

City of Newport, Vermont
BASIC FINANCIAL STATEMENTS
June 30, 2014

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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 City of Newport, Vermont's, as of and for the year ended June 30, 2014, 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, 2014, 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 and budgetary comparison information on pages 29 through 33 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 introductory section and 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.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Handwritten signatures of Kuttell Branagan and Sargent. The signature 'Kuttell Branagan' is on the left, and 'Sargent' is on the right. There is a small mark between them.

City of Newport, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

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, 2014.

Financial Highlights

- The assets of the City of Newport exceeded its liabilities at the close of the most recent fiscal year by \$12,490,638 (net assets). Of this amount, \$1,632,078 (unrestricted net assets) 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 assets are \$4,629,799, which means that if we were to liquidate the water/sewer funds we would have a cash surplus of \$4,629,799. Net assets attributable to business-type activities decreased by \$262,266 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 \$1,499,175. Of this total amount, \$577,903 is available for spending at the government's discretion (unassigned fund balance). Management has committed \$620,311 of the fund balance for particular purposes, and \$300,961 is assigned.

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 assets presents information on all of the City of Newport's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 wastewater 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, 2014

Governmental funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluation of a government's near-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 34 and 35.

The City of Newport adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided 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 Wastewater 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 Wastewater 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 36 and 37.

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 38 and 39.

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, 2014

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 assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Newport, assets exceeded liabilities by \$12,490,638 at the close of the most recent fiscal year.

By far the largest portion of the City of Newport's total net assets (80%) 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 assets that were 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 assets for governmental-type activities.

City of Newport, Vermont's Net Assets
June 30, 2014

	<u>Governmental Activities</u>		<u>Business –Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>
Current and other assets	\$ 2,972,529	\$ 2,588,574	\$ 1,260,894	\$ 888,310	\$ 4,233,423	\$ 3,476,884
Capital assets	<u>7,314,516</u>	<u>7,188,649</u>	<u>10,896,936</u>	<u>10,592,572</u>	<u>18,211,452</u>	<u>17,781,221</u>
Total Assets	<u>\$ 10,287,045</u>	<u>\$ 9,777,223</u>	<u>\$ 12,157,830</u>	<u>\$ 11,480,882</u>	<u>\$ 22,444,875</u>	<u>\$ 21,258,105</u>
Other liabilities	\$ 1,618,304	\$ 959,888	\$ 35,071	\$ 69,165	\$ 2,109,351	\$ 1,025,661
Notes and bonds payable	<u>946,701</u>	<u>720,845</u>	<u>7,230,695</u>	<u>6,781,918</u>	<u>7,721,420</u>	<u>7,741,806</u>
Total Liabilities	<u>\$ 2,565,005</u>	<u>\$ 1,916,384</u>	<u>\$ 7,265,766</u>	<u>\$ 6,851,083</u>	<u>\$ 9,830,771</u>	<u>\$ 8,767,467</u>
Net Assets						
Invested in capital assets, net of related debt	\$ 6,130,091	\$ 6,228,761	\$ 3,666,241	\$ 3,810,654	\$ 9,796,332	\$ 10,039,415
Unrestricted	<u>1,390,536</u>	<u>1,632,078</u>	<u>1,225,823</u>	<u>819,145</u>	<u>2,616,359</u>	<u>2,451,223</u>
Total Net Assets	<u>\$ 7,520,627</u>	<u>\$ 7,860,839</u>	<u>\$ 4,892,064</u>	<u>\$ 4,629,799</u>	<u>\$ 12,412,691</u>	<u>\$ 12,490,638</u>

City of Newport, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

Governmental activities - Governmental activities increased the City of Newport's net assets by \$340,212 during the current fiscal year. Investment in capital assets, net of related debt, decreased as a result of principal payments on long-term bonds, notes and leases during the year that did not exceed current year borrowings, while current year net additions to capital assets were less than depreciation expenses by \$125,874.

City of Newport, Vermont's Changes in Net Assets
June 30, 2014

	<u>Governmental Activities</u>		<u>Business –Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>
Revenues						
Program Revenues:						
Charges for services	\$ 707,453	\$ 685,554	\$ 2,150,346	\$ 2,011,317	\$ 2,857,799	\$ 2,696,871
Operating Grants	254,068	380,682	4	-	254,072	380,682
General Revenues:						
Tiff income	-	-	21,906	18,895	21,906	18,895
Property taxes	7,483,748	7,265,201	-	-	7,483,748	7,265,201
Investment earnings	30,386	26,666	16,979	19,126	47,365	45,792
Other revenues	36,461	42,145	-	-	36,461	42,145
Miscellaneous	-	-	1,360	1,785	1,360	1,785
Total Revenues	<u>8,512,116</u>	<u>8,400,248</u>	<u>2,190,595</u>	<u>2,051,123</u>	<u>10,702,711</u>	<u>10,451,371</u>
Expenses						
Governmental activities						
General	1,093,210	1,115,975	-	-	1,093,210	1,115,975
Public Safety	1,302,336	1,279,487	-	-	1,302,336	1,279,487
Public Works	1,475,201	1,115,788	-	-	1,475,201	1,115,788
Library	99,000	99,000	-	-	99,000	99,000
Interest on long-term debt	38,248	38,124	-	-	38,248	38,124
Education, recreation, health and welfare	4,624,755	4,411,662	-	-	4,624,755	4,411,662
Business-type activities						
Water	-	-	711,618	733,860	711,618	733,860
Sewer	-	-	1,559,296	1,579,529	1,559,296	1,579,529
Total Expenses	<u>8,632,750</u>	<u>8,060,036</u>	<u>2,270,914</u>	<u>2,313,389</u>	<u>10,903,664</u>	<u>10,373,425</u>
Change in net assets	<u>(120,634)</u>	<u>340,212</u>	<u>(80,319)</u>	<u>(262,266)</u>	<u>(200,953)</u>	<u>77,946</u>
Net assets, beginning	<u>7,641,261</u>	<u>7,520,627</u>	<u>4,972,384</u>	<u>4,892,065</u>	<u>12,613,645</u>	<u>12,412,692</u>
Net assets, end of year	<u>\$ 7,520,627</u>	<u>\$ 7,860,839</u>	<u>\$ 4,892,065</u>	<u>\$ 4,629,799</u>	<u>\$ 12,412,692</u>	<u>\$ 12,490,638</u>

Business-type activities - Business-type activities decreased the City of Newport's net assets by \$262,266 during the current fiscal year. The water fund had income of \$45,905 while the sewer fund had a loss of \$309,956. Key elements of this change are as follows:

- Water charges and rents decreased revenue by \$24,657 from the previous year while operating expenses increased by \$33,242. We had a decrease in income of \$49,008 from the prior year in the Water Fund. The Water Fund has a payable to the General Fund of \$30,870, which is a change of \$399,228 from the prior year receivable of \$368,358. Purchases of plant and equipment for the water fund were \$396,803.

City of Newport, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

- Sewer charges and rents decreased revenue by \$69,049 and discharge fees decreased by \$53,040 from the previous year while operating expenses increased by \$20,233. Interest expense decreased by \$4,650 from the prior year. The Sewer Fund has a receivable from the General Fund of \$262,593, which is a decrease of \$105,765 from the prior year's receivable of \$368,358.
- Depreciation expense for sewer fund is \$541,346 and \$210,241 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 near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Newport's financing requirements. In particular, the unreserved 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 \$1,533,242, an increase of \$185,864 in comparison to the prior year. Approximately 98% of the total fund balance (\$1,499,175) constitutes general fund equity, which is available for spending at the government's discretion. The City of Newport has available \$577,903 of this unreserved fund balance for various purposes, including capital reserve funds and expenditures in subsequent periods. While \$300,961 of the fund balance is assigned for a special purpose, the remainder of the unreserved fund balance (\$620,311) is designated 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 unreserved, unassigned fund- balance and total fund balance to total general fund expenditures. Unassigned fund balance (\$577,903) represents 7.2 percent of general fund expenditures (\$8,031,117), while total fund balance represents 18.7 percent of that same amount.

