

TOWN OF BRISTOL, RHODE ISLAND

**BASIC FINANCIAL STATEMENTS
AND REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008**

INTRODUCTORY SECTION

This Section Contains the Following Subsections:

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List of Town Officials

Town of Bristol Organizational Chart

TOWN OF BRISTOL, RHODE ISLAND

YEAR ENDED JUNE 30, 2008

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TOWN OF BRISTOL, RHODE ISLAND

Town Administrator

Diane C. Mederos

Town Treasurer

John M. Day

Town Clerk

Louis P. Cirillo

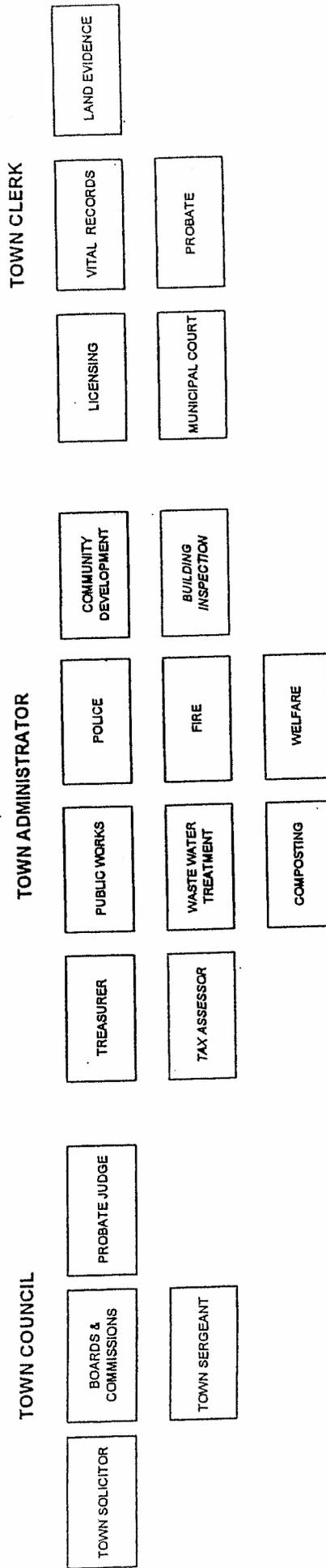
Town Council

Ken Marshall, Chairman
Raymond Cordeiro, Vice Chairman
Halsey C. Herreshoff
Mary Parella
David Barboza

Town of Bristol, R.I.
Municipal Organization Chart



TOWNSPEOPLE



FINANCIAL SECTION

This Section contains the Following Subsections:

Auditors' Report

Management's Discussion and Analysis

Basic Financial Statements

Required Supplementary Information

INDEPENDENT AUDITOR'S REPORT

To the Honorable Town Council
Town of Bristol, Rhode Island

We have audited the accompanying financial statements of the governmental activities, the business-type activity, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Bristol, Rhode Island as of and for the year ended June 30, 2008, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Bristol, Rhode Island's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1 to the financial statements, management has not recorded certain general infrastructure assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those general infrastructure assets be capitalized and depreciated, which would increase the assets, net assets, and expenses of the governmental activities. The amount by which this departure would affect the assets, net assets, and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities on the Town of Bristol, Rhode Island, as of June 30, 2008, or changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Bristol, Rhode Island, as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Boston

Newton

Providence

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2009 on our consideration of the Town of Bristol, Rhode Island's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 is not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis, Schedule of Funding Progress for Pension Plan, and Budgetary Comparison Schedule for the General Fund on **pages 3 through 9 and 51 through 53** are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Bristol, Rhode Island's basic financial statements. The introductory section is presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Brian, PC

Providence, Rhode Island
January, 27, 2009

**Town of Bristol, Rhode Island
Management's Discussion and Analysis
For the
Fiscal Year Ended June 30, 2008**

As management of the Town of Bristol, we offer readers of the Town of Bristol's financial statements this narrative overview and analysis of the financial activities of the Town of Bristol for the fiscal year ended June 30, 2008.

Financial Highlights

- The assets of the Town of Bristol exceeded its liabilities as of June 30, 2008, by \$28,018,548 (*net assets*). Of this amount, \$7,444,383 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors. The total net assets figure does not include any infrastructure of the governmental funds installed prior to 2000. When the historical cost of general infrastructure assets is available, a more meaningful comparison will be available.

- As of June 30, 2008, the Town of Bristol's governmental funds reported combined ending fund balances of \$14,140,410, an decrease of \$4,905,035 in comparison with the prior year.

- As of June 30, 2008, the unreserved fund balance for the general fund was \$8,838,264 or approximately 21 percent of total general fund expenditures. However, \$4,957,619 of this unreserved fund balance was appropriated to meet 2009 general fund expenditures. This reduces the available unreserved fund balance for the general fund to \$3,871,000, or approximately 9 percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Bristol'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 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 of Bristol's finances, in a manner similar to a private-sector business.

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

Overview of the Financial Statements (Continued)

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

Both of the government-wide financial statements distinguish functions of the Town of Bristol that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town of Bristol include general government, public safety, public works, parks and recreation. The business-type activities of the Town of Bristol include the sewer operation.

The government-wide financial statements include the activities of the Town of Bristol and its component units Bristol-Warren Regional School District and the Bristol Fourth of July Committee.

The government-wide financial statements can be found on pages 10 and 11 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Bristol, 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 of Bristol can be divided into four categories: governmental funds, proprietary funds, library renovation, and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Bristol maintains 99 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Library Renovation Fund which are considered to be a major funds. Data from the remaining 97 governmental funds are combined into a single aggregated presentation.

Overview of the Financial Statements (Continued)

The basic governmental fund financial statements can be found on pages 12, 13 and 14 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 of Bristol uses enterprise funds to account for its sewer operations.

The basic proprietary fund financial statements can be found on pages 15, 16 and 17 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 of Bristol's programs. The fiduciary funds maintained by the Town of Bristol include several private-purpose trusts, Police Pension Trust Fund, OPEB Trust Fund, and agency funds.

The basic fiduciary fund financial statements can be found on pages 18 and 19 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 20 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.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Bristol, assets exceeded liabilities by \$28,018,548 at the close of 2008.

	Governmental Activities		Business-type Activities		Total		Percentage change 2007-2008
	2007	2008	2007	2008	2007	2008	
Current and other assets	\$25,790,407	\$31,807,404	\$2,609,769	\$2,356,336	\$28,400,176	\$33,963,740	19.59%
Capital assets	23,218,549	29,417,836	36,183,105	36,464,334	\$59,401,654	\$65,882,170	10.91%
Total assets	49,008,956	61,025,240	38,792,874	38,820,670	\$87,801,830	\$99,845,910	13.72%
Long-term debt	25,904,807	15,825,115	5,001,194	16,214,724	\$30,906,001	\$32,039,839	3.87%
Other liabilities	6,691,483	17,234,842	1,804,978	1,151,054	\$8,496,461	\$18,385,896	116.39%
Total liabilities	32,596,290	33,059,957	6,806,172	17,365,778	\$39,402,462	\$50,425,735	27.98%
Net Assets							
Invested in capital assets	4,587,962	17,541,718	30,187,232	21,473,673	\$34,775,194	\$39,015,391	12.19%
Restricted	8,046,555	3,032,447	0	0	\$8,046,555	\$3,032,447	-62.31%
Unrestricted	3,778,149	7,444,383	1,799,470	(18,781)	\$5,577,619	\$7,425,602	33.13%
Total net assets	\$16,412,666	\$28,018,548	\$31,986,702	\$21,454,892	\$48,399,368	\$49,473,440	2.22%

Government-wide Financial Analysis (Continued)

As identified earlier, infrastructure assets of the governmental funds put into service prior to 2000 are not included within this report. The general capital assets (e.g., land, buildings, machinery, and equipment) of the governmental activities of the Town of Bristol less outstanding debt equals \$17,541,718. A portion of the outstanding debt of the governmental activities was incurred for the installation of infrastructure. It is the goal of the management of the Town of Bristol to include the historical cost of existing infrastructure within the financial statements issued for the year ending June 30, 2009.

Even though historical infrastructure costs are not included, the governmental activities have total net assets of \$28,018,548. Included within the total net assets are capital assets of \$17,541,718 and restricted net assets of \$ 3,032,447 as of June 30, 2008, leaving an unrestricted balance of \$7,444,383.

It should be noted that, even though these net assets are available for future spending, the investment in capital assets is reported net of related debt. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Governmental Activities

Governmental activities increased the Town of Bristol's net assets by \$1,322,967 accounting for a small portion of the growth in the net assets of the Town of Bristol. Much of this increase in net assets was attributed to the investment of current year revenues in the Town's capital assets.

Business-Type Activities

Business-type activities decreased the Town of Bristol's net assets by \$617,301. The decrease in unrestricted net assets was primarily due to the transfer to the Town to fund debt service.

	Governmental Activities		Business-type Activities		Total		Percentage change 2007-2008
	2007	2008	2007	2008	2007	2008	
Revenues							
Program revenues-							
Charges for services	\$1,963,907	\$2,274,710	\$3,170,791	\$100,521	\$5,134,698	\$2,375,231	-53.74%
Grants	1,560,826	1,944,020	-	-	1,560,826	1,944,020	24.55%
General revenues-							
Property taxes	30,508,388	31,645,318			30,508,388	31,645,318	3.73%
State Aid	3,369,578	3,421,438			3,369,578	3,421,438	1.54%
Investment earnings	1,359,839	1,670,746	578	385	1,360,417	1,671,131	22.84%
Miscellaneous	755,869	1,270,227			755,869	1,270,227	68.05%
Transfers	(18,781,533)	(17,906,707)	2,647,177	(718,207)	(16,134,356)	(18,624,914)	15.44%
Total revenues	20,736,874	24,319,752	5,818,546	(617,301)	26,555,420	23,702,451	-10.74%
Expenses							
General government	1,960,322	2,126,988			1,960,322	2,126,988	8.50%
Public safety	6,249,851	6,484,705			6,249,851	6,484,705	3.76%
Public Works	4,944,915	4,853,407			4,944,915	4,853,407	-1.85%
Human Resources	2,072,387	3,758,131			2,072,387	3,758,131	81.34%
Other	1,518,546	1,703,325			1,518,546	1,703,325	12.17%
Interest on long term debt	827,984	791,321			827,984	791,321	-4.43%
Capital and special appropriations	584,119	3,273,158			584,119	3,273,158	460.36%
Loss on disposal of capital assets	-	-			-	-	
Amortization	5,750	5,750			5,750	5,750	
Sewer Fund			2,741,318	-	2,741,318	-	-100.00%
Total expenses	18,163,874	22,996,785	2,741,318	-	20,905,192	22,996,785	10.01%
Increase/-decrease in net assets	2,573,000	1,322,967	3,077,228	(617,301)	5,650,228	705,866	-87.51%
Net assets - beginning	13,839,666	26,695,581	28,909,474	22,072,193	42,749,140	48,767,774	
Net assets - ending	\$ 16,412,666	\$ 28,018,548	\$ 31,986,702	\$ 21,454,892	\$ 48,399,368	\$ 49,473,440	

As noted earlier, the Town of Bristol uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Town of Bristol'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 of Bristol's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2008, the Town of Bristol's governmental funds reported combined ending fund balances of \$14,140,411. Approximately 50 percent or \$7,123,946 constitutes unreserved and undesignated fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period, represents unexpendable inventory items, or has been designated to fund appropriations of the subsequent fiscal year.

