

City of Newport, Vermont
BASIC FINANCIAL STATEMENTS
June 30, 2018

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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, 2018, 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, 2018, 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, the schedule of proportionate share of the net pension liability on page 44 and the schedule of contributions on page 45 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.



City of Newport, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

As management of the City of Newport, we offer readers of the City of Newport's financial statements this narrative overview and analysis of the financial activities of the City of Newport for the fiscal year ended June 30, 2018.

Financial Highlights

- The assets of the City of Newport exceeded its liabilities at the close of the most recent fiscal year by \$12,069,863 (net position). Of this amount, \$2,156,736 (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 \$4,483,691, which means that if we were to liquidate the water/sewer funds we would have a cash surplus of \$4,483,691. Net position attributable to business-type activities increased by \$132,333 during the last fiscal year.
- As of the close of the current fiscal year, the City of Newport's governmental funds reported combined ending fund balances of \$1,404,058. Of this total amount, \$628,749 is available for spending at the government's discretion (unassigned fund balance). Management has committed \$675,309 of the fund balance for particular purposes as 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, 2018

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 46 and 47.

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, 2018

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 \$12,069,863 at the close of the most recent fiscal year.

By far the largest portion of the City of Newport's total net position (80%) reflects its investment in capital assets (e.g. land, buildings, equipment and infrastructure) less any related debt used to acquire those assets that are still outstanding. The City of Newport uses these capital assets to provide services to its citizens: consequently, these assets are not available for future spending. Although the City of Newport's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At the close of the fiscal year the City of Newport did not have any net 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
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City of Newport, Vermont's Net Position
June 30, 2018

	Governmental Activities		Business-Type Activities		Total	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 2,663,214	\$ 1,915,873	\$ 1,237,991	\$ 1,145,152	\$ 3,901,205	\$ 3,061,025
Capital assets	7,208,479	7,530,541	8,400,505	8,827,288	15,608,984	16,357,829
Deferred outflows	<u>530,921</u>	<u>669,969</u>	<u>71,806</u>	<u>109,279</u>	<u>602,727</u>	<u>779,248</u>
 Total Assets and Deferred Outflows	<u>\$10,402,614</u>	<u>\$10,116,383</u>	<u>\$ 9,710,302</u>	<u>\$10,081,719</u>	<u>\$20,112,916</u>	<u>\$20,198,102</u>
 Other liabilities	\$ 1,151,153	\$ 918,568	\$ 25,288	\$ 70,582	\$ 1,176,441	\$ 989,150
Net pension liabilities	968,086	1,063,150	148,067	179,422	1,116,153	1,242,572
Notes and bonds payable	649,106	762,750	5,046,751	5,479,357	5,695,857	6,242,107
Deferred inflows	<u>48,097</u>	<u>6,129</u>	<u>6,505</u>	<u>1,000</u>	<u>54,602</u>	<u>7,129</u>
 Total Liabilities and Deferred Inflows	<u>\$ 2,816,442</u>	<u>\$ 2,750,597</u>	<u>\$ 5,226,611</u>	<u>\$ 5,730,361</u>	<u>\$ 8,043,053</u>	<u>\$ 8,480,958</u>
 Net Investment in capital assets	6,559,373	6,767,791	3,353,754	3,347,931	9,913,127	10,115,722
Restricted	-	82,000	-	-	-	82,000
Unrestricted	<u>1,026,799</u>	<u>515,995</u>	<u>1,129,937</u>	<u>1,003,427</u>	<u>2,156,736</u>	<u>1,519,422</u>
 Total Net Position	<u>\$ 7,586,172</u>	<u>\$ 7,365,786</u>	<u>\$ 4,483,691</u>	<u>\$ 4,351,358</u>	<u>\$12,069,863</u>	<u>\$11,717,144</u>

Governmental activities – Governmental activities increased the City of Newport's net position by \$220,386 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 \$322,062.

City of Newport, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

City of Newport, Vermont's Changes in Net Position
June 30, 2018

	Governmental Activities		Business-Type Activities		Total	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues						
Program Revenues:						
Charges for services	\$ 725,952	\$ 762,105	\$ 2,400,780	\$ 2,417,317	\$ 3,126,732	\$ 3,179,422
Operating grants	470,712	563,859	32,536	24,000	503,248	587,859
Capital grants	86,529	-	-	-	86,529	-
General Revenues:						
Property taxes	8,559,915	7,753,069	-	-	8,559,915	7,753,069
Investment earnings	34,220	29,392	19,605	23,094	53,825	52,486
Other revenues	<u>287,245</u>	<u>51,625</u>	<u>2,750</u>	<u>6,626</u>	<u>289,995</u>	<u>58,251</u>
Total Revenues	<u>10,164,573</u>	<u>9,160,050</u>	<u>2,455,671</u>	<u>2,471,037</u>	<u>12,620,244</u>	<u>11,631,087</u>
Expenses						
Governmental activities:						
General	1,457,349	1,514,532	-	-	1,457,349	1,514,532
Public Safety	1,665,982	1,458,300	-	-	1,665,982	1,458,300
Public Works	1,361,307	1,317,072	-	-	1,361,307	1,317,072
Library	101,000	101,000	-	-	101,000	101,000
Interest on long-term debt	36,746	40,408	-	-	36,746	40,408
Education, recreation, health and welfare	5,321,803	4,888,499	-	-	5,321,803	4,888,499
Business-type activities:						
Water	-	-	734,583	779,333	734,583	779,333
Sewer	-	-	<u>1,588,755</u>	<u>1,570,796</u>	<u>1,588,755</u>	<u>1,570,796</u>
Total Expenses	<u>9,944,187</u>	<u>9,319,811</u>	<u>2,323,338</u>	<u>2,350,129</u>	<u>12,267,525</u>	<u>11,669,940</u>
Change in net position	220,386	(159,761)	132,333	120,908	352,719	(38,853)
Net position, beginning	<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>
Net position, ending	<u>\$7,586,172</u>	<u>\$7,365,786</u>	<u>\$4,483,691</u>	<u>\$4,351,358</u>	<u>\$12,069,863</u>	<u>\$11,717,144</u>

Business-type activities – Business-type activities increased the City of Newport's net position by \$132,333 during the current fiscal year. The water fund had income of \$117,540 while the sewer fund had an income of \$14,793. Key elements of this change are as follows:

- Water charges and rents increased revenue by \$53,052 from the previous year while operating expenses increased by \$1,689. We had a decrease in net income of \$10,075 from the prior year in the Water Fund. Total water distribution expenses totaled \$71,847, an increase of \$4,290 from the previous year.

City of Newport, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

- Sewer charges and rents increased in revenue by \$41,175 and discharge fees increased by \$12,469 from the previous year, while operating expenses increased by \$17,860. Interest expense increased by \$99 from the prior year. The Sewer Fund has a receivable from the General Fund of \$435,591, which is an increase of \$82,388 from the prior year's receivable of \$53,203.
- Depreciation expense for the sewer fund is \$543,711 as compared to last year's \$538,222; and \$233,935 from last year's \$231,805 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 \$1,404,058 an increase of \$616,419 in comparison to the prior year. Approximately 97% of the total fund balance (\$1,364,158) constitutes general fund equity, which is available for spending at the government's discretion. The City of Newport has available \$628,749 of this fund balance for various purposes, including capital reserve funds and expenditures in subsequent periods. The City of Newport has committed \$675,309 for specific budget items and \$100,000 is a restricted donation to the city.

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 (\$628,749) represents approximately 6.5% of general fund expenditures (\$9,700,935), while total fund balance (\$1,364,158) represents approximately 14% of that same amount.

During the year ending June 30, 2018 the Fund Balance of the City of Newport's general fund increased by \$611,034 (from \$753,124 to \$1,364,158). Key factors in this change are as follows:

- We budgeted for a net change in fund balance in the amount of \$130,000.
- Recreation programs over spent by \$54,000 and brought in \$37,400 more than anticipated.
- Some key paving projects were delayed until early FY 19.

Special revenue funds consist primarily of the Recreation Fund (\$33,022) and the Mooring Management Fund (\$6,861). The Recreation Fund is used to ensure that monies donated to the Recreation and Parks Department is solely used to benefit Recreation and Parks. The Mooring Management Fund is used so that the City receives no net income from the Mooring Management of Public Waters. Also, the Mooring Management Fund will insure no net expense over time to City taxpayers.

