

City of Newport, Vermont
BASIC FINANCIAL STATEMENTS
June 30, 2017

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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, 2017, 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, 2017, 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 non-major 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 non-major 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.

Kittel Branagan & Sargent

City of Newport, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

As management of the City of Newport, we offer readers of the City of Newport's financial statements this narrative overview and analysis of the financial activities of the City of Newport for the fiscal year ended June 30, 2017.

Financial Highlights

- The assets of the City of Newport exceeded its liabilities at the close of the most recent fiscal year by \$11,717,144 (net position). Of this amount, \$515,995 (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 \$4,351,358, which means that if we were to liquidate the water/sewer funds we would have a cash surplus of \$4,351,358. Net position attributable to business-type activities increased by \$120,908 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 \$753,124. Of this total amount, \$356,527 is available for spending at the government's discretion (unassigned fund balance). Management has committed \$296,731 of the fund balance for particular purposes, restricted a \$82,000 donation for the centennial celebration 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.

City of Newport, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

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.

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.

City of Newport, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

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.

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 \$11,717,144 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
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

City of Newport, Vermont's Net Position
June 30, 2017

	Governmental Activities		Business-Type Activites		Total	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 1,915,873	\$ 1,492,355	\$ 1,145,152	\$ 701,398	\$ 3,061,025	\$ 2,193,753
Capital assets	7,530,541	7,789,253	8,827,288	9,504,897	16,357,829	17,294,150
Deferred outflows	<u>669,969</u>	<u>392,602</u>	<u>109,279</u>	<u>68,914</u>	<u>779,248</u>	<u>461,516</u>
 Total Assets and Deferred Outflows	 <u>\$ 10,116,383</u>	 <u>\$ 9,674,210</u>	 <u>\$ 10,081,719</u>	 <u>\$ 10,275,209</u>	 <u>\$ 20,198,102</u>	 <u>\$ 19,949,419</u>
 Other liabilities	 \$ 918,568	 \$ 660,529	 \$ 70,582	 \$ 30,776	 \$ 989,150	 \$ 691,305
Net pension liabilities	1,063,150	629,079	179,422	113,394	1,242,572	742,473
Notes and bonds payable	762,750	850,700	5,479,357	5,899,122	6,242,107	6,749,822
Deferred inflows	<u>6,129</u>	<u>8,355</u>	<u>1,000</u>	<u>1,467</u>	<u>7,129</u>	<u>9,822</u>
 Total Liabilities and Deferred Inflows	 <u>\$ 2,750,597</u>	 <u>\$ 2,148,663</u>	 <u>\$ 5,730,361</u>	 <u>\$ 6,044,759</u>	 <u>\$ 8,480,958</u>	 <u>\$ 8,193,422</u>
 Net Investment in capital assets	 6,767,791	 6,938,553	 3,347,931	 3,605,775	 10,115,722	 10,544,328
Restricted	82,000	-	-	-	82,000	-
Unrestricted	<u>515,995</u>	<u>586,994</u>	<u>1,003,427</u>	<u>624,675</u>	<u>1,519,422</u>	<u>1,211,669</u>
 Total Net Position	 <u>\$ 7,365,786</u>	 <u>\$ 7,525,547</u>	 <u>\$ 4,351,358</u>	 <u>\$ 4,230,450</u>	 <u>\$ 11,717,144</u>	 <u>\$ 11,755,997</u>

City of Newport, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

Governmental activities - Governmental activities decreased the City of Newport's net position by \$159,761 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 depreciation expense was more than current year net additions to capital assets by \$258,712.

City of Newport, Vermont's Changes in Net Position
June 30, 2017

	Governmental Activities		Business-Type Activities		Total	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues						
Program Revenues:						
Charges for services	\$ 762,105	\$ 745,006	\$ 2,417,317	\$ 2,085,391	\$ 3,179,422	\$ 2,830,397
Operating grants	563,859	733,076	24,000	-	587,859	733,076
General Revenues:						
Property taxes	7,753,069	7,753,814	-	-	7,753,069	7,753,814
Investment earnings	29,392	22,554	23,094	18,391	52,486	40,945
Other revenues	<u>51,625</u>	<u>45,672</u>	<u>6,626</u>	<u>722</u>	<u>58,251</u>	<u>46,394</u>
Total Revenues	<u>9,160,050</u>	<u>9,300,122</u>	<u>2,471,037</u>	<u>2,104,504</u>	<u>11,631,087</u>	<u>11,404,626</u>
Expenses						
Governmental activities:						
General	1,514,532	1,308,140	-	-	1,514,532	1,308,140
Public Safety	1,458,300	1,441,210	-	-	1,458,300	1,441,210
Public Works	1,317,072	1,743,414	-	-	1,317,072	1,743,414
Library	101,000	101,000	-	-	101,000	101,000
Interest on long-term debt	40,408	41,975	-	-	40,408	41,975
Education, recreation, health and welfare	4,888,499	4,800,059	-	-	4,888,499	4,800,059
Business-type activities:						
Water	-	-	779,333	695,060	779,333	695,060
Sewer	-	-	<u>1,570,796</u>	<u>1,607,041</u>	<u>1,570,796</u>	<u>1,607,041</u>
Total Expenses	<u>9,319,811</u>	<u>9,435,798</u>	<u>2,350,129</u>	<u>2,302,101</u>	<u>11,669,940</u>	<u>11,737,899</u>
Change in net position	(159,761)	(135,676)	120,908	(197,597)	(38,853)	(333,273)
Net position, beginning	<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>
Net position, ending	<u>\$ 7,365,786</u>	<u>\$ 7,525,547</u>	<u>\$ 4,351,358</u>	<u>\$ 4,230,450</u>	<u>\$ 11,717,144</u>	<u>\$ 11,755,997</u>

City of Newport, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

Business-type activities - Business-type activities increased the City of Newport's net position by \$120,908 during the current fiscal year. The water fund had income of \$127,615 while the sewer fund had a loss of \$6,707. Key elements of this change are as follows:

- Water charges and rents increased revenue by \$101,348 from the previous year while operating expenses decreased by \$44,375. We had an increase in net income of \$28,351 from the prior year in the Water Fund. Total water distribution expenses totaled \$67,557, an increase of \$8,578 from the previous year.
- Sewer charges and rents increased in revenue by \$242,091 and discharge fees increased by \$2,981 from the previous year, while operating expenses decreased by \$95,455. Interest expense decreased by \$24,058 from the prior year. The Sewer Fund has a receivable from the General Fund of \$353,203, which is an increase of \$261,486 from the prior year's receivable of \$91,717.
- Depreciation expense for the sewer fund is \$538,222 as compared to last year's \$541,928; and \$231,805 from last year's \$224,713 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 \$787,639 an increase of \$48,241 in comparison to the prior year. Approximately 96% of the total fund balance (\$787,639) constitutes general fund equity, which is available for spending at the government's discretion. The City of Newport has available \$356,527 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, \$82,000 has been restricted for the centennial celebration and the City of Newport has committed \$331,246 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 (\$356,527) represents approximately 4% of general fund expenditures (\$9,068,920), while total fund balance (\$753,124) represents approximately 8% of that same amount.

During the year ending June 30, 2017 the Fund Balance of the City of Newport's general fund increased by \$48,246 (from \$704,878 to \$753,124). Key factors in this change are as follows:

- *We budgeted for a net change in fund balance in the amount of \$196,357.00*
- *Recreation Programs underspent by \$45,825.00 and brought in \$51,343.00.*

City of Newport, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

Special revenue funds consist primarily of the Recreation Fund (\$28,553) and the Mooring Management Fund (\$5,945). 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 investment in capital assets, net of depreciation for its governmental activities decreased by \$258,712 to a total of \$7,530,541. 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, 2017 our capital investment, net of depreciation decreased by \$677,609 to \$8,827,288 (sewer \$5,385,400, water \$3,441,888).