Governmental Funds (Continued)

The General *Fund* is the chief operating fund of the Town of Bristol. As of June 30, 2008, the total fund balance of the general fund was \$8,838,265 of which \$3,871,800 was unreserved and undesignated. This unreserved fund balance represents approximately 9 percent of total general fund expenditures. Of this total fund balance, \$4,957,619 was appropriated to meet 2008 general fund expenditures.

The fund balance of the general fund decreased by \$3,379,837 in fiscal year 2008. The 2009 annual budget for the Town of Bristol's general fund identified the appropriation of \$550,000 in fund balance to reduce the impact of taxes levied and to balance the budget. Actual expenses were less than budgeted expenditures by \$3,602,210. \$4,263,409 was appropriated to continue capital projects in 2009. Actual revenues and other sources were less than budgeted revenues in the general fund by \$777,746.

The decrease in revenues were primarily associated with decreases in intergovernmental revenues. Expenditures were \$ 3,602,210 below appropriated amounts, with three areas exceeding their budgets. The majority of expenditures over budget occurred in Public Works. Expenditures for education totaled \$18,517,260 and accounted for roughly 43% of total General Fund expenditures.

Proprietary fund. The Town of Bristol's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Net assets of the Sewer Enterprise fund at the end of the year amounted to \$21,454,892. The financial statements and a statement of cash flows for the enterprise funds can be found on pages 15, 16 and 17 of this report.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were relatively minor. There were no additional appropriations necessary during the fiscal year.

Capital Asset and Debt Administration

Capital assets. The Town of Bristol's investment in capital assets for its governmental and business type activities as of June 30, 2008, amounts to \$65,474,216 net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure, and construction in progress. As mentioned earlier, the infrastructure installed prior to 2000 is not included within these statements. Additional information on the Town of Bristol's capital assets can be found in Note 4 to the financial statements, which accompany this report.

Town of Bristol's Capital Assets

Several major additions to the Town's capital assets related to its governmental fund activities were realized during the year, including continuing street paving and sidewalk repair programs , recreation/ park projects, public safety and public works equipment upgrades as well as automated equipment upgrades in Town offices.

Long-term debt. At the end of the current fiscal year, the Town of Bristol has total bonded debt and loans outstanding of \$32,039,839 entirely backed by the full faith and credit of the government.

State statutes limit the amount of general obligation debt a governmental entity may issue to 3 percent of its total equalized valuation. The current debt limitation for the Town of Bristol is \$93,653,371 which significantly exceeds the Town of Bristol's current outstanding general obligation debt.

Additional information of the Town of Bristol's long-term debt can be found in note 7 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

- The 2005 unemployment rate for Bristol County which includes the Town of Bristol was 4.2 percent. This compares with an unemployment rate of 5.0 percent for the State of Rhode Island and a national unemployment rate of 4.5 percent.
- The rate of inflation for the Providence, Rhode Island metro area was 3.0 percent for 2004, while the 2004-05 tax rate for real estate increased by 2.12 percent.
- \$4,957,619 of the unreserved fund balance in the general fund was appropriated for spending in the 2009 budget.
- Town's appropriation to fund its contribution to the regional school district increased by \$825,104, or 3.8%, to \$19,342,364 for the 2009 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Town of Bristol'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.

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TOWN OF BRISTOL, RHODE ISLAND

**Statement of Net Assets
June 30, 2008**

A-1

	Governmental Activities	Business-type Activities	Total	Component Units	
				Bristol Warren Regional School District	Bristol Fourth of July Committee
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 17,991,721	\$ 12,450	\$ 18,004,171	\$ 9,538,286	\$ 195,060
Investments	6,549,827		6,549,827	665,894	
Inventory	8,844		8,844		
Receivables:					
Taxes net	2,701,658		2,701,658		
Sewer assessment and usage fees		810,776	810,776		
Internal balances	(1,533,110)	1,533,110	0		
Accrued interest receivable	47,558		47,558		
Other receivables	936,131		936,131	3,899,860	
Due from primary government				2,050,000	
Due from federal and state governments	2,528,013		2,528,013	31,808	
OPEB asset (net)	326,762		326,762		
Due from component unit	2,050,000		2,050,000		
Total current assets	31,607,404	2,356,336	33,963,740	16,185,848	195,060
Noncurrent Assets:					
Bond issue costs (net)	53,265		53,265		
Other assets		407,954	407,954		
Capital assets (net)	29,417,836	36,056,380	65,474,216	43,823,351	
Total noncurrent assets	29,471,101	36,464,334	65,935,435	43,823,351	
TOTAL ASSETS	61,078,505	38,820,670	99,899,175	60,009,199	195,060
LIABILITIES					
Current Liabilities:					
Accounts payable	1,652,992	300,222	1,953,214	4,221,639	
Accrued expenses	2,342,184		2,342,184	4,495,346	
Accrued interest payable	175,919		175,919	347,329	
Deferred revenue	1,245,144		1,245,144	52,404	
OPEB liabilities (net)				1,374,945	
Note payable	9,935,000		9,935,000		
Current portion of long-term debt	1,586,336	1,405,087	2,991,423	2,192,500	
Total current liabilities	16,937,575	1,705,309	18,642,884	12,684,163	
Noncurrent Liabilities:					
Compensated absences	1,865,177	306,276	2,171,453		
Deferred revenue		544,556	544,556		
Net pension obligation	18,426		18,426		
Long-term liabilities (net)	14,238,779	14,809,637	29,048,416	35,045,216	
Total noncurrent liabilities	16,122,382	15,660,469	31,782,851	35,045,216	
TOTAL LIABILITIES	33,059,957	17,365,778	50,425,735	47,729,379	
NET ASSETS					
Invested in capital assets, net of related debt	17,541,718	21,473,673	39,015,391	6,585,635	
Restricted for capital improvements	3,032,447		3,032,447		
Unrestricted	7,444,383	(18,781)	7,425,602	5,694,185	195,060
TOTAL NET ASSETS	\$ 28,018,548	\$ 21,454,892	\$ 49,473,440	\$ 12,279,820	\$ 195,060

SEE NOTES TO BASIC FINANCIAL STATEMENTS

TOWN OF BRISTOL - RHODE ISLAND

A - 2

**Statement of Activities
Year Ended June 30, 2008**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Bristol Warren Regional School District	Bristol Fourth of July Committee	
Governmental activities:										
General government	\$ 2,126,988	\$ 1,112,892	\$ 2,419	\$ 334,693	\$ (1,011,677)		\$ (1,011,677)			
Public safety	6,484,705	563,416		\$ 923,397	(5,586,596)		(5,586,596)			
Public works	4,853,407	526,953		99,875	(3,403,057)		(3,403,057)			
Human Resources	3,627,941	71,449	583,636		(2,872,981)		(2,872,981)			
Education										
Other	1,703,325				(1,703,325)		(1,703,325)		\$ (251,799)	
Interest on long-term debt	791,321				(791,321)		(791,321)			
Capital and special approp.	3,403,348				(3,403,348)		(3,403,348)			
Amortization	5,750				(5,750)		(5,750)			
Total governmental activities	22,996,785	2,274,710	586,055	1,357,965	(18,778,055)		(18,778,055)	(51,650,115)	(251,799)	
Business-type activity:										
Food service								13,760		
Non major enterprise fund activity								(63,577)		
Sewer Fund	4,722,703	4,823,224				\$ 100,521	100,521			
Total business-type activities	4,722,703	4,823,224				100,521	100,521	(49,817)		
Totals	\$ 27,719,488	\$ 7,097,934	\$ 586,055	\$ 1,357,965	(18,778,055)	100,521	(18,677,534)	(51,699,932)	(251,799)	
General revenues:										
Property taxes				31,645,318			31,645,318	10,611,668		
Contributions from Town of Warren				3,421,438			3,421,438	19,809,746		
State aid				1,670,746		385	1,671,131	463,485		
Investment earnings				1,270,227			1,270,227	92,408	281,875	
Miscellaneous				(17,906,707)		(718,207)	(18,624,914)	18,517,260		
Transfers				20,101,022		(717,822)	19,383,200	49,494,567	281,875	
Total general revenues and transfers				31,645,318		(617,301)	705,666	(2,205,365)	30,076	
Change in Net Assets				26,695,581		22,072,193	48,767,774	14,485,185	164,984	
Net Assets - beginning, as restated				\$ 28,018,548		\$ 21,454,892	\$ 49,473,440	\$ 12,279,820	\$ 195,060	
Net Assets - ending										

SEE NOTES TO BASIC FINANCIAL STATEMENTS

TOWN OF BRISTOL, RHODE ISLAND

**Balance Sheet
Governmental Funds
June 30, 2008**

B - 1

	General Fund	Library Renovation Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and cash equivalents	\$ 16,641,796	\$ 199,107	\$ 1,150,817	\$ 17,991,720
Investments		2,751,183	3,798,644	6,549,827
Inventory	8,844			8,844
Uncollected property taxes	2,945,681			2,945,681
Due from federal and state governments	786,098		1,741,915	2,528,013
Due from component unit	2,050,000			2,050,000
Accrued interest receivable	4,694		42,864	47,558
Other receivables	684,902		251,227	936,129
Advance receivable	300,000			300,000
Due from other funds	3,987,568		1,081,079	5,068,647
TOTAL ASSETS	\$ 27,409,583	\$ 2,950,290	\$ 8,066,546	\$ 38,426,419
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,480,702		\$ 172,287	\$ 1,652,989
Due to other funds	2,604,497	\$ 3,000,000	997,259	6,601,756
Deferred revenue	2,208,937		1,245,144	3,454,081
Bond anticipation note payable	9,935,000			9,935,000
Other liabilities	2,342,183			2,342,183
Advance payable			300,000	300,000
TOTAL LIABILITIES	18,571,319	3,000,000	2,714,690	24,286,009
FUND BALANCES:				
Reserved for inventory	8,845			8,845
Designated for subsequent year's expenditures	4,957,619			4,957,619
Amount not due within one year	2,050,000			2,050,000
Unreserved	1,821,800			1,821,800
Unreserved, reported in nonmajor:				
Special revenue funds			655,937	655,937
Capital project fund		(49,710)	821,711	772,001
Permanent trust funds			3,874,208	3,874,208
TOTAL FUND BALANCES	8,838,264	(49,710)	5,351,856	14,140,410
TOTAL LIABILITIES AND FUND BALANCES	\$ 27,409,583	\$ 2,950,290	\$ 8,066,546	

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

Bond issuance cost is recorded in governmental activities, but not in recorded in the funds.	53,265
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	29,417,836
OPEB asset is recorded in the governmental activities, but not recorded in the funds.	326,762
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(17,708,718)
Deferred revenues (net of an allowance for uncollectibles) are recorded in the funds, but are not deferred under the measurement focus employed in the Statement of Net Assets.	1,964,912
Accrued interest payable is recorded in government activities, but is not recorded in the funds.	(175,919)

Total Net Assets (A-1)

