements for these funds are located on pages 10 and 11 with combining statements located on pages 47 and 48.

The only non-expendable fund that we have is the Perley J. Niles Fund and the financial statements for this fund are located on pages 49 and 50.

**Notes to the 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 immediately following the basic financial statements in this report.

City of Newport, Vermont  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2016

**Other information** - In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information to provide additional financial information not included in the basic financial statements. This supplementary information includes combining statements for various funds, and budgetary comparison statements for funds other than the City's general fund, which is presented with the basic financial statements. The supplementary information can be found immediately following the notes to the financial statements in this report.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's overall financial position. In the case of the City of Newport, assets exceeded liabilities by \$11,755,997 at the close of the most recent fiscal year.

By far the largest portion of the City of Newport's total net position (90%) reflects its investment in capital assets (e.g. land, buildings, equipment and infrastructure) less any related debt used to acquire those assets that are still outstanding. The City of Newport uses these capital assets to provide services to its 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.

At the close of the fiscal year the City of Newport did not have any net position that was subject to external restriction on how they may be used.

At the end of the current fiscal year, the City of Newport has positive balances in all three categories of net position for governmental-type activities.

**City of Newport, Vermont's Net Position**  
June 30, 2016

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 1,492,355	\$ 2,185,272	\$ 701,398	\$ 807,352	\$ 2,193,753	\$ 2,992,624
Capital assets	7,789,253	7,644,957	9,504,897	10,002,188	17,294,150	17,647,145
Deferred outflows	<u>392,602</u>	<u>113,081</u>	<u>68,914</u>	<u>21,539</u>	<u>461,516</u>	<u>134,620</u>
 Total Assets and Deferred Outflows	 <u>\$ 9,674,210</u>	 <u>\$ 9,943,310</u>	 <u>\$ 10,275,209</u>	 <u>\$ 10,831,079</u>	 <u>\$ 19,949,419</u>	 <u>\$ 20,774,389</u>
 Other liabilities	 \$ 660,529	 \$ 879,314	 \$ 30,776	 \$ 34,070	 \$ 691,305	 \$ 913,384
Net pension liabilities	629,079	75,623	113,394	14,404	742,473	90,027
Notes and bonds payable	850,700	1,090,766	5,899,122	6,309,530	6,749,822	7,400,296
Deferred inflows	<u>8,355</u>	<u>236,384</u>	<u>1,467</u>	<u>45,026</u>	<u>9,822</u>	<u>281,410</u>
 Total Liabilities and Deferred Inflows	 <u>\$ 2,148,663</u>	 <u>\$ 2,282,087</u>	 <u>\$ 6,044,759</u>	 <u>\$ 6,403,030</u>	 <u>\$ 8,193,422</u>	 <u>\$ 8,685,117</u>
 Net Investment in capital assets	 6,938,553	 6,554,191	 3,605,775	 3,692,658	 10,544,328	 10,246,849
Unrestricted	<u>586,994</u>	<u>1,107,032</u>	<u>624,675</u>	<u>735,391</u>	<u>1,211,669</u>	<u>1,842,423</u>
 Total Net Position	 <u>\$ 7,525,547</u>	 <u>\$ 7,661,223</u>	 <u>\$ 4,230,450</u>	 <u>\$ 4,428,049</u>	 <u>\$ 11,755,997</u>	 <u>\$ 12,089,272</u>



City of Newport, Vermont  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2016

**Governmental activities** - Governmental activities decreased the City of Newport's net position by \$135,676 during the current fiscal year. Investment in capital assets, net of related debt, increased as a result of principal payments on long-term bonds, notes and leases during the year that exceeded current year borrowings, while current year net additions to capital assets were more than depreciation expenses by \$144,296.

**City of Newport, Vermont's Changes in Net Position**  
June 30, 2016

Revenues	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Program Revenues:						
Charges for services	\$ 745,006	\$ 673,066	\$ 2,085,391	\$ 1,952,840	\$ 2,830,397	\$ 2,625,906
Operating grants	733,076	395,177	-	38,232	733,076	433,409
General Revenues:						
TIFF income	-	-	-	20,522	-	20,522
Property taxes	7,753,814	7,458,314	-	-	7,753,814	7,458,314
Investment earnings	22,554	21,533	18,391	17,412	40,945	38,945
Other revenues	45,672	50,232	-	-	45,672	50,232
Miscellaneous	-	-	722	2,665	722	2,665
Total Revenues	<u>9,300,122</u>	<u>8,598,322</u>	<u>2,104,504</u>	<u>2,031,671</u>	<u>11,404,626</u>	<u>10,629,993</u>
Expenses						
Governmental activities:						
General	1,308,140	1,070,310	-	-	1,308,140	1,070,310
Public Safety	1,441,210	1,410,457	-	-	1,441,210	1,410,457
Public Works	1,743,414	1,315,850	-	-	1,743,414	1,315,850
Library	101,000	101,000	-	-	101,000	101,000
Interest on long-term debt	41,975	38,479	-	-	41,975	38,479
Education, recreation, health and welfare	4,800,059	4,663,053	-	-	4,800,059	4,663,053
Business-type activities:						
Water	-	-	695,060	667,048	695,060	667,048
Sewer	-	-	1,607,041	1,528,508	1,607,041	1,528,508
Total Expenses	<u>9,435,798</u>	<u>8,599,149</u>	<u>2,302,101</u>	<u>2,195,556</u>	<u>11,737,899</u>	<u>10,794,705</u>
Change in net position	(135,676)	(827)	(197,597)	(163,885)	(333,273)	(164,712)
Net position, beginning	<u>7,661,223</u>	<u>7,662,050</u>	<u>4,428,047</u>	<u>4,591,932</u>	<u>12,089,270</u>	<u>12,253,982</u>
Net position, ending	<u>\$ 7,525,547</u>	<u>\$ 7,661,223</u>	<u>\$ 4,230,450</u>	<u>\$ 4,428,047</u>	<u>\$ 11,755,997</u>	<u>\$ 12,089,270</u>

City of Newport, Vermont  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2016

**Business-type activities** - Business-type activities decreased the City of Newport's net position by \$197,597 during the current fiscal year. The water fund had income of \$99,264 while the sewer fund had a loss of \$296,861. Key elements of this change are as follows:

- Water charges and rents increased revenue by \$44,182 from the previous year while operating expenses increased by \$28,013. We had an increase in net income of \$10,899 from the prior year in the Water Fund. Total water distribution expenses totaled \$55,372, a decrease of \$22,568 from the previous year.
- Sewer charges and rents increased in revenue by \$63,007 and discharge fees decreased by \$1,734 from the previous year, while operating expenses increased by \$78,529. Interest expense decreased by \$5,898 from the prior year. The Sewer Fund has a receivable from the General Fund of \$91,717, which is a decrease of \$76,591 from the prior year's receivable of \$168,308.
- Depreciation expense for the sewer fund is \$541,928 as compared to last year's \$539,149; and \$224,713 from last year's \$210,184 for the water fund.

### **Financial Analysis of the Government's Funds**

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 short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Newport's financing requirements. In particular, the 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.

At the end of the current fiscal year, the City of Newport's governmental funds reported combined ending fund balances of \$739,398 a decrease of \$491,081 in comparison to the prior year. Approximately 95% of the total fund balance (\$707,878) constitutes general fund equity, which is available for spending at the government's discretion. The City of Newport has available \$325,621 of this fund balance for various purposes, including capital reserve funds and expenditures in subsequent periods. While \$17,866 of the fund balance is assigned for a specified purpose, the City of Newport has committed \$361,391 for specific budget items.

The general fund is the chief operating fund of the City of Newport. As a measure of the general fund's liquidity, it may be useful to compare both the unassigned fund balance and the total fund balance to total general fund expenditures. The unassigned fund balance (\$325,621) represents 3% of general fund expenditures (\$9,893,390), while total fund balance represents 7% of that same amount.

During the year ending June 30, 2016 the Fund Balance of the City of Newport's general fund decreased by \$493,471 (from \$1,198,349 to \$704,878). Key factors in this change are as follows:

- The City budgeted for a net change in fund balance in the amount of \$177,000.
- The City budgeted for using \$187,189 from the Long Bridge for the Building Renovations.
- The City assigned and spent prior fund balance on facilities maintenance, public works vehicles, and street resurfacing in the amount of \$206,134.
- Recreation Programs overspent by \$44,825.

Special revenue funds consist primarily of the Recreation Fund (\$28,319) and the Mooring Management Fund (\$6,184). The Recreation Fund is used to ensure that monies donated to the Recreation and Parks Department is solely used to benefit Recreation and Parks. The Mooring Management Fund is used so that the City receives no net income from the Mooring Management of Public Waters. Also, the Mooring Management Fund will insure no net expense over time to City taxpayers.

City of Newport, Vermont  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2016

### **Capital Asset and Debt Administration**

**Capital Assets** - The City of Newport's investment in capital assets, net of depreciation for its governmental activities increased by \$144,296 to a total of \$7,789,253. It is to be noted that we used the exemption allowed under GASB 34 to not include road and bridge investments prior to 1 July 2003. Also, 1.5" asphalt overlays of existing streets are not capitalized. For our business-type activities as of June 30, 2016 our capital investment, net of depreciation decreased by \$497,291 to \$9,504,897 (sewer \$5,902,129, water \$3,602,768).

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

- A public works vehicle at a cost of \$71,704.
- Two new side walk plows at a cost of \$49,691.
- Street Resurfacing
- A used fire truck was purchased in the amount \$335,000.

Summarized listings of capital assets can be found in Note 8 of the financial statements.

**Long-term debt** - At the end of the current year, the City of Newport had total long-term debt outstanding of \$6,749,822. Of this amount, \$6,123,688 represents low to no-interest loans issued by the State of Vermont, \$355,700 represents loans with local banks and the remaining \$270,434 represents bonded debt backed by the full faith and credit of the City of Newport.

The City of Newport's total debt decreased by \$650,474 during the year.

Bonds are issued through the Vermont Municipal Bond Bank. The City issues no bonded debt on its own behalf and does not maintain its own credit rating.

Summarized listings of debt can be found in Note 7 of the financial statements.

### **Requests for Information**

The financial report is designed to provide a general overview of the City of Newport, Vermont's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of City Manager, 222 Main St., Newport, VT 05855.

