

City of Newport, Vermont
BASIC FINANCIAL STATEMENTS
June 30, 2013

INDEPENDENT AUDITOR'S REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS

BASIC FINANCIAL STATEMENTS:

Government-Wide Financial Statements:

Statement of Net Position 1

Statement of Activities 2

Fund Financial Statements:

Balance Sheet - Governmental Funds 3

Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds 5

Statement of Net Position – Proprietary Funds 7

Statement of Revenues, Expenses and Changes in
Net Position – Proprietary Funds 8

Statement of Cash Flows – Proprietary Funds 9

Statement of Net Position - Fiduciary Funds 10

Statement of Revenues, Expenditures and Changes in
Net Position – Fiduciary Funds 11

Notes to Basic Financial Statements 12

REQUIRED SUPPLEMENTARY INFORMATION:

Budgetary Comparison Schedule – General Fund 29

City of Newport, Vermont
TABLE OF CONTENTS
June 30, 2013

	<u>Page</u>
OTHER SUPPLEMENTARY INFORMATION:	
Combining Balance Sheet – Non-Major Governmental Funds	34
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Non-Major Governmental Funds	35
Combining Statement of Net Position – Expendable Trust Funds	36
Combining Statement of Revenues, Expenditures and Changes in Net Position – Expendable Trust Funds	37
Combining Statement of Net Position – Non-Expendable Trust Funds	38
Statement of Revenues, Expenditures and Changes in Net Position – Non-Expendable Trust Funds	39
SINGLE AUDIT REPORTS	
Schedule of Federal Awards	<u>Report</u> 1
Report on Internal Control Over Financial Reporting and on Compliance Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	2
Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	3
Schedule of Findings and Questioned Costs	4



Kittell Branagan & Sargent

Certified Public Accountants

Vermont License # 167

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Newport, Vermont's, as of and for the year ended June 30, 2013, 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

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 29 through 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Newport, Vermont's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2013, on our consideration of the City of Newport, Vermont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Newport, Vermont's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Kirtell Brannigan & Sargent". The signature is written in dark ink and is positioned above the typed text of the firm's name.

St. Albans, Vermont
September 18, 2013

City of Newport, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

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, 2013.

Financial Highlights

- The assets of the City of Newport exceeded its liabilities at the close of the most recent fiscal year by \$12,412,691 (net assets). Of this amount, \$1,390,536 (unrestricted net assets) may be used by the governmental activities of the City to meet the City's ongoing obligations to its citizens and creditors. For the business-type activities the net assets are \$4,892,064, which means that if we were to liquidate the water/sewer funds we would have a cash surplus of \$4,892,064. Net assets attributable to business-type activities decreased by \$80,319 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 \$1,312,928. Of this total amount, \$566,857 is available for spending at the government's discretion (unassigned fund balance). Management has committed \$613,729 of the fund balance for particular purposes, and \$132,342 is assigned.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Newport's basic financial statements. The City of Newport's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

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

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

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Newport, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Newport can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

City of Newport, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

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

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

The City of Newport maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the General Fund and the Capital Projects Fund which are considered to be major funds. The City of Newport has two non-major governmental funds which are reported as "other Governmental Funds". These non-major funds include the Recreation Fund and the Mooring Management Fund. Combining financial statements for these funds are located on pages 34 and 35.

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

The basic governmental fund financial statements may be found on pages 3 and 6.

Proprietary funds - The City of Newport maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Newport uses enterprise funds to account for its Water Fund and its Wastewater Fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Fund and the Wastewater Fund, both of which are considered to be major funds of the City of Newport.

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

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Newport's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. We have two types of fiduciary funds, expendable and non-expendable.

The expendable funds are the Police Public Safety Fund, East Main Street Cemetery Fund and the Community Development Block Grant Fund. The financial statements for these funds are located on pages 10 and 11 with combining statements located on pages 36 and 37.

The only non-expendable fund that we have is the Perley J. Niles Fund and the financial statements for this fund are located on pages 38 and 39.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements in this report.

City of Newport, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Newport, assets exceeded liabilities by \$12,412,691 at the close of the most recent fiscal year.

By far the largest portion of the City of Newport's total net assets (79%) reflects its investment in capital assets (e.g. land, buildings, equipment and infrastructure) less any related debt used to acquire those assets that are still outstanding. The City of Newport uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City of Newport's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

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

City of Newport, Vermont's Net Assets
June 30, 2013

	<u>Governmental Activities</u>		<u>Business -Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>
Current and other assets	\$ 2,965,305	\$ 2,972,529	\$ 1,453,955	\$ 1,260,894	\$ 4,319,260	\$ 4,233,423
Capital assets	<u>7,192,096</u>	<u>7,314,516</u>	<u>11,193,102</u>	<u>10,896,936</u>	<u>18,385,198</u>	<u>18,211,452</u>
Total Assets	<u>\$ 10,157,401</u>	<u>\$ 10,287,045</u>	<u>\$ 12,647,057</u>	<u>\$ 12,157,830</u>	<u>\$ 22,804,458</u>	<u>\$ 22,444,875</u>
Other liabilities	\$ 1,463,213	\$ 1,618,304	\$ 508,643	\$ 35,071	\$ 2,971,856	\$ 2,109,351
Notes and bonds payable	<u>862,427</u>	<u>946,701</u>	<u>7,166,031</u>	<u>7,230,695</u>	<u>8,027,458</u>	<u>7,721,420</u>
Total Liabilities	<u>\$ 2,324,640</u>	<u>\$ 2,565,005</u>	<u>\$ 7,674,674</u>	<u>\$ 7,265,766</u>	<u>\$ 9,999,314</u>	<u>\$ 9,830,771</u>
Net Assets						
Invested in capital assets, net of related debt	\$ 6,204,686	\$ 6,130,091	\$ 3,553,407	\$ 3,666,241	\$ 9,758,093	\$ 9,796,332
Unrestricted	<u>1,628,075</u>	<u>1,390,536</u>	<u>1,418,976</u>	<u>1,225,823</u>	<u>3,047,051</u>	<u>2,616,359</u>
Total Net Assets	<u>\$ 7,832,761</u>	<u>\$ 7,520,627</u>	<u>\$ 4,972,383</u>	<u>\$ 4,892,064</u>	<u>\$ 12,805,144</u>	<u>\$ 12,412,691</u>

City of Newport, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

Governmental activities - Governmental activities decreased the City of Newport's net assets by \$120,634 during the current fiscal year. Investment in capital assets, net of related debt, decreased as a result of principal payments on long-term bonds, notes and leases during the year that did not exceed current year borrowings, while current year net additions to capital assets were more than depreciation expenses by \$122,419.

City of Newport, Vermont's Changes in Net Assets
June 30, 2013

	<u>Governmental Activities</u>		<u>Business -Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>
Revenues						
Program Revenues:						
Charges for services	\$ 698,075	\$ 707,453	\$ 2,044,138	\$ 2,150,346	\$ 2,742,213	\$ 2,857,799
Operating Grants	358,888	254,068	-	4	358,888	254,072
General Revenues:						
Tiff income	-	-	23,608	21,906	23,608	21,906
Property taxes	7,464,743	7,483,748	-	-	7,464,743	7,483,748
Investment earnings	25,840	30,386	17,575	16,979	43,415	47,365
Other revenues	48,549	36,461	1,967	-	50,516	36,461
Miscellaneous	-	-	1,251	1,360	1,251	1,360
Total Revenues	<u>8,596,095</u>	<u>8,512,116</u>	<u>2,088,539</u>	<u>2,190,595</u>	<u>10,684,634</u>	<u>10,702,711</u>
Expenses						
Governmental activities						
General	971,603	1,093,210	-	-	971,603	1,093,210
Public Safety	1,326,152	1,302,336	-	-	1,326,152	1,302,336
Public Works	1,288,275	1,475,201	-	-	1,288,275	1,475,201
Library	99,000	99,000	-	-	99,000	99,000
Interest on long-term debt	39,500	38,248	-	-	39,500	38,248
Education, recreation, health and welfare	4,682,837	4,624,755	-	-	4,682,837	4,624,755
Business-type activities						
Water	-	-	819,740	711,618	819,740	711,618
Sewer	-	-	1,460,839	1,559,296	1,460,839	1,559,296
Total Expenses	<u>8,407,367</u>	<u>8,632,750</u>	<u>2,280,579</u>	<u>2,270,914</u>	<u>10,687,946</u>	<u>10,903,664</u>
Change in net assets	<u>188,728</u>	<u>(120,634)</u>	<u>(192,040)</u>	<u>(80,319)</u>	<u>(3,312)</u>	<u>(200,953)</u>
Net assets, beginning	<u>7,452,533</u>	<u>7,641,261</u>	<u>5,164,423</u>	<u>4,972,383</u>	<u>12,616,956</u>	<u>12,613,644</u>
Net assets, end of year	<u>\$ 7,641,261</u>	<u>\$ 7,520,627</u>	<u>\$ 4,972,383</u>	<u>\$ 4,892,064</u>	<u>\$ 12,613,644</u>	<u>\$ 12,412,691</u>

Business-type activities - Business-type activities decreased the City of Newport's net assets by \$80,319 during the current fiscal year. The water fund had income of \$94,913 while the sewer fund had a loss of \$175,232. Key elements of this change are as follows:

- Water charges and rents increased revenue by \$30,481 from the previous year while operating expenses decreased by \$108,122. The Water Fund has a receivable from the General Fund of \$368,358, which is an increase of \$91,289 from the prior year receivable.