During the year ending June 30, 2014 the Fund Balance of the City of Newport's general fund increased by \$186,247 (from \$1,312,928 to \$1,499,175). Key factors in this change are as follows:

- Balance of \$186,958 left to spend of \$500,000 borrowed for Long Bridge construction.
- Street resurfacing and reconstruction expenditures were \$232,000 less than budgeted.
- Public Works vehicle expense was \$68,961 less than budgeted.

Special revenue funds consist primarily of the Recreation Fund (\$30,427) and the Mooring Management Fund (\$3,640). 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.

Capital Asset and Debt Administration

Capital Assets - The City of Newport's net investment in capital assets for its governmental activities decreased by \$125,867 to a total of \$7,188,649. 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, 2013 our net capital investment decreased by \$304,364 to \$10,592,572 (sewer \$6,888,926, water \$3,703,646).

City of Newport, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

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

- New sidewalks at a cost of \$99,608
- Long Bridge construction at a cost of \$49,336
- Concrete skate park at a cost of \$45,850.
- Finger print machine at a cost of \$31,296

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 \$7,741,806. Of this amount, \$7,194,073 represents low to no-interest loans issued by the State of Vermont, \$16,919 represents capital lease obligations, \$207,969 represents loans with local banks and the remaining \$322,845 represents bonded debt backed by the full faith and credit of the City of Newport.

The City of Newport's total debt decreased by \$673,314 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, 2014

ASSETS

	Governmental Activities	Business-Type Activities	Total
CURRENT ASSETS			
Cash	\$ 1,966,316	\$ 470,782	\$ 2,437,098
Taxes receivable	308,635	-	308,635
Accounts receivable	-	154,935	154,935
FEMA grant receivable	28,124	-	28,124
Other receivables	132,635	-	132,635
Due from other funds	3,848	262,593	266,441
Prepaid expenses	149,016	-	149,016
TOTAL CURRENT ASSETS	2,588,574	888,310	3,476,884
CAPITAL ASSETS, net of depreciation	7,188,649	10,592,572	17,781,221
TOTAL ASSETS	\$ 9,777,223	\$ 11,480,882	\$ 21,258,105

LIABILITIES AND NET POSITION

CURRENT LIABILITIES			
Current portion notes and bonds payable	\$ 239,043	\$ 442,361	\$ 681,404
Accounts payable	245,288	-	245,288
Accrued wages	40,400	6,973	47,373
Accrued liabilities	1,735	6,479	8,214
Accrued vacation/sick/comptime	195,332	24,843	220,175
Due to other funds	256,059	30,870	286,929
Unearned revenue	210,695	-	210,695
Tax deposits	6,987	-	6,987
TOTAL CURRENT LIABILITIES	1,195,539	511,526	1,707,065
NOTES AND BONDS PAYABLE	720,845	6,339,557	7,060,402
TOTAL LIABILITIES	1,916,384	6,851,083	8,767,467
NET POSITION			
Invested in capital assets, net of related debt	6,228,761	3,810,654	10,039,415
Unrestricted	1,632,078	819,145	2,451,223
NET POSITION	7,860,839	4,629,799	12,490,638
TOTAL LIABILITIES AND NET POSITION	\$ 9,777,223	\$ 11,480,882	\$ 21,258,105

See Accompanying Notes to Basic Financial Statements.

City of Newport, Vermont
 GOVERNMENT-WIDE FINANCIAL STATEMENTS
 STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2014

	Program Revenues			Net (Expense) Revenue & Changes in Net Position		Total	
	Expenses	Charges for Services	Operating Grants & Revenues	Capital Grants and Revenues	Governmental Activities		Business-Type Activities
<u>Functions/Programs</u>							
Governmental activities:							
Current:							
General government	\$ 1,115,975	\$ 144,891	\$ 26,481	\$ -	\$ (944,603)	\$ -	\$ (944,603)
Public safety	1,279,487	201,426	94,133	-	(983,928)	-	(983,928)
Public works	1,115,788	10,656	170,146	-	(934,986)	-	(934,986)
Recreation, health, education and welfare	4,411,662	328,581	89,922	-	(3,993,159)	-	(3,993,159)
Library	99,000	-	-	-	(99,000)	-	(99,000)
Interest on long-term debt	38,124	-	-	-	(38,124)	-	(38,124)
Total governmental activities	<u>8,060,036</u>	<u>685,554</u>	<u>380,682</u>	<u>-</u>	<u>(6,993,800)</u>	<u>-</u>	<u>(6,993,800)</u>
Business-type activities:							
Water	733,860	751,642	28,123	-	-	45,905	45,905
Sewer	1,579,529	1,259,675	9,898	-	-	(309,956)	(309,956)
Total business-type activities	<u>2,313,389</u>	<u>2,011,317</u>	<u>38,021</u>	<u>-</u>	<u>-</u>	<u>(264,051)</u>	<u>(264,051)</u>
General Revenues:							
Property taxes, levied for general purposes					7,265,201	-	7,265,201
Unrestricted investment earnings					26,666	-	26,666
Miscellaneous					42,145	1,785	43,930
Total general revenues and transfers					<u>7,334,012</u>	<u>1,785</u>	<u>7,335,797</u>
Change in Net Position					340,212	(262,266)	77,946
Net Position, beginning					<u>7,520,627</u>	<u>4,892,065</u>	<u>12,412,692</u>
Net Position, ending					<u>\$ 7,860,839</u>	<u>\$ 4,629,799</u>	<u>\$ 12,490,638</u>

See Accompanying Notes to Basic Financial Statements.

City of Newport, Vermont
 FUND FINANCIAL STATEMENTS
 BALANCE SHEET - GOVERNMENTAL FUNDS
 June 30, 2014

ASSETS

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash	\$ 1,936,097	\$ 30,219	\$ 1,966,316
Delinquent tax receivables net of reserves of \$204,781	103,854	-	103,854
FEMA grant receivable	28,124	-	28,124
Other receivables	132,635	-	132,635
Due from other funds	-	3,848	3,848
Prepaid expenses	149,016	-	149,016
TOTAL ASSETS	<u>\$ 2,349,726</u>	<u>\$ 34,067</u>	<u>\$ 2,383,793</u>

LIABILITIES AND FUND BALANCE

LIABILITIES			
Due to other funds	\$ 218,057	\$ -	\$ 218,057
Customer deposits	6,987	-	6,987
Accounts payable	245,288	-	245,288
Accrued wages	40,400	-	40,400
Accrued vacation/sick/comp	127,387	-	127,387
Other accruals	1,737	-	1,737
Unearned revenue	210,695	-	210,695
TOTAL LIABILITIES	<u>850,551</u>	<u>-</u>	<u>850,551</u>
FUND BALANCE			
Committed	620,311	30,427	650,738
Assigned	300,961	-	300,961
Unassigned	577,903	3,640	581,543
TOTAL FUND EQUITY	<u>1,499,175</u>	<u>34,067</u>	<u>1,533,242</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 2,349,726</u>	<u>\$ 34,067</u>	<u>\$ 2,383,793</u>

See Accompanying Notes to Basic Financial Statements.