City of Newport, Vermont  
 GOVERNMENT-WIDE FINANCIAL STATEMENTS  
 STATEMENT OF NET POSITION  
 June 30, 2016

ASSETS AND DEFERRED OUTFLOWS

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>CURRENT ASSETS</b>			
Cash	\$ 934,410	\$ 472,198	\$ 1,406,608
Taxes receivable	316,843	-	316,843
Accounts receivable	-	182,376	182,376
Other receivables	232,150	-	232,150
Due from other funds	-	46,824	46,824
Prepaid expenses	8,952	-	8,952
<b>TOTAL CURRENT ASSETS</b>	<u>1,492,355</u>	<u>701,398</u>	<u>2,193,753</u>
 CAPITAL ASSETS, net of depreciation	 <u>7,789,253</u>	 <u>9,504,897</u>	 <u>17,294,150</u>
 DEFERRED OUTFLOWS	 <u>392,602</u>	 <u>68,914</u>	 <u>461,516</u>
 <b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	 <u><u>\$ 9,674,210</u></u>	 <u><u>\$ 10,275,209</u></u>	 <u><u>\$ 19,949,419</u></u>

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

<b>CURRENT LIABILITIES</b>			
Current portion notes and bonds payable	\$ 149,415	\$ 424,061	\$ 573,476
Accounts payable	142,539	-	142,539
Accrued wages	59,582	4,418	64,000
Accrued liabilities	1,454	6,479	7,933
Accrued vacation/sick/comptime	220,581	19,879	240,460
Due to other funds	67,311	-	67,311
Unearned revenue	164,577	-	164,577
Tax deposits	4,485	-	4,485
<b>TOTAL CURRENT LIABILITIES</b>	<u>809,944</u>	<u>454,837</u>	<u>1,264,781</u>
 <b>LONG-TERM LIABILITIES</b>			
Net pension liabilities	629,079	113,394	742,473
Notes and bonds payable	701,285	5,475,061	6,176,346
<b>TOTAL LONG-TERM LIABILITIES</b>	<u>1,330,364</u>	<u>5,588,455</u>	<u>6,918,819</u>
 <b>TOTAL LIABILITIES</b>	 <u>2,140,308</u>	 <u>6,043,292</u>	 <u>8,183,600</u>
 DEFERRED INFLOWS	 <u>8,355</u>	 <u>1,467</u>	 <u>9,822</u>
 <b>NET POSITION</b>			
Net investment in capital assets	6,938,553	3,605,775	10,544,328
Unrestricted	586,994	624,675	1,211,669
<b>TOTAL NET POSITION</b>	<u>7,525,547</u>	<u>4,230,450</u>	<u>11,755,997</u>
 <b>TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>	 <u><u>\$ 9,674,210</u></u>	 <u><u>\$ 10,275,209</u></u>	 <u><u>\$ 19,949,419</u></u>

See Accompanying Notes to Basic Financial Statements.

City of Newport, Vermont  
GOVERNMENT-WIDE FINANCIAL STATEMENTS  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2016

	Program Revenues			Net (Expense) Revenue & Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants & Revenues	Governmental Activities	Business-Type Activities	
<u>Functions/Programs</u>						
Governmental activities:						
Current:						
General government	\$ 1,308,140	\$ 142,653	\$ 77,030	\$ (1,088,457)	\$ -	\$ (1,088,457)
Public safety	1,441,210	285,428	160,026	(995,756)	-	(995,756)
Public works	1,743,414	12,685	435,316	(1,295,413)	-	(1,295,413)
Recreation, health, education and welfare	4,800,059	304,240	60,704	(4,435,115)	-	(4,435,115)
Library	101,000	-	-	(101,000)	-	(101,000)
Interest on long-term debt	41,975	-	-	(41,975)	-	(41,975)
Total governmental activities	<u>9,435,798</u>	<u>745,006</u>	<u>733,076</u>	<u>(7,957,716)</u>	<u>-</u>	<u>(7,957,716)</u>
Business-type activities:						
Water	695,060	785,139	-	-	90,079	90,079
Sewer	1,607,041	1,300,252	-	-	(306,789)	(306,789)
Total business-type activities	<u>\$ 2,302,101</u>	<u>\$ 2,085,391</u>	<u>\$ -</u>	<u>-</u>	<u>(216,710)</u>	<u>(216,710)</u>
General Revenues:						
Property taxes, levied for general purposes				7,753,814	-	7,753,814
Unrestricted investment earnings				22,554	18,391	40,945
Miscellaneous				45,672	722	46,394
Total general revenues and transfers				<u>7,822,040</u>	<u>19,113</u>	<u>7,841,153</u>
Change in Net Position				(135,676)	(197,597)	(333,273)
Net Position, beginning				<u>7,661,223</u>	<u>4,428,047</u>	<u>12,089,270</u>
Net Position, ending				<u>\$ 7,525,547</u>	<u>\$ 4,230,450</u>	<u>\$ 11,755,997</u>

See Accompanying Notes to Basic Financial Statements.

City of Newport, Vermont  
 FUND FINANCIAL STATEMENTS  
 BALANCE SHEET - GOVERNMENTAL FUNDS  
 June 30, 2016

ASSETS

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash	\$ 894,169	\$ -	\$ 40,241	\$ 934,410
Delinquent tax receivables net of reserves of \$210,855	105,988	-	-	105,988
Other receivables	232,150	-	-	232,150
Due from other funds	-	17	-	17
Prepaid expenses	<u>8,952</u>	<u>-</u>	<u>-</u>	<u>8,952</u>
 TOTAL ASSETS	 <u>\$ 1,241,259</u>	 <u>\$ 17</u>	 <u>\$ 40,241</u>	 <u>\$ 1,281,517</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Due to other funds	\$ 23,588	\$ -	\$ 5,738	\$ 29,326
Customer deposits	4,485	-	-	4,485
Accounts payable	142,539	-	-	142,539
Accrued wages	59,582	-	-	59,582
Accrued vacation/sick/comp-time	140,156	-	-	140,156
Other accruals	1,454	-	-	1,454
Unearned revenue	<u>164,577</u>	<u>-</u>	<u>-</u>	<u>164,577</u>
 TOTAL LIABILITIES	 <u>536,381</u>	 <u>-</u>	 <u>5,738</u>	 <u>542,119</u>

FUND BALANCE

Committed	361,391	17	34,503	395,911
Assigned	17,866	-	-	17,866
Unassigned	<u>325,621</u>	<u>-</u>	<u>-</u>	<u>325,621</u>
 TOTAL FUND BALANCE	 <u>704,878</u>	 <u>17</u>	 <u>34,503</u>	 <u>739,398</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 1,241,259</u>	 <u>\$ 17</u>	 <u>\$ 40,241</u>	 <u>\$ 1,281,517</u>

See Accompanying Notes to Basic Financial Statements.

City of Newport, Vermont  
 FUND FINANCIAL STATEMENTS  
 BALANCE SHEET - GOVERNMENTAL FUNDS  
 June 30, 2016

**Total fund balances - governmental funds** \$ 739,398

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Capital Assets - Governmental fund expenditures	7,789,253
Capital Assets - From trust funds	(38,002)

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

Allowance for delinquent tax reserve	210,855
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds:

Accrued vacation/sick/comp-time payable	(80,425)
Net pension liability	(629,079)
Notes and bonds payable	(850,700)

Deferred outflows of resources represent the consumption of net assets that is applicable to a future reporting period and therefore not reported as assets in the funds.	392,602
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Deferred inflows of resources represent the acquisition of net assets applicable to a future reporting period and therefore are not reported as liabilities in the funds.	<u>(8,355)</u>
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\$ 7,525,547

See Accompanying Notes to Basic Financial Statements.

City of Newport, Vermont  
 FUND FINANCIAL STATEMENTS  
 STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2016

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Taxes and Special Assessments	\$ 7,681,216	\$ -	\$ -	\$ 7,681,216
General Government	307,620	-	-	307,620
Public Safety	445,508	-	-	445,508
Public Works	585,711	-	-	585,711
Recreation and Culture	351,627	-	11,688	363,315
Investment Income	2,911	-	4	2,915
Miscellaneous Income	-	17	-	17
<b>TOTAL REVENUES</b>	<u>9,374,593</u>	<u>17</u>	<u>11,692</u>	<u>9,386,302</u>
<b>EXPENDITURES</b>				
General	795,462	-	-	795,462
Public Safety	1,369,197	-	-	1,369,197
Public Works	832,675	-	-	832,675
Culture and Recreation	526,904	-	9,319	536,223
Other Expenses & Appropriations	474,304	-	-	474,304
Personnel Expenses	637,914	-	-	637,914
Capital Outlay	1,054,941	-	-	1,054,941
Debt Service and Sinking Funds	291,449	-	-	291,449
School Appropriations	3,910,544	-	-	3,910,544
<b>TOTAL EXPENDITURES</b>	<u>9,893,390</u>	<u>-</u>	<u>9,319</u>	<u>9,902,709</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(518,797)	17	2,373	(516,407)
<b>OTHER FINANCING SOURCES:</b>				
Proceeds From long term debt	<u>25,326</u>	<u>-</u>	<u>-</u>	<u>25,326</u>
<b>NET CHANGE IN FUND BALANCE</b>	(493,471)	17	2,373	(491,081)
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>1,198,349</u>	<u>-</u>	<u>32,130</u>	<u>1,230,479</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 704,878</u>	<u>\$ 17</u>	<u>\$ 34,503</u>	<u>\$ 739,398</u>

See Accompanying Notes to Basic Financial Statements.



City of Newport, Vermont  
 FUND FINANCIAL STATEMENTS  
 STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2016

**Net change in fund balances - governmental funds** \$ (491,081)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Depreciation	(621,091)
Capital assets purchased	765,387

The proceeds from the issuance of long-term debt is a revenue source in the governmental funds, while the issuance increase long-term debt in the Statement of Net Position. (25,256)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 265,323

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Increase in allowance for delinquent tax reserve	24,830
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Expenses in the statement of activities that do not require the use of current financial resources and are not reported as expenditures in the funds:

Pension expense	(45,910)
Vacation/sick/comp-time earned	<u>(7,878)</u>

**Change in net position of governmental activities** \$ (135,676)

See Accompanying Notes to Basic Financial Statements.

City of Newport, Vermont  
 FUND FINANCIAL STATEMENTS  
 STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
 June 30, 2016

ASSETS AND DEFERRED OUTFLOWS

	<u>Business Type Activities - Enterprise Funds</u>		
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	
<b>CURRENT ASSETS</b>			
Cash	\$ 116,627	\$ 355,571	\$ 472,198
Due from other funds	91,717	-	91,717
Fees receivable	90,314	92,062	182,376
<b>TOTAL CURRENT ASSETS</b>	<u>298,658</u>	<u>447,633</u>	<u>746,291</u>
<b>CAPITAL ASSETS</b>			
Land	2,169	118,713	120,882
Wells	-	629,354	629,354
Buildings	338,898	-	338,898
Improvements other than buildings	12,975,676	4,976,037	17,951,713
Machinery and equipment	943,151	263,503	1,206,654
Interlocal waterline project	-	773,757	773,757
Storm water separation	1,019,610	-	1,019,610
Construction in progress	5,280	-	5,280
	<u>15,284,784</u>	<u>6,761,364</u>	<u>22,046,148</u>
Less: accumulated depreciation	<u>(9,382,655)</u>	<u>(3,158,596)</u>	<u>(12,541,251)</u>
<b>CAPITAL ASSETS, net</b>	<u>5,902,129</u>	<u>3,602,768</u>	<u>9,504,897</u>
<b>DEFERRED OUTFLOWS</b>	<u>44,773</u>	<u>24,141</u>	<u>68,914</u>
<b>TOTAL ASSETS</b>	<u>\$ 6,245,560</u>	<u>\$ 4,074,542</u>	<u>\$ 10,320,102</u>

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

<b>CURRENT LIABILITIES</b>			
Due to other funds	\$ -	\$ 44,893	\$ 44,893
Accrued wages	3,172	1,246	4,418
Current portion of bonds and notes payable	268,390	155,671	424,061
Accrued vacation/sick/comp.	18,831	1,048	19,879
Accrued interest	2,669	3,810	6,479
<b>TOTAL CURRENT LIABILITIES</b>	<u>293,062</u>	<u>206,668</u>	<u>499,730</u>
<b>LONG-TERM LIABILITIES</b>			
Net pension liabilities	72,736	40,658	113,394
Notes and bonds payable	3,191,532	2,283,529	5,475,061
<b>TOTAL LONG-TERM LIABILITIES</b>	<u>3,264,268</u>	<u>2,324,187</u>	<u>5,588,455</u>
<b>TOTAL LIABILITES</b>	<u>3,557,330</u>	<u>2,530,855</u>	<u>6,088,185</u>
<b>DEFERRED INFLOWS</b>	<u>953</u>	<u>514</u>	<u>1,467</u>
<b>NET POSITION</b>			
Net investment in capital assets	2,442,207	1,163,568	3,605,775
Unrestricted	245,070	379,605	624,675
<b>TOTAL NET POSITION</b>	<u>2,687,277</u>	<u>1,543,173</u>	<u>4,230,450</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>	<u>\$ 6,245,560</u>	<u>\$ 4,074,542</u>	<u>\$ 10,320,102</u>

See Accompanying Notes to Basic Financial Statements.

