

TOWN OF BRISTOL, RHODE ISLAND
BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

TOWN OF BRISTOL, RHODE ISLAND
FOR THE YEAR ENDED JUNE 30, 2017

Table of Contents

| | Page |
|--|-------|
| Independent Auditor's Report | 1-3 |
| Management's Discussion and Analysis | 4-11 |
| Basic financial statements: | |
| Government-wide financial statements: | |
| Statement of net position | 12-13 |
| Statement of activities | 14 |
| Fund financial statements: | |
| Balance sheet – governmental funds | 15 |
| Reconciliation of governmental funds balance sheet to statement of net position | 16 |
| Statement of revenues, expenditures and changes in fund balances – governmental funds | 17 |
| Reconciliation of governmental funds statement of revenues, expenditures and changes in fund balances to statement of activities | 18 |
| Statement of net position – proprietary fund | 19 |
| Statement of revenues, expenses and changes in net position – proprietary fund | 20 |
| Statement of cash flows – proprietary fund | 21-22 |
| Statement of fiduciary net position – fiduciary funds | 23 |
| Statement of changes in fiduciary net position – fiduciary funds | 24 |
| Notes to basic financial statements | 25-98 |

TOWN OF BRISTOL, RHODE ISLAND
FOR THE YEAR ENDED JUNE 30, 2017

Table of Contents (Continued)

| | Page |
|---|---------|
| Required supplementary information to financial statements: | |
| Budgetary comparison schedule – general fund | 99-100 |
| Schedule of funding progress | 101 |
| Schedule of employer contributions | 102 |
| Schedule of changes to net pension liability and related ratios – Police Plan | 103 |
| Schedule of Town contributions - Police Plan | 104-105 |
| Schedule of investment return - Police Plan | 106 |
| Notes to required supplementary information – Police Plan and OPEB Plan | 107-108 |
| Schedule of changes to net pension liability and related ratios - MERS | 109-112 |
| Schedule of changes to net pension liability and related ratios - ERS | 113 |
| Schedule of changes to net pension liability and related ratios - TSB | 114 |
| Schedule of contributions - MERS | 115 |
| Schedule of contributions - ERS | 116 |
| Notes to required supplementary information - MER, ERS, and TSB | 117-118 |
| Other supplementary information: | |
| Tax collector’s annual report | 119-120 |
| Annual supplemental transparency report (“MTP2”) | 121-124 |
| Notes to supplementary information – annual supplemental transparency report (“MTP2”) | 125-126 |



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, 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, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Town's discretely presented component unit, the Bristol Warren Regional School District (the "District"), which represents approximately 25 percent, (60) percent and 50 percent, respectively, of the assets, net position and revenues of the Town. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the District, is based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.



Auditor's Responsibility (Continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, 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 unit, each major fund, and the aggregate remaining fund information of the Town of Bristol, Rhode Island as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis presented on pages 4 through 11, and budgetary comparison schedule, and historical pension and other postemployment benefit information on pages 99 through 118 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



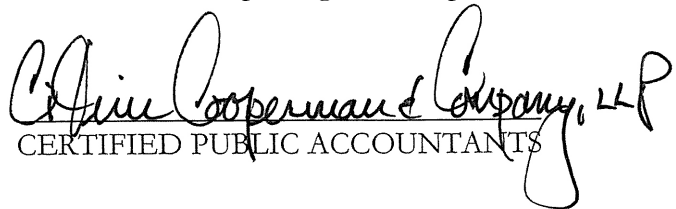
Other Matters (Continued)

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Bristol's basic financial statements. The supplementary tax collector's annual report and annual supplemental transparency report are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary tax collector's annual report and annual supplemental transparency report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the supplementary tax collector's annual report and annual supplemental transparency report are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 2, 2018, on our consideration of internal control over financial reporting of the Town of Bristol, excluding the discretely presented component unit, and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Bristol's internal control over financial reporting and compliance.


CITRIN COOPERMAN & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Providence, Rhode Island
January 2, 2018

TOWN OF BRISTOL, RHODE ISLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2017

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, 2017.

Financial Highlights

- The assets of the Town exceeded its liabilities as of June 30, 2017, by \$53,840,303 (*net position*). The Town had a change in net position of \$837,213, before the restatement of the prior year.
- As of June 30, 2017, the Town's governmental funds reported combined ending fund balances of \$17,286,513, an increase of \$127,536 in comparison with the restated prior year, principally the result of general obligation bonds issued during the year.
- During the fiscal year, the Town's management, along with its solicitor, determined that the Bristol Fourth of July Committee (the "Committee") did not meet the definition of a component unit in accordance with the applicable Governmental Accounting Standards Board ("GASB") statements. Previously, the Committee was presented in the Town's government-wide financial statements as a component unit. The Committee was established in 1785 and plans, organizes and implements all events associated with the annual Fourth of July celebration in Bristol, Rhode Island. The Town's net position and governmental fund balance as of July 1, 2016, have been increased by \$190,549, reflecting the net position/fund balance of the Committee as of July 1, 2016. The Town's net position as of July 1, 2015, has been increased by \$185,161, reflecting the net position of the Committee as of July 1, 2015. The Committee's balances and activity for the fiscal year ended June 30, 2017, are reported in the Town's other governmental funds.
- As of June 30, 2017, the unassigned fund balance for the General Fund was \$6,431,691, or approximately 13% of total General Fund revenues.
- As of June 30, 2017, the Town accrued an uninsured portion of a final court judgement rendered against the Town within the General Fund's accounts payable in the amount of \$1,406,103. The Town issued general obligation bonds in October 2017 to fund the judgement.

Overview of the Financial Statements

This discussion and analysis is 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.

TOWN OF BRISTOL, RHODE ISLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

YEAR ENDED JUNE 30, 2017

Overview of the Financial Statements (Continued)

Government-wide financial statements (continued). The *statement of net position* presents information on all of the Town's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation 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 unit, Bristol Warren Regional School District ("District"). The District issues 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 12 through 14 of this report.

Fund financial statements. A *fund* is a grouping of related accounts 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, proprietary and fiduciary.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. 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*.

TOWN OF BRISTOL, RHODE ISLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

YEAR ENDED JUNE 30, 2017

Overview of the Financial Statements (Continued)

Governmental funds (continued). The Town maintains approximately 80 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 and Capital Projects Fund, which are considered to be major funds. Data from the remaining governmental funds are combined into a single aggregated presentation.

The basic governmental fund financial statements can be found on pages 15 through 18 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 19 through 22 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 23 and 24 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 25 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 pension plans and its other postemployment benefits ("OPEB") plan.

Government-wide Financial Analysis

As noted earlier, net position may serve as a useful indicator of a government's financial position over time. In the case of the Town, assets exceeded liabilities by \$53,840,303 at June 30, 2017.

TOWN OF BRISTOL, RHODE ISLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

YEAR ENDED JUNE 30, 2017

Town of Bristol's Net Position

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------------|----------------------------|---------------|-----------------------------|---------------|---------------|---------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | | Restated | | | | Restated |
| Current and other assets | \$ 22,076,623 | \$ 21,666,892 | \$ 4,330,923 | \$ 2,987,892 | \$ 26,407,546 | \$ 24,654,784 |
| Capital assets | 62,743,189 | 61,451,202 | 45,818,368 | 46,179,013 | 108,561,557 | 107,630,215 |
| Total assets | 84,819,812 | 83,118,094 | 50,149,291 | 49,166,905 | 134,969,103 | 132,284,999 |
| Deferred outflows of resources | 3,262,860 | 2,577,844 | - | - | 3,262,860 | 2,577,844 |
| Long-term liabilities | 34,938,092 | 33,796,328 | 26,377,912 | 23,685,395 | 61,316,004 | 57,481,723 |
| Other liabilities | 22,426,991 | 21,752,227 | 648,665 | 2,340,872 | 23,075,656 | 24,093,099 |
| Total liabilities | 57,365,083 | 55,548,555 | 27,026,577 | 26,026,267 | 84,391,660 | 81,574,822 |
| Deferred inflows of resources | - | 284,931 | - | - | - | 284,931 |
| Net position: | | | | | | |
| Net invested in capital assets | 34,317,731 | 33,812,712 | 19,850,476 | 21,093,082 | 54,168,207 | 54,905,794 |
| Restricted | 7,214,558 | 7,566,211 | | | 7,214,558 | 7,566,211 |
| Unrestricted | (10,814,700) | (11,516,471) | 3,272,238 | 2,047,556 | (7,542,462) | (9,468,915) |
| Total net position | \$ 30,717,589 | \$ 29,862,452 | \$ 23,122,714 | \$ 23,140,638 | \$ 53,840,303 | \$ 53,003,090 |

The general capital assets (e.g., land, buildings, machinery, and equipment) of the governmental activities of the Town less related outstanding debt equals \$34,317,731. 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, 2017

Government-wide Financial Analysis (Continued)

Town of Bristol's Changes in Net Position

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|----------------------------|----------------------|-----------------------------|----------------------|----------------------|----------------------|
| | 2017 | 2016 Restated | 2017 | 2016 | 2017 | 2016 Restated |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 2,432,508 | \$ 2,280,543 | \$ 5,349,718 | \$ 5,189,472 | \$ 7,782,226 | \$ 7,470,015 |
| Operating grants and contributions | 1,324,843 | 790,758 | | | 1,324,843 | 790,758 |
| Capital grants and contributions | 358,346 | 1,409,986 | | | 358,346 | 1,409,986 |
| General revenues: | | | | | | |
| Property taxes | 41,849,477 | 39,178,945 | | | 41,849,477 | 39,178,945 |
| Grants and contributions not restricted to specific programs | 2,944,815 | 2,815,885 | 32,739 | 22,347 | 2,977,554 | 2,838,232 |
| Investment earnings | 828,195 | 257,668 | 31,228 | 31,222 | 859,423 | 288,890 |
| Miscellaneous | 781,824 | 953,386 | | | 781,824 | 953,386 |
| Total revenues | <u>50,520,008</u> | <u>47,687,171</u> | <u>5,413,685</u> | <u>5,243,041</u> | <u>55,933,693</u> | <u>52,930,212</u> |
| Expenses: | | | | | | |
| General government | 2,994,557 | 3,205,467 | | | 2,994,557 | 3,205,467 |
| Public safety | 9,297,823 | 9,028,196 | | | 9,297,823 | 9,028,196 |
| Public works | 7,752,264 | 7,685,629 | | | 7,752,264 | 7,685,629 |
| Community services | 3,725,121 | 3,246,055 | | | 3,725,121 | 3,246,055 |
| Education | 25,172,179 | 23,777,023 | | | 25,172,179 | 23,777,023 |
| Interest on long-term debt | 827,367 | 1,216,484 | | | 827,367 | 1,216,484 |
| Sewer | | | 5,327,169 | 5,360,615 | 5,327,169 | 5,360,615 |
| Total expenses | <u>49,769,311</u> | <u>48,158,854</u> | <u>5,327,169</u> | <u>5,360,615</u> | <u>55,096,480</u> | <u>53,519,469</u> |
| Increase (decrease) in net position before transfers | 750,697 | (471,683) | 86,516 | (117,574) | 837,213 | (589,257) |
| Transfers | 104,440 | 75,000 | (104,440) | (75,000) | - | - |
| Increase (decrease) in net position | 855,137 | (396,683) | (17,924) | (192,574) | 837,213 | (589,257) |
| Net position, beginning of year | 29,862,452 | 30,073,974 | 23,140,638 | 23,333,212 | 53,003,090 | 53,407,186 |
| Restatement | - | 185,161 | | | - | 185,161 |
| As restated | <u>29,862,452</u> | <u>30,259,135</u> | <u>23,140,638</u> | <u>23,333,212</u> | <u>53,003,090</u> | <u>53,592,347</u> |
| Net position, end of year | <u>\$ 30,717,589</u> | <u>\$ 29,862,452</u> | <u>\$ 23,122,714</u> | <u>\$ 23,140,638</u> | <u>\$ 53,840,303</u> | <u>\$ 53,003,090</u> |

Governmental Activities

Governmental activities increased the Town's net position by \$855,137 principally the result of an increase in property taxes revenues during the year.

TOWN OF BRISTOL, RHODE ISLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

YEAR ENDED JUNE 30, 2017

Business-Type Activities

Business-type activities decreased the Town's net position by \$17,924, including transfers of \$104,440 to the governmental funds.

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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2017, the Town's governmental funds reported combined ending fund balances of \$17,286,513. Approximately 12%, or \$2,127,973, constitutes committed and assigned fund balances, which the Town Council has designated for specific purposes. Approximately 36%, or \$6,192,556, constitutes unassigned fund balance, which is available for spending at the Town's discretion. Approximately 37%, or \$6,371,952, is restricted by outside parties to be used for specific purposes. The remaining 15%, or \$2,594,032, is nonspendable, representing 1) amounts required to be maintained intact, 2) unexpended inventory items, or 3) notes receivable 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, 2017, the total fund balance of the General Fund was \$9,206,761, of which \$6,431,691 was unassigned. Unassigned fund balance represents approximately 13% of total General Fund revenues. Of the total fund balance, \$577,514 was assigned to meet fiscal year 2018 General Fund expenditures.

The fund balance of the General Fund was decreased by \$1,913,568 in fiscal year 2017. The fiscal year 2017 annual budget for the Town's General Fund identified the appropriation of \$1,036,850 in fund balance to reduce the impact of taxes levied and to balance the budget.

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 position of the Sewer Enterprise Fund at the end of the fiscal year amounted to \$3,272,238.

General Fund Budgetary Highlights

Actual revenues exceeded budgeted revenues by \$844,675, primarily as a result of higher than anticipated property tax collections and higher than anticipated State Aid. Actual expenditures for the year were \$1,645,118 more than budgeted, principally due to the accrual of an uninsured judgement payable rendered against the Town in the amount of \$1,406,103.

TOWN OF BRISTOL, RHODE ISLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

YEAR ENDED JUNE 30, 2017

Town of Bristol's Capital Assets

The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2017, amounts to \$108,561,557, 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 completion of a municipal maritime center, wastewater treatment plant and pump station upgrades, sewer system repairs, drainage projects, streetlight LED conversion project, road repair and paving, and equipment for the public safety and public works departments.

Commitments and Contingencies

At June 30, 2017, the Town is committed under construction contracts as follows:

| <u>Project</u> | <u>Contract</u> | <u>Spent to date</u> | <u>Remaining commitment</u> |
|---|---------------------|----------------------|-----------------------------|
| Constitution & Silver Creek Pump Station Improvements | \$ 2,157,798 | \$ 995,789 | \$ 1,162,009 |
| Church Street Dock Expansion Design | 141,000 | 62,005 | 78,995 |
| State Street Boardwalk Extension Design | 47,260 | 10,241 | 37,019 |
| Tanyard Brook Phase II: Design/Engineering | 432,600 | 308,458 | 124,142 |
| Road Paving Projects: Design/Engineering | 64,700 | 34,471 | 30,229 |
| Byfield School Construction | 433,301 | 378,426 | 54,875 |
| Prudence Ferry Dock Design | 89,300 | 79,015 | 10,285 |
| Prudence Ferry Dock Construction | <u>179,700</u> | <u>111,625</u> | <u>68,075</u> |
| | <u>\$ 3,545,659</u> | <u>\$ 1,980,030</u> | <u>\$ 1,565,629</u> |

TOWN OF BRISTOL, RHODE ISLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

YEAR ENDED JUNE 30, 2017

The Town of Warren, Rhode Island (“Warren”) received favorable judgment in a lawsuit against the District to decrease Warren’s allocable contribution, and increase the Town’s allocable contribution, to the District for the fiscal year ended June 30, 2017, in the amount of \$1,406,103, and to reallocate each Town’s respective contribution for all future years. At June 30, 2017, a legal settlement of \$1,406,103 is accrued in the General Fund’s accounts payable. The Town made full payment to Warren in October 2017.

Long-term debt

On June 30, 2017, the Town has total bonded debt, loans and capital leases outstanding of \$57,765,323, of which \$28,141,668 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 3% of its total equalized valuation. The current debt limitation for the Town is \$84,736,579, which significantly exceeds the Town’s current outstanding general obligation debt.

Additional information about the Town’s long-term debt can be found in Note 8 to the basic financial statements.

Economic Factors and Next Year's Budgets and Rates

- The current 2017 average unemployment rate for Bristol County, which includes the Town, is 4.1%. This compares with an unemployment rate of 4.8% for the State of Rhode Island and a national unemployment rate of 4.7%.
- \$577,514 of the General Fund fund balance was assigned to meet fiscal year 2018 General Fund expenditures.
- The Town’s tax rate increased from \$14.77 to \$14.92 per thousand dollars of assessed value from the 2017 to the 2018 fiscal year. This was due primarily to increases in education aid and reductions in the use of fund balance.

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 POSITION

JUNE 30, 2017

| | Primary Government | | | Component Unit |
|--|----------------------------|-----------------------------|--------------------|--|
| | Governmental Activities | Business-Type Activities | Total | Bristol Warren Regional School District |
| ASSETS: | | | | |
| Cash and cash equivalents | \$ 12,640,336 | \$ - | \$ 12,640,336 | \$ 10,385,989 |
| Investments | 6,398,476 | | 6,398,476 | |
| Accounts receivable, less allowance for doubtful accounts of \$434,305: | | | | |
| Property taxes | 1,546,346 | | 1,546,346 | |
| Federal and state government | 1,700,272 | | 1,700,272 | 412,690 |
| Assessments and user fees | | 275,195 | 275,195 | |
| Other | 653,126 | | 653,126 | |
| Internal balances | (3,752,755) | 3,752,755 | - | |
| Inventory | 13,753 | | 13,753 | |
| Net OPEB asset | 718,028 | | 718,028 | |
| Net pension asset: | | | | |
| MERS Police Unit District | 263,258 | | 263,258 | 4,421,711 |
| Noncurrent assessments and user fees | | 302,973 | 302,973 | |
| Notes receivable: | | | | |
| Mosaico | 460,783 | | 460,783 | |
| Component unit | 1,435,000 | | 1,435,000 | |
| Capital assets not being depreciated | 14,797,157 | 810,278 | 15,607,435 | - |
| Capital assets being depreciated, net | 47,946,032 | 45,008,090 | 92,954,122 | 31,367,302 |
| Total assets | 84,819,812 | 50,149,291 | 134,969,103 | 46,587,692 |
| DEFERRED OUTFLOWS OF RESOURCES: | | | | |
| Deferred charge on bond refunding, net | 735,362 | - | 735,362 | 864,752 |
| Police Pension Plan | 423,822 | | 423,822 | |
| State of Rhode Island Pension Plan | 2,103,676 | | 2,103,676 | 12,477,768 |
| Total deferred outflows of resources | 3,262,860 | - | 3,262,860 | 13,342,520 |
| LIABILITIES: | | | | |
| Accounts payable and accrued expenses | 2,481,919 | 648,665 | 3,130,584 | 2,281,197 |
| Unearned revenue | 22,000 | | 22,000 | |
| OPEB obligation, net | | | | 4,523,154 |
| Net pension liabilities: | | | | |
| MERS General and Fire Units | 7,293,047 | | 7,293,047 | |
| Police Pension Plan District | 12,630,025 | | 12,630,025 | 47,620,488 |
| Note payable, primary government: | | | | |
| Due within one year | | | | 90,000 |
| Due in more than one year | | | | 1,345,000 |
| Long-term obligations: | | | | |
| Due within one year | 2,788,473 | 2,151,241 | 4,939,714 | 1,903,919 |
| Due in more than one year | 32,149,619 | 24,226,671 | 56,376,290 | 16,540,150 |
| Total liabilities | 57,365,083 | 27,026,577 | 84,391,660 | 74,303,908 |
| DEFERRED INFLOWS OF RESOURCES: | | | | |
| Unearned income | - | - | - | 27,810 |
| MERS | - | - | - | 6,222,311 |
| | - | - | - | 6,250,121 |

(continued)

TOWN OF BRISTOL, RHODE ISLAND

STATEMENT OF NET POSITION (CONTINUED)

JUNE 30, 2017

| | Primary Government | | | Component Unit |
|---|----------------------------|-----------------------------|----------------------|--|
| | Governmental Activities | Business-Type Activities | Total | Bristol Warren Regional School District |
| Commitments and contingencies (Notes 12 and 13) | | | | |
| NET POSITION: | | | | |
| Net invested in capital assets | \$ 34,317,731 | \$ 19,850,476 | \$ 54,168,207 | \$ 12,796,318 |
| Restricted for: | | | | |
| Capital projects | 248,410 | | 248,410 | |
| Other purposes: | | | | |
| Expendable | 3,636,754 | | 3,636,754 | |
| Nonexpendable | 3,329,394 | | 3,329,394 | |
| Unrestricted | (10,814,700) | 3,272,238 | (7,542,462) | (33,420,135) |
| Total net position | <u>\$ 30,717,589</u> | <u>\$ 23,122,714</u> | <u>\$ 53,840,303</u> | <u>\$ (20,623,817)</u> |

See accompanying notes to basic financial statements.

TOWN OF BRISTOL, RHODE ISLAND

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

| Functions/Programs | Expenses | Program Revenues | | | Net (Expenses) Revenues and Changes in Net Position | | | Component Unit |
|--|---------------|----------------------------|--|--|--|-----------------------------|----------------|-------------------|
| | | 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 | \$ 2,994,557 | \$ 808,584 | \$ 15 | \$ 401,748 | \$ (1,784,210) | | \$ (1,784,210) | |
| Public safety | 9,297,823 | 862,496 | 31,990 | 84,601 | (8,318,736) | | (8,318,736) | |
| Public works | 7,752,264 | 526,463 | 88,996 | (130,849) | (7,267,654) | | (7,267,654) | |
| Community services | 3,725,121 | 234,965 | 1,203,842 | 2,846 | (2,283,468) | | (2,283,468) | |
| Education | 25,172,179 | | | | (25,172,179) | | (25,172,179) | |
| Interest on long-term debt | 827,367 | | | | (827,367) | | (827,367) | |
| Total governmental activities | 49,769,311 | 2,432,508 | 1,324,843 | 358,346 | (45,653,614) | | (45,653,614) | |
| Business-type activities: | | | | | | | | |
| Sewer | 5,327,169 | 5,349,718 | | | | \$ 22,549 | 22,549 | |
| Total primary government | \$ 55,096,480 | \$ 7,782,226 | \$ 1,324,843 | \$ 358,346 | (45,653,614) | 22,549 | (45,631,065) | |
| Component unit: | | | | | | | | |
| Bristol Warren Regional School District | \$ 60,519,543 | \$ 1,880,244 | \$ 57,245,800 | \$ 1,465,049 | | | | \$ 71,550 |
| General revenues: | | | | | | | | |
| Property taxes | | | | | 41,849,477 | | 41,849,477 | |
| Grants and contributions not restricted to specific programs | | | | | 2,944,815 | 32,739 | 2,977,554 | |
| Investment earnings | | | | | 828,195 | 31,228 | 859,423 | 57,406 |
| Miscellaneous | | | | | 781,824 | | 781,824 | 795,201 |
| Transfers | | | | | 104,440 | (104,440) | - | |
| Total general revenues and transfers | | | | | 46,508,751 | (40,473) | 46,468,278 | 852,607 |
| Change in net position | | | | | 855,137 | (17,924) | 837,213 | 924,157 |
| Net position, beginning of year: | | | | | | | | |
| As originally reported | | | | | 29,671,903 | 23,140,638 | 52,812,541 | (21,547,974) |
| Restatement - Note 1 | | | | | 190,549 | - | 190,549 | - |
| As restated | | | | | 29,862,452 | 23,140,638 | 53,003,090 | (21,547,974) |
| Net position, end of year | | | | | \$ 30,717,589 | \$ 23,122,714 | \$ 53,840,303 | \$ (20,623,817) |

See accompanying notes to basic financial statements.

