

TOWN OF BRISTOL, RHODE ISLAND
BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010



TOWN OF BRISTOL, RHODE ISLAND

YEAR ENDED JUNE 30, 2010

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TOWN OF BRISTOL, RHODE ISLAND

YEAR ENDED JUNE 30, 2010

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Lefkowitz, Garfinkel, Champi & DeRienzo P.C.
Certified Public Accountants / Business Consultants

Independent Auditors' Report

Members of the Town Council
Town of Bristol, Rhode Island
Bristol, Rhode Island

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bristol, Rhode Island (the Town) as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Town's discretely presented component unit, the Bristol Warren Regional School District (School), which represents 32 percent, 14 percent, and 56 percent, respectively, of the assets, net assets, and revenues of the primary government of the Town. Those financial statements were audited by other auditors whose report thereon has been furnished to us and our opinion, insofar as it relates to the amounts included for the School, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Bristol, Rhode Island as of June 30, 2010, 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.

Independent Auditors' Report (Continued)

Members of the Town Council
Town of Bristol, Rhode Island

In accordance with Government Auditing Standards, we have also issued our report dated December 28, 2010 on our consideration of the Town'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 through 10, and budgetary comparison schedule and historical pension and other postemployment benefit information on pages 62 through 66 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The supplementary tax collector's annual report on pages 67 and 68 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Town. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare financial statements. The information has been subjected to the auditing procedures applied by us 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Leffkowitz, Jan. Juntel, Charpi & DeGonzal. C.

December 28, 2010

TOWN OF BRISTOL, RHODE ISLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010

As management of the Town of Bristol, Rhode Island (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2010.

Financial Highlights

- The assets of the Town exceeded its liabilities as of June 30, 2010 by \$61,848,198 (*net assets*). Of this amount, \$12,532,447 (*unrestricted net assets*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- As of June 30, 2010, the Town's governmental funds reported combined ending fund balances of \$18,364,476, a decrease of \$3,520,683 in comparison with the prior year, principally the result of spending down bond proceeds recognized in the previous fiscal year.
- As of June 30, 2010, the unreserved fund balance for the General Fund was \$11,903,630, or approximately 27% of total General Fund expenditures. However, \$3,571,315 of this unreserved fund balance has been designated to meet 2011 General Fund expenditures, which reduces the available unreserved fund balance for the General Fund to \$8,332,315, or approximately 19% of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other required 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 Town's finances in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Town'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 Town is improving or deteriorating.

TOWN OF BRISTOL, RHODE ISLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

YEAR ENDED JUNE 30, 2010

Overview of the Financial Statements (Continued)

Government-wide financial statements (continued). 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 and sick leave).

Both of the government-wide financial statements distinguish functions of the Town 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 costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, public works, community services and education. The Town's business-type activity is the sewer operation.

The government-wide financial statements include the activities of the Town and its component units, Bristol Warren Regional School District and the Bristol Fourth of July Committee. The component units each issue separate financial statements, which can be obtained by sending a request to the Treasurer's Office, Town Hall, 10 Court Street, Bristol, RI 02809.

The government-wide financial statements can be found on pages 11 and 12 of this report.

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 Town, 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 Town can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *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.

TOWN OF BRISTOL, RHODE ISLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

YEAR ENDED JUNE 30, 2010

Overview of the Financial Statements (Continued)

Governmental funds (continued). 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. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town maintains 94 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, which is considered to be a major fund. Data from the remaining 93 governmental funds are combined into a single aggregated presentation.

The basic governmental fund financial statements can be found on pages 13 through 16 of this report.

Proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses an enterprise fund to account for its sewer operations.

The basic proprietary fund financial statements can be found on pages 17 through 20 of this report.

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 Town's programs. The fiduciary funds maintained by the Town include several private-purpose trusts, the Police Retirement Trust Fund, the OPEB Trust Fund and agency funds.

The basic fiduciary fund financial statements can be found on pages 21 and 22 of this report.

Notes to the basic 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 basic financial statements can be found beginning on page 23 of this report.

Other information. In addition to the basic financial statements and accompanying notes, *required supplementary information* presents a budgetary comparison schedule for the General Fund to demonstrate compliance with the budget, as well as certain information related to the Town's retirement and OPEB plans.

TOWN OF BRISTOL, RHODE ISLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

YEAR ENDED JUNE 30, 2010

Government-wide Financial Analysis

As noted earlier, net assets may serve as a useful indicator of a government's financial position over time. In the case of the Town, assets exceeded liabilities by \$61,848,198 at the close of the 2010 fiscal year.

Town of Bristol's Net Assets

| | Governmental Activities | | Business-type Activities | | Total | |
|----------------------------|----------------------------|----------------------|-----------------------------|----------------------|----------------------|----------------------|
| | 2010 | 2009 (Restated) | 2010 | 2009 (Restated) | 2010 | 2009 (Restated) |
| Current and other assets | \$ 23,157,341 | \$ 26,759,611 | \$ 2,611,827 | \$ 1,853,931 | \$ 25,769,168 | \$ 28,613,542 |
| Capital assets | 47,632,189 | 42,854,129 | 37,706,796 | 37,301,729 | 85,338,985 | 80,155,858 |
| Total assets | <u>70,789,530</u> | <u>69,613,740</u> | <u>40,318,623</u> | <u>39,155,660</u> | <u>111,108,153</u> | <u>108,769,400</u> |
| Long-term liabilities | 27,985,414 | 27,858,699 | 17,218,938 | 16,856,035 | 45,204,352 | 44,714,734 |
| Other liabilities | 3,347,021 | 3,769,709 | 708,582 | 238,816 | 4,055,603 | 4,008,525 |
| Total liabilities | <u>31,332,435</u> | <u>31,628,408</u> | <u>17,927,520</u> | <u>17,094,851</u> | <u>49,259,955</u> | <u>48,723,259</u> |
| Net assets: | | | | | | |
| Invested in capital assets | 24,164,378 | 19,887,222 | 21,136,899 | 20,667,336 | 45,301,277 | 40,554,558 |
| Restricted | 4,014,474 | 4,927,739 | | | 4,014,474 | 4,927,739 |
| Unrestricted | 11,278,243 | 13,170,371 | 1,254,204 | 1,393,473 | 12,532,447 | 14,563,844 |
| Total net assets | <u>\$ 39,457,095</u> | <u>\$ 37,985,332</u> | <u>\$ 22,391,103</u> | <u>\$ 22,060,809</u> | <u>\$ 61,848,198</u> | <u>\$ 60,046,141</u> |

The general capital assets (e.g., land, buildings, machinery, and equipment) of the governmental activities of the Town less related outstanding debt equals \$24,164,378. It should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. A portion of the outstanding debt of the governmental activities was incurred for the installation of infrastructure.

TOWN OF BRISTOL, RHODE ISLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

YEAR ENDED JUNE 30, 2010

Government-wide Financial Analysis (Continued)

Town of Bristol's Changes in Net Assets

| | Governmental Activities | | Business-type Activities | | Total | |
|---|----------------------------|----------------------|-----------------------------|----------------------|----------------------|----------------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 2,093,538 | \$ 2,458,032 | \$ 4,583,301 | \$ 4,509,020 | \$ 6,676,839 | \$ 6,967,052 |
| Operating grants and contributions | 819,007 | 1,201,308 | | | 819,007 | 1,201,308 |
| Capital grants and contributions | 232,290 | 309,605 | | | 232,290 | 309,605 |
| General revenues: | | | | | | |
| Property taxes | 33,141,034 | 33,236,923 | | | 33,141,034 | 33,236,923 |
| Grants and contributions not restricted to specific programs | 3,195,537 | 3,548,667 | 154,957 | 470,500 | 3,350,494 | 4,019,167 |
| Investment earnings (losses) | 1,081,770 | (452,116) | 59,243 | 52,449 | 1,141,013 | (399,667) |
| Miscellaneous | 300,330 | 591,970 | | | 300,330 | 591,970 |
| Total revenues | <u>40,863,506</u> | <u>40,894,389</u> | <u>4,797,501</u> | <u>5,031,969</u> | <u>45,661,007</u> | <u>45,926,358</u> |
| Expenses: | | | | | | |
| General government | 2,619,301 | 2,750,316 | | | 2,619,301 | 2,750,316 |
| Public safety | 7,351,478 | 7,019,660 | | | 7,351,478 | 7,019,660 |
| Public works | 6,149,313 | 6,500,954 | | | 6,149,313 | 6,500,954 |
| Community services | 2,620,534 | 2,688,563 | | | 2,620,534 | 2,688,563 |
| Education | 19,583,960 | 19,342,364 | | | 19,583,960 | 19,342,364 |
| Interest on long-term debt | 1,012,163 | 846,089 | | | 1,012,163 | 846,089 |
| Sewer | | | 4,522,201 | 4,452,145 | 4,522,201 | 4,452,145 |
| Total expenses | <u>39,336,749</u> | <u>39,147,946</u> | <u>4,522,201</u> | <u>4,452,145</u> | <u>43,858,950</u> | <u>43,600,091</u> |
| Increase in net assets before transfers | 1,526,757 | 1,746,443 | 275,300 | 579,824 | 1,802,057 | 2,326,267 |
| Transfers | (54,994) | 245,000 | 54,994 | (245,000) | - | - |
| Increase in net assets | <u>1,471,763</u> | <u>1,991,443</u> | <u>330,294</u> | <u>334,824</u> | <u>1,802,057</u> | <u>2,326,267</u> |
| Net assets, beginning of year: | | | | | | |
| As previously reported | 37,985,332 | 28,018,548 | 22,060,809 | 21,454,892 | 60,046,141 | 49,473,440 |
| Prior period adjustments | - | 7,975,341 | - | 271,093 | - | 8,246,434 |
| As restated | <u>37,985,332</u> | <u>35,993,889</u> | <u>22,060,809</u> | <u>21,725,985</u> | <u>60,046,141</u> | <u>57,719,874</u> |
| Net assets, end of year | <u>\$ 39,457,095</u> | <u>\$ 37,985,332</u> | <u>\$ 22,391,103</u> | <u>\$ 22,060,809</u> | <u>\$ 61,848,198</u> | <u>\$ 60,046,141</u> |

Governmental Activities

Governmental activities increased the Town's net assets by \$1,471,763, accounting for 82% of the growth in the net assets of the Town. Much of this increase in net assets was attributed to the Town's investment earnings.

TOWN OF BRISTOL, RHODE ISLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

YEAR ENDED JUNE 30, 2010

Business-Type Activities

Business-type activities increased the Town's net assets by \$330,294, after the transfer of \$54,994 from governmental activities.

Governmental funds. The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, 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.

As of June 30, 2010, the Town's governmental funds reported combined ending fund balances of \$18,364,476. Approximately 82.3%, or \$15,106,031, constitutes unreserved fund balance, which is available for spending at the Town's discretion. Included in unreserved fund balance is \$3,571,315 designated for future capital and operating expenditures. The remainder of the fund balance is reserved to indicate that it either 1) is not available for new spending because it has already been committed to liquidate contracts and purchase orders of prior periods, 2) represents unexpendable inventory items, or 3) represents amounts that will not be collected in time to liquidate current obligations.

The General Fund is the chief operating fund of the Town. As of June 30, 2010, the total fund balance of the General Fund was \$14,584,458, of which \$11,903,630 was unreserved. This unreserved fund balance represents approximately 27% of total General Fund expenditures. Of the total fund balance, \$3,571,315 was designated to meet 2011 fiscal year's General Fund expenditures.

The fund balance of the General Fund decreased by \$2,537,724 in fiscal year 2010. While the General Fund's expenditures exceeded its revenues by \$5,111,802, the issuance of \$3,450,000 of general obligation bonds to repay previously outstanding BANS that were used to finance capital outlays and to provide funds for additional capital outlays, caused the current year's deficit to decrease in the fund balance of the General Fund. The fiscal year 2010 annual budget for the Town's General Fund identified the appropriation of \$655,000 in fund balance to reduce the impact of taxes levied and to balance the budget. Due in part to the loss of State aid in excess of \$200,000, all of the \$655,000 was used in the current year. Furthermore, because of the carryforward of unexpended capital project funds from the prior year, actual expenditures for the year were \$2,010,453 less than budgeted; actual revenues exceeded budgeted revenues by \$901,229, principally due to property tax collections and investment earnings. Expenditures for education totaled \$19,583,962, accounting for 44% of total General Fund expenditures.

Proprietary Fund. The Town's Sewer Enterprise Fund provides the same type of information found in the government-wide financial statements for business-type activities, but in more detail.

Unrestricted net assets of the Sewer Enterprise Fund at the end of the fiscal year amounted to \$1,254,204. The financial statements for the fund can be found on pages 17 through 20 of this report.

TOWN OF BRISTOL, RHODE ISLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

YEAR ENDED JUNE 30, 2010

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget are principally attributable to (1) the carryover of prior years' unspent budgeted amounts relating to the construction of the new fire and rescue headquarters (headquarters), sidewalk program, and drainage program; and (2) new bonds and bond anticipation note issued during the year to fund the completion of the construction of the headquarters, open space acquisitions, road repairs, and drainage systems throughout the Town. The Town expects to issue general obligations bonds in 2011 to repay the bond anticipation note.

Town of Bristol's Capital Assets

The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2010 amounts to \$85,338,985, net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, vehicles, machinery and equipment, infrastructure and construction in progress.

Several major additions to the Town's capital assets related to its governmental activities were made during the year, including the new fire and rescue headquarters, wastewater treatment plant upgrades, continued street paving and sidewalk repair programs, recreation/park projects, and public safety and public works equipment upgrades. The Town's \$6,500,000 fire and rescue headquarters was substantially completed and placed in operation in the 2010 fiscal year.

The Town is committed under construction contracts at June 30, 2010 as follows:

| Project | Contract | Spent to date | Remaining commitment |
|-------------------------------------|---------------------|---------------------|----------------------|
| Wastewater Treatment Plant Upgrades | \$ 2,906,800 | \$ 575,355 | \$ 2,331,445 |
| Town Beach Drainage Project | 860,400 | 480,162 | 380,238 |
| Fire Rescue Station Construction | 5,636,780 | 5,318,479 | 318,301 |
| | <u>\$ 9,403,980</u> | <u>\$ 6,373,996</u> | <u>\$ 3,029,984</u> |

Long-term debt. At June 30, 2010, the Town has total bonded debt and loans outstanding of \$42,671,042, of which \$25,400,000 is backed by the full faith and credit of the Town.

State statutes limit the amount of general obligation debt a governmental entity may issue to three percent of its total equalized valuation. The current debt limitation for the Town is \$97,937,278, which significantly exceeds the Town's current outstanding general obligation debt.

TOWN OF BRISTOL, RHODE ISLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

YEAR ENDED JUNE 30, 2010

Town of Bristol's Capital Assets (Continued)

Long-term debt (continued). During 2010, the Town issued \$3,450,000 in general obligation bonds, a portion of which was used to repay \$2,000,000 in BANS borrowed for construction of the library and infrastructure improvements, and to replenish the General Fund for capital outlays previously expended.