City of Newport, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

- Sewer charges and rents decreased revenue by \$2,768 and discharge fees decreased by \$13,935 from the previous year while operating expenses increased by \$98,457. Interest expense decreased by \$7,395 from the prior year. The Sewer Fund has a receivable from the General Fund of \$347,107, which is a decrease of \$1,576 from the prior year's receivable of \$348,683.
- Depreciation expense for sewer fund is \$527,655 and \$209,637 for the water fund.

Financial Analysis of the Government's Funds

The City of Newport uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds - The focus of the City of Newport's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Newport's financing requirements. In particular, the unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of Newport's governmental funds reported combined ending fund balances of \$1,367,678, a decrease of \$13,409 in comparison to the prior year. Approximately 96% of the total fund balance (\$1,312,928) constitutes general fund equity, which is available for spending at the government's discretion. The City of Newport has available \$566,857 of this unreserved fund balance for various purposes, including capital reserve funds and expenditures in subsequent periods. While \$132,342 of the fund balance is assigned for a special purpose, the remainder of the unreserved fund balance (\$613,729) is designated for specific budget items.

The general fund is the chief operating fund of the City of Newport. As a measure of the general fund's liquidity, it may be useful to compare both unreserved, undesignated fund- balance and total fund balance to total general fund expenditures. Unassigned fund balance (\$566,857) represents 6.6 percent of general fund expenditures (\$8,623,750), while total fund balance represents 15.3 percent of that same amount.

During the year ending June 30, 2013 the Fund Balance of the City of Newport's general fund decreased by \$15,804 (from \$1,328,732 to \$1,312,928). Key factors in this change are as follows:

- Balance of \$221,275 left to spend of \$500,000 borrowed for Long Bridge construction.
- Route 5 reconstruction loan not executed when expected so loan payment of \$37,907 still to be expended.
- Street resurfacing and reconstruction expenditures were \$57,534 less than budgeted.
- Public Works vehicle expense was \$36,901 less than budgeted.

Special revenue funds consist primarily of the Recreation Fund (\$51,090) and the Mooring Management Fund (\$3,360). The Recreation Fund is used to ensure that monies donated to the Recreation and Parks Department is solely used to benefit Recreation and Parks. The Mooring Management Fund is used so that the City receives no net income from the Mooring Management of Public Waters. Also, the Mooring Management Fund will insure no net expense over time to City taxpayers.

Capital Asset and Debt Administration

Capital Assets - The City of Newport's net investment in capital assets for its governmental activities increased by \$122,420 to a total of \$7,314,516. It is to be noted that we used the exemption allowed under GASB 34 to not include road and bridge investments prior to 1 July 2003. Also, 1.5" asphalt overlays of existing streets are not capitalized. For our business-type activities as of June 30, 2013 our net capital investment decreased by \$296,166 to \$10,896,936 (sewer \$7,379,852, water \$3,517,084).

City of Newport, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

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

- Traffic lights on East Main Street at a cost of \$204,595.
- Ford F-550 at a cost of \$52,761
- Bobcat 5600 at a cost of \$48,121
- New propane boiler at Gateway at a cost of \$23,696

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 \$8,415,120. Of this amount, \$7,716,040 represents low to no-interest loans issued by the State of Vermont, \$12,410 represents capital lease obligations, \$292,202 represents loans with local banks and the remaining \$394,468 represents bonded debt backed by the full faith and credit of the City of Newport.

The City of Newport's total debt decreased by \$211,985 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, 2013

ASSETS

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash	\$ 2,508,313	\$ 373,406	\$ 2,881,719
Taxes receivable	287,837	-	287,837
Accounts receivable	-	172,023	172,023
Other receivables	163,231	-	163,231
Due from other funds	-	715,465	715,465
Prepaid expenses	13,148	-	13,148
Capital assets, net	<u>7,314,516</u>	<u>10,896,936</u>	<u>18,211,452</u>
TOTAL ASSETS	<u>\$ 10,287,045</u>	<u>\$ 12,157,830</u>	<u>\$ 22,444,875</u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES			
Current portion notes and bonds payable	\$ 237,724	\$ 455,976	\$ 693,700
Accounts payable	329,585	-	329,585
Accrued wages	39,122	9,073	48,195
Accrued liabilities	1,675	6,479	8,154
Accrued vacation/sick/comptime	271,789	19,519	291,308
Due to other funds	735,924	-	735,924
Tax deposits	<u>2,485</u>	<u>-</u>	<u>2,485</u>
TOTAL CURRENT LIABILITIES	1,618,304	491,047	2,109,351
NOTES AND BONDS PAYABLE	<u>946,701</u>	<u>6,774,719</u>	<u>7,721,420</u>
TOTAL LIABILITIES	<u>2,565,005</u>	<u>7,265,766</u>	<u>9,830,771</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	<u>201,413</u>	<u>-</u>	<u>201,413</u>
NET POSITION			
Invested in capital assets, net of related debt	6,130,091	3,666,241	9,796,332
Unrestricted	<u>1,390,536</u>	<u>1,225,823</u>	<u>2,616,359</u>
NET POSITION	<u>7,520,627</u>	<u>4,892,064</u>	<u>12,412,691</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 10,287,045</u>	<u>\$ 12,157,830</u>	<u>\$ 22,444,875</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, 2013

	Program Revenues			Net (Expense) Revenue & Changes in Net Position			
	Expenses	Charges for Services	Operating Grants & Revenues	Capital Grants and Revenues	Governmental Activities	Business-Type Activities	Total
Functions/Programs							
Governmental activities:							
Current:							
General government	\$ 1,093,210	\$ 166,412	\$ 16,284	\$ -	\$ (910,514)	\$ -	\$ (910,514)
Public safety	1,302,336	214,752	42,464	-	(1,045,120)	-	(1,045,120)
Public works	1,475,201	60	142,393	-	(1,332,748)	-	(1,332,748)
Recreation, health, education and welfare	4,624,755	326,229	52,927	-	(4,245,599)	-	(4,245,599)
Library	99,000	-	-	-	(99,000)	-	(99,000)
Interest on long-term debt	38,248	-	-	-	(38,248)	-	(38,248)
Total governmental activities	<u>8,632,750</u>	<u>707,453</u>	<u>254,068</u>	<u>-</u>	<u>(7,671,229)</u>	<u>-</u>	<u>(7,671,229)</u>
Business-type activities:							
Water	711,618	776,299	30,232	-	-	94,913	94,913
Sewer	1,559,296	1,374,047	8,657	-	-	(176,592)	(176,592)
Total business-type activities	<u>2,270,914</u>	<u>2,150,346</u>	<u>38,889</u>	<u>-</u>	<u>-</u>	<u>(81,679)</u>	<u>(81,679)</u>
General Revenues:							
Property taxes, levied for general purposes					7,483,748	-	7,483,748
Unrestricted investment earnings					30,386	-	30,386
Miscellaneous					36,461	1,360	37,821
Total general revenues and transfers					<u>7,550,595</u>	<u>1,360</u>	<u>7,551,955</u>
Change in Net Position					(120,634)	(80,319)	(200,953)
Net Position, beginning					7,641,261	4,972,383	12,613,644
Net Position, ending					<u>\$ 7,520,627</u>	<u>\$ 4,892,064</u>	<u>\$ 12,412,691</u>

See Accompanying Notes to Basic Financial Statements.