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

- *A police cruiser was financed in the amount of \$29,810.00*
- *Two police snowmobiles were purchased entirely with grant funds totaling \$44,018.00.*
- *A dispatch center was installed with grant funds that totaled \$257,377.00*
- *A fire chief's vehicle was financed in the amount of \$35660.00.*

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 \$6,242,107. Of this amount, \$5,627,188 represents low to no-interest loans issued by the State of Vermont, \$311,919 represents loans with local banks and the remaining \$242,169 represents bonded debt backed by the full faith and credit of the City of Newport.

The City of Newport's total debt decreased by \$507,715 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, 2017

ASSETS AND DEFERRED OUTFLOWS

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
CURRENT ASSETS			
Cash	\$ 1,346,538	\$ 537,910	\$ 1,884,448
Taxes receivable	415,930	-	415,930
Accounts receivable	-	161,998	161,998
Other receivables	148,189	-	148,189
Due from other funds	-	445,244	445,244
Prepaid expenses	5,216	-	5,216
TOTAL CURRENT ASSETS	<u>1,915,873</u>	<u>1,145,152</u>	<u>3,061,025</u>
 CAPITAL ASSETS, net of depreciation	 <u>7,530,541</u>	 <u>8,827,288</u>	 <u>16,357,829</u>
 DEFERRED OUTFLOWS	 <u>669,969</u>	 <u>109,279</u>	 <u>779,248</u>
 TOTAL ASSETS AND DEFERRED OUTFLOWS	 <u>\$ 10,116,383</u>	 <u>\$ 10,081,719</u>	 <u>\$ 20,198,102</u>

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

CURRENT LIABILITIES			
Current portion notes and bonds payable	\$ 143,660	\$ 443,109	\$ 586,769
Accounts payable	122,770	-	122,770
Accrued wages	70,667	5,043	75,710
Accrued liabilities	1,086	6,479	7,565
Accrued vacation/sick/comptime	176,676	9,060	185,736
Accrued settlement	-	50,000	50,000
Due to other funds	465,756	-	465,756
Unearned revenue	80,083	-	80,083
Tax deposits	1,530	-	1,530
TOTAL CURRENT LIABILITIES	<u>1,062,228</u>	<u>513,691</u>	<u>1,575,919</u>
 LONG-TERM LIABILITIES			
Net pension liabilities	1,063,150	179,422	1,242,572
Notes and bonds payable	619,090	5,036,248	5,655,338
TOTAL LONG-TERM LIABILITIES	<u>1,682,240</u>	<u>5,215,670</u>	<u>6,897,910</u>
 TOTAL LIABILITIES	 <u>2,744,468</u>	 <u>5,729,361</u>	 <u>8,473,829</u>
 DEFERRED INFLOWS	 <u>6,129</u>	 <u>1,000</u>	 <u>7,129</u>
 NET POSITION			
Net investment in capital assets	6,767,791	3,347,931	10,115,722
Restricted	82,000	-	82,000
Unrestricted	515,995	1,003,427	1,519,422
TOTAL NET POSITION	<u>7,365,786</u>	<u>4,351,358</u>	<u>11,717,144</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	 <u>\$ 10,116,383</u>	 <u>\$ 10,081,719</u>	 <u>\$ 20,198,102</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, 2017

	<u>Program Revenues</u>			<u>Net (Expense) Revenue & Changes in Net Position</u>		<u>Total</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants & Revenues</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
<u>Functions/Programs</u>						
Governmental activities:						
Current:						
General government	\$ 1,514,532	\$ 148,107	\$ 232,604	\$ (1,133,821)	\$ -	\$ (1,133,821)
Public safety	1,458,300	270,946	116,113	(1,071,241)	-	(1,071,241)
Public works	1,317,072	42,146	139,061	(1,135,865)	-	(1,135,865)
Recreation, health, education and welfare	4,888,499	300,906	76,081	(4,511,512)	-	(4,511,512)
Library	101,000	-	-	(101,000)	-	(101,000)
Interest on long-term debt	40,408	-	-	(40,408)	-	(40,408)
Total governmental activities	<u>9,319,811</u>	<u>762,105</u>	<u>563,859</u>	<u>(7,993,847)</u>	<u>-</u>	<u>(7,993,847)</u>
Business-type activities:						
Water	779,333	873,672	22,000	-	116,339	116,339
Sewer	1,570,796	1,543,645	2,000	-	(25,151)	(25,151)
Total business-type activities	<u>\$ 2,350,129</u>	<u>\$ 2,417,317</u>	<u>\$ 24,000</u>	<u>-</u>	<u>91,188</u>	<u>91,188</u>
General Revenues:						
Property taxes, levied for general purposes				7,753,069	-	7,753,069
Unrestricted investment earnings				29,392	23,094	52,486
Miscellaneous				51,625	6,626	58,251
Total general revenues and transfers				<u>7,834,086</u>	<u>29,720</u>	<u>7,863,806</u>
Change in Net Position				(159,761)	120,908	(38,853)
Net Position, beginning				<u>7,525,547</u>	<u>4,230,450</u>	<u>11,755,997</u>
Net Position, ending				<u>\$ 7,365,786</u>	<u>\$ 4,351,358</u>	<u>\$ 11,717,144</u>

See Accompanying Notes to Basic Financial Statements.

City of Newport, Vermont
 FUND FINANCIAL STATEMENTS
 BALANCE SHEET - GOVERNMENTAL FUNDS
 June 30, 2017

ASSETS

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash	\$ 1,306,400	\$ -	\$ 40,138	\$ 1,346,538
Delinquent tax receivables net of reserves of \$313,098	102,832	-	-	102,832
Other receivables	148,189	-	-	148,189
Due from other funds	-	17	-	17
Prepaid expenses	<u>5,215</u>	<u>-</u>	<u>-</u>	<u>5,215</u>
 TOTAL ASSETS	 <u>\$ 1,562,636</u>	 <u>\$ 17</u>	 <u>\$ 40,138</u>	 <u>\$ 1,602,791</u>

LIABILITIES AND FUND BALANCE

LIABILITIES				
Due to other funds	\$ 422,287	\$ -	\$ 5,483	\$ 427,770
Customer deposits	1,530	-	-	1,530
Accounts payable	122,770	-	-	122,770
Accrued wages	70,510	-	157	70,667
Accrued vacation/sick/comp-time	111,246	-	-	111,246
Other accruals	1,086	-	-	1,086
Unearned revenue	<u>80,083</u>	<u>-</u>	<u>-</u>	<u>80,083</u>
 TOTAL LIABILITIES	 <u>809,512</u>	 <u>-</u>	 <u>5,640</u>	 <u>815,152</u>
 FUND BALANCE				
Restricted	82,000	-	-	82,000
Committed	296,731	17	34,498	331,246
Assigned	17,866	-	-	17,866
Unassigned	<u>356,527</u>	<u>-</u>	<u>-</u>	<u>356,527</u>
 TOTAL FUND BALANCE	 <u>753,124</u>	 <u>17</u>	 <u>34,498</u>	 <u>787,639</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 1,562,636</u>	 <u>\$ 17</u>	 <u>\$ 40,138</u>	 <u>\$ 1,602,791</u>

See Accompanying Notes to Basic Financial Statements.