City of Newport, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

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 \$322,062 to a total of \$7,208,479. 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, 2018 our capital investment, net of depreciation increased by \$426,783 to \$8,827,288 (sewer \$5,052,979, water \$3,347,526).

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

- A police cruiser was financed in the amount of \$31,963
- Two ATV's & a trailer were purchased entirely with grant funds in the amount of \$38,800
- A Recreation vehicle was purchased in the amount of \$26,818
- Public Works acquired an excavator at a cost of \$114,228 with \$48,854 funded by a USDA grant
- Public Works purchased a loader at a cost of \$111,650
- Public Works purchased additional equipment of a line striper and a mower at a cost of \$18,849
- The Fire Department purchased new gear at a cost of \$43,614 with \$33,333 of the total cost funded by a USDA grant.

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 \$5,695,857. Of this amount, \$5,145,682 represents low to no-interest loans issued by the State of Vermont, \$344,106 represents loans with local banks and the remaining \$206,079 represents bonded debt backed by the full faith and credit of the City of Newport.

The City of Newport's total debt decreased by \$353,750 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, 2018

ASSETS AND DEFERRED OUTFLOWS

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
CURRENT ASSETS			
Cash	\$ 1,943,729	\$ 563,678	\$ 2,507,407
Taxes receivable	343,939	-	343,939
Accounts receivable	-	173,093	173,093
Other receivables	368,378	-	368,378
Due from other funds	-	501,220	501,220
Prepaid expenses	7,168	-	7,168
TOTAL CURRENT ASSETS	<u>2,663,214</u>	<u>1,237,991</u>	<u>3,901,205</u>
CAPITAL ASSETS, net of depreciation	<u>7,208,479</u>	<u>8,400,505</u>	<u>15,608,984</u>
DEFERRED OUTFLOWS	<u>530,921</u>	<u>71,806</u>	<u>602,727</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 10,402,614</u>	<u>\$ 9,710,302</u>	<u>\$ 20,112,916</u>

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

CURRENT LIABILITIES			
Current portion notes and bonds payable	\$ 150,439	\$ 440,908	\$ 591,347
Accounts payable	319,359	-	319,359
Accrued wages	83,731	5,371	89,102
Accrued liabilities	1,434	6,479	7,913
Accrued vacation/sick/comptime	176,132	13,438	189,570
Due to other funds	521,733	-	521,733
Unearned revenue	39,944	-	39,944
Tax deposits	8,820	-	8,820
TOTAL CURRENT LIABILITIES	<u>1,301,592</u>	<u>466,196</u>	<u>1,767,788</u>
LONG-TERM LIABILITIES			
Net pension liabilities	968,086	148,067	1,116,153
Notes and bonds payable	498,667	4,605,843	5,104,510
TOTAL LONG-TERM LIABILITIES	<u>1,466,753</u>	<u>4,753,910</u>	<u>6,220,663</u>
TOTAL LIABILITIES	<u>2,768,345</u>	<u>5,220,106</u>	<u>7,988,451</u>
DEFERRED INFLOWS	<u>48,097</u>	<u>6,505</u>	<u>54,602</u>
NET POSITION			
Net investment in capital assets	6,559,373	3,353,754	9,913,127
Unrestricted	1,026,799	1,129,937	2,156,736
TOTAL NET POSITION	<u>7,586,172</u>	<u>4,483,691</u>	<u>12,069,863</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 10,402,614</u>	<u>\$ 9,710,302</u>	<u>\$ 20,112,916</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, 2018

	<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>Capital Grants & Revenues</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>
<u>Functions/Programs</u>							
Governmental activities:							
Current:							
General government	\$ 1,457,349	\$ 176,589	\$ 205,955	\$ -	\$ (1,074,805)	\$ -	\$ (1,074,805)
Public safety	1,665,982	160,768	104,446	64,206	(1,336,562)	-	(1,336,562)
Public works	1,361,307	220	157,481	22,323	(1,181,283)	-	(1,181,283)
Recreation, health, education and welfare	5,321,803	388,375	2,830	-	(4,930,598)	-	(4,930,598)
Library	101,000	-	-	-	(101,000)	-	(101,000)
Interest on long-term debt	36,746	-	-	-	(36,746)	-	(36,746)
Total governmental activities	<u>9,944,187</u>	<u>725,952</u>	<u>470,712</u>	<u>86,529</u>	<u>(8,660,994)</u>	<u>-</u>	<u>(8,660,994)</u>
Business-type activities:							
Water	734,583	826,352	16,268	-	-	108,037	108,037
Sewer	1,588,755	1,574,428	16,268	-	-	1,941	1,941
Total business-type activities	<u>\$ 2,323,338</u>	<u>\$ 2,400,780</u>	<u>\$ 32,536</u>	<u>-</u>	<u>-</u>	<u>109,978</u>	<u>109,978</u>
General Revenues:							
Property taxes, levied for general purposes					8,559,915	-	8,559,915
Unrestricted investment earnings					34,220	19,605	53,825
Donations					211,889	-	211,889
Miscellaneous					75,356	2,750	78,106
Total general revenues and transfers					<u>8,881,380</u>	<u>22,355</u>	<u>8,903,735</u>
Change in Net Position					220,386	132,333	352,719
Net Position, beginning					<u>7,365,786</u>	<u>4,351,358</u>	<u>11,717,144</u>
Net Position, ending					<u>\$ 7,586,172</u>	<u>\$ 4,483,691</u>	<u>\$ 12,069,863</u>

See Accompanying Notes to Basic Financial Statements.

City of Newport, Vermont
 FUND FINANCIAL STATEMENTS
 BALANCE SHEET - GOVERNMENTAL FUNDS
 June 30, 2018

ASSETS

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash	\$ 1,691,451	\$ -	\$ 252,278	\$ 1,943,729
Delinquent tax receivables net of reserves of \$208,163	135,776	-	-	135,776
Other receivables	368,378	-	-	368,378
Due from other funds	-	17	-	17
Prepaid expenses	<u>7,168</u>	<u>-</u>	<u>-</u>	<u>7,168</u>
 TOTAL ASSETS	 <u>\$ 2,202,773</u>	 <u>\$ 17</u>	 <u>\$ 252,278</u>	 <u>\$ 2,455,068</u>

LIABILITIES AND FUND BALANCE

LIABILITIES				
Due to other funds	\$ 271,369	\$ -	\$ 212,379	\$ 483,748
Customer deposits	8,820	-	-	8,820
Accounts payable	319,359	-	-	319,359
Accrued wages	83,715	-	16	83,731
Accrued vacation/sick/comp-time	113,974	-	-	113,974
Other accruals	1,434	-	-	1,434
Unearned revenue	<u>39,944</u>	<u>-</u>	<u>-</u>	<u>39,944</u>
 TOTAL LIABILITIES	 <u>838,615</u>	 <u>-</u>	 <u>212,395</u>	 <u>1,051,010</u>
 FUND BALANCE				
Restricted	100,000	-	-	100,000
Committed	635,409	17	39,883	675,309
Unassigned	<u>628,749</u>	<u>-</u>	<u>-</u>	<u>628,749</u>
 TOTAL FUND BALANCE	 <u>1,364,158</u>	 <u>17</u>	 <u>39,883</u>	 <u>1,404,058</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 2,202,773</u>	 <u>\$ 17</u>	 <u>\$ 252,278</u>	 <u>\$ 2,455,068</u>

See Accompanying Notes to Basic Financial Statements.