Additional information about the Town's long-term debt can be found in Note 9 to the basic financial statements.

Economic Factors and Next Year's Budgets and Rates

- The 2010 unemployment rate for Bristol County, which includes the Town, was 9.3%. This compares with an unemployment rate of 11.4% for the State of Rhode Island and a national unemployment rate of 9.6 percent.
- \$3,571,315 of the unreserved fund balance in the General Fund was appropriated for spending in fiscal year 2011.
- The Town's tax rate on assessed values will remain at the fiscal year 2010 levels for the 2011 fiscal year.
- The Town's appropriation to fund its contribution to the regional school district increased by \$311,825, or 1.6%, to \$19,895,787 for the 2011 fiscal year.
- The Town intends to issue approximately \$5,400,000 of 20-year general obligation bonds to finance road repairs, drainage improvements, open space acquisition, and repayment of bond anticipation notes during fiscal year 2011.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Treasurer's Office, Town Hall, 10 Court Street, Bristol, RI 02809.

TOWN OF BRISTOL, RHODE ISLAND

STATEMENT OF NET ASSETS

JUNE 30, 2010

| | Primary Government | | | Component Units | |
|---|-------------------------|--------------------------|----------------------|---|--|
| | Governmental Activities | Business-Type Activities | Total | Bristol Warren Regional School District | Bristol Fourth of July Committee (unaudited) |
| ASSETS: | | | | | |
| Cash and cash equivalents | \$ 14,084,750 | \$ 12,521 | \$ 14,097,271 | \$ 11,904,312 | \$ 92,077 |
| Investments | 4,298,253 | | 4,298,253 | 9,746 | |
| Accounts receivable, less allowance for doubtful accounts of \$360,019: | | | | | |
| Property taxes | 1,259,120 | | 1,259,120 | | |
| Federal and state government Assessments and user fees | 1,434,813 | | 1,434,813 | 319,908 | |
| Other | 476,297 | 244,052 | 476,491 | | |
| Internal balances | (1,621,510) | 194 | - | | |
| Inventory | 36,288 | 1,621,510 | 36,288 | | |
| Property held for sale | 353,496 | | 353,496 | 7,791 | |
| Pension and OPEB asset, net | 445,672 | | 445,672 | | |
| Noncurrent assessments and user fees | | 437,794 | 437,794 | | |
| Note receivable, component unit | 1,980,000 | | 1,980,000 | | |
| Loans and notes receivable | 168,401 | | 168,401 | | |
| Deferred charges, net | 241,761 | 295,756 | 537,517 | 381,780 | |
| Capital assets not being depreciated | 10,261,963 | 914,162 | 11,176,125 | 55,668 | |
| Capital assets being depreciated, net | 37,370,226 | 36,792,634 | 74,162,860 | 39,896,902 | |
| Total assets | 70,789,530 | 40,318,623 | 111,108,153 | 52,576,107 | 92,077 |
| LIABILITIES: | | | | | |
| Accounts payable and accrued expenses | 1,429,882 | 708,582 | 2,138,464 | 5,289,781 | - |
| Bond anticipation note payable | 1,875,000 | | 1,875,000 | | |
| Unearned revenue | 42,139 | | 42,139 | 261,465 | |
| OPEB obligation, net | | | | 2,935,934 | |
| Note payable, primary government: | | | | | |
| Due within one year | | | | 70,000 | |
| Due in more than one year | | | | 1,910,000 | |
| Long-term obligations: | | | | | |
| Due within one year | 2,032,527 | 1,570,705 | 3,603,232 | 2,303,000 | |
| Due in more than one year | 25,952,887 | 15,648,233 | 41,601,120 | 29,765,188 | |
| Total liabilities | 31,332,435 | 17,927,520 | 49,259,955 | 42,535,368 | - |
| Commitments and contingencies (Notes 12 and 13) | | | | | |
| NET ASSETS: | | | | | |
| Invested in capital assets, net of related debt | 24,164,378 | 21,136,899 | 45,301,277 | 7,243,049 | - |
| Restricted for: | | | | | |
| Capital projects funded with bond proceeds | 424,281 | | 424,281 | | |
| Community development | 354,511 | | 354,511 | | |
| Other purposes: | | | | | |
| Expendable | 2,658,065 | | 2,658,065 | | |
| Nonexpendable | 577,617 | | 577,617 | | |
| Unrestricted | 11,278,243 | 1,254,204 | 12,532,447 | 2,797,690 | 92,077 |
| Total net assets | \$ 39,457,095 | \$ 22,391,103 | \$ 61,848,198 | \$ 10,040,739 | \$ 92,077 |

See notes to basic financial statements.

TOWN OF BRISTOL, RHODE ISLAND

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2010

| Functions/Programs | Expenses | Program Revenues | | | Net (Expenses) Revenues and Changes in Net Assets | | | Component Units |
|--|---------------|----------------------------|--|--|--|-----------------------------|----------------|--------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | |
| | | | | | Governmental Activities | Business-type Activities | Total | |
| Primary government: | | | | | | | | |
| Governmental activities: | | | | | | | | |
| General government | \$ 2,619,301 | \$ 692,332 | \$ 4,000 | \$ 150,948 | \$ (1,772,021) | | \$ (1,772,021) | |
| Public safety | 7,351,478 | 784,229 | 101,962 | 75,529 | (6,389,758) | | (6,389,758) | |
| Public works | 6,149,313 | 534,489 | 1,775 | - | (5,613,049) | | (5,613,049) | |
| Community services | 2,620,534 | 54,113 | 711,270 | 5,813 | (1,849,338) | | (1,849,338) | |
| Education | 19,583,960 | 28,375 | - | - | (19,555,585) | | (19,555,585) | |
| Interest on long-term debt | 1,012,163 | - | - | - | (1,012,163) | | (1,012,163) | |
| Total governmental activities | 39,336,749 | 2,093,538 | 819,007 | 232,290 | (36,191,914) | | (36,191,914) | |
| Business-type activities: | | | | | | | | |
| Sewer | 4,522,201 | 4,583,301 | - | - | - | \$ 61,100 | 61,100 | |
| Total primary government | \$ 43,858,950 | \$ 6,676,839 | \$ 819,007 | \$ 232,290 | (36,191,914) | 61,100 | (36,130,814) | |
| Component units: | | | | | | | | |
| Bristol Warren Regional School District | \$ 56,686,793 | \$ 1,092,241 | \$ 56,075,069 | \$ - | | | | \$ 480,517 |
| Bristol Fourth of July Committee (unaudited) | 296,530 | 217,629 | 51,455 | | | | | (27,446) |
| Total component units | \$ 56,983,323 | \$ 1,309,870 | \$ 56,126,524 | \$ - | | | | 453,071 |
| General revenues: | | | | | | | | |
| Property taxes | | | | | 33,141,034 | | 33,141,034 | |
| Grants and contributions not restricted to specific programs | | | | | 3,195,537 | 154,957 | 3,350,494 | |
| Investment earnings | | | | | 1,081,770 | 59,243 | 1,141,013 | 22,801 |
| Miscellaneous | | | | | 300,330 | | 300,330 | 127,595 |
| Transfers | | | | | (54,994) | 54,994 | - | |
| Total general revenues and transfers | | | | | 37,663,677 | 269,194 | 37,932,871 | 150,396 |
| Change in net assets | | | | | 1,471,763 | 330,294 | 1,802,057 | 603,467 |
| Net assets, beginning of year | | | | | 37,985,332 | 22,060,809 | 60,046,141 | 9,529,349 |
| Net assets, end of year | | | | | \$ 39,457,095 | \$ 22,391,103 | \$ 61,848,198 | \$ 10,132,816 |

See notes to basic financial statements.

TOWN OF BRISTOL, RHODE ISLAND

BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2010

| ASSETS | <u>General Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|----------------------|---|---|
| Cash and cash equivalents | \$ 13,463,760 | \$ 620,990 | \$ 14,084,750 |
| Investments | 698,980 | 3,599,273 | 4,298,253 |
| Receivables: | | | |
| Property taxes, less allowance for doubtful accounts of \$360,019 | 1,259,120 | | 1,259,120 |
| Intergovernmental | 926,215 | 508,598 | 1,434,813 |
| Other | 444,582 | 31,715 | 476,297 |
| Due from other funds | 752,853 | 698,409 | 1,451,262 |
| Inventory | 36,288 | | 36,288 |
| Advance to other fund | 311,044 | | 311,044 |
| Property held for sale | 353,496 | | 353,496 |
| Loans and notes receivable | 168,401 | | 168,401 |
| Note receivable, component unit | 1,980,000 | | 1,980,000 |
| | <u>1,980,000</u> | | <u>1,980,000</u> |
| Total assets | <u>\$ 20,394,739</u> | <u>\$ 5,458,985</u> | <u>\$ 25,853,724</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable and accrued expenses | \$ 958,313 | \$ 153,775 | \$ 1,112,088 |
| Bond anticipation note payable | 1,875,000 | | 1,875,000 |
| Due to other funds | 2,223,039 | 849,733 | 3,072,772 |
| Deferred revenue | 753,929 | 364,415 | 1,118,344 |
| Advance from General Fund | | 311,044 | 311,044 |
| | | <u>311,044</u> | <u>311,044</u> |
| Total liabilities | <u>5,810,281</u> | <u>1,678,967</u> | <u>7,489,248</u> |
| Fund balances: | | | |
| Reserved for: | | | |
| Note receivable, component unit | 1,980,000 | | 1,980,000 |
| Property held for sale | 353,496 | | 353,496 |
| Advance to other fund | 311,044 | | 311,044 |
| Inventory | 36,288 | | 36,288 |
| Nonexpendable portion of permanent funds | | 577,617 | 577,617 |
| Unreserved, reported in: | | | |
| General Fund | 11,903,630 | | 11,903,630 |
| Special revenue funds | | 332,991 | 332,991 |
| Capital projects funds | | 211,345 | 211,345 |
| Permanent funds | | 2,658,065 | 2,658,065 |
| | | <u>2,658,065</u> | <u>2,658,065</u> |
| Total fund balances | <u>14,584,458</u> | <u>3,780,018</u> | <u>18,364,476</u> |
| Total liabilities and fund balances | <u>\$ 20,394,739</u> | <u>\$ 5,458,985</u> | <u>\$ 25,853,724</u> |

See notes to basic financial statements.

TOWN OF BRISTOL, RHODE ISLAND

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET ASSETS

JUNE 30, 2010

| | | | |
|---|----|----------------|----------------------|
| Total fund balances for governmental funds | | \$ | 18,364,476 |
| Assets used in governmental activities which are not financial resources and therefore are not reported in the funds: | | | |
| Capital assets, net | \$ | 47,632,189 | |
| Pension and OPEB asset, net | | 445,672 | |
| Deferred charges, net | | <u>241,761</u> | 48,319,622 |
| Some taxes and grants will be collected after year-end but are not available soon enough to pay for the current period's expenditures; therefore, they are reported as deferred revenue in the funds. | | | 1,076,205 |
| Liabilities not due and payable in the current period and therefore are not reported in the funds: | | | |
| Bonds payable | | 25,689,572 | |
| Compensated absences payable | | 2,295,842 | |
| Accrued interest | | <u>317,794</u> | <u>(28,303,208)</u> |
| Net assets of governmental activities | | | <u>\$ 39,457,095</u> |

See notes to basic financial statements.

TOWN OF BRISTOL, RHODE ISLAND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2010

| | <u>General Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|----------------------|---|---|
| Revenues: | | | |
| Property taxes | \$ 33,106,215 | | \$ 33,106,215 |
| Intergovernmental | 2,824,209 | \$ 650,881 | 3,475,090 |
| Licenses, permits and fees | 1,875,923 | | 1,875,923 |
| Investment earnings | 694,458 | 387,312 | 1,081,770 |
| Other revenues | <u>676,548</u> | <u>283,494</u> | <u>960,042</u> |
| Total revenues | <u>39,177,353</u> | <u>1,321,687</u> | <u>40,499,040</u> |
| Expenditures: | | | |
| Current: | | | |
| General government | 1,496,325 | 17,001 | 1,513,326 |
| Public safety | 4,301,990 | 89,407 | 4,391,397 |
| Public works | 4,174,208 | 191,355 | 4,365,563 |
| Community services | 1,221,928 | 637,352 | 1,859,280 |
| Education | 19,583,962 | | 19,583,962 |
| Insurance, payroll taxes and benefits | 4,657,184 | | 4,657,184 |
| Debt service: | | | |
| Principal | 1,923,929 | | 1,923,929 |
| Interest | 983,797 | | 983,797 |
| Bond issuance costs | 67,696 | | 67,696 |
| Fees and charges | 29,290 | | 29,290 |
| Capital outlay | <u>5,848,846</u> | <u>942,023</u> | <u>6,790,869</u> |
| Total expenditures | <u>44,289,155</u> | <u>1,877,138</u> | <u>46,166,293</u> |
| Excess of expenditures over revenues | <u>(5,111,802)</u> | <u>(555,451)</u> | <u>(5,667,253)</u> |
| Other financing sources (uses): | | | |
| Bonds proceeds | 3,450,000 | 424,517 | 3,874,517 |
| Transfers from other funds | 804,240 | 186,584 | 990,824 |
| Transfers to other funds | (7,209) | (1,038,609) | (1,045,818) |
| Bonds refunded | <u>(1,672,953)</u> | <u>-</u> | <u>(1,672,953)</u> |
| Total other financing sources (uses) | <u>2,574,078</u> | <u>(427,508)</u> | <u>2,146,570</u> |
| Excess of expenditures and other financing uses over revenues and other financing sources | <u>(2,537,724)</u> | <u>(982,959)</u> | <u>(3,520,683)</u> |
| Fund balances, beginning of year: | | | |
| As previously reported | 16,769,976 | 4,762,977 | 21,532,953 |
| Prior period adjustments | <u>352,206</u> | | <u>352,206</u> |
| As restated | <u>17,122,182</u> | <u>4,762,977</u> | <u>21,885,159</u> |
| Fund balances, end of year | <u>\$ 14,584,458</u> | <u>\$ 3,780,018</u> | <u>\$ 18,364,476</u> |

See notes to basic financial statements.