City of Newport, Vermont
FUND FINANCIAL STATEMENTS
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2013

Total fund balances - governmental funds **\$ 1,367,378**

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

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

Capital Assets - governmental fund expenditures	7,314,516
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	187,226
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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/comptime payable	(126,066)
Notes and bonds payable	<u>(1,184,425)</u>

Total net position - governmental activities **\$ 7,520,627**

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, 2013

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes and Special Assessments	\$ 7,451,487	\$ -	\$ 7,451,487
General Government	273,085	-	273,085
Public Safety	258,009	-	258,009
Public Works	141,096	-	141,096
Recreation and Culture	320,924	56,379	377,303
Investment Income	4,193	16	4,209
TOTAL REVENUES	<u>8,448,794</u>	<u>56,395</u>	<u>8,505,189</u>
EXPENDITURES			
General	428,606	-	428,606
Public Safety	1,056,177	-	1,056,177
Public Works	815,676	-	815,676
Culture and Recreation	405,115	53,999	459,114
Other Expenses & Appropriations	433,390	-	433,390
Personnel Expenses	544,133	-	544,133
Capital Improvements	941,782	-	941,782
Debt Service and Sinking Funds	143,874	-	143,874
School Appropriations	<u>3,860,472</u>	<u>-</u>	<u>3,860,472</u>
TOTAL EXPENDITURES	<u>8,629,225</u>	<u>53,999</u>	<u>8,683,224</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(180,431)</u>	<u>2,396</u>	<u>(178,035)</u>
OTHER FINANCING SOURCES (USES):			
Proceeds From long term debt	284,134	-	284,134
Assigned Expenses	(92,240)	-	(92,240)
Operating transfers out	<u>(27,268)</u>	<u>-</u>	<u>(27,268)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>164,626</u>	<u>-</u>	<u>164,626</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER SOURCES (USES)	<u>(15,805)</u>	<u>2,396</u>	<u>(13,409)</u>
FUND BALANCES AT BEGINNING OF YEAR	<u>1,328,733</u>	<u>52,054</u>	<u>1,380,787</u>
FUND BALANCES AT END OF YEAR	<u>\$ 1,312,928</u>	<u>\$ 54,450</u>	<u>\$ 1,367,378</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, 2013

Net change in fund balances - governmental funds \$ (13,409)

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	(586,572)
Capital assets purchased	709,306
Loss on disposal of asset	(315)

The proceeds from the issuance of long-term debt is a revenue source in the governmental funds, while the issuance increase long-term debt in the Statement of Net Assets.	(334,949)
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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 Assets.	137,934
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Increase (decrease) in allowance for delinquent tax reserve	7,245
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Expenses in the statement of activities that do not require the use of current financial resources and are not reported as expenditures in the funds:

Vacation/Sick/Comptime earned	(39,874)
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Change in net position of governmental activities \$ (120,634)

See Accompanying Notes to Basic Financial Statements.

City of Newport, Vermont
 FUND FINANCIAL STATEMENTS
 STATEMENT OF NET POSITION - PROPRIETARY FUNDS
 June 30, 2013

	<u>ASSETS</u>		
	<u>Business Type Activities - Enterprise Funds</u>		
	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
CURRENT ASSETS			
Cash	\$ 116,103	\$ 257,303	\$ 373,406
Due from Other Funds	347,107	368,358	715,465
Fees Receivable	87,211	84,812	172,023
TOTAL CURRENT ASSETS	<u>550,421</u>	<u>710,473</u>	<u>1,260,894</u>
CAPITAL ASSETS			
Land	2,169	22,500	24,669
Well	-	629,354	629,354
Buildings	338,898	-	338,898
Improvements other than buildings	12,911,182	4,346,627	17,257,809
Machinery and equipment	883,031	230,105	1,113,136
Construction in Progress	-	43,008	43,008
Interlocal Waterline Project	-	773,757	773,757
Storm Water Separation	1,019,610	-	1,019,610
	15,154,890	6,045,351	21,200,241
Less: Accumulated Depreciation	(7,775,038)	(2,528,267)	(10,303,305)
CAPITAL ASSETS, net	<u>7,379,852</u>	<u>3,517,084</u>	<u>10,896,936</u>
TOTAL ASSETS	<u>\$ 7,930,273</u>	<u>\$ 4,227,557</u>	<u>\$ 12,157,830</u>
	<u>LIABILITIES AND NET POSITION</u>		
CURRENT LIABILITIES			
Accrued wages	\$ 5,019	\$ 4,054	\$ 9,073
Current portion of bonds and notes payable	286,956	169,020	455,976
Accrued vacation/sick/comp.	19,519	-	19,519
Accrued interest	2,669	3,810	6,479
TOTAL CURRENT LIABILITIES	<u>314,163</u>	<u>176,884</u>	<u>491,047</u>
BONDS AND NOTES PAYABLE, net of current portion	<u>4,019,873</u>	<u>2,754,846</u>	<u>6,774,719</u>
TOTAL LIABILITES	<u>4,334,036</u>	<u>2,931,730</u>	<u>7,265,766</u>
NET POSITION			
Invested in capital assets, net of related debt	3,073,023	593,218	3,666,241
Unrestricted	523,214	702,609	1,225,823
TOTAL NET POSITION	<u>3,596,237</u>	<u>1,295,827</u>	<u>4,892,064</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 7,930,273</u>	<u>\$ 4,227,557</u>	<u>\$ 12,157,830</u>

See Accompanying Notes to Basic Financial Statements.

City of Newport, Vermont
 FUND FINANCIAL STATEMENTS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES
 IN NET POSITION - PROPRIETARY FUNDS
 For the Year Ended June 30, 2013

	Business Type Activities - Enterprise Funds		
	Sewer Fund	Water Fund	Total
OPERATING REVENUES			
Charges and rent	\$ 957,873	\$ 776,299	\$ 1,734,172
Federal and State Grants	-	4	4
Derby share	81,830	-	81,830
Discharge fees	156,460	-	156,460
Leachate fees	177,884	-	177,884
Interest income	8,657	8,322	16,979
TIF income	-	21,906	21,906
Other income	1,360	-	1,360
TOTAL OPERATING REVENUES	<u>1,384,064</u>	<u>806,531</u>	<u>2,190,595</u>
OPERATING EXPENSES			
Sewer System	192,099	-	192,099
Sewer Plant	586,658	-	586,658
Water Treatment and pumping	-	213,121	213,121
Water transmitting and distribution	-	101,743	101,743
Administration	56,730	45,868	102,598
Depreciation	527,655	209,637	737,292
Interest expense	99,081	100,550	199,631
Personnel and other expenses	88,446	33,919	122,365
Maintenance Expenses	8,627	6,780	15,407
TOTAL OPERATING EXPENSES	<u>1,559,296</u>	<u>711,618</u>	<u>2,270,914</u>
CHANGE IN NET POSITION	(175,232)	94,913	(80,319)
NET POSITION AT BEGINNING OF YEAR	<u>3,771,469</u>	<u>1,200,914</u>	<u>4,972,383</u>
NET POSITION AT END OF YEAR	<u>\$ 3,596,237</u>	<u>\$ 1,295,827</u>	<u>\$ 4,892,064</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, 2013

	Business-Type Activities		
	Sewer Fund	Water Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,184,144	\$ 793,733	\$ 1,977,877
Payments to suppliers	(844,114)	(367,512)	(1,211,626)
Payments for employees and benefits	(90,776)	(31,497)	(122,273)
Other receipts (payments)	88,820	(92,224)	(3,404)
NET CASH PROVIDED BY OPERATING ACTIVITIES	338,074	302,500	640,574
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers (to) from other funds	1,576	(91,289)	(89,713)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of property, plant and equipment	(394,079)	(47,045)	(441,124)
Acquisition of debt	55,624	-	55,624
Principal payments on debt	(300,843)	(163,782)	(464,625)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(639,298)	(210,827)	(850,125)
NET INCREASE (DECREASE) IN CASH	(299,648)	384	(299,264)
CASH - BEGINNING OF YEAR	415,751	256,919	672,670
CASH - END OF YEAR	\$ 116,103	\$ 257,303	\$ 373,406
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (175,232)	\$ 94,913	\$ (80,319)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	527,655	209,636	737,291
Change in net assets and liabilities:			
Receivables, net	(12,019)	(4,471)	(16,490)
Accrued wages	(3,874)	2,422	(1,452)
Accrued vacation	1,544	-	1,544
	-	-	-
Net cash provided by operating activities	\$ 338,074	\$ 302,500	\$ 640,574

See Accompanying Notes to Basic Financial Statements.

City of Newport, Vermont
 FUND FINANCIAL STATEMENTS
 STATEMENT OF NET POSITION - FIDUCIARY FUNDS
 June 30, 2013

ASSETS

	<u>Expendable Trust Funds</u>	<u>Non- Expendable Trust Funds</u>	<u>Total</u>
CASH			
Checking	\$ 36,124	\$ 23,026	\$ 59,150
Savings and money markets	<u>55,617</u>	<u>-</u>	<u>55,617</u>
TOTAL CASH	<u>91,741</u>	<u>23,026</u>	<u>114,767</u>
DUE FROM OTHER FUNDS	<u>6,497</u>	<u>-</u>	<u>6,497</u>
INVESTMENTS			
Trust Account	<u>189,320</u>	<u>104,558</u>	<u>293,878</u>
TOTAL ASSETS	<u>\$ 287,558</u>	<u>\$ 127,584</u>	<u>\$ 415,142</u>

LIABILITIES AND NET POSITION

LIABILITIES			
Due to Other Funds	<u>\$ 23,045</u>	<u>\$ 994</u>	<u>\$ 24,039</u>
NET POSITION			
Reserved for Trust Funds	-	62,000	62,000
Unreserved	<u>264,513</u>	<u>64,590</u>	<u>329,103</u>
TOTAL NET POSITION	<u>264,513</u>	<u>126,590</u>	<u>391,103</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 287,558</u>	<u>\$ 127,584</u>	<u>\$ 415,142</u>

See Accompanying Notes to Financial Statements.