\$ 28,018,548

TOWN OF BRISTOL, RHODE ISLAND

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2008**

	General Fund	Library Renovation Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
General property taxes	\$ 31,497,881			\$ 31,497,881
State aid and grants	3,745,692			3,745,692
Intergovernmental	216,416		\$ 1,873,286	2,089,702
Licenses and permits	1,685,783			1,685,783
Interest and investment income	573,094	\$ 1,175,811	196,295	1,945,200
Unrealized gain on investments			(274,454)	(274,454)
Other revenues	783,457		621,195	1,404,652
Total revenues	38,502,323	1,175,811	2,416,322	42,094,456
Expenditures				
<i>Current:</i>				
Legislative, judicial and general administration	927,416		287,849	1,215,265
Financial administration	448,674			448,674
Public safety	4,251,204		71,659	4,322,863
Public works	3,854,930		88,115	3,943,045
Human resources	1,187,727		1,978,275	3,166,002
Education	18,517,260			18,517,260
Sundry	5,368,924			5,368,924
<i>Debt Service:</i>				
Principal	1,427,371			1,427,371
Interest and other costs	802,221			802,221
<i>Capital:</i>				
Capital and special appropriations	5,911,479	3,520,689	1,542,375	10,974,543
Total expenditures	42,697,206	3,520,689	3,968,273	50,186,168
Excess of revenues over (under) expenditures before other financing sources	(4,194,883)	(2,344,878)	(1,551,951)	(8,091,712)
Other financing sources (uses)				
Transfers in	842,547		67,864	910,411
Transfers out	(27,500)		(164,704)	(192,204)
Net other financing sources (uses)	815,047		(96,840)	718,207
Net change in fund balances	(3,379,836)	(2,344,878)	(1,648,791)	(7,373,505)
Fund balance - beginning of the year, restated	12,218,101	2,295,168	7,000,647	21,513,916
Fund balance - end of the year	\$ 8,838,265	\$ (49,710)	\$ 5,351,856	\$ 14,140,411

SEE NOTES TO BASIC FINANCIAL STATEMENTS

TOWN OF BRISTOL, RHODE ISLAND**Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances
of Governmental Funds (B-2) to the Statement of Activities (A-2)
Year Ended June 30, 2008**

Net Change In Fund Balances - Total Governmental Funds (B-2):	\$ (7,373,506)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	6,595,654
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences.	1,427,371
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.	(167,094)
Decrease in unpaid pension contributions. The liability is not recorded in the governmental fund. The change from prior year balances is reflected in the statement of activities and changes in net assets.	169,899
Increase in OPEB asset. The asset is not recorded in the governmental fund. The change from prior year is reflected in the statement of activities and changes in net assets.	326,762
Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in government funds	330,093
Adjustment to accrued interest payable related to general obligation bonds which is required to be recorded for government-wide financial statement presentation.	<u>13,788</u>
Change In Net Assets of Governmental Activities In the Statement of Activities (A-2)	<u><u>\$ 1,322,967</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS

TOWN OF BRISTOL, RHODE ISLAND**Statement of Net Assets
Proprietary Fund
June 30, 2008**

	<u>Sewer Enterprise Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 12,450
Sewer assessment and usage fees receivable	810,776
Due from other funds	1,533,110
Total current assets	<u>2,356,336</u>
Noncurrent assets:	
Loan issuance cost, net of amortization of \$549,860	407,954
Capital assets (net)	36,056,380
Total noncurrent assets	<u>36,464,334</u>
TOTAL ASSETS	<u>38,820,670</u>
LIABILITIES	
Current liabilities:	
Accounts payable	300,222
Current portion of long-term debt	1,405,087
Total current liabilities	<u>1,705,309</u>
Noncurrent liabilities:	
Compensated absences	306,276
Deferred revenue	544,556
Long-term debt	14,809,637
Total noncurrent liabilities	<u>15,660,469</u>
TOTAL LIABILITIES	<u>17,365,778</u>
NET ASSETS	
Invested in capital assets, net of related debt	21,473,673
Unrestricted	(18,781)
TOTAL NET ASSETS	<u>\$ 21,454,892</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS

TOWN OF BRISTOL, RHODE ISLAND**Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the year ended June 30, 2008**

	<u>Sewer Enterprise Fund</u>
Operating Revenues:	
User fees	\$ 4,361,007
Other revenue	123,556
Total Operating revenues	<u>4,484,563</u>
Operating Expenses:	
Salaries	853,053
Materials and supplies	1,840,657
Repair and maintenance	247,529
Depreciation and amortization	962,105
Utilities	304,741
Administrative expense	16,236
Miscellaneous	112,455
Total Operating Expenses	<u>4,336,776</u>
Income from operations	147,787
Non-operating revenues (expenses):	
Assessment fees	338,661
Investment income	385
Interest expense	(385,927)
Total non-operating revenues (expenses)	<u>(46,881)</u>
Net income before transfers	<u>100,906</u>
Transfers (out)	(718,207)
	<u>(718,207)</u>
Change in net assets	(617,301)
Net assets - beginning of the year, restated	<u>22,072,193</u>
Net assets - end of the year	<u><u>\$ 21,454,892</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS

Statement of Cash Flow
Proprietary Fund
For the year ended June 30, 2008

	Sewer Enterprise Fund
Cash flows from operating activities:	
Cash received from customers	\$ 4,416,021
Cash payments to suppliers for goods and services	(2,406,245)
Cash payments to employees for services	(821,300)
Net cash provided by operating activities	1,188,476
Cash flows from noncapital financing activities:	
Operating transfers (to) other funds	(718,207)
Assessment fees	337,449
Interfund borrowings	76,340
Net cash used for non-capital financing activities	(304,418)
Cash flows from capital-related financing activities:	
Acquisition and construction of capital assets	(2,961,534)
Principal paid on bonds and loans	(1,784,775)
Proceeds from bonds and loans	4,284,781
Bond issuance costs	(52,450)
Interest paid on bonds and loans	(370,080)
Net cash used for capital-related financing activities	(884,058)
Cash flows from investing activities:	
Interest and dividends on investments	385
Net cash provided by investing activities	385
Net increase in cash and cash equivalents	385
Cash and cash equivalents at beginning of the year	12,065
Cash and cash equivalents at end of the year	\$ 12,450
Reconciliation of net income to net cash provided by operating activities:	
Income from operations	\$ 147,787
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation and amortization	962,105
Changes in assets and liabilities:	
Increase in accounts receivable	(68,543)
Increase in compensated absences	24,825
Increase in accounts payable	122,302
Total adjustments	1,040,689
Net cash provided by operating activities	\$ 1,188,476

SEE NOTES TO BASIC FINANCIAL STATEMENTS

TOWN OF BRISTOL, RHODE ISLAND**Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008**

	Private- Purpose Trusts	Police Pension Trust Fund	OPEB Trust Fund	Agency Funds
ASSETS:				
Cash	\$ 1,104,553	\$ 568,255		\$ 131,740
Investments	2,360,479	12,007,419	\$ 1,191,276	
Cash surrender value			406,094	
Accrued interest receivable	24,684		77,886	
Prepaid expenses		96,916		
Other receivables				11,715
Total Assets	3,489,716	12,672,590	1,675,256	143,455
LIABILITIES:				
Deposits held in custody for others				143,455
Total Liabilities				143,455
NET ASSETS:				
Held in trust for private purpose, pension and post retirement benefits	\$ 3,489,716	\$ 12,672,590	\$ 1,675,256	\$ 0

SEE NOTES TO BASIC FINANCIAL STATEMENTS

TOWN OF BRISTOL, RHODE ISLAND**Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the year ended June 30, 2008**

	Private- Purpose Trusts	Police Pension Trust Fund	OPEB Trust Fund
ADDITIONS:			
Investment income	\$ 102,533	\$ 376,988	\$ 10,458
Contributions		838,931	2,346,176
Other income	8,333		
Increase in fair value of investments			71,630
Total additions	110,866	1,215,919	2,428,264
DEDUCTIONS:			
Trust expenses	13,000		
Investment expenses		108,299	106,155
Decrease in fair value of investments	178,574	132,666	45,680
Benefits		1,036,648	601,173
Total deductions	191,574	1,277,613	753,008
CHANGE IN NET ASSETS	(80,708)	(61,694)	1,675,256
Net Assets - beginning, restated	3,570,424	12,734,284	0
Net Assets - ending	\$ 3,489,716	\$ 12,672,590	\$ 1,675,256

SEE NOTES TO BASIC FINANCIAL STATEMENTS

TOWN OF BRISTOL, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town complies with generally accepted accounting principles (GAAP). Generally accepted accounting principles (GAAP) includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The Town has elected not to follow subsequent private-sector guidance. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

As a general rule the effect of Interfund activity has been eliminated from the government-wide financial statements. The exceptions to this rule are the charges between the sewer enterprise fund and the general fund, as elimination of these charges would improperly distort the direct costs and operating revenues reported for the functions concerned.

Recently Issued Accounting Standards

The Town has implemented GASB Statement No. 45 – Accounting for Financial Reporting for Employees Post-employment Benefits Other Than Pensions. This pronouncement requires the Town to recognize the accrual of net OPEB assets and obligations at June 30, 2008.

The Town has implemented GASB Statement No. 48 – Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues. The adoption of this Statement did not have an affect on the Town's financial statements or results of operations.

The Town has implemented GASB Statement No. 50 – Pension Disclosures – an amendment of GASB Statement No. 25 and No. 27, effective for the Town's fiscal year ending June 30, 2008.

The Town will adopt the following new accounting pronouncements in future years:

- ✓ GASB Statement No. 49 – Accounting and Financial Reporting for Pollution Remediation Obligations, effective for the Town's fiscal year ending June 30, 2009.
- ✓ GASB Statement No. 51 – Accounting and Financial Reporting for Intangible Assets, effective for the Town's fiscal year ending June 30, 2010.

The impact of these pronouncement on the Town's financial statements has not been determined.

Reporting Entity

The Town of Bristol was founded in 1680. The Town is governed largely under the 1971 Bristol Home Rule Charter. In some matters, including the issuance of short and long-term debt, the Town is governed by the general laws of the State of Rhode Island. The Town operates under a Town Council/Town Administrator form of Government and provides the following services as authorized by its charter: public safety (police, fire, traffic safety, and harbor patrol); public works (sanitation, highways and streets, engineering and building maintenance); social services; and general administrative services.

(CONTINUED)

TOWN OF BRISTOL, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

An act was passed at the January 1991 session of the General Assembly which authorized the Towns of Warren and Bristol to form a regional school district of all the public schools in the Towns of Bristol and Warren to include all grades and programs currently provided and any other grades and programs specified by the regional school committee.

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 39. Under GASB Statement No. 14, the financial reporting entity includes both the primary government and all of its component units. Component units are legally separate entities that meet any one of the following three tests:

- Test 1 – The primary government appoints the voting majority of the board of the potential component unit and is able to impose its will on the potential component unit and/or is in a relationship of financial benefit or burden with the potential component unit;
- Test 2 – The potential component is fiscally dependent upon the primary government; or
- Test 3 – The financial statements would be misleading if data from the potential component unit were not included

The following entities were considered for classification as a component unit for fiscal year 2008:

- ❖ Bristol Warren Regional School District
- ❖ Bristol Fourth of July Committee

The Bristol Warren Regional School District operates the schools within the Towns of Bristol and Warren. The School Committee is elected by the citizens of Bristol and Warren. The School District does not have the authority to levy taxes and submits budget requests to the Towns of Bristol and Warren. Bristol provides 64 percent of the member Town contributions and, as a result, the Bristol Warren Regional School District is considered a component unit of the Town of Bristol. The School District is included in the financial statements of the Town as a discretely presented component unit.

Complete financial statements for the School District can be obtained from the School's administrative office at 151 State Street, Bristol, Rhode Island 02809.

The Bristol Fourth of July Committee (Committee) is a non-profit organization established in 1785. The Committee plans, organizes and implements all events associated with the annual Fourth of July celebration in Bristol, Rhode Island. The members of the Committee are appointed by the Town of Bristol Town Council. The Committee has a fiscal year end of September 30. The Committee is included in the financial statements of the Town as a discretely presented component unit.