TOWN OF BRISTOL, RHODE ISLAND

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2010

| | | |
|---|--------------------|---------------------|
| Net change in fund balances for governmental funds | | \$ (3,520,683) |
| <p>Governmental funds report capital outlays as expenditures; however, in the statement of activities these costs are allocated over the life of the related asset and reported as depreciation expense.</p> | | |
| Capital outlays, including amounts charged to current expenditures | \$ 6,439,787 | |
| Depreciation expense | <u>(1,661,727)</u> | 4,778,060 |
| <p>Governmental funds report bond issuance costs as expenditures; however, in the statement of activities these costs are allocated over the life of the related debt and reported as amortization expense.</p> | | |
| Bond issuance costs | 67,696 | |
| Amortization expense | <u>(14,319)</u> | 53,377 |
| Revenues in the statement of activities that do not provide current financial resources and therefore are not reported as revenues in the governmental funds. | | 213,518 |
| Change in OPEB asset is recorded in the statement of activities, but not in the governmental funds | | (9,110) |
| Change in Pension asset is recorded in the statement of activities, but not in the governmental funds | | 95,430 |
| <p>The issuance of long-term debt (including premiums or discounts) provides current resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment and refunding of bonds and notes use current financial resources, but decrease long-term liabilities in the statement of net assets. Bond premiums, discounts and refunding charges are deferred and amortized as part of future interest expense.</p> | | |
| Principal repayment on general obligation bonds and capital leases | 3,724,877 | |
| Undrawn loan proceed held by the State of Rhode Island | 575,483 | |
| Issuance of general obligation bonds and loans payable | (4,450,000) | |
| Deferred gain on refunding | 22,953 | |
| Amortization of premiums, discounts and deferred charges on refunding | <u>(5,388)</u> | (132,075) |
| <p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:</p> | | |
| Accrued compensated absences | (13,066) | |
| Accrued interest | <u>6,312</u> | <u>(6,754)</u> |
| Change in net assets of governmental activities | | <u>\$ 1,471,763</u> |

See notes to basic financial statements.

TOWN OF BRISTOL, RHODE ISLAND

STATEMENT OF NET ASSETS – PROPRIETARY FUND

JUNE 30, 2010

ASSETS:

Current assets:

| | |
|--------------------------------------|------------------|
| Cash and cash equivalents | \$ 12,521 |
| Accounts receivable: | |
| Assessments and user fees receivable | 244,052 |
| Other | 194 |
| Due from other funds | <u>1,621,510</u> |
| Total current assets | 1,878,277 |

Noncurrent assets:

| | |
|--|-------------------|
| Assessments and user fees receivable | 437,794 |
| Deferred charges, net of amortization of \$393,761 | 295,756 |
| Capital assets not being depreciated | 914,162 |
| Capital assets being depreciated, net | <u>36,792,634</u> |
| Total assets | <u>40,318,623</u> |

LIABILITIES:

Current liabilities:

| | |
|---------------------------------------|------------------|
| Accounts payable and accrued expenses | 708,582 |
| Current portion of long-term debt | <u>1,570,705</u> |
| Total current liabilities | 2,279,287 |

| | |
|--|-------------------|
| Noncurrent liabilities, long-term debt, net of current portion | <u>15,648,233</u> |
|--|-------------------|

| | |
|-------------------|-------------------|
| Total liabilities | <u>17,927,520</u> |
|-------------------|-------------------|

NET ASSETS:

| | |
|---|-----------------------------|
| Invested in capital assets, net of related debt | 21,136,899 |
| Unrestricted | <u>1,254,204</u> |
| Total net assets | <u><u>\$ 22,391,103</u></u> |

See notes to basic financial statements.

TOWN OF BRISTOL, RHODE ISLAND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET ASSETS – PROPRIETARY FUND

YEAR ENDED JUNE 30, 2010

| | |
|---|-----------------------------|
| Operating revenues: | |
| User fees | \$ 4,418,823 |
| Other revenues | <u>164,478</u> |
| Total operating revenues | <u>4,583,301</u> |
| Operating expenses: | |
| Salaries and benefits | 1,654,962 |
| Materials and supplies | 183,164 |
| Repairs and maintenance | 432,741 |
| Depreciation | 1,154,358 |
| Utilities | 426,732 |
| Administrative | 13,000 |
| Miscellaneous | <u>98,939</u> |
| Total operating expenses | <u>3,963,896</u> |
| Operating income | <u>619,405</u> |
| Nonoperating revenues (expenses): | |
| Interest revenue | 59,243 |
| Interest expense | (441,992) |
| Amortization of bond issuance costs | (35,606) |
| Loss on disposal | <u>(80,707)</u> |
| Total nonoperating revenues (expenses) | <u>(499,062)</u> |
| Income before capital contributions and transfers | 120,343 |
| Capital contributions: | |
| Sewer assessments | (86,559) |
| Capital grants | 241,516 |
| Transfers from other funds | 194,203 |
| Transfers to other funds | <u>(139,209)</u> |
| Change in net assets | 330,294 |
| Net assets, beginning of year | <u>22,060,809</u> |
| Net assets, end of year | <u><u>\$ 22,391,103</u></u> |

See notes to basic financial statements.

TOWN OF BRISTOL, RHODE ISLAND
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
YEAR ENDED JUNE 30, 2010

| | |
|---|-------------------------|
| Cash flows from operating activities: | |
| Cash received from customers | \$ 4,381,244 |
| Cash received from other sources | 164,478 |
| Cash paid for employees and benefits | (1,651,090) |
| Cash paid to suppliers | <u>(1,167,273)</u> |
| Net cash provided by operating activities | <u>1,727,359</u> |
| Cash flows from noncapital financing activities: | |
| Transfers to other funds | (139,209) |
| Transfers from other funds | 194,203 |
| Interfund borrowings | <u>(832,452)</u> |
| Net cash used in noncapital financing activities | <u>(777,458)</u> |
| Cash flows from capital and related financing activities: | |
| Capital contributions | 64,130 |
| Acquisition and construction of fixed assets | (148,697) |
| Bonds issued | 966,068 |
| Loss on disposal | (80,707) |
| Principal paid on bonds and notes | (1,376,873) |
| Interest paid on bonds and notes | <u>(433,057)</u> |
| Net cash used in capital and related financing activities | <u>(1,009,136)</u> |
| Cash provided by investing activities, interest received | <u>59,243</u> |
| Net increase in cash and cash equivalents | 8 |
| Cash and cash equivalents, beginning of year | <u>12,513</u> |
| Cash and cash equivalents, end of year | <u><u>\$ 12,521</u></u> |

(continued)

TOWN OF BRISTOL, RHODE ISLAND

STATEMENT OF CASH FLOWS – PROPRIETARY FUND (CONTINUED)

YEAR ENDED JUNE 30, 2010

| | |
|--|---------------------|
| Reconciliation of operating income to net cash provided by operating activities: | |
| Operating income | \$ 619,405 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 1,154,358 |
| Changes in assets and liabilities: | |
| Increase in: | |
| Accounts receivable, user fees | (37,579) |
| Accrued compensated absences | 3,599 |
| Decrease in accounts payable and accrued expenses | <u>(12,424)</u> |
| Net cash provided by operating activities | <u>\$ 1,727,359</u> |
| Supplemental disclosures, noncash capital and related financing activities: | |
| Acquisition and construction of fixed assets paid from loan proceeds held by State of Rhode Island | <u>\$ 904,425</u> |
| Loan issuance costs paid from loan proceeds held by State of Rhode Island | <u>\$ 107,200</u> |
| Loan maturities capital funded through ARRA Capital grant | <u>\$ 241,516</u> |
| Reductions in capital contributions from new sewer construction assessments receivable over twenty years | <u>\$ (86,559)</u> |

See notes to basic financial statements.

TOWN OF BRISTOL, RHODE ISLAND

STATEMENT OF FIDUCIARY NET ASSETS –
FIDUCIARY FUNDS

JUNE 30, 2010

| | <u>Police Retirement Trust Fund</u> | <u>OPEB Trust Fund</u> | <u>Private Purpose Trust Funds</u> | <u>Agency Funds</u> |
|--|---|----------------------------|--|---------------------|
| ASSETS: | | | | |
| Cash and cash equivalents | \$ 587,686 | | \$ 1,058,604 | \$ 231,249 |
| Investments | 10,099,738 | \$ 1,755,781 | 2,445,305 | |
| Cash surrender value of life insurance | | 520,973 | | |
| Receivables: | | | | |
| Investment income | | | 8,527 | |
| Contributions | 55,627 | | | |
| Other | | 51,368 | | 46,224 |
| Prepaid expenses | <u>102,432</u> | | | |
| Total assets | <u>10,845,483</u> | <u>2,328,122</u> | <u>3,512,436</u> | <u>\$ 277,473</u> |
| LIABILITIES: | | | | |
| Accounts payable | | 15,000 | 61,355 | |
| Deposits held in custody for others | | | | <u>\$ 277,473</u> |
| Total liabilities | | <u>15,000</u> | <u>61,355</u> | <u>\$ 277,473</u> |
| NET ASSETS: | | | | |
| Held in trust for pension benefits and other purposes | <u>\$ 10,845,483</u> | <u>\$ 2,313,122</u> | <u>\$ 3,451,081</u> | |

See notes to basic financial statements.

TOWN OF BRISTOL, RHODE ISLAND

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS –
FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2010

| | Police Retirement Trust Fund | OPEB Trust Fund | Private Purpose Trust Funds |
|---|---------------------------------|-----------------------------|-----------------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Additions to net assets: | | | |
| Contributions: | | | |
| Employer | \$ 865,433 | \$ 874,740 | |
| Plan members | 58,555 | 63,040 | |
| Life policies | | 100,000 | |
| Donors | | | \$ 158,875 |
| | <u>923,988</u> | <u>1,037,780</u> | <u>158,875</u> |
| Investment income, net: | | | |
| Interest income | 302,730 | 39,879 | 75,390 |
| Net appreciation in fair value of investments | 713,130 | 145,990 | 190,763 |
| | <u>1,015,860</u> | <u>185,869</u> | <u>266,153</u> |
| Total additions | <u>1,939,848</u> | <u>1,223,649</u> | <u>425,028</u> |
| Deductions from net assets: | | | |
| Benefits | 1,238,015 | 760,999 | |
| Administrative expense | 114,462 | | |
| Trust expenses | | | 212,430 |
| Total deductions | <u>1,352,477</u> | <u>760,999</u> | <u>212,430</u> |
| Change in net assets | 587,371 | 462,650 | 212,598 |
| Net assets, beginning of year | <u>10,258,112</u> | <u>1,850,472</u> | <u>3,238,483</u> |
| Net assets, end of year | <u>\$ 10,845,483</u> | <u>\$ 2,313,122</u> | <u>\$ 3,451,081</u> |

See notes to basic financial statements.

TOWN OF BRISTOL, RHODE ISLAND
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

1. Summary of significant accounting policies:

The basic financial statements of the Town of Bristol, Rhode Island (the Town) have been prepared in conformity with accounting principles generally accepted in the United States applicable to governmental entities (U.S. GAAP). In certain instances, summaries of the Town's significant accounting policies have been presented throughout the notes to the basic financial statements in conjunction with other disclosures to which they relate.

Reporting entity:

The Town was founded in 1680 and is governed under the 1971 Bristol Home Rule Charter (the Charter), which provides for a Town Council/Town Administrator form of Government. Legislative authority is vested in a five-member Town Council elected to biennial terms. All legislative powers of the Town, except such powers as are reserved by state law, are vested in the Town Council by the Charter, including the ordering of any tax, making of appropriations and transacting of any other business pertaining to the financial affairs of the Town.

The biennially elected Town Administrator serves as chief executive officer over all municipal services, including public safety (police, fire, animal control, and harbor patrol); public works (sanitation, highways and streets, engineering, civic services and community development); community services; and general administrative services.

In 1991, the General Assembly authorized the Towns of Bristol and Warren to form a regional school district of all the public schools in the Towns of Bristol and Warren to include all grades and programs currently provided and any other grades and programs specified by the regional school committee.

In evaluating the inclusion of other separate and distinct legal entities as component units within its financial reporting structure, the Town applied the criteria prescribed by Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units." A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable or for which the nature and significance of its relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Through the application of GASB Statement Nos. 14 and 39 criteria, the Bristol Warren Regional School District (District) and the Bristol Fourth of July Committee (Committee) have been presented as component units of the Town, hereinafter referred to as "component units," in the accompanying government-wide financial statements.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

1. Summary of significant accounting policies (continued):

Reporting entity (continued):

The District operates the schools within the Towns of Bristol and Warren. The School Committee is elected by the citizens of Bristol and Warren. The District does not have the authority to levy taxes and submits budget requests to the Towns of Bristol and Warren. The Town provides 64% of the member Town contributions; as a result, the District is considered a component unit of the Town. Complete financial statements for the District can be obtained from the School's administrative office at 151 State Street, Bristol, Rhode Island 02809.

The Committee, a non-profit organization established in 1785, plans, organizes and implements all events associated with the annual Fourth of July celebration in Bristol, Rhode Island. The members of the Committee are appointed by the Town of Bristol Town Council. The Committee has a fiscal year-end of September 30.

Basis of presentation:

Government-wide financial statements:

The statement of net assets and statement of activities display information about the Town as a whole and distinguish between governmental and business-type activities. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities presents a comparison between expenses and program revenue for each function of the Town's governmental activities. Program revenues include a) fees, fines and charges paid by the recipients of goods or services offered by the programs and b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

1. Summary of significant accounting policies (continued):

Basis of presentation (continued):

Fund financial statements:

Fund financial statements of the Town are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- (a) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- (b) Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Fund types used by the Town and a description of the funds comprising each are as follows:

Governmental funds:

Governmental funds are used to account for operations that supply basic government services. The Town uses the following governmental funds:

General Fund:

The General Fund is the primary operating fund of the Town and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special revenue funds:

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for specific purposes. The Town's special revenue funds are all nonmajor funds.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

1. Summary of significant accounting policies (continued):

Basis of presentation (continued):

Fund financial statements (continued):

Governmental funds (continued):

Capital projects funds:

Capital projects funds are used to account for financial resources designated for the acquisition or construction of major capital projects or items, other than those financed by a proprietary fund. The Town's capital projects funds are all nonmajor funds.

Permanent funds:

Permanent funds account for assets held by the Town where the principal portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund. The Town's permanent funds are all nonmajor funds.

Proprietary funds:

Proprietary funds are used to account for business-like activities provided to the general public (enterprise funds) or within the government (internal service funds). These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The Town's only enterprise fund, the Sewer Fund, is a major fund. The Town has no internal service funds.

Fiduciary funds:

Fiduciary funds are used to report assets held by the Town in a trustee or agency capacity and, therefore, cannot be used to support the Town's own programs. The following fiduciary funds are used by the Town:

Police Retirement Trust:

The Police Retirement Trust Fund accounts for contributions made by the Town and its participating employees to provide retirement benefits to participating employees.

Other Postemployment Benefits (OPEB) Trust:

The OPEB Trust Fund accounts for contributions made by the Town and its participating employees to provide postemployment benefits (health and life insurance) to participating employees.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

1. Summary of significant accounting policies (continued):

Basis of presentation (continued):

Fund financial statements (continued):

Fiduciary funds (continued):

Private purpose trusts:

Private-purpose trust funds are used to account for resources legally held in trust for use by parties outside of the Town in accordance with a donor's instructions, and cannot be used at the Town's discretion or to support the Town's general operations. These trusts are for the benefit of local educational organizations, social benefit groups, and other private parties. All resources of these funds, including any earnings on investments, may be used except for \$244,223 required to be preserved as capital.

Agency:

Agency funds are established when the Town holds assets in custody for others in an agency capacity.