TOWN OF BRISTOL, RHODE ISLAND

BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2017

| ASSETS | <u>General Fund</u> | <u>Capital Projects Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|-----------------------------|----------------------------------|---|---|
| Cash and cash equivalents | \$ 11,798,110 | \$ 269,919 | \$ 572,307 | \$ 12,640,336 |
| Investments | 2,202,248 | | 4,196,228 | 6,398,476 |
| Receivables: | | | | |
| Property taxes, less allowance for doubtful accounts of \$434,305 | 1,546,346 | | | 1,546,346 |
| Intergovernmental | 1,317,417 | 96,391 | 286,464 | 1,700,272 |
| Other | 550,617 | 80,534 | 21,975 | 653,126 |
| Due from other funds | 519,669 | 3,345,623 | 577,284 | 4,442,576 |
| Inventory | 13,753 | | | 13,753 |
| Advance to other fund | 179,056 | | | 179,056 |
| Notes receivable: | | | | |
| Mosaico | 236,033 | | 224,750 | 460,783 |
| Component unit | 1,435,000 | | | 1,435,000 |
| | <u>1,435,000</u> | <u> </u> | <u> </u> | <u>1,435,000</u> |
| Total assets | <u>\$ 19,798,249</u> | <u>\$ 3,792,467</u> | <u>\$ 5,879,008</u> | <u>\$ 29,469,724</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable and accrued expenses | \$ 1,972,830 | \$ 239,076 | \$ 74,882 | \$ 2,286,788 |
| Due to other funds | 7,673,256 | 98,941 | 423,134 | 8,195,331 |
| Advance from General Fund | | | 179,056 | 179,056 |
| Unearned revenue | | 15,000 | 7,000 | 22,000 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities | <u>9,646,086</u> | <u>353,017</u> | <u>684,072</u> | <u>10,683,175</u> |
| Deferred inflows of resources | <u>945,402</u> | <u>109,499</u> | <u>445,135</u> | <u>1,500,036</u> |
| Fund balances: | | | | |
| Nonspendable: | | | | |
| Legally | | | 577,617 | 577,617 |
| Form | 1,791,665 | | 224,750 | 2,016,415 |
| Restricted | | 2,185,383 | 4,186,569 | 6,371,952 |
| Committed | 405,891 | | | 405,891 |
| Assigned | 577,514 | 1,144,568 | | 1,722,082 |
| Unassigned | 6,431,691 | | (239,135) | 6,192,556 |
| | <u>6,431,691</u> | <u> </u> | <u> </u> | <u>6,192,556</u> |
| Total fund balances | <u>9,206,761</u> | <u>3,329,951</u> | <u>4,749,801</u> | <u>17,286,513</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 19,798,249</u> | <u>\$ 3,792,467</u> | <u>\$ 5,879,008</u> | <u>\$ 29,469,724</u> |

See accompanying notes to basic financial statements.

TOWN OF BRISTOL, RHODE ISLAND

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET POSITION

JUNE 30, 2017

| | | |
|---|------------------|----------------------|
| Total fund balances for governmental funds | | \$ 17,286,513 |
| Assets used in governmental activities which are not financial resources and therefore are not reported in the funds: | | |
| Capital assets, net | \$ 62,743,189 | |
| Pension and OPEB assets | <u>981,286</u> | 63,724,475 |
| Deferred outflows: | | |
| Deferred charge on bond refunding | 735,362 | |
| Police Pension Plan | 423,822 | |
| State of Rhode Island Pension Plan | <u>2,103,676</u> | 3,262,860 |
| 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 inflows in the funds. | | 1,500,036 |
| Liabilities not due and payable in the current period and therefore not reported in the funds: | | |
| Bonds and notes payable | (31,110,712) | |
| Capital leases | (686,719) | |
| Compensated absences payable | (3,140,661) | |
| Accrued interest | <u>(195,131)</u> | (35,133,223) |
| Liabilities used in governmental activities which are not financial resources and therefore are not reported in the funds: | | |
| Pension liabilities | | <u>(19,923,072)</u> |
| Net position of governmental activities | | <u>\$ 30,717,589</u> |

See accompanying notes to basic financial statements.

TOWN OF BRISTOL, RHODE ISLAND

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

FOR THE YEAR ENDED JUNE 30, 2017

| | General Fund | Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|--------------------------|--------------------------------|-----------------------------|
| Revenues: | | | | |
| Property taxes | \$ 41,753,256 | | | \$ 41,753,256 |
| Intergovernmental | 2,462,227 | \$ 822,874 | \$ 914,142 | 4,199,243 |
| Licenses, permits and fees | 2,734,823 | | | 2,734,823 |
| Investment earnings | 406,526 | 1,521 | 420,148 | 828,195 |
| Other revenues | 768,619 | 58,441 | 501,534 | 1,328,594 |
| | <u>48,125,451</u> | <u>882,836</u> | <u>1,835,824</u> | <u>50,844,111</u> |
| Total revenues | | | | |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 1,687,657 | 60,336 | 30,949 | 1,778,942 |
| Public safety | 5,521,318 | - | 100,656 | 5,621,974 |
| Public works | 4,843,272 | 93,462 | 173,502 | 5,110,236 |
| Community services | 1,570,489 | - | 1,092,661 | 2,663,150 |
| Education | 26,578,282 | | | 26,578,282 |
| Insurance, payroll taxes and benefits | 6,207,063 | | | 6,207,063 |
| Debt service: | | | | |
| Principal | 2,235,723 | | | 2,235,723 |
| Interest | 989,720 | | | 989,720 |
| Bond issuance costs | 158,434 | | | 158,434 |
| Fees and charges | 8,680 | | | 8,680 |
| Capital outlay | 510,606 | 3,223,372 | 78,109 | 3,812,087 |
| | <u>50,311,244</u> | <u>3,377,170</u> | <u>1,475,877</u> | <u>55,164,291</u> |
| Total expenditures | | | | |
| Excess (deficiency) of revenues over expenditures | <u>(2,185,793)</u> | <u>(2,494,334)</u> | <u>359,947</u> | <u>(4,320,180)</u> |
| Other financing sources (uses): | | | | |
| Issuance of debt | 7,588,000 | 3,900,190 | | 11,488,190 |
| Premium on issuance of debt | 1,142,290 | 271,965 | | 1,414,255 |
| Proceeds from sale of asset | - | 8,500 | | 8,500 |
| Transfers from other funds | 149,000 | 78,256 | 66,667 | 293,923 |
| Transfers to other funds | (39,396) | (20,000) | (130,087) | (189,483) |
| Other financing uses | (8,567,669) | | | (8,567,669) |
| Other financing sources | | | | - |
| | <u>272,225</u> | <u>4,238,911</u> | <u>(63,420)</u> | <u>4,447,716</u> |
| Total other financing sources (uses) | | | | |
| Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses | <u>(1,913,568)</u> | <u>1,744,577</u> | <u>296,527</u> | <u>127,536</u> |
| Fund balances, beginning of year: | | | | |
| As originally reported | 11,120,329 | 1,585,374 | 4,262,725 | 16,968,428 |
| Restatement - Note 1 | | | 190,549 | 190,549 |
| As restated | <u>11,120,329</u> | <u>1,585,374</u> | <u>4,453,274</u> | <u>17,158,977</u> |
| Fund balances, end of year | <u>\$ 9,206,761</u> | <u>\$ 3,329,951</u> | <u>\$ 4,749,801</u> | <u>\$ 17,286,513</u> |

See accompanying 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

FOR THE YEAR ENDED JUNE 30, 2017

| | | |
|---|--------------------|-------------------|
| Net change in fund balances for governmental funds | | \$ 127,536 |
| <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 | \$ 3,948,442 | |
| Loss on disposal of capital assets | (20,198) | |
| Depreciation expense | <u>(2,636,257)</u> | 1,291,987 |
| <p>Revenues in the statement of activities that do not provide current financial resources and therefore are not reported as revenues in the governmental funds.</p> | | |
| | | (332,603) |
| <p>OPEB and pension-related amounts recorded in the statement of activities, but not in the governmental funds:</p> | | |
| Change in OPEB asset | 167,900 | |
| Change in pension asset | (422,908) | |
| Change in deferred outflows | 206,491 | |
| Change in pension liabilities | (124,548) | |
| Change in deferred inflows | <u>284,931</u> | 111,866 |
| <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 position. Repayment and refunding of bonds and notes use current financial resources, but decrease long-term liabilities in the statement of net position. Bond premiums, discounts and refunding charges are deferred and amortized as part of future interest expense.</p> | | |
| Principal repayment on general obligation bonds | 10,117,871 | |
| Issuance of general obligation bonds and loans payable, less undrawn proceeds held by the State | (11,428,159) | |
| Capital leases, net | 122,821 | |
| Premium on bond issuance | (1,414,255) | |
| Loss on refunded bonds | 502,669 | |
| Amortization of premiums, discounts and deferred charges on refunding | <u>9,877</u> | (2,089,176) |
| <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 | 19,834 | |
| Accrued interest | <u>319,590</u> | 339,424 |
| <p>Reversal of legal claim accrued to statement of activities as recorded in governmental activities in current year</p> | | |
| | | <u>1,406,103</u> |
| Change in net position of governmental activities | | <u>\$ 855,137</u> |

See accompanying notes to basic financial statements.

TOWN OF BRISTOL, RHODE ISLAND

STATEMENT OF NET POSITION – PROPRIETARY FUND

JUNE 30, 2017

ASSETS:

Current assets:

| | |
|--------------------------------------|------------------|
| Assessments and user fees receivable | \$ 275,195 |
| Due from other funds | <u>3,752,755</u> |

| | |
|----------------------|-----------|
| Total current assets | 4,027,950 |
|----------------------|-----------|

Noncurrent assets:

| | |
|--|-------------------|
| Assessments and user fees receivable, less current portion | 302,973 |
| Capital assets not being depreciated | 810,278 |
| Capital assets being depreciated, net | <u>45,008,090</u> |

| | |
|--------------|-------------------|
| Total assets | <u>50,149,291</u> |
|--------------|-------------------|

LIABILITIES:

Current liabilities:

| | |
|---------------------------------------|------------------|
| Accounts payable and accrued expenses | 648,665 |
| Current portion of long-term debt | <u>2,151,241</u> |

| | |
|---------------------------|-----------|
| Total current liabilities | 2,799,906 |
|---------------------------|-----------|

| | |
|--|-------------------|
| Noncurrent liabilities, long-term debt, net of current portion | <u>24,226,671</u> |
|--|-------------------|

| | |
|-------------------|-------------------|
| Total liabilities | <u>27,026,577</u> |
|-------------------|-------------------|

NET POSITION:

| | |
|--------------------------------|------------------|
| Net invested in capital assets | 19,850,476 |
| Unrestricted | <u>3,272,238</u> |

| | |
|--------------------|----------------------|
| Total net position | <u>\$ 23,122,714</u> |
|--------------------|----------------------|

See accompanying notes to basic financial statements.

TOWN OF BRISTOL, RHODE ISLAND

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

FOR THE YEAR ENDED JUNE 30, 2016

| | |
|---|-----------------------------|
| Operating revenues: | |
| User fees | \$ 5,183,636 |
| Other revenues | <u>166,082</u> |
| Total operating revenues | <u>5,349,718</u> |
| Operating expenses: | |
| Salaries and benefits | 1,781,540 |
| Materials and supplies | 203,105 |
| Repairs and maintenance | 268,513 |
| Depreciation | 1,913,156 |
| Utilities | 470,548 |
| Administrative | 14,118 |
| Miscellaneous | <u>94,323</u> |
| Total operating expenses | <u>4,745,303</u> |
| Operating income | <u>604,415</u> |
| Nonoperating revenues (expenses): | |
| Interest revenue | 31,228 |
| Interest expense | (592,914) |
| Gain on disposal | <u>11,048</u> |
| Total nonoperating revenues (expenses) | <u>(550,638)</u> |
| Income before capital contributions and transfers | 53,777 |
| Capital contributions, sewer assessments | 32,739 |
| Transfers to other funds | <u>(104,440)</u> |
| Change in net position | (17,924) |
| Net position, beginning of year | <u>23,140,638</u> |
| Net position, end of year | <u><u>\$ 23,122,714</u></u> |

See accompanying notes to basic financial statements.

TOWN OF BRISTOL, RHODE ISLAND
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2017

| | |
|---|--------------------|
| Cash flows from operating activities: | |
| Cash received from customers | \$ 5,176,375 |
| Cash received from other sources | 166,082 |
| Cash paid for salaries and benefits | (1,780,085) |
| Cash paid to suppliers | <u>(1,144,529)</u> |
| Net cash provided by operating activities | <u>2,417,843</u> |
| Cash flows from noncapital financing activities: | |
| Transfers to other funds | (104,440) |
| Interfund borrowings | <u>(1,338,024)</u> |
| Cash used in noncapital financing activities | <u>(1,442,464)</u> |
| Cash flows from capital and related financing activities: | |
| Capital contributions | 34,993 |
| Acquisition and construction of fixed assets | 61,542 |
| Bonds issued | 1,232,607 |
| Gain on disposal | 11,048 |
| Principal paid on bonds and notes | (1,753,007) |
| Interest paid on bonds and notes | <u>(593,790)</u> |
| Net cash used in capital and related financing activities | <u>(1,006,607)</u> |
| Cash provided by investing activities, interest received | <u>31,228</u> |
| Net increase in cash and cash equivalents | - |
| Cash and cash equivalents, beginning of year | <u>-</u> |
| Cash and cash equivalents, end of year | <u><u>\$ -</u></u> |

(continued)

TOWN OF BRISTOL, RHODE ISLAND

STATEMENT OF CASH FLOWS – PROPRIETARY FUND (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2017

| | |
|--|----------------------------|
| Reconciliation of operating income to net cash provided by operating activities: | |
| Operating income | \$ 604,415 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 1,913,156 |
| Changes in assets and liabilities: | |
| Assessments and user fees receivable | (7,261) |
| Accrued compensated absences | 1,455 |
| Accounts payable and accrued expenses | <u>(93,922)</u> |
| Net cash provided by operating activities | <u><u>\$ 2,417,843</u></u> |
| Supplemental disclosures, noncash capital and related financing activities: | |
| Acquisition and construction of capital assets paid from loan proceeds held by State of Rhode Island | <u><u>\$ 1,402,361</u></u> |
| Capital contributions from new sewer construction assessments receivable over twenty years | <u><u>\$ 32,739</u></u> |

See accompanying notes to basic financial statements.

TOWN OF BRISTOL, RHODE ISLAND

STATEMENT OF FIDUCIARY NET POSITION –
FIDUCIARY FUNDS

JUNE 30, 2017

| | Police Retirement Trust Fund | OPEB Trust Fund | Private Purpose Trust Funds | Agency Funds |
|--|------------------------------------|---------------------|-----------------------------------|-------------------|
| ASSETS: | | | | |
| Cash and cash equivalents | \$ 265,813 | \$ 194,801 | \$ 685,885 | \$ 249,141 |
| Investments: | | | | |
| Mutual funds - bond | 4,927,618 | 1,463,894 | | |
| Mutual funds - other | 9,800,013 | 4,958,396 | | |
| U.S. Government securities | | | | |
| Common stock | 857,566 | | | |
| Corporate bonds | | | | |
| Foreign corporate bonds | | | | |
| Government agency asset-backed trusts | | | 4,439,113 | |
| Taxable municipal | | | | |
| Cash surrender value of life insurance | | 1,131,245 | | |
| Receivables: | | | | |
| Investment income | | | 20,897 | |
| Contributions, employer | | 61,998 | | |
| Other | | | | 24,554 |
| Prepaid expenses | 141,553 | | | |
| Total assets | <u>15,992,563</u> | <u>7,810,334</u> | <u>5,145,895</u> | <u>\$ 273,695</u> |
| LIABILITIES: | | | | |
| Accounts payable | | 90 | 6,000 | |
| Deposits held in custody for others | | | | \$ 273,695 |
| Total liabilities | | <u>90</u> | <u>6,000</u> | <u>\$ 273,695</u> |
| NET POSITION: | | | | |
| Restricted for pension benefits | <u>\$ 15,992,563</u> | | | |
| Held in trust for other purposes | | <u>\$ 7,810,244</u> | <u>\$ 5,139,895</u> | |

See accompanying notes to basic financial statements.

TOWN OF BRISTOL, RHODE ISLAND

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION –
FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2017

| | Police Retirement Trust Fund | OPEB Trust Fund | Private Purpose Trust Funds |
|---|------------------------------------|---------------------|-----------------------------------|
| Additions to net position: | | | |
| Contributions: | | | |
| Employer | \$ 1,374,450 | \$ 1,332,305 | |
| Plan members | 2,161 | 91,402 | |
| Life policies | | | |
| Donors | | | \$ - |
| | <u>1,376,611</u> | <u>1,423,707</u> | <u>-</u> |
| Investment income, net: | | | |
| Interest income | 117,752 | 154,176 | 100,807 |
| Net appreciation in fair value of investments | 1,554,608 | 692,762 | 355,851 |
| | <u>1,672,360</u> | <u>846,938</u> | <u>456,658</u> |
| Total additions | <u>3,048,971</u> | <u>2,270,645</u> | <u>456,658</u> |
| Deductions from net position: | | | |
| Benefits | 1,641,748 | 1,107,305 | |
| Investment expenses | 63,867 | 14,358 | |
| Administrative expense | 2,503 | | |
| Trust expenses | | | 156,650 |
| Total deductions | <u>1,708,118</u> | <u>1,121,663</u> | <u>156,650</u> |
| Change in net position | 1,340,853 | 1,148,982 | 300,008 |
| Net position, beginning of year | <u>14,651,710</u> | <u>6,661,262</u> | <u>4,839,887</u> |
| Net position, end of year | <u>\$ 15,992,563</u> | <u>\$ 7,810,244</u> | <u>\$ 5,139,895</u> |

See accompanying notes to basic financial statements.

TOWN OF BRISTOL, RHODE ISLAND
NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

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 of America 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 comprised of all public schools in the Towns of Bristol and Warren to include all grades and programs then 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 Nos. 39 and 61. 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 criteria, the Bristol Warren Regional School District (the "District") has been presented as component unit of the Town in the accompanying government-wide financial statements.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

1. Summary of significant accounting policies (continued):

Reporting entity (continued):

The District operates the schools within the Towns of Bristol and Warren in Rhode Island. 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 approximately 70% 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 District's administrative office at 151 State Street, Bristol, Rhode Island 02809.

Restatement:

During the fiscal year, the Town's management, along with its solicitor, determined that the Bristol Fourth of July Committee (the "Committee") did not meet the definition of a component unit in accordance with the applicable GASB statements. Previously, the Committee was presented in the Town's government-wide financial statements as a component unit. The Committee was established in 1785 and plans, organizes and implements all events associated with the annual Fourth of July celebration in Bristol, Rhode Island. The Committee is not a separate non-profit organization as originally believed. The Committee issues stand-alone financial statements with a fiscal year-end of September 30.

The Town's net position and governmental fund balance as of July 1, 2016, have been increased by \$190,549, reflecting the net position/fund balance of the Committee as of July 1, 2016. The Committee's balances and activity for the fiscal year ended June 30, 2017, are reported in the Town's other governmental funds.

Basis of presentation:

Government-wide financial statements:

The statement of net position 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)

JUNE 30, 2017

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, deferred outflows of resources, liabilities, deferred inflows of resources, 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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 and report all financial resources not accounted for and reported in another fund.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

1. Summary of significant accounting policies (continued):

Basis of presentation (continued):

Fund financial statements (continued):

Governmental funds (continued):

Special revenue funds:

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Town's special revenue funds are all nonmajor funds.

Capital projects funds:

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays. The Town's only capital projects fund is a major fund.

Permanent funds:

Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the Town's programs. 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.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

1. Summary of significant accounting policies (continued):

Basis of presentation (continued):

Fund financial statements (continued):

Fiduciary funds (continued):

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.

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 \$577,617 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.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

1. Summary of significant accounting policies (continued):

Basis of presentation (continued):

Measurement focus and basis of accounting (continued):

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 inflows. 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.

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 of Rhode Island (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; therefore, they are earned 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 unearned revenue.

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.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

1. Summary of significant accounting policies (continued):

Basis of presentation (continued):

Measurement focus and basis of accounting (continued):

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.

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 2017, Rhode Island general laws restrict the Town's ability to increase its total tax levy by more than 4.00% over that of the preceding fiscal year.

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.

Deferred inflows and outflows of resources:

Deferred outflows of resources represent the consumption of net assets that is applicable to a future reporting period. Deferred inflows of resources represent the acquisition of net assets that is applicable to a future reporting period.

At June 30, 2017, the Town's deferred inflows, as appearing on the Balance Sheet – Governmental Funds, consist of the following:

| | |
|---|---------------------|
| Property tax receivable for payments not received within 60 days after year-end | \$ 945,402 |
| Grants not received within 60 days after year-end | <u>554,634</u> |
| Total deferred inflows | <u>\$ 1,500,036</u> |

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

1. Summary of significant accounting policies (continued):

Municipal Employees' Retirement System of the State of Rhode Island ("MERS") pension plan:

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the MERS and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Use of estimates:

The preparation of basic financial statements in conformity with U.S. GAAP 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.

Fair value measurements:

The Town categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are inputs, other than quoted prices, that are observable for the asset, either directly or indirectly. Level 3 inputs are unobservable inputs for an asset.

Recently adopted accounting pronouncement:

Effective for the fiscal year ended June 30, 2017, the Town adopted the provisions of Statement No. 77 of the GASB, *Tax Abatement Disclosures* ("GASB 77"). GASB 77 requires more extensive footnote disclosures regarding tax abatement agreements entered into by the Town or another governmental entity that reduce the Town's tax revenues. The adoption of GASB 77 had no effect on the Town's net position at June 30, 2017, or its changes in net position for the year then ended.

Recently issued accounting pronouncements not yet effective:

Effective for the fiscal year ended June 30, 2018, the Town will be required to adopt the provisions of Statement No. 75 of the GASB, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75"). GASB 75 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses and expenditures related to other postemployment benefits ("OPEB") administered through trusts or equivalent arrangements. For defined benefit OPEBs, GASB 75 identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

1. Summary of significant accounting policies (continued):

Recently issued accounting pronouncements not yet effective (continued):

present value, and attribute that present value to periods of employee service. In addition, GASB 75 will require more extensive footnote disclosures in employer financial statements. The Town is currently evaluating the effects of GASB 75 on its financial statements.

Effective for the fiscal year ending June 30, 2021, the Town will be required to adopt the provisions of Statement No. 87 of the GASB, *Leases* ("GASB 87"). GASB 87 requires recognition of lease assets and liabilities for leases that previously were classified as operating leases and recognize as inflows of resources or outflows of resources based on the payment provisions of the contract. The Town is currently evaluating the effects of GASB 87 on its financial statements.

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:

The Town's investment in a certificate of deposit is recorded at cost or amortized cost.

Investments, excluding certificates of deposits, including those held in the Police Pension Trust, are reported at fair value, based on 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.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

1. Summary of significant accounting policies (continued):

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."

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 the price that would be paid to acquire an asset or liquidate a liability at the date of donation (acquisition value).

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.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

1. Summary of significant accounting policies (continued):

Capital assets (continued):

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 position. 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 buildings 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.

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 position. Bond premiums and discounts are deferred and amortized over the term of the related debt using the effective interest method. Bond issuance costs are expensed as incurred.

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 another 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.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

1. Summary of significant accounting policies (continued):

Fund equity:

Government-wide and proprietary fund financial statements:

Net position:

The Town of Bristol's net position has been segregated into the following three components:

Net invested in capital assets – represents the net book value of all capital assets less the outstanding balances of bonds and other debt, and deferred inflows of resources, if any, used to acquire, construct or improve these assets, increased by deferred outflows of resources related to those assets, if any.

Restricted – assets 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; reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted – a residual category for the balance of net position

Governmental fund financial statements:

Governmental fund equity is classified as fund balance. The Town's fund balance is reported in the following categories:

Nonspendable – amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.