There are no other component units of the Town.

(CONTINUED)

TOWN OF BRISTOL, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

Government-Wide Financial Statements

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. 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.

Fund Financial Statements

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

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

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

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

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for certain purposes.

Capital Project Fund

The Capital Project Fund is used to account for resources restricted for the acquisition or construction of specific capital projects or items. The reporting entity includes four Capital Project Funds and they are used to account for the acquisition of capital assets.

Permanent Funds

The Permanent Funds account for assets held by the Town pursuant to trust agreements. The principle portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund.

(CONTINUED)

TOWN OF BRISTOL, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Fund

Proprietary funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Fiduciary Funds (Not included in government wide statements)

Agency Funds

Agency funds account for assets held by the Town in a purely custodial capacity. The reporting entity includes ten agency funds. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations. The agency funds are as follows:

- Unclaimed Estates in Probate Court
- Recreation Leagues
- Performance Bond Fund
- Soda Machine
- HUD Held Funds
- Community Center
- Kid's Café
- Bristol Boat Show
- Police Sunshine Fund
- University/Town Committee

Private-purpose Trust Funds

Private-purpose trust funds are used to account for resources legally held in trust for use by parties outside of the Town, and can not 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.

OPEB Trust Fund

The Other Post Employment Benefits (OPEB) trust fund is used to account for payments of post employment benefits (health insurance) that the Town provides to qualified retirees in accordance with union contract provisions

Pension Trust Funds

Pension trust funds are used to account for resources legally held in trust for the payment of pension benefits.

(CONTINUED)

TOWN OF BRISTOL, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major and Non-Major Funds

The funds are further classified as major or non-major as follows:

Major:	<u>Fund</u>	<u>Brief Description</u>
	General Fund:	See above for description
	Library Renovation Fund:	Account for activities related to the Library renovations.
	Proprietary Fund:	See above for description
	Capital Projects Fund:	See above for description

Non-Major:

Special Revenue Funds:

Revolving Loan Fund, Business Loan Fund, Assessor Maps, CDBG, EDI Grant, Community Center Youth Program, Bike Path Bathrooms, D.A.R.E. Program, Fire Prevention, Fire Victims, Downtown Building Study, Keep Bristol Clean, Last Night, Mosquito Abatement, Naomi Street, Planning Engineering, Police Grants, Police Narcotics, Post Employment, Records Preservation, Rental Rehabilitation, Revaluation Defense, SATF 95-96, BSAPTF Substance Abuse, Shamrock, Substance Abuse, Vacation Camps, Veterinary, Zoning Revisions Phase III, Concerts on the Common, HDC Brochures, Bristol in Bloom, Recreation Tee Shirts, Library Aid, Salary Reserve, Revaluation, Cabana for Visitors, Post Retirement, Emergency Management, COPS Technology, Land Evidence and Technology, Revaluation State Funding, Transient Harbor Mooring, Bristol First Century Project, Tent Inspections, Drawing Reviews, Burnside Portrait, CPR Training, Spay/Neuter, Silver Creek Recreation, Metacom Corridor, Fire Department Inspections, Trust Training Grant, Highway Grant and Quinta-Gamelin Army Reserve.

Capital Project Fund: See above for description.

Permanent Funds: Fund 7116 and 6180, Ruth A. Seldon, Davis Wilson, Colt Poor Farm, Poor Farm, Rev. John Bristed, Ann Fletcher, John B. Herreshoff, Frederick Easterbrooks, Isabelle Wardwell, Marshall Waldron, Martha Gardner, James Dimon, and Teachers for the Children.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

(CONTINUED)

TOWN OF BRISTOL, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- (a) All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period. The Town considers property taxes as available if they are collected within 60 days after year end.
- (b) The proprietary fund and private purpose trust funds utilize "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as net assets.
- (c) Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds, agency funds, pension trust, OPEB trust and private purpose trust funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

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

(CONTINUED)

TOWN OF BRISTOL, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal operation. The principal operating revenues of the sewer enterprise fund are charges for waste disposal services. Operating expenses for the sewer enterprise fund include the costs of providing its services, including administration and depreciation on capital assets. All other revenue and expense items not meeting these criteria are reported as non-operating revenues and expenses.

Assets, Liabilities, and Fund Equity

Cash

Cash and cash equivalents are carried at cost. Cash equivalents are all highly liquid investments with a maturity of three months or less when purchased. Substantially, all of the Town's cash and cash equivalents are held in public deposit institutions, except for \$555 in unsecured petty cash. Pursuant to Section 35-10-1 of the Rhode Island General Laws, as of October 1, 1991, public deposit institutions are required to insure accounts which hold public funds in excess of the \$100,000 which is guaranteed by FDIC. Town pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. Cash in excess of current requirements is invested in short-term treasury securities or as disclosed as part of the Town's investments.

Investments

The Town invests in various types of investments, which are stated at fair value. There are no investments reported at amortized cost.

Accounts Receivable

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The allowance for uncollectible accounts receivable amounted to \$244,023 at June 30, 2008. Major receivable balances for the governmental activities include property taxes (54% of balance) and intergovernmental grants and aid (46% of balance). Business-type activities report service fees as its major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property taxes and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

(CONTINUED)

TOWN OF BRISTOL, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Fund Equity (Continued)

Accounts Payable

Payable balances consist primarily of payables to vendors.

Property Taxes

Real and personal property taxes are based on values assessed as of each December 31 (lien date) and attach as an enforceable lien on property as of June 15 (levy date). Taxes are due and payable in quarterly installments on the August 15, November 15, February 15, and May 15 following the levy date. 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 in September. Property taxes levied are recorded as receivables in the fiscal year of the levy. Property tax revenues are recorded in accordance with the modified accrual basis of accounting.

Inventory

The Town maintains an "inventory" of fuel for use by the 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.

Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid assets. Prepays recorded in governmental type funds do not reflect current appropriate resources and, thus, an equivalent portion of the fund balance is reserved.

Property, Plant and Equipment

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, long-lived 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 fixed assets, which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 1993.

Capital 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 two years.

(CONTINUED)

TOWN OF BRISTOL, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Fund Equity (Continued)

Infrastructure assets, (such as sidewalks, curbs, drainage systems, and road improvements) acquired by the Town subsequent to June 30, 1999 have been capitalized and reported within the financial statements. The Town is in the process of developing the information necessary to report all pre-existing infrastructure assets (including roads) within its future financial statements.

Depreciation of all exhaustible capital assets is recorded, as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and land improvements	25 - 50 years
Motor vehicles	8 years
Equipment and heavy machinery	10 - 30 years
Infrastructure	10 - 20 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for in the same manner as in the government-wide statements.

Deferred Revenues

Represent funds received in advance of being owed or receivables which will be collected and included in revenues of future fiscal years. In the General Fund, deferred revenues relate to property tax receivables which are assessed on December 31.

Property, Plant and Equipment

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

(CONTINUED)

TOWN OF BRISTOL, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Fund Equity (Continued)

Interfund Transactions

Interfund activity within and among the funds of the Town have been classified and reported as follows:

- Reciprocal interfund activities:
 - Interfund loans are reported as interfund receivables in the lending fund and interfund payables in borrower funds.
 - Interfund services are reported as revenues in the seller fund and as expenditures or expenses in the purchasing fund.
- Non-reciprocal interfund activities:
 - Interfund transfers are reported in governmental funds as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds transfers are reported after nonoperating revenues and expenses.
 - Interfund reimbursements are repayments from the fund responsible for particular expenditures or expenses to other funds that initially paid for them. Reimbursements are not displayed separately within the financial statements.

Interfund transfers totaled \$17,906,707 for the year, representing the general fund's transfer with the Sewer Fund, non-major funds and component unit to subsidize their operation.

Equity Classifications

Government-Wide Statements

Equity is classified as net assets and displayed in three components:

- (a) Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

(CONTINUED)

TOWN OF BRISTOL, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Statements (Continued)

- (b) Restricted net assets - Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- (c) Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

Compensated Absences

Employees are granted vacation and sick leave in varying amounts. Upon retirement, termination of death, certain employees are compensated for unused vacation and sick leave (subject to certain limitations) at their current rates of pay. The amount recorded is the unused days earned at the current rate of pay. For governmental activities the general fund is used to satisfy this liability as it becomes due, while the sewer enterprise fund accounts for all settlement of business-type liabilities for compensated absences.

Town Hall

Town hall employees are entitled to vacation based on length of service. Vacation time must be used within two years of the date earned.

Town employees are entitled to 1.25 sick leave per month worked. Sick leave may be accumulated to a maximum of 120 days. Upon retirement, employees have a vested interest in 100% of their accumulated sick time.

Police and Fire

Police are entitled to vacation based on length of service. Up to 30 vacation days are allowed to carry over to a succeeding year.

Police are entitled to 20 days per year and may be granted an additional 90 days. Sick leave may be accumulated to a maximum of 155 days. Upon retirement, police have a vested interest in 50% of their accumulated sick time.

(CONTINUED)

TOWN OF BRISTOL, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Fund Equity (Continued)

Compensated Absences (Continued)

Police - Civilians

Police civilians are entitled to vacation based on length of service. No more than one year's vacation time can be carried over to succeeding years.

Police civilians are entitled to sick leave based on length of service. Sick leave may be accumulated to a maximum of 60 days. Upon retirement, police civilians have a vested interest in 50% of their accumulated sick time.

Reconciliation of Government-wide and Fund Financial Statements

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and therefore are not reported in the funds." The details of this \$17,708,718 difference are as follows:

Bonds payable	\$ 14,202,350
Notes payable	1,622,765
Compensated absences	1,865,177
Net pension obligation	18,426
Total	<u>\$17,708,718</u>

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense." The details of this \$6,595,654 difference are as follows:

Capital outlays (net of disposals)	\$7,558,318
Depreciation expense	<u>(962,664)</u>
Net adjustment	<u>\$6,595,654</u>

Another element of that reconciliation states that "the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets." The details of this \$1,427,371 difference are as follows:

Debt issued	\$ 0
Principal repayments	<u>(1,427,371)</u>
Net adjustment	<u>\$(1,427,371)</u>

(CONTINUED)

TOWN OF BRISTOL, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

Assets, Liabilities, and Fund Equity (Continued)

Another element of that reconciliation states that "Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of this \$330,093 difference are as follows:

Increase in liability for compensated absences	\$ 24,201
Decrease in loan issuance cost.....	(8,638)
Decrease in allowance for bad debt	<u>314,530</u>
Net adjustment.....	<u>\$330,093</u>

Another element of that reconciliation states that, "Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds." The details of this \$167,094 difference are as follows:

Deferred revenue - beginning	\$2,376,031
Deferred revenue - ending	<u>(2,208,937)</u>
Net difference.....	<u>\$ 167,094</u>

Another element of that reconciliation states that "Adjustment to accrued interest payable related to general obligations bonds which is required to be recorded for government-wide financial statement presentation." The details of this \$13,788 difference are as follows:

Accrued interest - beginning	\$ 189,707
Accrued interest - ending	<u>(175,919)</u>
Net difference.....	<u>\$ (13,788)</u>

2. BUDGETARY AND LEGAL COMPLIANCE

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 taken into account the elimination of accumulated deficits and the reappropriation of accumulated surpluses to the extent necessary. The General Fund operating budget is in conformance with legally enacted budgetary basis, which is not in conformance with generally accepted accounting principles. The budget to actual presentation in the financial statements for the General Fund is reflected on the budgetary basis.

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.