City of Newport, Vermont
FUND FINANCIAL STATEMENTS
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2014

Total fund balances - governmental funds \$ 1,533,242

Amounts reported for governmental activities in the statement of net assets 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	7,188,649
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	204,781
--------------------------------------	---------

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/comptime payable	(67,943)
Notes and bonds payable	<u>(959,888)</u>

Total net position - governmental activities \$ 7,860,839

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, 2014

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes and Special Assessments	\$ 7,201,713	\$ -	\$ 7,201,713
General Government	281,291	-	281,291
Public Safety	299,161	-	299,161
Public Works	180,843	-	180,843
Recreation and Culture	380,123	32,972	413,095
Investment Income	<u>6,575</u>	<u>14</u>	<u>6,589</u>
TOTAL REVENUES	<u>8,349,706</u>	<u>32,986</u>	<u>8,382,692</u>
EXPENDITURES			
General	456,256	-	456,256
Public Safety	1,149,957	-	1,149,957
Public Works	925,345	-	925,345
Culture and Recreation	543,363	53,368	596,731
Other Expenses & Appropriations	366,467	-	366,467
Personnel Expenses	541,045	-	541,045
Capital Improvements	189,292	-	189,292
Debt Service and Sinking Funds	237,922	-	237,922
School Appropriations	<u>3,621,470</u>	<u>-</u>	<u>3,621,470</u>
TOTAL EXPENDITURES	<u>8,031,117</u>	<u>53,368</u>	<u>8,084,485</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	318,589	(20,382)	298,207
OTHER FINANCING (USES):			
Assigned Expenses	<u>(132,342)</u>	<u>-</u>	<u>(132,342)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER SOURCES (USES)	186,247	(20,382)	165,865
FUND BALANCES AT BEGINNING OF YEAR	<u>1,312,928</u>	<u>54,449</u>	<u>1,367,377</u>
FUND BALANCES AT END OF YEAR	<u>\$ 1,499,175</u>	<u>\$ 34,067</u>	<u>\$ 1,533,242</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, 2014

Net change in fund balances - governmental funds \$ 165,865

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	(596,155)
Capital assets purchased	470,281

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 Assets. (26,004)

Repayment of bond principal is an expenditure in the governmental
 funds, but the repayment reduces long-term liabilities in the
 Statement of Net Assets. 250,542

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	17,555
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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:

Vacation/Sick/Comptime earned	58,128
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Change in net position of governmental activities \$ 340,212

See Accompanying Notes to Basic Financial Statements.

City of Newport, Vermont
 FUND FINANCIAL STATEMENTS
 STATEMENT OF NET POSITION - PROPRIETARY FUNDS
 June 30, 2014

ASSETS

	Business Type Activities - Enterprise Funds		
	Sewer Fund	Water Fund	Total
CURRENT ASSETS			
Cash	\$ 116,277	\$ 354,505	\$ 470,782
Due from Other Funds	262,593	-	262,593
Fees Receivable	77,611	77,324	154,935
TOTAL CURRENT ASSETS	456,481	431,829	888,310
CAPITAL ASSETS			
Land	2,169	22,500	24,669
Wells	-	629,354	629,354
Buildings	338,898	-	338,898
Improvements other than buildings	12,939,352	4,348,517	17,287,869
Machinery and equipment	890,472	235,204	1,125,676
Construction in Progress	-	418,013	418,013
Interlocal Waterline Project	-	773,757	773,757
Storm Water Separation	1,019,610	-	1,019,610
	15,190,501	6,427,345	21,617,846
Less: Accumulated Depreciation	(8,301,575)	(2,723,699)	(11,025,274)
CAPITAL ASSETS, net	6,888,926	3,703,646	10,592,572
TOTAL ASSETS	\$ 7,345,407	\$ 4,135,475	\$ 11,480,882

LIABILITIES AND NET POSITION

CURRENT LIABILITIES			
Due to other funds	\$ -	\$ 30,870	\$ 30,870
Accrued wages	4,495	2,478	6,973
Current portion of bonds and notes payable	276,672	165,689	442,361
Accrued vacation/sick/comp.	23,076	1,767	24,843
Accrued interest	2,669	3,810	6,479
TOTAL CURRENT LIABILITIES	306,912	204,614	511,526
BONDS AND NOTES PAYABLE, net of current portion	3,750,428	2,589,129	6,339,557
TOTAL LIABILITES	4,057,340	2,793,743	6,851,083
NET POSITION			
Invested in capital assets, net of related debt	2,861,826	948,828	3,810,654
Unrestricted	426,241	392,904	819,145
TOTAL NET POSITION	3,288,067	1,341,732	4,629,799
TOTAL LIABILITIES AND NET POSITION	\$ 7,345,407	\$ 4,135,475	\$ 11,480,882

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, 2014

	<u>Business Type Activities - Enterprise Funds</u>		
	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
OPERATING REVENUES			
Charges and rent	\$ 888,824	\$ 751,642	\$ 1,640,466
Derby share	77,905	-	77,905
Discharge fees	103,420	-	103,420
Leachate fees	189,526	-	189,526
Interest income	9,898	9,228	19,126
TIF income	-	18,895	18,895
Other income	1,785	-	1,785
	<u>1,271,358</u>	<u>779,765</u>	<u>2,051,123</u>
TOTAL OPERATING REVENUES			
OPERATING EXPENSES			
Sewer System	141,956	-	141,956
Sewer Plant	648,623	-	648,623
Water Treatment and pumping	-	248,603	248,603
Water transmitting and distribution	-	90,269	90,269
Administration	51,012	41,941	92,953
Depreciation	541,346	210,241	751,587
Interest expense	94,431	92,152	186,583
Personnel and other expenses	100,586	50,654	151,240
Maintenance Expenses	1,575	-	1,575
	<u>1,579,529</u>	<u>733,860</u>	<u>2,313,389</u>
TOTAL OPERATING EXPENSES			
CHANGE IN NET POSITION	(308,171)	45,905	(262,266)
NET POSITION AT BEGINNING OF YEAR	<u>3,596,238</u>	<u>1,295,827</u>	<u>4,892,065</u>
NET POSITION AT END OF YEAR	<u>\$ 3,288,067</u>	<u>\$ 1,341,732</u>	<u>\$ 4,629,799</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, 2014

	Business-Type Activities		
	Sewer Fund	Water Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,079,749	\$ 778,025	\$ 1,857,774
Payments to suppliers	(843,166)	(380,813)	(1,223,979)
Payments for employees and benefits	(97,553)	(50,463)	(148,016)
Other receipts (payments)	<u>106,778</u>	<u>(82,924)</u>	<u>23,854</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>245,808</u>	<u>263,825</u>	<u>509,633</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	<u>84,514</u>	<u>399,228</u>	<u>483,742</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of property, plant and equipment	(50,419)	(396,803)	(447,222)
Principal payments on debt	<u>(279,729)</u>	<u>(169,048)</u>	<u>(448,777)</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(330,148)</u>	<u>(565,851)</u>	<u>(895,999)</u>
NET INCREASE IN CASH	174	97,202	97,376
CASH - BEGINNING OF YEAR	<u>116,103</u>	<u>257,303</u>	<u>373,406</u>
CASH - END OF YEAR	<u><u>\$ 116,277</u></u>	<u><u>\$ 354,505</u></u>	<u><u>\$ 470,782</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (308,171)	\$ 45,905	\$ (262,266)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	541,346	210,241	751,587
Change in net assets and liabilities:			
Receivables, net	9,600	7,488	17,088
Accrued wages	(524)	(1,576)	(2,100)
Accrued vacation	<u>3,557</u>	<u>1,767</u>	<u>5,324</u>
Net cash provided by operating activities	<u><u>\$ 245,808</u></u>	<u><u>\$ 263,825</u></u>	<u><u>\$ 509,633</u></u>

See Accompanying Notes to Basic Financial Statements.

City of Newport, Vermont
 FUND FINANCIAL STATEMENTS
 STATEMENT OF NET POSITION - FIDUCIARY FUNDS
 June 30, 2014

ASSETS

	<u>Expendable Trust Funds</u>	<u>Non- Expendable Trust Funds</u>	<u>Total</u>
CASH			
Checking	\$ 36,867	\$ 22,658	\$ 59,525
Savings and money markets	<u>68,497</u>	<u>-</u>	<u>68,497</u>
TOTAL CASH	<u>105,364</u>	<u>22,658</u>	<u>128,022</u>
DUE FROM OTHER FUNDS	<u>6,497</u>	<u>-</u>	<u>6,497</u>
INVESTMENTS			
Trust Account	<u>196,132</u>	<u>113,168</u>	<u>309,300</u>
TOTAL ASSETS	<u>\$ 307,993</u>	<u>\$ 135,826</u>	<u>\$ 443,819</u>

LIABILITIES AND NET POSITION

LIABILITIES			
Due to Other Funds	<u>\$ 23,018</u>	<u>\$ 993</u>	<u>\$ 24,011</u>
NET POSITION			
Reserved for Trust Funds	-	62,000	62,000
Unreserved	<u>284,975</u>	<u>72,833</u>	<u>357,808</u>
TOTAL NET POSITION	<u>284,975</u>	<u>134,833</u>	<u>419,808</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 307,993</u>	<u>\$ 135,826</u>	<u>\$ 443,819</u>

See Accompanying Notes to Financial Statements.