Restricted – amounts that have been restricted to specific purposes either by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The Town's restricted fund balance consists principally of bond funds restricted for capital projects, amounts in permanent funds restricted for specific uses, and grant funds restricted for specific grant expenditures.

Committed – amounts constrained to specific purposes by the Town, using its highest level of decision-making authority.

Commitments will only be used for specific purposes pursuant to a formal action of the Town Council. A majority vote is required to approve, modify, or rescind a fund balance commitment.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

1. Summary of significant accounting policies (continued):

Fund equity (continued):

Governmental fund financial statements (continued):

Assigned – amounts that are intended by the Town to be used for specific purposes, but are neither restricted nor committed.

The Town Council delegates to the Town Administrator the authority to assign amounts to be used for specific purposes. Such assignments cannot exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund.

Unassigned – amounts available for any purpose

Expenditures may be incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. Composition of the ending fund balance will be determined by applying the following: In those instances where both restricted and unrestricted amounts are available, restricted amounts will be considered to have been spent first (as allowed and in compliance with stated and specified terms or requirements), followed by committed amounts, followed by assigned amounts, and then unassigned amounts.

2. Fund balances:

Individual funds had the following deficit fund balances as of June 30, 2017. In most cases, deficit balances were a result of anticipated revenues not yet received at fiscal year-end and are therefore not recognized under the current financial resources measurement focus of the governmental funds.

Deficit fund balances of nonmajor governmental funds are as follows:

| | |
|-----------------------|------------|
| CDBG | \$ 189,185 |
| Health Equity Zone | 26,605 |
| Fire Department Grant | 11,331 |
| Planning Engineer | 9,829 |
| Recreation T-Shirts | 2,185 |
| | <hr/> |
| | \$ 239,135 |

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

3. Cash, cash equivalents and investments:

Cash and cash equivalents (deposits):

At June 30, 2017, the carrying amount of the Town's deposits, excluding the component unit and including \$8,228,176 of cash equivalents, was \$14,035,976 and the bank balance was \$14,416,271. The carrying amount includes \$1,395,640 in fiduciary funds.

At June 30, 2017, the Town's deposits, including \$1,395,640 held in fiduciary funds, are categorized as follows:

| | Insured/ collateralized in Town's name | Uninsured | Total bank balance | Carrying amount |
|-------------------------|---|-----------------------------|-----------------------------|-----------------------------|
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Deposits: | | | | |
| Demand deposits | \$ 6,188,095 | | \$ 6,188,095 | \$ 5,807,800 |
| Money market | 7,924,850 | \$ 226,577 | 8,151,427 | 8,151,427 |
| Certificates of deposit | <u>76,749</u> | <u>-</u> | <u>76,749</u> | <u>76,749</u> |
| | <u>\$ 14,189,694</u> | <u>\$ 226,577</u> | <u>\$14,416,271</u> | <u>\$14,035,976</u> |

All of the uninsured bank balance was uncollateralized.

At June 30, 2017, the carrying amount of the District's deposits was \$10,385,989 and the bank balance was \$12,752,240, of which \$250,000 was insured. The uninsured balance was collateralized with securities held by the pledging financial institution.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

3. Cash, cash equivalents and investments (continued):

Investments:

Investments are measured using the following inputs at June 30, 2017:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--|----------------------|-------------------|----------------|----------------------|
| U.S. Government securities, Treasury Notes | \$ 356,908 | | \$ - | \$ 356,908 |
| Gov't Agency asset-backed trusts: | | | | |
| Federal Home Loan Mortgage Corp | 128,427 | | | 128,427 |
| Federal National Mortgage Assn Pool | 76,845 | | | 76,845 |
| Municipal taxable bonds | 324,257 | | | 324,257 |
| Corporate bonds | | \$ 544,870 | | 544,870 |
| Common stocks | 3,906,457 | | | 3,906,457 |
| Bond mutual funds | 11,567,230 | | | 11,567,230 |
| Other mutual funds | <u>13,927,981</u> | | | <u>13,927,976</u> |
| Total investments by fair value level | <u>\$ 30,288,105</u> | <u>\$ 544,870</u> | <u>\$ -</u> | 30,832,975 |
| Certificates of deposit | | | | <u>2,012,106</u> |
| Total | | | | <u>\$ 32,845,076</u> |

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

3. Cash, cash equivalents and investments (continued):

Investments (continued):

At June 30, 2017, the Town's investments (including \$26,446,600 held in fiduciary funds) are as follows:

| Description | Fair value | Interest rate | Maturity | Rating |
|---|----------------------|---------------|-------------------|-----------|
| U.S. Government securities, United States Treasury Notes | \$ 356,908 | 3.5-3.63% | 2/15/18-2/15/19 | Aaa |
| Gov't Agency asset-backed trusts: Federal Home Loan Mortgage Corp Pool | 128,427 | 5-5.5% | 11/17/17-1/1/23 | Aaa |
| Federal National Mortgage Assn Pool | 76,845 | 2.55-6.25% | 5/15/29-4/1/39 | Aaa |
| Municipal taxable bonds | 49,096 | 4-4.82% | 5/1/23-5/1/41 | Aa1 |
| | 112,454 | 5.4-6.27% | 12/1/24-3/1/31 | Aa2 |
| | 56,342 | 5.85-6.25% | 1/1/28-7/15/30 | Aa3 |
| | 15,429 | 4.020% | 9/15/2023 | A1 |
| | 27,612 | 6.600% | 4/1/2030-2020 | A2 |
| | 27,203 | 6.880% | 05/15/19 | A3 |
| | 36,121 | 4.070% | 6/15/2024-2023 | Not rated |
| Corporate bonds | 151,292 | 2.2-2.25% | 9/15/19-5/20/20 | A1 |
| | 69,438 | 5.65-8.5% | 5/15/18-3/15/19 | A2 |
| | 43,192 | 5.75-7.88% | 1/23/17-1/15/2019 | A3 |
| | 75,237 | 5-8.125% | 2/1/17-2/15/19 | Ba1 |
| | 180,494 | 2.88-8.75% | 5/15/18-11/30/39 | Baa1 |
| | 25,217 | 6-6.3% | 9/15/16-9/15/17 | Baa2 |
| Common stocks | 3,906,457 | N/A | N/A | N/A |
| Bond mutual funds | 11,567,230 | N/A | N/A | N/A |
| Other mutual funds | 13,927,976 | N/A | N/A | N/A |
| Certificates of deposit | 2,012,106 | .25-1.25% | 7/20/17-6/14/18 | N/A |
| | <u>\$ 32,845,076</u> | | | |

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

3. Cash, cash equivalents 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.

The majority of the Town's 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. The remaining 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.

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, 2017, 4% of the Town's investments subject to credit risk were rated AAA, 6% were rated less than AAA, and 90% 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, 2017, the Town had a diversified portfolio with approximately 90% of investments held in stocks and mutual funds in a wide range of companies and various industries, enabling the Town to minimize its risk. The only single issuer of more than 5% of the Town's investments was the United States of America.

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 are registered and held in the name of the Town.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

4. Interfund transactions:

The principal purpose of interfund transfers is to provide a financing source to various funds that may not have sufficient resources to cover all costs with revenue generated by the fund at the time the cost is incurred, or as a matter of administrative convenience in terms of where cash is deposited and drawn from.

Interfund receivables and payables at June 30, 2017, are as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|--|--|---------------------------------------|
| Due to/from: | | |
| Governmental funds: General Fund | Governmental funds: Capital Projects Fund Nonmajor funds | \$ 98,941 420,728 <hr/> 519,669 |
| Governmental funds: Capital Projects Fund | Governmental funds: General Fund | <hr/> 3,345,623 |
| Governmental funds: Nonmajor funds | Governmental funds: General Fund Nonmajor funds | 574,878 2,406 <hr/> 577,284 |
| Enterprise funds: Sewer | Governmental funds: General Fund | <hr/> 3,752,755 |
| | | <u><u>\$ 8,195,331</u></u> |

Advances to/from:

| | | |
|-------------------------------------|---------------------------------------|--|
| Governmental funds: General Fund | Governmental funds: Nonmajor funds | \$ 179,056 <u><u> </u></u> |
|-------------------------------------|---------------------------------------|--|

Operating transfers between funds for the year ended June 30, 2017, were as follows:

| <u>Transfer to</u> | <u>Transfer from</u> | <u>Amount</u> |
|--|--|-------------------------------------|
| Governmental funds: General Fund | Governmental funds: Capital Projects Fund Nonmajor funds | \$ 20,000 54,000 <hr/> 75,000 |
| | Enterprise funds: Sewer | <hr/> 149,000 |
| Governmental funds: Capital Projects Fund | Governmental funds: General Fund Nonmajor funds | 2,169 76,087 <hr/> 78,256 |
| Governmental funds: Nonmajor funds | Governmental funds: General Fund | 37,227 |
| | Enterprise funds: Sewer | <hr/> 29,440 |
| | | <hr/> 66,667 |
| | | <u><u>\$ 293,923</u></u> |

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

5. Notes 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 committed to deposit the State housing aid it received for the eight years ended June 30, 2016, 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. Funds held by the fiduciary fund collateralize the loan.

Mosaico Business & Community Development Corporation ("Mosaico"):

In October 2010, the Town entered into a promissory note with Mosaico in the amount of \$236,033 with interest at 3.25%. Unpaid principal and accrued interest were due on October 19, 2015, but have not yet been collected by the Town. The Town is currently renegotiating the terms of the note with Mosaico and will pursue payment. The note is secured by a first priority mortgage at 500 Wood Street, Bristol, RI (the mortgaged premises). At June 30, 2017, \$236,033 was outstanding on the note.

In February 2013, the Town entered into a second noninterest-bearing promissory note with Mosaico in the maximum amount of \$224,750. Unpaid principal is due on February 26, 2028, if not sooner paid. The note is secured by a first priority mortgage of the mortgaged premises. The source of funds for this note was the Town's Community Development Block Grant program income restricted for a revolving loan program. Eligible expenses were for fire and safety, and building code compliance improvements at the mortgaged premises. At June 30, 2017, \$224,750 was outstanding on the note.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

6. Capital assets:

| | Beginning balances | Increases | Decreases | Ending balances |
|---|-----------------------|---------------------|-------------------|----------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 13,857,558 | | | \$ 13,857,558 |
| Construction in progress (see Note 13) | 325,763 | \$ 727,043 | \$ 113,207 | 939,599 |
| Total capital assets not being depreciated | <u>14,183,321</u> | <u>727,043</u> | <u>113,207</u> | <u>14,797,157</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 31,177,441 | 358,166 | 22,610 | 31,512,997 |
| Vehicles | 7,010,798 | 544,315 | 244,231 | 7,310,882 |
| Machinery and equipment | 4,122,565 | 812,278 | 55,921 | 4,878,922 |
| Infrastructure | 32,147,168 | 1,619,847 | | 33,767,015 |
| Total capital assets being depreciated | <u>74,457,972</u> | <u>3,334,606</u> | <u>322,762</u> | <u>77,469,816</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 8,492,313 | 888,459 | (22,610) | 9,358,162 |
| Vehicles | 4,731,822 | 474,018 | (244,231) | 4,961,609 |
| Machinery and equipment | 2,288,017 | 226,116 | (35,723) | 2,478,410 |
| Infrastructure | 11,677,939 | 1,047,664 | | 12,725,603 |
| Total accumulated depreciation | <u>27,190,091</u> | <u>2,636,257</u> | <u>(302,564)</u> | <u>29,523,784</u> |
| Total capital assets being depreciated, net | <u>47,267,881</u> | <u>698,349</u> | <u>20,198</u> | <u>47,946,032</u> |
| Governmental activities capital assets, net | <u>\$ 61,451,202</u> | <u>\$ 1,425,392</u> | <u>\$ 133,405</u> | <u>\$ 62,743,189</u> |
| Business-type activities – Sewer Fund: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 810,278 | \$ - | \$ - | \$ 810,278 |
| Construction in progress | - | - | - | - |
| Total capital assets not being depreciated | <u>810,278</u> | <u>-</u> | <u>-</u> | <u>810,278</u> |
| Capital assets being depreciated: | | | | |
| Sewer lines | 50,886,626 | 57,572 | | 50,944,198 |
| Building and improvements | 15,086,886 | 1,494,939 | - | 16,581,825 |
| Equipment | 1,769,118 | - | 19,110 | 1,750,008 |
| Total capital assets being depreciated | <u>67,742,630</u> | <u>1,552,511</u> | <u>19,110</u> | <u>69,276,031</u> |
| Less accumulated depreciation for: | | | | |
| Sewer lines | 18,769,703 | 917,349 | - | 19,687,052 |
| Building and improvements | 2,353,794 | 902,741 | - | 3,256,535 |
| Equipment | 1,250,398 | 93,066 | 19,110 | 1,324,354 |
| Total accumulated depreciation | <u>22,373,895</u> | <u>1,913,156</u> | <u>19,110</u> | <u>24,267,941</u> |
| Total capital assets being depreciated, net | <u>45,368,735</u> | <u>(360,645)</u> | <u>-</u> | <u>45,008,090</u> |
| Business-type activities capital assets, net | <u>\$ 46,179,013</u> | <u>\$ (360,645)</u> | <u>\$ -</u> | <u>\$ 45,818,368</u> |

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

6. Capital assets (continued):

| Component unit: | Beginning balances | Increases | Decreases | Ending balances |
|---|-----------------------|---------------------|-------------------|----------------------|
| Capital assets not being depreciated, construction in progress | \$ 343,792 | \$ - | \$ 343,792 | \$ - |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 67,184,897 | 3,284,080 | - | 70,468,977 |
| Equipment | 1,833,872 | 845,622 | - | 2,679,494 |
| Vehicles | 297,727 | - | 30,000 | 267,727 |
| Furniture | 321,688 | 48,307 | - | 369,995 |
| Total capital assets being depreciated | 69,638,184 | 4,178,009 | 30,000 | 73,786,193 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 37,522,307 | 2,706,233 | - | 40,228,540 |
| Equipment | 1,160,121 | 495,281 | - | 1,655,402 |
| Vehicles | 252,111 | 21,239 | 30,000 | 243,350 |
| Furniture | 281,224 | 10,375 | - | 291,599 |
| Total accumulated depreciation | 39,215,763 | 3,233,128 | 30,000 | 42,418,891 |
| Total capital assets being depreciated, net | 30,422,421 | 944,881 | - | 31,367,302 |
| Component unit capital assets, net | <u>\$ 30,766,213</u> | <u>\$ 944,881</u> | <u>\$ 343,792</u> | <u>\$ 31,367,302</u> |
| Depreciation was charged to functions as follows: | | | | |
| Governmental activities: | | | | |
| General government | | \$ 144,292 | | |
| Public safety | | 963,437 | | |
| Public works | | 1,016,161 | | |
| Community services | | 512,367 | | |
| | | <u>\$ 2,636,257</u> | | |
| Business-type activities: | | | | |
| Sewer Fund | | <u>\$ 1,913,156</u> | | |
| Component unit: | | | | |
| Education | | <u>\$ 3,233,128</u> | | |

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

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 | \$ 416,888 | \$ 1,423,495 | \$ 132,447 | \$ - | \$ 1,972,830 |
| Capital Projects Fund | 239,076 | | | | 239,076 |
| Nonmajor funds | 74,882 | | | | 74,882 |
| Reconciliation of balances in fund financial statements to government- wide financial statements | | | | 195,131 | 195,131 |
| | 730,846 | 1,423,495 | 132,447 | 195,131 | 2,481,919 |
| Business-type activities: | | | | | |
| Sewer | 448,658 | 167 | - | 199,840 | 648,665 |
| Total primary government | <u>\$ 1,179,504</u> | <u>\$ 1,423,662</u> | <u>\$ 132,447</u> | <u>\$ 394,971</u> | <u>\$ 3,130,584</u> |
| Component unit: | | | | | |
| Bristol Warren Regional School District | <u>\$ 2,075,050</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 206,147</u> | <u>\$ 2,281,197</u> |

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

8. Long-term obligations and subsequent event:

Changes in long-term obligations during the year ended June 30, 2017, were as follows:

| | Balance, June 30, 2016 | Additions | Retirements | Balance, June 30, 2017 | Due within one year |
|--|---------------------------|----------------------|----------------------|---------------------------|------------------------|
| Governmental activities: | | | | | |
| Bonds and loan payable: | | | | | |
| Bonds and loan | \$ 29,285,646 | \$ 10,190,000 | \$ 10,117,871 | \$ 29,357,775 | \$ 2,323,248 |
| Deferred amounts: | | | | - | |
| For issuance premiums | 425,734 | 1,414,255 | 36,721 | 1,803,268 | (145,976) |
| Discounts on refunding | (5,822) | | (2,700) | (3,122) | 2,700 |
| Less undrawn loan proceeds | (1,285,368) | - | (1,238,159) | (47,209) | |
| Total bonds and loan payable | <u>28,420,190</u> | <u>11,604,255</u> | <u>8,913,733</u> | <u>31,110,712</u> | <u>2,179,972</u> |
| Capital leases | 869,571 | - | 182,852 | 686,719 | 150,762 |
| Less undrawn loan proceeds | (60,031) | - | (60,031) | - | |
| Total capital leases | <u>809,540</u> | <u>-</u> | <u>122,821</u> | <u>686,719</u> | <u>150,762</u> |
| Legal settlement | 1,406,103 | - | 1,406,103 | - | - |
| Accrued compensated absences | 3,160,495 | (19,834) | - | 3,140,661 | 457,739 |
| Total long-term obligations | <u>\$ 33,796,328</u> | <u>\$ 11,584,421</u> | <u>\$ 10,442,657</u> | <u>\$ 34,938,092</u> | <u>\$ 2,788,473</u> |
| Business-type activities: | | | | | |
| Bonds and loans payable: | | | | | |
| Bonds and loans | \$ 29,054,538 | \$ 1,100,000 | \$ 1,753,007 | \$ 28,401,531 | \$ 2,094,142 |
| Deferred amounts for issuance premiums | - | 132,607 | - | 132,607 | (6,630) |
| Less undrawn loan proceeds held by the State | (3,968,607) | - | (1,402,361) | (2,566,246) | |
| Total bonds and loans payable | <u>25,085,931</u> | <u>1,232,607</u> | <u>350,646</u> | <u>25,967,892</u> | <u>2,087,512</u> |
| Accrued compensated absences | 408,565 | 1,455 | - | 410,020 | 63,729 |
| Total long-term obligations | <u>\$ 25,494,496</u> | <u>\$ 1,234,062</u> | <u>\$ 350,646</u> | <u>\$ 26,377,912</u> | <u>\$ 2,151,241</u> |
| Component unit: | | | | | |
| General obligation debt | \$ 18,235,000 | 12,540,000 | 15,920,000 | \$ 14,855,000 | \$ 1,990,000 |
| Deferred amounts for issuance premium (discount) | 19,260 | 2,249,451 | 193,874 | 2,074,837 | (193,874) |
| Due to primary government | 1,525,000 | | 90,000 | 1,435,000 | 90,000 |
| Accrued compensated absences | 1,595,329 | | 81,097 | 1,514,232 | 107,793 |
| Total long-term obligations | <u>\$ 21,374,589</u> | <u>\$ 14,789,451</u> | <u>\$ 16,284,971</u> | <u>\$ 19,879,069</u> | <u>\$ 1,993,919</u> |

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

8. Long-term obligations and subsequent event (continued):

General obligation bonds, loans payable, and capital leases outstanding at June 30, 2017, are as follows:

| Purpose | Authorized and issued | Date of issue | Interest rate | Date of maturity | Balance, June 30, 2016 | New issues | Maturities | Balance, June 30, 2017 |
|--|-----------------------|---------------|---------------|------------------|------------------------|----------------------|---------------------|------------------------|
| Governmental activities: | | | | | | | | |
| General obligation bonds payable: | | | | | | | | |
| Sidewalks, fire/rescue building, open space, drainage | \$ 7,125,000 | 2/15/2007 | 3.75-5% | 2/15/2017 | \$ 370,000 | \$ - | \$ 370,000 | \$ - |
| Library, Colt School, burial ground, roads, public safety, open space | 12,210,000 | 2/15/2009 | 2-4.375% | 2/15/2029 | 9,105,000 | | 7,980,000 | 1,125,000 |
| Roads, open space, drainage | 1,750,000 | 2/15/2010 | 3-4% | 2/15/2030 | 1,300,000 | | 75,000 | 1,225,000 |
| Refunding bond | 1,700,000 | 2/15/2010 | 1.7-2.9% | 8/15/2019 | 460,000 | | 145,000 | 315,000 |
| Roads, public safety, open space, drainage | 5,720,000 | 2/17/2011 | 3-4.2% | 2/15/2031 | 4,500,000 | | 825,000 | 3,675,000 |
| Animal Shelter | 2,000,000 | 6/6/2012 | 3.41% | 12/15/2027 | 1,600,000 | | 133,333 | 1,466,667 |
| Roads, public buildings, open space, recreation | 2,560,000 | 11/20/2013 | 3-4.0% | 11/15/2033 | 2,430,000 | | 175,000 | 2,255,000 |
| Refunding bond (Series 05,06,07) | 5,540,000 | 3/31/2015 | 2-3.0% | 2/15/2027 | 5,460,000 | | 185,000 | 5,275,000 |
| Capital Improvements Projects | 1,600,000 | 3/31/2015 | 2-3.25% | 3/15/2035 | 1,600,001 | | 85,000 | 1,515,001 |
| Roads, Public Buildings, Open Space, Drainage, Equip | 2,455,000 | 6/21/2017 | 3-5% | 6/15/2038 | | 2,455,000 | | 2,455,000 |
| Refunding bond (Series 09) | 6,905,000 | 6/21/2017 | 3-5% | 2/15/2029 | | 6,905,000 | | 6,905,000 |
| Refunding bond - taxable bonds (Series 11, 13) | 683,000 | 6/21/2017 | 3-4% | 2/15/2031 | | 683,000 | | 683,000 |
| Public Buildings and Docks - taxable bonds | 147,000 | 6/21/2017 | 3-4% | 2/15/2028 | | 147,000 | | 147,000 |
| Loans payable: | | | | | | | | |
| RI Clean Water Finance Agency: | | | | | | | | |
| Landfill - GF series 98-1 | 1,200,000 | 9/1/1997 | 2.717% | 9/1/2017 | 159,206 | | 78,272 | 80,934 |
| Water pollution control Series 09A | 1,000,000 | 10/9/2009 | .36-2.04% | 9/1/2029 | 627,439 | | 39,266 | 588,173 |
| Road & Bridge Fund Loan Series 2015 | 500,000 | 5/14/2015 | 1.75% | 9/1/2034 | 499,000 | | 27,000 | 472,000 |
| Road & Bridge Fund Loan Series 2016 | 1,175,000 | 4/19/2016 | .33-2.27% | 9/1/2035 | 1,175,000 | | | 1,175,000 |
| Capital leases: | | | | | | | | |
| Rescue truck | 329,921 | 4/20/2011 | 3.89% | 4/20/2018 | 103,581 | | 50,785 | 52,796 |
| Recycling truck | 170,202 | 5/6/2013 | 2.97% | 5/6/2017 | 35,035 | | 35,035 | - |
| Heavy rescue truck | 264,000 | 7/29/2013 | 3.67% | 7/29/2023 | 218,923 | | 23,900 | 195,023 |
| Public Works Pooled Equipment | 512,032 | 1/22/2016 | 1.9% | 1/22/2023 | 512,032 | | 73,132 | 438,900 |
| | <u>\$ 55,546,155</u> | | | | 30,155,217 | 10,190,000 | 10,300,723 | 30,044,494 |
| Less undrawn loan proceeds held by the State, available for road and bridge projects | | | | | (1,345,399) | - | (1,298,190) | (47,209) |
| | | | | | <u>\$ 28,809,818</u> | <u>\$ 10,190,000</u> | <u>\$ 9,002,533</u> | <u>\$ 29,997,285</u> |

(continued)