(CONTINUED)

TOWN OF BRISTOL, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

2. BUDGETARY AND LEGAL COMPLIANCE (CONTINUED)

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

Town Administrator.....	19,895
Town Solicitor	2,324
Finance Department	5,174
Civic Services	9,202
Harbor Patrol	27,900
Fire Department.....	94,043
Rogers Free Library.....	39,018
Recreation	30,356
Municipal Observances.....	3,341
Fixed Charge/Overhead.....	51,269
Welfare	300

3. CASH AND INVESTMENTS

Deposits

Deposits are in various financial institutions and are carried at cost, which approximates market value. The carrying amount of deposits is separately displayed on the balance sheet as "Cash" and includes \$555 of petty cash.

At year-end, the Town's carrying amount of deposits was \$17,114,277 and the bank balance was \$17,580,344. Of the bank balance, \$343,277 was covered by Federal Depository Insurance. The remaining balance of \$17,237,067 was collateralized with securities held by the pledging financial institution, or its trust department or agent but not in the Town's name.

Reconciliation to Government-wide Statement of Net Assets:

Unrestricted cash, including time deposits	\$19,808,719
Less: Fiduciary funds cash, including time deposits (not included in the government-wide statement)	<u>(1,804,548)</u>
<i>Total cash and cash equivalents on A-1</i>	<u>\$18,004,171</u>

(CONTINUED)

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

3. CASH AND INVESTMENTS (Continued)

Investments

At June 30, 2008, the Town's investments totaled \$22,109,001 (including those held in Fiduciary Funds) and consisted of the following:

	<u>Fair Value</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Rating</u>
Common Stocks.....	\$14,587,426	N/A	N/A	N/A
United States Treasury Notes.....	1,884,106	2.625 – 4.75%	01/02/09-2/15/18	AAA
United States Treasury Bonds.....	178,422	5.375-7.25%	5/15/16-2/15/31	AAA
Federal Home Loan Bank Bonds...	1,066,226	3.25-5.125%	9/17/10-1/1/23	AAA
Federal National Mortgage Assoc..	1,157,423	5.25-6.25%	10/15/07-1/1/37	AAA
US Inflation Index Notes.....	598,303	1.875-3.625%	7/15/13-4/15/28	AAA
Corporate Bonds.....	220,706	4.65-5.88%	11/15/11-1/14/38	AAA
Corporate Bonds.....	26,125	6.45%	2/1/11	AA+
Corporate Bonds.....	127,327	5.5-7.0%	11/15/09-5/15/18	A+
Corporate Bonds.....	222,033	4.125-6.375%	3/16/09-4/3/13	A
Corporate Bonds.....	90,002	5.125-6.0%	12/15/09-6/15/16	A-
Corporate Bonds.....	180,923	3.50-7.80%	3/15/09-5/15/18	AA-
Corporate Bonds.....	114,889	5.25-7.25%	9/1/08-12/16/13	BBB+
Corporate Bonds.....	39,928	5.75-5.80%	8/15/12-11/15/17	BBB
Corporate Bonds.....	71,192	6.875%	9/15/11	B
Corporate Bonds.....	22,573	5.75%	7/15/14	BBB-
Corporate Bonds.....	98,637	7.25%	10/1/08	CCC+
Foreign Bonds.....	53,969	2.75-4.875%	2/22/11-5/20/13	AA
Foreign Bonds.....	4,935	5.75%	10/23/17	A-
Foreign Bonds.....	20,681	5.25-7.50%	1/14/12-7/22/13	BBB+
Foreign Bonds.....	24,664	4.0%	1/15/2010	BBB
Mutual Funds.....	<u>1,318,511</u>	N/A	N/A	N/A
Total investments.....	<u>\$22,109,001</u>			

Interest Rate Risk

As noted above, approximately 28% of the Town's investments are in long-term Corporate and Government Bonds which have interest rates that are fixed for long-term periods and are subject to more variability in their fair value as a result of future changes in interest rates. The remaining 72% of the investments are held in common stock and mutual funds. These investments do not specify an interest rate rather the rate of return is dependent on operating results and economic conditions.

Concentration of Credit Risk

At June 30, 2008, the Town had a diversified portfolio and was not deemed to be concentrated in any one investment category. Although 72% of the investments were held in common stock and mutual funds, these investments were in a wide range of companies and various industries enabling the Town to minimize its risk.

(CONTINUED)

TOWN OF BRISTOL, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

3. CASH AND INVESTMENTS (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of financial institution failure, the Town's deposits and/or investments may not be returned. The Town does not believe that it has a significant custodial risk with regards to investments as substantially all investments securities are registered and held in the name of the Town. The Town does not have custodial credit risk with regards to deposits as the total amount was insured or collateralized.

4. CAPITAL ASSETS

Activity for governmental activity capital assets is summarized below:

	Balances <u>7/1/07</u>	Additions	Deductions	Balances <u>6/30/08</u>
Governmental activity fixed assets:				
Land (not being depreciated).....	\$ 8,550,539	\$ 295,000		\$ 8,845,539
Buildings and improvements.....	9,213,048	78,691	\$236,582	9,055,157
Motor vehicles.....	5,013,925	515,936	226,203	5,303,658
Equipment and machinery.....	1,513,823	212,775		1,726,598
Infrastructure.....	5,723,510	498,010		6,221,520
Retroactive infrastructure.....	0			0
Construction in progress.....	1,526,500	6,207,365		7,733,865
Total cost	<u>31,541,345</u>	<u>7,807,777</u>	<u>462,785</u>	<u>38,886,337</u>
Less: accumulated depreciation				
Buildings and improvements.....	(3,569,743)	(207,862)	(22,475)	(3,755,130)
Motor vehicles.....	(3,913,013)	(432,766)	(213,325)	(4,132,454)
Equipment and machinery.....	(391,311)	(115,327)		(506,638)
Infrastructure.....	(845,095)	(229,184)		(1,074,279)
Total accumulated depreciation ...	<u>(8,719,162)</u>	<u>(985,139)</u>	<u>(235,800)</u>	<u>(9,468,501)</u>
Net capital assets	<u>\$22,822,183</u>	<u>\$6,822,638</u>	<u>\$226,985</u>	<u>\$29,417,836</u>

Activity for the Proprietary Fund capital assets is summarized below:

	Balances <u>7/1/07(restated)</u>	Additions	Deductions	Balances <u>6/30/08</u>
Land (not being depreciated).....	\$ 132,577			\$ 132,577
Equipment.....	1,510,573	\$ 123,306		1,633,879
Sewer Lines.....	41,992,973	2,920,061		44,913,034
Construction in progress.....	1,317,358	2,838,227	\$2,920,061	1,235,524
Total cost	<u>44,953,481</u>	<u>5,881,594</u>	<u>2,920,061</u>	<u>47,915,014</u>
Less: accumulated depreciation				
Equipment.....	(796,128)	(91,292)		(887,420)
Sewer lines.....	(10,136,503)	(834,711)		(10,971,214)
Total accumulated depreciation	<u>(10,932,631)</u>	<u>(926,003)</u>		<u>(11,858,634)</u>
Net capital assets	<u>\$34,020,850</u>	<u>\$4,955,591</u>	<u>\$2,920,061</u>	<u>\$36,056,380</u>

(CONTINUED)

TOWN OF BRISTOL, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

4. CAPITAL ASSETS (Continued)

Depreciation expense was charged to the following functions/programs of the Town:

Governmental activities:

General government	\$ 97,946
Public safety	453,121
Public works	211,751
Library	15,006
Community development	109,087
Recreation	75,753
Total	<u>\$962,664</u>

Business-type activity:

Waste water treatment	<u>\$926,003</u>
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5. POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 14, the Town of Bristol provides post retirement health care benefits to all Town employees who are eligible for the State Retirement Plan. Currently, 84 retirees meet these eligibility requirements. The Town paid 100% of the amount for medical and hospitalization costs incurred by retirees, which amounted to \$601,173 for the year ended June 30, 2008 as required by the employees' union contract.

The accrual basis of accounting is used. The Town's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the Town (ARC). The Town has engaged an actuary to calculate the ARC and related information per the provisions of GASB Statement 45 for employers with plans including more than 100 total plan members. 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 period not to exceed 30 years. The following table shows the components of the Town's annual OPEB cost for the year ended June 30, 2008, the amount actually contributed to the plan, and the Town's net OPEB obligation to the plan as of June 30, 2008.

<u>Annual OPEB Cost</u>	<u>Year ended June 30, 2008</u>
Normal cost	\$ 1,999,547
Amortization of UAAL	0
Interest	0
Annual Required Contribution (expense)	1,999,547
Contributions made during year	(2,326,309)
Net OPEB obligation at beginning of year	0
Net OPEB asset at end of year	<u>\$ (326,762)</u>

Town contributions to the plan for the year ended June 30, 2008 represented 117% of annual OPEB expense.

(CONTINUED)

TOWN OF BRISTOL, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

6. DEFERRED REVENUES

General Fund deferred revenues relate to revenue that is measurable but not available. General Fund deferred revenues are summarized as follows:

Property taxes receivable	\$2,945,681
Less: current year 60 day accrual.....	<u>(736,744)</u>
Total deferred tax revenue.....	<u>\$2,208,937</u>

7. DUE FROM COMPONENT UNIT

In May 2008, the Town entered into a non-recourse loan of \$2,050,000 with the Bristol Warren Regional School District, a component unit of the Town, for capital improvements at the Colt School. Principal and interest will be repaid in twenty annual payments beginning on May 1, 2009. The interest rate is an adjustable rate per year equal to the rate paid by the Town on its General Obligation Bond Anticipation Notes and any refinancing of those notes. The interest rate at June 30, 2008 was 3.5%.

8. RESTATEMENTS

Net assets at June 30, 2007 have been restated for the reclassification of fund types utilized in last year's issued financial statements. The details of the restatements and impact on net assets are as follows:

Statement of Net Assets – Governmental Activities

Net assets at June 30, 2007, as originally stated	\$16,412,666
Long-term liabilities moved from the general fund to the sewer fund	8,141,134
Accrued interest moved from the general fund to the sewer fund.....	33,310
Deferred revenue reclassified as revenue in the Library Renovation fund	500,000
North Burial fund reclassified as a permanent fund	<u>1,608,471</u>
Net assets at June 30, 2007, as restated	<u>\$26,695,581</u>

Statement of Net Assets – Business-type Activities

Net assets at June 30, 2007, as originally stated	\$31,986,702
Long-term liabilities moved from the general fund to the sewer fund	(8,141,134)
Accrued interest moved from the general fund to the sewer fund.....	(33,410)
Reclassify construction in progress to expense	<u>(1,739,965)</u>
Net assets at June 30, 2007, as restated	<u>\$22,072,193</u>

(CONTINUED)

TOWN OF BRISTOL, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

9. LONG-TERM DEBT

(a) Changes in general long-term obligations

The following is a summary of long-term debt transactions of the Town for the year ended June 30, 2008:

	<u>June 30, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2008</u>	<u>Current Portion</u>
General long-term obligations:					
General obligation bonds	\$ 15,501,600	\$ 0	\$ 1,299,250	\$ 14,202,350	\$ 1,487,280
Loan payable	1,750,885	0	1,281,121	1,622,764	99,087
Accrued vacation and sick leave	1,889,378	740,702	764,903	1,865,177	
Net pension obligation	188,326	0	169,900	18,426	
Subtotal	<u>19,330,189</u>	<u>740,702</u>	<u>3,515,174</u>	<u>17,708,717</u>	<u>1,586,367</u>
Enterprise Funds:					
General obligation bonds	2,168,400	0	1,005,750	1,162,650	417,750
Loans payable	11,546,318	4,284,781	779,025	15,052,074	987,337
Accrued vacation and sick leave	281,451	93,992	69,167	306,276	
Subtotal	<u>13,996,169</u>	<u>4,378,773</u>	<u>1,853,942</u>	<u>16,521,000</u>	<u>1,405,087</u>
Total	<u>\$33,326,358</u>	<u>\$5,119,475</u>	<u>\$5,369,116</u>	<u>\$34,229,717</u>	<u>\$2,991,454</u>