City of Newport, Vermont  
 FUND FINANCIAL STATEMENTS  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES  
 IN NET POSITION - PROPRIETARY FUNDS  
 For the Year Ended June 30, 2016

	<u>Business Type Activities - Enterprise Funds</u>		
	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Charges and rent	\$ 945,066	\$ 785,139	\$ 1,730,205
Derby share	67,581	-	67,581
Discharge fees	96,372	-	96,372
Leachate fees	191,233	-	191,233
Interest income	9,206	9,185	18,391
Other income	<u>722</u>	<u>-</u>	<u>722</u>
 TOTAL OPERATING REVENUES	 <u>1,310,180</u>	 <u>794,324</u>	 <u>2,104,504</u>
 <b>OPERATING EXPENSES</b>			
Sewer system	115,251	-	115,251
Sewer plant	683,340	-	683,340
Water treatment and pumping	-	232,344	232,344
Water transmitting and distribution	-	58,979	58,979
Administration	66,521	52,848	119,369
Depreciation	541,928	224,713	766,641
Interest expense	83,268	83,477	166,745
Personnel and other expenses	106,738	42,699	149,437
Maintenance expenses	<u>9,995</u>	<u>-</u>	<u>9,995</u>
 TOTAL OPERATING EXPENSES	 <u>1,607,041</u>	 <u>695,060</u>	 <u>2,302,101</u>
 CHANGE IN NET POSITION	 (296,861)	 99,264	 (197,597)
 NET POSITION AT BEGINNING OF YEAR	 <u>2,984,138</u>	 <u>1,443,909</u>	 <u>4,428,047</u>
 NET POSITION AT END OF YEAR	 <u>\$ 2,687,277</u>	 <u>\$ 1,543,173</u>	 <u>\$ 4,230,450</u>

See Accompanying Notes to Basic Financial Statements.

City of Newport, Vermont  
 FUND FINANCIAL STATEMENTS  
 STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
 For the Year Ended June 30, 2016

	Business-Type Activities		
	Sewer Fund	Water Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 1,102,137	\$ 777,201	\$ 1,879,338
Payments to suppliers	(875,107)	(344,171)	(1,219,278)
Payments for employees and benefits	(103,511)	(38,321)	(141,832)
Other receipts (payments)	117,893	(74,292)	43,601
	<u>241,412</u>	<u>320,417</u>	<u>561,829</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers from other funds	76,591	42,050	118,641
	<u>76,591</u>	<u>42,050</u>	<u>118,641</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchases of property, plant and equipment	(57,959)	(211,394)	(269,353)
Principal payments on debt	(259,869)	(150,539)	(410,408)
	<u>(317,828)</u>	<u>(361,933)</u>	<u>(679,761)</u>
<b>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
<b>NET INCREASE IN CASH</b>	175	534	709
<b>CASH - BEGINNING OF YEAR</b>	<u>116,452</u>	<u>355,037</u>	<u>471,489</u>
<b>CASH - END OF YEAR</b>	<u>\$ 116,627</u>	<u>\$ 355,571</u>	<u>\$ 472,198</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ (296,861)	\$ 99,264	\$ (197,597)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	541,928	224,713	766,641
Change in net assets and liabilities:			
Receivables, net	(6,883)	(7,938)	(14,821)
Accrued wages	1,109	780	1,889
Deferred outflows	(31,311)	(16,064)	(47,375)
Net pension liability	63,733	35,257	98,990
Deferred inflows	(27,188)	(16,371)	(43,559)
Accrued vacation	(3,115)	776	(2,339)
	<u>(3,115)</u>	<u>776</u>	<u>(2,339)</u>
<b>Net cash provided by operating activities</b>	<u>\$ 241,412</u>	<u>\$ 320,417</u>	<u>\$ 561,829</u>

See Accompanying Notes to Basic Financial Statements.

City of Newport, Vermont  
 FUND FINANCIAL STATEMENTS  
 STATEMENT OF NET POSITION - FIDUCIARY FUNDS  
 June 30, 2016

ASSETS

	<u>Expendable Trust Funds</u>	<u>Non- Expendable Trust Funds</u>	<u>Total</u>
<b>CASH</b>			
Checking	\$ 40,655	\$ 33,345	\$ 74,000
Savings and money markets	<u>65,899</u>	<u>-</u>	<u>65,899</u>
<b>TOTAL CASH</b>	<u>106,554</u>	<u>33,345</u>	<u>139,899</u>
<b>INVESTMENTS</b>			
Trust account	<u>197,888</u>	<u>110,274</u>	<u>308,162</u>
<b>TOTAL ASSETS</b>	<u>\$ 304,442</u>	<u>\$ 143,619</u>	<u>\$ 448,061</u>

LIABILITIES AND NET POSITION

<b>LIABILITIES</b>			
Due to other funds	<u>\$ 16,522</u>	<u>\$ 993</u>	<u>\$ 17,515</u>
<b>NET POSITION</b>			
Reserved for trust funds	-	62,000	62,000
Unreserved	<u>287,920</u>	<u>80,626</u>	<u>368,546</u>
<b>TOTAL NET POSITION</b>	<u>287,920</u>	<u>142,626</u>	<u>430,546</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 304,442</u>	<u>\$ 143,619</u>	<u>\$ 448,061</u>

See Accompanying Notes to Basic Financial Statements.

City of Newport, Vermont  
 FUND FINANCIAL STATEMENTS  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 For the Year Ended June 30, 2016

	<u>Expendable Trust Funds</u>	<u>Non- Expendable Trust Funds</u>
<b>ADDITIONS</b>		
Drug Service Grant	\$ 6,538	\$ -
Interest income	60	-
Dividend income	6,163	3,547
Net gain on investments	<u>12,414</u>	<u>7,005</u>
 TOTAL ADDITIONS	 <u>25,175</u>	 <u>10,552</u>
<b>DEDUCTIONS</b>		
Administrative fees	1,879	1,081
Contracted services	8,316	-
Police expenditures	1,000	-
Beneficiaries	-	1,200
Other	<u>744</u>	<u>285</u>
 TOTAL DEDUCTIONS	 <u>11,939</u>	 <u>2,566</u>
 CHANGE IN NET POSITION	 13,236	 7,986
 NET POSITION AT BEGINNING OF YEAR	 <u>274,684</u>	 <u>134,640</u>
 NET POSITION AT END OF YEAR	 <u>\$ 287,920</u>	 <u>\$ 142,626</u>

See Accompanying Notes to Basic Financial Statements.

City of Newport, Vermont  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

The City of Newport, Vermont, (herein the "City") operates under a Mayor, Board of Aldermen and City Manager form of government and provides the following services, as authorized by its charter: general, public safety (police, fire and rescue), public works, recreation and culture, health and welfare, water and sewer services.

The City, for financial statement purposes, includes all of the funds and account groups relevant to the operations of the City of Newport. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the City of Newport.

NOTE 1            SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

All operations of the City are controlled by the Mayor and a four member Board of Aldermen, elected in City-wide elections, and responsible for all of the City's activities. The financial statements include all of the City's operations controlled by the Mayor and Board of Aldermen. Based on criteria for determining the reporting entity (separate legal entity and fiscal or financial dependency on other governments), the City is considered to be an independent reporting entity and has no component units.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expense of a given program is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

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. 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.

City of Newport, Vermont  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, early retirement, arbitrage rebates, and post-employment healthcare benefits, are recorded only when payment is due.

Property taxes 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 fiscal period. All other revenue items are considered to be measurable and available only when the City receives cash.

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 City, except those required to be accounted for in another fund.

Amounts reported as program revenues include 1) charges to individuals and business for fees, rental, material, supplies, or services, 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 property taxes.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgetary Data

Budgets are presented on the modified accrual basis of accounting for all governmental funds. Budgets are not adopted on a City level for the financial funds or the special revenue fund. All annual appropriations lapse at fiscal year-end with the exception of those indicated as a fund balance reserve. The following procedures are used in establishing the budgetary data reflected in the financial statements.

- \* During January of each year, the City manager submits to the Board a proposed operating budget for the next fiscal year commencing July 1<sup>st</sup>. This budget includes proposed expenditures and the means of financing them. Included also is a final budget for the current year ending June 30<sup>th</sup>.
- \* Copies of the proposed budget are made available for public inspection and review by the City's patrons of the City. During February of each year a public hearing is held prior to City Meeting day to discuss the budget.



City of Newport, Vermont  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- \* The budget is voted on by taxpayers at March's City Meeting.
- \* Once adopted, the budget can be amended by subsequent Board action. The Board upon recommendation of the City Manager can approve reductions in appropriations, but increases in appropriations by fund require a public hearing prior to amending the budget. In accordance with Vermont State law, interim adjustments may be made by administrative transfer of money from one appropriation to another within any given fund.
- \* Expenditures may not legally exceed budgeted appropriations at the fund level.

Encumbrance accounting is employed in the governmental funds. Encumbrances (e.g., purchase orders and contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

Cash and Cash Equivalents

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.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., current portion of inter-fund loans) or "advances from/to other funds" (i.e., the non-current portion of inter-fund loans).

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Capital Assets

General capital assets should be capitalized and recorded when all of the following criteria are met:

- (1) The asset is tangible and complete.
- (2) The asset is used in the operation of the City's activities.
- (3) The asset has a value and useful life at the date of acquisition that meets or exceeds the following:
  - \* \$1,000 value and two years of life for software, office equipment, maintenance equipment, and other equipment.
  - \* \$2,000 value and two years of life for vehicles.
  - \* \$5,000 value and two years of life for all capital improvements.
  - \* \$10,000 and three years of life for infrastructure and infrastructure improvements
  - \* All buildings and land as well as computer equipment must be reported regardless of value and useful life at date of acquisition

Pursuant to GASB Statement Number 34, the City of Newport is not required to retroactively report major general infrastructure assets. Effective July 1, 2004 the City recorded and depreciated infrastructure assets (e.g., roads, bridges, sidewalks and similar items).

City of Newport, Vermont  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All general capital assets must be recorded at either historical cost or estimated historical cost. Assets acquired through donation will be recorded at their estimated fair market value on the date of donation. In addition to purchase price or construction cost, costs of capitalization may include incidental costs, such as bond interest and issuance cost, insurance during transit, freight, duties, title search, title registration, installation, and breaking-in costs.

The straight line depreciation method will be used over the estimated useful life of each asset.

Long-term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net assets.