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

8. Long-term obligations and subsequent event (continued):

General obligation bonds, loans payable, and capital leases outstanding at June 30, 2017, are as follows (continued):

| Purpose | Authorized and issued | Date of issue | Interest rate | Date of maturity | Balance, June 30, 2016 | New issues | Maturities | Balance, June 30, 2017 |
|--|-----------------------|---------------|---------------|------------------|------------------------|----------------------|----------------------|------------------------|
| Business-type activities: | | | | | | | | |
| Enterprise Fund, Sewer: | | | | | | | | |
| General obligation bonds payable: | | | | | | | | |
| Sewer System Improvements | \$ 1,100,000 | 6/21/2017 | 3-5% | 6/15/2037 | \$ - | \$ 1,100,000 | \$ - | \$ 1,100,000 |
| Loans payable: | | | | | | | | |
| RI Clean Water Protection Finance Agency: | | | | | | | | |
| Water pollution control Series 99C | 3,700,000 | 8/25/1999 | 2.828% | 9/1/2019 | 949,518 | | 227,543 | 721,975 |
| Water pollution control Series 02A | 4,695,000 | 4/25/2002 | 1.2545% | 9/1/2022 | 1,965,128 | | 256,392 | 1,708,736 |
| Water pollution control Series 04A | 1,000,000 | 12/30/2004 | .95-1.525% | 9/1/2024 | 493,000 | | 51,000 | 442,000 |
| Water pollution control Series 05A | 3,655,000 | 12/15/2005 | 1.15-1.555% | 9/1/2025 | 1,997,000 | | 182,000 | 1,815,000 |
| Water pollution control Series 06A | 3,700,000 | 12/21/2006 | 1.205-1.385% | 9/1/2027 | 2,373,000 | | 179,000 | 2,194,000 |
| Water pollution control Series 07A | 3,245,000 | 12/12/2007 | 1.175-1.63% | 9/1/2028 | 2,245,000 | | 153,000 | 2,092,000 |
| Water pollution control Series 09A | 2,600,000 | 10/9/2009 | .36-2.04% | 9/1/2029 | 1,742,892 | | 109,072 | 1,633,820 |
| Water pollution control Series 10B | 3,970,000 | 6/24/2010 | .61-3.25% | 9/1/2031 | 3,329,000 | | 167,000 | 3,162,000 |
| Water pollution control Series 11A | 3,070,000 | 3/29/2011 | .42-3.033% | 9/1/2031 | 2,573,000 | | 129,000 | 2,444,000 |
| Water pollution control Series 12A | 2,395,000 | 6/28/2012 | .21-2.71% | 9/1/2032 | 2,091,000 | | 103,000 | 1,988,000 |
| Water pollution control Series 13A | 2,600,000 | 6/6/2013 | .19-2.51% | 9/1/2033 | 2,379,000 | | 112,000 | 2,267,000 |
| Water pollution control Admin Loan 14 | 2,000,000 | 4/21/2014 | .17-2.65% | 9/1/2034 | 1,917,000 | | 84,000 | 1,833,000 |
| Water pollution control Admin Loan 16 | 2,500,000 | 8/19/2015 | .59-2.59% | 9/1/2035 | 2,500,000 | | - | 2,500,000 |
| Water pollution control Series 16B | 2,500,000 | 6/2/2016 | .31-2.24% | 9/1/2035 | 2,500,000 | | - | 2,500,000 |
| | <u>\$ 42,730,000</u> | | | | 29,054,538 | 1,100,000 | 1,753,007 | 28,401,531 |
| Less undrawn loan proceeds held by the State, available for sewer projects | | | | | (3,968,607) | - | (1,402,361) | (2,566,246) |
| | | | | | <u>\$ 25,085,931</u> | <u>\$ 1,100,000</u> | <u>\$ 350,646</u> | <u>\$ 25,835,285</u> |
| Component unit: | | | | | | | | |
| General obligation bonds payable: | | | | | | | | |
| Schools | \$ 1,700,000 | 6/27/2006 | 4-5% | 5/15/2026 | \$ 1,030,000 | \$ - | \$ 1,030,000 | \$ - |
| Schools | 8,900,000 | 5/16/2007 | 4-5% | 6/30/2027 | 5,855,000 | | 5,855,000 | - |
| Schools | 12,200,000 | 5/14/2008 | 2.5-5% | 4/1/2028 | 8,570,000 | | 7,990,000 | 580,000 |
| Schools | 8,430,000 | 3/28/2009 | 2-5% | 7/15/2018 | 2,780,000 | | 890,000 | 1,890,000 |
| Schools | 12,540,000 | 8/10/2016 | 2-5% | 4/1/2028 | - | 12,540,000 | 155,000 | 12,385,000 |
| | <u>\$ 43,770,000</u> | | | | <u>\$ 18,235,000</u> | <u>\$ 12,540,000</u> | <u>\$ 15,920,000</u> | <u>\$ 14,855,000</u> |

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

8. Long-term obligations and subsequent event (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, 2016, was \$2,824,552,618, limiting the amount of non-exempted general obligation bonds outstanding to \$84,736,579. At June 30, 2017, bonds outstanding, excluding component units, totaled \$28,141,668.

Refunding:

During June 2017, the Town issued refunding revenue bonds in the principal amount of \$7,588,000 at a premium of \$1,142,290. The proceeds were used to refund \$7,455,000, \$525,000 and \$85,000 of the outstanding balance of the 2009, 2011, and 2013 general obligation bonds of the Town, respectively, under an advance refunding. The refunding bonds bear interest at rates ranging from 3% to 5% and mature at various dates through June 15, 2038. Cash flows to service the retiring debt totaled \$8,065,000 and cash flows to service the new debt and complete the refunding totaled \$8,253,290; a difference of \$188,290. The carrying amount of the retiring debt totaled \$8,065,000 and the reacquisition price relating to the refunding totaled \$8,567,669; a difference of \$502,669.

Refinancing:

During March 2016 and June 2017, the Rhode Island Infrastructure Bank ("RIIB") refunded certain of its bonds outstanding at a lower interest rate. The Town has loans outstanding to the RIIB which were issued using the proceeds of the bonds the RIIB refunded. The RIIB is passing the interest savings on to the Town via "refund savings credits" to be applied against interest due on the related loans outstanding over the remaining life of the loans. Interest payments on the Town's schedule of annual debt service requirements have been reduced for the "refund savings credits" applied in accordance with revised amortization schedules provided to the Town by RIIB.

Subsequent event:

On October 18, 2017, the Town issued \$1,435,000 of general obligation judgement bonds, Series 2017D, for the purpose of financing an uninsured portion of a final court judgement rendered against the Town (see Note 13). The bonds bear interest at 2.35% and mature on October 15, 2027.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

8. Long-term obligations and subsequent event (continued):

At June 30, 2017, scheduled annual debt service requirements for the bonds payable, loans payable and capital leases (excluding interest adjustments for the undrawn balance and amounts due to the primary government from the component unit) are as follows:

| Year ending June 30, | Principal | Interest | Total |
|---------------------------|---------------|--------------|---------------|
| Governmental activities: | | | |
| 2018 | \$ 2,474,010 | \$ 914,852 | \$ 3,388,862 |
| 2019 | 2,346,906 | 963,098 | 3,310,004 |
| 2020 | 2,288,833 | 893,879 | 3,182,712 |
| 2021 | 2,260,533 | 820,567 | 3,081,100 |
| 2022 | 2,301,762 | 738,959 | 3,040,721 |
| 2023-2027 | 11,351,978 | 2,412,886 | 13,764,864 |
| 2028-2032 | 5,577,472 | 638,671 | 6,216,143 |
| 2033-2037 | 1,358,000 | 96,459 | 1,454,459 |
| 2038 | 85,000 | 2,763 | 87,763 |
| | \$ 30,044,494 | \$ 7,482,134 | \$ 37,526,628 |
| Business-type activities: | | | |
| 2018 | \$ 2,094,142 | \$ 642,845 | \$ 2,736,987 |
| 2019 | 2,138,579 | 627,306 | 2,765,885 |
| 2020 | 2,177,178 | 581,890 | 2,759,068 |
| 2021 | 1,966,083 | 534,812 | 2,500,895 |
| 2022 | 2,009,002 | 488,797 | 2,497,799 |
| 2023-2027 | 9,063,271 | 1,744,862 | 10,808,133 |
| 2028-2032 | 6,698,276 | 703,368 | 7,401,644 |
| 2033-2037 | 2,255,000 | 119,015 | 2,374,015 |
| | \$ 28,401,531 | \$ 5,442,895 | \$ 33,844,426 |
| Component unit: | | | |
| 2018 | \$ 1,990,000 | \$ 627,181 | \$ 2,617,181 |
| 2019 | 2,010,000 | 553,649 | 2,563,649 |
| 2020 | 1,090,000 | 496,050 | 1,586,050 |
| 2021 | 1,130,000 | 452,450 | 1,582,450 |
| 2022 | 1,180,000 | 407,250 | 1,587,250 |
| 2023-2027 | 6,630,000 | 1,167,150 | 7,797,150 |
| 2028-2029 | 825,000 | 33,000 | 858,000 |
| | \$ 14,855,000 | \$ 3,736,730 | \$ 18,591,730 |

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

9. Postemployment benefits:

Plan description:

The Town established the Postemployment Benefits (“OPEB”) Plan (the “Plan”) and Trust (the “Trust”) on December 31, 2006. The Plan, a single-employer defined benefit plan, provides postemployment 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, 2017, and its activity for the year then ended are included in the statements of fiduciary net position and changes in fiduciary net position.

Benefits and employee contributions:

The Trust paid 100% of the amount incurred by eligible retirees for medical and dental costs, which totaled \$807,283 for the year ended June 30, 2017. 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 \$139,437 for the year ended June 30, 2017. 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.

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.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

9. Postemployment benefits (continued):

Covered participants:

As of July 1, 2016, the date of the latest available actuarial valuation, membership census is as follows:

| | |
|---------------------|-------------------|
| Active employees | 138 |
| Retirees | 80 |
| Beneficiaries | 5 |
| Spouses of retirees | <u>32</u> |
| Total | <u><u>255</u></u> |

Annual OPEB cost and net OPEB asset:

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, 2017, and the Town's net OPEB asset as of June 30, 2017.

| | |
|--|--------------------------|
| Annual required contribution | \$ 1,162,474 |
| Interest on net OPEB asset | (37,134) |
| Adjustment to annual required contribution | <u>39,065</u> |
| Annual OPEB cost | 1,164,405 |
| Contributions made during the year | <u>1,332,305</u> |
| Increase in net OPEB asset | 167,900 |
| Net OPEB asset at beginning of year | <u>550,128</u> |
| Net OPEB asset at end of year | <u><u>\$ 718,028</u></u> |

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

9. Postemployment benefits (continued):

Annual OPEB cost and net OPEB asset (continued):

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan for the past three years, and the net OPEB asset as of and for the years ended June 30, 2015, 2016 and 2017 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> |
|----------------------------|----------------------|---|---------------------------|
| 2015 | \$ 1,197,791 | 104.50% | \$ 393,919 |
| 2016 | \$ 1,118,944 | 113.96% | \$ 550,128 |
| 2017 | \$ 1,164,405 | 114.32% | \$ 718,028 |

Funded status and funding progress:

As of July 1, 2016, the funded status and funding progress were as follows:

| | |
|---|---------------|
| Funded ratio | 34% |
| Actuarial accrued liability for benefits | \$ 16,382,388 |
| Actuarial value of assets | \$ 5,553,051 |
| Unfunded actuarial accrued liability ("UAAL") | \$ 10,829,337 |
| Covered payroll | \$ 7,463,000 |
| UAAL to covered payroll | 145% |

The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multiyear 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.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

9. Postemployment benefits (continued):

Actuarial methods and assumptions (continued):

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, 2016
- Funding method – Projected Unit Credit Cost Method
- Investment rate of return – 6.75%
- Discount rate – 6.75%, reflecting an established OPEB trust
- Participation – All eligible retirees are assumed to elect medical and dental coverage
- Health Care Cost Trend Rates – Medical 5.30% per year, decreasing to an ultimate rate of 4.40% per year over 75 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, 2017, 284 retirees received benefits under this plan.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

9. Postemployment benefits (continued):

Component Unit (continued):

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, 2017, and the District's net OPEB obligation as of June 30, 2017:

| | |
|--|----------------------------|
| Normal cost | \$ 2,041,009 |
| Amortization of UAAL | (449,231) |
| Interest | <u>210,994</u> |
| Annual required contribution | 1,802,772 |
| Contributions made during the year | <u>(1,499,498)</u> |
| Increase in net OPEB obligation | 303,274 |
| Net OPEB obligation at beginning of year | <u>4,219,880</u> |
| Net OPEB obligation at end of year | <u><u>\$ 4,523,154</u></u> |

District contributions to the plan for the year ended June 30, 2017, represented 45% of annual OPEB expense.

As of July 1, 2017, the funded status and funding progress were as follows:

| | |
|---|---------------|
| Funded ratio | N/A |
| Actuarial accrued liability for benefits | \$ 18,077,797 |
| Actuarial value of assets | \$ 0 |
| Unfunded actuarial accrued liability ("UAAL") | \$ 18,077,797 |
| Covered payroll | \$ 4,686,302 |
| UAAL to covered payroll | 385.8% |

Additional information regarding the District's OPEB plan can be obtained from the separate financial statements issued by the District.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

10. Pension plans:

All eligible employees of the Town, exclusive of the District, are covered by one of two pension plans: the Municipal Employees' Retirement System of the State of Rhode Island ("MERS"), 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 MERS Plan covers all other eligible employees. Total covered payroll under both plans during the year ended June 30, 2017, was \$8,178,153. Total Town payroll was \$10,913,069 for the same period.

Eligible District employees participate in either the MERS plan or the Employees' Retirement System Teacher Employer Units Defined Benefit Pension Plan ("ERS"). Total covered payroll during the year ended June 30, 2017, was \$4,368,233 under the MERS and \$19,598,542 under the ERS.

MERS Plan

Plan description:

The MERS Plan is an agent multiple-employer defined benefit pension plan administered by the State. General employees ("General"), police officers ("Police") and firefighters ("Fire") employed by electing municipalities participate in MERS. The Town participates in the three units of the MERS Plan, representing the different classes of employees, with benefits specific to each unit. For the year ended June 30, 2017, covered payroll under the MERS Plan totaled \$8,178,533 (including \$2,734,059 for police employees). As of June 30, 2017, 138 active employees (including 39 police and 2 firefighters) were participants in the MERS Plan.

The MERS Plan provides retirement, death and disability benefits and an optional cost of living adjustment ("COLA") as outlined in Chapters 45-21 and 45-21.2 of the Rhode Island General Laws ("RIGL"). The benefits may be amended by the Rhode Island General Assembly.

MERS issues a publicly available financial report ("Pension Report") that includes financial statements and required supplementary information. This report may be obtained by accessing the Employees Retirement System of Rhode Island website at www.ersri.org.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

10. Pension plans (continued):

MERS Plan (continued):

Retirement eligibility and plan benefits:

General employees, police officers and firefighters employed by electing municipalities participate in MERS. Eligible employees become members at their date of employment. Anyone employed by a municipality at the time the municipality joins MERS may elect not to be covered. Elected officials may opt to be covered by MERS. Employees covered under another plan maintained by the municipality may not become members of MERS. Police officers and/or firefighters may be designated as such by the municipality, in which case the special contribution and benefit provisions described below will apply to them, or they may be designated as general employees with no special benefits. Members designated as police officers and/or firefighters are treated as belonging to a unit separate from the general employees, with separate contribution rates applicable.

Subsequent to June 30, 2015, litigation challenging the various pension reform measures enacted in previous years by the General Assembly (2009, 2010, and 2011) was settled. The final settlement approved by the Court on July 8, 2015, also included enactment of the pension settlement provisions by the General Assembly. These amended benefit provisions, which have been included in the determination of the total pension liability at the June 30, 2015, measurement date and are reflected in the summary of benefit provisions described below.

General unit:

Prior to July 1, 2012, members were eligible for retirement on or after age 58 if they had credit for 10 or more years of service, or at any age if they had credit for at least 30 years of service ("Prior Retirement Date - G"). Members eligible to retire before July 1, 2012, were not impacted by the changes to retirement eligibility below.

Members with less than five years of contributory service as of June 30, 2012, and members hired on or after that date are eligible for retirement on or after their Social Security normal retirement age ("SSNRA").

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

10. Pension plans (continued):

MERS Plan (continued):

Retirement eligibility and plan benefits (continued):

General unit (continued):

Members who had at least five years of contributory service as of June 30, 2012, will be eligible for retirement at an individually determined age. This age is the result of interpolating between the member's Prior Retirement Date - G, described below, and the retirement age applicable to members hired after June 30, 2012. The interpolation is based on service as of June 30, 2012, divided by projected service at the member's Prior Retirement Date - G. The minimum retirement age is 59.

Members with 10 or more years of contributory service on June 30, 2012, may choose to retire at their Prior Retirement Date - G if they continue to work and contribute until that date. If this option is elected, the retirement benefit will be calculated using the benefits accrued as of June 30, 2012, i.e., the member will accumulate no additional defined benefits after this date, but the benefit will be paid without any actuarial reduction.

Effective July 1, 2015, members will be eligible to retire with full benefits at the earlier of their current Rhode Island Retirement Security Act ("RIRSA") date or upon the attainment of age 65 with 30 years of service, age 64 with 31 years of service, age 63 with 32 years of service, or age 62 with 33 years of service.

A member who is within five years of reaching their retirement eligibility date and has 20 or more years of service, may elect to retire at any time with an actuarially reduced benefit.

The annual benefit is equal to 2.00% of the member's monthly final average compensation ("FAC"), as defined, for each year of service prior to July 1, 2012, and 1.00% of the member's monthly FAC for each year of service from July 1, 2012 through June 30, 2015. For all service after June 30, 2015, the annual benefit is equal to 1.0% of the FAC per year unless the member had 20 or more years of service as of June 30, 2012, in which case the benefit accrual is 2.0% of the member's FAC per year for service after June 30, 2015. The benefit cannot exceed 75% of the member's FAC. Benefits are paid monthly.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

10. Pension plans (continued):

MERS Plan (continued):

Retirement eligibility and plan benefits (continued):

Police and fire units:

Prior to July 1, 2012, members designated as police officers or firefighters were eligible for retirement at or after age 55 with credit for at least 10 years of service or at any age with credit for 25 or more years of service. Members were also eligible to retire and receive a reduced benefit if they are at least age 50 and have at least 20 years of service. If the municipality elected to adopt the 20-year retirement provisions for police officers and/or firefighters, then such a member was eligible to retire at any age with 20 or more years of service. Collectively, these retirement provisions are referred to as "Prior Retirement Date – PF". Members eligible to retire before July 1, 2012 were not impacted by the changes to retirement eligibility below.

Members are eligible to retire when they are at least 50 years old and have a minimum of 25 years of contributing service or if they have 27 years of contributing service at any age. Members with less than 25 years of contributing service are eligible for retirement on or after their SSNRA.

Members who, as of June 30, 2012, had at least 10 years of contributing service, had attained age 45, and had a Prior Retirement Date – PF before age 52 may retire at age 52.

Active members on June 30, 2012, may choose to retire at their Prior Retirement Date - PF if they continue to work and contribute until that date. If option is elected, the retirement benefit will be calculated using the benefits accrued as of June 30, 2012, i.e., the member will accumulate no additional defined benefits after this date, but the benefit will be paid without any actuarial reduction.

A member who is within five years of reaching their retirement eligibility date, as described herein, and has 20 or more years of service, may elect to retire at any time with an actuarially reduced benefit.

A monthly benefit is paid equal to 2.00% of the member's monthly FAC for each year of service, up to 37.5 years (75% of FAC maximum). If the optional 20-year retirement provisions were adopted by the municipality prior to July 1, 2012, benefits are based on 2.50% of the member's FAC for each year of service prior to July 1, 2012, and 2.00% of the member's FAC for each year of service after July 1, 2012, to a maximum of 75% of the member's FAC. Active members (including future hires) who retire after July 1, 2015, after attaining age 57 with 30 years of service will have a benefit equal to the greater of the current benefit described in above and one calculated based on a 2.25% multiplier for all years of service.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

10. Pension plans (continued):

MERS Plan (continued):

Retirement eligibility and plan benefits (continued):

Other benefit provisions:

Death and disability benefits are also provided to members. A member is eligible for a disability retirement provided they have credit for at least five years of service or if the disability is work-related. Members are not eligible for an ordinary disability benefit if they are eligible for unreduced retirement.

Joint and survivor benefit options are available to retirees. For some employees, a Social Security Option is also available where an annuity is paid at one amount prior to age 62, and at a reduced amount after age 62, designed to provide a level total income when combined with the member's age 62 Social Security benefit. Benefits cease upon the member's death.

Post-retirement benefit increases are paid to members who retire after June 30, 2012. Members will be eligible to receive cost of living adjustment ("COLA") increases at the later of the member's third anniversary of retirement and the month following their SSNRA (age 55 for members designated as police officers and/or firefighters). When a municipality elects coverage, it may elect either COLA C (covering only current and future active members and excluding members already retired) or COLA B (covering current retired members as well as current and future active members).

- The COLA will be suspended for any unit whose funding level is less than 80%; however, an interim COLA may be granted in four-year intervals while the COLA is suspended. The first interim COLA may begin January 1, 2018.
- Effective July 1, 2015, the COLA is determined based on 50% of the plan's five-year average investment rate of return less 5.5%, limited to a range of 0.0% to 4.0%, plus 50% of the lesser of 3.0% or last year's CPI-U increase, for a total maximum increase of 3.50%. Previously, it was the plan's five-year average investment rate of return less 5.5%, limited to a range of 0.0% to 4.0%
- The COLA will be limited to the first \$25,000 of the member's annual pension benefit. For retirees and beneficiaries who retired on or before July 1, 2015, years in which a COLA is payable based on the every fourth year provision described in the first bullet above, will be limited to the first \$30,000. These limits will be indexed annually to increase in the same manner as COLAs, with the known values of \$25,000 for 2013, \$25,000 for 2014, \$25,168 for 2015, \$25,855 for 2016, and \$26,098 for 2017.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

10. Pension plans (continued):

MERS Plan (continued):

Funding Policy:

The funding policy is outlined in RIGL sections 45-21-41, 45-21-42, and 45-21-52 (which can be amended by the Rhode Island General Assembly).