(b) Bonds outstanding

	<u>Interest Rate</u>	<u>Interest Dates</u>	<u>Issue/Maturity Date</u>	<u>Original Issue</u>	<u>Balance June 30, 2008</u>
General long-term debt:					
General obligation refunding bonds	3.90% - 5.40%	8/15 - 2/15	08/15/97 - 08/15/09	\$3,920,000	\$ 785,000
General obligation refunding bonds	5.125% - 6.0%	9/15 - 3/15	09/15/00 - 09/15/19	\$3,290,000	1,550,000
General obligation refunding bonds	3.0% - 4.35%	12/1/5 - 6/15	12/01/501 - 12/15/12	\$2,730,000	1,081,500
General obligation refunding bonds	1.30% - 3.85%	10/1 - 4/1	10/01/02 - 10/01/13	\$1,813,350	185,850
General obligation refunding bonds	5.20% - 5.50%	8/15 - 2/15	08/15/98 - 08/15/17	\$2,725,000	500,000
General obligation refunding bonds	3.50% - 4.25%	5/1 - 11/1	08/01/06 - 08/01/25	\$2,500,000	2,125,000
General obligation refunding bonds	4.00% - 4.50%	5/1 - 11/1	05/01/07 - 05/01/20	\$1,000,000	900,000
General obligation refunding bonds	3.75% - 5.0%	8/15 - 2/15	02/15/07 - 02/15/27	\$7,125,000	7,075,000
Enterprise funds:					
General obligation refunding bonds	3.0% - 4.35%	12/15 - 6/15	12/15/01 - 12/15/12	\$1,170,000	699,150
General obligation refunding bonds	1.30% - 3.85%	10/1 - 4/1	10/01/02 - 10/01/13	\$6,821,650	463,500
Total					<u>\$15,365,000</u>

(CONTINUED)

TOWN OF BRISTOL, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

9. LONG-TERM OBLIGATIONS (Continued)

(c) Debt Service Requirements

The Town's future debt service requirements consist of the following:

General Long-Term Debt

Year ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 1,487,250	\$ 584,449	\$ 2,071,699
2010	1,472,000	518,418	1,990,418
2011	1,077,500	463,669	1,541,169
2012	857,000	423,815	1,280,815
2013	861,550	387,881	1,249,431
2014 - 2018	3,597,050	1,456,856	5,053,906
2019 - 2023	2,950,000	745,750	3,695,750
2024 - 2027	1,900,000	183,656	2,083,656
Total	<u>\$14,202,350</u>	<u>\$4,764,494</u>	<u>\$18,966,844</u>

Enterprise Funds

Year ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 417,750	\$35,534	\$ 453,284
2010	208,000	24,628	232,628
2011	212,500	16,626	229,126
2012	118,000	10,265	128,265
2013	123,450	5,609	129,059
2014	82,950	1,597	84,547
Total	<u>\$1,162,650</u>	<u>\$94,259</u>	<u>\$1,256,909</u>

(d) General Long-Term Debt – Loan Payable

The Town of Bristol has entered into loan agreements with the Rhode Island Clean Water Finance (Agency) as follows:

<u>Loan Date</u>	<u>Original Loan Amount</u>	<u>Matures</u>
September 18, 1997	\$1,200,000	September 1, 1998 – 2017
December 15, 2005	\$3,655,000	September 1, 2006 – 2025

(CONTINUED)

TOWN OF BRISTOL, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

9. LONG-TERM OBLIGATIONS (Continued)

(d) General Long-Term Debt – Loan Payable (Continued)

The loan proceeds are to be used by the Town for sewer projects. The Agency pays project invoices certified by the Town directly to the contractors or reimburses the Town for costs incurred on the projects. The Town is responsible for drawing down and repaying the full amount of the loans.

The debt service through maturity for the above loan dated September 18, 1997 is as follows:

Fiscal Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 59,891	\$17,377
2010	61,929	15,694
2011	64,036	13,954
2012	66,215	12,156
2013	68,468	10,295
2014 - 2018	<u>378,906</u>	<u>21,278</u>
Total	<u>\$699,445</u>	<u>\$90,754</u>

The debt service through maturity for the above loan dated December 15, 2005 is as follows:

Fiscal Year Ending <u>June 30,</u>	<u>Principal</u>
2009	\$ 39,196
2010	40,096
2011	41,446
2012	42,796
2013	44,146
2014 – 2018	241,428
2019 – 2023	281,928
2024 – 2026	<u>192,283</u>
Total	<u>\$923,319</u>

The interest due through maturity is not available as of June 30, 2008 for the loan dated December 15, 2005. Interest is calculated monthly based on the loan balances and the Town has not completely drawn down all of the proceeds as of June 30, 2008. The amount available for draw down was \$71,345 at June 30, 2008. The total cost of all interest and administrative fees shall be structured by the Agency to equal two-thirds of the prevailing tax-exempt interest rate for issuers of comparable credit quality to the Town. Interest payments are due March 1 and September 1. Principal payments are due annually on September 1.

(CONTINUED)

TOWN OF BRISTOL, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

9. LONG-TERM OBLIGATIONS (Continued)

(e) Enterprise Fund – Loan Payable

The Town of Bristol's Sewer Fund has entered into loan agreements with the Rhode Island Clean Water Finance (Agency) as follows:

<u>Loan Date</u>	<u>Original Loan Amount</u>	<u>Matures</u>
November 25, 1999	\$3,700,000	September 1, 1999 – 2019
April 25, 2002	\$4,695,000	September 1, 2003 – 2022
December 30, 2004	\$1,000,000	September 1, 2005 – 2024
December 15, 2005	\$3,655,000	September 1, 2006 – 2025
December 21, 2006	\$3,700,000	September 1, 2008 – 2027
December 12, 2007	\$3,245,000	September 1, 2009 - 2028

The interest due through maturity is not available as of June 30, 2008 for the loan dated December 15, 2005, December 21, 2006 and December 12, 2007. Interest is calculated monthly based on the loan balances and the Town has not completely drawn down all of the proceeds as of June 30, 2008. The amount available for draw down was \$2,979,490 at June 30, 2008. The total cost of all interest and administrative fees shall be structured by the Agency to equal two-thirds of the prevailing tax-exempt interest rate for issuers of comparable credit quality to the Town. Interest payments are due March 1 and September 1. Principal payments are due annually on September 1.

The debt service through maturity for the above loans is as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2009.....	\$ 987,337	\$ 149,536
2010.....	1,149,415	140,058
2011.....	1,179,776	130,275
2012.....	1,209,894	120,182
2013.....	1,241,794	109,781
2014 – 2018.....	4,869,647	381,661
2019 – 2023.....	4,678,880	104,025
2024 – 2028.....	2,520,821	2,313
2029.....	194,000	0
Total.....	<u>\$18,031,564</u>	<u>\$1,137,831</u>

(f) Other Debt Information

On February 6, 2008, the Town issued \$9,935,000 of General Obligation Bond Anticipation Notes. \$5,535,000 was used for construction and renovations of the Rogers Free Library, \$2,000,000 was used to refund a \$2,000,000 General Obligation Bond Anticipation Note, \$350,000 was used for construction of the Town's public burial grounds, and \$2,050,000 was used for construction and repairs of the Colt Memorial School. The interest on the notes is 3.0% and is due on February 18, 2009.

(CONTINUED)

TOWN OF BRISTOL, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

10. FUND DEFICITS

The following individual funds had deficit fund equity balances as of June 30, 2008:

Non-major Governmental Funds:

Community Center Youth Program.....	\$ 400
Planning Engineering.....	55,556
Revaluation	338,487
Silver Creek Recreation	600
Transient Harbor Mooring.....	7,955
Rental Rehabilitation	100
Last Night	10,090
SPF SIG Grant	7,039
Library Renovation	49,710

Deficit balances will be eliminated with future revenues.

Reserves/Designated Fund Balances

The Town of Bristol records several types of reserves. The reserves indicate that a portion of fund equity is segregated for a specific use. In addition, a portion of the unreserved fund equity is designated for specific purposes.

	<u>General Fund</u>	<u>Trust Funds</u>
Reserved:		
Reserved for inventory.....	\$ 8,845	
Reserved for nonexpendable bequests.....		\$3,874,208
Designated for expenditures.....	4,957,619	
Amount not due within one year	2,050,000	
Unreserved.....	1,821,800	
Total.....	<u>\$8,838,264</u>	<u>\$3,874,208</u>

11. RISK MANAGEMENT

The Town of Bristol is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; and natural disasters. As a result, the Town participates in a non-profit, public entity risk pool (Rhode Island Interlocal Risk Management Trust, Inc.) which provides coverage for property/liability and workers' compensation claims. Upon joining the Trust, the Town signed a participation agreement which outlines the rights and responsibilities of both the Trust and the Town. The agreement states that for premiums paid by the Town, the Trust will assume financial responsibility for the Town's losses up to the maximum amount of insurance purchased, minus the Town's deductible amounts. The Trust provides this insurance coverage through a pooled, self-insurance mechanism which includes reinsurance purchased by the Trust to protect against large, catastrophic claims above the losses the Trust retains internally for payment from the pooled contributions of its members. Settled claims resulting from these risks have not exceeded the Trust coverage in any of the past three fiscal years.

(CONTINUED)

TOWN OF BRISTOL, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

12. CONTINGENT LIABILITIES

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

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

The Town is committed under a construction contract in the amount of \$198,062 at June 30, 2008.

13. LEASE COMMITMENTS

Town as Lessor

The Town's operating leases consist principally of leased real estate. Rental income for all operating leases for the fiscal year ended June 30, 2008 was as follows:

Minimum rental income	<u>\$30,868</u>
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Town as Lessor (Continued)

As of June 30, 2008, future minimum rental income under non-cancelable operating leases is as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Governmental Fund Types</u>
2009	<u>\$ 10,000</u>

Town as Lessee

The Town's operating lease consists of leased real estate. Rental expenditures for the operating lease for the fiscal year ended June 30, 2008 was as follows:

Minimum rental expenditures	<u>\$8,600</u>
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(CONTINUED)

TOWN OF BRISTOL, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

13. LEASE COMMITMENTS (Continued)

Town as Lessee

As of June 30, 2008, future minimum rental expenditures under the operating lease is as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Governmental Fund Types</u>
2008.....	\$8,500
2009.....	8,500
2010.....	8,500
2011.....	8,500

14. PENSION PLAN

Plan Description

The State of Rhode Island through the Retirement Board, administers the Municipal Employee's Retirement System that acts as a common investment and administrative agent for pension benefits to be provided to employees of municipalities, housing authorities, water and sewer districts, and municipal police and fireman that have elected to participate. The MERS receives all member and employer contributions with investment earnings being added to the fund and available for reinvestment. Assets are invested by the State Investment Commission. The State of Rhode Island and Providence Plantations issues a publicly available annual financial report that includes financial statements and required supplementary information for the MERS. The financial report may be obtained by writing to Employees' Retirement System of Rhode Island, 40 Fountain Street, 1st Floor, Providence, RI 02903-1854 or by accessing their website at www.ersri.org.