City of Newport, Vermont
 FUND FINANCIAL STATEMENTS
 BALANCE SHEET - GOVERNMENTAL FUNDS
 June 30, 2018

Total fund balances - governmental funds \$ 1,404,058

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	7,208,479
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	208,163
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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	(62,158)
Net pension liability	(968,086)
Notes and bonds payable	(649,106)

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.	530,921
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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>(48,097)</u>
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\$ 7,586,172

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, 2018

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes and Special Assessments	\$ 8,643,936	\$ -	\$ -	\$ 8,643,936
General Government	694,861	-	-	694,861
Public Safety	330,252	-	-	330,252
Public Works	217,675	-	-	217,675
Recreation and Culture	377,679	-	10,756	388,435
Investment Income	<u>4,721</u>	<u>-</u>	<u>5</u>	<u>4,726</u>
 TOTAL REVENUES	 <u>10,269,124</u>	 <u>-</u>	 <u>10,761</u>	 <u>10,279,885</u>
 EXPENDITURES				
General	628,497	-	-	628,497
Public Safety	1,439,995	-	-	1,439,995
Public Works	988,856	-	-	988,856
Culture and Recreation	538,080	-	5,376	543,456
Other Expenses & Appropriations	794,593	-	-	794,593
Personnel Expenses	713,041	-	-	713,041
Capital Outlay	300,236	-	-	300,236
Debt Service and Sinking Funds	177,122	-	-	177,122
School Appropriations	<u>4,120,515</u>	<u>-</u>	<u>-</u>	<u>4,120,515</u>
 TOTAL EXPENDITURES	 <u>9,700,935</u>	 <u>-</u>	 <u>5,376</u>	 <u>9,706,311</u>
 EXCESS OF REVENUES OVER EXPENDITURES	 568,189	 -	 5,385	 573,574
 OTHER FINANCING SOURCES:				
Proceeds From long term debt	<u>42,845</u>	<u>-</u>	<u>-</u>	<u>42,845</u>
 NET CHANGE IN FUND BALANCE	 611,034	 -	 5,385	 616,419
 FUND BALANCES AT BEGINNING OF YEAR	 <u>753,124</u>	 <u>17</u>	 <u>34,498</u>	 <u>787,639</u>
 FUND BALANCES AT END OF YEAR	 <u>\$ 1,364,158</u>	 <u>\$ 17</u>	 <u>\$ 39,883</u>	 <u>\$ 1,404,058</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, 2018

Net change in fund balances - governmental funds \$ 616,419

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	(660,103)
Capital assets purchased	338,037

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.	(42,845)
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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.	156,488
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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.	
Decrease in allowance for delinquent tax reserve	(104,936)

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	(85,946)
Vacation/sick/comp-time earned	<u>3,272</u>

Change in net position of governmental activities **\$ 220,386**

See Accompanying Notes to Basic Financial Statements.

City of Newport, Vermont
 FUND FINANCIAL STATEMENTS
 STATEMENT OF NET POSITION - PROPRIETARY FUNDS
 June 30, 2018

ASSETS AND DEFERRED OUTFLOWS

	Business Type Activities - Enterprise Funds		
	Sewer Fund	Water Fund	Total
CURRENT ASSETS			
Cash	\$ 116,977	\$ 446,701	\$ 563,678
Due from other funds	435,591	65,629	501,220
Fees receivable	91,179	81,914	173,093
TOTAL CURRENT ASSETS	643,747	594,244	1,237,991
CAPITAL ASSETS			
Land	4,462	121,013	125,475
Wells	-	629,354	629,354
Buildings	338,898	-	338,898
Improvements other than buildings	13,016,072	5,014,605	18,030,677
Machinery and equipment	1,064,384	364,969	1,429,353
Interlocal waterline project	-	773,757	773,757
Storm water separation	1,019,610	-	1,019,610
Construction in progress	74,138	68,164	142,302
	15,517,564	6,971,862	22,489,426
Less: accumulated depreciation	(10,464,585)	(3,624,336)	(14,088,921)
CAPITAL ASSETS, net	5,052,979	3,347,526	8,400,505
DEFERRED OUTFLOWS	47,786	24,020	71,806
TOTAL ASSETS	\$ 5,744,512	\$ 3,965,790	\$ 9,710,302

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

CURRENT LIABILITIES			
Accrued wages	\$ 3,562	\$ 1,809	\$ 5,371
Current portion of bonds and notes payable	274,530	166,378	440,908
Accrued vacation/sick/comp.	11,191	2,247	13,438
Accrued interest	2,669	3,810	6,479
TOTAL CURRENT LIABILITIES	291,952	174,244	466,196
LONG-TERM LIABILITIES			
Net pension liabilities	97,473	50,594	148,067
Notes and bonds payable	2,655,395	1,950,448	4,605,843
TOTAL LONG-TERM LIABILITIES	2,752,868	2,001,042	4,753,910
TOTAL LIABILITIES	3,044,820	2,175,286	5,220,106
DEFERRED INFLOWS	4,329	2,176	6,505
NET POSITION			
Net investment in capital assets	2,123,054	1,230,700	3,353,754
Unrestricted	572,309	557,628	1,129,937
TOTAL NET POSITION	2,695,363	1,788,328	4,483,691
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$ 5,744,512	\$ 3,965,790	\$ 9,710,302

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, 2018

	<u>Business Type Activities - Enterprise Funds</u>		
	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
OPERATING REVENUES			
Charges and rent	\$ 1,165,801	\$ 826,352	\$ 1,992,153
Derby share	78,943	-	78,943
Discharge fees	111,822	-	111,822
Leachate fees	217,862	-	217,862
Grant income	16,268	16,268	32,536
Other income	<u>2,750</u>	<u>-</u>	<u>2,750</u>
 TOTAL OPERATING REVENUES	 <u>1,593,446</u>	 <u>842,620</u>	 <u>2,436,066</u>
OPERATING EXPENSES			
Sewer system	200,919	-	200,919
Sewer plant	608,815	-	608,815
Water treatment and pumping	-	257,906	257,906
Water transmitting and distribution	-	71,847	71,847
Administration	79,556	51,356	130,912
Depreciation	543,711	233,935	777,646
Personnel and other expenses	94,461	47,403	141,864
Maintenance expenses	<u>1,984</u>	<u>5,127</u>	<u>7,111</u>
 TOTAL OPERATING EXPENSES	 <u>1,529,446</u>	 <u>667,574</u>	 <u>2,197,020</u>
 INCOME FROM OPERATIONS	 <u>64,000</u>	 <u>175,046</u>	 <u>239,046</u>
NON-OPERATING INCOME/(EXPENSES)			
Interest income	10,102	9,503	19,605
Interest expense	<u>(59,309)</u>	<u>(67,009)</u>	<u>(126,318)</u>
 TOTAL NON-OPERATING INCOME/(EXPENSES)	 <u>(49,207)</u>	 <u>(57,506)</u>	 <u>(106,713)</u>
 CHANGE IN NET POSITION	 14,793	 117,540	 132,333
 NET POSITION AT BEGINNING OF YEAR	 <u>2,680,570</u>	 <u>1,670,788</u>	 <u>4,351,358</u>
 NET POSITION AT END OF YEAR	 <u>\$ 2,695,363</u>	 <u>\$ 1,788,328</u>	 <u>\$ 4,483,691</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, 2018

	Business-Type Activities		
	Sewer Fund	Water Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,346,412	\$ 825,411	\$ 2,171,823
Payments to suppliers	(891,274)	(386,236)	(1,277,510)
Payments for employees and benefits	(83,359)	(42,176)	(125,535)
Other receipts (payments)	<u>236,880</u>	<u>16,268</u>	<u>253,148</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>608,659</u>	<u>413,267</u>	<u>1,021,926</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Settlement paid	-	(50,000)	(50,000)
Transfers from other funds	<u>(82,388)</u>	<u>26,412</u>	<u>(55,976)</u>
NET CASH (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(82,388)</u>	<u>(23,588)</u>	<u>(105,976)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of property, plant and equipment	(211,290)	(139,573)	(350,863)
Principal payments on debt	(265,599)	(167,007)	(432,606)
Interest payments on debt	<u>(59,309)</u>	<u>(67,009)</u>	<u>(126,318)</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(536,198)</u>	<u>(373,589)</u>	<u>(909,787)</u>
CASH FLOW FROM INVESTING ACTIVITIES:			
Receipt of interest and dividends	<u>10,102</u>	<u>9,503</u>	<u>19,605</u>
NET INCREASE IN CASH	175	25,593	25,768
CASH - BEGINNING OF YEAR	<u>116,802</u>	<u>421,108</u>	<u>537,910</u>
CASH - END OF YEAR	<u>\$ 116,977</u>	<u>\$ 446,701</u>	<u>\$ 563,678</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income	\$ 64,000	\$ 175,046	\$ 239,046
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	543,711	233,935	777,646
Change in net assets and liabilities:			
Receivables, net	(10,154)	(941)	(11,095)
Accrued wages	47	281	328
Deferred outflows	27,525	9,948	37,473
Net pension liability	(23,429)	(7,926)	(31,355)
Deferred inflows	3,640	1,865	5,505
Accrued vacation	<u>3,319</u>	<u>1,059</u>	<u>4,378</u>
Net cash provided by operating activities	<u>\$ 608,659</u>	<u>\$ 413,267</u>	<u>\$ 1,021,926</u>

See Accompanying Notes to Basic Financial Statements.