Contributions:

The amount of employee and employer contributions have been established under RIGL Chapter 45-21. General employees with less than 20 years of service as of June 30, 2012, are required to contribute 1% (2% if the employer opted to provide a COLA) of their salaries. General employees with more than 20 years of service as of June 30, 2012, are required to contribute 8.25%. Public safety employees are required to contribute 9% (10% if employer opted to provide a COLA) of their salaries. The Town contributes at a rate of covered employee payroll as determined by an independent actuary on an annual basis. The General Assembly can amend the amount of these contribution requirements. The Town contributed 14.80%, 5.07% and 16.16% of compensation for general, police and fire members, respectively, for the year ended June 30, 2017. The Town contributed \$943,256 for the year ended June 30, 2017, which was 11.56% of annual covered payroll.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

10. Pension Plans (continued):

MERS Plan (continued):

Employees covered by benefit terms:

At the June 30, 2016, measurement date (the latest available) the following employees were covered by the benefit terms:

| | <u>General</u> | <u>Police</u> | <u>Fire</u> |
|------------------------------|-------------------|------------------|-----------------|
| Retirees and beneficiaries | 79 | 1 | 2 |
| Active members | 96 | 36 | 2 |
| Inactive, nonretired members | <u>18</u> | <u>3</u> | <u>0</u> |
| Total | <u><u>193</u></u> | <u><u>40</u></u> | <u><u>4</u></u> |

Actuarial methods and significant assumptions:

The total pension liability was determined by actuarial valuations performed as of June 30, 2015 and rolled forward to June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement. The actuarial assumptions used in the June 30, 2015, valuation rolled forward to June 30, 2016, and the calculation of the total pension liability at June 30, 2016, were consistent with the results of an actuarial experience study performed as of June 30, 2013.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

10. Pension Plans (continued):

MERS Plan (continued):

Actuarial methods and significant assumptions (continued):

| | |
|-------------------------------|---|
| Actuarial cost method | Entry Age Normal |
| Amortization method | Level percentage of payroll, closed |
| Remaining amortization period | 19 years at June 30, 2016 |
| Investment rate of return | 7.50% |
| Projected salary increases | General employees – 3.50% to 7.50%; Police & Fire Employees – 4.00% to 14.00% |
| Inflation | 2.75% |
| Mortality, male employees | 115% of RP-2000 Combined Healthy for Males with White Collar adjustments, projected with Scale AA from 2000. |
| Mortality, female employees | 95% of RP-2000 Combined Healthy for Females with White Collar adjustments, projected with Scale AA from 2000. |
| Cost of living adjustments | A 2% COLA is assumed after January 1, 2014. |

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

10. Pension Plans (continued)

MERS Plan (continued):

Actuarial methods and significant assumptions (continued):

The long-term expected rate of return best-estimate on MERS Plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 35 sources. The June 30, 2016, expected arithmetic returns over the long term (20 years) by asset class are summarized in the following table:

| Asset Class | Target allocation | Long-term expected real rate of return |
|--------------------------------|-------------------|---|
| Global equity: | 38.0% | |
| U.S. equity | | 6.98% |
| International developed | | 7.26% |
| International emerging markets | | 9.57% |
| Private equity | 7.0% | 10.15% |
| Core fixed income | 15.0% | 2.37% |
| Equity hedge funds | 8.0% | 4.10% |
| Absolute return hedge | 7.0% | 4.10% |
| Infrastructure | 3.0% | 5.58% |
| Other real return assets: | 11% | |
| Master limited partnerships | | 4.97% |
| Credit | | 4.97% |
| Inflation linked bonds | | 1.76% |
| Real estate | 8.0% | 5.33% |
| Cash, overlay and money market | 3.0% | .82% |

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

10. Pension Plans (continued)

MERS Plan (continued):

Actuarial methods and significant assumptions (continued):

The return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall medium-term expected rate of return best-estimate on an arithmetic basis.

Discount rate:

The discount rate used to measure the total pension liability of the Municipal Plan was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from MERS Plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the MERS Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Net pension liability (asset):

At June 30, 2017, the Town reported an asset and liability of \$263,258 and \$7,293,047, respectively, for the MERS plan. Total net pension (asset) liability was determined by an actuarial valuation as of June 30, 2015, rolled forward to June 30, 2016, the measurement date.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

10. Pension Plans (continued):

MERS Plan (continued):

Net pension liability (asset) (continued):

Changes in the net pension liability (asset) as of the measurement date are as follows:

| | <u>General</u> | <u>Police</u> | <u>Fire</u> |
|---|---------------------|---------------------|------------------|
| Pension liability: | | | |
| Balance as of June 30, 2015 | \$ 22,819,104 | \$ 5,343,539 | \$ 365,923 |
| Changes for the year: | | | |
| Service cost | 401,089 | 413,026 | 13,637 |
| Interest on total pension liability | 1,670,835 | 412,664 | 26,736 |
| Changes in assumptions, difference between expected and actual experience of total pension liability | (155,431) | (43,870) | (4,289) |
| Benefit payments, including employee refunds | <u>(1,483,703)</u> | <u>(95,737)</u> | <u>(32,510)</u> |
| Balance as of June 30, 2016 | <u>23,251,894</u> | <u>6,029,622</u> | <u>369,497</u> |
| Fiduciary net position: | | | |
| Balance as of June 30, 2015 | 16,636,510 | 6,029,705 | 303,902 |
| Employer contributions | 718,526 | 135,894 | 15,820 |
| Employee contributions | 177,074 | 231,079 | 5,768 |
| Net investment income | (5,566) | (2,184) | (102) |
| Benefit payments, including employee refunds | (1,483,703) | (95,737) | (32,510) |
| Administrative expense | (14,973) | (5,877) | (273) |
| Other changes | <u>7,754</u> | <u>117</u> | <u>117</u> |
| Balance as of June 30, 2016 | <u>16,035,622</u> | <u>6,292,880</u> | <u>292,722</u> |
| Net pension liability (asset) | <u>\$ 7,216,272</u> | <u>\$ (263,258)</u> | <u>\$ 76,775</u> |

Detailed information about the MERS Plan's fiduciary net position is available in the separately issued Pension Report.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

10. Pension Plans (continued):

MERS Plan (continued):

Sensitivity of the net pension liability (asset) to changes in the discount rate:

The following presents the net pension liability (asset) by employer unit calculated using the discount rate of 7.5%, as well as calculated using a discount rate that is 1 percentage-point lower and 1 percentage-point higher than the current rate.

| | 1.00% Decrease (6.5%) | Current Discount Rate (7.5%) | 1.00% Increase (8.5%) |
|---------|-----------------------------|------------------------------------|-----------------------------|
| | <hr/> | <hr/> | <hr/> |
| General | \$ 9,696,812 | \$ 7,216,272 | \$ 5,185,805 |
| Police | \$ 350,252 | \$ (263,258) | \$ (765,209) |
| Fire | \$ 117,200 | \$ 76,775 | \$ 43,677 |

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

10. Pension Plans (continued):

MERS Plan (continued):

Pension expense and deferred outflows of resources and deferred inflows of resources related to the MERS Plan:

For the year ended June 30, 2017, the Town recognized pension expense of \$1,057,910. The Town reported deferred outflows and inflows of resources related to the MERS Plan from the following sources:

| | <u>General</u> | <u>Police</u> | <u>Fire</u> | <u>Total</u> |
|---|---------------------|-------------------|------------------|---------------------|
| Deferred outflows: | | | | |
| Contributions after the measurement period | \$ 788,321 | \$ 138,617 | \$ 16,318 | \$ 943,256 |
| Difference between projected and actual earnings on investments | 1,499,030 | 546,888 | 26,665 | 2,072,583 |
| Differences between expected and actual experience | 173,984 | | | 173,984 |
| Deferred inflows: | | | | |
| Differences in assumptions | (39,532) | (104,095) | (427) | (144,054) |
| Difference between projected and actual earnings on investments | (451,646) | (157,622) | (7,670) | (616,938) |
| Differences between expected and actual experience | <u>(128,699)</u> | <u>(189,111)</u> | <u>(7,345)</u> | <u>(325,155)</u> |
| | <u>\$ 1,841,458</u> | <u>\$ 234,677</u> | <u>\$ 27,541</u> | <u>\$ 2,103,676</u> |

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

10. Pension Plans (continued):

MERS Plan (continued):

Pension expense and deferred outflows of resources and deferred inflows of resources related to the MERS Plan (continued):

Deferred outflows of resources related to the Municipal Plan resulting from the Town contributions in fiscal year 2017 subsequent to the measurement date of \$943,256 will be recognized as a reduction of the net pension liability for the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the MERS Plan will be recognized in pension expense as follows:

| Year Ending June 30, | General | Police | Fire |
|------------------------|--------------|-----------|-----------|
| Net deferred outflows: | | | |
| 2017 | \$ 187,456 | \$ 46,609 | \$ (140) |
| 2018 | 193,100 | 46,609 | 256 |
| 2019 | 435,866 | 125,420 | 6,612 |
| 2020 | 258,486 | 66,952 | 4,495 |
| 2021 | (21,771) | (25,919) | - |
| Thereafter | - | (163,611) | - |
| Total | \$ 1,053,137 | \$ 96,060 | \$ 11,223 |

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

10. Pension Plans (continued):

MERS Plan (continued):

Component Unit:

At the June 30, 2015, valuation date, the following employees were covered by the benefit terms:

| | |
|-------------------------------|-------------------|
| Retirees and Beneficiaries | 100 |
| Inactive, Non-retired Members | 30 |
| Active Members | <u>116</u> |
| Total | <u><u>246</u></u> |

Contributions:

The amounts of employee and employer contributions have been established under RIGL Chapter 45-21. General employees are required to contribute 1% of their salaries. Public safety employees are required to contribute 7% of their salaries. The District contributes at a rate of covered employee payroll as determined by an independent actuary on an annual basis. The General Assembly can amend the amount of these contribution requirements. The District contributed \$701,306 in the year ended June 30, 2017, which was 17.42% of annual covered payroll.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

10. Pension Plans (continued):

MERS Plan (continued):

Component Unit (continued):

Increase (decrease) in the net pension liability (asset):

| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
|---|----------------------------|--------------------------------|--------------------------|
| Balances as of June 30, 2015 | \$ 21,697,595 | \$ 16,072,484 | \$ 5,625,111 |
| Changes for the year: | | | |
| Service cost | 405,372 | - | 405,375 |
| Interest on the total pension liability | 1,589,036 | - | 1,589,036 |
| Changes in assumptions, difference between expected and actual experience | - | - | - |
| | (255,766) | - | (255,766) |
| Employer contributions | - | 760,738 | (760,738) |
| Employee contributions | - | 120,608 | (120,608) |
| Net investment income | - | (5,390) | 5,390 |
| Benefit payments, including employee refunds | (1,426,262) | (1,426,262) | - |
| Administrative expense | - | (14,501) | 14,501 |
| Other changes | - | 21,984 | (21,984) |
| Net changes | 312,380 | (542,823) | 855,203 |
| Balances as of June 30, 2016 | \$ 22,009,975 | \$ 15,529,661 | \$ 6,480,314 |

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the net pension liability (asset) of the employers calculated using the discount rate of 7.5%, as well as what the employers' net pension liability (asset) would be if it were calculated using a discount rate that is 1- percentage-point lower or 1-percentage-point higher than the current rate.

| 1.00% Decrease (6.5%) | Current Discount Rate (7.5%) | 1.00% Increase (8.5%) |
|-----------------------------|------------------------------------|-----------------------------|
| \$ 8,830,863 | \$ 6,480,314 | \$ 4,556,235 |

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

10. Pension Plans (continued):

MERS Plan (continued):

Component Unit (continued):

For the year ended June 30, 2017, the District recognized pension expense of \$456,033. The District reported deferred outflows and inflows of resources related to the MERS Plan from the following sources:

Deferred outflows of resources

| | |
|--|------------|
| Contributions subsequent to the management date | \$ 701,306 |
| Differences in assumptions | 84,471 |
| Net difference between projected and actual earnings on pension plan investments | 1,445,476 |

Deferred inflows of resources

| | |
|--|------------------|
| Differences between expected and actual experience | (1,114,267) |
| Net difference between projected and actual earnings on pension plan investments | <u>(433,156)</u> |

| | |
|-------------------------------------|--------------------------|
| Deferred outflows of resources, net | <u><u>\$ 683,830</u></u> |
|-------------------------------------|--------------------------|

Deferred outflows of resources related to the MERS Plan resulting from the District contributions in fiscal year 2017 subsequent to the measurement date of \$701,306 will be recognized as a reduction of the net pension liability for the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the MERS Plan will be recognized in pension expense as follows:

| <u>Year Ending June 30,</u> | <u>Net Deferred Inflows of Resources</u> |
|-----------------------------|--|
| 2018 | \$ (225,001) |
| 2019 | (225,374) |
| 2020 | 215,128 |
| 2021 | <u>217,771</u> |
| Total | <u><u>\$ (17,476)</u></u> |

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

10. Pension Plans (continued):

Employees' Retirement System (ERS):

Component Unit:

Plan description:

Certain employees of the District participate in a cost-sharing multiple-employer defined benefit pension plan - the Employees' Retirement System plan administered by the Employees' Retirement System of the State of Rhode Island ("System" or "ERSRI"). Under a cost-sharing plan, pension obligations for employees of all employers are pooled and plan assets are available to pay the benefits of the employees of any participating employer providing pension benefits through the plan, regardless of the status of the employers' payment of its pension obligation to the plan. The plan provides retirement and disability benefits and death benefits to plan members and beneficiaries.

The System issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The report may be obtained at <http://www.ersri.org>.

Benefit provisions:

The level of benefits provided to participants is established by Chapter 36-10 of the General Laws, which is subject to amendment by the General Assembly. Member benefit provisions vary based on service credits accumulated at dates specified in various amendments to the General Laws outlining minimum retirement age, benefit accrual rates and maximum benefit provisions. In general, members accumulate service credits for each year of service subject to maximum benefit accruals of 80% or 75%. For those hired after June 30, 2012, the benefit accrual rate is 1% per year with a maximum benefit accrual of 40%. Members eligible to retire at September 30, 2009 may retire with 10 years of service at age 60 or after 28 years of service at any age. The retirement eligibility age increases proportionately for other members reflecting years of service and other factors until it aligns with the Social Security Normal Retirement Age, which applies to any member with less than five years of service as of July 1, 2012. Members are vested after 5 years of service.

The plan provides for survivor's benefits for service-connected death and certain lump-sum death benefits. Joint and survivor benefit provision options are available to members.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

10. Pension Plans (continued):

Employees' Retirement System (ERS) (continued):

Component Unit (continued):

Benefit provisions (continued):

Cost of living adjustments are provided but are currently suspended until the collective plans administered by ERSRI reach a funded status of 80%. Until the plans reach an 80% funded status, interim cost of living adjustments are provided at four-year intervals commencing with the plan year ended June 30, 2016.

The plan also provides nonservice-connected disability benefits after five years of service and service-connected disability benefits with no minimum service requirement.

Contributions:

The funding policy, as set forth in the General Laws, Section 16-16-22, provides for actuarially determined periodic contributions to the plan. For fiscal 2017, District teachers were required to contribute 3.75% of their annual covered salary, except teachers with 20 or more years of service as of June 30, 2012, who must contribute 11% of their annual covered payroll. The State and the District are required to contribute at an actuarially determined rate, 40% of which is to be paid by the State and the remaining 60% is to be paid by District; the rates were 9.27% and 16.15% of annual covered payroll for the fiscal year ended June 30, 2017, for the State and District, respectively. The District contributed \$3,165,412 for the fiscal year ended June 30, 2017, equal to 100% of the required contributions for the year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources:

At June 30, 2017, the District reported a liability of \$41,140,174 for its proportionate share of the net pension liability that reflected a reduction for contributions made by the State. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

| | |
|---|-----------------------------|
| District proportionate share of the net pension liability | \$ 41,140,174 |
| State's proportionate share of the net pension liability associated with the District | <u>28,174,978</u> |
| Total net pension liability | <u><u>\$ 69,315,152</u></u> |

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

10. Pension Plans (continued):

Employees' Retirement System (ERS) (continued):

Component Unit (continued):

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued):

The net pension liability was measured as of June 30, 2016, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016. The District proportion of the net pension liability was based on a projection of the District long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the state, actuarially determined. At June 30, 2016, the District proportion was 1.38%.

For the year ended June 30, 2017, the District recognized gross pension expense of \$5,808,622 and revenue of \$2,358,428 for support provided by the State. The District reported deferred outflows and inflows of resources related to ERS from the following sources:

Deferred outflows of resources

| | |
|---|--------------|
| Contributions subsequent to the measurement date | \$ 3,165,421 |
| Net difference between projected and actual investment earnings | 4,655,418 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 308,493 |

Deferred inflows of resources

| | |
|---|--------------------|
| Change of assumptions | (852,197) |
| Differences between expected and actual experience | (811,718) |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | (325,663) |
| Net difference between projected and actual earnings on pension plan investments | <u>(1,445,029)</u> |

| | |
|-------------------------------------|----------------------------|
| Deferred outflows of resources, net | <u><u>\$ 4,694,725</u></u> |
|-------------------------------------|----------------------------|

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

10. Pension Plans (continued):

Employees' Retirement System (ERS) (continued):

Component Unit (continued):

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued):

Deferred outflows of resources related to ERS resulting from the District contributions in fiscal year 2017 subsequent to the measurement date of \$3,165,421 will be recognized as a reduction of the net pension liability for the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ERS will be recognized in pension expense as follows:

| <u>Year Ending June 30,</u> | <u>Net Deferred Outflows of Resources</u> |
|-----------------------------|---|
| 2018 | \$ 273,450 |
| 2019 | 273,450 |
| 2020 | 995,965 |
| 2021 | 461,238 |
| 2022 | (301,571) |
| Thereafter | <u>(173,228)</u> |
| | <u>\$ 1,529,304</u> |

Actuarial Assumptions:

The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|-----------------|
| Inflation | 2.75% |
| Salary increases | 3.50% to 13.50% |
| Investment rate of return | 7.50% |

Mortality – male and female teachers: 97% and 92%, respectively, of rates in a GRS table based on male and female teacher experience, projected with Scale AA from 2000.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

10. Pension Plans (continued):

Employees' Retirement System (ERS) (continued):

Component Unit (continued):

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued):

The actuarial assumptions used in the June 30, 2015, valuation rolled forward to June 30, 2016, and the calculation of the total pension liability at June 30, 2016, were consistent with the results of an actuarial experience study performed as of June 30, 2013.

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 35 sources.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

10. Pension Plans (continued):

Employees' Retirement System (ERS) (continued):

Component Unit (continued):

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued):

The June 30, 2016, expected arithmetic returns over the long term (20 years) by asset class are summarized in the following table:

| Asset Class | Target allocation | Long-term expected real rate of return |
|--------------------------------|-------------------|--|
| Global Equity: | 38.0% | |
| U.S. equity | | 6.98% |
| International developed | | 7.26% |
| International emerging markets | | 9.57% |
| Private equity | 7.0% | 10.15% |
| Equity hedge funds | 8.0% | 4.10% |
| Core fixed income | 15.0% | 2.37% |
| Absolute return hedge | 7.0% | 4.10% |
| Infrastructure | 3.0% | 5.58% |
| Other real return assets: | 11.0% | |
| Master limited partnerships | | 4.97% |
| Credit | | 4.97% |
| Inflation linked bonds | | 1.76% |
| Real estate | 8.0% | 5.33% |
| Cash, overlay and money market | 3.0% | .82% |

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall long-term expected rate of return best-estimate on an arithmetic basis.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

10. Pension Plans (continued):

Employees' Retirement System (ERS) (continued):

Component Unit (continued):

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued):

Discount rate - the discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the net pension liability calculated using the discount rate of 7.5 percent as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1- percentage-point higher than the current rate.

| 1.00% Decrease (6.5%) | Current Discount Rate (7.5%) | 1.00 Increase (8.5%) |
|-----------------------------|------------------------------------|----------------------------|
| \$ 50,804,515 | \$ 41,140,174 | \$ 33,228,462 |

Pension plan fiduciary net position:

Detailed information about the pension plan's fiduciary net position is available in the separately issued ERSRI financial report. The report may be obtained at <http://www.ersri.org>.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

10. Pension Plans (continued):

Employees' Retirement System (ERS) (continued):

Component Unit (continued):

Teachers' Survivors Benefit (TSB) Pension Plan:

Plan description:

Certain employees of the District participate in a cost-sharing multiple-employer defined benefit pension plan - the Teachers' Survivors Benefit plan - administered by the System. Under a cost-sharing plan, pension obligations for employees of all employers are pooled and plan assets are available to pay the benefits of the employees of any participating employer providing pension benefits through the plan, regardless of the status of the employers' payment of its pension obligation to the plan.

Eligibility and plan benefits:

The plan provides a survivor benefit to public school teachers in lieu of Social Security since not all school districts participate in the plan. Specific eligibility criteria and the amount of the benefit is subject to the provisions of Chapter 16-16 of the Rhode Island General Laws which are subject to amendment by the General Assembly. Spouse, parents, family and children's benefits are payable following the death of a member. A spouse shall be entitled to benefits upon attaining the age of sixty (60) years. Children's benefits are payable to the child, including a stepchild or adopted child of a deceased member if the child is unmarried and under the age of eighteen (18) years or twenty-three (23) years and a full time student, and was dependent upon the member at the time of the member's death. Family benefits are provided if at the time of the member's death the surviving spouse has in his or her care a child of the deceased member entitled to child benefits. Parents benefits are payable to the parent or parents of a deceased member if the member did not leave a widow, widower, or child who could ever qualify for monthly benefits on the member's wages and the parent has reached the age of 60 years, has not remarried, and received support from the member.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

10. Pension Plans (continued):

Employees' Retirement System (ERS) (continued):

Component Unit (continued):

Teachers' Survivors Benefit (TSB) Pension Plan (continued):

Eligibility and plan benefits (continued):

In January, a yearly cost-of-living adjustment for spouse's benefits is paid and based on the annual social security adjustment.

Survivors are eligible for benefits if the member has made contributions for at least six months prior to death or retirement.

The TSB plan provides benefits based on the highest salary at the time of retirement of the teacher. Benefits are payable in accordance with the following table:

| <u>Highest Annual Salary</u> | <u>Basic Monthly Spouses' Benefit</u> |
|------------------------------|---------------------------------------|
| \$17,000 or less | \$ 750 |
| \$17,001 to \$25,000 | 875 |
| \$25,001 to \$33,000 | 1,000 |
| \$33,001 to \$40,000 | 1,125 |
| \$40,001 and over | 1,250 |

Benefits payable to children and families are equal to the spousal benefit multiplied by the percentage below:

| <u>Parent and 1 Child</u> | <u>Parent and 2 or more Children</u> | <u>One Child Alone</u> | <u>Two Children Alone</u> | <u>Three or more Children Alone</u> | <u>Dependent Parent</u> |
|---------------------------|--------------------------------------|------------------------|---------------------------|-------------------------------------|-------------------------|
| 150% | 175% | 75% | 150% | 175% | 100% |

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

10. Pension Plans (continued):

Employees' Retirement System (ERS) (continued):

Component Unit (continued):

Teachers' Survivors Benefit (TSB) Pension Plan (continued):

Contributions:

The contribution requirements of active employees and the participating school districts were established under Chapter 16-16 of the Rhode Island General Laws, which may be amended by the General Assembly. The cost of the benefits provided by the plan are two percent (2%) of the member's annual salary up to but not exceeding an annual salary of \$9,600; one-half (1/2) of the cost is contributed by the member by deductions from his or her salary, and the other half (1/2) is contributed and paid by the respective school district by which the member is employed. These contributions are in addition to the contributions required for regular pension benefits.

The District contributed \$27,196 for the fiscal year ended June 30, 2017, equal to 100% of the required contribution.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources:

At June 30, 2017, the District reported an asset of \$4,421,711 for its proportionate share of the net pension asset related to its participation in TSB. The net pension asset was measured as of June 30, 2016, the measurement date, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2016. The District proportion of the net pension asset was based on its share of contributions to the TSB for fiscal year 2016 relative to the total contributions of all participating employers for that fiscal year. At June 30, 2016, the District's proportion was 4.44%.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

10. Pension Plans (continued):

Employees' Retirement System (ERS) (continued):

Component Unit (continued):

Teachers' Survivors Benefit (TSB) Pension Plan (continued):

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued):

For the year ended June 30, 2017, the District recognized pension expense of \$(70,391), an increase in the net pension asset. The District reported deferred outflows and inflows of resources related to TSB from the following sources:

Deferred outflows of resources

| | |
|---|-----------|
| Contributions subsequent to the measurement date | \$ 27,196 |
| Difference between expected and actual experience | 841,748 |
| Net difference between projected and actual investment earnings | 1,170,039 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 78,200 |

Deferred inflows of resources

| | |
|--|--------------------------|
| Difference between expected and actual experience | (879,027) |
| Net difference between projected and actual earnings on pension plan investments | <u>(361,254)</u> |
| Deferred outflows of resources, net | <u><u>\$ 876,902</u></u> |

Deferred outflows of resources related to TSB resulting from the District contributions in fiscal year 2017 subsequent to the measurement date of \$27,196 will be recognized as an addition to the net pension asset for the year ended June 30, 2017. Other amounts reported as net deferred outflows of resources related to TSB will be recognized in pension expense as follows:

| <u>Year Ending June 30,</u> | <u>Net Deferred Outflows of Resources</u> |
|-----------------------------|---|
| 2018 | \$ 163,983 |
| 2019 | 163,983 |
| 2020 | 344,610 |
| 2021 | 212,917 |
| 2022 | 19,177 |
| Thereafter | <u>(54,964)</u> |
| | <u><u>\$ 849,706</u></u> |

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

10. Pension Plans (continued):

Employees' Retirement System (ERS) (continued):

Component Unit (continued):

Teachers' Survivors Benefit (TSB) Pension Plan (continued):

Actuarial Assumptions:

The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|-----------------|
| Inflation | 2.75% |
| Salary increases | 3.50% to 13.50% |
| Investment rate of return | 7.50% |

Mortality rates for male and female teachers were based on 97% (males) and 92% (females) of rates in a GRS table based on male and female teacher experience, projected with scale AA from 2000. Cost of living adjustment – eligible survivors receive a yearly cost of living adjustment based on the annual social security adjustment – for valuation purposes, a 2.75% cost of living adjustment is assumed.