City of Newport, Vermont
 FUND FINANCIAL STATEMENTS
 BALANCE SHEET - GOVERNMENTAL FUNDS
 June 30, 2017

Total fund balances - governmental funds **\$ 787,639**

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	7,530,541
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	313,098
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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	(65,430)
Net pension liability	(1,063,150)
Notes and bonds payable	(762,750)

Deferred outflows of resources represent the consumption of net position that is applicable to a future reporting period and therefore not reported as assets in the funds.	669,969
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Deferred inflows of resources represent the acquisition of net position applicable to a future reporting period and therefore are not reported as liabilities in the funds.	<u>(6,129)</u>
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\$ 7,365,786

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, 2017

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes and Special Assessments	\$ 7,607,966	\$ -	\$ -	\$ 7,607,966
General Government	484,565	-	-	484,565
Public Safety	387,024	-	-	387,024
Public Works	199,654	-	-	199,654
Recreation and Culture	369,979	-	6,108	376,087
Investment Income	<u>2,508</u>	<u>-</u>	<u>7</u>	<u>2,515</u>
TOTAL REVENUES	<u>9,051,696</u>	<u>-</u>	<u>6,115</u>	<u>9,057,811</u>
EXPENDITURES				
General	642,436	-	-	642,436
Public Safety	1,410,435	-	-	1,410,435
Public Works	885,715	-	-	885,715
Culture and Recreation	510,122	-	6,120	516,242
Other Expenses & Appropriations	474,655	-	-	474,655
Personnel Expenses	689,973	-	-	689,973
Capital Outlay	291,275	-	-	291,275
Debt Service and Sinking Funds	175,209	-	-	175,209
School Appropriations	<u>3,989,100</u>	<u>-</u>	<u>-</u>	<u>3,989,100</u>
TOTAL EXPENDITURES	<u>9,068,920</u>	<u>-</u>	<u>6,120</u>	<u>9,075,040</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES				
	(17,224)	-	(5)	(17,229)
OTHER FINANCING SOURCES:				
Proceeds From long term debt	<u>65,470</u>	<u>-</u>	<u>-</u>	<u>65,470</u>
NET CHANGE IN FUND BALANCE				
	48,246	-	(5)	48,241
FUND BALANCES AT BEGINNING OF YEAR				
	<u>704,878</u>	<u>17</u>	<u>34,503</u>	<u>739,398</u>
FUND BALANCES AT END OF YEAR				
	<u>\$ 753,124</u>	<u>\$ 17</u>	<u>\$ 34,498</u>	<u>\$ 787,639</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, 2017

Net change in fund balances - governmental funds \$ 48,241

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	(642,746)
Capital assets purchased	384,034

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.	(65,470)
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	153,420
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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	102,243
--	---------

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	(154,478)
Vacation/sick/comp-time earned	<u>14,995</u>

Change in net position of governmental activities **\$ (159,761)**

See Accompanying Notes to Basic Financial Statements.

City of Newport, Vermont
 FUND FINANCIAL STATEMENTS
 STATEMENT OF NET POSITION - PROPRIETARY FUNDS
 June 30, 2017

ASSETS AND DEFERRED OUTFLOWS

	Business Type Activities - Enterprise Funds		
	Sewer Fund	Water Fund	Total
CURRENT ASSETS			
Cash	\$ 116,802	\$ 421,108	\$ 537,910
Due from other funds	353,203	92,041	445,244
Fees receivable	81,025	80,973	161,998
TOTAL CURRENT ASSETS	551,030	594,122	1,145,152
CAPITAL ASSETS			
Land	2,169	118,713	120,882
Wells	-	629,354	629,354
Buildings	338,898	-	338,898
Improvements other than buildings	12,989,348	4,976,037	17,965,385
Machinery and equipment	944,492	264,844	1,209,336
Interlocal waterline project	-	773,757	773,757
Storm water separation	1,019,610	-	1,019,610
Construction in progress	11,760	69,584	81,344
	15,306,277	6,832,289	22,138,566
Less: accumulated depreciation	(9,920,877)	(3,390,401)	(13,311,278)
CAPITAL ASSETS, net	5,385,400	3,441,888	8,827,288
DEFERRED OUTFLOWS	75,311	33,968	109,279
TOTAL ASSETS	\$ 6,011,741	\$ 4,069,978	\$ 10,081,719

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

CURRENT LIABILITIES			
Accrued wages	\$ 3,515	\$ 1,528	\$ 5,043
Current portion of bonds and notes payable	282,177	160,932	443,109
Accrued vacation/sick/comp.	7,872	1,188	9,060
Accrued settlement	-	50,000	50,000
Accrued interest	2,669	3,810	6,479
TOTAL CURRENT LIABILITIES	296,233	217,458	513,691
LONG-TERM LIABILITIES			
Net pension liabilities	120,902	58,520	179,422
Notes and bonds payable	2,913,347	2,122,901	5,036,248
TOTAL LONG-TERM LIABILITIES	3,034,249	2,181,421	5,215,670
TOTAL LIABILITIES	3,330,482	2,398,879	5,729,361
DEFERRED INFLOWS	689	311	1,000
NET POSITION			
Net investment in capital assets	2,189,876	1,158,055	3,347,931
Unrestricted	490,694	512,733	1,003,427
TOTAL NET POSITION	2,680,570	1,670,788	4,351,358
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$ 6,011,741	\$ 4,069,978	\$ 10,081,719

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, 2017

	<u>Business Type Activities - Enterprise Funds</u>		
	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
OPERATING REVENUES			
Charges and rent	\$ 1,199,458	\$ 873,672	\$ 2,073,130
Derby share	83,358	-	83,358
Discharge fees	99,353	-	99,353
Leachate fees	161,476	-	161,476
Grant income	2,000	22,000	24,000
Other income	<u>6,626</u>	<u>-</u>	<u>6,626</u>
 TOTAL OPERATING REVENUES	 <u>1,552,271</u>	 <u>895,672</u>	 <u>2,447,943</u>
OPERATING EXPENSES			
Sewer system	168,096	-	168,096
Sewer plant	609,789	-	609,789
Water treatment and pumping	-	257,389	257,389
Water transmitting and distribution	-	67,557	67,557
Administration	77,284	53,244	130,528
Depreciation	538,222	231,805	770,027
Personnel and other expenses	106,529	35,488	142,017
Maintenance expenses	<u>11,666</u>	<u>5,202</u>	<u>16,868</u>
 TOTAL OPERATING EXPENSES	 <u>1,511,586</u>	 <u>650,685</u>	 <u>2,162,271</u>
 INCOME FROM OPERATIONS	 <u>40,685</u>	 <u>244,987</u>	 <u>285,672</u>
NON-OPERATING INCOME/(EXPENSES)			
Interest income	11,818	11,276	23,094
Interest expense	(59,210)	(78,648)	(137,858)
Settlement Charges	<u>-</u>	<u>(50,000)</u>	<u>(50,000)</u>
 TOTAL NON-OPERATING INCOME/(EXPENSES)	 <u>(47,392)</u>	 <u>(117,372)</u>	 <u>(164,764)</u>
 CHANGE IN NET POSITION	 (6,707)	 127,615	 120,908
 NET POSITION AT BEGINNING OF YEAR	 <u>2,687,277</u>	 <u>1,543,173</u>	 <u>4,230,450</u>
 NET POSITION AT END OF YEAR	 <u>\$ 2,680,570</u>	 <u>\$ 1,670,788</u>	 <u>\$ 4,351,358</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, 2017

	Business-Type Activities		
	Sewer Fund	Water Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,391,458	\$ 884,761	\$ 2,276,219
Payments to suppliers	(866,835)	(383,392)	(1,250,227)
Payments for employees and benefits	(99,781)	(27,234)	(127,015)
Other receipts (payments)	170,102	22,000	192,102
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 594,944	 496,135	 1,091,079
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	(261,485)	(136,934)	(398,419)
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of property, plant and equipment	(21,493)	(70,925)	(92,418)
Principal payments on debt	(264,399)	(155,367)	(419,766)
Interest payments on debt	(59,210)	(78,648)	(137,858)
 NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	 (345,102)	 (304,940)	 (650,042)
 CASH FLOW FROM INVESTING ACTIVITIES:			
Receipt of interest and dividends	11,818	11,276	23,094
 NET INCREASE IN CASH	 175	 65,537	 65,712
 CASH - BEGINNING OF YEAR	 116,627	 355,571	 472,198
 CASH - END OF YEAR	 \$ 116,802	 \$ 421,108	 \$ 537,910
 Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income	\$ 40,685	\$ 244,987	\$ 285,672
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	538,222	231,805	770,027
Change in net assets and liabilities:			
Receivables, net	9,289	11,089	20,378
Accrued wages	343	282	625
Deferred outflows	(30,538)	(9,827)	(40,365)
Net pension liability	48,166	17,862	66,028
Deferred inflows	(264)	(203)	(467)
Accrued vacation	(10,959)	140	(10,819)
 Net cash provided by operating activities	 \$ 594,944	 \$ 496,135	 \$ 1,091,079

See Accompanying Notes to Basic Financial Statements.