City of Newport, Vermont
 FUND FINANCIAL STATEMENTS
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN NET POSITION - FIDUCIARY FUNDS
 For the Year Ended June 30, 2014

	<u>Expendable Trust Funds</u>	<u>Non- Expendable Trust Funds</u>
REVENUES		
Drug Service Grant	\$ 2,367	\$ -
Downtown Fed Grant	3,000	-
Interest Income	60	-
Dividend Income	4,579	2,633
Net gain on invesmtents	16,965	9,625
Other income	<u>581</u>	<u>-</u>
TOTAL REVENUES	<u>27,552</u>	<u>12,258</u>
EXPENDITURES		
Admin. Fees	1,879	1,083
Contracted Services	7,900	-
Police Expenditures	2,202	-
Beneficiaries	-	2,900
Multi Family Housing Grant	3,000	-
Other	<u>287</u>	<u>32</u>
TOTAL EXPENSES	<u>15,268</u>	<u>4,015</u>
EXCESS OF REVENUES OVER EXPENDITURES	12,284	8,243
OTHER FINANCING SOURCES		
Operating Transfers, In	<u>8,180</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING SOURCES	20,464	8,243
FUND BALANCE AT BEGINNING OF YEAR	<u>264,511</u>	<u>126,590</u>
FUND BALANCE AT END OF YEAR	<u>\$ 284,975</u>	<u>\$ 134,833</u>

See Accompanying Notes to Basic Financial Statements.

City of Newport, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

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, 2014

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.

Private-sector standards of accounting, and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

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 1st. This budget includes proposed expenditures and the means of financing them. Included also is a final budget for the current year ending June 30th.
- * 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, 2014

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, 2014

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.

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.

City of Newport, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2014 consisted of the following:

	Bank Balance
Insured - FDIC	\$ 900,285
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.	1,835,040
TOTAL	\$ 2,735,325

The City's book balances at June 30, 2014 were \$2,565,120. 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, 2014 consist of the following:

	General Fund	Proprietary Funds	Total
Delinquent Taxes, net of \$204,781 reserves	\$ 72,297	\$ -	\$ 72,297
Penalty and Interest	31,557	-	31,557
Other Receivable	132,635	-	132,635
FEMA Receivable	28,124	-	28,124
Notes Receivable	-	9,075	9,075
Water Rents - Billed	-	68,249	68,249
Sewer Rents - Billed	-	77,005	77,005
Sewer Derby Share	-	45	45
Sewer Contracted Works	-	561	561
TOTAL NET RECEIVABLES	\$ 264,613	\$ 154,935	\$ 419,548

City of Newport, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 4 DEFERRED REVENUE

Deferred revenue in the General Fund consists of the following at June 30, 2014:

Project D.A.R.E.	\$	4,288
Act 60 Reappraisal		161,554
Bike Path Grant		<u>44,853</u>
	\$	<u>210,695</u>

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.

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:

	<u>General</u>	<u>Water/Sewer</u>
Vacation	\$ 68,663	\$ 12,606
Comptime	31,002	30
Sick - Short-Term	<u>27,722</u>	<u>775</u>
	127,387	13,411
Sick - Long-Term	55,513	-
Sick - Bank	<u>12,432</u>	<u>11,432</u>
	<u>\$ 195,332</u>	<u>\$ 24,843</u>

NOTE 6 SHORT TERM DEBT

The City had line of credit with Passumpsic Savings Bank with an available balance of \$1,000,000 at a rate of 0.93% dated July 1, 2013 and due June, 30 2014. There was no amount drawn on the line of credit during the fiscal year.

City of Newport, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 7 NOTES AND BONDS PAYABLE

The following is a summary of changes in notes and bonds payable for the year ended June 30, 2014:

<u>BUSINESS-TYPE FUNDS</u>	<u>Beginning Balance June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2014</u>
<u>Sewer Fund:</u>				
Sewer System Improvement bonds issued 12/15/84; principal and interest at 5.0% due in semi-annual installments of \$15,605, payable to GMAC Commercial Mortgage Corp. maturing 12/15/13.	\$ 14,077	\$ -	\$ 14,077	\$ -
Wastewater Project note issued through State of Vermont Revolving Loan Fund at 0% interest with principal payments of \$16,600 at 12/1/95 and the remaining balance equally (\$13,646 per year) over the next 19 years. Matures 12/1/13.	27,293	-	13,646	13,647
Note payable to State of Vermont Revolving Loan Fund RFI-079 at 2% interest with annual installments of \$15,779 including interest for a 20 year term.	141,488	-	12,922	128,566
Note payable to State of Vermont Revolving Loan Fund RFI-029 at 0% interest with a 2% admin. fee. Annual principal and interest installments of \$26,024 are due through 1/24/24.	233,758	-	21,348	212,410
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	13,678	-	3,420	10,258
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 beginning 9/1/10.	3,251,653	-	174,451	3,077,202

City of Newport, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 7 NOTES AND BONDS PAYABLE (continued)

	<u>Beginning Balance June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2014</u>
<u>Sewer Fund: (cont'd)</u>				
Note payable to State of Vermont Revolving Loan Fund RFI-150, \$282,000 available, 20 year loan with a 2% admin fee... the loan has not been fully disbursed at June 30, 2012	254,882	-	9,865	245,017
Vermont Municipal Bond Bank issued 7/26/01, sewer portion equals \$700,000 with annual installments of \$30,000 plus interest at 4.825%, due 12/1/26.	<u>370,000</u>	<u>-</u>	<u>30,000</u>	<u>340,000</u>
TOTAL SEWER FUND	<u>4,306,829</u>	<u>-</u>	<u>279,729</u>	<u>4,027,100</u>
<u>Water Fund:</u>				
Water System Bond issued 5/2/84; principal and interest at 5.0% due in semi-annual installments of \$20,925 payable to GMAC Commercial Mortgage Corp., maturing 5/2/24.	347,509	-	24,664	322,845
Community National Bank issued 3/1/06, interest at 4.36% due in annual principal installments of \$8,410 plus interest through 3/1/14.	8,068	-	8,068	-
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 \$165,850 starting 9/1/10.	2,137,274	-	91,280	2,045,994
State of Vermont Revolving Loan Fund RF3-095 \$547,000 available, \$174,361 drawn at 1% interest due in annual installments of \$36,769 starting 6/1/07.	391,015	-	25,036	365,979

City of Newport, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 7 NOTES AND BONDS PAYABLE (continued)

	<u>Beginning Balance June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2014</u>
Water Fund: (cont'd)				
Vermont Municipal Bond Bank issued 7/22/99; principal and interest at 4.82% due in annual installments of \$20,000 through 12/1/14.	40,000	-	20,000	20,000
TOTAL WATER FUND	<u>2,923,866</u>	<u>-</u>	<u>169,048</u>	<u>2,754,818</u>
TOTAL BUSINESS-TYPE FUNDS	<u>\$ 7,230,695</u>	<u>\$ -</u>	<u>\$ 448,777</u>	<u>\$ 6,781,918</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 442,361	\$ 175,536	\$ 617,897
2016	417,992	163,236	581,228
2017	425,429	152,214	577,643
2018	433,223	140,900	574,123
2019	443,312	127,759	571,071
Thereafter	<u>4,619,601</u>	<u>752,739</u>	<u>5,372,340</u>
TOTAL	<u>\$ 6,781,918</u>	<u>\$ 1,512,384</u>	<u>\$ 8,294,302</u>