The actuarial assumptions used in the June 30, 2016 valuation, and the calculation of the total pension liability at June 30, 2016, were consistent with the results of an actuarial experience study performed as of June 30, 2016. The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 35 sources.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

10. Pension Plans (continued):

Employees' Retirement System (ERS) (continued):

Component Unit (continued):

Teachers' Survivors Benefit (TSB) Pension Plan (continued):

Actuarial Assumptions (continued):

The June 30, 2016, expected arithmetic returns over the long term (20 years) by asset class are summarized in the following table:

| <u>Asset Class</u> | <u>Target allocation</u> | <u>Long-term expected real rate of return</u> |
|--------------------------------|--------------------------|---|
| Global equity: | 38.0% | |
| U.S. equity | | 6.98% |
| International developed | | 7.26% |
| International emerging markets | | 9.57% |
| Private equity | 7.0% | 10.15% |
| Equity hedge funds | 8.0% | 4.10% |
| Core fixed income | 15.0% | 2.37% |
| Absolute return hedge | 7.0% | 4.10% |
| Infrastructure | 3.0% | 5.58% |
| Other real return assets: | 11.0% | |
| Master limited partnerships | | 4.97% |
| Credit | | 4.97% |
| Inflation linked bonds | | 1.76% |
| Real estate | 8.0% | 5.33% |
| Cash, overlay and money market | 3.0% | .82% |

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

10. Pension Plans (continued):

Employees' Retirement System (ERS) (continued):

Component Unit (continued):

Teachers' Survivors Benefit (TSB) Pension Plan (continued):

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall long-term expected rate of return best-estimate on an arithmetic basis.

Discount rate:

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the net pension liability calculated using the discount rate of 7.5 percent as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

| 1.00% Decrease (6.5%) | Current Discount Rate (7.5%) | 1.00% Increase (8.5%) |
|-----------------------------|------------------------------------|-----------------------------|
| \$ 3,508,678 | \$ 4,421,711 | \$ 5,168,737 |

Pension plan fiduciary net position:

Detailed information about the pension plan's fiduciary net position is available in the separately issued ERSRI financial report. The report may be obtained at <http://www.ersri.org>.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

10. Pension plans (continued):

Defined Contribution Plan:

Plan description:

Employees participating in the General and Police Units of the MERS Plan, as described previously, may also participate in a defined contribution plan authorized by State of Rhode Island General Law Chapter 36-10.3. The defined contribution plan is established under Internal Revenue Service (“IRS”) section 401(a) and is administered by TIAA-CREF. Employees may choose among various investment options available to plan participants.

Employees in the General Unit contribute 5% of their annual covered salary and the employer contributes 1.25% or 1.50% of annual covered salary based on years of service. Employees in the Police and Fire Units contribute 3% of their annual covered salary and the employer contributes 3% of annual covered salary.

Employee contributions are immediately vested while employer contributions are vested after three years of contributory service. Benefit terms and contributions required under the plan by both the employee and employer are established by the General Laws, which are subject to amendment by the General Assembly.

Amounts in the defined contribution plan are available to participants in accordance with IRS guidelines for such plans.

The Town recognized pension expense for the defined contribution plan of \$128,712 for the fiscal year ended June 30, 2017.

Component Unit:

District employees with less than 20 years of service as of June 30, 2012, participating in the ERS plan, as described previously, also participate in the defined contribution plan. Employees may choose among various investment options available to plan participants. District employees contribute 5% of their annual covered salary and the District contributes between 1% and 5% of annual covered salary depending on the employee’s total years of service as of June 30, 2012. Employee contributions are immediately vested while employer contributions and any investment earnings thereon are vested after three years of contributory service. Benefit terms and contributions required under the plan by both the employee and employer are established by the General Laws, which are subject to amendment by the General Assembly. The District contributed \$529,672 for the fiscal year ended June 30, 2017.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

10. Pension plans (continued):

Police Plan:

Plan description:

The Town administers and 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 accompanying 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, 2017, was \$16,620.

Plan membership:

As of July 1, 2016, employee membership data related to the Police Plan is as follows:

| | |
|---|------------------|
| Inactive plan members or beneficiaries currently receiving benefits | 43 |
| Active plan members | <u>2</u> |
| Total | <u><u>45</u></u> |

Benefits provided:

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 ten 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 ten years of service or immediately if the disability results from performance of duties. The benefit is 75% 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.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

10. Pension plans (continued):

Police Plan (continued):

Benefits provided (continued):

Eligibility for preretirement survivor's benefits is death as a result of performance of duties or completion of at least five 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 the 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 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.

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 ten years of service. The benefit is the greater of the participant's accumulations or two weeks pay for each year of service.

Participants are eligible for vested severance benefits after ten 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.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

10. Pension plans (continued):

Police Plan (continued):

Contributions:

Total contributions to the Police Plan during the year ended June 30, 2017, amounted to \$1,376,611 of which \$1,374,450 and \$2,161 were made by the Town and its employees, respectively. Contributions made by the Town and employees represented 8,078% and 13%, respectively, of covered payroll for the year. Administrative costs are included in the actuarial valuation as part of the normal cost and are financed through contributions.

Investment rate of return:

For the year ended June 30, 2017, the annual money-weighted rate of return on Police Plan investments, net of investment expense, was 11.08%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Receivables:

Employer and Employee contributions for the month of June in the current fiscal year are made in July of the following fiscal year and are included in plan assets.

Actuarial assumptions:

The total pension liability was determined by actuarial valuations performed as of July 1, 2016, and rolled forward to June 30, 2017, using the following actuarial assumptions applied to all periods included in the measurement.

The Town's contribution to the Police Plan was determined as part of the July 1, 2016, 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 decreasing 20-year period. The amortization period remaining on the unfunded actuarial accrued liability at July 1, 2016, was 13 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) 6.75% interest compounded annually, (b) projected salary increases of 4.25% compounded annually and (c) inflation of 3.0%.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

10. Pension plans (continued):

Police Plan (continued):

Actuarial assumptions (continued):

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, 2016.

Mortality rates were based on the RP-2000 Combined Generational Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

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

| Asset Class | Long-Term Expected Rate of Return |
|-----------------------------|---|
| Cash | 0.59% |
| Global Bonds | 1.73% |
| U.S. High Yield Bonds | 5.20% |
| U.S. Fixed Income | 2.66% |
| Large Cap U.S. Equities | 4.86% |
| Mid Cap U.S. Equities | 5.41% |
| Developed Foreign Equities | 5.88% |
| Emerging Market Equities | 8.14% |
| Master Limited Partnerships | 4.06% |
| U.S. Real Estate (REITS) | 5.17% |

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

10. Pension plans (continued):

Police Plan (continued):

Discount rate:

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed the Town contributions will continue to follow the current funding policy. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Net pension liability:

Changes in the net pension liability for the year ended June 30, 2017, and the net pension liability as of June 30, 2017, is as follows:

Pension liability:

| | |
|---|----------------------|
| Balance as of June 30, 2016 | \$ 28,205,618 |
| Changes for the year: | |
| Service cost | 64,469 |
| Interest on the total pension liability | 1,858,184 |
| Effect of economic/demographic gains or losses | 136,064 |
| Benefit payments, including employee refunds | <u>(1,641,747)</u> |
| Balance as of June 30, 2017 | 28,622,588 |
| Plan fiduciary net position as of June 30, 2017 | <u>15,992,563</u> |
| Net pension liability | <u>\$ 12,630,025</u> |

Plan fiduciary net position as a percentage of the total pension liability is 56%. The covered payroll (annual payroll of active participants) was \$16,620 and the ratio of the net pension liability to the covered payroll was (75993%).

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

10. Pension plans (continued):

Police Plan (continued):

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the net pension liability, calculated using the discount rate of 6.75%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.75%) and 1 percentage-point higher (7.75%) than the current rate:

| | 1.00% Decrease (5.75%) | Current Discount Rate (6.75%) | 1.00% Increase (7.75%) |
|-----------------------|------------------------------|--|------------------------------|
| Net pension liability | \$ 16,605,399 | \$ 12,630,025 | \$ 9,303,480 |

The schedules of changes in the Town's net pension liability and related ratios, employer contributions, and investment returns are presented as required supplementary information following the notes to the basic financial statements.

Deferred outflows of resources and deferred inflows of resources related to the Police Plan:

The employer reported deferred outflows of resources of \$423,822 relating to the net difference between projected and actual investment returns.

Amounts reported as deferred outflows of resources will be recognized in pension expense as follows:

| <u>Year Ending June 30,</u> | <u>Amount</u> |
|-----------------------------|-------------------|
| 2018 | \$ 238,779 |
| 2019 | 238,779 |
| 2020 | 71,940 |
| 2021 | <u>(125,676)</u> |
| Total | <u>\$ 423,822</u> |

Annual pension cost:

The actuarially determined employer contribution requirement of \$1,316,046 was determined as described above and was based on an actuarial valuation as of July 1, 2016. The contribution consists of normal cost plus past service costs and one year of interest at 6.75%.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

11. Tax stabilization agreements:

The Town offers an economic growth tax stabilization agreement through Town Ordinance Section 27-5. The agreement is offered to new and improved commercial and manufacturing businesses in an effort to encourage employment and economic growth in the Town.

The Town Council, in its sole discretion, is authorized but not required to phase in over a period of up to five years, but not more than ten years, the taxes due on certain commercial and industrial properties. The exemption schedule is as follows:

| <u>Year of Exemption</u> | <u>Five-Year Program: % Exempt from Taxation</u> | <u>Ten-Year Program: % Exempt from Taxation</u> |
|------------------------------|--|---|
| Year 1 | 100% | 90% |
| Year 2 | 90% | 80% |
| Year 3 | 80% | 70% |
| Year 4 | 70% | 60% |
| Year 5 | 60% | 50% |
| Year 6 | | 40% |
| Year 7 | | 30% |
| Year 8 | | 20% |
| Year 9 | | 10% |
| Year 10 | | 0% |

The exemption begins on December 31st following the post-construction review and issuance of the certificate of occupancy. The value must be greater than \$250,000 and the improvement must represent greater than 50% of the assessed value of the existing building or structure. The stabilization program is not available for residential properties. There is one property that has entered into the current stabilization program, which became effective July 8, 2015.

There are three properties under the prior stabilization program, which was amended on July 8, 2015. While this program had primarily the same purpose, there was a requirement for the subject property to be in need of substantial rehabilitation and/or new construction and/or vacant for a period of twelve months prior to executing the agreement. A five-year option was provided for properties where the value of the improvement was 25% or more of the existing assessed value, up to \$500,000. A ten-year option was provided for properties where the value of the improvement was greater than \$500,000.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

11. Tax stabilization agreements (continued):

The prior stabilization program schedule was as follows:

| Year of Exemption | Five-Year Program: % Exempt from Taxation | Ten-Year Program: % Exempt from Taxation |
|----------------------|--|---|
| Year 1 | 100% | 100% |
| Year 2 | 80% | 90% |
| Year 3 | 60% | 80% |
| Year 4 | 40% | 70% |
| Year 5 | 20% | 60% |
| Year 6 | 0% | 50% |
| Year 7 | | 40% |
| Year 8 | | 30% |
| Year 9 | | 20% |
| Year 10 | | 10% |
| Year 11 | | 0% |

Under both stabilization programs, taxes are reduced through a reduction in assessed value. Under the prior agreement, the Town Council reserved the right to revoke the stabilization at any time. The current agreement allows for revocation by the Town Council only due to tax delinquency or in the event of fraud or misrepresentation. The following chart provides information on the stabilization agreements in place as of June 30, 2017:

| Purpose for Stabilization Agreement | Stabilization Agreement | Starting Year | Term of Agreement | Amount of Taxes Abated During the Fiscal Year |
|---|----------------------------|------------------|----------------------|--|
| Demolition of Blighted Building/New Construction: Commercial rental space | Pre-July 8, 2015 | 2013 | 5 Years | \$ 19,490 |
| Demolition of Blighted Building/New Construction: Incubator space for new businesses | Pre-July 8, 2015 | 2015 | 10 Years | 13,108 |
| Rehabilitation/Renovation: Commercial business | Pre-July 8, 2015 | 2015 | 10 Years | 6,482 |
| New Construction: Commercial business | Post-July 8, 2015 | 2015 | 10 Years | <u>8,609</u> |
| Total | | | | <u>\$ 47,689</u> |

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

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.) (the "Trust") 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 (\$5,000,000 for workers' compensation claims). 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, 2017.

13. Commitments and contingencies:

The Town also participates in the Health Pool (the "Pool"), a non-profit, public entity risk pool which provides programs of liability, workers' compensation, and health insurance coverage to Rhode Island cities, towns and other governmental units. 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.

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 of Warren, Rhode Island ("Warren") received favorable judgment in a lawsuit against the District to decrease Warren's allocable contribution, and increase the Town's allocable contribution, to the District for the fiscal year ended June 30, 2017, in the amount of \$1,406,103, and to reallocate each Town's respective contribution for all future years. At June 30, 2017, legal settlement of \$1,406,103 is included in the General Fund's accounts payable. The Town made payment to Warren in October 2017.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

13. Commitments and contingencies (continued):

The Town is a defendant in various other 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.

The Town is committed under construction contracts at June 30, 2017, as follows:

| Project | Contract | Spent to date | Remaining commitment |
|--|---------------------|---------------------|-------------------------|
| Constitution & Silver Creek Pump Station Improvements | \$ 2,157,798 | \$ 995,789 | \$ 1,162,009 |
| Church Street Dock Expansion Design | 141,000 | 62,005 | 78,995 |
| State Street Boardwalk Extension Design | 47,260 | 10,241 | 37,019 |
| Tanyard Brook Phase II: Design/Engineering | 432,600 | 308,458 | 124,142 |
| Road Paving Projects: Design/Engineering | 64,700 | 34,471 | 30,229 |
| Byfield School Construction | 433,301 | 378,426 | 54,875 |
| Prudence Ferry Dock Design | 89,300 | 79,015 | 10,285 |
| Prudence Ferry Dock Construction | 179,700 | 111,625 | 68,075 |
| | <u>\$ 3,545,659</u> | <u>\$ 1,980,030</u> | <u>\$ 1,565,629</u> |

TOWN OF BRISTOL, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED JUNE 30, 2017

| | Original Budget | Adjustments, carryforwards, and transfers | Final Budget | Actual | Variance with Final Budget |
|--|--------------------|---|-------------------|-------------------|-------------------------------|
| Revenues: | | | | | |
| Property taxes | \$ 40,977,673 | \$ - | \$ 40,977,673 | \$ 41,753,256 | \$ 775,583 |
| Intergovernmental | 1,981,760 | - | 1,981,760 | 2,150,905 | 169,145 |
| Licenses, permits and fees | 2,600,313 | - | 2,600,313 | 2,734,823 | 134,510 |
| Investment earnings | 490,000 | - | 490,000 | 347,876 | (142,124) |
| Other revenues | 1,231,030 | - | 1,231,030 | 1,138,591 | (92,439) |
| Transfers from other funds | 129,000 | (129,000) | - | - | - |
| Reappropriated surplus | 1,000,000 | (1,000,000) | - | - | - |
| Total revenues | 48,409,776 | (1,129,000) | 47,280,776 | 48,125,451 | 844,675 |
| Expenditures: | | | | | |
| Current: | | | | | |
| General government | 1,746,003 | - | 1,746,003 | 1,687,657 | 58,346 |
| Public safety | 5,607,277 | 14,850 | 5,622,127 | 5,521,318 | 100,809 |
| Public works | 4,702,406 | - | 4,702,406 | 4,843,272 | (140,866) |
| Community services | 1,452,711 | 12,000 | 1,464,711 | 1,570,489 | (105,778) |
| Education | 25,172,179 | - | 25,172,179 | 26,578,282 | (1,406,103) |
| Payroll taxes and benefits | 6,199,046 | - | 6,199,046 | 6,207,063 | (8,017) |
| Debt service: | | | | | |
| Principal | 2,235,723 | - | 2,235,723 | 2,235,723 | - |
| Interest, fees and charges | 1,039,431 | - | 1,039,431 | 998,400 | 41,031 |
| Bond issuance costs | 5,000 | - | 5,000 | 158,434 | (153,434) |
| Capital outlay | 250,000 | 10,000 | 260,000 | 291,106 | (31,106) |
| Total expenditures | 48,409,776 | 36,850 | 48,446,626 | 50,091,744 | (1,645,118) |
| Excess of expenditures over revenues, budgetary basis | - | (1,165,850) | (1,165,850) | (1,966,293) | (800,443) |
| Other financing sources (uses): | | | | | |
| Reappropriated fund balances: | | | | | |
| Capital project and operating carryforward | - | 36,850 | 36,850 | 36,850 | - |
| Unrestricted | - | 1,000,000 | 1,000,000 | 1,000,000 | - |
| Bonds issued | - | - | - | 7,588,000 | 7,588,000 |
| Bond premium | - | - | - | 1,142,290 | 1,142,290 |
| Bonds refunded, payments to escrow agent | - | - | - | (8,567,669) | (8,567,669) |
| Transfers from other funds | - | 129,000 | 129,000 | 166,000 | 37,000 |
| Transfers to other funds | - | - | - | (275,896) | (275,896) |
| Total other financing sources (uses) | - | 1,165,850 | 1,165,850 | 1,089,575 | (76,275) |
| Excess of expenditures and other financing uses over revenues and other financing financing sources, budgetary basis | \$ - | \$ - | \$ - | (876,718) | \$ (876,718) |
| Adjustments of budgetary basis to U.S. GAAP basis | | | | (1,036,850) | |
| Excess of expenditures and other financing uses over revenues and other financing sources, U.S. GAAP basis | | | | (1,913,568) | |
| Fund balance, beginning of year | | | | 11,120,329 | |
| Fund balance, end of year | | | | \$ 9,206,761 | |

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

YEAR ENDED JUNE 30, 2017

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 conformity with the legally enacted budgetary basis, which is not in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") 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 | \$ 36,850 |
| Unrestricted | <u>1,000,000</u> |
| Total adjustments | <u><u>\$ 1,036,850</u></u> |

Reappropriated fund equity excludes carry-forward amounts for capital expenditures that are being recorded in the Capital Projects Fund.

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:

| | |
|-------------------|-----------|
| Town Clerk | \$ 17,577 |
| Town Solicitor | 19,401 |
| Town Hall Complex | 25,394 |
| Harbor Patrol | 5,317 |
| Fire | 31,378 |
| Town Engineer | 672 |
| Public Works | 33,435 |
| Civic Services | 126,730 |
| Library | 10,924 |
| Recreation | 96,505 |
| MERS Observances | 3,278 |
| Senior Center | 12,238 |
| Education | 1,406,103 |

TOWN OF BRISTOL, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION – SCHEDULE OF FUNDING PROGRESS

YEAR ENDED JUNE 30, 2017

| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets</u> | <u>Actuarial Accrued Liability (AAL)</u> | <u>Unfunded Actuarial Accrued Liability (UAAL)</u> | <u>Funded Ratio</u> | <u>Covered Payroll</u> | <u>UAAL as % of Covered Payroll</u> |
|-------------------------------------|--------------------------------------|--|--|-------------------------|------------------------|---|
| <i>Police Plan</i> | | | | | | |
| July 1, 2013 | \$ 12,857,275 | \$ 27,204,260 | \$ 14,346,985 | 47.26% | \$ 300,035 | 4781.77% |
| July 1, 2014 | 13,838,972 | 27,686,705 | 13,847,733 | 49.98% | 228,206 | 6068.08% |
| July 1, 2015 | 14,844,801 | 27,771,291 | 12,926,490 | 53.45% | 236,091 | 5475.22% |
| July 1, 2016 | 15,750,342 | 28,271,640 | 12,521,298 | 55.71% | 155,270 | 8064.21% |
| <i>OPEB Plan</i> | | | | | | |
| July 1, 2010 | \$ 2,313,000 | \$ 13,779,000 | \$ 11,466,000 | 16.79% | \$ 5,041,881 | 227.42% |
| July 1, 2012 | 3,428,000 | 16,712,000 | 13,284,000 | 20.51% | 6,279,300 | 211.55% |
| July 1, 2014 | 4,516,236 | 16,495,428 | 11,979,192 | 27.38% | 6,776,933 | 176.76% |
| July 1, 2016 | 5,553,051 | 16,382,388 | 10,829,337 | 33.90% | 7,463,000 | 145.11% |

TOWN OF BRISTOL, RHODE ISLAND
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 YEAR ENDED JUNE 30, 2017

Police Plan

| Year ended June 30, | Annual Required Contribution | Percentage Contributed |
|------------------------|------------------------------------|---------------------------|
| 2017 | \$ 1,316,406 | 104.4% |
| 2016 | \$ 1,327,427 | 101.2% |
| 2013 | \$ 1,341,343 | 103.0% |
| 2012 | \$ 1,288,194 | 100.0% |
| 2011 | \$ 899,460 | 100.0% |
| 2010 | \$ 828,850 | 115.6% |

OPEB Plan

| Year ended June 30, | Annual Required Contribution | Percentage Contributed |
|------------------------|------------------------------------|---------------------------|
| 2017 | \$ 1,162,000 | 114.6% |
| 2015 | \$ 1,198,000 | 104.5% |
| 2013 | \$ 997,000 | 96.0% |
| 2011 | \$ 897,000 | 98.6% |

TOWN OF BRISTOL, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF CHANGES TO NET PENSION LIABILITY AND RELATED RATIOS - POLICE PLAN

LAST TEN YEARS *

| | 2017 | 2016 | 2015 |
|--|---------------|---------------|---------------|
| Total pension liability: | | | |
| Service cost | \$ 64,469 | \$ 105,365 | \$ 101,544 |
| Interest | 1,858,184 | 1,831,530 | 1,827,431 |
| Changes of benefit terms | - | - | - |
| Effect of economic/demographic gains or (losses) | 136,064 | (340,909) | (58,497) |
| Differences between expected and actual experience | - | - | - |
| Changes of assumptions | - | - | - |
| Benefit payments, including refunds of member contributions | (1,641,747) | (1,510,403) | (1,454,147) |
| Net change in total pension liability | 416,970 | 85,583 | 416,331 |
| Total pension liability, beginning of year | 28,205,618 | 28,120,035 | 27,703,704 |
| Total pension liability, end of year | 28,622,588 | 28,205,618 | 28,120,035 |
| Plan fiduciary net position: | | | |
| Contributions—employer | 1,374,450 | 1,344,117 | 1,382,578 |
| Contributions—member | 2,161 | 22,538 | 30,911 |
| Net investment income | 1,608,493 | 5,530 | 155,221 |
| Benefit payments, including refunds of member contributions | (1,641,747) | (1,510,403) | (1,454,147) |
| Administrative expense | (2,503) | (1,870) | (1,823) |
| Other | - | - | - |
| Net change in plan fiduciary net position | 1,340,854 | (140,088) | 112,740 |
| Plan fiduciary net position, beginning of year | 14,651,709 | 14,791,797 | 14,679,057 |
| Plan fiduciary net position, end of year | 15,992,563 | 14,651,709 | 14,791,797 |
| Net pension liability, end of year | \$ 12,630,025 | \$ 13,553,909 | \$ 13,328,238 |
| Plan fiduciary net position as a percentage of the total pension liability | 55.87% | 51.95% | 52.60% |
| Covered employee payroll | \$ 236,091 | \$ 173,368 | \$ 237,776 |
| Net pension liability as a percentage of covered employee payroll | 5349.64% | 7818.00% | 5605.38% |
| Actuarially determined contribution | \$ 1,316,046 | \$ 1,327,427 | \$ 1,341,343 |
| Contributions in relation to the actuarially determined contribution | 1,374,450 | 1,344,117 | 1,382,578 |
| Contribution deficiency (excess) | \$ (58,404) | \$ (16,690) | \$ (41,235) |
| Contributions as a percentage of covered employee payroll | 582.17% | 775.30% | 581.46% |

* Fiscal year 2015 was the first year of implementation; therefore, only three years are shown.