All full-time employees are eligible and must participate in the State MERS. The pension plan provides retirement, deferred allowances, disability and survivor benefits to state employees, public school teachers, and municipal employees who are employed by the participating municipality. The laws governing retirement differ according to employment status as a State employee, public school teacher or municipal employee. Under the MERS, there is one plan for general employees of the Town and two optional plans' for police and firemen. Benefits vest after 10 years of creditable service.

General employees may retire after reaching the age of 58 with 10 years of contributing service or accumulating 30 years of service, regardless of age. Employees who retire with 10 or more years of creditable service are entitled to pension payments for the remainder of their lives equal to 2% of their final three year average salary times the number of years for which they were employed by a participant in the State PERS. The final three year average salary is the average salary of the employee during the final three consecutive years of full-time employment exclusive of overtime, bonuses or severance pay. The maximum benefit for municipal employees is 75% of their final three year average salary.

Under the optional plans available for police and firemen, the Town's police have elected the 20 year service option. Police members may retire after reaching the age of 50 with twenty years of contributing service or after 25 years of contributing service, regardless of age. This optional plan provides a benefit equal to 2.5% of their final three average salaries, with a maximum benefit of 75% of final average salary. In addition, any police member retiring after July 1, 1994 shall be entitled to C.O.L.A. Plan C as defined in the General Laws of Rhode Island Title 45, Chapter 21-52, as amended.

(CONTINUED)

TOWN OF BRISTOL, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

14. PENSION PLAN (Continued)

Plan Description (Continued)

Pension provisions include deferred allowances whereby an employee may terminate his or her employment with the Town after accumulating 10 years of contributing service but before reaching the age of 58. If the employee does not withdraw his or her accumulated contributions, the employee is entitled to all pension benefits upon reaching the age of 58.

The MERS also provides nonservice-connected disability benefits after 5 years of service, service-connected disability benefits with no minimum service requirement, vested benefits after 10 years of service, surviving spouse benefits and certain lump sum death benefits. The disabled employee is entitled to receive disability payments for life, while the surviving spouse may receive death benefits for life or as long as he or she does not remarry. Benefits are determined by state statute.

As of June 30, 2007, employee membership data related to the pension plan was as follows:

	<u>General Employees</u>	<u>Police/Fire</u>	<u>Total</u>
Active member	101	28	129
Retired member	<u>82</u>	<u>1</u>	<u>83</u>
	<u>183</u>	<u>29</u>	<u>212</u>

Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the MERS are prepared in accordance with generally accepted accounting principles using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when incurred. Dividend income is recorded on the ex-dividend date. Interest income is accrued daily.

GASB No. 25 and GASB No. 27

Effective for periods beginning after June 15, 1997, the Governmental Accounting Standards Board (GASB) requires the disclosure of pension related liabilities for public employer financial statements in accordance with Statements, which replace GASB Statement No. 5, must be adhered to by any public employee retirement system that follows Generally Accepted Accounting Principles (GAAP).

These disclosures are intended to establish a reporting framework that distinguishes between:

- Current financial information about plan assets and financial activities
- Actuarially determined information from a long-term perspective
- The funded status of the plan, and
- Progress being made in accumulating sufficient assets to pay benefits when due

(CONTINUED)

TOWN OF BRISTOL, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

14. PENSION PLAN (Continued)

Summary of Significant Accounting Policies

Method Used to Value Investments

MERS assets are invested under the direction and authority of the State Investment Commission (SIC) and are recorded at fair value. The cost of investments sold is determined using the average cost method.

Mortgage – Backed Securities

The System invests in various mortgage-backed securities, such as collateralized mortgage obligations, interest-only strips, and principal-only strips. These securities are reported at cost.

Investments

The Municipal Employees' Retirement System's investments are pooled with other funds.

Administration of the System

The System is administered by the State of Rhode Island Retirement Board which consists of 15 members: the General Treasurer; the Director of Administration or his or her designee; the President of the League of Cities and Towns or his or her designee; two (2) active teacher members of the retirement system or officials from a teachers union to be elected by active teachers; one active municipal employee member of the retirement system or an official from a municipal employees union to be elected by active municipal employees; one retired member of the retirement system to be elected by retired members of the System; the Chairperson of the House Finance Committee or his or her designee; the Chairperson of the Senate Finance Committee or his or her designee; and two (2) public representatives, one of whom shall be a C.L.U. competent in the area of pension benefits, shall be appointed by the governor and whose term shall be four (4) years, or until their successors are appointed.

The State Investment Commission oversees all investments made by the State of Rhode Island, including those made for the System. Certain investments are made by investment managers, engaged by the Commission, at their discretion in accordance with the investment objectives and guidelines for the System. Short-term investments are made on a daily basis by the General Treasurer.

Rhode Island General Laws, Section 35-10-11 (b)(3) requires that all investments shall be made in securities as would be acquired by prudent persons of discretion and intelligence who are seeking a reasonable income and the preservation of capital.

Funding Policy

Section 45-21-41 of the Rhode Island General Laws requires that employees contribute a fixed percentage of their compensation to the MERS. For the year ended June 30, 2008, this percentage was 7.0% for general employees, 8.0% for firemen and 9.0% for police under the elected option. Section 45-21-42 of the Rhode Island General Laws contains the contribution requirements for participating employers. These rates are actuarially determined for each participating employer on an annual basis in accordance with Section 45-21-42 of the Rhode Island General Laws. For the year ended June 30, 2008, the actuarially determined contribution rates for the Town were 10.23% of covered payroll for general employees, 12.02% of covered payroll for police and 8.01% for firemen.

(CONTINUED)

TOWN OF BRISTOL, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

14. PENSION PLAN (Continued)

Summary of Significant Accounting Policies (Continued)

Funding Policy (Continued)

Employer contributions to the MERS include normal cost and a payment, where applicable, to amortize the unfunded actuarial liability over a period of 25 years from the date the municipality joined the system. The normal cost is determined using the entry age normal cost method. Modifications were adopted by the Retirement Board, effective with the June 30, 1999 actuarial valuation which provide for the following:

An optional smoothing of contribution rates for municipalities with a rate increase over 2% in one year, and

For those municipalities that are unfunded, changes in the unfunded actuarial liability after June 30, 1998 are to be funded over projected future salaries of active members, rather than on a fixed funding scale.

For the year ended June 30, 2008, the Town's total payroll was approximately \$8,300,000 and the Town's contribution to the MERS was based on covered payroll of \$4,139,483 for general employees, \$1,464,763 for police and fire.

The total contribution made to MERS during fiscal year 2008 amounted to \$1,018,818 of which \$597,686 was made by the Town and \$421,132 was made by employees. These employee contributions represented 7.0% (Town), 8.0% (fire), and 9.0% (police) of covered payroll.

Annual Pension Cost

For fiscal year 2008, the Town's annual pension cost of \$597,686 for MERS was equal to the Town's required actuarial contributions. The required contribution was determined as part of the June 30, 2005 actuarial valuation using the entry age normal cost method, and "Level Percentage Closed" amortization method. Significant actuarial assumptions used in that valuation include (a) 8.25% annual percent rate of return on investments, compounded annually; (b) projected annual salary increases of 4.50% to 9.0%, (5.0% to 15.50% for police and fire) compounded annually; (c) mortality rates based on the 1994 group annuity mortality table; (d) a retirement age of 65 for general employees and 60 for police and fire personnel, or completion of service requirement, if later. For police and fire departments electing the 20 year service plan with unreduced 15% of all disabilities are considered occupational for general employees and 50% of disabilities are considered occupational for police and firemen; (f) 3% cost of living adjustment, not compounded, beginning January 1 following a participant's retirement; (g) the actuarial value of assets spreads investment gains and losses relative to the assumed return of 8%, over a three year period; (h) unknown employee characteristics are estimated using a bond-type averaging method, and; (i) inflation rate of 3.75%. Due to large fluctuations in contribution rates, the Retirement Board adopted a procedure which allows an employer the option of paying a contribution rate equal to the previous year's rate plus the cost of any benefit improvements. The existing funding excess in 1999 is being amortized over the remainder of a 25 year period which commenced on the date the Town joined the System. The amortization period is open. Subsequent divergence from actuarial assumptions will be amortized over the projected future salaries of active members.

The Town's fiscal 2008 required contribution to the State PERS represents 100% of the total current-year actuarially determined contribution requirements for all employers covered by the pension plan.

No changes in actuarial assumptions or benefit provisions that would significantly affect the valuation of the pension benefit obligation occurred during fiscal 2008.

(CONTINUED)

TOWN OF BRISTOL, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

14. PENSION PLAN (Continued)

Trend Information

Three-year trend information for the Town of Bristol is presented below:

<u>Fiscal Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/06	\$374,326	100%	\$0
6/30/07	\$517,039	100%	\$0
6/30/08	\$597,686	100%	\$0

Ten-year historical trend information is presented in the fiscal 2007 State of Rhode Island and Providence Plantations Employees' Retirement System annual financial report. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due.

Funded Status of Plan

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the General Municipal Employees' Pension Plan with a valuation date of June 30, 2007 which is the most recent report available from the State who administers this plan:

	<u>General</u>	<u>Fire and Police</u>
Actuarial Value of Assets	\$13,748,288	\$2,188,661
Actuarial Accrued Liability (AAL)	18,198,588	1,780,299
Unfunded AAL (UAAL)	(4,450,300)	408,362
Funded Ratio	76%	123%
Covered Payroll	3,923,147	1,367,481
UAAL as a percentage of covered payroll	(113)%	30%

Projections of benefits for financial reporting purposes are based on the substantive plan (as understood by the employees and management) and include the type of benefit provided at the time of each valuation. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Related Party Investments

The assets of the MERS are held in the custody of the State Treasurer as an undivided single fund and the system is administered by the State Retirement Board.

(CONTINUED)

TOWN OF BRISTOL, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

14. PENSION PLAN (Continued)

Police Pension Plan

Plan Description

The Town contributes to the Police Pension Plan, a single-employer public employee retirement plan. The Plan is considered part of the Town's financial reporting entity and is included in the Town's annual financial report as a pension trust fund. The Plan was established by the Town in accordance with the Town Charter. The Town's payroll for employees covered by this Plan for the year ended June 30, 2008 was \$747,016.

Benefit Provisions

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

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

Eligibility for preretirement survivor's benefits is death as a result of performance of duties or completion of at least 5 years of service. The spouse is entitled to 67.5% of the accrued benefit and children to 22.5% until the earliest of the child's 22nd birthday, they cease to attend school unless disabled, or marriage of child. If the spouse is more than 3 years younger than the participant is, then the survivor's benefit is reduced to the actuarial equivalent of a survivor's benefit where the spouse is precisely 3 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 and children to 22.5% (i.e. one-third of 67.5%) until the earliest of 22nd birthday, ceases to attend school unless disabled, or marriage of child. If spouse is more than three years younger than participant, then survivor's benefit is reduced to the actuarial equivalent of a survivor's benefit where spouse is precisely three years younger. A maximum of three children 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 10 years of service. The benefit is the greater of the participant's accumulations or two week's pay for each year of service.

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

(CONTINUED)

TOWN OF BRISTOL, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

14. PENSION PLAN (Continued)

Benefit Provisions (Continued)

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

Contributions

Employees in the Police Pension Fund are required to contribute 13% of pay with adjustments based on funding requirements and the Town is required to contribute 67.5% of pay with adjustments up or down based on funding requirements. Administrative costs are included in the actuarial valuation as part of the normal cost and financed through contributions.