City of Newport, Vermont
 FUND FINANCIAL STATEMENTS
 STATEMENT OF NET POSITION - FIDUCIARY FUNDS
 June 30, 2018

ASSETS

	<u>Expendable Trust Funds</u>	<u>Non- Expendable Trust Funds</u>	<u>Total</u>
CASH			
Checking	\$ 32,464	\$ 37,333	\$ 69,797
Savings and money markets	<u>58,108</u>	<u>-</u>	<u>58,108</u>
TOTAL CASH	<u>90,572</u>	<u>37,333</u>	<u>127,905</u>
INVESTMENTS			
Trust account	<u>197,778</u>	<u>114,308</u>	<u>312,086</u>
TOTAL ASSETS	<u>\$ 288,350</u>	<u>\$ 151,641</u>	<u>\$ 439,991</u>

LIABILITIES AND NET POSITION

LIABILITIES			
Due to other funds	<u>\$ 16,495</u>	<u>\$ 994</u>	<u>\$ 17,489</u>
NET POSITION			
Reserved for trust funds	-	62,000	62,000
Unreserved	<u>271,855</u>	<u>88,647</u>	<u>360,502</u>
TOTAL NET POSITION	<u>271,855</u>	<u>150,647</u>	<u>422,502</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 288,350</u>	<u>\$ 151,641</u>	<u>\$ 439,991</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, 2018

	Expendable Trust Funds	Non- Expendable Trust Funds
ADDITIONS		
Interest income	\$ 990	\$ -
Dividend income	6,546	3,822
Net gain on investments	<u>2,536</u>	<u>1,395</u>
 TOTAL ADDITIONS	 <u>10,072</u>	 <u>5,217</u>
DEDUCTIONS		
Administrative fees	2,008	1,156
Contracted services	8,115	-
Police expenditures	1,137	-
Beneficiaries	-	400
Other	<u>4,926</u>	<u>277</u>
 TOTAL DEDUCTIONS	 <u>16,186</u>	 <u>1,833</u>
 CHANGE IN NET POSITION	 (6,114)	 3,384
 NET POSITION AT BEGINNING OF YEAR	 <u>277,969</u>	 <u>147,263</u>
 NET POSITION AT END OF YEAR	 <u>\$ 271,855</u>	 <u>\$ 150,647</u>

See Accompanying Notes to Basic Financial Statements.

City of Newport, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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, 2018 consisted of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
Insured - FDIC	\$ 781,405	\$ 781,382
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.	2,019,655	1,853,143
Petty Cash	-	787
TOTAL	\$ 2,801,060	\$ 2,635,312

City of Newport, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

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, 2018 consist of the following:

	General Fund	Proprietary Funds	Total
Delinquent Taxes, net of \$208,163 reserves	\$ 97,831	\$ -	\$ 97,831
Penalty and Interest	37,945	-	37,945
Other Receivable	368,378	-	368,378
Water Rents - Billed	-	81,914	81,914
Sewer Rents - Billed	-	90,573	90,573
Sewer Derby Share	-	45	45
Sewer Contracted Works	-	561	561
TOTAL NET RECEIVABLES	\$ 504,154	\$ 173,093	\$ 677,247

NOTE 4 UNEARNED REVENUE

Unearned revenue in the General Fund consists of the following at June 30, 2018:

Project D.A.R.E.	\$ 4,533
Bike Path Grant	35,411
	\$ 39,944

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, 2018

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	\$ 79,276	\$ 10,047
Comptime	4,893	758
Sick - Short-Term	29,805	2,633
	113,974	13,438
Sick - Long-Term	59,513	-
Sick - Bank	2,645	-
	\$ 176,132	\$ 13,438

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 1.4% dated July 3, 2017 and due June 30, 2018. 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, 2018:

	Beginning Balance June 30, 2017	Additions	Deletions	Ending Balance June 30, 2018
<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.	\$ 88,231	\$ -	\$ 13,988	\$ 74,243

City of Newport, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 NOTES AND BONDS PAYABLE (continued)

	Beginning Balance <u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2018</u>
Note payable to State of Vermont Revolving Loan Fund RFI-029 at 0% interest with a 2% admin. fee. Annual principal and interest installments of \$26,024, matures 1/24/24.	145,769	-	23,108	122,661
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.	2,532,632	-	188,832	2,343,800
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.	178,892	-	9,671	169,221
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>250,000</u>	<u>-</u>	<u>30,000</u>	<u>220,000</u>
TOTAL SEWER FUND	<u>3,195,524</u>	<u>-</u>	<u>265,599</u>	<u>2,929,925</u>
 <u>Water Fund:</u>				
Water System Bond issued 5/2/84; principal and interest at 5.0% due in semi-annual installments of \$20,925 payable to GMAC Commercial Mortgage Corp., maturing 5/2/24.	242,169	-	36,090	206,079
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	1,755,392	-	102,738	1,652,654

City of Newport, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 NOTES AND BONDS PAYABLE (continued)

	Beginning Balance <u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2018</u>
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>286,272</u>	-	<u>28,179</u>	<u>258,093</u>
 TOTAL WATER FUND	 <u>2,283,833</u>	 -	 <u>167,007</u>	 <u>2,116,826</u>
 TOTAL BUSINESS-TYPE FUNDS	 <u>\$ 5,479,357</u>	 <u>\$ -</u>	 <u>\$ 432,606</u>	 <u>\$ 5,046,751</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 440,908	134,212	\$ 575,120
2020	451,485	119,041	570,526
2021	462,362	106,614	568,976
2022	473,551	93,986	567,537
2023	480,144	81,150	561,294
2024-2028	2,051,104	232,313	2,283,417
2029-2033	<u>687,197</u>	<u>33,245</u>	<u>720,442</u>
 TOTAL	 <u>\$ 5,046,751</u>	 <u>\$ 800,561</u>	 <u>\$ 5,847,312</u>

City of Newport, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 NOTES AND BONDS PAYABLE (continued)

	Beginning Balance <u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2018</u>
<u>Governmental Activities:</u>				
Vermont Municipal Bond Bank issued 7/1/10, principal and interest at 2.22% due in annual payments of \$35,000. Matures December 2020.	\$ 140,000	\$ -	\$ 35,000	\$ 105,000
Vermont Municipal Bond Bank issued July 14, 2011, Original Amount-\$500,000 with net interest of 2.64% paid in semi annual paymts Principal paymts of \$50,000 paid annually each December 1st. Matures November 2021.	250,000	-	50,000	200,000
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.	302,602	-	34,692	267,910
Passumpsic Savings Bank Muni Note issued July 16, 2015 for \$25,256 at 1.34% for three years, paymts of \$716 due monthly. Matures July 2018.	9,317	-	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.	34,253	-	5,703	28,550
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.	26,577	-	10,637	15,940

City of Newport, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 NOTES AND BONDS PAYABLE (continued)

	Beginning Balance <u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2018</u>
Passumpsic Savings Bank - Promissory Note for financing of a 2017 Ford F-150, principal and 2.99% interest payments of \$416 due monthly. Matures November 2020.	-	14,318	3,458	10,860
Passumpsic Savings Bank - Promissory Note for financing of a 2017 Ford Explorer, principal and 1.34% interest payments of \$716 due monthly. Matures September 2020.	<u>-</u>	<u>28,527</u>	<u>7,681</u>	<u>20,846</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 762,749</u>	<u>\$ 42,845</u>	<u>\$ 156,488</u>	<u>\$ 649,106</u>

Anticipated maturities are as follows for the Governmental Funds:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 150,439	\$ 16,074	\$ 166,513
2020	147,798	12,137	159,935
2021	131,287	8,224	139,511
2022	94,341	4,990	99,331
2023	42,877	3,048	45,925
2024-2028	<u>82,364</u>	<u>3,077</u>	<u>85,441</u>
TOTAL	<u>\$ 649,106</u>	<u>\$ 47,550</u>	<u>\$ 696,656</u>