TOWN OF BRISTOL, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION –
SCHEDULE OF TOWN CONTRIBUTIONS - POLICE PLAN

YEAR ENDED JUNE 30, 2017

| Fiscal Year Ended June 30, | Actuarially Determined Contribution | Contributions Related to the Actuarially Determined Contribution | Contribution Deficiency (Excess) |
|----------------------------|---|---|-------------------------------------|
| 2017 | \$ 1,316,046 | \$ 1,374,450 | \$ (58,404) |
| 2016 | \$ 1,327,427 | \$ 1,344,117 | \$ (16,690) |
| 2015 | \$ 1,341,343 | \$ 1,382,578 | \$ (41,235) |
| 2014 | \$ 1,288,194 | \$ 1,288,194 | \$ - |
| 2013 | \$ 899,460 | \$ 899,474 | \$ (14) |
| 2012 | \$ 828,850 | \$ 958,333 | \$ (129,483) |
| 2011 | \$ 784,676 | \$ 784,676 | \$ - |
| 2010 | \$ 770,003 | \$ 770,003 | \$ - |
| 2009 | \$ 640,220 | \$ 735,650 | \$ (95,430) |
| 2008 | \$ 620,203 | \$ 789,598 | \$ (169,395) |

Notes to Schedule:

Valuation date

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rate:

Actuarial cost method

Entry Age Normal, Level Percent of Payroll

Amortization method

Level dollar

Amortization period

Closed sixteen-year period beginning with the July 1, 2014 valuation

Asset valuation method

Actuarial Value of Assets based on 5-year phase-in of investment gains and losses

Inflation

2.50%

TOWN OF BRISTOL, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF TOWN CONTRIBUTIONS – POLICE PLAN (CONTINUED)

YEAR ENDED JUNE 30, 2017

Notes to Schedule (continued):

Methods and assumptions used to determine contribution rate (continued):

Salary increases

4.25%

Investment rate of return

6.75%, net of pension plan investment expenses. This is based on an average inflation rate of 3.00%.

Retirement age

Assumptions related to age, service, and department are used for participants not yet receiving payments

Mortality

RP-2000 Combined Generational Mortality Table

Disability

Fifty percent of the 1985 Pension Disability Table (DP-85)

TOWN OF BRISTOL, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF INVESTMENT RETURN
POLICE PLAN

LAST TEN YEARS *

Annual money-weighted rate of return, net of investment expenses - Police Plan

| <u>Year Ended June 30,</u> | <u>Return</u> |
|----------------------------|---------------|
| 2017 | 11.08% |
| 2016 | 0.04% |
| 2015 | 1.06% |

* Fiscal year 2015 was the first year of implementation; therefore, only three years are shown.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
POLICE PLAN AND OPEB PLAN

YEAR ENDED JUNE 30, 2017

Changes affecting the June 30, 2016, actuarial valuation:

The assumptions for the MERS Plan are consistent with the 2011 valuation, with the exception of certain assumption changes that resulted from the enactment of RIRSA. The marriage assumption was modified to reflect the expected percentage of members that will be eligible for survivor benefits upon their death, the incidence of disability was lowered to incorporate a continued trend of significantly fewer incidents of disability than anticipated by the current assumption, and the missing data assumption was updated to incorporate an assumption for missing beneficiary data.

The method used to determine the actuarial value of assets is the five-year smoothed market method. A small adjustment was made to the method used to smooth investment gains and losses to allow gains and losses to offset each other immediately. This modification will reduce future volatility in the actuarial value of assets while ensuring that the actuarial value always trends directly towards the market value of assets.

The information presented in the required supplementary information was determined as part of the respective actuarial valuations. Actuarially determined contribution rates are calculated as of June 30, 2016, two years prior to the end of the fiscal year in which contributions are reported. Additional information as of the latest actuarial valuation follows:

POLICE PLAN

| | |
|-------------------------------|---|
| Valuation date | July 1, 2016 |
| Actuarial cost method | Entry Age Normal |
| Amortization method | Level percentage of payroll, closed |
| Remaining amortization period | 13 years |
| Asset valuation method | 5-year smoothed market |
| Inflation | 2.5% |
| Salary increases | 4.25%, average, including inflation |
| Investment rate of return | 6.75%, net of pension plan investment expense, including inflation |
| Retirement age | Varies by service |
| Mortality | RP-2000 Combined Healthy Mortality with generational projection |

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
POLICE PLAN AND OPEB PLAN

YEAR ENDED JUNE 30, 2017

OPEB PLAN

| | |
|---|--|
| Valuation date | July 1, 2016 |
| Actuarial cost method | Entry Age Normal |
| Asset valuation method | Market |
| Actuarial assumptions: | |
| Investment rate of return and discount rate | 6.75% per annum |
| Projected salary increases | 4.25% per annum |
| Participation | All eligible retirees are assumed to elect medical and dental coverage |
| Health Care Cost Trend Rates | Medical 5.70% per year per year decreasing to an ultimate rate of 4.40% per year over 77 years |

TOWN OF BRISTOL, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES TO NET PENSION LIABILITY AND RELATED RATIOS - MERS

LAST TEN YEARS *

| | 2016 | 2015 | 2014 |
|--|---------------------|---------------------|---------------------|
| | General Employees | | |
| Total pension liability: | | | |
| Service cost | \$ 401,089 | \$ 382,606 | \$ 407,791 |
| Interest | 1,670,835 | 1,584,867 | 1,552,477 |
| Changes of benefit terms | - | 367,127 | - |
| Effect of economic/demographic gains or (losses) | | | |
| Differences between expected and actual experience | (155,431) | 264,406 | - |
| Changes of assumptions | - | - | (107,296) |
| Benefit payments, including refunds of member contributions | <u>(1,483,703)</u> | <u>(1,440,330)</u> | <u>(1,376,683)</u> |
| Net change in total pension liability | 432,790 | 1,158,676 | 476,289 |
| Total pension liability, beginning of year | <u>22,819,104</u> | <u>21,660,428</u> | <u>21,184,138</u> |
| Total pension liability, end of year | <u>23,251,894</u> | <u>22,819,104</u> | <u>21,660,427</u> |
| Plan fiduciary net position: | | | |
| Contributions—employer | 718,526 | 704,196 | 700,353 |
| Contributions—employee | 177,074 | 103,047 | 94,208 |
| Net investment income | (8,808) | 389,878 | 2,249,022 |
| Benefit payments, including refunds of member contributions | (1,483,703) | (1,440,330) | (1,376,683) |
| Administrative expense | (11,732) | (15,778) | (14,083) |
| Other | <u>7,755</u> | <u>9,534</u> | <u>5,903</u> |
| Net change in plan fiduciary net position | (600,888) | (249,453) | 1,658,720 |
| Plan fiduciary net position, beginning of year | <u>16,636,510</u> | <u>16,885,963</u> | <u>15,227,243</u> |
| Plan fiduciary net position, end of year | <u>16,035,622</u> | <u>16,636,510</u> | <u>16,885,963</u> |
| Net pension liability (asset), end of year | <u>\$ 7,216,272</u> | <u>\$ 6,182,594</u> | <u>\$ 4,774,464</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 68.96% | 72.91% | 77.96% |
| Covered employee payroll | \$ 4,769,188 | \$ 4,587,600 | \$ 4,587,083 |
| Net pension liability as a percentage of covered employee payroll | 151.31% | 134.77% | 104.08% |

* Fiscal year 2015 was the first year of implementation; therefore, only three years are shown.

TOWN OF BRISTOL, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES TO NET PENSION LIABILITY AND RELATED RATIOS - MERS (CONTINUED)

LAST TEN YEARS *

| | 2016 | 2015 | 2014 |
|--|--------------|--------------|----------------|
| | Police | | |
| Total pension liability: | | | |
| Service cost | \$ 413,026 | \$ 376,752 | \$ 346,962 |
| Interest | 412,664 | 345,620 | 310,835 |
| Changes of benefit terms | - | 424,342 | - |
| Effect of economic/demographic gains or (losses) | | | |
| Differences between expected and actual experience | (43,870) | (175,622) | - |
| Changes of assumptions | - | - | (131,155) |
| Benefit payments, including refunds of member contributions | (95,737) | (94,878) | (60,617) |
| Net change in total pension liability | 686,083 | 876,214 | 466,025 |
| Total pension liability, beginning of year | 5,343,539 | 4,467,325 | 4,001,300 |
| Total pension liability, end of year | 6,029,622 | 5,343,539 | 4,467,325 |
| Plan fiduciary net position: | | | |
| Contributions—employer | 135,894 | 130,914 | 84,143 |
| Contributions—employee | 231,079 | 182,779 | 171,286 |
| Net investment income | (2,184) | 141,307 | 755,879 |
| Benefit payments, including refunds of member contributions | (95,737) | (94,878) | (60,617) |
| Administrative expense | (5,876) | (5,663) | (4,733) |
| Other | (1) | 2 | - |
| Net change in plan fiduciary net position | 263,175 | 354,461 | 945,958 |
| Plan fiduciary net position, beginning of year | 6,029,705 | 5,675,244 | 4,729,286 |
| Plan fiduciary net position, end of year | 6,292,880 | 6,029,705 | 5,675,244 |
| Net pension asset, end of year | \$ (263,258) | \$ (686,166) | \$ (1,207,919) |
| Plan fiduciary net position as a percentage of the total pension liability | 104.37% | 112.84% | 127.04% |
| Covered employee payroll | \$ 2,326,906 | \$ 2,284,733 | \$ 2,135,150 |
| Net pension asset as a percentage of covered employee payroll | -11.31% | -30.03% | -56.57% |

* Fiscal year 2015 was the first year of implementation; therefore, only three years are shown.

TOWN OF BRISTOL, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES TO NET PENSION LIABILITY AND RELATED RATIOS - MERS (CONTINUED)

LAST TEN YEARS *

| | 2016 | 2015 | 2014 |
|--|-----------|-----------|-----------|
| | Fire | | |
| Total pension liability: | | | |
| Service cost | \$ 13,637 | \$ 21,582 | \$ 20,832 |
| Interest | 26,736 | 26,024 | 24,003 |
| Changes of benefit terms | - | (277) | - |
| Effect of economic/demographic gains or (losses) | | | |
| Differences between expected and actual experience | (4,289) | (8,922) | - |
| Changes of assumptions | | | (898) |
| Benefit payments, including refunds of member contributions | (32,510) | (17,357) | (17,366) |
| Net change in total pension liability | 3,574 | 21,050 | 26,571 |
| Total pension liability, beginning of year | 365,923 | 344,873 | 318,302 |
| Total pension liability, end of year | 369,497 | 365,923 | 344,873 |
| Plan fiduciary net position: | | | |
| Contributions—employer | 15,820 | 24,717 | 15,026 |
| Contributions—employee | 5,768 | 10,320 | 6,717 |
| Net investment income | (102) | 7,122 | 37,161 |
| Benefit payments, including refunds of member contributions | (32,510) | (17,357) | (17,366) |
| Administrative expense | (273) | (286) | (233) |
| Other | 117 | 375 | 1 |
| Net change in plan fiduciary net position | (11,180) | 24,891 | 41,306 |
| Plan fiduciary net position, beginning of year | 303,902 | 279,011 | 237,705 |
| Plan fiduciary net position, end of year | 292,722 | 303,902 | 279,011 |
| Net pension liability, end of year | \$ 76,775 | \$ 62,021 | \$ 65,862 |
| Plan fiduciary net position as a percentage of the total pension liability | 79.22% | 83.05% | 80.90% |
| Covered employee payroll | \$ 63,485 | \$ 99,184 | \$ 95,955 |
| Net pension liability as a percentage of covered employee payroll | 120.93% | 62.53% | 68.64% |

* Fiscal year 2015 was the first year of implementation; therefore, only three years are shown.

TOWN OF BRISTOL, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES TO NET PENSION LIABILITY AND RELATED RATIOS - MERS (CONTINUED)

LAST TEN YEARS *

Component Unit:

| | 2016 | 2015 | 2014 |
|--|---------------------|---------------------|---------------------|
| Total pension liability: | | | |
| Service cost | \$ 405,372 | \$ 393,182 | \$ 401,783 |
| Interest | 1,589,036 | 1,632,706 | 1,569,288 |
| Changes of benefit terms | | | |
| Effect of economic/demographic gains or (losses) | | | |
| Differences between expected and actual experience | (255,766) | (1,706,234) | - |
| Changes of assumptions | | 457,659 | 211,740 |
| Benefit payments, including refunds of member contributions | <u>(1,426,262)</u> | <u>(1,305,070)</u> | <u>(1,360,825)</u> |
| Net change in total pension liability | 312,380 | (527,757) | 821,986 |
| Total pension liability, beginning of year | <u>21,697,595</u> | <u>22,225,352</u> | <u>21,403,366</u> |
| Total pension liability, end of year | <u>22,009,975</u> | <u>21,697,595</u> | <u>22,225,352</u> |
| Plan fiduciary net position: | | | |
| Contributions—employer | 760,738 | 674,632 | 611,556 |
| Contributions—employee | 120,608 | 84,646 | 83,890 |
| Net investment income | (5,390) | 376,660 | 2,165,218 |
| Benefit payments, including refunds of member contributions | (1,426,262) | (1,305,070) | (1,360,825) |
| Administrative expense | (14,501) | (15,141) | (13,559) |
| Other | <u>21,984</u> | <u>3</u> | <u>1</u> |
| Net change in plan fiduciary net position | (542,823) | (184,270) | 1,486,281 |
| Plan fiduciary net position, beginning of year | <u>16,072,484</u> | <u>16,256,754</u> | <u>14,770,473</u> |
| Plan fiduciary net position, end of year | <u>15,529,661</u> | <u>16,072,484</u> | <u>16,256,754</u> |
| Net pension liability (asset), end of year | <u>\$ 6,480,314</u> | <u>\$ 5,625,111</u> | <u>\$ 5,968,598</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 70.56% | 74.07% | 73.15% |
| Covered employee payroll | \$ 4,368,233 | \$ 4,232,318 | \$ 4,172,202 |
| Net pension liability as a percentage of covered employee payroll | 148.35% | 132.91% | 143.06% |

* Fiscal year 2015 was the first year of implementation; therefore, only three years are shown.

TOWN OF BRISTOL, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES TO NET PENSION LIABILITY AND RELATED RATIOS - ERS

LAST TEN YEARS *

Component Unit:

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|----------------------|----------------------|----------------------|
| District's proportion of the net pension liability | 1.37888738% | 1.39219208% | 1.37675883% |
| District's proportionate share of the net pension liability | \$ 41,140,174 | \$ 38,327,085 | \$ 33,510,315 |
| State's proportionate share of the net pension liability associated with the District | <u>28,174,978</u> | <u>26,183,862</u> | <u>22,979,567</u> |
| Total pension liability | <u>\$ 69,315,152</u> | <u>\$ 64,510,947</u> | <u>\$ 56,489,882</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 54.06% | 57.55% | 61.40% |
| Covered employee payroll | \$ 19,598,542 | \$ 20,544,729 | \$ 21,668,067 |
| District's proportionate share of the net pension liability as a percentage of covered employee payroll | 209.91% | 186.55% | 154.65% |

* Fiscal year 2015 was the first year of implementation; therefore, only three years are shown.

TOWN OF BRISTOL, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES TO NET PENSION LIABILITY AND RELATED RATIOS - TSB

LAST TEN YEARS *

Component Unit:

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|---------------|---------------|---------------|
| District's proportion of the net pension asset | 4.44072219% | 4.51855581% | 4.51700329% |
| District's proportionate share of the net pension asset | \$ 4,421,711 | \$ 4,218,325 | \$ 5,615,571 |
| Plan fiduciary net position as a percentage of the total pension asset | 153.30% | 146.60% | 173.30% |
| Covered employee payroll | \$ 19,598,542 | \$ 20,544,729 | \$ 21,668,067 |
| District's proportionate share of the net pension asset as a percentage of covered employee payroll | 22.56% | 20.53% | 25.92% |

* Fiscal year 2015 was the first year of implementation; therefore, only three years are shown.

TOWN OF BRISTOL, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - MERS

LAST TEN YEARS *

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|----------------|----------------|----------------|
| <i>Town, General Unit:</i> | | | |
| Actuarially determined contribution | \$ 788,321 | \$ 718,526 | \$ 704,196 |
| Contributions in relation to the actuarially determined contribution | <u>788,321</u> | <u>718,526</u> | <u>704,196</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered employee payroll | \$ 5,326,496 | \$ 4,769,188 | \$ 4,587,600 |
| Contributions as a percentage of covered employee payroll | 14.80% | 15.07% | 15.35% |
| <i>Town, Police Unit:</i> | | | |
| Actuarially determined contribution | \$ 138,617 | \$ 135,894 | \$ 130,914 |
| Contributions in relation to the actuarially determined contribution | <u>138,617</u> | <u>135,894</u> | <u>130,914</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered employee payroll | \$ 2,734,059 | \$ 2,326,906 | \$ 2,284,733 |
| Contributions as a percentage of covered employee payroll | 5.07% | 5.84% | 5.73% |
| <i>Town, Fire Unit:</i> | | | |
| Actuarially determined contribution | \$ 16,318 | \$ 15,820 | \$ 24,717 |
| Contributions in relation to the actuarially determined contribution | <u>16,318</u> | <u>15,820</u> | <u>24,717</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered employee payroll | \$ 100,978 | \$ 63,485 | \$ 99,184 |
| Contributions as a percentage of covered employee payroll | 16.16% | 24.92% | 24.92% |
| <i>Component Unit:</i> | | | |
| Actuarially determined contribution | \$ 701,306 | \$ 760,738 | \$ 674,632 |
| Contributions in relation to the actuarially determined contribution | <u>701,306</u> | <u>760,738</u> | <u>674,632</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered employee payroll | \$ 4,368,233 | \$ 4,232,318 | \$ 4,172,202 |
| Contributions as a percentage of covered employee payroll | 16.05% | 17.97% | 16.17% |

* Fiscal year 2015 was the first year of implementation; therefore, only three years are shown.

TOWN OF BRISTOL, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - ERS

LAST TEN YEARS *

| | 2017 | 2016 | 2015 |
|--|------------------|------------------|------------------|
| <i>Component Unit, ERS:</i> | | | |
| Actuarially determined contribution | \$ 3,165,421 | \$ 3,110,351 | \$ 2,904,923 |
| Contributions in relation to the actuarially determined contribution | <u>3,165,421</u> | <u>3,110,351</u> | <u>2,904,923</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered employee payroll | \$ 19,598,542 | \$ 20,544,729 | \$ 21,668,067 |
| Contributions as a percentage of covered employee payroll | 16.15% | 15.14% | 13.41% |
| <i>Component Unit, TSB:</i> | | | |
| Statutorily determined contribution | \$ 27,196 | \$ 28,522 | \$ 27,516 |
| Contributions in relation to the actuarially determined contribution | <u>27,196</u> | <u>28,522</u> | <u>27,516</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered employee payroll | \$ 19,598,542 | \$ 20,544,729 | \$ 21,668,067 |
| Contributions as a percentage of covered employee payroll | 0.13876542% | 0.13882880% | 0.12698872% |

* Fiscal year 2015 was the first year of implementation; therefore, only three years are shown.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –MERS, ERS, AND TSB

YEAR ENDED JUNE 30, 2017

The amounts presented for each fiscal year were determined as of the June 30 measurement date prior to the fiscal year-end. The schedules are intended to show information for 10 years; additional years will be displayed as they become available.

Employers participating in the MERS Employees' Retirement System ("MERS") are required by Rhode Island General Laws ("RIGL"), Section 45-21-42, to contribute an actuarially determined contribution rate each year. Employers participating in the State Employees' Retirement System ("ERS") are required by RIGL, Section 36-10-2, to contribute an actuarially determined contribution rate each year. Employers participating in the Teachers' Survivors Benefit Plan ("TSB") contribute at a rate established by RIGL, Section 16-16-35.

Changes in benefit provisions:

The June 30, 2015, measurement date determination of the net pension liability for the ERS and MERS plans reflects changes in benefit changes resulting from the settlement of litigation challenging the various pension reform measures enacted in previous years by the General Assembly. The final settlement approved by the Court on July 8, 2015, also included enactment of the pension settlement provisions by the General Assembly. These amended benefit provisions are summarized below:

- Employees with more than 20 years of service at July 1, 2012, will increase their employee contribution rates to 11% for state employees and municipal general employees will contribute 8.25% (9.25% for units with a cost of living adjustment ("COLA") provision) and participate solely in the defined benefit plan going forward. Service credit accruals will increase from 1% to 2% per year.
- Members are eligible to retire upon the attainment of age 65 with 30 years of service, 64 with 31 years of service, 63 with 32 years of service, or 62 with 33 years of service. Members may retire earlier if their Rhode Island Retirement Security Act ("RIRSA") date is earlier or are eligible under a transition rule.
- MERS Plan public safety employees may retire at age 50 with 25 years of service, or any age with 27 years of service. MERS Plan public safety employees will contribute 9.00% (10.00% for units with a COLA provision)
- Employees with more than 10 but less than 20 years of service at July 1, 2012, will receive an increased employer contribution to the defined contribution plan based on the member's years of service (an additional .25% for members with 10-15 years of service and .50% for members with 15-20 years of service). Also, members who earn less than \$35,000 per year will not be required to pay the administrative fees to the defined contribution plan.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –MERS, ERS, AND TSB
(CONTINUED)

YEAR ENDED JUNE 30, 2017

Changes in benefit provisions (continued):

- Members who retired from a COLA eligible plan before July 1, 2012, will receive a one-time COLA of 2% of the first \$25,000 paid as soon as administratively possible.
- Retirees as of June 30, 2015, will receive two \$500 stipends; the interim COLA will occur at four-year rather than five-year intervals.
- The COLA formula will be calculated as follows: 50% of the COLA is calculated by taking the previous five-year average investment return, less 5.5% (maximum of 4%), and 50% calculated using previous year's CPI-U (maximum of 3%), for a total maximum COLA of 3.5%. This COLA is calculated on the first \$25,855, effective January 1, 2016, and indexed as of that date. The indexing formula is run annually regardless of funding level each year.
- Minor adjustments were made to the actuarial reduction for employees choosing to retire early.