City of Newport, Vermont
 FUND FINANCIAL STATEMENTS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION - FIDUCIARY FUNDS
 For the Year Ended June 30, 2013

	<u>Expendable Trust Funds</u>	<u>Non- Expendable Trust Funds</u>
REVENUES		
Drug Service Grant	\$ 765	\$ -
Downtown Fed Grant	627,000	-
Loan Repayment	3,247	-
Interest Income	75	-
Dividend Income	4,945	2,723
Net gain (loss) on invesmtents	3,099	1,683
Other income	<u>1,320</u>	<u>-</u>
TOTAL REVENUES	<u>640,451</u>	<u>4,406</u>
EXPENDITURES		
Admin. Fees	2,010	1,057
Contracted Services	6,855	-
Police Expenditures	12,228	-
Beneficiaries	-	9,316
Multi Family Housing Grant	597,000	-
Tasting Center Grant	30,000	-
Other	<u>434</u>	<u>32</u>
TOTAL EXPENSES	<u>648,527</u>	<u>10,405</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(8,076)	(5,999)
OTHER FINANCING SOURCES		
Operating Transfers, In	<u>27,268</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES	19,192	(5,999)
FUND BALANCE AT BEGINNING OF YEAR	<u>245,321</u>	<u>132,589</u>
FUND BALANCE AT END OF YEAR	<u>\$ 264,513</u>	<u>\$ 126,590</u>

See Accompanying Notes to Basic Financial Statements.

City of Newport, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental funds:

- * The general fund is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

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

Amounts reported as program revenues include 1) charges to individuals and business for fees, rental, material, supplies, or services, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes.

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

Budgetary Data

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables and Payables

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

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

Capital Assets

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Long-term Obligations

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

Property Taxes

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

Government-Wide and Proprietary Fund Net Position

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

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

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

Unrestricted – all other net assets reported in this category.

Governmental Fund Balances

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

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

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

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

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

Unassigned – All amounts not included in other classifications.

Estimates

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

City of Newport, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allowance for Uncollectible Accounts

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

Operating Transfers

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

NOTE 2 CASH

The cash received by the City is placed in the custody of the City Treasurer who is elected. The cash deposits in the City accounts at June 30, 2013 consisted of the following:

	Bank Balance
Insured - FDIC	\$ 524,086
Uninsured, Collateralized by U.S. Government Securities, Federal Agency Issued Mortgage Backed Securities and/or General Obligation Vermont Municipal Note and Bonds Held by the Bank's Trust Department with a Security Interest granted to the City.	2,534,763
TOTAL	\$ 3,058,849

The City's book balances at June 30, 2013 were 2,996,487. 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, 2013 consist of the following:

	General Fund	Proprietary Funds	Total
Delinquent Taxes, net of \$187,226 reserves	\$ 71,355	\$ -	\$ 71,355
Penalty and Interest	29,256	-	29,256
Other Receivable	163,231	-	163,231
Notes Receivable	-	11,077	11,077
Water Rents - Billed	-	73,734	73,734
Sewer Rents - Billed	-	86,606	86,606
Sewer Derby Share	-	45	45
Sewer Contracted Works	-	561	561
TOTAL NET RECEIVABLES	\$ 263,842	\$ 172,023	\$ 435,865

City of Newport, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 4 DEFERRED REVENUE

Deferred revenue in the General Fund consists of the following at June 30, 2013:

Project D.A.R.E.	\$	4,263
Act 60 Reappraisal		149,936
Bike Path Grant		<u>47,214</u>
	\$	<u>201,413</u>

NOTE 5 ACCRUED VACATION/SICK/COMPTIME

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

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

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

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

	General	Water/Sewer
Vacation	\$ 80,399	\$ 6,933
Comptime	40,516	317
Sick - Short-Term	<u>24,808</u>	<u>837</u>
	145,723	8,087
Sick - Long-Term	102,427	-
Sick - Bank	<u>23,639</u>	<u>11,432</u>
	<u>\$ 271,789</u>	<u>\$ 19,519</u>

NOTE 6 SHORT TERM DEBT

Short term debt consisted of the following:

	Beginning Balance	Increases	Decreases	Ending Balance
Municipal Line of Credit	\$ -	\$ -	\$ -	\$ -
Construction Line of credit	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Newport, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 6 SHORT TERM DEBT (continued)

The City had line of credit with Passumpsic Savings Bank with an available balance of \$1,000,000 at a rate of 1.15% dated July 1, 2012 and due June, 30 2013. There was no amount drawn on the line of credit during the fiscal year.

NOTE 7 NOTES AND BONDS PAYABLE

The following is a summary of changes in notes and bonds payable for the year ended June 30, 2013:

<u>BUSINESS-TYPE FUNDS</u>	<u>Beginning Balance June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2013</u>
<u>Sewer Fund:</u>				
Sewer System Improvement bonds issued 12/15/84; principal and interest at 5.0% due in semi-annual installments of \$15,605, payable to GMAC Commercial Mortgage Corp. maturing 12/15/13.	\$ 42,526	\$ -	\$ 28,449	\$ 14,077
Sewer Overflow Project Bonds issued 7/29/92; interest at 6.21% due in annual installments of \$10,000 plus interest through 12/1/99, then \$20,000 plus interest payable to Vermont Municipal Bond Bank, maturing 12/1/12. Interest to be reimbursed by Northeast Job Zone yearly.	20,000	-	20,000	-
Wastewater Project note issued through State of Vermont Revolving Loan Fund at 0% interest with principal payments of \$16,600 at 12/1/95 and the remaining balance equally (\$13,646 per year) over the next 19 years. Matures 12/1/13.	40,940	-	13,647	27,293
Note payable to State of Vermont Revolving Loan Fund RFI-079 at 2% interest with annual installments of \$15,779 including interest for a 20 year term.	154,154	-	12,666	141,488
Note payable to State of Vermont Revolving Loan Fund RFI-029 at 0% interest with a 2% admin. fee. Annual principal and interest install- ments of \$26,024 are due through 1/24/24.	254,688	-	20,930	233,758

City of Newport, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 7 NOTES AND BONDS PAYABLE (continued)

	Beginning Balance <u>June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2013</u>
<u>Sewer Fund: (cont'd)</u>				
Note payable to State of Vermont Revolving Loan Fund RFI-098, 0% interest with 4 annual principal payments of \$4,120 and a final payment of \$1,318	17,798	-	4,120	13,678
Note payable to State of Vermont Revolving Loan Fund RFI-075 at 0% interest with a 2% admin. fee with annual principal and admin. fee payments of \$243,832 beginning 9/1/10.	3,422,684	-	171,031	3,251,653
Note payable to State of Vermont Revolving Loan Fund RFI-150, \$282,000 available, 20 year loan with a 2% admin fee... the loan has not been fully disbursed at June 30, 2012	199,258	55,624	-	254,882
Vermont Municipal Bond Bank issued 7/26/01, sewer portion equals \$700,000 with annual installments of \$30,000 plus interest at 4.825%, due 12/1/26.	<u>400,000</u>	<u>-</u>	<u>30,000</u>	<u>370,000</u>
TOTAL SEWER FUND	<u>4,552,048</u>	<u>55,624</u>	<u>300,843</u>	<u>4,306,829</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.	370,640	-	23,131	347,509
Community National Bank issued 3/1/06, interest at 4.36% due in annual principal installments of \$8,410 plus interest through 3/1/14.	15,790	-	7,721	8,069

City of Newport, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 7 NOTES AND BONDS PAYABLE (continued)