Property Taxes

Property taxes are due and payable on or before November 15 and May 15 and become delinquent on May 16. The City prepares the bills and collects all taxes.

Government-Wide and Proprietary Fund Net Position

Government-wide and Proprietary Fund Net Position are divided into three components:

Invested in capital assets, net of related debt – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

Restricted net position – consist of net assets that are restricted by the Town's creditors, by enabling legislation, by grantors (both federal and state), and/or by contributors.

Unrestricted – all other net assets reported in this category.

Governmental Fund Balances

Effective July 1, 2010, the City adopted the provisions of GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions.

In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts that can be spent only for specific purposes because of laws, regulations, or externally imposed conditions by grantors or creditors.

Committed – Amounts that can be used only for specific purposes determined by a formal action by the Selectboard.

Assigned – Amounts that are designated by management for a particular purpose.

Unassigned – All amounts not included in other classifications.

City of Newport, Vermont  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Allowance for Uncollectible Accounts

The City provides an allowance for uncollectible accounts for the estimated losses that will be incurred in the collection of all receivables. The estimated losses are based on the judgment of management and a review of the current status of existing receivables.

Operating Transfers

Operating transfers are legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended.

Defining Operating Revenues and Expenses

The City of Newport, Vermont's proprietary funds distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses of the City of Newport, Vermont's water and sewer funds consists of charges for services (including connection fees) and the costs of providing those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as nonoperating.

NOTE 2 CASH

The cash received by the City is placed in the custody of the City Treasurer who is elected. The cash deposits in the City accounts at June 30, 2016 consisted of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
Insured - FDIC	\$ 895,380	\$ 711,150
Uninsured, Collateralized by U.S. Government Securities, Federal Agency Issued Mortgage Backed Securities and/or General Obligation Vermont Municipal Note and Bonds Held by the Bank's Trust Department with a Security Interest granted to the City.	<u>827,962</u>	<u>833,994</u>
Uninsured, Right to Offset by Outstanding Debt	<u>5,084</u>	<u>577</u>
Petty Cash	<u>-</u>	<u>786</u>
TOTAL	<u>\$ 1,728,426</u>	<u>\$ 1,546,507</u>

City of Newport, Vermont  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

NOTE 2 CASH (continued)

The difference between the book balance and the bank balance is due to reconciling items such as deposits in transit and outstanding checks.

NOTE 3 RECEIVABLES

Receivables on the fund financial statements at June 30, 2016 consist of the following:

	General Fund	Proprietary Funds	Total
Delinquent Taxes, net of \$210,855 reserves	\$ 69,864	\$ -	\$ 69,864
Penalty and Interest	36,124	-	36,124
Other Receivable	232,150	-	232,150
Notes Receivable	-	4,711	4,711
Water Rents - Billed	-	87,352	87,352
Sewer Rents - Billed	-	89,707	89,707
Sewer Derby Share	-	45	45
Sewer Contracted Works	-	561	561
	\$ 338,138	\$ 182,376	\$ 520,514
TOTAL NET RECEIVABLES			

NOTE 4 DEFERRED REVENUE

Deferred revenue in the General Fund consists of the following at June 30, 2016:

Project D.A.R.E.	\$ 4,288
Act 60 Reappraisal	120,157
Bike Path Grant	40,132
	\$ 164,577

NOTE 5 ACCRUED VACATION/SICK/COMPTIME

It is the policy of the City of Newport to permit employees to accumulate earned but unused vacation and comp-time with no limits. Employees are allowed to accumulate sick time as follows:

Employees covered under the Police Union Contract can accumulate 960 hours, but are only vested for 240 hours.

City of Newport, Vermont  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

NOTE 5 ACCRUED VACATION/SICK/COMPTIME (continued)

Employees covered under the Public Works Union Contract can accumulate up to 60 days or 480 hours, but are 100% vested for the first 15 days and are 50% vested for the remainder.

Employees with sick bank balances prior to the institution of the sick pay limitations above are vested in these banked amounts:

	General	Water/Sewer
Vacation	\$ 75,959	\$ 6,721
Comptime	30,842	296
Sick - Short-Term	33,355	1,430
	140,156	8,447
Sick - Long-Term	67,116	-
Sick - Bank	13,309	11,432
	\$ 220,581	\$ 19,879

NOTE 6 SHORT TERM DEBT

The City had a tax anticipation line of credit with Passumpsic Savings Bank with an available balance of \$1,000,000 at a rate of 0.70% dated July 1, 2015 and due June 30, 2016. There was no amount drawn on the line of credit during the fiscal year. This line of credit was renewed subsequent to year end, see Note 20.

NOTE 7 NOTES AND BONDS PAYABLE

The following is a summary of changes in notes and bonds payable for the year ended June 30, 2016:

	Beginning Balance June 30, 2015	Additions	Deletions	Ending Balance June 30, 2016
<u>BUSINESS-TYPE FUNDS</u>				
<u>Sewer Fund:</u>				
Note payable to State of Vermont Revolving Loan Fund RFI-079 at 0% interest 2% admin fee. Annual principal and interest install- ments of \$15,779, matures 6/30/2023.	\$ 115,387	\$ -	\$ 13,444	\$ 101,943

City of Newport, Vermont  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

NOTE 7      NOTES AND BONDS PAYABLE (continued)

	Beginning Balance <u>June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2016</u>
<u>Sewer Fund: (cont'd)</u>				
Note payable to State of Vermont Revolving Loan Fund RFI-029 at 0% interest with a 2% admin. fee. Annual principal and interest install- ments of \$26,024, matures 1/24/24.	190,635	-	22,211	168,424
Note payable to State of Vermont Revolving Loan Fund RFI-098, 0% interest with 4 annual principal payments of \$4,120 and a final payment of \$1,318, matures 1/1/2022.	6,839	-	3,420	3,419
Note payable to State of Vermont Revolving Loan Fund RFI-075 at 0% interest with a 2% admin. fee with annual principal and admin. fee payments of \$243,832, matures 1/1/2029.	2,899,261	-	181,500	2,717,761
Note payable to State of Vermont Revolving Loan Fund RFI-150, at 0% interest with a 2% admin fee, with principal and fee payments of \$13,250, matures 7/1/2033.	197,671	-	9,296	188,375
Vermont Municipal Bond Bank issued 7/26/01, sewer portion equals \$700,000 with annual installments of \$30,000 plus interest at 4.83%, matures 12/1/25.	<u>310,000</u>	<u>-</u>	<u>30,000</u>	<u>280,000</u>
<b>TOTAL SEWER FUND</b>	<u>3,719,793</u>	<u>-</u>	<u>259,871</u>	<u>3,459,922</u>
 <u>Water Fund:</u>				
Water System Bond issued 5/2/84; principal and interest at 5.0% due in semi-annual install- ments of \$20,925 payable to GMAC Commercial Mortgage Corp., maturing 5/2/24.	297,573	-	27,139	270,434

City of Newport, Vermont  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

NOTE 7 NOTES AND BONDS PAYABLE (continued)

<u>Water Fund: (cont'd)</u>	<u>Beginning Balance June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2016</u>
State of Vermont Revolving Loan Fund RF3-129 \$2,727,172 available at 1% interest and a 2% admin. fee, due in annual installments of \$155,398, matures 2/1/2031	1,951,975	-	96,839	1,855,136
State of Vermont Revolving Loan Fund RF3-095 \$547,000 available, at 1% interest and 2% admin fee, due in annual installments of \$36,769, matures 7/1/2026.	<u>340,191</u>	<u>-</u>	<u>26,561</u>	<u>313,630</u>
<b>TOTAL WATER FUND</b>	<u>2,589,739</u>	<u>-</u>	<u>150,539</u>	<u>2,439,200</u>
<b>TOTAL BUSINESS-TYPE FUNDS</b>	<u>\$ 6,309,532</u>	<u>\$ -</u>	<u>\$ 410,410</u>	<u>\$ 5,899,122</u>

Anticipated maturities are as follows for the Business-Type Funds:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 424,061	\$ 153,698	\$ 577,759
2018	430,644	142,403	573,047
2019	440,926	130,811	571,737
2020	451,503	115,836	567,339
2021	462,381	103,608	565,989
2022-2026	2,248,647	332,745	2,581,392
2027-2031	1,416,564	89,706	1,506,270
2032-2034	<u>24,396</u>	<u>-</u>	<u>24,396</u>
<b>TOTAL</b>	<u>\$ 5,899,122</u>	<u>\$ 1,068,807</u>	<u>\$ 6,967,929</u>

<u>Governmental Activities:</u>	<u>Beginning Balance June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2016</u>
Vermont Municipal Bond Bank issued 7/26/01, principal and interest at 4.40% due in annual payments of \$30,000. Matures 12/1/16.	\$ 50,000	\$ -	\$ 30,000	\$ 20,000

City of Newport, Vermont  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

NOTE 7      NOTES AND BONDS PAYABLE (continued)

	Beginning Balance <u>June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2016</u>
Vermont Municipal Bond Bank issued 7/1/10, principal and interest at 2.22% due in annual payments of \$35,000. Matures December 2020.	215,000	-	40,000	175,000
Passumpsic Savings Bank - Promissory Note for financing of a 2014 Ford Taurus, principal and 1.49% interest payments of \$739 due monthly. Matures September 2016.	10,981	-	8,761	2,220
Passumpsic Savings Bank - Municipal Note for financing public improvements, principal and 1.47% interest payments of \$96,259 due annually. Matures July 2015.	94,870	-	94,870	-
Vermont Municipal Bond Bank issued July 14, 2011 Original Amount - \$500,000 with net interest of 2.64% paid in semi annual pymts Principal pymts of \$50,000 paid annually each December 1st. Matures November 2021.	350,000	-	50,000	300,000
Passumpsic Saving Bank Muni Note issued July 7, 2014 for \$369,916 at 2.46% for ten years pmts due 7/1 for \$42,166. Matures July 2024.	369,916	-	33,465	336,451
Passumpsic Savings Bank Muni Note issued July 16, 2015 for \$25,256 at 1.34% for three years pmts of \$716 due monthly. Matures July 2018.	-	25,256	8,227	17,029
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 1,090,767</u></b>	<b><u>\$ 25,256</u></b>	<b><u>\$ 265,323</u></b>	<b><u>\$ 850,700</u></b>



City of Newport, Vermont  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

NOTE 7 NOTES AND BONDS PAYABLE (continued)

Anticipated maturities are as follows for the Governmental Funds:

Anticipated maturities are as follows for the Governmental Funds:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 149,415	\$ 20,982	\$ 170,397
2018	128,150	17,640	145,790
2019	120,586	14,581	135,167
2020	121,372	11,352	132,724
2021	122,276	7,936	130,212
2022-2025	<u>208,901</u>	<u>15,820</u>	<u>224,721</u>
 TOTAL	 <u>\$ 850,700</u>	 <u>\$ 88,311</u>	 <u>\$ 939,011</u>

NOTE 8 CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 415,112	\$ -	\$ -	\$ 415,112
Construction in progress	<u>130,138</u>	<u>34,679</u>	<u>(76,199)</u>	<u>88,618</u>
Total capital assets, not being depreciated	<u>545,250</u>	<u>34,679</u>	<u>(76,199)</u>	<u>503,730</u>
Capital assets, being depreciated				
Land improvements	365,573	22,977	-	388,550
Buildings and improvements	3,362,651	307,499	-	3,670,150
Equipment	1,798,656	223,135	-	2,021,791
Vehicles	3,475,095	249,421	(78,191)	3,646,325
Infrastructure	<u>4,182,156</u>	<u>37,560</u>	<u>-</u>	<u>4,219,716</u>
Total capital assets, being depreciated	<u>13,184,131</u>	<u>840,592</u>	<u>(78,191)</u>	<u>13,946,532</u>