NOTE 8 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 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	\$ 2,293	\$ -	\$ 417,405
Construction in progress	<u>91,377</u>	<u>-</u>	<u>(2,760)</u>	<u>88,618</u>
Total capital assets, not being depreciated	<u>506,489</u>	<u>2,293</u>	<u>(2,760)</u>	<u>506,023</u>

City of Newport, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

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	47,476	-	3,717,626
Equipment	2,223,627	163,986	-	2,387,613
Vehicles	3,589,515	88,344	(29,675)	3,648,184
Infrastructure	<u>4,271,071</u>	<u>38,698</u>	<u>-</u>	<u>4,309,769</u>
 Total capital assets, being depreciated	 <u>14,142,913</u>	 <u>338,504</u>	 <u>(29,675)</u>	 <u>14,451,742</u>
 <u>Governmental activities cont'd:</u>				
Accumulated depreciation for				
Land improvements	(318,578)	(8,602)	-	(327,180)
Buildings and improvements	(1,346,758)	(95,664)	-	(1,442,422)
Equipment	(1,317,759)	(167,415)	-	(1,485,174)
Vehicles	(2,384,320)	(196,566)	29,675	(2,551,211)
Infrastructure	<u>(1,751,443)</u>	<u>(191,856)</u>	<u>-</u>	<u>(1,943,299)</u>
 Total accumulated depreciation	 <u>(7,118,858)</u>	 <u>(660,103)</u>	 <u>29,675</u>	 <u>(7,749,286)</u>
 Total capital assets, being depreciated, net	 <u>7,024,055</u>	 <u>(321,599)</u>	 <u>-</u>	 <u>6,702,456</u>
 Governmental activities, capital assets, net	 <u>\$ 7,530,544</u>	 <u>\$ (319,306)</u>	 <u>\$ (2,760)</u>	 <u>\$ 7,208,479</u>

Depreciation is allocated in the General Fund as follows:

Public Works	\$ 313,426
Public Safety	279,030
Recreation	66,846
General Government	<u>801</u>
 TOTAL	 <u>\$ 660,103</u>

City of Newport, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 8 CAPITAL ASSETS (continued)

<u>Business-type activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Water utility:				
Capital assets, not being depreciated				
Land	\$ 118,713	\$ 2,300	\$ -	\$ 121,013
Construction in progress	<u>69,584</u>	<u>37,149</u>	<u>(38,569)</u>	<u>68,164</u>
 Total capital assets, not being depreciated	 <u>188,297</u>	 <u>39,449</u>	 <u>(38,569)</u>	 <u>189,177</u>
 Equipment and vehicles	 264,844	 100,125	 -	 364,969
Water system and improvements	4,976,037	-	-	5,014,605
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>6,643,992</u>	 <u>100,125</u>	 <u>-</u>	 <u>6,782,685</u>
Accumulated depreciation for				
Equipment and vehicles	(201,709)	(20,037)	-	(221,746)
Water system and improvements	(2,488,914)	(171,040)	-	(2,659,954)
Water lines	(373,943)	(19,341)	-	(393,284)
Wells	<u>(325,835)</u>	<u>(23,517)</u>	<u>-</u>	<u>(349,352)</u>
 Total accumulated depreciation	 <u>(3,390,401)</u>	 <u>(233,935)</u>	 <u>-</u>	 <u>(3,624,336)</u>
 Total capital assets, being depreciated, net	 <u>3,253,591</u>	 <u>(133,810)</u>	 <u>-</u>	 <u>3,158,349</u>
 Water utility, capital assets, net	 <u>3,441,888</u>	 <u>(94,361)</u>	 <u>(38,569)</u>	 <u>3,347,526</u>
Sewer utility:				
Capital assets, not being depreciated				
Land	2,169	2,293	-	4,462
Construction in progress	<u>11,760</u>	<u>63,578</u>	<u>(1,200)</u>	<u>74,138</u>
 Total capital assets, not being depreciated	 <u>13,929</u>	 <u>65,871</u>	 <u>(1,200)</u>	 <u>78,600</u>

City of Newport, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 8 CAPITAL ASSETS (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated				
Buildings	338,898	-	-	338,898
Equipment and vehicles	944,492	119,892	-	1,064,384
Sewer system and improvements	12,989,348	25,524	-	13,016,072
Storm water separation	<u>1,019,610</u>	<u>-</u>	<u>-</u>	<u>1,019,610</u>
Total capital assets, being depreciated	<u>15,292,348</u>	<u>145,416</u>	<u>-</u>	<u>15,438,964</u>
Accumulated depreciation for				
Buildings	(224,138)	(8,473)	-	(232,611)
Equipment and vehicles	(738,144)	(56,707)	-	(794,851)
Sewer system and improvements	(8,385,080)	(453,041)	-	(8,838,121)
Storm water separation	<u>(573,512)</u>	<u>(25,490)</u>	<u>-</u>	<u>(599,002)</u>
Total accumulated depreciation	<u>(9,920,874)</u>	<u>(543,711)</u>	<u>-</u>	<u>(10,464,585)</u>
Total capital assets, being depreciated, net	<u>5,371,474</u>	<u>(398,295)</u>	<u>-</u>	<u>4,974,379</u>
Sewer utility, capital assets, net	<u>5,385,403</u>	<u>(332,424)</u>	<u>(1,200)</u>	<u>5,052,979</u>
Business-type activities, capital assets, net	<u>\$ 8,827,291</u>	<u>\$ (426,785)</u>	<u>\$ (39,769)</u>	<u>\$ 8,400,505</u>

NOTE 9 RESTRICTED/COMMITTED/ASSIGNED FUND BALANCES

Restricted fund balances at June 30, 2018 are as follows:

General Fund:

 Restricted for Wal-mart Economic Development \$ 100,000

City of Newport, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

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

General Fund:

Committed for:

FY2020 Expenditures	\$ 200,000
Coventry Sinking Fund	87,056
Tennis Court Sinking Fund	23,788
Reappraisal	57,943
Fire Station Floor	25,000
Fire Department Communications	2,500
Gym Floor	8,000
Gateway Maintenance	15,700
Street Repairs and Maintenance	151,522
Public Works Vehicles	18,726
Bridge Repair	7,500
Street Reconstruction	5,219
Dispatch Equipment	<u>32,455</u>

Total General Fund	<u>635,409</u>
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Recreation Fund:

Committed for use in the Recreation Fund	33,022
Committed for use in the Mooring Management Fund	<u>6,861</u>

Total Recreation Fund	<u>39,883</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>\$ 675,309</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, 2018

NOTE 10 INVESTMENTS

The trust accounts are carried at market value. The balances at June 30, 2018 are as follows:

	Cost	Market Value
East Main Street Cemetery Fund		
Equities	\$ 35,823	\$ 65,678
Fixed Income	139,023	132,100
Total	174,846	197,778
Perley J. Niles Fund		
Equities	20,186	37,955
Fixed Income	80,346	76,353
Total	100,532	114,308
TOTAL	\$ 275,378	\$ 312,086

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, 2018

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, 2018 and for the City of Newport, Vermont's reporting period (the year ended June 30, 2018). 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, 2017) as the measurement date, and the year ended June 30, 2016 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 June 30, 2016, to the measurement date of June 30, 2017.