	<u>Beginning Balance June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2013</u>
Water Fund: (cont'd)				
State of Vermont Revolving Loan Fund RF3-129 \$2,727,172 available at 1% interest and a 2% admin. fee, due in annual installments of \$165,850 starting 9/1/10.	2,225,896	-	88,623	2,137,273
State of Vermont Revolving Loan Fund RF3-095 \$547,000 available, \$174,361 drawn at 1% interest due in annual installments of \$36,769 starting 6/1/07.	415,322	-	24,307	391,015
Vermont Municipal Bond Bank issued 7/22/99; principal and interest at 4.82% due in annual installments of \$20,000 through 12/1/14.	<u>60,000</u>	<u>-</u>	<u>20,000</u>	<u>40,000</u>
TOTAL WATER FUND	<u>3,087,648</u>	<u>-</u>	<u>163,782</u>	<u>2,923,866</u>
TOTAL BUSINESS-TYPE FUNDS	<u>\$ 7,639,696</u>	<u>\$ 55,624</u>	<u>\$ 464,625</u>	<u>\$ 7,230,695</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 455,976	\$ 187,419	\$ 643,395
2015	442,854	174,496	617,350
2016	418,485	163,236	581,721
2017	425,222	152,214	577,436
2018	433,716	140,900	574,616
Thereafter	<u>5,054,442</u>	<u>780,356</u>	<u>5,834,798</u>
TOTAL	<u>\$ 7,230,695</u>	<u>\$ 1,598,621</u>	<u>\$ 8,829,316</u>

City of Newport, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 7 NOTES AND BONDS PAYABLE (continued)

	<u>Beginning Balance June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2013</u>
<u>Governmental Activities:</u>				
Vermont Municipal Bond Bank issued 7/26/01, principal and interest at 4.40% due in annual payments of \$30,000.	\$ 140,000	\$ -	\$ 30,000	\$ 110,000
Vermont Municipal Bond Bank issued 7/1/10, principal and interest at 2.22% due in annual payments of \$40,000.	335,000	-	40,000	295,000
Lease payable to Ford Motor Credit for two vehicles, principal and 6.00% interest payments of \$17,935 due annually. Matures July 2014.	-	50,816	17,934	32,882
Lease payable to Ford Motor Credit for a vehicle, principal and 7.40% interest payments of \$6,902 due annually. Matures July 2014.	12,410	-	-	12,410
Passumpsic Savings Bank - Municipal Note for financing public improvements, principal and 1.47% interest payments of \$96,259.32 due annually. Matures July 2015	-	284,133	-	284,133
Vermont Municipal Bond Bank issued July 14, 2011 Original Amount - \$500,000 with net interest of 2.6406768% paid in semi annual pymts Principal pymts of \$50,000 paid annually each December 1st. Matures November 2021.	<u>500,000</u>	<u>-</u>	<u>50,000</u>	<u>450,000</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 987,410</u>	<u>\$ 334,949</u>	<u>\$ 137,934</u>	<u>\$ 1,184,425</u>

City of Newport, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 7 NOTES AND BONDS PAYABLE (continued)

Anticipated maturities are as follows for the Governmental Funds:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 237,724	\$ 24,469	\$ 262,193
2015	236,837	22,659	259,496
2016	214,864	16,757	231,621
2017	105,000	12,412	117,412
2018	85,000	10,029	95,029
Thereafter	<u>305,000</u>	<u>17,384</u>	<u>322,384</u>
TOTAL	<u>\$ 1,184,425</u>	<u>\$ 103,710</u>	<u>\$ 1,288,135</u>

NOTE 8 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 415,112	\$ -	\$ -	\$ 415,112
Construction in progress	<u>237,519</u>	<u>242,043</u>	<u>(17,663)</u>	<u>461,899</u>
Total capital assets, not being depreciated	<u>652,631</u>	<u>242,043</u>	<u>(17,663)</u>	<u>877,011</u>
Capital assets, being depreciated				
Land improvements	331,097	-	-	331,097
Buildings and improvements	3,332,435	30,216	-	3,362,651
Equipment	1,172,529	257,000	(16,687)	1,412,842
Vehicles	2,989,768	160,833	(59,099)	3,091,502
Infrastructure	<u>3,227,312</u>	<u>36,877</u>	<u>-</u>	<u>3,264,189</u>
Total capital assets, being depreciated	<u>11,053,141</u>	<u>484,926</u>	<u>(75,786)</u>	<u>11,462,281</u>
Accumulated depreciation for				
Land improvements	(285,727)	(4,975)	-	(290,702)
Buildings and improvements	(910,234)	(84,696)	-	(994,930)
Equipment	(772,063)	(88,290)	16,687	(843,666)
Vehicles	(1,830,005)	(204,971)	58,784	(1,976,192)
Infrastructure	<u>(715,646)</u>	<u>(203,640)</u>	<u>-</u>	<u>(919,286)</u>
Total accumulated depreciation	<u>(4,513,675)</u>	<u>(586,572)</u>	<u>75,471</u>	<u>(5,024,776)</u>

City of Newport, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 8 CAPITAL ASSETS (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Total capital assets, being depreciated, net	6,539,466	(101,646)	(315)	6,437,505
Governmental activities, capital assets, net	7,192,097	140,397	(17,978)	7,314,516
<u>Business-type activities:</u>				
Water utility:				
Capital assets, not being depreciated				
Land	22,500	-	-	22,500
Construction in progress	-	43,008	-	43,008
Total capital assets, not being depreciated	22,500	43,008	-	65,508
Capital assets, being depreciated				
Equipment and vehicles	226,068	4,037	-	230,105
Water system and improvements	4,346,627	-	-	4,346,627
Water lines	773,757	-	-	773,757
Wells	629,354	-	-	629,354
Total capital assets, being depreciated	5,975,806	4,037	-	5,979,843
Accumulated depreciation for				
Equipment and vehicles	(126,329)	(18,488)	-	(144,817)
Water system and improvements	(1,748,658)	(148,291)	-	(1,896,949)
Water lines	(235,395)	(19,341)	-	(254,736)
Wells	(208,248)	(23,517)	-	(231,765)
Total accumulated depreciation	(2,318,630)	(209,637)	-	(2,528,267)
Total capital assets, being depreciated, net	3,657,176	(205,600)	-	3,451,576
Water utility, capital assets, net	3,679,676	(162,592)	-	3,517,084
Sewer utility:				
Capital assets, not being depreciated				
Land	2,169	-	-	2,169
Construction in progress	30,126	-	30,126	-
Total capital assets, not being depreciated	32,295	-	30,126	2,169

City of Newport, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 8 CAPITAL ASSETS (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated				
Buildings	266,800	72,099	-	338,898
Equipment and vehicles	566,772	316,259	-	883,031
Sewer system and improvements	12,875,333	35,849	-	12,911,182
Storm water separation	<u>1,019,610</u>	<u>-</u>	<u>-</u>	<u>1,019,610</u>
Total capital assets, being depreciated	<u>14,728,515</u>	<u>424,207</u>	<u>-</u>	<u>15,152,721</u>
Accumulated depreciation for				
Buildings	(183,426)	(6,820)	-	(190,246)
Equipment and vehicles	(482,926)	(48,284)	-	(531,210)
Sewer system and improvements	(6,134,970)	(447,061)	-	(6,582,031)
Storm water separation	<u>(446,061)</u>	<u>(25,490)</u>	<u>-</u>	<u>(471,551)</u>
Total accumulated depreciation	<u>(7,247,383)</u>	<u>(527,655)</u>	<u>-</u>	<u>(7,775,038)</u>
Total capital assets, being depreciated, net	<u>7,481,132</u>	<u>(103,448)</u>	<u>-</u>	<u>7,377,683</u>
Sewer utility, capital assets, net	<u>7,513,427</u>	<u>(103,448)</u>	<u>30,126</u>	<u>7,379,852</u>
Business-type activities, capital assets, net	<u>\$ 11,193,103</u>	<u>\$ (266,040)</u>	<u>\$ 30,126</u>	<u>\$ 10,896,936</u>

NOTE 9 RESTRICTED/COMMITTED/ASSIGNED FUND BALANCES

Committed fund balances at June 30, 2013 are as follows:

General Fund:

Committed for Budgeted FY 14 Deficit	\$ 135,000
Committed for Coventry Sinking Fund	86,664
Committed for Tennis Court Sinking Fund	14,690
Committed Unspent Bridge Bond Funds	221,275
Committed Unspent VTrans Sidewalk Funds	99,608
Committed for Reappraisal	<u>56,492</u>

Total General Fund 613,729

Recreation Fund:

Committed for use in the Recreation Fund	<u>51,090</u>
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TOTAL COMMITTED FUND BALANCES \$ 664,819

City of Newport, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

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

Assigned fund balances at June 30, 2013 are as follows:

General Fund:	
Assigned for Public Works Vehicles	\$ 36,901
Assigned for Street Resurfacing	57,534
Assigned for RT5 Transportation Improvements	<u>37,901</u>
 TOTAL ASSIGNED FUND BALANCES	 <u>\$ 132,342</u>

NOTE 10 INVESTMENTS

The trust accounts are carried at market Value. The balances at June 30, 2013 are as follows:

	<u>Cost</u>	<u>Market Value</u>
East Main Street Cemetery Fund		
Equities	\$ 30,733	\$ 66,455
Fixed Income	<u>114,447</u>	<u>122,865</u>
 Total	 <u>145,180</u>	 <u>189,320</u>
 Perley J. Niles Fund		
Equities	16,244	35,067
Fixed Income	<u>62,106</u>	<u>69,491</u>
 Total	 <u>78,350</u>	 <u>104,558</u>
 TOTAL	 <u>\$ 223,530</u>	 <u>\$ 293,878</u>

NOTE 11 DEFERRED COMPENSATION

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

City of Newport, Vermont
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2013

NOTE 12 PENSION PLAN

All employees with one year's service with the City participate in the City's defined contribution pension plan as part of the Vermont Municipal Retirement Plan. There currently exists three plans: Plan A, Plan B and Plan C. As of July 1, 2004 the contribution rate for the three plans are as follows:

	City	Employee
Plan A	4.0%	2.5%
Plan B	5.125%	4.625%
Plan C	6.625%	9.375%

All new hires after July 1, 1997 must participate in Plan C. The City funds all pension costs as they accrue. The pension expense for the year ended June 30, 2013 was \$119,900.