	<u>Beginning Balance June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2014</u>
<u>Governmental Activities:</u>				
Vermont Municipal Bond Bank issued 7/26/01, principal and interest at 4.40% due in annual payments of \$30,000.	\$ 110,000	\$ -	\$ 30,000	\$ 80,000
Vermont Municipal Bond Bank issued 7/1/10, principal and interest at 2.22% due in annual payments of \$40,000.	295,000	-	40,000	255,000
Lease payable to Ford Motor Credit for two vehicles, principal and 6.00% interest payments of \$17,935 due annually. Matures July 2014.	32,882	-	15,963	16,919

City of Newport, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 7 NOTES AND BONDS PAYABLE (continued)

	<u>Beginning Balance June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2014</u>
<u>Governmental Activities:</u>				
Passumpsic Savings Bank - Promissory Note for financing of a 2014 Ford Taurus, principal and 1.49% interest payments of \$739.05 due monthly. Matures September 2017	-	26,004	6,391	19,613
Lease payable to Ford Motor Credit for a vehicle, principal and 7.40% interest payments of \$6,902 due annually. Matures July 2014.	12,410	-	12,410	-
Passumpsic Savings Bank - Municipal Note for financing public improvements, principal and 1.47% interest payments of \$96,259.32 due annually. Matures July 2015	284,134	-	95,778	188,356
Vermont Municipal Bond Bank issued July 14, 2011 Original Amount - \$500,000 with net interest of 2.6406768% paid in semi annual pymts Principal pymts of \$50,000 paid annually each December 1st. Matures November 2021.	<u>450,000</u>	<u>-</u>	<u>50,000</u>	<u>400,000</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 1,184,426</u>	<u>\$ 26,004</u>	<u>\$ 250,542</u>	<u>\$ 959,888</u>

Anticipated maturities are as follows for the Governmental Funds:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 239,043	\$ 22,417	\$ 261,460
2016	223,630	16,861	240,491
2017	107,215	12,417	119,632
2018	85,000	10,029	95,029
2019	85,000	7,902	92,902
Thereafter	<u>220,000</u>	<u>9,482</u>	<u>229,482</u>
TOTAL	<u>\$ 959,888</u>	<u>\$ 79,108</u>	<u>\$ 1,038,996</u>

City of Newport, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 8 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<u>Governmental activities:</u>					
Capital assets, not being depreciated					
Land	\$ 415,112	\$ -	\$ -	\$ -	\$ 415,112
Construction in progress	<u>461,899</u>	<u>24,749</u>	<u>-</u>	<u>(425,772)</u>	<u>60,876</u>
Total capital assets, not being depreciated	<u>877,011</u>	<u>24,749</u>	<u>-</u>	<u>(425,772)</u>	<u>475,988</u>
Capital assets, being depreciated					
Land improvements	331,097	-	-	-	331,097
Buildings and improvements	3,362,651	-	-	-	3,362,651
Equipment	1,412,842	283,115	-	-	1,695,963
Vehicles	3,091,502	26,004	(81,506)	-	3,036,000
Infrastructure	<u>3,264,189</u>	<u>148,944</u>	<u>-</u>	<u>425,772</u>	<u>3,838,905</u>
Total capital assets, being depreciated	<u>11,462,281</u>	<u>458,063</u>	<u>(81,506)</u>	<u>425,772</u>	<u>12,264,616</u>
Accumulated depreciation for					
Land improvements	(290,700)	(4,975)	-	-	(295,675)
Buildings and improvements	(994,930)	(85,181)	-	-	(1,080,111)
Equipment	(843,681)	(106,596)	-	-	(950,277)
Vehicles	(1,976,423)	(191,448)	68,975	-	(2,098,896)
Infrastructure	<u>(919,041)</u>	<u>(207,955)</u>	<u>-</u>	<u>-</u>	<u>(1,126,996)</u>
Total accumulated depreciation	<u>(5,024,775)</u>	<u>(596,155)</u>	<u>68,975</u>	<u>-</u>	<u>(5,551,955)</u>
Total capital assets, being depreciated, net	<u>6,437,506</u>	<u>(138,092)</u>	<u>(12,531)</u>	<u>425,772</u>	<u>6,712,661</u>
Governmental activities, capital assets, net	<u>\$ 7,314,517</u>	<u>\$ (113,343)</u>	<u>\$ (12,531)</u>	<u>\$ -</u>	<u>\$ 7,188,649</u>

City of Newport, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 8 CAPITAL ASSETS (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<u>Business-type activities:</u>					
Water utility:					
Capital assets, not being depreciated					
Land	\$ 22,500	\$ -	\$ -	\$ -	\$ 22,500
Construction in progress	<u>43,008</u>	<u>375,005</u>	<u>-</u>	<u>-</u>	<u>418,013</u>
Total capital assets, not being depreciated	<u>65,508</u>	<u>375,005</u>	<u>-</u>	<u>-</u>	<u>440,513</u>
Capital assets, being depreciated					
Equipment and vehicles	230,105	32,439	(27,340)	-	235,204
Water system and improvements	4,346,627	1,890	-	-	4,348,517
Water lines	773,757	-	-	-	773,757
Wells	<u>629,354</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>629,354</u>
Total capital assets, being depreciated	<u>5,979,843</u>	<u>34,329</u>	<u>(27,340)</u>	<u>-</u>	<u>5,986,832</u>
Accumulated depreciation for					
Equipment and vehicles	(144,817)	(19,013)	14,809	-	(149,021)
Water system and improvements	(1,896,949)	(148,370)	-	-	(2,045,319)
Water lines	(254,736)	(19,340)	-	-	(274,076)
Wells	<u>(231,765)</u>	<u>(23,518)</u>	<u>-</u>	<u>-</u>	<u>(255,283)</u>
Total accumulated depreciation	<u>(2,528,267)</u>	<u>(210,241)</u>	<u>14,809</u>	<u>-</u>	<u>(2,723,699)</u>
Total capital assets, being depreciated, net	<u>3,451,576</u>	<u>(175,912)</u>	<u>(12,531)</u>	<u>-</u>	<u>3,263,133</u>
Water utility, capital assets, net	<u>3,517,084</u>	<u>199,093</u>	<u>(12,531)</u>	<u>-</u>	<u>3,703,646</u>
Sewer utility:					
Capital assets, not being depreciated					
Land	<u>2,169</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,169</u>
Total capital assets, not being depreciated	<u>2,169</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,169</u>

City of Newport, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 8 CAPITAL ASSETS (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets, being depreciated					
Buildings	338,898	-	-	-	338,898
Equipment and vehicles	883,031	34,781	(27,340)	-	890,472
Sewer system and improvements	12,911,182	28,170	-	-	12,939,352
Storm water separation	<u>1,019,610</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,019,610</u>
Total capital assets, being depreciated	<u>15,152,721</u>	<u>62,951</u>	<u>(27,340)</u>	<u>-</u>	<u>15,188,332</u>
Accumulated depreciation for					
Buildings	(190,246)	(8,473)	-	-	(198,719)
Equipment and vehicles	(531,210)	(58,601)	14,809	-	(575,002)
Sewer system and improvements	(6,582,031)	(448,782)	-	-	(7,030,813)
Storm water separation	<u>(471,551)</u>	<u>(25,490)</u>	<u>-</u>	<u>-</u>	<u>(497,041)</u>
Total accumulated depreciation	<u>(7,775,038)</u>	<u>(541,346)</u>	<u>14,809</u>	<u>-</u>	<u>(8,301,575)</u>
Total capital assets, being depreciated, net	<u>7,377,683</u>	<u>(478,395)</u>	<u>(12,531)</u>	<u>-</u>	<u>6,886,757</u>
Sewer utility, capital assets, net	<u>7,379,852</u>	<u>(478,395)</u>	<u>(12,531)</u>	<u>-</u>	<u>6,888,926</u>
Business-type activities, capital assets, net	<u>\$10,896,936</u>	<u>\$ (279,302)</u>	<u>\$ (25,062)</u>	<u>\$ -</u>	<u>\$10,592,572</u>