Schedule A – Employer Allocations as of June 30, 2016

Fiscal Year Ended June 30, 2016						
Employer Contributions	Employer Proportion	Net Pension Liability	Total Deferred Outflows	Total Deferred Inflows	Net Pension Liability 1% Decrease (6.95% Disc Rate)	Net Pension Liability 1% Decrease (8.95% Disc Rate)
\$ 146,742	0.96551%	\$ 1,242,572	\$ 628,799	\$ (7,129)	\$ 2,062,794	\$ 555,805

Schedule B – Employers' Allocation as of June 30, 2017

Fiscal Year Ended June 30, 2017						
Employer Contributions	Employer Proportion	Net Pension Liability	Total Deferred Outflows	Total Deferred Inflows	Net Pension Liability 1% Decrease (6.50% Disc Rate)	Net Pension Liability 1% Decrease (8.50% Disc Rate)
\$ 150,450	0.92125%	\$ 1,116,156	\$ 436,349	\$ 54,601	\$ 1,992,823	\$ 389,102

City of Newport, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 12 PENSION PLAN (continued)

Schedule C – Employers’ Allocation of Pension Amounts as of June 30, 2017

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
0.92125%	\$1,116,156	\$ 16,237	\$ 233,665	\$ -	\$ 185,902	\$ 545	\$ 436,349

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
\$ 27,631	\$ -	\$ -	\$ -	\$ 26,970	\$ 54,601

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
\$ 272,007	\$ (8,054)	\$ 263,953

City of Newport, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 12 PENSION PLAN (continued)

Schedule D – Employers’ Allocation of Recognition of Deferred Outflows/Inflows as of June 30, 2017

Fiscal Year Ending June 30,					
2018	2019	2020	2021	2022	Thereafter
\$139,211	\$204,979	\$ 51,945	\$ (14,385)	\$ -	\$ -

Schedule E – Contributions History for Fiscal Years 2015-2017

FY 2017	FY 2016	FY 2015
\$150,450	\$146,742	\$134,620

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>

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, 2017, 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, 2018

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, 2018

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, 2018

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: Females three years younger than males

Cost-of-Living Adjustments: Assumed to occur on January 1 following one year of retirement at the rate of 1.15% per annum for Group A members and 1/30% per annum for Groups B, C, and D members (beginning at Normal Retirement eligibility age for members who elect reduced early retirement, at age 62 for members of Groups A, B and D who receive a disability benefit, and at age 55 for members of group C who receive a disability retirement benefit). The January 1, 2018 COLA is assumed to be at 0.75% for all groups.

Actuarial Cost Method: Entry Age Actuarial Cost Method. Entry age is the age at date of employment or, if date is unknown, current age minus years of service. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by salary, with Normal Cost determined using the plan of benefits applicable to each participant.

Actuarial Value of Assets: A smoothing method is used, under which the value of assets for actuarial purposes equals market values less a five-year phase-in of the differences between actual and assumed investment return. The value of assets for actuarial purposes may not differ from market value of assets by more than 20%.

Inflation: 2.5%

City of Newport, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 12 PENSION PLAN (continued)

Long-term expected rate of return: The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017, is summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	16.00%	6.07%
Non-US Equity	16.00%	7.42%
Global Equity	9.00%	6.85%
Real Estate	8.00%	4.62%
Private Markets	15.00%	7.80%
Hedge Funds	8.00%	3.95%
Risk Parity	4.00%	4.84%

Discount rate

The discount rate used to measure the total pension liability was 7.50%. In accordance with paragraph 29 of GASB 68, professional judgement was applied to determine that the System's projected fiduciary net position exceeds projected benefit payments for current active and inactive members for all years. The analysis was based on the expectation that employers will continue to contribute at the rates set by the Board, which exceed the actuarially determined contribution, which is comprised on an employer normal cost payment and a payment to reduce the unfunded liability to zero by June 30, 2038. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the net pension liability, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower (6.50%) or one percent higher (8.50%) than the current rate:

1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
\$ 1,992,823	\$ 1,116,156	\$ 389,102

City of Newport, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 13 PROPERTY TAXES

Property taxes are levied by August 15 and are due in full on May 15. All unpaid taxes become delinquent on May 16. Interest is assessed at 1% per month and an 8% penalty is assessed when the taxes become delinquent. The City bills and collects its own property taxes. City property tax revenues are recognized when levied. For the year ended June 30, 2018, the tax rate is as follows:

	<u>Non-Residential</u>	<u>Residential</u>
City	\$ 1.2516	\$ 1.2516
School	<u>1.4625</u>	<u>1.3528</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, 2018:

	<u>Interfund Receivables</u>	<u>Interfund Payable</u>
General Fund	\$ -	\$ 271,369
Capital Projects Fund	17	-
Other Governmental Funds	-	212,379
Sewer Disposal Fund	435,591	-
Water Utility Fund	65,629	-
Expendable Trust Funds	-	16,495
Non-Expendable Trust Funds	<u>-</u>	<u>994</u>
 Total Fund Financial Statement Balances	 <u>\$ 501,237</u>	 <u>\$ 501,237</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, 2018

NOTE 15 RISK MANAGEMENT

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

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

NOTE 16 DEFERRED LOAN – CDBG EXPENDABLE TRUST FUND

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

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

NOTE 17 EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Expenditures exceeded appropriations in the General Fund by \$241,102. The excess was caused by the expenditures from the Centennial Celebration which exceeded budgeted expenditures by \$269,415. This excess was covered by donated revenues for the Centennial of \$186,921 in 2018 and \$82,000 which was restricted from 2017 donations.

NOTE 18 SUBSEQUENT EVENTS

On July 9, 2018 the City signed a tax anticipation line of credit with Passumpsic Savings Bank for \$1,000,000 at the interest rate of 1.69%, due June 30, 2019.

In accordance with Accounting Standards, the City has evaluated subsequent events through September 20, 2018, which is the date these basic financial statements were available to be issued. All subsequent events requiring recognition as of June 30, 2018, 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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
TAXES				
Property Taxes	\$ 7,926,940	\$ 7,926,940	\$ 8,073,154	\$ 146,214
Appropriations	159,068	159,068	159,068	-
Fish & Wildlife Taxes	500	500	349	(151)
Payments in Lieu of Taxes	428,875	428,875	411,365	(17,510)
TOTAL TAXES	8,515,383	8,515,383	8,643,936	128,553
 GENERAL GOVERNMENT				
City Clerk/Treasurer:				
Reimbursements	16,500	16,500	21,131	4,631
Licenses and Fees	58,800	58,800	63,511	4,711
Interest/penalties on Delinquent Taxes	55,000	55,000	87,765	32,765
Corrections Contract	77,000	77,000	81,359	4,359
Reappraisal	15,000	15,000	55,723	40,723
Centennial Donation	-	-	50,000	50,000
Centennial Contribution	-	-	136,921	136,921
Administrative Grants	-	-	50,233	50,233
Walmart Economic Funding	-	-	100,000	100,000
Miscellaneous Revenues	34,800	34,800	48,218	13,418
TOTAL GENERAL GOVERNMENT	257,100	257,100	694,861	437,761
 PUBLIC SAFETY				
Police Department:				
Traffic Court Fines	14,750	14,750	8,584	(6,166)
Police Department Services	11,500	11,500	49,418	37,918
Other Public safety grants	-	-	228,562	228,562
Miscellaneous	3,200	3,200	2,003	(1,197)
Total Police Department	29,450	29,450	288,567	259,117
Fire Department:				
Labor and Materials	46,500	46,500	41,685	(4,815)
Total Fire Department	46,500	46,500	41,685	(4,815)
TOTAL PUBLIC SAFETY	75,950	75,950	330,252	254,302
 PUBLIC WORKS				
Street Department:				
Street Dept. St. Aid to Highway	138,500	138,500	138,051	(449)
Other Income	-	-	45,467	45,467
Public works grants	2,000	2,000	34,157	32,157
TOTAL PUBLIC WORKS	140,500	140,500	217,675	77,175