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, 2013, the tax rate is as follows:

	Non-Residential	Residential
City	\$ 1.2469	\$ 1.2469
School	1.6061	1.4357
TOTAL	\$ 2.8530	\$ 2.6826

NOTE 14 INTERFUND RECEIVABLE AND PAYABLE BALANCES

Individual Fund Interfund Receivable and Payable balances are as follows at June 30, 2013:

	Interfund Receivables	Interfund Payable
General Fund	\$ -	\$ 712,759
Sewer Disposal Fund	347,107	-
Water Utility Fund	368,358	-
Recreation Fund	11,476	-
Mooring Management Fund	3,360	-
CDBG Trust Fund	-	9
Cemetery Trust Fund	-	23,036

City of Newport, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 14 INTERFUND RECEIVABLE AND PAYABLE BALANCES (continued)

	Interfund Receivables	Interfund Payable
Police Public Safety Trust Fund	6,497	-
Perley Niles Trust Fund	-	994
Total Fund Statement Balances	736,798	736,798
Less: Trust Fund Balances	-	(24,039)
Cummulative effect of Trust Fund Capital Expenses	-	38,002
TOTAL GOVERNMENT WIDE BALANCES	\$ 736,798	\$ 750,761

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 CONTINGENT LIABILITY – TIF DISTRICT

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

City of Newport, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 17 SUBSEQUENT EVENTS

On July 1, 2013 the City signed a tax anticipation line of credit with Passumpsic Savings Bank for \$1,000,000 at the interest rate of .93%, due June 30, 2014.

In accordance with Accounting Standards, the Association has evaluated subsequent events through September 18, 2013, which is the date these basic financial statements were available to be issued. All subsequent events requiring recognition as of June 30, 2013, have been incorporated into these basic financial statements herein.

SUPPLEMENTARY INFORMATION

City of Newport, Vermont
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
TAXES				
Property Taxes	\$ 6,843,711	\$ 6,843,711	\$ 6,808,586	\$ (35,125)
Appropriations	195,808	195,808	195,808	-
Fish & Wildlife Taxes	500	500	467	(33)
Railroad Taxes	-	-	15	15
Payments in Lieu of Taxes	435,840	435,840	446,611	10,771
TOTAL TAXES	<u>7,475,859</u>	<u>7,475,859</u>	<u>7,451,487</u>	<u>(24,372)</u>
GENERAL GOVERNMENT				
City Clerk/Treasurer:				
Reimbursements	8,970	8,970	16,284	7,314
Licenses and Fees	60,600	60,600	80,732	20,132
Interest/penalties on Delinquent Taxes	47,000	47,000	63,454	16,454
Miscellaneous Revenues	31,700	31,700	37,116	5,416
Corrections Contract	73,700	73,700	75,499	1,799
TOTAL GENERAL GOVERNMENT	<u>221,970</u>	<u>221,970</u>	<u>273,085</u>	<u>51,115</u>
PUBLIC SAFETY				
Police Department:				
Task Force & Cops Hiring Grants	-	-	31,203	31,203
Evidence Forfeiture	4,000	4,000	4,651	651
Traffic Court Fines	3,000	3,000	4,044	1,044
District Court Fines	30,000	30,000	13,175	(16,825)
Accident Reports	1,300	1,300	764	(536)
Other Public safety grants	45,000	45,000	87,408	42,408
Dog Impound Fees	250	250	451	201
Miscellaneous	79,740	79,740	68,521	(11,219)
Total Police Department	<u>163,290</u>	<u>163,290</u>	<u>210,217</u>	<u>46,927</u>
Fire Department:				
Labor and Materials	15,000	15,000	47,792	32,792
TOTAL PUBLIC SAFETY	<u>178,290</u>	<u>178,290</u>	<u>258,009</u>	<u>79,719</u>
PUBLIC WORKS				
Street Department:				
Street Dept St. Aid to Highway	134,000	134,000	138,375	4,375
Street Dept Labor and Materials	3,858	3,858	-	(3,858)
Other Income	-	-	60	60
Street Dept - Miscellaneous	-	-	326	326
Public works grants	2,700	2,700	2,335	(365)
TOTAL PUBLIC WORKS	<u>140,558</u>	<u>140,558</u>	<u>141,096</u>	<u>538</u>

City of Newport, Vermont
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
CULTURE AND RECREATION				
Prouty Beach:				
Admissions	3,000	3,000	5,155	2,155
Camping	86,000	86,000	105,210	19,210
Tennis	2,500	2,500	1,559	(941)
Aquatic Nuisance Grant	-	-	4,400	4,400
Electric fees	5,200	5,200	4,860	(340)
Miscellaneous	700	700	1,826	1,126
Total Prouty Beach	97,400	97,400	123,010	25,610
Miscellaneous Recreation:				
Bike Path Revenues	-	-	2,661	2,661
Miscellaneous	6,500	6,500	12,610	6,110
Track and Field	500	500	575	75
Municipal Building	2,320	2,320	4,263	1,943
Boat Wash Station	500	500	442	(58)
Total Miscellaneous Recreation	9,820	9,820	20,551	10,731
Gardner Park:				
Miscellaneous Receipts & Donations	700	700	1,323	623
Utilities	1,200	1,200	690	(510)
NEKCA Grant	-	-	40,000	40,000
Rental	6,000	6,000	3,248	(2,752)
Total Gardner Park	7,900	7,900	45,261	37,361
Senior Center:				
Salary reimbursement	3,100	3,100	3,376	276
Senior Center Donations	-	-	90	90
Total Senior Center	3,100	3,100	3,466	366
Waterfront:				
Gasoline Sales	42,000	42,000	75,393	33,393
Boatslip Rentals	27,000	27,000	21,338	(5,662)
Overnight Rentals	3,500	3,500	4,407	907
Miscellaneous Rents	500	500	991	491
Miscellaneous	1,500	1,500	2,427	927
Gateway Center	30,700	30,700	23,580	(7,120)
Gateway Center-Snack Bar	500	500	500	-
Total Waterfront	105,700	105,700	128,636	22,936
TOTAL CULTURE AND RECREATION	223,920	223,920	320,924	97,004
INVESTMENT INCOME	5,630	5,630	4,193	(1,437)
TOTAL REVENUES	8,246,227	8,246,227	8,448,794	202,567

City of Newport, Vermont
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES				
GENERAL GOVERNMENT				
City Council	11,700	11,700	9,814	1,886
City Manager Department	51,323	51,323	51,061	262
Delinquent Tax Collector	3,440	3,440	4,352	(912)
Election Expense	10,700	10,700	6,354	4,346
City Treasurer	87,027	87,027	79,934	7,093
Audit and City Report	37,500	37,500	30,837	6,663
Tax Listing	33,895	33,895	28,187	5,708
City Clerk Department	83,938	83,938	83,263	675
Legal Expense	4,000	4,000	9,491	(5,491)
Planning & Zoning	43,818	43,818	43,249	569
Municipal Building	87,417	87,417	82,064	5,353
TOTAL GENERAL GOVERNMENT	<u>454,758</u>	<u>454,758</u>	<u>428,606</u>	<u>26,152</u>
PUBLIC SAFETY				
Police Department				
Utilities				
Administration	98,784	98,784	86,141	12,643
Patrol	699,469	699,469	751,426	(51,957)
Traffic Control	7,500	7,500	6,141	1,359
Operation Stonegarden	-	-	10,693	(10,693)
Animal Control	5,750	5,750	4,556	1,194
Police Contracted Services	75,540	75,540	58,450	17,090
CHRP hiring and recovery	-	-	17,512	(17,512)
Community Justice Program	-	-	1,651	(1,651)
Total Police Department	<u>887,043</u>	<u>887,043</u>	<u>936,570</u>	<u>(49,527)</u>
Fire Department				
Fire Fighting	82,203	82,203	92,490	(10,287)
Fire Training	4,500	4,500	2,610	1,890
Fire Communications	5,000	5,000	3,390	1,610
Fire Station	13,200	13,200	11,026	2,174
Fire Trucks & Equipment	22,000	22,000	10,091	11,909
Total Fire Department	<u>126,903</u>	<u>126,903</u>	<u>119,607</u>	<u>7,296</u>
TOTAL PUBLIC SAFETY	<u>1,013,946</u>	<u>1,013,946</u>	<u>1,056,177</u>	<u>(42,231)</u>
PUBLIC WORKS				
Public Works Administration	71,840	71,840	80,174	(8,334)
Street Maintenance	188,502	188,502	206,418	(17,916)
Winter Maintenance	281,300	281,300	266,887	14,413
Garage and Facilities	33,225	33,225	28,366	4,859
City Property	42,131	42,131	43,050	(919)