City of Newport, Vermont
 FUND FINANCIAL STATEMENTS
 STATEMENT OF NET POSITION - FIDUCIARY FUNDS
 June 30, 2017

ASSETS

	<u>Expendable Trust Funds</u>	<u>Non- Expendable Trust Funds</u>	<u>Total</u>
CASH			
Checking	\$ 30,680	\$ 35,316	\$ 65,996
Savings and money markets	<u>65,772</u>	<u>-</u>	<u>65,772</u>
TOTAL CASH	<u>96,452</u>	<u>35,316</u>	<u>131,768</u>
INVESTMENTS			
Trust account	<u>198,014</u>	<u>112,941</u>	<u>310,955</u>
TOTAL ASSETS	<u>\$ 294,466</u>	<u>\$ 148,257</u>	<u>\$ 442,723</u>

LIABILITIES AND NET POSITION

LIABILITIES			
Due to other funds	<u>\$ 16,497</u>	<u>\$ 994</u>	<u>\$ 17,491</u>
NET POSITION			
Reserved for trust funds	-	62,000	62,000
Unreserved	<u>277,969</u>	<u>85,263</u>	<u>363,232</u>
TOTAL NET POSITION	<u>277,969</u>	<u>147,263</u>	<u>425,232</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 294,466</u>	<u>\$ 148,257</u>	<u>\$ 442,723</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, 2017

	<u>Expendable Trust Funds</u>	<u>Non- Expendable Trust Funds</u>
ADDITIONS		
Interest income	\$ 80	\$ -
Dividend income	6,284	3,519
Other	50	400
Net gain on investments	<u>5,652</u>	<u>3,224</u>
 TOTAL ADDITIONS	 <u>12,066</u>	 <u>7,143</u>
DEDUCTIONS		
Administrative fees	1,963	1,104
Contracted services	10,500	-
Police expenditures	8,608	-
Beneficiaries	-	1,200
Other	<u>946</u>	<u>202</u>
 TOTAL DEDUCTIONS	 <u>22,017</u>	 <u>2,506</u>
 CHANGE IN NET POSITION	 (9,951)	 4,637
 NET POSITION AT BEGINNING OF YEAR	 <u>287,920</u>	 <u>142,626</u>
 NET POSITION AT END OF YEAR	 <u>\$ 277,969</u>	 <u>\$ 147,263</u>

See Accompanying Notes to Basic Financial Statements.

City of Newport, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

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, 2017

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 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, 2017

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

City of Newport, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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).

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:

Net Investment in Capital Assets – 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 – consist of net position that is restricted by the City's creditors, by enabling legislation, by grantors (both federal and state), and/or by contributors.

Unrestricted – all other net position 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.

City of Newport, Vermont
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2017 consisted of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
Insured - FDIC	\$ 671,442	\$ 753,415
Uninsured, Collateralized by U.S. Government Securities, Federal Agency Issued Mortgage Backe 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.	1,567,788	1,262,015
Petty Cash	-	786
TOTAL	\$ 2,239,230	\$ 2,016,216

City of Newport, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

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, 2017 consist of the following:

	General Fund	Proprietary Funds	Total
Delinquent Taxes, net of \$313,098 reserves	\$ 54,970	\$ -	\$ 54,970
Penalty and Interest	47,862	-	47,862
Other Receivable	148,189	-	148,189
Notes Receivable	-	2,448	2,448
Water Rents - Billed	-	78,526	78,526
Sewer Rents - Billed	-	80,418	80,418
Sewer Derby Share	-	45	45
Sewer Contracted Works	-	561	561
TOTAL NET RECEIVABLES	\$ 251,021	\$ 161,998	\$ 413,019

NOTE 4 UNEARNED REVENUE

Unearned revenue in the General Fund consists of the following at June 30, 2017:

Project D.A.R.E.	\$ 4,313
Act 60 Reappraisal	37,999
Bike Path Grant	37,771
	\$ 80,083

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, 2017

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	\$ 78,535	\$ 6,275
Comptime	6,539	1,364
Sick - Short-Term	26,172	1,421
	111,246	9,060
Sick - Long-Term	51,787	-
Sick - Bank	13,643	-
	\$ 176,676	\$ 9,060

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 0.85% dated July 1, 2016 and due June 30, 2017. 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 17.

NOTE 7 NOTES AND BONDS PAYABLE

The following is a summary of changes in notes and bonds payable for the year ended June 30, 2017:

	Beginning Balance June 30, 2016	Additions	Deletions	Ending Balance June 30, 2017
<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 installments of \$15,779, matures 6/30/2023.	\$ 101,943	\$ -	\$ 13,712	\$ 88,231

City of Newport, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 NOTES AND BONDS PAYABLE (continued)

	Beginning Balance <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2017</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.	168,424	-	22,655	145,769
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.	3,419	-	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.	2,717,762	-	185,130	2,532,632
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.	188,375	-	9,483	178,892
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>280,000</u>	<u>-</u>	<u>30,000</u>	<u>250,000</u>
TOTAL SEWER FUND	<u>3,459,923</u>	<u>-</u>	<u>264,399</u>	<u>3,195,524</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.	270,434	-	28,265	242,169

City of Newport, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 NOTES AND BONDS PAYABLE (continued)

<u>Water Fund: (cont'd)</u>	<u>Beginning Balance June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2017</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	1,855,136	-	99,744	1,755,392
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>313,630</u>	-	<u>27,358</u>	<u>286,272</u>
TOTAL WATER FUND	<u>2,439,200</u>	-	<u>155,367</u>	<u>2,283,833</u>
TOTAL BUSINESS-TYPE FUNDS	<u>\$ 5,899,123</u>	<u>\$ -</u>	<u>\$ 419,766</u>	<u>\$ 5,479,357</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 443,109	129,938	\$ 573,047
2019	440,908	130,828	571,736
2020	451,485	115,854	567,339
2021	462,362	103,628	565,990
2022	473,551	91,205	564,756
2023-2027	2,151,852	275,835	2,427,687
2028-2032	1,044,457	55,530	1,099,987
2033-2037	<u>11,633</u>	-	<u>11,633</u>
TOTAL	<u>\$ 5,479,357</u>	<u>\$ 902,818</u>	<u>\$ 6,382,175</u>

City of Newport, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 NOTES AND BONDS PAYABLE (continued)

	Beginning Balance <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2017</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. Matures 12/1/16.	\$ 20,000	\$ -	\$ 20,000	\$ -
Vermont Municipal Bond Bank issued 7/1/10, principal and interest at 2.22% due in annual payments of \$35,000. Matures December 2020.	175,000	-	35,000	140,000
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.	2,220	-	2,220	-
Vermont Municipal Bond Bank issued July 14, 2011, Original Amount-\$500,000 with net interest of 2.64% paid in semi annual paymtns Principal paymtns of \$50,000 paid annually each December 1st. Matures November 2021.	300,000	-	50,000	250,000
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.	336,451	-	33,849	302,602
Passumpsic Savings Bank Muni Note issued July 16, 2015 for \$25,256 at 1.34% for three years, paymtns of \$716 due monthly. Matures July 2018.	17,029	-	7,712	9,317
Passumpsic Savings Bank - Promissory Note for financing of a 2017 Ford Explorer, principal and 1.86% interest payments of \$524 due monthly. Matures March 2023.	-	35,660	1,406	34,254

City of Newport, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 NOTES AND BONDS PAYABLE (continued)

	Beginning Balance <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2017</u>
Passumpsic Savings Bank - Promissory Note for financing of a 2017 Ford Taurus, principal and 1.86% interest payments of \$852 due monthly. Matures February 2020.	-	29,810	3,233	26,577
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 850,700</u>	<u>\$ 65,470</u>	<u>\$ 153,420</u>	<u>\$ 762,750</u>

Anticipated maturities are as follows for the Governmental Funds:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 143,660	\$ 18,640	\$ 162,300
2019	137,083	15,290	152,373
2020	134,054	11,772	145,826
2021	128,300	8,198	136,498
2022	94,341	4,990	99,331
2023-2027	<u>125,312</u>	<u>6,125</u>	<u>131,437</u>
TOTAL	<u>\$ 762,750</u>	<u>\$ 65,015</u>	<u>\$ 827,765</u>