City of Newport, Vermont  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

NOTE 8 CAPITAL ASSETS (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental activities cont'd:</u>				
Accumulated depreciation for				
Land improvements	(302,372)	(7,401)	-	(309,773)
Buildings and improvements	(1,165,292)	(86,035)	-	(1,251,327)
Equipment	(1,060,291)	(104,526)	-	(1,164,817)
Vehicles	(2,226,140)	(205,140)	44,506	(2,386,774)
Infrastructure	(1,330,329)	(217,989)	-	(1,548,318)
Total accumulated depreciation	<u>(6,084,424)</u>	<u>(621,091)</u>	<u>44,506</u>	<u>(6,661,009)</u>
Total capital assets, being depreciated, net	<u>7,099,707</u>	<u>219,501</u>	<u>(33,685)</u>	<u>7,285,523</u>
Governmental activities, capital assets, net	<u>\$ 7,644,957</u>	<u>\$ 254,180</u>	<u>\$ (109,884)</u>	<u>\$ 7,789,253</u>

Depreciation is allocated in the General Fund as follows:

Public Works	\$ 333,965
Public Safety	224,599
Library	61,724
General Government	<u>803</u>

TOTAL \$ 621,091

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Business-type activities:</u>				
Water utility:				
Capital assets, not being depreciated				
Land	\$ 22,500	\$ 96,213	\$ -	\$ 118,713
Construction in progress	<u>540,638</u>	<u>-</u>	<u>(540,638)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>563,138</u>	<u>96,213</u>	<u>(540,638)</u>	<u>118,713</u>
Capital assets, being depreciated				
Equipment and vehicles	235,204	28,299	-	263,503
Water system and improvements	4,348,517	627,520	-	4,976,037
Water lines	773,757	-	-	773,757
Wells	<u>629,354</u>	<u>-</u>	<u>-</u>	<u>629,354</u>
Total capital assets, being depreciated	<u>5,986,832</u>	<u>655,819</u>	<u>-</u>	<u>6,642,651</u>

City of Newport, Vermont  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

NOTE 8 CAPITAL ASSETS (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Accumulated depreciation for				
Equipment and vehicles	(167,962)	(16,732)	-	(184,694)
Water system and improvements	(2,193,704)	(148,385)	-	(2,342,089)
Water lines	(293,417)	(36,079)	-	(329,496)
Wells	(278,800)	(23,517)	-	(302,317)
	<u>(2,933,883)</u>	<u>(224,713)</u>	<u>-</u>	<u>(3,158,596)</u>
Total accumulated depreciation				
Total capital assets, being depreciated, net	<u>3,052,949</u>	<u>431,106</u>	<u>-</u>	<u>3,484,055</u>
Water utility, capital assets, net	<u>3,616,087</u>	<u>527,319</u>	<u>(540,638)</u>	<u>3,602,768</u>
Sewer utility:				
Capital assets, not being depreciated				
Land	2,169	-	-	2,169
Construction in progress	-	5,280	-	5,280
	<u>2,169</u>	<u>5,280</u>	<u>-</u>	<u>7,449</u>
Total capital assets, not being depreciated				
Capital assets, being depreciated				
Buildings	338,898	-	-	338,898
Equipment and vehicles	890,472	52,679	-	943,151
Sewer system and improvements	12,975,676	-	-	12,975,676
Storm water separation	1,019,610	-	-	1,019,610
	<u>15,224,656</u>	<u>52,679</u>	<u>-</u>	<u>15,277,335</u>
Total capital assets, being depreciated				
Accumulated depreciation for				
Buildings	(207,192)	(8,473)	-	(215,665)
Equipment and vehicles	(629,457)	(56,379)	-	(685,836)
Sewer system and improvements	(7,481,547)	(451,586)	-	(7,933,133)
Storm water separation	(522,531)	(25,490)	-	(548,021)
	<u>(8,840,727)</u>	<u>(541,928)</u>	<u>-</u>	<u>(9,382,655)</u>
Total accumulated depreciation				
Total capital assets, being depreciated, net	<u>6,383,929</u>	<u>(489,249)</u>	<u>-</u>	<u>5,894,680</u>
Sewer utility, capital assets, net	<u>6,386,098</u>	<u>(483,969)</u>	<u>-</u>	<u>5,902,129</u>
Business-type activities, capital assets, net	<u>\$ 10,002,185</u>	<u>\$ 43,350</u>	<u>\$ (540,638)</u>	<u>\$ 9,504,897</u>

City of Newport, Vermont  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

NOTE 9 RESTRICTED/COMMITTED/ASSIGNED FUND BALANCES

Committed fund balances at June 30, 2016 are as follows:

General Fund:

Committed for FY 17 Budget Deficit	\$ 150,000
Committed for Bike Path- Redesignated to FY 17 Deficit	46,357
Committed for Coventry Sinking Fund	86,923
Committed for Tennis Court Sinking Fund	20,865
Committed for Reappraisal	<u>57,246</u>

Total General Fund	361,391
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Recreation Fund:

Committed for use in the Recreation Fund	28,319
Committed for use in the Mooring Management Fund	<u>6,184</u>

Total Recreation Fund	<u>34,503</u>
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Capital Projects Fund:

Committed for use in the Capital Projects Fund	<u>17</u>
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TOTAL COMMITTED FUND BALANCES	<u><u>\$ 395,911</u></u>
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The city expended \$364,189 in fiscal year 2016 that were committed in previous years. The expenditures were for the following:

Fiscal Year 2016 Budget Deficit	\$ 177,000
Municipal Building Renovations	<u>187,189</u>
	<u><u>\$ 364,189</u></u>

Assigned fund balances at June 30, 2016 are as follows:

General Fund:

Assigned for Facility Maintenance	<u>\$ 17,866</u>
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TOTAL ASSIGNED FUND BALANCES	<u><u>\$ 17,866</u></u>
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The city expended \$206,134 in the fiscal year 2016 that were assigned in previous years. This is shown in the Other Financing Uses on Budgetary Comparison Schedule. The expenditures were for the following:

City of Newport, Vermont  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

NOTE 9 RESTRICTED/COMMITTED/ASSIGNED FUND BALANCES (continued)

Facility Maintenance	\$	96,134
Public Works Vehicles		60,000
Street Resurfacing		<u>50,000</u>
		<u>\$ 206,134</u>

When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City of Newport, Vermont's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City of Newport, Vermont's policy to use the fund balance in the following order: (1) Committed, (2) Assigned, (3) Unassigned

NOTE 10 INVESTMENTS

The trust accounts are carried at market value. The balances at June 30, 2016 are as follows:

	<u>Cost</u>	<u>Market Value</u>
East Main Street Cemetery Fund		
Equities	\$ 43,041	\$ 65,809
Fixed Income	<u>129,697</u>	<u>132,079</u>
Total	<u>172,738</u>	<u>197,888</u>
 Perley J. Niles Fund		
Equities	23,482	36,651
Fixed Income	<u>72,300</u>	<u>73,623</u>
Total	<u>95,782</u>	<u>110,274</u>
 TOTAL	<u>\$ 268,520</u>	<u>\$ 308,162</u>

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All investments are valued using quoted market prices (Level 1 inputs).

NOTE 11 DEFERRED COMPENSATION PLAN

All full-time permanent employees with the City are eligible to participate in a 457 deferred compensation plan administered by Copeland, a member of Citigroup. Employees may defer up to \$15,000 (\$22,000 if 50 or older) per year. The City does not contribute to this plan but does absorb the costs of administering the plan.

City of Newport, Vermont  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

NOTE 12 PENSION PLAN

Information Required Under GASB Statement No. 68

Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions requires employers participating in a cost-sharing, multiple-employer defined benefit pension plan to recognize their proportional share of total pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. The schedules below have been prepared to provide City of Newport, Vermont's proportional share of the overall amounts of the VMERS plan. City of Newport, Vermont's portion has been allocated based on City of Newport, Vermont's proportional share of employer contributions to the total contributions to VMERS during the fiscal year.

Reporting Date, Measurement Date, and Valuation Date

Net pension liabilities, deferred pension outflows of resources, deferred pension inflows of resources, and pension expense are all presented as of the City of Newport, Vermont's reporting date June 30, 2016 and for the City of Newport, Vermont's reporting period (the year ended June 30, 2016). These amounts are measured as of the measurement date and for the measurement period (the period between the prior and current measurement dates). GASB Statement No. 68 requires that the current measurement date be no earlier than the end of the employer's prior fiscal year. For the reporting date of City of Newport, Vermont, the State has chosen to use the end of the prior fiscal year (June 30, 2015) as the measurement date, and the year ended June 30, 2015 as the measurement period.

The total pension liability is determined by an actuarial valuation performed as of the measurement date, or by the use of update procedures to roll forward to the measurement date amounts from an actuarial valuation as of a date no more than 30 months and 1 day earlier than the employer's most recent fiscal year-end. The State has elected to apply update procedures to roll forward amounts from an actuarial valuation performed as of July 1, 2014, to the measurement date of June 30, 2015.

Schedule A – Employer Allocations as of June 30, 2014

Fiscal Year Ended June 30, 2014				
Employer Contributions	Employer Proportion	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
\$ 127,244	0.98644%	\$ 5,362,786	\$ 5,272,758	\$ 90,028

Fiscal Year Ended June 30, 2014			
Total Deferred Outflows	Total Deferred Inflows	Net Pension Liability 1% Decrease (6.95% Disc Rate)	Net Pension Liability 1% Decrease (8.95% Disc Rate)
\$ -	\$ (281,411)	\$ 758,435	\$ (470,745)

City of Newport, Vermont  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

NOTE 12 PENSION PLAN (continued)

Schedule B – Employers’ Allocation as of June 30, 2015

Fiscal Year Ended June 30, 2015				
Employer Contributions	Employer Proportion	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
\$ 134,620	0.96305%	\$ 5,903,506	\$ 5,161,033	\$ 742,473

Fiscal Year Ended June 30, 2015			
Total Deferred Outflows	Total Deferred Inflows	Net Pension Liability 1% Decrease (6.95% Disc Rate)	Net Pension Liability 1% Decrease (8.95% Disc Rate)
\$ 314,774	\$ (9,822)	\$ 1,483,041	\$ 121,665

Schedule C- Employers’ Allocation of Pension Amounts as of June 30, 2015

Deferred Outflows of Resources							
Employer Proportion	Net Pension Liability	Difference Between Expected and Actual Experience	Changes in Assumptions	Changes in Benefits	Difference Between Projected and Actual Investment Earnings	Changes in Proportional Share of Contributions and Proportionate Share of Contributions	Total Deferred Outflows
0.96305%	\$ 742,473	\$ 23,470	\$ 147,863	\$ -	\$ 143,441	\$ -	\$ 314,774

Deferred Inflows of Resources						
Difference Between Expected and Actual Experience	Changes in Assumptions	Changes in Benefits	Difference Between Projected and Actual Investment Earnings	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows	
\$ -	\$ -	\$ -	\$ -	\$ (9,822)	\$ (9,822)	

City of Newport, Vermont  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

NOTE 12 PENSION PLAN (continued)

Pension Expense Recognized		
Proportionate Share of Pension Plan Expense	Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total
\$ 203,395	\$ (2,693)	\$ 200,702

Schedule D- Employers' Allocation of Recognition of Deferred Outflows/Inflows as of June 30, 2015

Fiscal Year Ending June 30,					
2016	2017	2018	2019	2020	Thereafter
\$ 59,061	\$ 59,061	\$ 59,061	\$ 127,769	\$ -	\$ -

Schedule E- Contributions History for Fiscal Years 2013-2015

FY 2015	FY 2014	FY 2013
\$ 134,620	\$ 127,244	\$ 119,978

The full report containing the schedules of all employers in the VMERS plan will be available on the State of Vermont Treasurer's website at:

<http://www.vermonttreasurer.gov/retirement/muni-financial-reports>

The schedule of employer allocations and schedule of pension amounts by employer are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The schedules present amounts that are elements of the financial statements of the Vermont Municipal Employees' Retirement System (VMERS) or its participating employers. VMERS does not issue stand-alone financial reports, but instead are included as part of the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR can be viewed on the State's Department of Finance & Management website at:

[http://finance.vermont.gov/reports and publications/cafr](http://finance.vermont.gov/reports%20and%20publications/cafr)

Plan Description

The Vermont Municipal Employees' Retirement System is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for school districts and other municipal employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. During the year ended June 30, 2015, the retirement system consisted of 437 participating employers.