NOTE 9 RESTRICTED/COMMITTED/ASSIGNED FUND BALANCES

Committed fund balances at June 30, 2014 are as follows:

General Fund:

Committed for FY 15 budget deficit	\$ 223,000
Committed for Coventry Sinking Fund	86,751
Committed for Tennis Court Sinking Fund	17,586
Committed for Bike Path Sinking Fund	49,273
Committed Unspent Bridge Bond Funds	186,958
Committed for Reappraisal	<u>56,743</u>

Total General Fund 620,311

Recreation Fund:

Committed for use in the Recreation Fund	<u>30,427</u>
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TOTAL COMMITTED FUND BALANCES \$ 650,738

City of Newport, Vermont
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2014

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

Assigned fund balances at June 30, 2014 are as follows:

General Fund:	
Assigned for Public Works Vehicles	\$ 68,961
Assigned for Street Resurfacing	<u>232,000</u>
TOTAL ASSIGNED FUND BALANCES	<u>\$ 300,961</u>

Expended in fiscal year 2014 are amounts that were assigned in previous years in the amount of \$132,342. This is shown in the Other Financing Uses on Budgetary Comparison Schedule. The expenditures were for the following:

Public Works Vehicles	\$ 36,901
Street Resurfacing	73,260
Street Reconstruction	17,218
Materials	<u>4,963</u>
	<u>\$ 132,342</u>

NOTE 10 INVESTMENTS

The trust accounts are carried at market Value. The balances at June 30, 2014 are as follows:

	Cost	Market Value
East Main Street Cemetery Fund		
Equities	\$ 25,242	\$ 65,146
Fixed Income	<u>118,327</u>	<u>130,986</u>
Total	<u>143,569</u>	<u>196,132</u>
Perley J. Niles Fund		
Equities	14,600	37,622
Fixed Income	<u>65,670</u>	<u>75,546</u>
Total	<u>80,270</u>	<u>113,168</u>
TOTAL	<u>\$ 223,839</u>	<u>\$ 309,300</u>

City of Newport, Vermont
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2014

NOTE 11 DEFERRED COMPENSATION

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.

NOTE 12 PENSION PLAN

All employees with one year's service with the City participate in the City's defined contribution pension plan as part of the Vermont Municipal Retirement Plan. There currently exists three plans: Plan A, Plan B and Plan C. As of January 1, 2014 the contribution rate for the three plans are as follows:

	City	Employee
Plan A	4.0%	2.5%
Plan B	5.125%	4.625%
Plan C	6.75%	9.50%

All new hires after July 1, 1997 must participate in Plan C. The City funds all pension costs as they accrue. The pension expense for the year ended June 30, 2014 was \$127,244.

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, 2014, the tax rate is as follows:

	Non-Residential	Residential
City	\$ 1.2548	\$ 1.2548
School	1.6649	1.5286
TOTAL	\$ 2.9197	\$ 2.7834

City of Newport, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 14 INTERFUND RECEIVABLE AND PAYABLE BALANCES

Individual Fund Interfund Receivable and Payable balances are as follows at June 30, 2014:

	<u>Interfund Receivables</u>	<u>Interfund Payable</u>
General Fund	\$ -	\$ 218,057
Sewer Disposal Fund	262,593	-
Water Utility Fund	-	30,870
Recreation Fund	208	-
Mooring Management Fund	3,640	-
CDBG Trust Fund	-	7
Cemetery Trust Fund	-	23,011
Police Public Safety Trust Fund	6,497	-
Perley Niles Trust Fund	-	993
Total Fund Statement Balances	272,938	272,938
Less: Trust Fund Balances	(6,497)	(24,011)
Cummulative effect of Trust Fund Capital Expenses	-	38,002
TOTAL GOVERNMENT WIDE BALANCES	\$ 266,441	\$ 286,929

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.

City of Newport, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 16 CONTINGENT LIABILITY – TIF DISTRICT

During the fiscal year ended June 30, 2011 the Vermont State Auditor's Office finalized its review of the City of Newport's tax increment financing (TIF) district. While the report found that the City of Newport generally complied with the state statutes, they contended that the City miscalculated the total incremental property tax revenue generated by the TIF district and as a result would owe the state's education fund \$81,612 for the period through June 30, 2010. While the City does not disagree with some miscalculations presented, they believe that other factors in earlier years where the City was paying the Bond payments without adequate TIF funding while the TIF district grew would offset any amounts owed back to the education fund and will try to negotiate with the state to resolve the issues. It is not known at this point what the final negotiated amount will be.

NOTE 17 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 18 SUBSEQUENT EVENTS

On July 1, 2014 the City signed a tax anticipation line of credit with Passumpsic Savings Bank for \$1,000,000 at the interest rate of 0.90%, due June 30, 2015.

On July 7, 2014 the City signed a municipal note with Passumpsic Savings Bank for \$369,916 at the interest rate of 2.46%, due July 1, 2024.

In accordance with Accounting Standards, the Association has evaluated subsequent events through September XX, 2014, which is the date these basic financial statements were available to be issued. All subsequent events requiring recognition as of June 30, 2014, have been incorporated into these basic financial statements herein.

SUPPLEMENTARY INFORMATION

City of Newport, Vermont
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
TAXES				
Property Taxes	\$ 6,570,920	\$ 6,570,920	\$ 6,578,020	\$ 7,100
Appropriations	195,485	195,485	195,485	-
Fish & Wildlife Taxes	500	500	449	(51)
Payments in Lieu of Taxes	440,430	440,430	427,759	(12,671)
TOTAL TAXES	7,207,335	7,207,335	7,201,713	(5,622)
 GENERAL GOVERNMENT				
City Clerk/Treasurer:				
Reimbursements	9,013	9,013	20,905	11,892
Licenses and Fees	73,150	73,150	76,547	3,397
Interest/penalties on Delinquent Taxes	52,000	52,000	62,174	10,174
Miscellaneous Revenues	32,100	32,100	45,283	13,183
Corrections Contract	75,000	75,000	76,382	1,382
TOTAL GENERAL GOVERNMENT	241,263	241,263	281,291	40,028
 PUBLIC SAFETY				
Police Department:				
Task Force & Cops Hiring Grants	-	-	27,110	27,110
Evidence Forfeiture	-	-	5,352	5,352
Traffic Court Fines	1,500	1,500	7,608	6,108
District Court Fines	30,000	30,000	9,827	(20,173)
Accident Reports	1,200	1,200	3,780	2,580
Other Public safety grants	50,000	50,000	150,073	100,073
Dog Impound Fees	250	250	170	(80)
Miscellaneous	79,640	79,640	59,920	(19,720)
Total Police Department	162,590	162,590	263,840	101,250
Fire Department:				
Labor and Materials	20,000	20,000	35,321	15,321
TOTAL PUBLIC SAFETY	182,590	182,590	299,161	116,571
 PUBLIC WORKS				
Street Department:				
Street Dept. St. Aid to Highway	134,000	134,000	138,414	4,414
Street Dept. Labor and Materials	1,358	1,358	2,040	682
Other Income	-	-	8,616	8,616
Public works grants	2,700	2,700	31,773	29,073
TOTAL PUBLIC WORKS	138,058	138,058	180,843	42,785