Measurement focus and basis of accounting:

The government-wide financial statements, including the component units, 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 revenue 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are susceptible to accrual. Susceptibility occurs when revenues are both measurable and available for liquidating liabilities of the current period. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (sixty days). Revenues not considered to be available are recorded as deferred revenues. Expenditures, including capital outlays, are recognized when a liability has been incurred, except for those involving debt service and other long-term obligations that are recognized when paid.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

1. Summary of significant accounting policies (continued):

Basis of presentation (continued):

Measurement focus and basis of accounting (continued):

Those revenues susceptible to accrual are property taxes, special assessments, payments in lieu of taxes, state aid, telephone, hotel and meals taxes collected by the State on behalf of the Town, interest and charges for services. Fines, licenses and permit revenues are not susceptible to accrual because generally they are not measurable until received in cash and thus are recognized when received.

Recognition of grant revenues is based on the susceptibility of accrual as determined by the legal and contractual requirements established by each grantor. For grants not restrictive as to specific purposes and revocable only for failure to comply with general prescribed requirements, revenues are recognized when received. Where expenditure is the prime factor in determining eligibility, grant revenue is recognized as allowable expenditures are made, provided the grants are collected during the year or within 60 days subsequent to year-end. Prior to expenditure, proceeds are recorded as deferred revenues.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sewer Fund are charges to customers for sales and services. Operating expenses for the proprietary fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

1. Summary of significant accounting policies (continued):

Basis of presentation (continued):

Measurement focus and basis of accounting (continued):

Effective for periods beginning after June 15, 2010, the Town will be required to adopt the provisions of GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" (GASB 54), which requires changes to the classifications and reporting of fund balance classifications. The Town will also be required to assess the activities reported in each fund according to the clarified definitions of the governmental fund types. The Town does not expect the adoption of GASB 54 to have a material effect on its financial statements.

Property taxes:

Property taxes are recognized as revenue in the year they are levied and become available. Taxes are levied in July on (a) eighty percent of the full and fair value of real and tangible personal property owned within the Town the previous December 31; and, (b) the value, as determined by the Rhode Island Vehicle Valuation Commission, of vehicles registered within the Town the previous calendar year, prorated for the actual number of days so registered, reduced by the amount exempt under the Motor Vehicle Phase-Out Program. Taxes levied in July are payable quarterly on August 15, November 15, February 15 and May 15. Taxes due and unpaid after the respective dues dates are subject to interest and penalties. Failure to make payments by the due dates will result in a lien on the taxpayer's property.

For 2010, Rhode Island general laws restrict the Town's ability to increase its total tax levy by more than 4.75% over that of the preceding fiscal year. The rate decreases annually by .25% to 4% in 2013.

Intergovernmental revenues:

State aid is recognized as revenue in the year in which funds are appropriated by the Rhode Island General Assembly, provided they are collected during the fiscal year.

Use of estimates:

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements. Estimates also affect the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

1. Summary of significant accounting policies (continued):

Cash and cash equivalents:

Cash and cash equivalents consist of cash on hand, time and demand deposits and short-term investments maturing within three months from the date of acquisition.

Under Rhode Island general laws, depository institutions must insure deposits of municipalities or pledge eligible collateral equal to 100% of deposits maturing in greater than 60 days. Any institution not meeting certain federally prescribed minimum capital standards must insure deposits or provide collateral regardless of date of maturity. The Town complied with these requirements. The Town does not have a deposit policy for custodial credit risk or other risks.

Investments:

Investments are reported at fair value, as established by quotations from applicable national securities exchanges. Unrealized gains and losses from changes in fair value are recognized as investment income (loss). The State does not have pertinent laws regarding investments that apply to cities and towns. The Town has an investment policy for custodial credit risk or other risks relating to any investment of taxpayer dollars, except investments in the OPEB Trust. The investment policy applies to investments with a maturity of one year or less, with the primary objective being the preservation of capital. The investment policy authorizes investments in the following instruments: U.S. Treasury Bills, U.S. Treasury Notes or Bonds, U.S. Agency obligations, certificates of deposit, repurchase agreements, commercial paper, eurodollar time deposits, money market mutual funds and collective short-term funds.

Interfund transactions:

Transactions between funds have been eliminated in the government-wide financial statements but are fully presented within the governmental fund financial statements with no elimination made between or within funds. Reimbursements are accounted for as expenditures in the reimbursing fund and reductions to expenditures in the reimbursed fund. All other interfund transactions in the governmental fund financial statements are operating transfers on the operating statements of the funds involved.

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due from/to other funds" (current portion) or "advances from/to other funds" (noncurrent portion). All other outstanding balances between funds are reported as "due from/to other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

1. Summary of significant accounting policies (continued):

Inventory:

The Town maintains an "inventory" of fuel for use in Town-owned vehicles in various departments. Inventory is maintained on a periodic system and is stated at cost (first-in, first-out method of inventory valuation). Inventories in the governmental funds are recorded as expenditures when consumed.

Capital assets:

In the government-wide financial statements, fixed assets are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation.

Capitalizable fixed assets are defined by the Town as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The ranges of estimated useful lives by type of asset are as follows:

| | <u>Years</u> |
|----------------------------|--------------|
| Land improvements | 15-30 |
| Buildings and improvements | 25-50 |
| Furniture and equipment | 3-30 |
| Motor vehicles and vessels | 3-25 |
| Sewer lines | 50-100 |
| Infrastructure | 20-65 |

Capital assets of the District consist principally of building and improvements and its capital asset policies are similar to those of the Town.

Capital assets acquired by governmental funds are accounted for as capital outlay expenditures.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

1. Summary of significant accounting policies (continued):

Bond issuance costs:

Bond issuance costs for government-wide operations and proprietary funds are deferred and amortized over the terms of the bonds using the straight-line method. In governmental funds, bond issuance costs are recognized as debt service expenditures in the current period.

Compensated absences:

The liability for compensated absences reported in the government-wide and proprietary fund financial statements consists of unpaid, accumulated annual vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Long-term obligations:

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations (including compensated absences) are reported as liabilities in the statement of net assets. Bond premiums and discounts are deferred and amortized over the term of the related debt using the effective interest method.

In the governmental fund financial statements, long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The face amount of debt issued is reported as an other financing source. Bond issuance costs are expensed as incurred. Bond premiums are reported as other financing sources while discounts are reported as other financing uses.

Fund equity:

Government-wide and proprietary fund financial statements:

Net assets:

The Town's net assets have been segregated into the following three components:

Invested in capital assets, net of related debt – represents the net book value of all capital assets less the outstanding balances of bonds and other debt used to acquire, construct or improve these assets.

Restricted – those that have been limited to uses specified either externally by creditors, contributors, laws or regulations of other governments or internally by enabling legislation or law.

Unrestricted – a residual category for the balance of net assets.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

1. Summary of significant accounting policies (continued):

Fund equity (continued):

Governmental fund financial statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Reserves represent those portions of fund equity not appropriable for expenditures or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

2. Fund balances:

As of June 30, 2010, unreserved fund balance designations are as follows:

| | <u>General Fund</u> |
|-------------------------------|---------------------|
| To balance fiscal 2011 budget | \$ 1,880,000 |
| Reappropriated capital items | 1,674,601 |
| Reappropriated other items | <u>16,714</u> |
| Total | <u>\$ 3,571,315</u> |

Fund deficits:

The following individual funds had deficit fund equity balances as of June 30, 2010. In most cases, deficit balances were a result of anticipated revenues not yet received at the fiscal year-end and not recognized under the current financial resources measurement focus of the governmental funds.

Nonmajor governmental funds:

| | |
|---|-------------------|
| Animal Shelter Project | \$ 1,500 |
| Armory Repairs | 2,231 |
| CDBG 2009 | 152,547 |
| Last Night | 1,938 |
| Planning Engineer | 41,637 |
| Police Grants | 25,110 |
| Recreation T-Shirts | 1,328 |
| Silver Creek Recreation | 54,353 |
| Silver Creek Thomas Park | 28,974 |
| Substance Abuse Task Force | 199 |
| Strategic Plan for Substance Abuse Prevention | 25,876 |
| Town Beach Drainage Project | 188,955 |
| 9 Court Street | <u>16,846</u> |
| | <u>\$ 541,494</u> |

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

3. Cash and investments:

Cash and cash equivalents (deposits):

At June 30, 2010, the carrying amount of the Town's deposits, excluding component units and including \$3,817,360 of cash equivalents, was \$15,974,810 and the bank balance was \$16,471,590. The bank balance includes \$12,227,064 that was uninsured and collateralized with securities held by the pledging financial institution, but not in the Town's name and \$534,756 that was uninsured and uncollateralized. The carrying amount includes \$1,877,539 in fiduciary funds.

At June 30, 2010, deposits are categorized as follows:

| | Insured/ collateralized in Town's name | Rating | Maturities | Total bank balance | Carrying amount |
|--------------------------|---|--------|------------|-----------------------|----------------------|
| Deposits: | | | | | |
| Demand deposits | \$ 3,709,770 | | | \$ 12,540,785 | \$ 12,044,005 |
| Repurchase agreements | | | 7/1/10 | 113,445 | 113,445 |
| Money market | <u> </u> | | | <u>3,817,360</u> | <u>3,817,360</u> |
| | <u>\$ 3,709,770</u> | | | <u>\$ 16,471,590</u> | <u>\$ 15,974,810</u> |

At June 30, 2010, the carrying amount of the District's deposits was \$11,904,312 and the bank balance was \$12,448,406, of which \$250,000 was insured and \$12,198,406 was uninsured and collateralized with securities held by the pledging financial institution, but not in the District's name.

At September 30, 2009, the carrying amount of the Committee's deposits was \$92,077 and the bank balance was \$95,645, all of which was insured.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

3. Cash and investments (continued):

Investments:

At June 30, 2010, the Town's investments (including \$14,300,824 held in fiduciary funds) are as follows:

| Description | Fair value | Interest rate | Maturity | Rating |
|---|----------------------|---------------|------------------|--------|
| U.S. Government Securities: | | | | |
| United States Treasury Notes | \$ 1,309,864 | .75-7.25% | 11/15/10-8/15/19 | AAA |
| United States Treas NT Inflation Index | 398,596 | 1.875-3.625% | 7/15/13-4/15/28 | AAA |
| Federal Home Loan Bank Bonds | 469,182 | 3.5-4.375% | 7/16/10-6/14/13 | AAA |
| Federal Home Loan Mortgage Corp | 608,721 | 2.875-5.125% | 11/23/10-1/17/17 | AAA |
| Federal National Mortgage Assn | 495,048 | 2.875-6.25% | 4/15/11-5/15/29 | AAA |
| Federal Natl Mtg Assn Generic Strips | 52,362 | N/A | 1/15/2025 | AAA |
| Gov't Agency asset-backed trusts: | | | | |
| Federal Home Loan Mortgage Corp Pool | 23,993 | 5-5.5% | 7/1/19-1/1/23 | AAA |
| Federal National Mortgage Assn Pool | 156,438 | 4.5-6% | 12/1/34-4/1/39 | AAA |
| Corporate bonds: | | | | |
| | 164,118 | 2.8-5.25% | 10/19/12-1/8/18 | AA+ |
| | 106,897 | 4.95-6.45% | 2/1/11-8/15/14 | AA- |
| | 57,329 | 5.5-5.65% | 2/22/16-5/15/18 | A+ |
| | 346,974 | 4.5-7.875% | 8/10/10-6/15/19 | A |
| | 87,896 | 5.7-8.75% | 9/17/12-7/1/19 | A- |
| | 252,409 | 5.25-8.5% | 9/15/10-11/30/39 | BBB+ |
| | 182,213 | 5.5-7.875% | 11/15/11-2/1/20 | BBB |
| | 145,301 | 5.375-8.125% | 8/1/10-2/11/2020 | BBB- |
| Corporate asset-backed trusts | 42,396 | 5-5.6% | 2/8/12-6/16/14 | AAA |
| Foreign government bonds: | | | | |
| | 35,432 | 2.750% | 2/22/2011 | AA |
| | 27,355 | 5.875-7.5% | 1/14/12-2/17/14 | BBB+ |
| Foreign corporate bonds: | | | | |
| | 41,632 | 4.200% | 2/27/2015 | AA |
| | 32,032 | 4.875% | 5/20/2013 | A+ |
| | 54,378 | 3.875-6.35% | 10/15/11-3/10/15 | A |
| | 5,655 | 5.750% | 10/23/2017 | A- |
| | 10,759 | 5.250% | 7/22/2013 | BBB+ |
| Preferred stocks | 272,400 | 7.250% | 12/31/2049 | N/A |
| Common stocks | 7,740,648 | N/A | N/A | N/A |
| Bond mutual funds: | | | | |
| ISHARES Barkleys TIPS Bond Funds | 769,752 | N/A | N/A | AAA |
| ISHARES Barkleys 7-10 YR Treasury Bond Fund | 959,871 | N/A | N/A | BBB+ |
| Other | | | | |
| Other mutual funds | 1,167,853 | N/A | N/A | N/A |
| | <u>2,581,573</u> | N/A | N/A | N/A |
| | <u>\$ 18,599,077</u> | | | |

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

3. Cash and investments (continued):

Investments (continued):

Interest rate risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market value interest rates.

Approximately 27% of the Town's investments are in long-term corporate and government bonds which have interest rates that are fixed for long-term periods and are subject to more variability in their fair value as a result of future changes in interest rates. The remaining 73% of the investments are held in stocks and mutual funds. These investments do not specify an interest rate, rather, the rate of return is dependent on operating results and economic conditions.

Credit risk:

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization to debt securities. At June 30, 2010, 54% of the Town's investments subject to credit risk were rated AAA, 20% were rated less than A-, and 16% were not rated.

Concentration of credit risk:

Concentration of credit risk is the risk of loss attributed to the magnitude of the investment in a single issuer. At June 30, 2010, the Town had a diversified portfolio and the only single issuer of more than 5% of the Town's investments was the United States of America. Although approximately 73% of the investments were held in stocks and mutual funds, these investments were in a wide range of companies and various industries, enabling the Town to minimize its risk.