Summary of Significant Accounting Policies

Basis of Accounting

The Police Pension Trust Fund's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Method Used to Value Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Annual Pension Cost and Net Pension Obligations

The Town's annual pension cost and net pension obligation to the Police Pension Fund for the current year were as follows:

Annual required contribution	\$620,203
Interest on the net pension obligation	15,066
Adjustment to the annual required contribution	<u>(15,571)</u>
Annual pension cost	619,698
Contributions made	<u>789,598</u>
Decrease in net pension obligation	(169,900)
<i>Net pension obligation beginning of year</i>	<u>188,326</u>
<i>Net pension obligation end of year</i>	<u>\$ 18,426</u>

(CONTINUED)

TOWN OF BRISTOL, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

14. PENSION PLANS (Continued)

Summary of Significant Accounting Policies (Continued)

The Town's contribution to the pension plan was determined as part of the July 1, 2006 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 30-year period. The amortization period remaining on the unfunded actuarial accrued liability at July 1, 2006 was 16 years. Periodic contributions for both normal cost and the amortization of the unfunded actuarial accrued liability are based on the level percentage of payroll method. The actuarial assumptions included (a) 8% interest compounded annually and (b) projected salary increases of 5% compounded annually. The assumptions did not include post retirement health insurance benefit increases, which are funded by the Town on a pay-as-you 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.

Annual Pension Cost and Net Pension Obligations (Continued)

Total contributions to the Pension Plan in 2008 amounted to \$792,581; \$97,111 was contributed by the employees and \$695,470 by the Town. The contributed amount was actuarially determined as described above. Contributions made by the employees and the Town represent 13% and 80.5% of covered payroll, respectively.

SEVEN YEAR TREND INFORMATION

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of (APC) Contributed</u>	<u>Net Pension Obligation</u>
2000	\$199,194	112.2%	\$ 0
2001	\$131,126	179%	\$ 0
2002	\$ 90,685	100%	\$ 0
2003	\$ 76,739	100%	\$ 0
2004	\$168,914	100%	\$ 0
2005	\$255,088	77.4%	\$ 74,474
2006	\$438,356	52.6%	\$282,383
2007	\$540,848	117.3%	\$188,326
2008	\$619,698	112.2%	\$18,426

The Town has an unfunded actuarial liability, which is disclosed in the schedule of funding progress.

(CONCLUDED)

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Required Supplementary Information

Town of Bristol, Rhode Island

Required Supplementary Information
Schedule of Funding Progress for Pension Plans
June 30, 2008
Unaudited

	Actuarial Valuation Date (1)	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll
Municipal employees retirement system - general employees	6/30/2005	\$ 11,958,748	\$ 15,157,399	\$ (3,198,651)	79%	\$ 3,521,419	-91%
	6/30/2006	\$ 12,461,561	\$ 17,658,330	\$ (5,196,769)	71%	\$ 4,042,041	-129%
	6/30/2007	\$ 13,748,288	\$ 18,198,588	\$ (4,450,300)	76%	\$ 3,923,147	-113%
Municipal employees retirement system - fire employees	6/30/2005	\$ 218,784	\$ 208,603	\$ 10,181	105%	\$ 133,207	8%
	6/30/2006	\$ 240,036	\$ 157,080	\$ 82,956	153%	\$ 44,969	184%
	6/30/2007	\$ 256,093	\$ 158,231	\$ 97,862	162%	\$ 43,099	227%
Municipal employees retirement system - police employees	6/30/2005	\$ 1,105,787	\$ 1,018,320	\$ 87,467	109%	\$ 912,700	10%
	6/30/2006	\$ 1,456,898	\$ 1,343,951	\$ 112,947	108%	\$ 1,208,955	9%
	6/30/2007	\$ 1,932,568	\$ 1,622,068	\$ 310,500	119%	\$ 1,324,382	23%
Police pension plan	6/30/2000	\$ 12,056,093	\$ 10,876,311	\$ 1,179,782	111%	\$ 1,143,838	103%
	6/30/2001	\$ 13,030,660	\$ 11,494,945	\$ 1,535,715	113%	\$ 1,191,685	129%
	6/30/2002	\$ 12,839,134	\$ 13,410,033	\$ (570,899)	96%	\$ 986,640	-58%
	6/30/2003	\$ 12,495,234	\$ 14,319,683	\$ (1,824,449)	87%	\$ 1,018,009	-179%
	6/30/2004	\$ 12,132,515	\$ 15,799,856	\$ (3,667,341)	77%	\$ 820,436	-447%
	6/30/2005	\$ 11,716,695	\$ 16,656,846	\$ (4,940,151)	70%	\$ 902,186	-548%
	6/30/2006	\$ 11,575,785	\$ 17,184,668	\$ (5,608,883)	67%	\$ 918,225	-611%
6/30/2007	\$ 12,316,696	\$ 18,091,700	\$ (5,775,004)	68%	\$ 818,845	-705%	

(1) The Actuarial Valuation Dates are presented for the most recent years of available information provided by the State of Rhode Island and Milliman Consultants and Actuaries

Town of Bristol, Rhode Island

**Required Supplementary Information
Schedule of Funding Progress for Post Employment Medical Benefit Plan
June 30, 2008
Unaudited**

Actuarial Valuation Date (1)	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll	
Municipal employees	7/1/2006	N/A	\$ 19,200,419	\$(19,200,419)	N/A	\$ 6,148,197	-312%

(1) The Actuarial Valuation Date are presented for the most recent year of available information provided by The Angell Pension Group, Inc.

TOWN OF BRISTOL, RHODE ISLAND**Schedule of Revenues, Expenditures (Non-GAPP Budgetary Basis)
Budget and Actual
(Unaudited)****General Fund
Year Ended June 30, 2008**

	Originally Adopted <u>Budget</u>	Adjustments Carryforwards and Transfers	Final Approved <u>Budget</u>	Actual (Budgetary Basis)	Variance Over (Under)
Revenues:					
General property taxes	\$ 30,270,579		\$ 30,270,579	\$ 31,497,881	\$ 1,227,302
State aid and grants	3,652,668		3,652,668	3,745,692	93,024
Intergovernmental	615,000		615,000	216,416	(398,584)
Licenses and permits	1,630,500		1,630,500	1,685,783	55,283
Interest on investments and taxes	400,000		400,000	573,094	173,094
Other	2,711,322		2,711,322	783,457	(1,927,865)
Total Revenues	39,280,069		39,280,069	38,502,323	(777,746)
Expenditures:					
Current:					
Legislative, judicial and general administrative	921,712	\$ 12,500	934,212	927,416	6,796
Financial administration	443,500		443,500	448,674	(5,174)
Public safety	4,247,891	(664)	4,247,227	4,251,204	(3,977)
Public works and service	3,928,596		3,928,596	3,854,930	73,666
Human resources	1,243,440		1,243,440	1,187,727	55,713
Education	18,517,260		18,517,260	18,517,260	0
Debt service	2,590,075	(12,500)	2,577,575	2,229,592	347,983
Capital expenditures	9,093,782	664	9,094,446	5,911,479	3,182,967
Sundry	5,313,161		5,313,161	5,368,924	(55,763)
Total expenditures	46,299,417	0	46,299,417	42,697,206	3,602,211
Excess of revenues over (under) expenditures before other financing sources (uses)	(7,019,348)		(7,019,348)	(4,194,883)	2,824,465
Other financing sources (uses):					
Transfers from fund balance	6,249,641		6,249,641	6,249,641	0
Operating transfers from other funds	797,207		797,207	842,547	45,340
Operating transfer (to) other funds	(27,500)		(27,500)	(27,500)	0
Total other financing sources (uses)	7,019,348		7,019,348	7,064,688	45,340
Excess of revenues and other sources over expenditures and other uses	\$ 0	\$ 0	\$ 0	\$ 2,869,805	\$ 2,869,805

TOWN OF BRISTOL, RHODE ISLAND

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2008**

Budgetary To GAAP Basis Reconciliation

The following reconciliation summarizes the difference between budgetary and GAAP basis accounting principles for the year ended June 30, 2008:

	<u>General Fund</u>
Excess of revenues and other sources over expenditures and other uses (Non-GAAP Budgetary Basis).....	\$2,869,804
Use of accumulated fund balance	<u>(6,249,641)</u>
Excess of revenues and other sources over expenditures and other uses (GAAP)	<u>\$(3,379,837)</u>

(CONCLUDED)

Other Supplementary Information

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely component units, each major fund, and the aggregate remaining fund information of the Town of Bristol, Rhode Island as of and for the year ended June 30, 2008, which collectively comprise the Town of Bristol's basic financial statements and have issued our report thereon dated January 27, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Bristol's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Bristol's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Bristol's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Bristol's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency, or combination of control deficiencies, that adversely affects the Town of Bristol's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Bristol's financial statements that is more than inconsequential will not be prevented or detected by the Town of Bristol's internal control. We consider the deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting. 2008-1, 2008-2, 2008-3, 2008-4, 2008-5, 2008-6, 2008-7, 2008-8, 2008-9, 2008-10.

Boston

Newton

Providence

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Bristol's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2008-1 and 2008-2 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Bristol's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Town Council, management, others within the Town, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Bram. PC

Providence, Rhode Island
January 27, 2009

TOWN OF BRISTOL

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008**

A. FINDINGS – RELATED TO AUDIT OF FINANCIAL STATEMENTS

- 2008-1 Along with the responsibility for the selection and implementation of appropriate accounting policies and internal controls, management is also responsible for the preparation of the Town's financial statements and related footnote disclosure. The Controls over the Town's financial reporting process are not adequately designed, and personnel do not possess the necessary knowledge and skills required, to ensure the Town's financial statements are prepared in accordance with generally accepted accounting principles.
- 2008-2 The Town has not recorded certain general infrastructure assets in governmental activities, and accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those general infrastructure assets be capitalized and depreciated, which would increase the assets, net assets, and expenses of the governmental activities.
- 2008-3 A majority of the Town's General Fund and Sewer Fund balance sheet accounts required a large number of adjustments in order to reflect its status and activity for the fiscal year. These accounts included cash, receivables, capital assets, accounts payable, long-term debt, accrued compensation and benefits, deferred revenue and fund balance.
- 2008-4 The Town does not maintain a separate, self-balancing general ledger for all funds. This increases the likelihood that errors could be made and remain undetected for extended periods.
- 2008-5 The beginning balances for the June 30, 2008 Sewer Fund trial balance was from the year ended June 30, 2006. This caused the June 30, 2008 trial balance amounts to be misstated.
- 2008-6 The Town does not lock its unused checks in a safe location. This increases the risk of fraudulent activity.
- 2008-7 As part of the Town's internal control procedures for depositing and recording cash receipts from the various Town departments, a copy of the validated deposit slip is required to be sent back to the department heads for validation of the amount deposited from the finance department. This internal control procedure is not being followed which increases the risk of fraudulent activity.
- 2008-8 As part of the Town's internal control procedures for proper segregation of duties, the mail is required to be opened by an employee who has no responsibility for recording general ledger activity. This internal control procedure is not being followed which increases the risk of fraudulent activity.
- 2008-9 The Town currently maintains its capital asset records in a computerized software program. The capital asset additions for 2008 were entered incorrectly which caused no depreciation expense to be calculate. Also, there was approximately \$5 million of construction in progress additions that were not recorded in the program.
- 2008-10 As part of the OPEB Trust established by the Town, the Town invested funds into various American Funds. The Town failed to record the American Fund activity in its general ledger such as interest and dividend income and contributions. As a result, the net assets of the OPEB were misstated.

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