City of Newport, Vermont
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
CULTURE AND RECREATION				
Prouty Beach:				
Admissions	4,500	4,500	5,125	625
Camping	97,000	97,000	105,820	8,820
Tennis	2,500	2,500	825	(1,675)
Electric fees	4,800	4,800	4,780	(20)
Miscellaneous	3,600	3,600	1,413	(2,187)
Total Prouty Beach	<u>112,400</u>	<u>112,400</u>	<u>117,963</u>	<u>5,563</u>
Miscellaneous Recreation:				
Bike Path Revenues	2,950	2,950	3,081	131
Miscellaneous	2,800	2,800	38,494	35,694
Track and Field	500	500	1,500	1,000
Municipal Building	2,320	2,320	2,700	380
Boat Wash Station	700	700	278	(422)
Swim Programs	-	-	9,587	9,587
Total Miscellaneous Recreation	<u>9,270</u>	<u>9,270</u>	<u>55,640</u>	<u>46,370</u>
Gardner Park:				
Miscellaneous Receipts & Donations	700	700	1,525	825
Utilities	900	900	-	(900)
NEKCA Grant	-	-	50,000	50,000
Rental	8,500	8,500	2,822	(5,678)
Total Gardner Park	<u>10,100</u>	<u>10,100</u>	<u>54,347</u>	<u>44,247</u>
Senior Center:				
Salary reimbursement	3,100	3,100	2,845	(255)
Total Senior Center	<u>3,100</u>	<u>3,100</u>	<u>2,845</u>	<u>(255)</u>
Waterfront:				
Gasoline Sales	49,000	49,000	94,884	45,884
Boatslip Rentals	27,000	27,000	22,749	(4,251)
Overnight Rentals	3,500	3,500	3,416	(84)
Miscellaneous Rents	500	500	199	(301)
Miscellaneous	2,000	2,000	2,575	575
Gateway Center	30,700	30,700	25,505	(5,195)
Total Waterfront	<u>112,700</u>	<u>112,700</u>	<u>149,328</u>	<u>36,628</u>
TOTAL CULTURE AND RECREATION	<u>247,570</u>	<u>247,570</u>	<u>380,123</u>	<u>132,553</u>
INVESTMENT INCOME	<u>3,370</u>	<u>3,370</u>	<u>6,575</u>	<u>3,205</u>
TOTAL REVENUES	<u>8,020,186</u>	<u>8,020,186</u>	<u>8,349,706</u>	<u>329,520</u>

City of Newport, Vermont
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES				
GENERAL GOVERNMENT				
City Council	12,650	12,650	11,079	1,571
City Manager Department	51,955	51,955	49,584	2,371
Delinquent Tax Collector	3,600	3,600	3,888	(288)
Election Expense	4,400	4,400	2,884	1,516
City Treasurer	85,874	85,874	79,419	6,455
Audit and City Report	36,250	36,250	35,378	872
Tax Listing	34,145	34,145	27,972	6,173
City Clerk Department	85,910	85,910	86,496	(586)
Legal Expense	5,000	5,000	10,420	(5,420)
Planning & Zoning	56,258	56,258	41,745	14,513
Reappraisal	-	-	9,333	(9,333)
Municipal Building	87,145	87,145	98,058	(10,913)
TOTAL GENERAL GOVERNMENT	<u>463,187</u>	<u>463,187</u>	<u>456,256</u>	<u>6,931</u>
PUBLIC SAFETY				
Police Department				
Utilities				
Administration	92,977	92,977	101,652	(8,675)
Patrol	745,313	745,313	856,538	(111,225)
Traffic Control	12,000	12,000	5,681	6,319
Operation Stonegarden	-	-	38	(38)
Animal Control	5,250	5,250	3,108	2,142
Police Contracted Services	75,540	75,540	43,414	32,126
Total Police Department	<u>931,080</u>	<u>931,080</u>	<u>1,010,431</u>	<u>(79,351)</u>
Fire Department				
Fire Fighting	97,822	97,822	96,000	1,822
Fire Training	2,500	2,500	1,890	610
Fire Communications	3,200	3,200	2,361	839
Fire Station	18,700	18,700	16,766	1,934
Fire Trucks & Equipment	26,000	26,000	22,509	3,491
Total Fire Department	<u>148,222</u>	<u>148,222</u>	<u>139,526</u>	<u>8,696</u>
TOTAL PUBLIC SAFETY	<u>1,079,302</u>	<u>1,079,302</u>	<u>1,149,957</u>	<u>(70,655)</u>
PUBLIC WORKS				
Public Works Administration	73,553	73,553	77,185	(3,632)
Street Maintenance	199,364	199,364	215,706	(16,342)
Winter Maintenance	296,300	296,300	340,995	(44,695)
Garage and Facilities	34,225	34,225	33,121	1,104
City Property	46,070	46,070	53,522	(7,452)

City of Newport, Vermont
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
PUBLIC WORKS (cont'd)				
Storm Maintenance	76,950	76,950	45,563	31,387
Traffic Maintenance	158,400	158,400	158,444	(44)
Private Work expenditures	-	-	809	(809)
TOTAL PUBLIC WORKS	<u>884,862</u>	<u>884,862</u>	<u>925,345</u>	<u>(40,483)</u>
CULTURE AND RECREATION				
Administration	79,295	79,295	85,027	(5,732)
Senior Citizens	6,000	6,000	5,376	624
Prouty Beach and Swimming	86,998	86,998	87,496	(498)
Recreational Programs	22,952	22,952	140,750	(117,798)
Gardner Park	60,850	60,850	68,365	(7,515)
Waterfront	105,150	105,150	156,304	(51,154)
Boat Washing Station	-	-	45	(45)
TOTAL CULTURE AND RECREATION	<u>361,245</u>	<u>361,245</u>	<u>543,363</u>	<u>(182,118)</u>
OTHER EXPENSES & APPROPRIATIONS				
Conservation & Development	17,275	17,275	14,185	3,090
Health & Welfare	24,500	24,500	18,623	5,877
Recycling Project	33,350	33,350	30,773	2,577
County Tax	40,400	40,400	44,227	(3,827)
Renaissance Project	25,000	25,000	25,000	-
General Insurance	11,945	11,945	16,725	(4,780)
Public Official Liability	4,324	4,324	5,316	(992)
Claims and Damages	1,000	1,000	7,535	(6,535)
Employment Practices Insurance	4,775	4,775	5,845	(1,070)
Miscellaneous	1,085	1,085	611	474
Goodrich Memorial Library	99,000	99,000	99,000	-
Rural Community Transit	11,000	11,000	11,000	-
Orleans County Historical Society	1,000	1,000	1,000	-
N.E.K.Mental Health	4,818	4,818	4,818	-
Area Agency on Aging	7,000	7,000	7,000	-
Newport Ambulance, Inc.	54,167	54,167	54,167	-
Court Diversion Program	500	500	500	-
Home Health Agency	16,000	16,000	16,000	-
Park Security System	10,000	10,000	2,142	7,858
Muni Building Windows	2,500	2,500	-	2,500
Grandstand Painting	7,000	7,000	-	7,000
River Bank Stabilization	8,000	8,000	-	8,000
Frontier Animal Society	2,000	2,000	2,000	-
TOTAL OTHER EXPENSES & APPROPRIATIONS	<u>386,639</u>	<u>386,639</u>	<u>366,467</u>	<u>20,172</u>