Custodial credit risk:

Custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. The Town does not believe that it has significant custodial risk with regard to investments as substantially all investments securities are registered and held in the name of the Town.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

4. Interfund transactions:

Interfund receivables and payables at June 30, 2010 are as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|-------------------------------------|---|---------------------------------|
| Due to/from: | | |
| Governmental funds: General Fund | Governmental funds: Nonmajor Funds | <u>\$ 752,853</u> |
| Nonmajor funds | Governmental funds: General Fund Nonmajor Funds | <u>601,529</u> <u>96,880</u> |
| | | <u>698,409</u> |
| Enterprise funds: Sewer | Governmental funds: General Fund | <u>1,621,510</u> |
| | | <u>\$ 3,072,772</u> |

Advances to/from:

| | | |
|-------------------------------------|---------------------------------------|-------------------|
| Governmental funds: General Fund | Governmental funds: Nonmajor funds | <u>\$ 311,044</u> |
|-------------------------------------|---------------------------------------|-------------------|

Operating transfers between funds for the year ended June 30, 2010 were as follows:

| <u>Transfer to</u> | <u>Transfer from</u> | <u>Amount</u> |
|---------------------------------------|---|--------------------------------|
| Governmental funds: General Fund | Governmental funds: Nonmajor funds | <u>\$ 665,031</u> |
| | Enterprise funds: Sewer | <u>139,209</u> |
| | | <u>804,240</u> |
| Governmental funds: Nonmajor funds | Governmental funds: General fund Nonmajor funds | <u>7,209</u> <u>179,375</u> |
| | | <u>186,584</u> |
| | Enterprise funds: Sewer | <u>194,203</u> |
| | | <u>380,787</u> |
| | | <u>\$ 1,185,027</u> |

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

5. Note receivable, component unit:

In May 2008, the Town entered into a nonrecourse loan of \$2,050,000 with the District, a component unit of the Town, for capital improvements at the Colt School. The interest rate is an adjustable annual rate equal to the rate paid by the Town on its 2/18/09 general obligation bond payable. Principal will be repaid in twenty annual payments through February 15, 2029. Interest is payable semi-annually. In conjunction with the loan, the District has committed to deposit the State housing aid it will receive for eight years related to the Colt School project into a Town fiduciary fund, which will make the debt service payment to the Town on the District's behalf. The fiduciary fund is collateral for the loan.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

6. Capital assets:

| | Beginning balances (Restated) | Increases | Decreases | Ending balances |
|---|-------------------------------------|---------------------|---------------------|----------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 8,905,876 | \$ 538,012 | | \$ 9,443,888 |
| Construction in progress | 2,889,192 | 762,312 | \$ 2,833,429 | 818,075 |
| Total capital assets not being depreciated | <u>11,795,068</u> | <u>1,300,324</u> | <u>2,833,429</u> | <u>10,261,963</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 16,915,525 | 6,412,004 | | 23,327,529 |
| Vehicles | 5,295,098 | 642,141 | 18,944 | 5,918,295 |
| Machinery and equipment | 3,514,855 | 114,511 | | 3,629,366 |
| Infrastructure | 20,941,227 | 804,236 | | 21,745,463 |
| Total capital assets being depreciated | <u>46,666,705</u> | <u>7,972,892</u> | <u>18,944</u> | <u>54,620,653</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 4,136,211 | 456,988 | | 4,593,199 |
| Vehicles | 4,330,821 | 352,211 | 18,944 | 4,664,088 |
| Machinery and equipment | 787,865 | 243,536 | | 1,031,401 |
| Infrastructure | 6,352,747 | 608,992 | | 6,961,739 |
| Total accumulated depreciation | <u>15,607,644</u> | <u>1,661,727</u> | <u>18,944</u> | <u>17,250,427</u> |
| Total capital assets being depreciated, net | <u>31,059,061</u> | <u>6,311,165</u> | <u>-</u> | <u>37,370,226</u> |
| Governmental activity capital assets, net | <u>\$ 42,854,129</u> | <u>\$ 7,611,489</u> | <u>\$ 2,833,429</u> | <u>\$ 47,632,189</u> |
| Business-type activities – Sewer fund: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 810,278 | \$ - | | \$ 810,278 |
| Construction in progress | 522,421 | | \$ 418,537 | 103,884 |
| Total capital assets not being depreciated | <u>1,332,699</u> | <u>-</u> | <u>418,537</u> | <u>914,162</u> |
| Capital assets being depreciated: | | | | |
| Sewer lines | 46,921,496 | 471,545 | | 47,393,041 |
| Building and improvements | 13,706 | 1,372,096 | | 1,385,802 |
| Equipment | 1,586,861 | 313,028 | 345,885 | 1,554,004 |
| Total capital assets being depreciated | <u>48,522,063</u> | <u>2,156,669</u> | <u>345,885</u> | <u>50,332,847</u> |
| Less accumulated depreciation for: | | | | |
| Sewer lines | 11,606,453 | 1,010,434 | | 12,616,887 |
| Building and improvements | 10,051 | 46,651 | | 56,702 |
| Equipment | 936,529 | 97,273 | 167,178 | 866,624 |
| Total accumulated depreciation | <u>12,553,033</u> | <u>1,154,358</u> | <u>167,178</u> | <u>13,540,213</u> |
| Total capital assets being depreciated, net | <u>35,969,030</u> | <u>1,002,311</u> | <u>178,707</u> | <u>36,792,634</u> |
| Business-type activities capital assets, net | <u>\$ 37,301,729</u> | <u>\$ 1,002,311</u> | <u>\$ 597,244</u> | <u>\$ 37,706,796</u> |

(continued)

TOWN OF BRISTOL, RHODE ISLAND
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2010

6. Capital assets (continued):

| Component unit: | <u>Beginning balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending balances</u> |
|---|-------------------------------|-----------------------|------------------|----------------------------|
| Capital assets not being depreciated, construction in progress | \$ - | \$ 55,668 | \$ - | \$ 55,668 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 61,599,517 | 637,926 | | 62,237,443 |
| Vehicles | 690,944 | | | 690,944 |
| Machinery and equipment | 394,439 | 49,532 | 2,087 | 441,884 |
| Infrastructure | 277,386 | | | 277,386 |
| Total capital assets being depreciated | <u>62,962,286</u> | <u>687,458</u> | <u>2,087</u> | <u>63,647,657</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 20,193,366 | 2,434,579 | | 22,627,945 |
| Vehicles | 563,118 | 67,693 | | 630,811 |
| Machinery and equipment | 365,494 | 18,189 | 208 | 383,475 |
| Infrastructure | 83,810 | 27,738 | | 111,548 |
| Total accumulated depreciation | <u>21,205,788</u> | <u>2,548,199</u> | <u>208</u> | <u>23,753,779</u> |
| Total capital assets being depreciated, net | <u>41,756,498</u> | <u>(1,860,741)</u> | <u>1,879</u> | <u>39,893,878</u> |
| Component unit capital assets, net | <u>\$ 41,756,498</u> | <u>\$ (1,805,073)</u> | <u>\$ 1,879</u> | <u>\$ 39,949,546</u> |

Depreciation was charged to functions as follows:

| | |
|---------------------------|---------------------|
| Governmental activities: | |
| General government | \$ 104,073 |
| Public safety | 563,862 |
| Public works | 635,787 |
| Community services | 358,005 |
| | <u>\$ 1,661,727</u> |
| Business-type activities: | |
| Sewer Fund | <u>\$ 1,154,358</u> |
| Component unit: | |
| Education | <u>\$ 2,548,199</u> |

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

7. Accounts payable and accrued expenses:

| | <u>Vendors</u> | <u>Other governments</u> | <u>Employees</u> | <u>Accrued interest</u> | <u>Total</u> |
|--|---------------------|------------------------------|--------------------|-----------------------------|---------------------|
| Governmental activities: | | | | | |
| General Fund | \$ 659,213 | \$ 11,212 | \$ 272,649 | \$ 15,239 | \$ 958,313 |
| Nonmajor funds | 153,775 | | | | 153,775 |
| Reconciliation of balances in fund financial statements to government- wide financial statements | | | | 317,794 | 317,794 |
| | <u>812,988</u> | <u>11,212</u> | <u>272,649</u> | <u>333,033</u> | <u>1,429,882</u> |
| Business-type activities: | | | | | |
| Sewer | <u>573,761</u> | | <u>6,077</u> | <u>128,744</u> | <u>708,582</u> |
| Total primary government | <u>\$ 1,386,749</u> | <u>\$ 11,212</u> | <u>\$ 278,726</u> | <u>\$ 461,777</u> | <u>\$ 2,138,464</u> |
| Component unit: | | | | | |
| Bristol Warren Regional School District | <u>\$ 676,103</u> | <u>\$ 36,243</u> | <u>\$4,205,938</u> | <u>\$ 371,497</u> | <u>\$ 5,289,781</u> |

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

8. General Obligation Bond Anticipation Notes (BANS):

| Purpose | Authorized and issued | Date of issue | Interest rate | Date of maturity | Outstanding at June 30, 2009 | New issues | Maturities | Outstanding at June 30, 2010 |
|------------------------|-----------------------|---------------|---------------|------------------|------------------------------|--------------|--------------|------------------------------|
| Library | | 2/18/09 | 2.25% | 2/17/2010 | \$ 2,000,000 | | \$ 2,000,000 | \$ - |
| Public Safety Building | \$ 1,875,000 | 2/17/10 | 0.65% | 2/17/2011 | - | \$ 1,875,000 | | \$ 1,875,000 |
| Total | \$ 1,875,000 | | | | \$ 2,000,000 | \$ 1,875,000 | \$ 2,000,000 | \$ 1,875,000 |

Note: All BANS, including interest, are recorded in the General Fund. At maturity, the obligation is either rolled over or replaced with long-term debt.

TOWN OF BRISTOL, RHODE ISLAND
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2010

9. Long-term obligations:

Changes in long-term obligations during the year ended June 30, 2010 were as follows:

| | <u>Balance, June 30, 2009</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance, June 30, 2010</u> | <u>Due within one year</u> |
|--|-----------------------------------|---------------------|----------------------|-----------------------------------|--------------------------------|
| Governmental activities: | | | | | |
| Bonds and loan payable: | | | | | |
| Bonds and loan | \$ 25,564,654 | \$ 4,450,000 | \$ 3,724,877 | \$ 26,289,777 | \$ 1,685,333 |
| Deferred amounts: | | | | | |
| For issuance premiums | 22,552 | | 1,262 | 21,290 | 1,262 |
| On refunding | (29,709) | (22,953) | (6,650) | (46,012) | 6,650 |
| Less undrawn loan proceeds held by the State | <u>-</u> | <u>(575,483)</u> | | <u>(575,483)</u> | |
| Total bonds and loan payable | 25,557,497 | 3,851,564 | 3,719,489 | 25,689,572 | 1,693,245 |
| Accrued compensated absences | 2,282,776 | 13,066 | | 2,295,842 | 339,282 |
| Net pension obligation | <u>18,426</u> | | <u>18,426</u> | - | |
| Total long-term obligations | <u>\$ 27,858,699</u> | <u>\$ 3,864,630</u> | <u>\$ 3,737,915</u> | <u>\$ 27,985,414</u> | <u>\$ 2,032,527</u> |
| Business-type activities: | | | | | |
| Bonds and loans payable: | | | | | |
| Bonds and loans | \$ 21,340,633 | \$ 6,570,000 | \$ 4,242,990 | \$ 23,667,643 | \$ 1,530,566 |
| Deferred amounts on refunding | (115,696) | - | (24,602) | (91,094) | |
| Less undrawn loan proceeds held by the State | <u>(4,718,588)</u> | <u>(3,970,000)</u> | <u>(1,977,693)</u> | <u>(6,710,895)</u> | <u>(24,602)</u> |
| Total bonds and notes payable | 16,506,349 | 2,600,000 | 2,240,695 | 16,865,654 | 1,505,964 |
| Accrued compensated absences | <u>349,686</u> | <u>3,599</u> | | <u>353,285</u> | <u>64,741</u> |
| Total long-term obligations | <u>\$ 16,856,035</u> | <u>\$ 2,603,599</u> | <u>\$ 2,240,695</u> | <u>\$ 17,218,939</u> | <u>\$ 1,570,705</u> |
| Component unit: | | | | | |
| Bonds payable | \$ 31,910,000 | \$ 8,430,000 | \$ 9,985,000 | \$ 30,355,000 | \$ 1,890,000 |
| Deferred amounts for issuance premiums | | 57,780 | | 57,780 | |
| Due to primary government | 2,050,000 | | 70,000 | 1,980,000 | 70,000 |
| Accrued compensated absences | <u>1,790,298</u> | <u>250,527</u> | <u>385,417</u> | <u>1,655,408</u> | <u>413,000</u> |
| Bonds and notes | <u>\$ 35,750,298</u> | <u>\$ 8,738,307</u> | <u>\$ 10,440,417</u> | <u>\$ 34,048,188</u> | <u>\$ 2,373,000</u> |

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

9. Long-term obligations (continued):

General obligation bonds and loans payable outstanding at June 30, 2010 are as follows:

| Purpose | Authorized and issued | Date of issue | Interest rate | Date of maturity | Balance, June 30, 2009 | New issues | Maturities | Balance, June 30, 2010 |
|--|-----------------------|---------------|---------------|------------------|------------------------|---------------------|---------------------|------------------------|
| Governmental activities: | | | | | | | | |
| General obligation bonds payable: | | | | | | | | |
| Refunding bond | \$ 3,920,000 | 9/1/96 | 5.3-5.4% | 8/15/2009 | \$ 405,000 | | \$ 405,000 | \$ - |
| Landfill closure, open space, capital improvements | 2,725,000 | 8/15/97 | 4.7-5.2% | 8/15/2017 | 450,000 | | 450,000 | - |
| Landfill closure, open space, capital improvements | 3,920,000 | 8/1/99 | 4.5-5.125% | 9/15/2019 | 1,400,000 | | 1,400,000 | - |
| Refunding bond | 2,730,000 | 6/1/01 | 4-4.35% | 12/15/2012 | 798,000 | | 301,000 | 497,000 |
| Refunding bond | 1,813,350 | 8/15/02 | 3.1-3.85% | 10/1/2013 | 107,100 | | 21,000 | 86,100 |
| Road, sidewalks and capital improvements | 2,500,000 | 5/1/05 | 3.5-5% | 5/1/2025 | 2,000,000 | | 125,000 | 1,875,000 |
| Road and sidewalks | 1,000,000 | 5/1/06 | 4-5.5% | 5/1/2026 | 850,000 | | 50,000 | 800,000 |
| Sidewalks, fire/rescue building, open space, drainage | 7,125,000 | 2/15/07 | 3.75-5% | 2/15/2027 | 6,705,000 | | 370,000 | 6,335,000 |
| Library, Colt School, burial ground, roads, public safety, open space | 12,210,000 | 2/18/09 | 2-4.375% | 2/15/2025 | 12,210,000 | | 390,000 | 11,820,000 |
| Roads, open space, drainage | 1,750,000 | 2/15/10 | 3-4% | 2/15/1930 | - | \$ 1,750,000 | - | 1,750,000 |
| Refunding bond | 1,700,000 | 2/15/10 | 1.7-2.9% | 8/15/2019 | - | 1,700,000 | - | 1,700,000 |
| Loans payable: | | | | | | | | |
| RI Clean Water Protection Finance Agency: | | | | | | | | |
| Landfill | 1,200,000 | 9/1/97 | 2.71700% | 9/1/2017 | 639,554 | | 61,929 | 577,625 |
| Water pollution control Series 09A | 1,000,000 | 10/9/09 | .36-2.04% | 9/1/2029 | - | 1,000,000 | 150,948 | 849,052 |
| | <u>\$ 43,593,350</u> | | | | 25,564,654 | 4,450,000 | 3,724,877 | 26,289,777 |
| Less undrawn loan proceeds held by the State, available for sewer projects | | | | | | | | |
| | | | | | - | (575,483) | - | (575,483) |
| | | | | | <u>\$ 25,564,654</u> | <u>\$ 3,874,517</u> | <u>\$ 3,724,877</u> | <u>\$ 25,714,294</u> |
| Business-type activities: | | | | | | | | |
| Enterprise Fund, Sewer: | | | | | | | | |
| General obligation bonds payable: | | | | | | | | |
| Refunding bond | \$ 1,170,000 | 6/1/01 | 4-4.35% | 12/15/2012 | \$ 342,000 | | \$ 129,000 | \$ 213,000 |
| Refunding bond | 6,821,650 | 8/15/02 | 3.1-3.85% | 10/1/2013 | 402,900 | | 79,000 | 323,900 |
| Loans payable: | | | | | | | | |
| RI Clean Water Protection Finance Agency: | | | | | | | | |
| Compost loan #2 | 4,000,000 | 3/12/92 | 3.25420% | 9/1/2012 | 1,051,335 | | 248,487 | 802,848 |
| Compost loan #1 | 780,000 | 11/2/92 | 3.25420% | 9/1/2012 | 205,011 | | 48,455 | 156,556 |
| Water pollution control | 3,700,000 | 8/25/99 | 2.82800% | 9/1/2019 | 2,376,407 | | 187,189 | 2,189,218 |
| Water pollution control | 4,695,000 | 4/25/02 | 1.25450% | 9/1/2022 | 3,561,980 | | 208,343 | 3,353,637 |
| Water pollution control | 1,000,000 | 12/30/04 | .95-1.525% | 9/1/2024 | 825,000 | | 45,000 | 780,000 |
| Water pollution control | 3,655,000 | 12/15/05 | 1.15-1.555% | 9/1/2025 | 3,187,000 | | 161,000 | 3,026,000 |
| Water pollution control | 3,700,000 | 12/21/06 | 1.205-1.385% | 9/1/2027 | 3,544,000 | | 159,000 | 3,385,000 |
| Water pollution control | 3,245,000 | 12/12/07 | 1.175-1.630% | 9/1/2028 | 3,245,000 | | 136,000 | 3,109,000 |
| Bridge loan | 2,600,000 | 6/25/09 | 0.41300% | 10/9/2009 | 2,600,000 | | 2,600,000 | - |
| Water pollution control | 2,600,000 | 10/9/09 | .36-2.04% | 9/1/2029 | - | \$ 2,600,000 | 241,516 | 2,358,484 |
| Water pollution control | 3,970,000 | 6/24/10 | .61-3.25% | 9/1/2031 | - | 3,970,000 | - | 3,970,000 |
| | <u>\$ 41,936,650</u> | | | | 21,340,633 | 6,570,000 | 4,242,990 | 23,667,643 |
| Less undrawn loan proceeds held by the State, available for sewer projects | | | | | | | | |
| | | | | | (4,718,588) | (3,970,000) | (1,977,693) | (6,710,895) |
| | | | | | <u>\$ 16,622,045</u> | <u>\$ 2,600,000</u> | <u>\$ 2,265,297</u> | <u>\$ 16,956,748</u> |
| Component unit: | | | | | | | | |
| General obligation bonds payable: | | | | | | | | |
| Schools | \$ 12,800,000 | 7/15/98 | 4.2-6.6% | 7/15/2018 | \$ 8,070,000 | \$ - | \$ 8,070,000 | \$ - |
| Schools | 3,865,000 | 3/15/04 | 1.5-3.5% | 9/1/2015 | 2,200,000 | | 335,000 | 1,865,000 |
| Schools | 1,700,000 | 6/27/06 | 4.0-5.0% | 5/15/2026 | 1,520,000 | | 60,000 | 1,460,000 |
| Schools | 8,900,000 | 5/16/07 | 4.0-5.0% | 6/30/2027 | 8,310,000 | | 310,000 | 8,000,000 |
| Schools | 12,200,000 | 5/14/08 | 3.5-5.0% | 4/1/2028 | 11,810,000 | | 405,000 | 11,405,000 |
| Schools | 8,430,000 | 3/28/09 | 2.0-5.0% | 7/15/2018 | - | 8,430,000 | 805,000 | 7,625,000 |
| | <u>\$ 47,895,000</u> | | | | <u>\$ 31,910,000</u> | <u>\$ 8,430,000</u> | <u>\$ 9,985,000</u> | <u>\$ 30,355,000</u> |

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

9. Long-term obligations (continued):

General obligation bonds and loans payable:

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities; as well as to refund previously outstanding general obligation bonds. General obligation bonds pledge the full faith and credit of the Town.

Rhode Island general laws cap the amount of each municipality's general obligation bonds that may be outstanding to 3% of its assessed property values. Exceptions apply to bonds financed from non-tax revenues and special exemptions are granted for other purposes as well. The assessed value of the Town's properties at December 31, 2009 was \$3,264,575,922, limiting the amount of non-excepted general obligation bonds outstanding to \$97,937,278. At June 30, 2010, bonds outstanding, component units, totaled \$25,400,000.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

9. Long-term obligations (continued):

At June 30, 2010, scheduled annual debt service requirements for the bonds and loans payable (excluding interest adjustments for the undrawn balance and including amounts due to the primary government from the component unit) are as follows:

| Year ending June 30, | Principal | Interest | Total |
|---------------------------|----------------------|----------------------|----------------------|
| Governmental activities: | | | |
| 2011 | \$ 1,685,333 | \$ 930,693 | \$ 2,616,026 |
| 2012 | 1,484,929 | 887,744 | 2,372,673 |
| 2013 | 1,502,221 | 844,376 | 2,346,597 |
| 2014 | 1,420,275 | 793,606 | 2,213,881 |
| 2015 | 1,416,084 | 752,718 | 2,168,802 |
| 2016-2020 | 6,919,990 | 3,106,298 | 10,026,288 |
| 2021-2025 | 6,946,243 | 1,862,401 | 8,808,644 |
| 2026-2030 | 4,914,702 | 499,174 | 5,413,876 |
| | <u>\$ 26,289,777</u> | <u>\$ 9,677,010</u> | <u>\$ 35,966,787</u> |
| Business-type activities: | | | |
| 2011 | \$ 1,530,567 | \$ 422,285 | \$ 1,952,852 |
| 2012 | 1,476,636 | 468,893 | 1,945,529 |
| 2013 | 1,673,696 | 447,672 | 2,121,368 |
| 2014 | 1,325,771 | 413,840 | 1,739,611 |
| 2015 | 1,269,047 | 387,357 | 1,656,404 |
| 2016-2020 | 6,786,294 | 1,518,589 | 8,304,883 |
| 2021-2025 | 5,649,902 | 829,098 | 6,479,000 |
| 2026-2030 | 3,438,730 | 288,489 | 3,727,219 |
| 2031-2032 | 517,000 | 19,189 | 536,189 |
| | <u>\$ 23,667,643</u> | <u>\$ 4,795,412</u> | <u>\$ 28,463,055</u> |
| Component unit: | | | |
| 2011 | \$ 1,890,000 | \$ 1,208,735 | \$ 3,098,735 |
| 2012 | 1,940,000 | 1,143,335 | 3,083,335 |
| 2013 | 1,990,000 | 1,078,615 | 3,068,615 |
| 2014 | 2,040,000 | 1,013,610 | 3,053,610 |
| 2015 | 2,095,000 | 942,055 | 3,037,055 |
| 2016-2020 | 9,470,000 | 3,544,080 | 13,014,080 |
| 2021-2025 | 6,925,000 | 1,899,163 | 8,824,163 |
| 2026-2030 | 4,005,000 | 338,605 | 4,343,605 |
| | <u>\$ 30,355,000</u> | <u>\$ 11,168,198</u> | <u>\$ 41,523,198</u> |

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

10. Postemployment benefits:

Plan description:

The Town of Bristol established the Postretirement Benefits (OPEB) Plan (the Plan) and Trust (the Trust) on December 31, 2006. The Plan, a single-employer defined benefit plan, provides postretirement health care benefits to all Town employees who meet years of service and age requirements and, in some cases, to their surviving spouses, who are eligible under the terms of collective bargaining agreements or personal contracts. The Plan does not issue a stand-alone financial report. The Trust's assets and liabilities at June 30, 2010 and its activity for the year then ended are included in the statements of fiduciary net assets and changes in fiduciary net assets.

Benefits and employee contributions:

The Trust paid 100% of the amount for medical and dental costs incurred by eligible retirees, which totaled \$617,958 for the year ended June 30, 2010. Employees hired after July 1, 1997 are offered \$50,000 whole life insurance. The Town, through the Trust, pays 100% of the cost of the insurance policies, which amounted to \$118,042 for the year ended June 30, 2010. Death benefits are split between the Trust and the employee's estate, with \$15,000 going to the employee's estate if the employee dies in active service; \$10,000 if the employee has retired. The balance is retained by the Trust.

Employees are required under terms of collective bargaining agreements or personal contracts to contribute to the Trust. The contribution, which ranges from 1% to 1.5% of set salary amounts, is made in the form of payroll deductions. The Town has obtained an Internal Revenue Service private letter ruling that allows the employee contributions and any premium payments for medical coverage to be exempt from taxation.

The Trust's investments consist of mutual funds.

Employee contributions are recognized in the Trust when withheld from the employees' pay. Employer contributions are recognized in the period to which the contribution relates. Benefit payments are charged to expense in the period paid.

Covered participants:

As of July 1, 2008, the date of the latest available actuarial valuation, membership census is as follows:

| | |
|---------------------|-------------|
| Active employees | 113 |
| Retirees | 78 |
| Spouses of retirees | 47 |
| | <hr/> |
| Total | 238 |
| | <hr/> <hr/> |

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

10. Postemployment benefits (continued):

Annual OPEB cost and net OPEB obligation:

The Town's annual OPEB cost is calculated based on the annual required contribution (ARC) of the Town. The Town has engaged an actuary to calculate the ARC and related information per the provisions of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a closed period not to exceed 30 years. The following table shows the components of the Town's annual OPEB cost, the amount actually contributed to the plan for the year ended June 30, 2010, and the Town's net OPEB asset as of June 30, 2010.

| <u>Annual OPEB Cost</u> | |
|--|--------------------------|
| Annual Required Contribution | \$ 890,000 |
| Interest on net OPEB asset | (28,333) |
| Adjustment to annual required contribution | <u>21,887</u> |
| Annual OPEB cost | 883,554 |
| Contributions made during the year | <u>874,444</u> |
| Decrease in net OPEB asset | (9,110) |
| Net OPEB asset at beginning of year | <u>377,778</u> |
| Net OPEB asset at end of year | <u><u>\$ 368,668</u></u> |

The Town's annual OPEB cost and the percentage of annual OPEB cost contributed to the plan for 2009 and 2010, and the net OPEB asset as of June 30, 2009 and 2010 are as follows:

| <u>Year ended June 30,</u> | <u>OPEB cost</u> | <u>Percentage of Annual OPEB cost contributed</u> | <u>Net OPEB Asset</u> |
|----------------------------|----------------------|---|---------------------------|
| 2009 | \$ 838,027 | 106.1% | \$ 377,778 |
| 2010 | 883,554 | 98.97% | 368,668 |

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

10. Postemployment benefits (continued):

Funded status and funding progress:

As of July 1, 2008, the funded status and funding progress were as follows:

| | |
|---|--------------|
| Funded ratio | 13.02% |
| Actuarial accrued liability for benefits | \$12,862,000 |
| Actuarial value of assets | \$ 1,675,000 |
| Unfunded actuarial accrued liability (UAAL) | \$11,187,000 |
| Covered payroll | N/A |
| UAAL to covered payroll | N/A |

The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multilayer trend information about whether the actuarial values of OPEB Plan assets are increasing or decreasing over time relative to accrued actuarial liabilities for benefits.

Actuarial methods and assumptions:

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate potential effects of legal or contractual funding limitations on the pattern of cost-sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Some key assumptions are as follows:

- Measurement date – July 1, 2008
- Funding method – Projected Unit Credit Cost Method

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

10. Postemployment benefits (continued):

Actuarial methods and assumptions (continued):

- Investment rate of return – 7.50%
- Discount rate – 7.50%, reflecting an established OPEB trust
- Participation – All eligible retirees are assumed to elect medical and dental coverage
- Health Care Cost Trend Rates – Medical 6.80% per year, decreasing to an ultimate rate of 4.0% per year over 49 years

Component Unit:

As of December 31, 1994, the District pays a percentage of the costs of health insurance benefits for all eligible retirees until age 65 or until Medicare-eligible. Employees are required to contribute a co-pay amount. For certain eligible employees with retirement prior to December 31, 1994, the District is required to pay 100% of the cost of health, dental and life insurance benefits for life. These benefits are provided under various employee contracts with the District. The District funds these benefits on a pay-as-you-go basis. During the year ended June 30, 2010, 269 retirees received benefits under this plan.

The following table shows the components of the District's annual OPEB cost, the amount contributed to the plan for the year ended June 30, 2010 and the District's net OPEB obligation to the plan as of June 30, 2010.

| Annual OPEB Cost | |
|--|----------------------------|
| Normal cost | \$ 2,914,164 |
| Amortization of UAAL | (220,246) |
| Interest | <u>137,238</u> |
| Annual required contribution | 2,831,156 |
| Contributions made during the year | <u>(2,639,973)</u> |
| Increase in net OPEB obligation | 191,183 |
| Net OPEB obligation at beginning of year | <u>2,744,751</u> |
| Net OPEB obligation at end of year | <u><u>\$ 2,935,934</u></u> |

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

10. Postemployment benefits (continued):

Component Unit (continued):

District contributions to the plan for the year ended June 30, 2010 represented 93.2% of annual OPEB cost.

Additional information regarding the District's OPEB plan and its funded status and funding progress can be obtained from the separate financial statements issued by the District.

11. Pension plans:

All eligible employees of the Town are covered by one of two pension plans: the Municipal Employees' Retirement System of the State of Rhode Island (Municipal Plan), or the Town of Bristol, Rhode Island Police Retirement Plan (Police Plan). The Police Plan covers full-time employees of the Police Department hired prior to March 22, 1998. The Municipal Plan covers all other eligible employees. Total covered payroll under all plans during 2010 was \$6,507,387. Total Town payroll was \$8,613,222 for the same period.

Municipal Plan

Plan description:

The Municipal Plan is an agent multiple-employer public employee retirement system administered by the State the Rhode Island. Financial statements for the Municipal Plan are issued separately and may be obtained from the Employees' Retirement System, 40 Fountain Street, Providence, RI 02903. For the year ended June 30, 2010, covered payroll under the Municipal Plan totaled \$6,053,054 (including \$1,709,143 for police).

Participants' rights to pension benefits become fully vested after 10 years of service. They are also eligible to retire after 10 years of service if they have attained age 58 (age 55 for police and fire) or after 30 years of service (20 years for police and fire), regardless of age. Benefits are equal to 2% of final average salary for each year of service, with a maximum benefit of 75% of final average salary. Joint and survivor options are available, as well as an option that provides for the payment of a larger benefit before the attainment of age sixty-two. Final average salary is computed using the highest three consecutive years of base earnings, exclusive of overtime. Retiree benefits are adjusted annually by 3% (not compounded) to allow for cost-of-living increases under an optional benefit provision adopted by the Town.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

11. Pension plans (continued):

Municipal Plan (continued):

Plan description (continued):

The Municipal Plan also provides nonservice-connected disability benefits after five years of service; service-connected disability benefits with no minimum service requirement; vested benefits after 10 years of service, survivor's benefits for service-connected death; and certain lump-sum benefits.