City of Newport, Vermont
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
PUBLIC WORKS (cont'd)				
Storm Maintenance	76,650	76,650	35,935	40,715
Traffic Maintenance	154,100	154,100	154,512	(412)
Private Work expenditures	-	-	334	(334)
TOTAL PUBLIC WORKS	847,748	847,748	815,676	32,072
CULTURE AND RECREATION				
Administration	78,725	78,725	95,577	(16,852)
Senior Citizens	6,000	6,000	6,000	-
Prouty Beach and Swimming	82,676	82,676	65,426	17,250
Recreational Programs	22,255	22,255	69,300	(47,045)
Gardner Park	62,470	62,470	56,473	5,997
Waterfront	91,450	91,450	112,339	(20,889)
Boat Washing Station	1,180	1,180	-	1,180
TOTAL CULTURE AND RECREATION	344,756	344,756	405,115	(60,359)
OTHER EXPENSES & APPROPRIATIONS				
Conservation & Development	16,382	16,382	17,154	(772)
Health & Welfare	24,500	24,500	21,436	3,064
Recycling Project	32,700	32,700	36,923	(4,223)
County Tax	40,000	40,000	45,993	(5,993)
Renaissance Project	25,000	25,000	25,000	-
General Insurance	11,043	11,043	12,650	(1,607)
Public Official Liability	5,455	5,455	4,332	1,123
Claims and Damages	100	100	1,500	(1,400)
Employment Practices Insurance	5,090	5,090	4,699	391
Miscellaneous	2,086	2,086	1,516	570
Other Grant expenditures	-	-	20,323	(20,323)
Goodrich Memorial Library	99,000	99,000	99,000	-
Rural Community Transit	11,000	11,000	11,000	-
Orleans County Historical Society	1,000	1,000	1,000	-
N.E.K.Mental Health	4,818	4,818	4,818	-
Area Agency on Aging	7,000	7,000	7,000	-
Step O.N.E.	3,500	3,500	3,500	-
Newport Ambulance, Inc.	50,490	50,490	50,490	-
Orleans County Citizens	2,000	2,000	2,000	-
Home Health Agency	15,000	15,000	15,000	-
Park Security System	8,500	8,500	8,240	260
Muni Building Windows	2,100	2,100	6,520	(4,420)
Fire Station Floor	15,000	15,000	7,600	7,400
John Deere Tractor Updates	2,500	2,500	-	2,500
Gateway Boiler	23,758	23,758	23,696	62
Frontier Animal Society	2,000	2,000	2,000	-
TOTAL OTHER EXPENSES & APPROPRIATIONS	410,022	410,022	433,390	(23,368)

City of Newport, Vermont
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
PERSONNEL EXPENSES				
Unemployment Compensation	34,161	34,161	25,655	8,506
Worker's Compensation	47,189	47,189	44,927	2,262
Employee's Group Insurance	330,282	330,282	267,188	63,094
Social Security Tax	122,126	122,126	115,236	6,890
Municipal Retirement	87,310	87,310	91,127	(3,817)
TOTAL PERSONNEL EXPENSES	<u>621,068</u>	<u>621,068</u>	<u>544,133</u>	<u>76,935</u>
CAPITAL IMPROVEMENTS				
Street Repairs and Maintenance	281,800	281,800	707,167	(425,367)
Vehicles	166,400	166,400	130,561	35,839
Bridge Repair	5,000	5,000	94,998	(89,998)
Wharf Repair/replacement docks	10,000	10,000	-	10,000
Gardner Park Improvements	13,000	13,000	9,056	3,944
TOTAL CAPITAL IMPROVEMENTS	<u>476,200</u>	<u>476,200</u>	<u>941,782</u>	<u>(465,582)</u>
DEBT SERVICE & SINKING FUNDS				
Debt Principal Payments	214,933	214,933	120,000	94,933
Interest on Bonds	36,444	36,444	23,874	12,570
Tennis Court Sinking Fund	1,440	1,440	-	1,440
TOTAL DEBT SERVICE & SINKING FUNDS	<u>252,817</u>	<u>252,817</u>	<u>143,874</u>	<u>108,943</u>
SCHOOL APPROPRIATION	<u>3,950,604</u>	<u>3,950,604</u>	<u>3,860,472</u>	<u>90,132</u>
TOTAL EXPENDITURES	<u>8,371,919</u>	<u>8,371,919</u>	<u>8,629,225</u>	<u>(257,306)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(125,692)</u>	<u>(125,692)</u>	<u>(180,431)</u>	<u>(54,739)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds From long term debt	-	-	284,134	284,134
Assigned Expenses	-	-	(92,240)	(92,240)
Operating transfers out	-	-	(27,268)	(27,268)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>164,626</u>	<u>164,626</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES	<u>(125,692)</u>	<u>(125,692)</u>	<u>(15,805)</u>	<u>109,887</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>1,328,733</u>	<u>1,328,733</u>	<u>1,328,733</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 1,203,041</u>	<u>\$ 1,203,041</u>	<u>\$ 1,312,928</u>	<u>\$ 109,887</u>

City of Newport, Vermont
 OTHER SUPPLEMENTARY INFORMATION
 COMBINING BALANCE SHEET -
 NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2013

ASSETS

	Special Revenue		
	Recreation Fund	Mooring Management Fund	Total Non-Major Governmental Funds
ASSETS			
Cash	\$ 39,614	\$ -	\$ 39,614
Due from other funds	11,476	3,360	14,836
TOTAL ASSETS	\$ 51,090	\$ 3,360	\$ 54,450

LIABILITIES AND FUND BALANCES

FUND BALANCES			
Committed	\$ 51,090	\$ -	\$ 51,090
Unassigned	-	3,360	3,360
TOTAL FUND BALANCE	\$ 51,090	\$ 3,360	\$ 54,450

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, 2013

	Special Revenue		
	Recreation Fund	Mooring Management Fund	Total Non-Major Governmental Funds
REVENUES			
Recreation and Culture	\$ 50,427	\$ 5,952	\$ 56,379
Investment Income	16	-	16
TOTAL REVENUES	<u>50,443</u>	<u>5,952</u>	<u>56,395</u>
EXPENDITURES			
Culture and Recreation	<u>51,381</u>	<u>2,618</u>	<u>53,999</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(938)	3,334	2,396
FUND BALANCE AT BEGINNING OF YEAR	<u>52,028</u>	<u>26</u>	<u>52,054</u>
FUND BALANCE AT END OF YEAR	<u>\$ 51,090</u>	<u>\$ 3,360</u>	<u>\$ 54,450</u>

City of Newport, Vermont
 OTHER SUPPLEMENTARY INFORMATION
 COMBINING STATEMENT OF NET POSITION -
 EXPENDABLE TRUST FUNDS
 June 30, 2013

	<u>ASSETS</u>			
	<u>Police Public Safety Fund</u>	<u>East Main Street Cemetery Fund</u>	<u>Community Development Block Grant Fund</u>	<u>Total</u>
ASSETS				
CASH				
Checking	\$ 26,222	\$ 9,900	\$ 2	\$ 36,124
Savings and money markets	<u>-</u>	<u>24,086</u>	<u>31,531</u>	<u>55,617</u>
TOTAL CASH	<u>26,222</u>	<u>33,986</u>	<u>31,533</u>	<u>91,741</u>
DUE FROM OTHER FUNDS	<u>6,497</u>	<u>-</u>	<u>-</u>	<u>6,497</u>
INVESTMENTS				
Trust Account	<u>-</u>	<u>189,320</u>	<u>-</u>	<u>189,320</u>
TOTAL ASSETS	<u>\$ 32,719</u>	<u>\$ 223,306</u>	<u>\$ 31,533</u>	<u>\$ 287,558</u>
 <u>LIABILITIES AND NET POSITION</u> 				
LIABILITIES				
Due to other Funds	<u>\$ -</u>	<u>\$ 23,036</u>	<u>\$ 9</u>	<u>\$ 23,045</u>
NET POSITION	<u>32,719</u>	<u>200,270</u>	<u>31,524</u>	<u>264,513</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 32,719</u>	<u>\$ 223,306</u>	<u>\$ 31,533</u>	<u>\$ 287,558</u>