TOWN OF BRISTOL, RHODE ISLAND

TAX COLLECTOR'S ANNUAL REPORT

YEAR ENDED JUNE 30, 2017

Real estate and personal property taxes receivable:

| Year | Balance, July 1, 2016 | Current year assessment | Adjustments/ abatements | Amount to be collected | Collections | Balance, June 30, 2017 |
|----------------|--------------------------|----------------------------|----------------------------|--------------------------------------|----------------------|---------------------------|
| 2017 | | \$ 41,821,769 | \$ (69,670) | \$ 41,752,099 | \$ 40,338,923 | \$ 1,413,176 |
| 2016 | \$ 1,300,043 | | 98,239 | 1,398,282 | 1,237,124 | 161,158 |
| 2015 | 131,539 | | 4,798 | 136,337 | 68,181 | 68,156 |
| 2014 | 98,819 | | (1,003) | 97,816 | 34,655 | 63,161 |
| 2013 | 66,317 | | (3,952) | 62,365 | 5,776 | 56,589 |
| 2012 | 59,009 | | (3,853) | 55,156 | 2,428 | 52,728 |
| 2011 | 52,235 | | (3,523) | 48,712 | 2,677 | 46,035 |
| 2010 | 28,334 | | (518) | 27,816 | 661 | 27,155 |
| 2009 | 32,739 | | (930) | 31,809 | 1,340 | 30,469 |
| 2008 and prior | 88,594 | | (24,263) | 64,331 | 2,307 | 62,024 |
| | <u>\$ 1,857,629</u> | <u>\$ 41,821,769</u> | <u>\$ (4,675)</u> | <u>\$ 43,674,723</u> | <u>\$ 41,694,072</u> | 1,980,651 |
| | | | | Less allowance for doubtful accounts | | <u>434,305</u> |
| | | | | | | <u>\$ 1,546,346</u> |

TOWN OF BRISTOL, RHODE ISLAND
TAX COLLECTOR'S ANNUAL REPORT (CONTINUED)
YEAR ENDED JUNE 30, 2017

Schedule of most recent net assessed property value by category:

| Description of property | Valuations | Levy |
|-------------------------|-------------------------|----------------------|
| Real property | \$ 2,655,141,922 | \$ 39,216,446 |
| Motor vehicles | 161,980,265 | 2,810,358 |
| Tangible personal | 45,345,768 | 669,757 |
| Total | 2,862,467,955 | 42,696,561 |
| Exemptions | 58,816,993 | 874,792 |
| Current year assessment | <u>\$ 2,803,650,962</u> | <u>\$ 41,821,769</u> |

Reconciliation of current year property tax revenue:

| | |
|---|----------------------|
| Current year collections | \$ 41,694,072 |
| Revenue collected within 60 days subsequent to year ended June 30, 2016 | <u>604,878</u> |
| | 42,298,950 |
| Prior year revenue received in current year | <u>(536,731)</u> |
| Current year real estate and personal property tax revenue | <u>\$ 41,762,219</u> |

OTHER SUPPLEMENTARY INFORMATION

The Annual Supplemental Transparency Report Schedules

Required by the State of Rhode Island General Law § 45-12-22.2 and § 44-35-10

Annual Supplemental Transparency Report (“MTP2”) - Revenue

Annual Supplemental Transparency Report (“MTP2”) – Expenditures

Combining Schedule of Reportable Government Services with Reconciliation to MTP2 – Municipal

Combining Schedule of Reportable Government Services with Reconciliation to MTP2 –
Education Department

Notes to Supplementary Information – Annual Supplemental Transparency Report (“MTP2”)

Town of Bristol
Annual Supplemental Transparency Report (MTP2)
Fiscal Year Ended June 30, 2017

| <u>REVENUE</u> | <u>Municipal</u> | <u>Education Department</u> |
|--|-------------------|---------------------------------|
| Current Year Levy Tax Collection | 41,059,638 | \$ - |
| Last Year's Levy Tax Collection | 629,643 | - |
| Prior Years Property Tax Collection | 63,974 | - |
| Interest & Penalty | 288,424 | - |
| PILOT & Tax Treaty (excluded from levy) Collection | 632,080 | - |
| Other Local Property Taxes | - | - |
| Licenses and Permits | 877,022 | - |
| Fines and Forfeitures | 166,667 | - |
| Investment Income | 59,452 | - |
| Departmental | 764,938 | - |
| Rescue Run Revenue | 729,364 | - |
| Police & Fire Detail | 508,936 | - |
| Other Local Non-Property Tax Revenues | 348,511 | - |
| Tuition | - | - |
| Impact Aid | - | - |
| Medicaid | - | - |
| Federal Stabilization Funds | - | - |
| Federal Food Service Reimbursement | - | - |
| CDBG | 34,591 | - |
| COPS Grants | - | - |
| SAFER Grants | - | - |
| Other Federal Aid Funds | - | - |
| MV Excise Tax Reimbursement | 109,436 | - |
| State PILOT Program | 1,035,982 | - |
| Distressed Community Relief Fund | - | - |
| Library Resource Aid | 185,859 | - |
| Library Construction Aid | 276,731 | - |
| Public Service Corporation Tax | 279,397 | - |
| Meals & Beverage Tax / Hotel Tax | 535,327 | - |
| LEA Aid | - | - |
| Group Home | - | - |
| Housing Aid Capital Projects | - | - |
| Housing Aid Bonded Debt | - | - |
| State Food Service Revenue | - | - |
| Incentive Aid | 3,025 | - |
| Property Revaluation Reimbursement | - | - |
| Other State Revenue | 1,879 | - |
| Other Revenue | - | - |
| Rounding | - | - |
| Total Revenue | 48,590,876 | \$ - |
| Financing Sources: Transfer from Capital Funds | - | \$ - |
| Financing Sources: Transfer from Other Funds | 166,000 | - |
| Financing Sources: Debt Proceeds | 7,588,000 | - |
| Financing Sources: Other | 1,089,285 | - |
| Rounding | - | - |
| Total Other Financing Sources | 8,843,285 | \$ - |

Town of Bristol
Annual Supplemental Transparency Report (MTP2)
Fiscal Year Ended June 30, 2017

| EXPENDITURES | General | | Social | Centralized | Planning | Libraries | Public Works | Parks and Rec | Police Department |
|---|---------------------|-------------------|-------------------|-------------|-------------------|-------------------|---------------------|-------------------|---------------------|
| | Government | Finance | Services | IT | | | | | |
| Compensation- Group A | \$ 583,026 | \$ 430,060 | \$ 122,476 | \$ - | \$ 426,299 | \$ 550,256 | \$ 1,912,041 | \$ 347,169 | \$ 2,962,047 |
| Compensation - Group B | - | - | - | - | - | - | - | - | - |
| Compensation - Group C | - | - | - | - | - | - | - | - | - |
| Compensation -Volunteer | - | - | - | - | - | - | - | - | - |
| Overtime- Group A | - | - | - | - | - | - | 128,204 | - | 190,885 |
| Overtime - Group B | - | - | - | - | - | - | - | - | - |
| Overtime - Group C | - | - | - | - | - | - | - | - | - |
| Police & Fire Detail | - | - | - | - | - | - | - | - | 564,112 |
| Active Medical Insurance - Group A | 82,003 | 71,753 | 7,261 | - | 61,503 | 82,003 | 338,264 | 41,002 | 413,006 |
| Active Medical Insurance- Group B | - | - | - | - | - | - | - | - | - |
| Active Medical Insurance- Group C | - | - | - | - | - | - | - | - | - |
| Active Dental insurance- Group A | 7,542 | 6,599 | 375 | - | 5,657 | 7,542 | 31,111 | 3,771 | 38,278 |
| Active Dental Insurance- Group B | - | - | - | - | - | - | - | - | - |
| Active Dental Insurance- Group C | - | - | - | - | - | - | - | - | - |
| Payroll Taxes | 46,542 | 31,592 | 2,074 | - | 31,316 | 40,422 | 144,602 | 25,503 | 35,566 |
| Life Insurance | 8,093 | 7,082 | 1,012 | - | 6,070 | 8,093 | 33,386 | 4,047 | 40,467 |
| State Defined Contribution- Group A | 8,072 | 7,063 | 271 | - | 6,054 | 8,072 | 33,299 | 4,036 | 41,100 |
| State Defined Contribution - Group B | - | - | - | - | - | - | - | - | - |
| State Defined Contribution - Group C | - | - | - | - | - | - | - | - | - |
| Other Benefits- Group A | - | - | - | - | - | - | - | - | - |
| Other Benefits- Group B | - | - | - | - | - | - | - | - | - |
| Other Benefits- Group C | - | - | - | - | - | - | - | - | - |
| Local Defined Benefit Pension- Group A | - | - | - | - | - | - | - | - | 1,391,550 |
| Local Defined Benefit Pension - Group B | - | - | - | - | - | - | - | - | - |
| Local Defined Benefit Pension - Group C | - | - | - | - | - | - | - | - | - |
| State Defined Benefit Pension- Group A | 50,545 | 44,227 | 4,012 | - | 37,909 | 50,545 | 208,499 | 25,273 | 255,032 |
| State Defined Benefit Pension - Group B | - | - | - | - | - | - | - | - | - |
| State Defined Benefit Pension - Group C | - | - | - | - | - | - | - | - | - |
| Other Defined Benefit / Contribution | - | - | - | - | - | - | - | - | 23,311 |
| Purchased Services | 571,664 | 49,691 | - | - | 54,328 | - | 271,862 | 58,420 | - |
| Materials/Supplies | 76,584 | 2,075 | 1,070 | - | 522 | 42,246 | 44,647 | 7,241 | 56,887 |
| Software Licenses | - | - | - | - | - | - | 5,582 | - | - |
| Capital Outlays | 311,844 | - | - | - | - | - | - | - | 105,176 |
| Insurance | 665,534 | - | - | - | - | - | - | - | - |
| Maintenance | 58,646 | - | 3,345 | - | - | 22,495 | 105,551 | 40,030 | 11,989 |
| Vehicle Operations | 631 | - | 10,206 | - | 2,775 | - | 245,048 | 9,048 | 111,612 |
| Utilities | 77,528 | - | 10,328 | - | - | 63,726 | 48,015 | 70,818 | 56,682 |
| Contingency | - | - | - | - | - | - | - | - | - |
| Street Lighting | - | - | - | - | - | - | 333,284 | - | - |
| Revaluation | - | 17,000 | - | - | - | - | - | - | - |
| Snow Removal-Raw Material & External Contracts | - | - | - | - | - | - | 187,969 | - | - |
| Trash Removal & Recycling | - | - | - | - | - | - | - | - | - |
| Claims & Settlements | 33,359 | - | - | - | - | - | - | - | - |
| Community Support | 95,272 | - | - | - | - | - | - | - | - |
| Other Operation Expenditures | 232,967 | 3,180 | 8,260 | - | 12,051 | 32,663 | 511,706 | 16,691 | 84,256 |
| Local Appropriation for Education | - | - | - | - | - | - | - | - | - |
| Regional Appropriation for Education | - | - | - | - | - | - | - | - | - |
| Supplemental Appropriation for Education | - | - | - | - | - | - | - | - | - |
| Regional Supplemental Appropriation for Education | - | - | - | - | - | - | - | - | - |
| Other Education Appropriation | - | - | - | - | - | - | - | - | - |
| Municipal Debt- Principal | - | - | - | - | - | - | - | - | - |
| Municipal Debt- Interest | - | - | - | - | - | - | - | - | - |
| School Debt- Principal | - | - | - | - | - | - | - | - | - |
| School Debt- Interest | - | - | - | - | - | - | - | - | - |
| Retiree Medical Insurance- Total | - | - | - | - | - | - | - | - | - |
| Retiree Dental Insurance- Total | - | - | - | - | - | - | - | - | - |
| OPEB Contribution- Total | - | - | - | - | - | - | - | - | - |
| Non-Qualified OPEB Trust Contribution | - | - | - | - | - | - | - | - | - |
| Rounding | - | - | - | - | - | - | - | - | - |
| Total Expenditures | \$ 2,909,852 | \$ 670,322 | \$ 170,690 | \$ - | \$ 644,484 | \$ 908,063 | \$ 4,583,070 | \$ 653,049 | \$ 6,381,956 |

Town of Bristol
Annual Supplemental Transparency Report (MTP2)
Fiscal Year Ended June 30, 2017

| EXPENDITURES | Fire Department | Centralized Dispatch | Public Safety Other | Education Appropriation | Debt | OPEB | Total Municipal | Education Department |
|---|---------------------|-------------------------|------------------------|----------------------------|---------------------|---------------------|----------------------|-------------------------|
| Compensation- Group A | \$ 288,404 | \$ 416,517 | \$ 271,352 | \$ - | \$ - | \$ - | \$ 8,309,647 | \$ - |
| Compensation - Group B | - | - | - | - | - | - | - | - |
| Compensation - Group C | - | - | - | - | - | - | - | - |
| Compensation -Volunteer | 144,827 | - | - | - | - | - | 144,827 | - |
| Overtime- Group A | - | 7,095 | 1,429 | - | - | - | 327,613 | - |
| Overtime - Group B | - | - | - | - | - | - | - | - |
| Overtime - Group C | - | - | - | - | - | - | - | - |
| Police & Fire Detail | 56,252 | - | - | - | - | - | 620,364 | - |
| Active Medical Insurance - Group A | 41,002 | 82,003 | 41,002 | - | - | - | 1,260,802 | - |
| Active Medical Insurance- Group B | - | - | - | - | - | - | - | - |
| Active Medical Insurance- Group C | - | - | - | - | - | - | - | - |
| Active Dental insurance- Group A | 3,771 | 7,542 | 3,771 | - | - | - | 115,959 | - |
| Active Dental Insurance- Group B | - | - | - | - | - | - | - | - |
| Active Dental Insurance- Group C | - | - | - | - | - | - | - | - |
| Payroll Taxes | 21,186 | 31,119 | 20,039 | - | - | - | 429,961 | - |
| Life Insurance | 4,047 | 8,093 | 4,047 | - | - | - | 124,437 | - |
| State Defined Contribution- Group A | 4,036 | - | 4,036 | - | - | - | 116,039 | - |
| State Defined Contribution - Group B | - | 8,072 | - | - | - | - | 8,072 | - |
| State Defined Contribution - Group C | - | - | - | - | - | - | - | - |
| Other Benefits- Group A | - | - | - | - | - | - | - | - |
| Other Benefits- Group B | - | - | - | - | - | - | - | - |
| Other Benefits- Group C | - | - | - | - | - | - | - | - |
| Local Defined Benefit Pension- Group A | - | - | - | - | - | - | 1,391,550 | - |
| Local Defined Benefit Pension - Group B | - | - | - | - | - | - | - | - |
| Local Defined Benefit Pension - Group C | - | - | - | - | - | - | - | - |
| State Defined Benefit Pension- Group A | 25,273 | - | 25,273 | - | - | - | 726,588 | - |
| State Defined Benefit Pension - Group B | - | 50,545 | - | - | - | - | 50,545 | - |
| State Defined Benefit Pension - Group C | - | - | - | - | - | - | - | - |
| Other Defined Benefit / Contribution | 2,700 | - | - | - | - | - | 26,011 | - |
| Purchased Services | 405,600 | - | 7,219 | - | - | - | 1,418,784 | - |
| Materials/Supplies | 123,489 | - | 18,099 | - | - | - | 372,860 | - |
| Software Licenses | 4,567 | 14,584 | - | - | - | - | 24,733 | - |
| Capital Outlays | 30,585 | - | - | - | - | - | 447,605 | - |
| Insurance | - | - | - | - | - | - | 665,534 | - |
| Maintenance | 92,209 | - | 57,859 | - | - | - | 392,124 | - |
| Vehicle Operations | 109,172 | - | 7,593 | - | - | - | 496,085 | - |
| Utilities | 73,891 | - | 43,266 | - | - | - | 444,254 | - |
| Contingency | - | - | - | - | - | - | - | - |
| Street Lighting | - | - | - | - | - | - | 333,284 | - |
| Revaluation | - | - | - | - | - | - | 17,000 | - |
| Snow Removal-Raw Material & External Contracts | - | - | - | - | - | - | 187,969 | - |
| Trash Removal & Recycling | - | - | - | - | - | - | - | - |
| Claims & Settlements | - | - | - | - | - | - | 33,359 | - |
| Community Support | - | - | - | - | - | - | 95,272 | - |
| Other Operation Expenditures | 110,160 | - | 13,980 | - | - | - | 1,025,914 | - |
| Local Appropriation for Education | - | - | - | - | - | - | - | - |
| Regional Appropriation for Education | - | - | - | 25,172,179 | - | - | 25,172,179 | - |
| Supplemental Appropriation for Education | - | - | - | - | - | - | - | - |
| Regional Supplemental Appropriation for Education | - | - | - | - | - | - | - | - |
| Other Education Appropriation | - | - | - | 1,406,103 | - | - | 1,406,103 | - |
| Municipal Debt- Principal | - | - | - | - | 2,235,723 | - | 2,235,723 | - |
| Municipal Debt- Interest | - | - | - | - | 989,720 | - | 989,720 | - |
| School Debt- Principal | - | - | - | - | - | - | - | - |
| School Debt- Interest | - | - | - | - | - | - | - | - |
| Retiree Medical Insurance- Total | - | - | - | - | - | - | - | - |
| Retiree Dental Insurance- Total | - | - | - | - | - | - | - | - |
| OPEB Contribution- Total | - | - | - | - | - | 1,093,248 | 1,093,248 | - |
| Non-Qualified OPEB Trust Contribution | - | - | - | - | - | - | - | - |
| Rounding | - | - | - | - | - | - | - | - |
| Total Expenditures | \$ 1,541,171 | \$ 625,570 | \$ 518,965 | \$ 26,578,282 | \$ 3,225,443 | \$ 1,093,248 | \$ 50,504,165 | \$ - |

| | | |
|--|---------------------|-------------|
| Financing Uses: Transfer to Capital Funds | \$ 2,169 | \$ - |
| Financing Uses: Transfer to Other Funds | 273,727 | - |
| Financing Uses: Payment to Bond Escrow Agent | 8,065,000 | - |
| Financing Uses: Other | 502,669 | - |
| Total Other Financing Uses | \$ 8,843,565 | \$ - |
| Net Change in Fund Balance¹ | (1,913,569) | - |
| Fund Balance¹- beginning of year | 11,120,325 | - |
| Funds removed from Reportable Government Services (RGS) | - | - |
| Funds added to Reportable Government Services (RGS) | - | - |
| Prior period adjustments | - | - |
| Misc. Adjustment | - | - |
| Fund Balance¹ - beginning of year adjusted | 11,120,325 | - |
| Fund Balance¹ - end of year | \$ 9,206,756 | \$ - |

¹ and Net Position if Enterprise Fund activity is included in the transparency portal report.

Town of Bristol
Annual Supplemental Transparency Report (MTP2)
Fiscal Year Ended June 30, 2017

| Per Audited Fund Financial Statements Fund Description | Total Revenue | Total Other Financing Sources | Total Expenditures | Total Other Financing Uses | Net Change in Fund Balance ¹ | Beginning Fund Fund Balance ¹ (Deficit) | Prior Period Adjustment | Restated Beginning Fund Balance ¹ (Deficit) | Ending Fund Balance ¹ (Deficit) |
|--|----------------------|-------------------------------------|-----------------------|----------------------------------|---|--|----------------------------|--|--|
| Fund Balance¹ - per MTP-2 at June 30, 2016 | | | | | | \$ 11,120,325 | | \$ 11,120,325 | |
| <i>Substance Abuse Task Force-RISAPA was removed from RGS for fiscal 2017</i> | | | | | | - | | - | |
| <i>No funds added to RGS for fiscal 2017</i> | | | | | | - | | - | |
| <i>No misc. adjustments made for fiscal 2017</i> | | | | | | - | | - | |
| Fund Balance¹ - per MTP-2 at June 30, 2016 adjusted | | | | | | <u>\$ 11,120,325</u> | - | <u>\$ 11,120,325</u> | |
| General Fund | \$ 48,125,450 | \$ 8,843,285 | \$ 50,038,739 | \$ 8,843,565 | \$ (1,913,569) | \$ 11,120,325 | \$ - | \$ 11,120,325 | \$ 9,206,756 |
| Totals per audited financial statements | <u>\$ 48,125,450</u> | <u>\$ 8,843,285</u> | <u>\$ 50,038,739</u> | <u>\$ 8,843,565</u> | <u>\$ (1,913,569)</u> | <u>\$ 11,120,325</u> | <u>\$ -</u> | <u>\$ 11,120,325</u> | <u>\$ 9,206,756</u> |
| <u>Reconciliation from financial statements to MTP2</u> | | | | | | | | | |
| Reimbursement for police details reported as a receivable on financial statements and revenue/expense on MTP-2 | 465,426 | - | 465,426 | - | - | - | - | - | - |
| Rounding | - | - | - | - | - | - | - | - | - |
| Totals Per MTP2 | <u>\$ 48,590,876</u> | <u>\$ 8,843,285</u> | <u>\$ 50,504,165</u> | <u>\$ 8,843,565</u> | <u>\$ (1,913,569)</u> | <u>\$ 11,120,325</u> | <u>\$ -</u> | <u>\$ 11,120,325</u> | <u>\$ 9,206,756</u> |

¹ and Net Position if Enterprise Fund activity is included in the transparency portal report.

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO SUPPLEMENTARY INFORMATION – ANNUAL SUPPLEMENTAL
TRANSPARENCY REPORT (“MTP2”)

YEAR ENDED JUNE 30, 2017

Basis of presentation:

The *Annual Supplemental Transparency Report* (“MTP2”) is a supplemental schedule required by the State of Rhode Island (“State”) General Laws 45-12-22.2 and 44-35-10. This accompanying supplementary schedule is part of a broader project to create a municipal transparency portal (“MTP”) website to host municipal financial information in a centralized location.

The format of the MTP2 is prescribed by the State’s Department of Revenue (“Division of Municipal Finance”), Office of the Auditor General, and the Department of Education.

Reportable government services:

Data consistency and comparability are among the key objectives of the State’s MTP. Consistent with that goal, the State has defined reportable government services (“RGS”) to include those operational revenues, expenditures, and transfers related to activities which are essential to the achievement of municipal operations. The determination of RGS may be different from the activities included within the legally adopted budget of the municipality. In practice, some municipalities report certain RGS in separate funds (e.g., special revenue funds, enterprise funds) rather than the municipality’s general fund. The MTP2 includes a reconciliation to the fund level statements.

Allocations:

The State reporting requires expenditures to be reported by departments, as defined by the State. Some of the departmental groupings are not consistent with the departments reflected in the Town of Bristol’s (the “Town”) budget and accounting system. To report these costs, the Town made allocations of costs to the State’s departmental groupings based on a reasonable basis.

Employee groups - compensation and benefit costs:

Compensation includes salaries, longevity, stipends, clothing allowance/maintenance, shift differential, out-of-rank, holiday pay and bonuses.

For Public Safety departments (i.e., police, fire, and centralized dispatch) and the Education Department, compensation and most benefits costs are reported in the following employee groupings:

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO SUPPLEMENTARY INFORMATION – ANNUAL SUPPLEMENTAL
TRANSPARENCY REPORT (“MTP2”)

YEAR ENDED JUNE 30, 2017

Employee groups - compensation and benefit costs (continued):

Group A -This group consists of employees who serve the primary function of the department.

- Police Department - police officers (e.g., uniform personnel, including leadership positions)
- Fire Department - fire fighters (e.g., uniform personnel, including leadership positions)
- Centralized Dispatch Department - civilian dispatchers only
- Education Department - professional staff providing direct services to students
- For the remaining departments - all employees’ compensation and benefits are reported under Group A

Group B - For Police and Fire Departments, compensation and benefits paid to its administrative employees and civilian dispatch employees are reported under Group B. The Education Department reports compensation and benefits paid to executive/mid-level educational administration employees under Group B.

Group C - This group is only used for the Education Department and it includes administrative and support staff.

Other post-employment benefits (“OPEB”) are not reported by employee groups on the MTP2. They are reported in total as either (1) contributions to a qualified OPEB trust or (2) the amount paid for medical and dental insurance for retirees when an OPEB trust fund has not been established. The detail employee group information for the Education Department can be found on the State’s Municipal Transparency portal website.

Education revenue and expenditures

The revenues and expenditures presented on the MTP2 under the Education Department are consistent with existing Uniform Chart of Accounts (“UCOA”) guidelines issued by the State Department of Education. Each MTP2 account code has been mapped to the corresponding UCOA code or group of UCOA codes to facilitate the preparation of the MTP2.

Additional guidance and definitions regarding the State’s MTP1 can be found on the State Division of Municipal Finance website: <http://www.municipalfinance.ri.gov/>.