As of June 30, 2010, 128 active employees (29 police and 1 firefighter) were participants in the Municipal Plan.

Funding policy:

Rhode Island general laws set contribution rates of participating employees at 6% of salary (8% for police). An additional 1% of salary is assessed to employees under the optional cost-of-living provision. Annual required contributions are actuarially determined for each separate employer and are assessed to each as a percentage of their participating employees' payroll. The annual required contribution covers normal costs and, where applicable, a payment to amortize the unfunded actuarial accrued liability as of June 30, 1999 over a closed period of 30 years. Normal cost is determined using the entry age normal method. The State makes no contributions to the Municipal Plan on behalf of the Town nor does it assume any liability for funding pension benefits for the Town's participants.

Annual pension costs:

The following table summarizes annual pension costs and actual contributions for the Municipal Plan for the past three years. There was no net pension obligation during the three-year period.

| | 2010 | 2009 | 2008 |
|-----------------------|--------------|--------------|--------------|
| Annual pension cost | \$ 1,201,705 | \$ 1,266,450 | \$ 1,018,818 |
| Actual contributions: | | | |
| Municipal: | | | |
| Employee | 300,835 | 309,878 | 289,764 |
| Employer | 554,828 | 624,625 | 423,469 |
| Police: | | | |
| Employee | 153,823 | 140,878 | 127,681 |
| Employer | 188,518 | 187,368 | 170,526 |

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

11. Pension plans (continued):

Municipal Plan (continued):

Annual pension costs (continued):

| | 2010 | 2009 | 2008 |
|--|-------------------|-------------------|-------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Fire: | | | |
| Employee | \$ 3,701 | \$ 3,701 | \$ 3,687 |
| Employer | - 0 - | - 0 - | 3,691 |
| Percentage of annual pension costs contributed | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> |

Funded status and funding progress:

As of June 30, 2009, the date of the most recent actuarial valuation available, the funded status and funding progress were as follows:

| | General Employee Unit | Police Unit | Fire Unit |
|---|-----------------------------|-------------------|-------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Funded ratio | 72.3% | 117.8% | 149.5% |
| Actuarial accrued liability for benefits | \$ 20,791,168 | \$ 2,410,103 | \$ 176,977 |
| Actuarial value of assets | \$ 15,039,954 | \$ 2,840,215 | \$ 264,526 |
| Unfunded actuarial accrued liability (UAAL) | \$ 5,751,214 | \$ (430,112) | \$ (87,549) |
| Covered payroll | \$ 4,406,314 | \$ 1,572,138 | \$ 46,256 |
| UAAL to covered payroll | <u>130.5%</u> | <u>(27.4%)</u> | <u>(189.3%)</u> |

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the basic financial statements, presents multilayer trend information about whether the actuarial values of Municipal Plan assets are increasing or decreasing over time relative to accrued actuarial liabilities for benefits.

Actuarial methods and significant assumptions:

The State uses the entry age normal method to determine both the actuarial accrued liabilities and annual required contributions of the Municipal Plan. Pension assets are valued at their fair value as established by quotations from applicable national securities exchanges. Valuations of accrued liabilities, pension assets, and annual required contributions for the Municipal Plan are performed annually as of June 30.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

11. Pension plans (continued):

Municipal Plan (continued):

Actuarial methods and significant assumptions (continued):

Significant actuarial assumptions used in the June 30, 2009 valuation are summarized as follows:

| | |
|-----------------------------|-----------------------|
| Asset appreciation: | 8.25% annually |
| Salary increases: | 4.25% annually |
| Cost-of-living adjustments: | 3.00%, not compounded |

Retirement probability:
100% at age 75 or upon eligibility

Mortality:
Healthy members – 1994 Group Annuity Mortality Tables
Disabled members – PBGC Table Va (Via for females) set to age 65 (55 for police and fire employees)

Disability:
Probabilities per 1,000 ranging from .09% at age 25 to 9.87% at age 60 (.43% at age 25 to 21.18% at age 50 for police and fire)

Police Plan:

Plan description:

The Town contributes to the Police Plan, a single-employer public employee retirement plan. The assets of the Police Plan are held in a Trust which is reported as a fiduciary fund in the Town's annual financial statements. The Police Plan was established by the Town in accordance with the Town Charter. The Town's payroll for employees covered by the Police Plan for the year ended June 30, 2010 was \$454,333.

As of July 1, 2009, the date of the most recent actuarial valuation available, employee membership data related to the Police Plan is as follows:

| | |
|----------------------------|------------------|
| Active participants | 7 |
| Retirees and beneficiaries | <u>44</u> |
| Total | <u><u>51</u></u> |

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

11. Pension plans (continued):

Police Plan (continued):

Benefit provisions:

All full-time employees of the Police Department hired prior to March 22, 1998 are eligible to participate in the Police Plan. The Police Plan provides retirement benefits as well as death and disability benefits. Participants in the Police Plan are eligible for retirement at the completion of 20 or more years of service. The normal retirement benefit is 60% of average monthly salary for the two consecutive years which results in the highest salary, and 1% of average monthly salary for each completed year of service in excess of 20 years to the maximum of 10 additional years. Average monthly salary is base pay plus longevity and holiday pay. The retirement benefit for late retirement is the same as above, except that salary and years of service are recognized to late retirement date (maximum of 30 years).

Participants are eligible for disability benefits after 10 years of service or immediately if the disability results from performance of duties. The benefit is 72% of average monthly salary and will be adjusted annually on July 1 each year by a 3% cost-of-living adjustment. Upon reaching normal retirement date, the disability benefit will stop and the retirement benefit based on the accrued benefit at the time of disability will begin.

Eligibility for preretirement survivor's benefits is death as a result of performance of duties or completion of at least 5 years of service. The spouse is entitled to 67.5% of the accrued benefit; children are entitled to 22.5% until the earliest of the child's 22nd birthday, unless disabled, or marriage of child. If the spouse is more than three years younger than the participant, the survivor's benefit is reduced to the actuarial equivalent of a survivor's benefit where the spouse is precisely three years younger. A maximum of three children is eligible to receive benefits for each death claim.

Eligibility for post-retirement survivor's benefits is if death occurs after retirement. The spouse is entitled to 67.5% of the normal retirement benefit; children are entitled to 22.5% (i.e., one-third of 67.5%) until the earliest of the child's 22nd birthday, discontinuance of school attendance, unless disabled, or marriage. If spouse is more than three years younger than participant, then survivor's benefit is reduced to the actuarial equivalent of a survivor's benefit where spouse is precisely three years younger. A maximum of three children are eligible to receive benefits for each death claim.

An additional death benefit is given if death occurs after the participant's actual retirement date.

A participant is eligible for severance benefits for less than 10 years of service. The benefit is the greater of the participant's accumulations or two weeks pay for each year of service.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

11. Pension plans (continued):

Police Plan (continued):

Benefit provisions (continued):

Participants are eligible for vested severance benefits after 10 years of service. The benefit is the greater of the normal retirement benefit reduced by the ratio of actual years of service at date of termination over total years of service the participant would have worked had they continued working to their normal retirement date, or the greater of three weeks pay for each year of service or the total of their contributions to the fund with interest at 3%.

All participants retiring on and after April 1, 1998 will be eligible for annuity payments with an annual 3% cost-of-living adjustment. The cost-of-living increase is payable on July 1 of each year.

Contributions:

Active participants in the Police Plan are required to contribute 13% of compensation, with adjustments based on funding requirements. The Town contributed 158.6% of covered payroll for the year ended June 30, 2010 based on funding requirements. Administrative costs are included in the actuarial valuation as part of the normal cost and are financed through contributions.

Actuarial method and significant assumptions:

The Town's contribution to the Police Plan was determined as part of the July 1, 2008 actuarial valuation using the entry age normal actuarial cost method. Normal cost is funded on a current basis. The unfunded actuarial accrued liability is funded over a 20-year open period. The amortization period remaining on the unfunded actuarial accrued liability at July 1, 2008 was 14 years. Periodic contributions for both normal cost and the amortization of the unfunded actuarial accrued liability are based on the level percentage of payroll method. The actuarial assumptions included (a) 8% interest compounded annually and (b) projected salary increases of 5% compounded annually. The assumptions did not include postretirement health insurance benefit increases, which are funded by the Town on a pay-as-you-go basis. The asset valuation method used is designed to stabilize the investment yield credited for actuarial valuation purposes. The method does not distinguish investment yield by source such as interest, dividends or realized or unrealized capital gains. Investment yield variances from the expected yield, the valuation interest rate applied to market value, are spread over five years. Assets used for valuation purposes are equal to the market value. The most recent valuation was performed on July 1, 2009.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

11. Pension plans (continued):

Police Plan (continued):

Annual pension costs and net benefit obligation:

The actuarially determined employer contribution requirement of \$770,003 was determined as described above and was based on an actuarial valuation as of July 1, 2008. The contribution consists of normal cost plus past service costs and one year of interest at 8.0%. Total contributions to the Police Pension Plan in fiscal 2010 amounted to \$923,988, of which \$865,433 and \$58,555 were made by the Town and its employees, respectively. Contributions made by the Town and employees represented 190% and 13%, respectively, of covered payroll for the year.

A summary of annual pension costs, contributions and net pension obligation (asset) for the preceding three years is as follows:

| | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|---|--------------------|------------------|------------------|
| Normal cost | \$ 88,591 | \$ 127,328 | \$ 144,865 |
| Amortization of UAAL | 624,375 | 465,468 | 429,397 |
| Interest | <u>57,037</u> | <u>47,424</u> | <u>45,436</u> |
| Annual pension cost | 770,003 | 640,220 | 619,698 |
| Actual contributions | <u>(865,433)</u> | <u>(640,220)</u> | <u>(789,598)</u> |
| Increase (decrease) in net pension obligation | (95,430) | - 0 - | (169,900) |
| Net pension obligation, beginning of year | <u>18,426</u> | <u>18,426</u> | <u>188,326</u> |
| Net pension obligation (asset), end of year | <u>\$ (77,004)</u> | <u>\$ 18,426</u> | <u>\$ 18,426</u> |
| % of annual pension costs contributed | <u>112%</u> | <u>100%</u> | <u>127%</u> |

Funded status and funding progress:

As of July 1, 2009, the Police Plan was 59.21% funded. The actuarial accrued liability for benefits was \$20,981,926 and the actuarial value of assets was \$12,424,250, resulting in an unfunded actuarial accrued liability (UAAL) of \$8,557,676. The covered payroll (annual payroll of active participants) was \$432,376 and the ratio of the UAAL to the covered payroll was 1,979.22%.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

11. Pension plans (continued):

Police Plan (continued):

Funded status and funding progress (continued):

The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multilayer trend information about whether the actuarial values of Police Plan assets are increasing or decreasing over time relative to accrued actuarial liabilities for benefits.

12. Risk management:

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; and natural disasters. As a result, the Town participates in a non-profit, public entity risk pool (Rhode Island Interlocal Risk Management Trust, Inc.) which provides coverage for property/liability and workers' compensation claims. Upon joining the Trust, the Town signed a participation agreement which outlines the rights and responsibilities of both the Trust and the Town. The agreement states that for premiums paid by the Town, the Trust will assume financial responsibility for the Town's losses up to the maximum amount of insurance purchased, minus the Town's deductible amounts. The Trust provides this insurance coverage through a pooled, self-insurance mechanism which includes reinsurance purchased by the Trust to protect against large, catastrophic claims above the losses the Trust retains internally for payment from the pooled contributions of its members. Under the participation agreement, the Town is insured for a maximum of \$3,000,000 per occurrence. Settled claims resulting from these risks have not exceeded the Trust coverage in any of the past three fiscal years. There were no significant reductions in insurance coverage during the year ended June 30, 2010.

13. Commitments and contingencies:

Under the terms of federal and state grants, periodic compliance audits by the grantors or their representatives are required; consequently, certain costs may be questioned as not being appropriate and may result in reimbursement to the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. Town officials believe that such disallowances, if any, would not be material.

The Town is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Town's attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the Town.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

13. Commitments and contingencies (continued):

The Town is committed under construction contracts at June 30, 2010 as follows:

| <u>Project</u> | <u>Contract</u> | <u>Spent to date</u> | <u>Remaining commitment</u> |
|-------------------------------------|---------------------|----------------------|-----------------------------|
| Wastewater Treatment Plant Upgrades | \$ 2,906,800 | \$ 575,355 | \$ 2,331,445 |
| Town Beach Drainage Project | 860,400 | 480,162 | 380,238 |
| Fire Rescue Station Construction | <u>5,636,780</u> | <u>5,318,479</u> | <u>318,301</u> |
| | <u>\$ 9,403,980</u> | <u>\$ 6,373,996</u> | <u>\$ 3,029,984</u> |

14. Joint ventures:

The Health Pool

The Town participates in a joint venture through the Rhode Island Interlocal Risk Management Trust (the Trust) entitled the Health Pool (the Pool), formerly known as The Governmental Health Group of Rhode Island, Inc.. The Pool is part of a not-for-profit organization formed to provide programs of liability, workers' compensation, and health insurance coverage to Rhode Island cities, towns and other governmental units. The Pool is governed by a Board of Directors (Board).

Upon joining the Pool, members execute a member agreement. That document, pursuant to which the Pool was established and operates, outlines the rights and responsibilities of both the members and the Pool. Members of the Pool participate in the Pool's health insurance plan administered through the Trust and Blue Cross Blue Shield of Rhode Island (BCBSRI).

Using the rate calculations prepared by BCBSRI, the Pool sets annual contribution rates for the subscribers of each member for each program offered. The Pool agreement requires that those contribution rates be set at a level sufficient, in the aggregate, to satisfy the funding requirements of the Pool. The contributions of each member are deposited into the General Fund and are used to pay for claims, reinsurance and all administrative expenses. The Pool agreement provides for an annual independent audit of its financial statements.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

14. Joint ventures (continued):

The Health Pool (continued)

A member's share of surplus or deficit is equal to the ratio of the member's subscribers (employees and retirees) participating in the Pool's plan for each month of the one-year period immediately prior to the member's effective date of termination, divided by the sum of all subscribers in the Pool for the same period.

The Pool agreement provides the Pool's Board a discretionary, fully allocable assessment feature with respect to specified circumstances.

After it has been a member of the Pool for an initial three-year period, a member may withdraw from the Pool by providing the Pool's Board with 90 days notice; liquidated damages would also be assessed at that time. The Pool may terminate a member's coverage for failure to pay amounts due.

For the year ended June 30, 2010, unaudited results indicate that the Pool generated \$97,124,022 in revenues and excess of expenses over revenues of \$446,522. The Pool had \$21,280,626 in total assets and \$5,363,255 in total equity as of June 30, 2010.

The Pool retains certain levels of insurance risk and acquires reinsurance for specific losses in excess of \$550,000. As of June 30, 2010, the Pool's membership consisted of 37 cities, towns or other governmental units.