City of Newport, Vermont
OTHER SUPPLEMENTARY INFORMATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION -
EXPENDABLE TRUST FUNDS
For the Year Ended June 30, 2013

	Police Public Safety Fund	East Main Street Cemetery Fund	Community Development Block Grant Fund	Total
REVENUES				
Drug Service Grant	\$ 765	\$ -	\$ -	\$ 765
Federal and State Grants	-	-	627,000	627,000
Loan Repayment	-	-	3,247	3,247
Interest Income	32	4	39	75
Dividend Income	-	4,945	-	4,945
Net gain from investments	-	3,099	-	3,099
Other income	1,220	100	-	1,320
TOTAL REVENUES	<u>2,017</u>	<u>8,148</u>	<u>630,286</u>	<u>640,451</u>
EXPENDITURES				
Admin. Fees	-	2,010	-	2,010
Contracted Services	-	6,855	-	6,855
Police Expenditures	12,228	-	-	12,228
Multi-Family Grant	-	-	597,000	597,000
Tasting Center Grant	-	-	30,000	30,000
Other	-	434	-	434
TOTAL EXPENDITURES	<u>12,228</u>	<u>9,299</u>	<u>627,000</u>	<u>648,527</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(10,211)	(1,151)	3,286	(8,076)
OTHER FINANCING SOURCES				
Operating Transfers, In	27,268	-	-	27,268
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES	17,057	(1,151)	3,286	19,192
FUND BALANCE AT BEGINNING OF YEAR	<u>15,662</u>	<u>201,421</u>	<u>28,238</u>	<u>245,321</u>
FUND BALANCE AT END OF YEAR	<u>\$ 32,719</u>	<u>\$ 200,270</u>	<u>\$ 31,524</u>	<u>\$ 264,513</u>

City of Newport, Vermont
 OTHER SUPPLEMENTARY INFORMATION
 COMBINING STATEMENT OF NET POSITION -
 NON-EXPENDABLE TRUST FUNDS
 June 30, 2013

<u>ASSETS</u>		<u>Perley J. Niles Fund</u>
CASH		
Checking Account		\$ 23,026
INVESTMENTS		<u>104,558</u>
TOTAL ASSETS		<u>\$ 127,584</u>
 <u>LIABILITIES AND NET POSITION</u> 		
LIABILITIES		
Due to Other Funds		\$ 994
NET POSITION		
Reserved for trust funds		62,000
Unreserved		<u>64,590</u>
TOTAL NET POSITION		<u>126,590</u>
TOTAL LIABILITIES AND NET POSITION		<u>\$ 127,584</u>

City of Newport, Vermont
 OTHER SUPPLEMENTARY INFORMATION
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION -
 NON-EXPENDABLE TRUST FUNDS
 For the Year Ended June 30, 2013

	<u>Perley J. Niles Fund</u>
REVENUES	
Dividend Income	\$ 2,723
Net gain on investments	<u>1,683</u>
TOTAL REVENUES	<u>4,406</u>
EXPENDITURES	
Admin Fees	1,057
Legal	32
Beneficiaries	<u>9,316</u>
TOTAL EXPENSES	<u>10,405</u>
EXCESS OF REVENUES OVER EXPENDITURES	(5,999)
NET POSITION AT BEGINNING OF YEAR	<u>132,589</u>
NET POSITION AT END OF YEAR	<u>\$ 126,590</u>

SINGLE AUDIT REPORTS

City of Newport, Vermont
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
 For the Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Pass Through Grantor Number	Federal CFDA Number	Expended
U.S. Department of Transportation			
Passed through the Vermont Department of Public Safety			
Local Emergency Planning Committee #9	02140-31291-009	20.703	\$ 2,013
Local Emergency Planning Committee #10	02140-31291-010	20.703	<u>763</u>
			<u>2,776</u>
National Highway Traffic Safety Administration			
Passed through the Vermont Department of Public Safety			
2012 Equipment Incentives	02140-0912-3528	20.609	<u>1,877</u>
U.S. Department of Homeland Security			
Passed through the State of Vermont Department of Homeland Security			
2012 Highway Safety Any Time	02140-1112-2121	20.600	1,032
2013 Highway Safety Any Time	02140-1213-2120	20.600	2,127
2012 DUI Any Time	02140-1112-9221	20.608	1,383
2013 DUI Any Time	02140-1113-5021	20.608	1,958
FY 10 Operation Stonegarden	02140-70275-001	97.067	9,418
State Homeland Security Grant	02140-71220-004	97.067	4,235
Equipment Law Enforcement	02140-70252-207	97.067	16,232
Passed through the State of Vermont Department of Public Safety			
Evidence Forfeiture Funds	02140-12402-902	99.999	<u>4,652</u>
			<u>41,037</u>
U.S. Department of Justice			
Drug Forfeiture Funds		99.999	4,035
ARRA - Public Safety Partnership and Community Policy Grant		16.710	31,203
Passed through the Vermont Childrens Trust Foundation			
Juvenile Justice and Delinquency	038-01/12-CTF	16.540	<u>1,660</u>
			<u>36,898</u>
U.S. Department of Housing and Urban Development			
Passed through the Vermont Community Development Association			
VCDA Community Development Block Grant			
Newport Family Housing	07110-IG-III-2009- NewportCity-00031	14.228	597,000
NEK Tasting Center	07110-PG-2011- NewportCity-00016	14.228	<u>30,000</u>
			<u>627,000</u>
			<u>\$ 709,588</u>

The Schedule of Expenditure of Federal Awards was prepared using the significant accounting policies outlined in Note 1 to the basic financial statements.



Kittell Branagan & Sargent

Certified Public Accountants

Vermont License # 167

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the City Council
City of Newport, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Newport, Vermont, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City of Newport, Vermont's basic financial statements, and have issued our report thereon dated September 18, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Newport, Vermont's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Newport, Vermont's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Newport, Vermont's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses, the deficiency is reference 2013-1 on this schedule.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs (2013-1) to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Newport, Vermont's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2013-1.

City of Newport, Vermont's Response to Findings

City of Newport, Vermont's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Newport, Vermont's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Kuttell Brannigan & Sargent". The signature is written in dark ink and is positioned above the typed name and date.

St. Albans, Vermont
September 18, 2013



Kittell Branagan & Sargent

Certified Public Accountants

Vermont License # 167

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the City Council
City of Newport, Vermont

Report on Compliance for Each Major Federal Program

We have audited City of Newport, Vermont's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Newport, Vermont's major federal programs for the year ended June 30, 2013. City of Newport, Vermont's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Newport, Vermont's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Newport, Vermont's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Newport, Vermont's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Newport, Vermont, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of City of Newport, Vermont is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Newport, Vermont's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

Accordingly, we do not express an opinion on the effectiveness of City of Newport, Vermont's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



St. Albans, Vermont
September 18, 2013

City of Newport, Vermont
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2013

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of City of Newport, Vermont.
2. One control deficiency disclosed during the audit of the financial statement is reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. This deficiency is reported as a material weakness.
3. No instances of noncompliance material to the financial statements of City of Newport, Vermont were disclosed during the audit.
4. There were no significant deficiencies disclosed during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for City of Newport, Vermont expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for City of Newport, Vermont
7. The program tested as a major program was CFDA #14.228 U.S. Department of Housing and Urban Development - Community Development Block Grant/State's Program; Newport Family Housing and NEK Tasting Center.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. City of Newport, Vermont was not determined to be a low-risk auditee. Since City of Newport, Vermont was not required to have an A-133 audit in 2012 or 2011, it cannot be classified as "Low Risk" for this purpose.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

2013-1 Lack of Expertise in Financial Accounting and Reporting:

Condition - Under SAS 115, an internal control deficiency exists when management does not possess the financial expertise to prepare financial statements, including footnotes, in accordance with generally accepted accounting principles.

Criteria - According to OMB-Circular A-133, internal controls should be in place to provide reasonable assurance that permits the preparation of reliable financial statements and Federal reports. According to SAS 115, a lack of accounting expertise is considered an internal control deficiency.

Effect - Because management lacks expertise in financial accounting and reporting, there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected under the provisions of SAS 115

B. FINDINGS – FINANCIAL STATEMENTS AUDIT (continued)

Recommendation - To correct these deficiencies, the City of Newport, Vermont would need to hire personnel with adequate accounting experience to perform these functions. The Town would need to weigh the costs of these corrections versus the benefits.

Action Taken - We acknowledge the finding but due to the size of the entity we do not believe that it would be cost effective to incur additional costs and the costs outweigh the benefits. Management will continue to assess the need to hire additional staff to perform these functions.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

- There were no findings or questioned costs related to the major federal award programs.