NOTE 8 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 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>88,618</u>	<u>2,759</u>	<u>-</u>	<u>91,377</u>
 Total capital assets, not being depreciated	 <u>503,730</u>	 <u>2,759</u>	 <u>-</u>	 <u>506,489</u>

City of Newport, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 CAPITAL ASSETS (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated				
Land improvements	388,550	-	-	388,550
Buildings and improvements	3,670,150	-	-	3,670,150
Equipment	2,021,791	201,836	-	2,223,627
Vehicles	3,646,325	128,084	(154,919)	3,589,515
Infrastructure	<u>4,219,716</u>	<u>51,355</u>	<u>-</u>	<u>4,271,071</u>
 Total capital assets, being depreciated	 <u>13,946,532</u>	 <u>381,275</u>	 <u>(154,919)</u>	 <u>14,142,913</u>
 Accumulated depreciation for				
Land improvements	(309,773)	(8,805)	-	(318,578)
Buildings and improvements	(1,251,327)	(95,431)	-	(1,346,758)
Equipment	(1,164,817)	(152,942)	-	(1,317,759)
Vehicles	(2,386,774)	(182,443)	154,919	(2,414,298)
Infrastructure	<u>(1,548,318)</u>	<u>(203,125)</u>	<u>-</u>	<u>(1,751,443)</u>
 Total accumulated depreciation	 <u>(6,661,009)</u>	 <u>(642,746)</u>	 <u>154,919</u>	 <u>(7,148,836)</u>
 Total capital assets, being depreciated, net	 <u>7,285,523</u>	 <u>(261,471)</u>	 <u>-</u>	 <u>6,994,077</u>
 Governmental activities, capital assets, net	 <u>\$ 7,789,253</u>	 <u>\$ (258,712)</u>	 <u>\$ -</u>	 <u>\$ 7,500,566</u>

Depreciation is allocated in the General Fund as follows:

Public Works	\$ 322,488
Public Safety	256,012
Library	63,445
General Government	<u>801</u>
 TOTAL	 <u>\$ 642,746</u>

City of Newport, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 CAPITAL ASSETS (continued)

<u>Business-type activities:</u>	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Water utility:				
Capital assets, not being depreciated				
Land	\$ 118,713	\$ -	\$ -	\$ 118,713
Construction in progress	<u>-</u>	<u>69,584</u>	<u>-</u>	<u>69,584</u>
Total capital assets, not being depreciated	<u>118,713</u>	<u>69,584</u>	<u>-</u>	<u>188,297</u>
Capital assets, being depreciated				
Equipment and vehicles	263,503	1,341	-	264,844
Water system and improvements	4,976,037	-	-	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>6,642,651</u>	<u>1,341</u>	<u>-</u>	<u>6,643,992</u>
Accumulated depreciation for				
Equipment and vehicles	(184,694)	(17,015)	-	(201,709)
Water system and improvements	(2,342,089)	(146,825)	-	(2,488,914)
Water lines	(329,496)	(44,447)	-	(373,943)
Wells	<u>(302,317)</u>	<u>(23,518)</u>	<u>-</u>	<u>(325,835)</u>
Total accumulated depreciation	<u>(3,158,596)</u>	<u>(231,805)</u>	<u>-</u>	<u>(3,390,401)</u>
Total capital assets, being depreciated, net	<u>3,484,055</u>	<u>(230,464)</u>	<u>-</u>	<u>3,253,591</u>
Water utility, capital assets, net	<u>3,602,768</u>	<u>(160,880)</u>	<u>-</u>	<u>3,441,888</u>
Sewer utility:				
Capital assets, not being depreciated				
Land	2,169	-	-	2,169
Construction in progress	<u>5,280</u>	<u>6,480</u>	<u>-</u>	<u>11,760</u>
Total capital assets, not being depreciated	<u>7,449</u>	<u>6,480</u>	<u>-</u>	<u>13,929</u>

City of Newport, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 CAPITAL ASSETS (continued)

	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Capital assets, being depreciated				
Buildings	338,898	-	-	338,898
Equipment and vehicles	943,151	1,341	-	944,492
Sewer system and improvements	12,975,676	13,672	-	12,989,348
Storm water separation	<u>1,019,610</u>	<u>-</u>	<u>-</u>	<u>1,019,610</u>
 Total capital assets, being depreciated	 <u>15,277,335</u>	 <u>15,013</u>	 <u>-</u>	 <u>15,292,348</u>
 Accumulated depreciation for				
Buildings	(215,665)	(8,473)	-	(224,138)
Equipment and vehicles	(685,836)	(52,308)	-	(738,144)
Sewer system and improvements	(7,933,133)	(451,950)	-	(8,385,083)
Storm water separation	<u>(548,021)</u>	<u>(25,491)</u>	<u>-</u>	<u>(573,512)</u>
 Total accumulated depreciation	 <u>(9,382,655)</u>	 <u>(538,222)</u>	 <u>-</u>	 <u>(9,920,877)</u>
 Total capital assets, being depreciated, net	 <u>5,894,680</u>	 <u>(523,209)</u>	 <u>-</u>	 <u>5,371,471</u>
 Sewer utility, capital assets, net	 <u>5,902,129</u>	 <u>(516,729)</u>	 <u>-</u>	 <u>5,385,400</u>
 Business-type activities, capital assets, net	 <u>\$ 9,504,897</u>	 <u>\$ (677,609)</u>	 <u>\$ -</u>	 <u>\$ 8,827,288</u>

NOTE 9 RESTRICTED/COMMITTED/ASSIGNED FUND BALANCES

Restricted fund balances at June 30, 2017 are as follows:

General Fund:

Restricted for Centennial Celebration \$ 82,000

City of Newport, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 9 RESTRICTED/COMMITTED/ASSIGNED FUND BALANCES

Committed fund balances at June 30, 2017 are as follows:

General Fund:

Committed for FY 18 Budget Deficit	\$ 130,000
Committed for Coventry Sinking Fund	86,989
Committed for Tennis Court Sinking Fund	22,326
Committed for Reappraisal	<u>57,416</u>

Total General Fund	296,731
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Recreation Fund:

Committed for use in the Recreation Fund	28,553
Committed for use in the Mooring Management Fund	<u>5,945</u>

Total Recreation Fund	<u>34,498</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>\$ 331,246</u></u>
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The city expended \$196,357 in fiscal year 2017 that were committed in previous years. The expenditures were for the following:

Fiscal Year 2017 Budget Deficit	\$ 150,000
Bike Path	<u>46,357</u>

TOTAL EXPENDITURES	<u><u>\$ 196,357</u></u>
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Assigned fund balances at June 30, 2017 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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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

City of Newport, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 10 INVESTMENTS

The trust accounts are carried at market value. The balances at June 30, 2017 are as follows:

	Cost	Market Value
East Main Street Cemetery Fund		
Equities	\$ 39,263	\$ 65,884
Fixed Income	131,754	132,130
Total	171,017	198,014
Perley J. Niles Fund		
Equities	21,838	37,528
Fixed Income	75,183	75,413
Total	97,021	112,941
TOTAL	\$ 268,038	\$ 310,955

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.

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.

City of Newport, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 12 PENSION PLAN (continued)

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, 2017 and for the City of Newport, Vermont's reporting period (the year ended June 30, 2017). 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, 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 B – Employers' Allocation as of June 30, 2016

Fiscal Year Ended June 30, 2016				
Employer Contributions	Employer Proportion	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
\$ 146,742	0.96551%	\$ 6,524,049	\$ 5,281,477	\$ 1,242,572

City of Newport, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 12 PENSION PLAN (continued)

Fiscal Year Ended June 30, 2016			
Total Deferred Outflows	Total Deferred Inflows	Net Pension Liability 1% Decrease (6.95% Disc Rate)	Net Pension Liability 1% Decrease (8.95% Disc Rate)
\$ 628,799	\$ (7,129)	\$ 2,062,794	\$ 555,805

Schedule C – Employers’ Allocation of Pension Amounts as of June 30, 2016

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
0.96551%	\$1,242,572	\$ 25,526	\$ 199,553	\$ -	\$ 402,902	\$ 818	\$ 628,799

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	
\$ -	\$ -	\$ -	\$ -	\$ (7,129)	\$ (7,129)	

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
\$ 332,544	\$ (2,420)	\$ 330,124

City of Newport, Vermont
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2017

NOTE 12 PENSION PLAN (continued)

Schedule D – Employers’ Allocation of Recognition of Deferred Outflows/Inflows as of June 30, 2016

Fiscal Year Ending June 30,					
2017	2018	2019	2020	2021	Thereafter
\$161,091	\$161,091	\$229,971	\$ 69,516	\$ -	\$ -

Schedule E – Contributions History for Fiscal Years 2014-2016

FY 2016	FY 2015	FY 2014
\$146,742	\$134,620	\$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_and_publications/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, 2016, the retirement system consisted of 441 participating employers.