City of Newport, Vermont
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
PERSONNEL EXPENSES				
Unemployment Compensation	34,023	34,023	18,019	16,004
Worker's Compensation	47,157	47,157	46,233	924
Employee's Group Insurance	303,775	303,775	252,126	51,649
Social Security Tax	121,346	121,346	125,745	(4,399)
Municipal Retirement	91,652	91,652	98,922	(7,270)
TOTAL PERSONNEL EXPENSES	<u>597,953</u>	<u>597,953</u>	<u>541,045</u>	<u>56,908</u>
CAPITAL IMPROVEMENTS				
Street Repairs and Maintenance	309,800	309,800	8,727	301,073
Vehicles	171,803	171,803	109,726	62,077
Bridge Repair	7,500	7,500	49,336	(41,836)
Gateway Maintenance	6,000	6,000	9,130	(3,130)
Main St Lights	-	-	376	(376)
Wharf Repair/replacement docks	5,000	5,000	5,000	-
Gardner Park Improvements	20,000	20,000	6,997	13,003
TOTAL CAPITAL IMPROVEMENTS	<u>520,103</u>	<u>520,103</u>	<u>189,292</u>	<u>330,811</u>
DEBT SERVICE & SINKING FUNDS				
Debt Principal Payments	215,000	215,000	215,778	(778)
Interest on Bonds	23,985	23,985	22,144	1,841
Tennis Court Sinking Fund	1,440	1,440	-	1,440
TOTAL DEBT SERVICE & SINKING FUNDS	<u>240,425</u>	<u>240,425</u>	<u>237,922</u>	<u>2,503</u>
SCHOOL APPROPRIATION	<u>3,621,470</u>	<u>3,621,470</u>	<u>3,621,470</u>	<u>-</u>
TOTAL EXPENDITURES	<u>8,155,186</u>	<u>8,155,186</u>	<u>8,031,117</u>	<u>124,069</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(135,000)</u>	<u>(135,000)</u>	<u>318,589</u>	<u>453,589</u>
OTHER FINANCING (USES)				
Assigned Expenses	-	-	(132,342)	(132,342)
TOTAL OTHER FINANCING (USES)	<u>-</u>	<u>-</u>	<u>(132,342)</u>	<u>(132,342)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES	<u>(135,000)</u>	<u>(135,000)</u>	<u>186,247</u>	<u>321,247</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>1,312,928</u>	<u>1,312,928</u>	<u>1,312,928</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 1,177,928</u>	<u>\$ 1,177,928</u>	<u>\$ 1,499,175</u>	<u>\$ 321,247</u>

City of Newport, Vermont
 OTHER SUPPLEMENTARY INFORMATION
 COMBINING BALANCE SHEET -
 NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2014

ASSETS

	Special Revenue		
	Recreation Fund	Mooring Management Fund	Total Non-Major Governmental Funds
ASSETS			
Cash	\$ 30,219	\$ -	\$ 30,219
Due from other funds	208	3,640	3,848
TOTAL ASSETS	\$ 30,427	\$ 3,640	\$ 34,067

LIABILITIES AND FUND BALANCES

FUND BALANCES			
Committed	\$ 30,427	\$ -	\$ 30,427
Unassigned	-	3,640	3,640
TOTAL FUND BALANCE	\$ 30,427	\$ 3,640	\$ 34,067

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, 2014

	Special Revenue		
	Recreation Fund	Mooring Management Fund	Total Non-Major Governmental Funds
REVENUES			
Recreation and Culture	\$ 28,772	\$ 4,200	\$ 32,972
Investment Income	14	-	14
TOTAL REVENUES	<u>28,786</u>	<u>4,200</u>	<u>32,986</u>
EXPENDITURES			
Culture and Recreation	<u>49,448</u>	<u>3,920</u>	<u>53,368</u>
TOTAL EXPENDITURES	<u>49,448</u>	<u>3,920</u>	<u>53,368</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(20,662)	280	(20,382)
FUND BALANCE AT BEGINNING OF YEAR	<u>51,089</u>	<u>3,360</u>	<u>54,449</u>
FUND BALANCE AT END OF YEAR	<u>\$ 30,427</u>	<u>\$ 3,640</u>	<u>\$ 34,067</u>

City of Newport, Vermont
 OTHER SUPPLEMENTARY INFORMATION
 COMBINING STATEMENT OF NET POSITION -
 EXPENDABLE TRUST FUNDS
 June 30, 2014

ASSETS

	<u>Police Public Safety Fund</u>	<u>East Main Street Cemetery Fund</u>	<u>Community Development Block Grant Fund</u>	<u>Total</u>
ASSETS				
CASH				
Checking	\$ 35,149	\$ 1,718	\$ -	\$ 36,867
Savings and money markets	<u>-</u>	<u>36,938</u>	<u>31,559</u>	<u>68,497</u>
TOTAL CASH	<u>35,149</u>	<u>38,656</u>	<u>31,559</u>	<u>105,364</u>
DUE FROM OTHER FUNDS	<u>6,497</u>	<u>-</u>	<u>-</u>	<u>6,497</u>
INVESTMENTS				
Trust Account	<u>-</u>	<u>196,132</u>	<u>-</u>	<u>196,132</u>
TOTAL ASSETS	<u>\$ 41,646</u>	<u>\$ 234,788</u>	<u>\$ 31,559</u>	<u>\$ 307,993</u>

LIABILITIES AND NET POSITION

LIABILITIES				
Due to other Funds	\$ -	\$ 23,011	\$ 7	\$ 23,018
TOTAL LIABILITIES	<u>-</u>	<u>23,011</u>	<u>7</u>	<u>23,018</u>
NET POSITION	<u>41,646</u>	<u>211,777</u>	<u>31,552</u>	<u>284,975</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 41,646</u>	<u>\$ 234,788</u>	<u>\$ 31,559</u>	<u>\$ 307,993</u>

City of Newport, Vermont
OTHER SUPPLEMENTARY INFORMATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION -
EXPENDABLE TRUST FUNDS
For the Year Ended June 30, 2014

	Police Public Safety Fund	East Main Street Cemetery Fund	Community Development Block Grant Fund	Total
REVENUES				
Drug Service Grant	\$ 2,367	\$ -	\$ -	\$ 2,367
Federal and State Grants	-	-	3,000	3,000
Interest Income	27	5	28	60
Dividend Income	-	4,579	-	4,579
Net gain from investments	-	16,965	-	16,965
Other income	556	25	-	581
TOTAL REVENUES	<u>2,950</u>	<u>21,574</u>	<u>3,028</u>	<u>27,552</u>
EXPENDITURES				
Admin. Fees	-	1,879	-	1,879
Contracted Services	-	7,900	-	7,900
Police Expenditures	2,202	-	-	2,202
Multi-Family Grant	-	-	3,000	3,000
Other	-	287	-	287
TOTAL EXPENDITURES	<u>2,202</u>	<u>10,066</u>	<u>3,000</u>	<u>15,268</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	748	11,508	28	12,284
OTHER FINANCING SOURCES				
Operating Transfers, In	8,180	-	-	8,180
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES	8,928	11,508	28	20,464
FUND BALANCE AT BEGINNING OF YEAR	<u>32,718</u>	<u>200,269</u>	<u>31,524</u>	<u>264,511</u>
FUND BALANCE AT END OF YEAR	<u>\$ 41,646</u>	<u>\$ 211,777</u>	<u>\$ 31,552</u>	<u>\$ 284,975</u>

City of Newport, Vermont
 OTHER SUPPLEMENTARY INFORMATION
 COMBINING STATEMENT OF NET POSITION -
 NON-EXPENDABLE TRUST FUNDS
 June 30, 2014

ASSETS

	<u>Perley J. Niles Fund</u>
CASH	
Checking Account	\$ 22,658
INVESTMENTS	<u>113,168</u>
TOTAL ASSETS	<u>\$ 135,826</u>

LIABILITIES AND NET POSITION

LIABILITIES	
Due to Other Funds	\$ 993
NET POSITION	
Reserved for trust funds	62,000
Unreserved	<u>72,833</u>
TOTAL NET POSITION	<u>134,833</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 135,826</u>

City of Newport, Vermont
 OTHER SUPPLEMENTARY INFORMATION
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION -
 NON-EXPENDABLE TRUST FUNDS
 For the Year Ended June 30, 2014

	<u>Perley J. Niles Fund</u>
REVENUES	
Dividend Income	\$ 2,633
Net gain on investments	<u>9,625</u>
TOTAL REVENUES	<u>12,258</u>
EXPENDITURES	
Admin Fees	1,083
Legal	32
Beneficiaries	<u>2,900</u>
TOTAL EXPENSES	<u>4,015</u>
EXCESS OF REVENUES OVER EXPENDITURES	8,243
NET POSITION AT BEGINNING OF YEAR	<u>126,590</u>
NET POSITION AT END OF YEAR	<u><u>\$ 134,833</u></u>