City of Newport, Vermont  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2016

NOTE 12 PENSION PLAN (continued)

The plan was established effective July 1, 1975, and is governed by Title 24, V.S.A. Chapter 125.

The general administration and responsibility for formulating administrative policy and procedures of the retirement System for its members and their beneficiaries is vested in the Board of Trustees consisting of five members. They are the State Treasurer, two employee representatives elected by the membership of the system, and two employer representatives—one elected by the governing bodies of participating employers of the system, and one selected by the Governor from a list of four nominees. The list of four nominees is jointly submitted by the Vermont League of Cities and Towns and the Vermont School Boards Association.

All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each group are based on average final compensation (AFC) and years of creditable service.

Summary of System Provisions

Membership	Full time employees of participating municipalities. Municipality elects coverage under Groups A, B, C or D provisions.
Creditable service	Service as a member plus purchased service.
Average Final Compensation (AFC)	Group A – average annual compensation during highest 5 consecutive years.  Groups B and C – average annual compensation during highest 3 consecutive years.  Group D – average annual compensation during highest 2 consecutive years.
Service Retirement Allowance	
Eligibility	Group A – The earlier of age 65 with 5 years of service or age 55 with 35 years of service.  Group B – The earlier of age 62 with 5 years of service or age 55 with 30 years of service.  Groups C and D – Age 55 with 5 years of service.
Amount	Group A – 1.4% of AFC x service  Group B – 1.7% of AFC x service as Group B member plus percentage earned as Group A member x AFC

City of Newport, Vermont  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2016

NOTE 12 PENSION PLAN (continued)

Group C – 2.5% of AFC x service as a Group C member plus percentage earned as a Group A or B member x AFC

Group D – 2.5% of AFC x service as a Group D member plus percentage earned as a Group A, B or C member x AFC

Maximum benefit is 60% of AFC for Groups A and B and 50% of AFC for Groups C and D. The above amounts include the portion of the allowance provided by member contributions.

Early Retirement Allowance

Eligibility Age 55 with 5 years of service for Groups A and B; age 50 with 20 years of service for Group D.

Amount Normal allowance based on service and AFC at early retirement, reduced by 6% for each year commencement precedes Normal Retirement Age for Group A and B member, and payable without reduction to Group D members.

Vested Retirement Allowance

Eligibility 5 years of service.

Amount Allowance beginning at normal retirement age based on AFC and service at termination. The AFC is to be adjusted annually by one-half of the percentage change in the Consumer Price Index, subject to the limits on “Post-Retirement Adjustments” described below.

Disability Retirement Allowance

Eligibility 5 years of service and disability as determined by Retirement Board.

Amount Immediate allowance based on AFC and service to date of disability; children’s benefit of 10% of AFC payable to up to three minor children (or children up to age 23 if enrolled in full-time studies) of a disabled Group D member.

Death Benefit

Eligibility Death after 5 years of service.

City of Newport, Vermont  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2016

NOTE 12 PENSION PLAN (continued)

Amount	For Groups A, B and C, reduced early retirement allowance under 100% survivor option commencing immediately or, if greater, survivor's benefit under disability annuity computed as a date of death. For Group D, 70% of the unreduced accrued benefit plus children's benefit.
Optional Benefit and Death after Retirement	For Groups A, B and C, lifetime allowance or actuarially equivalent 50% or 100% joint or survivor allowance with refund of contribution guarantee. For Group D, lifetime allowance or 70% contingent annuitant option with no reduction.
Refund of Contribution	Upon termination, if the member so elects or if no other benefit is payable, the member's accumulated contributions are refunded.
Post-Retirement Adjustments	Allowance in payment for at least one year increased on each January 1 by one-half of the percentage increase in consumer price index but not more than 2% for Group A and 3% for Groups B, C and D.
Member Contributions	<p>Group A – 2.5% effective July 1, 2000 (reduced from 3.0%).</p> <p>Group B – 4.75% effective July 1, 2014 (increased from 4.625%).</p> <p>Group C – 9.625% effective July 1, 2014 and 9.75% effective January 1, 2015 (increased from 9.5%).</p> <p>Group D – 11.25% effective July 1, 2014 (increased from 11.25%).</p>
Employer Contributions	<p>Group A – 4.0%</p> <p>Group B – 5.375% (changed from 5.125%) effective July 1, 2014</p> <p>Group C – 6.875% from July 1, 2014 to December 31, 2014 (changed from 6.625% and then 7.0% effective January 1, 2015</p> <p>Group D – 9.75% effective July 1, 2014 (increased from 9.625%)</p>

City of Newport, Vermont  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2016

NOTE 12 PENSION PLAN (continued)

Retirement Stipend \$25 per month payable at the option of the Board of retirees.

Significant Actuarial Assumptions and Methods

Interest Rate: A select-and-ultimate interest rate set, specified below. The interest rate set is restarted every year;

Year 1: 6.25%	Year 10: 8.50%
Year 2: 6.75%	Year 11: 8.50%
Year 3: 7.00%	Year 12: 8.50%
Year 4: 7.50%	Year 13: 8.50%
Year 5: 7.75%	Year 14: 8.50%
Year 6: 8.25%	Year 15: 8.50%
Year 7: 8.25%	Year 16: 8.75%
Year 8: 8.25%	Year 17 and later: 9.00%
Year 9: 8.50%	

Salary Increases: 5% per year

Deaths:

Active participants – 50% of the probabilities in the 1995 Buck Mortality Tables for males and females

Non-disabled retirees and terminated vested participants - The 1995 Buck Mortality Tables with no set-back for males and one-year set-back for females

Disabled retirees – RP-2000 Disabled Life Tables

Beneficiaries – 1995 Buck Mortality Tables for males and females

Spouse's Age: Husbands are assumed to be three years older than their wives.

Cost-of-Living Adjustments to Benefits of Terminated Vested and Retired Participants: Assumed to occur at the rate of 1.5% per annum for Group A members and 1.8% per annum for members of Groups B, C and D.

Asset Valuation Method (for funding purposes): A smoothing method is used, under which the value of assets for actuarial purposes equals market value less a five-year phase-in of the differences between actual and assumed investment return. Then value of assets for actuarial purposes may not differ from the market value of assets by more than 20%.

Inflation: The separately stated assumptions for investment return, salary increases and cost of living adjustments are consistent with an expected annual inflation rate of 3.00% to 3.25% per year.

City of Newport, Vermont  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

NOTE 12 PENSION PLAN (continued)

Long-term expected rate of return: The long-term expected rate of return on System investments was determined using best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variable and the asset classes. These best estimate ranges were combined to produce forecasts of the short, intermediate, and longer term horizons by weighting the expected future nominal rates of return by the target asset allocation percentage. The various time horizons in the forecast are intended to capture more recent economic and capital market conditions as well as other plausible environments that could develop in the future over economic cycles. To reflect this in the rate-of-return assumption, a Select and Ultimate assumption setting approach, which is cited in Section 3.8.4 of Actuarial Standard of Practice No. 27 as an alternative to a single assumed rate of return, is employed.

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2015 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Equity	8.61%
Fixed Income	1.91%
Alternatives	6.93%
Multi-strategy	4.88%

Nominal long-term expected rates of return for these asset classes are equal to the sum of the above expected long-term real rates and the expected long-term inflation rate of 3.0%

Discount rate

The discount rate used to measure the total pension liability was 8.23%. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current System members. The assumed discount rate has been determined in accordance with the method prescribed by GASB 68.

The following presents the entity's proportionate share of the net pension liability calculated using the discount rate of 8.23 percent, as well as what the proportionate share would be if it were calculated using a discount rate that is one percent lower (7.23%) or one percent higher (9.23%):

1% Decrease (6.95%)	Discount Rate (7.95%)	1% Increase (8.95%)
\$ 1,483,041	\$ 742,473	\$ 121,665

City of Newport, Vermont  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

NOTE 13 PROPERTY TAXES

Property taxes are levied by August 15 and are due in full on May 15. All unpaid taxes become delinquent on May 16. Interest is assessed at 1% per month and an 8% penalty is assessed when the taxes become delinquent. The City bills and collects its own property taxes. City property tax revenues are recognized when levied. For the year ended June 30, 2016, the tax rate is as follows:

	<u>Non-Residential</u>	<u>Residential</u>
City	\$ 1.3045	\$ 1.3045
School	<u>1.8025</u>	<u>1.6127</u>
TOTAL	<u>\$ 3.1070</u>	<u>\$ 2.9172</u>

NOTE 14 INTERFUND RECEIVABLE AND PAYABLE BALANCES

Individual Fund Interfund Receivable and Payable balances are as follows at June 30, 2016:

	<u>Interfund Receivables</u>	<u>Interfund Payable</u>
General Fund	\$ -	\$ 23,588
Capital Projects Fund	17	-
Other Governmental Funds	-	5,738
Sewer Disposal Fund	91,717	-
Water Utility Fund	-	44,893
Expendable Trust Funds	-	16,522
Non-Expendable Trust Funds	<u>-</u>	<u>993</u>
Total Fund Financial Statement Balances	<u>\$ 91,734</u>	<u>\$ 91,734</u>

The City of Newport, Vermont generally maintains one cash account in the General Fund to pay expenditures and receive payments for efficiency. All interfund balances resulted from the time lag between the dates that (1) reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) repayments between funds are made.

City of Newport, Vermont  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2016

NOTE 15 RISK MANAGEMENT

The City of Newport is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City of Newport maintains insurance coverage through the Vermont League of Cities and City's Property and Casualty Intermunicipal Fund, Inc. covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City of Newport. Settled claims have not exceeded this coverage in any of the past three fiscal years. The City must remain a member for a minimum of one year and may withdraw from the Fund after that time by giving sixty days' notice. Fund underwriting and rate setting policies have been established after consultation with actuaries. Fund members are subject to a supplemental assessment in the event of deficiencies. If the assets of the Fund were to be exhausted, members would be responsible for the Fund's liabilities.