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

City of Newport, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 12 PENSION PLAN (continued)

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, 2017

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.

City of Newport, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 12 PENSION PLAN (continued)

Death Benefit

Eligibility Death after 5 years of service.

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

Group A – 2.5%

Group B – 4.875%

Group C – 10.00%

Group D – 11.35%

Employer Contributions

Group A – 4.0%

Group B – 5.5%

Group C – 7.25%

Group D – 9.85%

Retirement Stipend

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

City of Newport, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 12 PENSION PLAN (continued)

Significant Actuarial Assumptions and Methods

Interest Rate: 7.95% per annum.

Salary Increases: 5% per year

Deaths:

Groups A, B and C: RP-2000 Tables for Employees and Healthy Annuitant projected 10 years from the valuation date with Scale BB with a 60% Blue Collar and 40% White Collar adjustment.

Group D: RP-2000 Tables for Employees and Healthy Annuitants projected 10 years from the valuation date with Scale BB with a 100% Blue Collar adjustment.

The post-retirement mortality assumption was chosen to recognize improved longevity experience after the valuation date.

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.

Actuarial Cost Method: Projected benefit cost method. The unfunded accrued liability is amortized in installments increasing by 5% per year.

Asset Valuation Method (for funding purposes): Invested assets are reported at fair value. 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% per year.

City of Newport, Vermont
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2017

NOTE 13 PROPERTY TAXES

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, 2016 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Equity	8.54%
Fixed Income	2.36%
Alternatives	8.35%
Multi-strategy	4.90%

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 7.95%. 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 7.95 percent, as well as what the proportionate share would be if it were calculated using a discount rate that is one percent lower (6.95 %) or one percent higher (8.95%):

1% Decrease (6.95%)	Discount Rate (7.95%)	1% Increase (8.95%)
\$ 2,062,794	\$ 1,242,572	\$ 555,805

City of Newport, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 13 PROPERTY TAXES (continued)

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, 2017, the tax rate is as follows:

	<u>Non-Residential</u>	<u>Residential</u>
City	\$ 1.2521	\$ 1.2521
School	<u>1.7487</u>	<u>1.6132</u>
 TOTAL	 <u>\$ 3.0008</u>	 <u>\$ 2.8653</u>

NOTE 14 INTERFUND RECEIVABLE AND PAYABLE BALANCES

Individual Fund Interfund Receivable and Payable balances are as follows at June 30, 2017:

	<u>Interfund Receivables</u>	<u>Interfund Payable</u>
General Fund	\$ -	\$ 422,287
Capital Projects Fund	17	-
Other Governmental Funds	-	5,483
Sewer Disposal Fund	353,203	-
Water Utility Fund	92,041	-
Expendable Trust Funds	-	16,497
Non-Expendable Trust Funds	<u>-</u>	<u>994</u>
 Total Fund Financial Statement Balances	 <u>\$ 445,261</u>	 <u>\$ 445,261</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, 2017

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 SUBSEQUENT EVENTS

On July 3, 2017 the City signed a tax anticipation line of credit with Passumpsic Savings Bank for \$1,000,000 at the interest rate of 1.4%, due June 30, 2018.