Separate financial statements are available at the RI Interlocal Risk Management Trust, 501 Wampanoag Trail, Suite 301, East Providence, RI 02915.

The East Bay Energy Consortium

During the fiscal year ended June 30, 2010, the Town of Bristol joined eight other Rhode Island cities and towns to form the East Bay Energy Consortium (EBEC), an unincorporated association of municipalities.

The purpose of the EBEC is to determine the feasibility of a wind turbine system for the benefit of the East Bay Communities and to establish a forum to collaborate on energy-saving projects and renewable energy production.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

14. Joint ventures (continued):

The East Bay Energy Consortium (continued)

Members of the EBEC agreed to make a one-time contribution of \$2,000, either by cash or in-kind services. Each community holds a vote and sits on the EBEC Board. In the event of dissolution, all liabilities and obligations will be paid out first, any assets held that must be transferred or conveyed shall be transferred and any remaining assets held will be distributed in accordance with a plan of distribution adopted by the majority the EBEC Board.

For the year ended June 30, 2010, unaudited results indicate that the EBEC generated \$80,500 in revenues and excess of revenues over expenses of \$13,050. The Group had \$13,250 in total assets and \$13,250 in total equity as of June 30, 2010.

Financial information is available at the Town of Bristol, 10 Court Street, Bristol, RI.

15. Prior period adjustments:

The governmental fund balance of the General Fund as of July 1, 2009 has been restated to report the purchase of Open Space property by the General Fund on behalf of the Sewer Enterprise Fund. The land was previously reported as a purchase of the General Fund. The effect of this restatement is an increase in the governmental general fund balance in the amount of \$352,206.

TOWN OF BRISTOL, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED JUNE 30, 2010

| | Original Budget | Adjustments, carryforwards, and transfers | Final Budget | Actual | Variance with Final Budget |
|--|--------------------|---|-------------------|-------------------|-------------------------------|
| Revenues: | | | | | |
| Property taxes | \$ 34,847,762 | \$ (3,040,955) | \$ 31,806,807 | \$ 33,106,215 | \$ 1,299,408 |
| Intergovernmental | - | 2,691,630 | 2,691,630 | 2,569,647 | (121,983) |
| Licenses, permits and fees | 1,751,713 | 349,325 | 2,101,038 | 1,875,923 | (225,115) |
| Investment earnings | 350,000 | | 350,000 | 510,326 | 160,326 |
| Other revenues | 887,955 | | 887,955 | 676,547 | (211,408) |
| Total revenues | 37,837,430 | - | 37,837,430 | 38,738,658 | 901,228 |
| Expenditures: | | | | | |
| Current: | | | | | |
| General government | 1,373,212 | 107,453 | 1,480,665 | 1,496,325 | (15,660) |
| Public safety | 4,458,375 | 8,465 | 4,466,840 | 4,301,990 | 164,850 |
| Public works | 4,360,277 | 42,346 | 4,402,623 | 4,174,208 | 228,415 |
| Community services | 1,152,056 | | 1,152,056 | 1,221,928 | (69,872) |
| Education | 19,583,962 | | 19,583,962 | 19,583,962 | - |
| Payroll taxes and benefits | 4,627,295 | | 4,627,295 | 4,657,184 | (29,889) |
| Debt service: | | | | | |
| Principal | 2,059,929 | | 2,059,929 | 1,923,929 | 136,000 |
| Interest | 533,324 | (107,448) | 425,876 | 452,884 | (27,008) |
| Bond issuance costs | 45,000 | 27,796 | 72,796 | 67,696 | 5,100 |
| Fees and charges | | | | 29,290 | (29,290) |
| Capital outlay | 400,000 | 7,096,653 | 7,496,653 | 5,848,846 | 1,647,807 |
| Total expenditures | 38,593,430 | 7,175,265 | 45,768,695 | 43,758,242 | 2,010,453 |
| Excess of expenditures over revenues, budgetary basis | (756,000) | (7,175,265) | (7,931,265) | (5,019,584) | 2,911,681 |
| Other financing sources (uses): | | | | | |
| Reappropriated fund balances: | | | | | |
| Restricted, bond proceeds | | 3,322,469 | 3,322,469 | 3,322,469 | - |
| Unrestricted | 655,000 | | 655,000 | 655,000 | - |
| Bonds issued | | 5,325,000 | 5,325,000 | 3,450,000 | (1,875,000) |
| Bond premium | | 27,796 | 27,796 | - | (27,796) |
| Transfers from other funds | 129,000 | 200,000 | 329,000 | 782,022 | 453,022 |
| Transfers to other funds | (28,000) | | (28,000) | (7,209) | 20,791 |
| Bonds refunded | | (1,700,000) | (1,700,000) | (1,672,953) | 27,047 |
| Total other financing sources (uses) | 756,000 | 7,175,265 | 7,931,265 | 6,529,329 | (1,401,936) |
| Excess of revenues and other financing sources over expenditures and other financing uses, budgetary basis | \$ - | \$ - | \$ - | 1,509,745 | \$ 1,509,745 |
| Adjustments of budgetary basis to U.S. GAAP basis | | | | (4,047,469) | |
| Excess of expenditures and other financing uses over revenues and other financing sources, U.S. GAAP basis | | | | (2,537,724) | |
| Net assets, beginning of year, as restated | | | | 17,122,182 | |
| Net assets, end of year | | | | \$ 14,584,458 | |

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY COMPARISON

YEAR ENDED JUNE 30, 2010

Budget preparation and budgetary basis of accounting:

In accordance with the Town's Charter, the Town has formally established budgetary accounting control for its General Fund. The General Fund is subject to an annual operating budget legally adopted by the Town Council. The annual operating budget's appropriation amounts are supported by revenue estimates and take into account the elimination of accumulated deficits and the reappropriation of accumulated surpluses to the extent necessary. The General Fund operating budget is in conformance with the legally enacted budgetary basis, which is not in conformity with accounting principles generally accepted in the United States in that budgetary other financing sources include reappropriations from fund equity previously recognized under U.S. GAAP.

Adjustments from the budgetary basis to the U.S. GAAP basis of accounting are as follows:

| | |
|---|----------------------------------|
| Reappropriated fund equity: | |
| Restricted | \$ (3,322,469) |
| Unrestricted | (655,000) |
| Debt recovery credited to note receivable | <u>(70,000)</u> |
| Total adjustments | <u><u>\$ (4,047,469)</u></u> |

Budget compliance:

Appropriations in addition to those contained in the annual operating budget require Town Council approval. Amendments to the operating budget that do not result in additional appropriations may be made within departments by means of transfer. Transfers made within and outside the departmental level require Town Council approval. The level at which the General Fund budgeted expenditures may not legally exceed appropriations is at the department level. Unexpended appropriations lapse at fiscal year-end, but unexpended capital and special appropriations have historically been carried forward.

The following General Fund Departments have an excess of expenditures over appropriations:

| | |
|------------------------|----------|
| Boards and Commissions | \$ 8,100 |
| Building Inspection | 3,375 |
| Civic Services | 164,180 |
| Finance Department | 2,997 |
| Fire Department | 88,780 |
| Harbor Patrol | 8,429 |
| Municipal Court | 4,070 |
| Recreation | 31,105 |
| Rogers Free Library | 47,395 |
| Town Hall Complex | 26,020 |
| Town Solicitor | 6,937 |

TOWN OF BRISTOL, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULES OF FUNDING PROGRESS

YEAR ENDED JUNE 30, 2010

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Liability (AAL) | Unfunded Actuarial Accrued Liability (UAAL) | Funded Ratio | Covered Payroll | UAAL as % of Covered Payroll |
|---|---------------------------------|---------------------------------|---|-----------------|--------------------|------------------------------------|
| <i>Municipal Employees Retirement System, General Employees</i> | | | | | | |
| June 30, 2007 | \$ 13,748,288 | \$ 18,198,588 | \$ 4,450,300 | 75.55% | \$ 3,923,147 | 113.44% |
| June 30, 2008 | 14,897,937 | 19,515,448 | 4,617,511 | 76.34% | 4,135,097 | 111.67% |
| June 30, 2009 | 15,039,954 | 20,791,168 | 5,751,214 | 72.34% | 4,406,314 | 130.52% |
| <i>Municipal Employees Retirement System, Fire</i> | | | | | | |
| June 30, 2007 | \$ 256,093 | \$ 158,231 | \$ (97,862) | 161.85% | \$ 43,099 | -227.06% |
| June 30, 2008 | 272,839 | 166,910 | (105,929) | 163.46% | 44,477 | -238.17% |
| June 30, 2009 | 264,526 | 176,977 | (87,549) | 149.47% | 46,256 | -189.27% |
| <i>Municipal Employees Retirement System, Police</i> | | | | | | |
| June 30, 2007 | \$ 1,932,568 | \$ 1,622,068 | \$ (310,500) | 119.14% | \$ 1,324,382 | -23.44% |
| June 30, 2008 | 2,429,990 | 2,017,048 | (412,942) | 120.47% | 1,377,308 | -29.98% |
| June 30, 2009 | 2,840,215 | 2,410,103 | (430,112) | 117.85% | 1,572,138 | -27.36% |
| <i>Police Plan</i> | | | | | | |
| July 1, 2004 | \$ 12,132,515 | \$ 15,799,856 | \$ 3,667,341 | 76.79% | \$ 820,436 | 447.00% |
| July 1, 2005 | 11,716,695 | 16,656,846 | 4,940,151 | 70.34% | 902,186 | 547.58% |
| July 1, 2006 | 11,575,785 | 17,184,668 | 5,608,883 | 67.36% | 918,225 | 610.84% |
| July 1, 2007 | 12,316,696 | 18,091,700 | 5,775,004 | 68.08% | 818,845 | 705.26% |
| July 1, 2008 | 13,130,907 | 20,456,564 | 7,325,657 | 64.19% | 485,611 | 1508.54% |
| July 1, 2009 | 12,424,250 | 20,981,926 | 8,557,676 | 59.21% | 432,376 | 1979.22% |
| <i>OPEB Plan</i> | | | | | | |
| July 1, 2006 | N/A | \$ 19,200,419 | \$ (19,200,419) | N/A | N/A | N/A |
| July 1, 2008 | \$ 1,675,000 | 12,862,000 | 11,187,000 | 13.02% | N/A | N/A |

TOWN OF BRISTOL, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

SCHEDULE OF EMPLOYER CONTRIBUTIONS

YEAR ENDED JUNE 30, 2010

Police Plan

| Year ended June 30, | Annual Required Contribution | Percentage Contributed |
|------------------------|------------------------------------|---------------------------|
| 2010 | \$ 770,003 | 112.0% |
| 2009 | 640,220 | 100.0% |
| 2008 | 619,698 | 127.0% |
| 2007 | 540,846 | 117.3% |
| 2006 | 438,356 | 52.6% |
| 2005 | 255,088 | 77.4% |

OPEB Plan

| Year ended June 30, | Annual Required Contribution | Percentage Contributed |
|------------------------|------------------------------------|---------------------------|
| 2010 | \$ 890,000 | 98% |
| 2009 | 844,000 | 105% |
| 2008 | 2,000,000 | 116% |

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2010

The information presented in the required supplementary information was determined as part of the annual actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation (1) follows:

POLICE PLAN

| | |
|----------------------------|--|
| Valuation date | July 1, 2009 |
| Actuarial cost method | Entry Age Normal Cost Method |
| Amortization method | The unfunded accrued liability is being amortized over 20 years beginning with the July 1, 2002 actuarial valuation. |
| Asset valuation method | Market |
| Actuarial assumptions: | |
| Investment rate of return | 8.0% per annum |
| Projected salary increases | 5.0% per annum |
| Cost-of-living adjustments | 3.0% per annum |

OPEB PLAN

| | |
|---|---|
| Valuation date | July 1, 2009 |
| Actuarial cost method | Projected Unit Credit Cost Method |
| Asset valuation method | Market |
| Actuarial assumptions: | |
| Investment rate of return and discount rate | 7.50% per annum |
| Participation | All eligible retirees are assumed to elect medical and dental coverage |
| Health Care Cost Trend Rates | Medical 6.80% per year per year decreasing to an ultimate rate of 4.0% per year over 49 years |

(1) There have been no changes in the above actuarial assumptions or methods from the July 1, 2008 actuarial valuation.

TOWN OF BRISTOL, RHODE ISLAND
TAX COLLECTOR'S ANNUAL REPORT
YEAR ENDED JUNE 30, 2010

Real estate and personal property taxes receivable:

| Year | Balance, July 1, 2009 | Current year assessment | Adjustments/ abatements | Amount to be collected | Collections | Balance, June 30, 2010 |
|------|--------------------------|----------------------------|----------------------------|---------------------------|--------------------------------------|---------------------------|
| 2010 | | \$ 33,449,293 | \$ (209,502) | \$ 33,239,791 | \$ 32,048,762 | \$ 1,191,029 |
| 2009 | \$ 991,582 | | 16,715 | 1,008,297 | 880,827 | 127,470 |
| 2008 | 117,774 | | 8 | 117,782 | 64,415 | 53,367 |
| 2007 | 47,790 | | (149) | 47,641 | 8,795 | 38,846 |
| 2006 | 32,079 | | (59) | 32,020 | 2,640 | 29,380 |
| 2005 | 34,234 | | (208) | 34,026 | 1,357 | 32,669 |
| 2004 | 36,093 | | (156) | 35,937 | 589 | 35,348 |
| 2003 | 33,231 | | | 33,231 | 665 | 32,566 |
| 2002 | 38,962 | | | 38,962 | 159 | 38,803 |
| 2001 | 72,035 | | (31,759) | 40,276 | 615 | 39,661 |
| | <u>\$ 1,403,780</u> | <u>\$ 33,449,293</u> | <u>\$ (225,110)</u> | <u>\$ 34,627,963</u> | <u>\$ 33,008,824</u> | 1,619,139 |
| | | | | | Less allowance for doubtful accounts | <u>360,019</u> |
| | | | | | | <u>\$ 1,259,120</u> |

TOWN OF BRISTOL, RHODE ISLAND
TAX COLLECTOR'S ANNUAL REPORT (CONTINUED)
YEAR ENDED JUNE 30, 2010

Schedule of most recent net assessed property value by category:

| Description of property | Valuations | Levy |
|-------------------------|-------------------------|----------------------|
| Real property | \$ 3,141,154,438 | \$ 32,573,772 |
| Motor vehicles | 160,810,058 | 2,790,055 |
| Tangible personal | 43,498,643 | 451,081 |
| Total | 3,345,463,139 | 35,814,907 |
| Exemptions | 131,540,474 | 2,365,612 |
| Current year assessment | <u>\$ 3,213,922,665</u> | <u>\$ 33,449,295</u> |

Reconciliation of current year property tax revenue:

| | |
|---|----------------------|
| Current year collections | \$ 33,008,824 |
| Revenue collected within 60 days subsequent to year ended June 30, 2010 | <u>505,189</u> |
| | 33,514,013 |
| Prior year revenue received in current year | <u>(340,958)</u> |
| Current year real estate and personal property tax revenue | <u>\$ 33,173,055</u> |