In addition, the City of Newport is a member of the Vermont League of Cities and City's Health Trust. The Health Trust is a nonprofit corporation formed to provide health insurance and wellness programs for Vermont municipalities and is owned by the participating members. The agreement does not permit the Health Trust to make additional assessments to its members

NOTE 16 DEFERRED LOAN – CDBG EXPENDABLE TRUST FUND

On August 28, 2008, the City obtained a grant in the amount of \$191,500. This money was used to provide a deferred loan with no interest to Newport Senior Housing Limited Partnership, the owner of the property. All of the funds were drawn down and disbursed in 2008. The entire amount of \$191,500 is due August 1, 2049.

On August 08, 2013, the City obtained a grant in the amount of \$590,000. This money was used to provide a deferred loan with no interest to Newport Family Housing Limited Partnership, the owner of the property. All of the funds were drawn down and disbursed in 2013. The entire amount of \$590,000 is due July 16, 2042.

NOTE 17 EXCESS OF EXPENDITURES OVER REVENUES

Expenditures exceeded revenues in the General Fund by \$493,471. The excess expenditures are further summarized below:

Budgeted Net Change in Fund Balance	\$(177,000)
FY 15 Committed Funds Expended	(187,189)
FY 15 Assigned Funds Expended	<u>(206,134)</u>
	(570,323)
Actual Net Change in Fund Balance	<u>(493,471)</u>
Favorable Variance	<u>\$ 76,852</u>

City of Newport, Vermont  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

NOTE 18      SUBSEQUENT EVENTS

On July 1, 2016 the City signed a tax anticipation line of credit with Passumpsic Savings Bank for \$1,000,000 at the interest rate of 0.85%, due June 30, 2017.

In accordance with Accounting Standards, the City has evaluated subsequent events through September 14, 2016, which is the date these basic financial statements were available to be issued. All subsequent events requiring recognition as of June 30, 2016, have been incorporated into these basic financial statements herein.



REQUIRED SUPPLEMENTARY INFORMATION

City of Newport, Vermont  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
 For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
<b>TAXES</b>				
Property Taxes	\$ 6,992,339	\$ 6,992,339	\$ 7,021,284	\$ 28,945
Appropriations	238,616	238,616	238,616	-
Fish & Wildlife Taxes	500	500	458	(42)
Payments in Lieu of Taxes	427,875	427,875	420,858	(7,017)
<b>TOTAL TAXES</b>	<b>7,659,330</b>	<b>7,659,330</b>	<b>7,681,216</b>	<b>21,886</b>
<b>GENERAL GOVERNMENT</b>				
City Clerk/Treasurer:				
Reimbursements	16,500	16,500	16,707	207
Licenses and Fees	78,060	78,060	42,566	(35,494)
Interest/penalties on Delinquent Taxes	56,050	56,050	64,984	8,934
Miscellaneous Revenues	68,225	68,225	106,668	38,443
Corrections Contract	77,000	77,000	76,695	(305)
<b>TOTAL GENERAL GOVERNMENT</b>	<b>295,835</b>	<b>295,835</b>	<b>307,620</b>	<b>11,785</b>
<b>PUBLIC SAFETY</b>				
Police Department:				
Evidence Forfeiture	2,000	2,000	2,000	-
Traffic Court Fines	10,500	10,500	15,753	5,253
District Court Fines	-	-	204	204
Accident Reports	2,000	2,000	1,392	(608)
Other Public safety grants	159,145	159,145	293,155	134,010
Dog Impound Fees	200	200	-	(200)
Miscellaneous	61,796	61,796	88,750	26,954
Total Police Department	235,641	235,641	401,254	165,613
Fire Department:				
Labor and Materials	62,500	62,500	44,254	(18,246)
Total Fire Department	62,500	62,500	44,254	(18,246)
<b>TOTAL PUBLIC SAFETY</b>	<b>298,141</b>	<b>298,141</b>	<b>445,508</b>	<b>147,367</b>

See Accompanying Notes to Basic Financial Statements.

City of Newport, Vermont  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
 For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>PUBLIC WORKS</b>				
Street Department:				
Street Dept. St. Aid to Highway	138,500	138,500	138,259	(241)
Street Dept. Labor and Materials	-	-	8,892	8,892
Other Income	400	400	3,723	3,323
Street Construction Reimbursement	-	-	111,072	111,072
Long Bridge Reimbursement	-	-	7,500	7,500
Public works grants	<u>2,000</u>	<u>2,000</u>	<u>316,265</u>	<u>314,265</u>
TOTAL PUBLIC WORKS	<u>140,900</u>	<u>140,900</u>	<u>585,711</u>	<u>444,811</u>
<b>CULTURE AND RECREATION</b>				
Prouty Beach:				
Admissions	5,200	5,200	3,992	(1,208)
Camping	106,000	106,000	99,403	(6,597)
Electric fees	4,900	4,900	3,576	(1,324)
Miscellaneous	-	-	1,555	1,555
Swing Project	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>(1,000)</u>
Total Prouty Beach	<u>117,100</u>	<u>117,100</u>	<u>108,526</u>	<u>(8,574)</u>
Miscellaneous Recreation:				
Bike Path Revenues	2,361	2,361	2,361	-
Miscellaneous	17,800	17,800	31,769	13,969
Summer Programs	10,000	10,000	19,628	9,628
Track and Field	1,000	1,000	-	(1,000)
Municipal Building	3,500	3,500	3,493	(7)
Boat Wash Station	400	400	276	(124)
School Break Camps	7,000	7,000	10,287	3,287
Gateway Kitchen	-	-	100	100
Annual Events	<u>-</u>	<u>-</u>	<u>26,215</u>	<u>26,215</u>
Total Miscellaneous Recreation	<u>42,061</u>	<u>42,061</u>	<u>94,129</u>	<u>52,068</u>
Gardner Park:				
Miscellaneous Receipts & Donations	200	200	470	270
Utilities	-	-	252	252
Salary reimbursement	3,000	3,000	6,972	3,972
Rental	<u>2,000</u>	<u>2,000</u>	<u>589</u>	<u>(1,411)</u>
Total Gardner Park	<u>5,200</u>	<u>5,200</u>	<u>8,283</u>	<u>3,083</u>
Senior Center:				
Salary reimbursement	<u>3,000</u>	<u>3,000</u>	<u>3,162</u>	<u>162</u>
Total Senior Center	<u>3,000</u>	<u>3,000</u>	<u>3,162</u>	<u>162</u>

See Accompanying Notes to Basic Financial Statements.

City of Newport, Vermont  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Waterfront:				
Gasoline Sales	95,000	95,000	67,682	(27,318)
Boatslip Rentals	25,000	25,000	36,278	11,278
Overnight Rentals	4,000	4,000	3,560	(440)
Miscellaneous Rents	400	400	4,183	3,783
Miscellaneous	2,500	2,500	2,360	(140)
Gateway Center	26,000	26,000	19,438	(6,562)
Telephone	-	-	45	45
Truency Office Rental	-	-	3,400	3,400
Gateway Center-Snack Bar	500	500	581	81
Total Waterfront	<u>153,400</u>	<u>153,400</u>	<u>137,527</u>	<u>(15,873)</u>
 TOTAL CULTURE AND RECREATION	 <u>320,761</u>	 <u>320,761</u>	 <u>351,627</u>	 <u>30,866</u>
 INVESTMENT INCOME	 <u>3,450</u>	 <u>3,450</u>	 <u>2,911</u>	 <u>(539)</u>
 TOTAL REVENUES	 <u>8,718,417</u>	 <u>8,718,417</u>	 <u>9,374,593</u>	 <u>656,176</u>
 EXPENDITURES				
GENERAL GOVERNMENT				
City Council	13,350	13,350	11,629	1,721
City Manager Department	52,963	52,963	55,603	(2,640)
Delinquent Tax Collector	4,400	4,400	2,536	1,864
Election Expense	5,800	5,800	5,578	222
City Treasurer	88,423	88,423	95,566	(7,143)
Audit and City Report	36,500	36,500	38,449	(1,949)
Tax Listing	33,870	33,870	36,286	(2,416)
City Clerk Department	90,907	90,907	92,732	(1,825)
Legal Expense	10,000	10,000	15,517	(5,517)
Planning & Zoning	24,775	24,775	32,223	(7,448)
Reappraisal	-	-	56,715	(56,715)
Municipal Building	90,518	90,518	165,439	(74,921)
Municipal Building from Committed Funds (See Note 9)	-	-	187,189	(187,189)
TOTAL GENERAL GOVERNMENT	<u>451,506</u>	<u>451,506</u>	<u>795,462</u>	<u>(343,956)</u>
 PUBLIC SAFETY				
Police Department				
Administration	105,231	105,231	113,609	(8,378)
Patrol	924,012	924,012	1,066,606	(142,594)
Operation Stonegarden	18,000	18,000	5,606	12,394
Animal Control	5,300	5,300	3,851	1,449
Police Contracted Services	57,196	57,196	31,513	25,683
Total Police Department	<u>1,109,739</u>	<u>1,109,739</u>	<u>1,221,185</u>	<u>(111,446)</u>

See Accompanying Notes to Basic Financial Statements.

City of Newport, Vermont  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Fire Department				
Fire Fighting	100,171	100,171	116,610	(16,439)
Fire Training	2,500	2,500	2,325	175
Fire Communications	5,000	5,000	5,289	(289)
Fire Station	13,600	13,600	13,155	445
Fire Trucks & Equipment	11,200	11,200	10,633	567
Total Fire Department	<u>132,471</u>	<u>132,471</u>	<u>148,012</u>	<u>(15,541)</u>
 TOTAL PUBLIC SAFETY	 <u>1,242,210</u>	 <u>1,242,210</u>	 <u>1,369,197</u>	 <u>(126,987)</u>
 PUBLIC WORKS				
Public Works Administration	77,589	77,589	90,462	(12,873)
Street Maintenance	212,292	212,292	234,984	(22,692)
Winter Maintenance	325,400	325,400	236,438	88,962
Garage and Facilities	33,230	33,230	31,525	1,705
City Property	54,680	54,680	41,590	13,090
Storm Maintenance	78,370	78,370	47,471	30,899
Traffic Maintenance	141,600	141,600	149,114	(7,514)
Private Work expenditures	-	-	1,091	(1,091)
 TOTAL PUBLIC WORKS	 <u>923,161</u>	 <u>923,161</u>	 <u>832,675</u>	 <u>90,486</u>
 CULTURE AND RECREATION				
Administration	84,553	84,553	88,001	(3,448)
Senior Citizens	6,300	6,300	5,947	353
Prouty Beach and Swimming	73,800	73,800	88,908	(15,108)
Recreational Programs	82,600	82,600	143,291	(60,691)
Gardner Park	65,310	65,310	75,182	(9,872)
Waterfront	138,650	138,650	125,575	13,075
 TOTAL CULTURE AND RECREATION	 <u>451,213</u>	 <u>451,213</u>	 <u>526,904</u>	 <u>(75,691)</u>
 OTHER EXPENSES & APPROPRIATIONS				
Conservation & Development	22,227	22,227	23,619	(1,392)
Health & Welfare	22,550	22,550	32,776	(10,226)
Recycling Project	38,700	38,700	40,240	(1,540)
County Tax	46,000	46,000	43,514	2,486
Renaissance Project	25,000	25,000	25,000	-
General Insurance	15,300	15,300	17,004	(1,704)
Public Official Liability	5,490	5,490	5,940	(450)

See Accompanying Notes to Basic Financial Statements.