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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
CULTURE AND RECREATION				
Prouty Beach:				
Admissions	3,000	3,000	2,718	(282)
Camping	115,000	115,000	131,707	16,707
Electric fees	4,000	4,000	4,090	90
Aquatic Grant	-	-	7,320	7,320
Miscellaneous	2,000	2,000	5,744	3,744
Total Prouty Beach	<u>124,000</u>	<u>124,000</u>	<u>151,579</u>	<u>27,579</u>
Miscellaneous Recreation:				
Miscellaneous	10,250	10,250	17,832	7,582
Summer Programs	32,000	32,000	26,007	(5,993)
Municipal Building	3,900	3,900	4,557	657
Annual Events	26,500	26,500	34,948	8,448
Total Miscellaneous Recreation	<u>72,650</u>	<u>72,650</u>	<u>83,344</u>	<u>10,694</u>
Gardner Park:				
Rental	7,000	7,000	7,921	921
Total Gardner Park	<u>7,000</u>	<u>7,000</u>	<u>7,921</u>	<u>921</u>
Senior Center:				
Salary reimbursement	3,000	3,000	2,795	(205)
Donations	-	-	5	5
Total Senior Center	<u>3,000</u>	<u>3,000</u>	<u>2,800</u>	<u>(200)</u>
Waterfront:				
Gasoline Sales	68,000	68,000	56,904	(11,096)
Boatslip Rentals	34,500	34,500	39,884	5,384
Miscellaneous Rents	11,400	11,400	19,223	7,823
Miscellaneous	2,000	2,000	2,724	724
Gateway Center	15,000	15,000	13,300	(1,700)
Total Waterfront	<u>130,900</u>	<u>130,900</u>	<u>132,035</u>	<u>1,135</u>
TOTAL CULTURE AND RECREATION	<u>337,550</u>	<u>337,550</u>	<u>377,679</u>	<u>40,129</u>
INVESTMENT INCOME	<u>3,350</u>	<u>3,350</u>	<u>4,721</u>	<u>1,371</u>
TOTAL REVENUES	<u>9,329,833</u>	<u>9,329,833</u>	<u>10,269,124</u>	<u>939,291</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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES				
GENERAL GOVERNMENT				
City Council	14,150	14,150	14,809	(659)
City Manager Department	66,319	66,319	59,614	6,705
Delinquent Tax Collector	4,700	4,700	17,849	(13,149)
Election Expense	6,800	6,800	3,257	3,543
City Treasurer	97,880	97,880	97,857	23
Audit and City Report	36,000	36,000	39,182	(3,182)
Tax Listing	43,450	43,450	47,985	(4,535)
City Clerk Department	101,780	101,780	93,530	8,250
Legal Expense	16,000	16,000	12,339	3,661
Planning & Zoning	41,685	41,685	42,779	(1,094)
Reappraisal	34,850	34,850	55,949	(21,099)
Community Development Grant Expense	-	-	50,470	(50,470)
Municipal Building	98,080	98,080	92,877	5,203
TOTAL GENERAL GOVERNMENT	561,694	561,694	628,497	(66,803)
PUBLIC SAFETY				
Police Department				
Administration	128,090	128,090	119,947	8,143
Patrol	915,411	915,411	976,971	(61,560)
Dispatch Services	125,586	125,586	114,489	11,097
Operation Stonegarden	-	-	17,668	(17,668)
Animal Control	5,300	5,300	4,379	921
Police Contracted Services	-	-	3,268	(3,268)
Total Police Department	1,174,387	1,174,387	1,236,722	(62,335)
Fire Department				
Fire Fighting	141,286	141,286	131,946	9,340
Fire Training	2,500	2,500	1,258	1,242
Fire Communications	8,000	8,000	3,697	4,303
Fire Station	14,000	14,000	11,724	2,276
Fire Trucks & Equipment	39,750	39,750	54,648	(14,898)
Total Fire Department	205,536	205,536	203,273	2,263
TOTAL PUBLIC SAFETY	1,379,923	1,379,923	1,439,995	(60,072)

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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
PUBLIC WORKS				
Public Works Administration	83,642	83,642	101,904	(18,262)
Street Maintenance	210,163	210,163	242,491	(32,328)
Winter Maintenance	342,982	342,982	295,694	47,288
Garage and Facilities	41,300	41,300	51,931	(10,631)
City Property	54,850	54,850	67,339	(12,489)
Storm Maintenance	70,040	70,040	96,937	(26,897)
Traffic Maintenance	152,800	152,800	129,187	23,613
Private Work expenditures	-	-	3,373	(3,373)
TOTAL PUBLIC WORKS	<u>955,777</u>	<u>955,777</u>	<u>988,856</u>	<u>(33,079)</u>
CULTURE AND RECREATION				
Administration	82,275	82,275	45,940	36,335
Senior Citizens	6,000	6,000	5,205	795
Prouty Beach and Swimming	88,150	88,150	116,293	(28,143)
Recreational Programs	86,130	86,130	101,974	(15,844)
Annual Events	42,500	42,500	49,931	(7,431)
Gardner Park	72,300	72,300	96,388	(24,088)
Waterfront	105,350	105,350	122,349	(16,999)
TOTAL CULTURE AND RECREATION	<u>482,705</u>	<u>482,705</u>	<u>538,080</u>	<u>(55,375)</u>
OTHER EXPENSES & APPROPRIATIONS				
Conservation & Development	32,700	32,700	32,327	373
Health & Welfare	34,850	34,850	39,169	(4,319)
Recycling Project	45,197	45,197	30,999	14,198
County Tax	47,500	47,500	50,288	(2,788)
Renaissance Project	25,000	25,000	25,000	-
General Insurance	18,000	18,000	18,431	(431)
Claims and Damages	1,500	1,500	225	1,275
Employment Practices Insurance	15,100	15,100	15,294	(194)
Public Official Liability	7,050	7,050	7,143	(93)
Miscellaneous	11,000	11,000	16,886	(5,886)
Advertise City Ordinance	1,000	1,000	215	785
Newport Ambulance, Inc.	105,000	105,000	105,133	(133)
Adult Learning Center- Appropriations	3,000	3,000	3,000	-
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	-
Cornucopia- Appropriations	5,000	5,000	5,000	-
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	1,250	1,250	1,250	-

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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Orleans County Citizens- Appropriations	2,000	2,000	2,000	-
Orleans County Court Diversion- Appropriations	1,000	1,000	1,000	-
Rural Community Transit- Appropriations	11,000	11,000	11,000	-
Step O.N.E.- Appropriations	3,500	3,500	3,500	-
Centennial Celebration	25,000	25,000	294,415	(269,415)
TOTAL OTHER EXPENSES & APPROPRIATIONS	<u>527,965</u>	<u>527,965</u>	<u>794,593</u>	<u>(266,628)</u>
 PERSONNEL EXPENSES				
Unemployment Compensation	34,895	34,895	3,211	31,684
Worker's Compensation	104,700	104,700	87,297	17,403
Employee's Group Insurance	392,426	392,426	320,300	72,126
Social Security Tax	151,714	151,714	157,234	(5,520)
Municipal Retirement	116,780	116,780	144,999	(28,219)
TOTAL PERSONNEL EXPENSES	<u>800,515</u>	<u>800,515</u>	<u>713,041</u>	<u>87,474</u>
 CAPITAL OUTLAY				
Street Repairs and Maintenance	270,000	270,000	113,503	156,497
Public Works Vehicles	100,000	100,000	81,274	18,726
Bridge Repairs	7,500	7,500	-	7,500
Gateway Maintenance	30,000	30,000	14,297	15,703
Gym Floor Renovations	8,000	8,000	-	8,000
Recreation Vehicles	16,000	16,000	27,136	(11,136)
Firestation Floor	25,000	25,000	-	25,000
City Clerk Renovations	-	-	29,899	(29,899)
Police Vehicle	-	-	28,527	(28,527)
Tax/Parcel Maps	5,000	5,000	5,600	(600)
TOTAL CAPITAL OUTLAY	<u>461,500</u>	<u>461,500</u>	<u>300,236</u>	<u>161,264</u>
 DEBT SERVICE & SINKING FUNDS				
Debt Principal Payments	147,698	147,698	153,338	(5,640)
Interest on Notes	8,324	8,324	11,226	(2,902)
Interest on Bonds	11,777	11,777	12,558	(781)
Tennis Court Sinking Funds	1,440	1,440	-	1,440
TOTAL DEBT SERVICE & SINKING FUNDS	<u>169,239</u>	<u>169,239</u>	<u>177,122</u>	<u>(7,883)</u>
SCHOOL APPROPRIATION	<u>4,120,515</u>	<u>4,120,515</u>	<u>4,120,515</u>	<u>-</u>
TOTAL EXPENDITURES	<u>9,459,833</u>	<u>9,459,833</u>	<u>9,700,935</u>	<u>(241,102)</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
EXCESS/(DEFICIENCY) OF REVENUES OVER/(UNDER) EXPENDITURES	<u>(130,000)</u>	<u>(130,000)</u>	<u>568,189</u>	<u>698,189</u>
OTHER FINANCING SOURCES				
Proceeds From long term debt	<u>-</u>	<u>-</u>	<u>42,845</u>	<u>42,845</u>
NET CHANGE IN FUND BALANCE	<u>(130,000)</u>	<u>(130,000)</u>	<u>611,034</u>	<u>741,034</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>473,725</u>	<u>508,521</u>	<u>753,124</u>	<u>244,603</u>
FUND BALANCE AT END OF YEAR	<u>\$ 343,725</u>	<u>\$ 378,521</u>	<u>\$ 1,364,158</u>	<u>\$ 985,637</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, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability (asset)	0.9213%	0.9655%	0.9631%	0.9864%	0.9995%
City's proportionate share of the net pension liability (asset)	<u>\$ 1,116,156</u>	<u>\$ 1,242,572</u>	<u>\$ 742,473</u>	<u>\$ 90,028</u>	<u>\$ 363,898</u>
City's covered-employee payroll	<u>\$ 2,233,566</u>	<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	49.97%	58.02%	35.32%	4.58%	18.97%
Plan fiduciary net position as a percentage of the total pension liability	83.64%	80.95%	87.42%	98.32%	92.71%