In accordance with Accounting Standards, the City has evaluated subsequent events through September 6, 2017, which is the date these basic financial statements were available to be issued. All subsequent events requiring recognition as of June 30, 2017, 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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
TAXES				
Property Taxes	\$ 7,103,915	\$ 7,103,896	\$ 7,022,656	\$ (81,240)
Appropriations	151,968	151,968	151,968	-
Fish & Wildlife Taxes	500	500	404	(96)
Payments in Lieu of Taxes	<u>428,875</u>	<u>428,875</u>	<u>432,938</u>	<u>4,063</u>
 TOTAL TAXES	 <u>7,685,258</u>	 <u>7,685,239</u>	 <u>7,607,966</u>	 <u>(77,273)</u>
 GENERAL GOVERNMENT				
City Clerk/Treasurer:				
Reimbursements	16,500	16,500	23,270	6,770
Licenses and Fees	78,060	78,900	55,763	(23,137)
Interest/penalties on Delinquent Taxes	55,000	63,000	78,129	15,129
Corrections Contract	77,000	77,000	79,081	2,081
Reappraisal	-	15,000	99,821	84,821
Centennial Contribution	-	-	82,000	82,000
Miscellaneous Revenues	<u>23,800</u>	<u>23,800</u>	<u>66,501</u>	<u>42,701</u>
 TOTAL GENERAL GOVERNMENT	 <u>250,360</u>	 <u>274,200</u>	 <u>484,565</u>	 <u>210,365</u>
 PUBLIC SAFETY				
Police Department:				
Evidence Forfeiture	2,000	2,000	1,888	(112)
Task Force and Block Grant	-	-	76,903	76,903
Traffic Court Fines	10,500	12,500	11,259	(1,241)
District Court Fines	-	-	107	107
Accident Reports	2,000	2,000	1,395	(605)
Other Public safety grants	213,542	213,542	246,716	33,174
Miscellaneous	<u>48,044</u>	<u>48,044</u>	<u>12,226</u>	<u>(35,818)</u>
Total Police Department	<u>276,086</u>	<u>278,086</u>	<u>350,494</u>	<u>72,408</u>
Fire Department:				
Labor and Materials	<u>46,500</u>	<u>46,500</u>	<u>36,530</u>	<u>(9,970)</u>
Total Fire Department	<u>46,500</u>	<u>46,500</u>	<u>36,530</u>	<u>(9,970)</u>
 TOTAL PUBLIC SAFETY	 <u>322,586</u>	 <u>324,586</u>	 <u>387,024</u>	 <u>62,438</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, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
PUBLIC WORKS				
Street Department:				
Street Dept. St. Aid to Highway	138,500	138,500	136,692	(1,808)
Street Dept. Labor and Materials	-	6,000	39,904	33,904
Other Income	-	2,000	18,063	16,063
Lane Mileage	-	-	1,590	1,590
Public works grants	<u>2,000</u>	<u>2,000</u>	<u>3,405</u>	<u>1,405</u>
TOTAL PUBLIC WORKS	<u>140,500</u>	<u>148,500</u>	<u>199,654</u>	<u>51,154</u>
CULTURE AND RECREATION				
Prouty Beach:				
Admissions	5,200	5,200	3,089	(2,111)
Camping	110,000	110,000	116,245	6,245
Electric fees	5,000	5,000	4,182	(818)
Miscellaneous	-	-	2,937	2,937
Total Prouty Beach	<u>120,200</u>	<u>120,200</u>	<u>126,453</u>	<u>6,253</u>
Miscellaneous Recreation:				
Bike Path Revenues	2,361	2,361	2,361	-
Miscellaneous	17,000	17,000	35,803	18,803
Summer Programs	10,000	15,000	24,364	9,364
Track and Field	1,000	1,000	-	(1,000)
Municipal Building	3,250	3,250	3,640	390
Boat Wash Station	250	250	287	37
School Break Camps	7,000	9,000	10,785	1,785
Gateway Kitchen	-	-	450	450
Annual Events	-	-	37,347	37,347
Total Miscellaneous Recreation	<u>40,861</u>	<u>47,861</u>	<u>115,037</u>	<u>67,176</u>
Gardner Park:				
Miscellaneous Receipts & Donations	-	-	18	18
Utilities	-	275	-	(275)
Salary reimbursement	3,000	4,000	13,645	9,645
Rental	<u>2,000</u>	<u>2,500</u>	<u>1,004</u>	<u>(1,496)</u>
Total Gardner Park	<u>5,000</u>	<u>6,775</u>	<u>14,667</u>	<u>7,892</u>
Senior Center:				
Salary reimbursement	<u>3,000</u>	<u>3,000</u>	<u>2,791</u>	<u>(209)</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, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Waterfront:				
Gasoline Sales	85,000	88,000	47,134	(40,866)
Boatslip Rentals	30,000	31,000	36,931	5,931
Overnight Rentals	4,000	4,000	2,843	(1,157)
Miscellaneous Rents	1,800	2,800	7,182	4,382
Miscellaneous	2,500	2,500	3,780	1,280
Gateway Center	25,000	12,000	13,111	1,111
Truency Office Rental	-	-	50	50
Gateway Center-Snack Bar	300	500	-	(500)
Total Waterfront	<u>148,600</u>	<u>140,800</u>	<u>111,031</u>	<u>(29,769)</u>
 TOTAL CULTURE AND RECREATION	 <u>317,661</u>	 <u>318,636</u>	 <u>369,979</u>	 <u>51,343</u>
 INVESTMENT INCOME	 <u>3,450</u>	 <u>3,450</u>	 <u>2,508</u>	 <u>(942)</u>
 TOTAL REVENUES	 <u>8,719,815</u>	 <u>8,754,611</u>	 <u>9,051,696</u>	 <u>297,085</u>
 EXPENDITURES				
GENERAL GOVERNMENT				
City Council	14,150	14,150	11,252	2,898
City Manager Department	55,020	55,020	60,555	(5,535)
Delinquent Tax Collector	4,350	4,350	4,110	240
Election Expense	11,500	11,500	6,257	5,243
City Treasurer	91,220	91,220	97,186	(5,966)
Audit and City Report	34,000	34,000	35,245	(1,245)
Tax Listing	25,900	25,900	33,471	(7,571)
City Clerk Department	95,800	95,800	91,395	4,405
Legal Expense	10,500	10,500	66,028	(55,528)
Planning & Zoning	40,200	40,200	39,558	642
Reappraisal	6,000	6,000	99,821	(93,821)
Municipal Building	92,355	92,355	97,558	(5,203)
 TOTAL GENERAL GOVERNMENT	 <u>480,995</u>	 <u>480,995</u>	 <u>642,436</u>	 <u>(161,441)</u>
 PUBLIC SAFETY				
Police Department				
Administration	119,887	119,887	120,798	(911)
Patrol	933,516	933,516	1,049,546	(116,030)
Dispatch Services	73,500	73,500	79,263	(5,763)
Operation Stonegarden	20,000	20,000	11,460	8,540
Animal Control	4,800	4,800	3,014	1,786
Police Contracted Services	43,243	43,243	7,543	35,700
Total Police Department	<u>1,194,946</u>	<u>1,194,946</u>	<u>1,271,624</u>	<u>(76,678)</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, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Fire Department				
Fire Fighting	116,553	116,553	110,775	5,778
Fire Training	2,500	2,500	1,335	1,165
Fire Communications	4,500	4,500	4,313	187
Fire Station	12,100	12,100	10,117	1,983
Fire Trucks & Equipment	58,500	58,500	12,271	46,229
Total Fire Department	<u>194,153</u>	<u>194,153</u>	<u>138,811</u>	<u>55,342</u>
 TOTAL PUBLIC SAFETY	 <u>1,389,099</u>	 <u>1,389,099</u>	 <u>1,410,435</u>	 <u>(21,336)</u>
 PUBLIC WORKS				
Public Works Administration	80,558	80,558	96,941	(16,383)
Street Maintenance	213,163	213,163	223,713	(10,550)
Winter Maintenance	340,900	340,900	322,620	18,280
Garage and Facilities	36,850	36,850	34,410	2,440
City Property	50,452	50,452	35,840	14,612
Storm Maintenance	80,870	80,870	47,240	33,630
Traffic Maintenance	145,000	145,000	124,830	20,170
Private Work expenditures	-	-	121	(121)
 TOTAL PUBLIC WORKS	 <u>947,793</u>	 <u>947,793</u>	 <u>885,715</u>	 <u>62,078</u>
 CULTURE AND RECREATION				
Administration	87,397	87,397	77,747	9,650
Senior Citizens	6,000	6,000	5,959	41
Prouty Beach and Swimming	82,350	82,350	99,409	(17,059)
Recreational Programs	64,920	64,920	101,305	(36,385)
Annual Events	25,000	25,000	47,710	(22,710)
Gardner Park	110,130	110,130	69,753	40,377
Waterfront	180,150	180,150	108,239	71,911
 TOTAL CULTURE AND RECREATION	 <u>555,947</u>	 <u>555,947</u>	 <u>510,122</u>	 <u>45,825</u>
 OTHER EXPENSES & APPROPRIATIONS				
Conservation & Development	25,517	25,517	28,204	(2,687)
Health & Welfare	22,745	22,745	7,751	14,994
Recycling Project	40,961	40,961	57,501	(16,540)
County Tax	46,000	46,000	47,424	(1,424)
Renaissance Project	25,000	25,000	25,000	-
General Insurance	16,544	16,544	18,858	(2,314)
Claims and Damages	1,500	1,500	4,593	(3,093)
Employment Practices Insurance	10,990	10,990	14,038	(3,048)
Public Official Liability	5,500	5,500	6,552	(1,052)

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, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Miscellaneous	1,000	1,000	7,378	(6,378)
Advertise City Ordinance	1,000	1,000	255	745
Newport Ambulance, Inc.	105,133	105,133	105,133	-
Adult Learning Center- Appropriations	2,000	2,000	2,000	-
Area Agency on Aging- Appropriations	7,000	7,000	7,000	-
Frontier Animal Society- Appropriations	2,000	2,000	2,000	-
Goodrich Memorial Library- Appropriations	101,000	101,000	101,000	-
Home Health Agency- Appropriations	17,500	17,500	17,500	-
N.E.K. Mental Health- Appropriations	4,818	4,818	4,818	-
Orleans County Historical Society- Appropriations	1,150	1,150	1,150	-
Orleans County Citizens- Appropriations	2,000	2,000	2,000	-
Rural Community Transit- Appropriations	11,000	11,000	11,000	-
Step O.N.E.- Appropriations	3,500	3,500	3,500	-
TOTAL OTHER EXPENSES & APPROPRIATIONS	<u>453,858</u>	<u>453,858</u>	<u>474,655</u>	<u>(20,797)</u>
PERSONNEL EXPENSES				
Unemployment Compensation	27,570	27,570	3,907	23,663
Worker's Compensation	77,796	77,796	100,309	(22,513)
Employee's Group Insurance	355,008	355,008	317,443	37,565
Social Security Tax	149,390	149,390	146,297	3,093
Municipal Retirement	114,220	114,220	122,017	(7,797)
TOTAL PERSONNEL EXPENSES	<u>723,984</u>	<u>723,984</u>	<u>689,973</u>	<u>34,011</u>
CAPITAL OUTLAY				
Street Repairs and Maintenance	150,000	150,000	148,624	1,376
Vehicles	49,500	49,500	84,058	(34,558)
Gateway Maintenance	5,000	5,000	1,637	3,363
Lease/Purchase Equipment	-	-	35,660	(35,660)
Zero Turn Mower	7,804	7,804	12,240	(4,436)
Telephone System	10,000	10,000	9,056	944
Tax/Parcel Maps	5,000	5,000	-	5,000
TOTAL CAPITAL OUTLAY	<u>227,304</u>	<u>227,304</u>	<u>291,275</u>	<u>(63,971)</u>
DEBT SERVICE & SINKING FUNDS				
Debt Principal Payments	161,187	161,187	149,365	11,822
Interest on Notes	8,317	8,317	8,710	(393)
Interest on Bonds	11,944	11,944	17,134	(5,190)
Tennis Court Sinking Fund	1,440	1,440	-	1,440
TOTAL DEBT SERVICE & SINKING FUNDS	<u>182,888</u>	<u>182,888</u>	<u>175,209</u>	<u>7,679</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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
SCHOOL APPROPRIATION	<u>3,989,100</u>	<u>3,989,100</u>	<u>3,989,100</u>	<u>-</u>
TOTAL EXPENDITURES	<u>8,950,968</u>	<u>8,950,968</u>	<u>9,068,920</u>	<u>(117,952)</u>
EXCESS/(DEFICIENCY) OF REVENUES OVER/(UNDER) EXPENDITURES	<u>(231,153)</u>	<u>(196,357)</u>	<u>(17,224)</u>	<u>179,133</u>
OTHER FINANCING SOURCES				
Proceeds From long term debt	<u>-</u>	<u>-</u>	<u>65,470</u>	<u>65,470</u>
NET CHANGE IN FUND BALANCE	<u>(231,153)</u>	<u>(196,357)</u>	<u>48,246</u>	<u>244,603</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>704,878</u>	<u>704,878</u>	<u>704,878</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 473,725</u>	<u>\$ 508,521</u>	<u>\$ 753,124</u>	<u>\$ 244,603</u>