City of Newport, Vermont  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
 For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>OTHER EXPENSES &amp; APPROPRIATIONS (cont'd)</b>				
Claims and Damages	1,500	1,500	1,408	92
Employment Practices Insurance	6,067	6,067	10,990	(4,923)
Miscellaneous	1,000	1,000	518	482
Other Grant expenditures	-	-	34,679	(34,679)
Advertise City Ordinance	1,000	1,000	-	1,000
Goodrich Memorial Library	101,000	101,000	101,000	-
Rural Community Transit	11,000	11,000	11,000	-
Orleans County Historical Society	1,150	1,150	1,150	-
N.E.K.Mental Health	4,818	4,818	4,818	-
Area Agency on Aging	7,000	7,000	7,000	-
Step O.N.E.	3,500	3,500	3,500	-
Newport Ambulance, Inc.	82,648	82,648	82,648	-
Court Diversion Program	1,000	1,000	1,000	-
Cornucipia	5,000	5,000	5,000	-
Orleans County Citizens	2,000	2,000	2,000	-
Home Health Agency	17,500	17,500	17,500	-
Frontier Animal Society	2,000	2,000	2,000	-
<b>TOTAL OTHER EXPENSES &amp; APPROPRIATIONS</b>	<u>423,450</u>	<u>423,450</u>	<u>474,304</u>	<u>(50,854)</u>
<b>PERSONNEL EXPENSES</b>				
Unemployment Compensation	31,820	31,820	33,017	(1,197)
Worker's Compensation	58,880	58,880	75,323	(16,443)
Employee's Group Insurance	311,462	311,462	271,389	40,073
Social Security Tax	138,239	138,239	144,970	(6,731)
Municipal Retirement	107,519	107,519	113,215	(5,696)
<b>TOTAL PERSONNEL EXPENSES</b>	<u>647,920</u>	<u>647,920</u>	<u>637,914</u>	<u>10,006</u>
<b>CAPITAL OUTLAY</b>				
Street Repairs and Maintenance	185,578	185,578	386,945	(201,367)
Firetruck	-	-	20,300	(20,300)
Vehicles	178,934	178,934	127,799	51,135
Bridge Repair	92,000	92,000	267,733	(175,733)
Gateway Maintenance	5,000	5,000	2,627	2,373
Wharf Repair/replacement docks	5,000	5,000	34	4,966
LED Street Lights	77,525	77,525	30,675	46,850
LUMEC Street Lights	16,753	16,753	12,694	4,059
Gym Floor Restoration	8,000	8,000	-	8,000
Assigned Expenses (See Note 9)	-	-	206,134	(206,134)
<b>TOTAL CAPITAL OUTLAY</b>	<u>568,790</u>	<u>568,790</u>	<u>1,054,941</u>	<u>(486,151)</u>

See Accompanying Notes to Basic Financial Statements.

City of Newport, Vermont  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
 For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
DEBT SERVICE & SINKING FUNDS				
Debt Principal Payments	249,475	249,475	265,322	(15,847)
Interest on Notes	8,950	8,950	8,701	249
Interest on Bonds	16,758	16,758	17,426	(668)
Tennis Court Sinking Fund	1,440	1,440	-	1,440
TOTAL DEBT SERVICE & SINKING FUNDS	276,623	276,623	291,449	(14,826)
SCHOOL APPROPRIATION	3,910,544	3,910,544	3,910,544	-
TOTAL EXPENDITURES	8,895,417	8,895,417	9,893,390	(997,973)
(DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	(177,000)	(177,000)	(518,797)	(341,797)
OTHER FINANCING SOURCES (USES)				
Proceeds From long term debt	-	-	25,326	25,326
NET CHANGE IN FUND BALANCE	(177,000)	(177,000)	(493,471)	(316,471)
FUND BALANCE AT BEGINNING OF YEAR	1,198,349	1,198,349	1,198,349	-
FUND BALANCE AT END OF YEAR	\$ 1,021,349	\$ 1,021,349	\$ 704,878	\$ (316,471)

See Accompanying Notes to Basic Financial Statements.

City of Newport, Vermont  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 For the Year Ended June 30, 2016

	<u>2015</u>	<u>2014</u>	<u>2013</u>
City's proportion of the net pension liability (asset)	0.9631%	0.98644%	0.9995%
City's proportionate share of the net pension liability (asset)	<u>\$ 742,473</u>	<u>\$ 90,028</u>	<u>\$ 363,898</u>
City's covered-employee payroll	<u>\$ 2,102,427</u>	<u>\$ 1,966,262</u>	<u>\$ 1,917,963</u>
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	35.32%	4.58%	18.97%
Plan fiduciary net position as a percentage of the total pension liability	87.42%	98.32%	92.71%

*Significant Actuarial Assumptions and methods are described in Note 12 to the financial statements. There were no changes in methods or assumptions during the year ended June 30, 2016.*



OTHER SUPPLEMENTARY INFORMATION

City of Newport, Vermont  
 OTHER SUPPLEMENTARY INFORMATION  
 COMBINING BALANCE SHEET -  
 NON-MAJOR GOVERNMENTAL FUNDS  
 June 30, 2016

ASSETS

	Special Revenue		
	Recreation Fund	Mooring Management Fund	Total Non-Major Governmental Funds
ASSETS			
Cash	\$ 40,241	\$ -	\$ 40,241
Due from other funds	-	6,184	6,184
TOTAL ASSETS	\$ 40,241	\$ 6,184	\$ 46,425

LIABILITIES AND FUND BALANCES

LIABILITIES

Due to other funds	\$ 11,922	\$ -	\$ 11,922
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FUND BALANCES

Committed	28,319	6,184	34,503
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TOTAL LIABILITIES AND FUND BALANCES	\$ 40,241	\$ 6,184	\$ 46,425
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City of Newport, Vermont  
OTHER SUPPLEMENTARY INFORMATION  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE -  
NON-MAJOR GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2016

	Special Revenue		
	Recreation Fund	Mooring Management Fund	Total Non-Major Governmental Funds
REVENUES			
Recreation and Culture	\$ 5,588	\$ 6,100	\$ 11,688
Investment Income	<u>4</u>	<u>-</u>	<u>4</u>
TOTAL REVENUES	<u>5,592</u>	<u>6,100</u>	<u>11,692</u>
EXPENDITURES			
Culture and Recreation	<u>4,338</u>	<u>4,981</u>	<u>9,319</u>
EXCESS OF REVENUES OVER EXPENDITURES	1,254	1,119	2,373
FUND BALANCE AT BEGINNING OF YEAR	<u>27,065</u>	<u>5,065</u>	<u>32,130</u>
FUND BALANCE AT END OF YEAR	<u>\$ 28,319</u>	<u>\$ 6,184</u>	<u>\$ 34,503</u>

City of Newport, Vermont  
 OTHER SUPPLEMENTARY INFORMATION  
 COMBINING STATEMENT OF NET POSITION -  
 EXPENDABLE TRUST FUNDS  
 June 30, 2016

ASSETS

	<u>Police Public Safety Fund</u>	<u>East Main Street Cemetery Fund</u>	<u>Community Development Block Grant Fund</u>	<u>Total</u>
<b>ASSETS</b>				
<b>CASH</b>				
Checking	\$ 35,623	\$ 5,032	\$ -	\$ 40,655
Savings and money markets	<u>-</u>	<u>34,288</u>	<u>31,611</u>	<u>65,899</u>
<b>TOTAL CASH</b>	<u>35,623</u>	<u>39,320</u>	<u>31,611</u>	<u>106,554</u>
<b>DUE FROM OTHER FUNDS</b>	<u>6,496</u>	<u>-</u>	<u>-</u>	<u>6,496</u>
<b>INVESTMENTS</b>				
Trust Account	<u>-</u>	<u>197,888</u>	<u>-</u>	<u>197,888</u>
<b>TOTAL ASSETS</b>	<u>\$ 42,119</u>	<u>\$ 237,208</u>	<u>\$ 31,611</u>	<u>\$ 310,938</u>

LIABILITIES AND NET POSITION

<b>LIABILITIES</b>				
Due to other Funds	<u>\$ -</u>	<u>\$ 23,011</u>	<u>\$ 7</u>	<u>\$ 23,018</u>
<b>NET POSITION</b>	<u>42,119</u>	<u>214,197</u>	<u>31,604</u>	<u>287,920</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 42,119</u>	<u>\$ 237,208</u>	<u>\$ 31,611</u>	<u>\$ 310,938</u>

City of Newport, Vermont  
OTHER SUPPLEMENTARY INFORMATION  
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION OF  
EXPENDABLE TRUST FUNDS  
For the Year Ended June 30, 2016

	Police Public Safety Fund	East Main Street Cemetery Fund	Community Development Block Grant Fund	Total
<b>ADDITIONS</b>				
Drug Service Grant	\$ 6,538	\$ -	\$ -	\$ 6,538
Interest Income	29	5	26	60
Dividend Income	-	6,163	-	6,163
Net gain from investments	-	12,414	-	12,414
TOTAL ADDITIONS	6,567	18,582	26	25,175
<b>DEDUCTIONS</b>				
Administrative Fees	-	1,879	-	1,879
Contracted Services	-	8,316	-	8,316
Police Expenditures	1,000	-	-	1,000
Other	-	744	-	744
TOTAL DEDUCTIONS	1,000	10,939	-	11,939
CHANGE IN NET POSITION	5,567	7,643	26	13,236
NET POSITION AT BEGINNING OF YEAR	36,552	206,554	31,578	274,684
NET POSITION AT END OF YEAR	\$ 42,119	\$ 214,197	\$ 31,604	\$ 287,920

City of Newport, Vermont  
 OTHER SUPPLEMENTARY INFORMATION  
 COMBINING STATEMENT OF NET POSITION -  
 NON-EXPENDABLE TRUST FUNDS  
 June 30, 2016

ASSETS

	<u>Perley J. Niles Fund</u>
CASH	
Checking Account	\$ 33,345
INVESTMENTS	<u>110,274</u>
TOTAL ASSETS	<u>\$ 143,619</u>

LIABILITIES AND NET POSITION

LIABILITIES	
Due to Other Funds	\$ 993
NET POSITION	
Reserved for trust funds	62,000
Unreserved	<u>80,626</u>
TOTAL NET POSITION	<u>142,626</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 143,619</u>

City of Newport, Vermont  
 OTHER SUPPLEMENTARY INFORMATION  
 STATEMENT OF CHANGES IN NET POSITION -  
 NON-EXPENDABLE TRUST FUNDS  
 For the Year Ended June 30, 2016

	<u>Perley J. Niles Fund</u>
<b>ADDITIONS</b>	
Dividend Income	\$ 3,547
Net gain on investments	<u>7,005</u>
<b>TOTAL ADDITIONS</b>	<u>10,552</u>
<b>DEDUCTIONS</b>	
Administrative Fees	1,081
Advertising	200
Legal	85
Beneficiaries	<u>1,200</u>
<b>TOTAL DEDUCTIONS</b>	<u>2,566</u>
<b>CHANGE IN NET POSITION</b>	7,986
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>134,640</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 142,626</u>