Significant Actuarial Assumptions and methods are described in Note 12 to the financial statements. The following changes in assumptions and methods were effective June 30, 2017:

1. *Assumed inflation was lowered from 3% to 2.5%*
2. *The investment return assumption was lowered from 7.95% to 7.50%*
3. *Assumed COLA increases were lowered from 1.5% to 1.15% for Group A Members and from 1.8% to 1.3% for Groups B, C and D*
4. *The mortality tables were updated from variations of RP-2000 with static projection to variations of RP-2014 with generational improvement.*

See Accompanying Notes to Basic Financial Statements.

City of Newport, Vermont
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 For the Year Ended June 30, 2018

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually Required Contributions (Actuarially Determined)	\$ 119,978	\$ 127,244	\$ 134,620	\$ 146,742	\$ 150,450
Contributions in Relation to the Actuarially Determined Contributions	<u>119,978</u>	<u>127,244</u>	<u>134,620</u>	<u>146,742</u>	<u>150,450</u>
Contribution Excess/(Deficiency)	-	-	-	-	-
Covered Employee Payroll	<u>\$ 1,917,982</u>	<u>\$ 1,917,963</u>	<u>\$ 1,966,262</u>	<u>\$ 2,102,427</u>	<u>\$ 2,141,622</u>
Contributions as a Percentage of Covered Employee Payroll	6.26%	6.63%	6.85%	6.98%	7.03%

Significant Actuarial Assumptions and methods are described in Note 12 to the financial statements. The following changes in assumptions and methods were effective June 30, 2017:

1. *Assumed inflation was lowered from 3% to 2.5%*
2. *The investment return assumption was lowered from 7.95% to 7.50%*
3. *Assumed COLA increases were lowered from 1.5% to 1.15% for Group A Members and from 1.8% to 1.3% for Groups B, C and D*
4. *The mortality tables were updated from variations of RP-2000 with static projection to variations of RP-2014 with generational improvement.*

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, 2018

ASSETS

	Special Revenue		
	Recreation Fund	Mooring Management Fund	Total Non-Major Governmental Funds
ASSETS			
Cash	\$ 252,278	\$ -	\$ 252,278
Due from other funds	-	6,877	6,877
TOTAL ASSETS	\$ 252,278	\$ 6,877	\$ 259,155

LIABILITIES AND FUND BALANCES

LIABILITIES

Accrued Wages	\$ -	\$ 16	\$ 16
Due to other funds	219,256	-	219,256
TOTAL LIABILITIES	219,256	16	219,272
FUND BALANCES			
Committed	33,022	6,861	39,883
TOTAL LIABILITIES AND FUND BALANCES	\$ 252,278	\$ 6,877	\$ 259,155

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, 2018

	Special Revenue		
	Recreation Fund	Mooring Management Fund	Total Non-Major Governmental Funds
REVENUES			
Recreation and Culture	\$ 5,296	\$ 5,460	\$ 10,756
Investment Income	<u>5</u>	<u>-</u>	<u>5</u>
TOTAL REVENUES	<u>5,301</u>	<u>5,460</u>	<u>10,761</u>
EXPENDITURES			
Culture and Recreation	<u>832</u>	<u>4,544</u>	<u>5,376</u>
CHANGE IN FUND BALANCE	4,469	916	5,385
FUND BALANCE AT BEGINNING OF YEAR	<u>28,553</u>	<u>5,945</u>	<u>34,498</u>
FUND BALANCE AT END OF YEAR	<u>\$ 33,022</u>	<u>\$ 6,861</u>	<u>\$ 39,883</u>

City of Newport, Vermont
 OTHER SUPPLEMENTARY INFORMATION
 COMBINING STATEMENT OF NET POSITION -
 EXPENDABLE TRUST FUNDS
 June 30, 2018

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	\$ 26,861	\$ 5,603	\$ -	\$ 32,464
Savings and money markets	<u>-</u>	<u>26,445</u>	<u>31,663</u>	<u>58,108</u>
TOTAL CASH	<u>26,861</u>	<u>32,048</u>	<u>31,663</u>	<u>90,572</u>
DUE FROM OTHER FUNDS	<u>-</u>	<u>-</u>	<u>18</u>	<u>18</u>
INVESTMENTS				
Trust Account	<u>-</u>	<u>197,778</u>	<u>-</u>	<u>197,778</u>
TOTAL ASSETS	<u>\$ 26,861</u>	<u>\$ 229,826</u>	<u>\$ 31,681</u>	<u>\$ 288,368</u>

LIABILITIES AND NET POSITION

LIABILITIES				
Due to other Funds	\$ (6,496)	\$ 23,009	\$ -	\$ 16,513
NET POSITION	<u>33,357</u>	<u>206,817</u>	<u>31,681</u>	<u>271,855</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 26,861</u>	<u>\$ 229,826</u>	<u>\$ 31,681</u>	<u>\$ 288,368</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, 2018

	Police Public Safety Fund	East Main Street Cemetery Fund	Community Development Block Grant Fund	Total
ADDITIONS				
Interest Income	\$ 958	\$ 6	\$ 26	\$ 990
Dividend Income	-	6,546	-	6,546
Net gain from investments	-	2,536	-	2,536
	<u>958</u>	<u>9,088</u>	<u>26</u>	<u>10,072</u>
DEDUCTIONS				
Administrative Fees	-	2,008	-	2,008
Contracted Services	-	8,115	-	8,115
Police Expenditures	1,137	-	-	1,137
Other	-	4,926	-	4,926
	<u>1,137</u>	<u>15,049</u>	<u>-</u>	<u>16,186</u>
NET ADDITIONS/(DELETIONS)	(179)	(5,961)	26	(6,114)
CHANGE IN NET POSITION	(179)	(5,961)	26	(6,114)
NET POSITION AT BEGINNING OF YEAR	<u>33,536</u>	<u>212,778</u>	<u>31,655</u>	<u>277,969</u>
NET POSITION AT END OF YEAR	<u>\$ 33,357</u>	<u>\$ 206,817</u>	<u>\$ 31,681</u>	<u>\$ 271,855</u>

City of Newport, Vermont
 OTHER SUPPLEMENTARY INFORMATION
 COMBINING STATEMENT OF NET POSITION -
 NON-EXPENDABLE TRUST FUNDS
 June 30, 2018

ASSETS

	<u>Perley J. Niles Fund</u>
CASH	
Checking Account	\$ 37,333
INVESTMENTS	<u>114,308</u>
TOTAL ASSETS	<u>\$ 151,641</u>

LIABILITIES AND NET POSITION

LIABILITIES	
Due to Other Funds	\$ 994
NET POSITION	
Reserved for trust funds	62,000
Unreserved	<u>88,647</u>
TOTAL NET POSITION	<u>150,647</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 151,641</u>

City of Newport, Vermont
 OTHER SUPPLEMENTARY INFORMATION
 STATEMENT OF CHANGES IN NET POSITION -
 NON-EXPENDABLE TRUST FUNDS
 For the Year Ended June 30, 2018

	<u>Perley J. Niles Fund</u>
ADDITIONS	
Dividend Income	\$ 3,822
Net gain on investments	<u>1,395</u>
TOTAL ADDITIONS	<u>5,217</u>
DEDUCTIONS	
Administrative Fees	1,156
Legal	277
Beneficiaries	<u>400</u>
TOTAL DEDUCTIONS	<u>1,833</u>
CHANGE IN NET POSITION	3,384
NET POSITION AT BEGINNING OF YEAR	<u>147,263</u>
NET POSITION AT END OF YEAR	<u>\$ 150,647</u>