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, 2017

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
City's proportion of the net pension liability (asset)	0.9655%	0.9631%	0.9864%	0.9995%
City's proportionate share of the net pension liability (asset)	<u>\$ 1,242,572</u>	<u>\$ 742,473</u>	<u>\$ 90,028</u>	<u>\$ 363,898</u>
City's covered-employee payroll	<u>\$ 2,141,622</u>	<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	58.02%	35.32%	4.58%	18.97%
Plan fiduciary net position as a percentage of the total pension liability	80.95%	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, 2017.

See Accompanying Notes to Basic Financial Statements.

OTHER SUPPLEMENTARY INFORMATION

City of Newport, Vermont
 OTHER SUPPLEMENTARY INFORMATION
 COMBINING BALANCE SHEET -
 NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2017

ASSETS

	Special Revenue		
	Recreation Fund	Mooring Management Fund	Total Non-Major Governmental Funds
ASSETS			
Cash	\$ 40,138	\$ -	\$ 40,138
Due from other funds	-	6,102	6,102
TOTAL ASSETS	\$ 40,138	\$ 6,102	\$ 46,240

LIABILITIES AND FUND BALANCES

LIABILITIES

Accrued Wages	\$ -	\$ 157	\$ 157
Due to other funds	11,585	-	11,585
TOTAL LIABILITIES	11,585	157	11,742
FUND BALANCES			
Committed	28,553	5,945	34,498
TOTAL LIABILITIES AND FUND BALANCES	\$ 40,138	\$ 6,102	\$ 46,240

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, 2017

	<u>Special Revenue</u>		
	<u>Recreation Fund</u>	<u>Mooring Management Fund</u>	<u>Total Non-Major Governmental Funds</u>
REVENUES			
Recreation and Culture	\$ 137	\$ 5,971	\$ 6,108
Investment Income	<u>7</u>	<u>-</u>	<u>7</u>
TOTAL REVENUES	<u>144</u>	<u>5,971</u>	<u>6,115</u>
EXPENDITURES			
Culture and Recreation	<u>(90)</u>	<u>6,210</u>	<u>6,120</u>
CHANGE IN FUND BALANCE	234	(239)	(5)
FUND BALANCE AT BEGINNING OF YEAR	<u>28,319</u>	<u>6,184</u>	<u>34,503</u>
FUND BALANCE AT END OF YEAR	<u>\$ 28,553</u>	<u>\$ 5,945</u>	<u>\$ 34,498</u>

City of Newport, Vermont
 OTHER SUPPLEMENTARY INFORMATION
 COMBINING STATEMENT OF NET POSITION -
 EXPENDABLE TRUST FUNDS
 June 30, 2017

ASSETS

	<u>Police Public Safety Fund</u>	<u>East Main Street Cemetery Fund</u>	<u>Community Development Block Grant Fund</u>	<u>Total</u>
CASH				
Checking	\$ 27,040	\$ 3,640	\$ -	\$ 30,680
Savings and money markets	<u>-</u>	<u>34,135</u>	<u>31,637</u>	<u>65,772</u>
TOTAL CASH	<u>27,040</u>	<u>37,775</u>	<u>31,637</u>	<u>96,452</u>
DUE FROM OTHER FUNDS	<u>6,496</u>	<u>-</u>	<u>18</u>	<u>6,514</u>
INVESTMENTS				
Trust Account	<u>-</u>	<u>198,014</u>	<u>-</u>	<u>198,014</u>
TOTAL ASSETS	<u>\$ 33,536</u>	<u>\$ 235,789</u>	<u>\$ 31,655</u>	<u>\$ 300,980</u>

LIABILITIES AND NET POSITION

LIABILITIES				
Due to other Funds	<u>\$ -</u>	<u>\$ 23,011</u>	<u>\$ -</u>	<u>\$ 23,011</u>
NET POSITION	<u>33,536</u>	<u>212,778</u>	<u>31,655</u>	<u>277,969</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 33,536</u>	<u>\$ 235,789</u>	<u>\$ 31,655</u>	<u>\$ 300,980</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, 2017

	Police Public Safety Fund	East Main Street Cemetery Fund	Community Development Block Grant Fund	Total
ADDITIONS				
Interest Income	\$ 25	\$ 4	\$ 51	\$ 80
Dividend Income	-	6,284	-	6,284
Other	-	50	-	50
Net gain from investments	<u>-</u>	<u>5,652</u>	<u>-</u>	<u>5,652</u>
TOTAL ADDITIONS	<u>25</u>	<u>11,990</u>	<u>51</u>	<u>12,066</u>
DEDUCTIONS				
Administrative Fees	-	1,963	-	1,963
Contracted Services	-	10,500	-	10,500
Police Expenditures	8,608	-	-	8,608
Other	<u>-</u>	<u>946</u>	<u>-</u>	<u>946</u>
TOTAL DEDUCTIONS	<u>8,608</u>	<u>13,409</u>	<u>-</u>	<u>22,017</u>
NET ADDITIONS	(8,583)	(1,419)	51	(9,951)
CHANGE IN NET POSITION	(8,583)	(1,419)	51	(9,951)
NET POSITION AT BEGINNING OF YEAR	<u>42,119</u>	<u>214,197</u>	<u>31,604</u>	<u>287,920</u>
NET POSITION AT END OF YEAR	<u>\$ 33,536</u>	<u>\$ 212,778</u>	<u>\$ 31,655</u>	<u>\$ 277,969</u>

City of Newport, Vermont
 OTHER SUPPLEMENTARY INFORMATION
 COMBINING STATEMENT OF NET POSITION -
 NON-EXPENDABLE TRUST FUNDS
 June 30, 2017

ASSETS

	<u>Perley J. Niles Fund</u>
CASH	
Checking Account	\$ 35,316
INVESTMENTS	<u>112,941</u>
TOTAL ASSETS	<u>\$ 148,257</u>

LIABILITIES AND NET POSITION

LIABILITIES	
Due to Other Funds	\$ 994
NET POSITION	
Reserved for trust funds	62,000
Unreserved	<u>85,263</u>
TOTAL NET POSITION	<u>147,263</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 148,257</u>

City of Newport, Vermont
 OTHER SUPPLEMENTARY INFORMATION
 STATEMENT OF CHANGES IN NET POSITION -
 NON-EXPENDABLE TRUST FUNDS
 For the Year Ended June 30, 2017

	<u>Perley J. Niles Fund</u>
ADDITIONS	
Dividend Income	\$ 3,519
Other Income	400
Net gain on investments	<u>3,224</u>
TOTAL ADDITIONS	<u>7,143</u>
DEDUCTIONS	
Administrative Fees	1,104
Advertising	117
Legal	85
Beneficiaries	<u>1,200</u>
TOTAL DEDUCTIONS	<u>2,506</u>
CHANGE IN NET POSITION	4,637
NET POSITION AT BEGINNING OF YEAR	<u>142,626</u>
NET POSITION AT END OF YEAR	<u>\$ 147,263</u>