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## Town of Bristol Maine Financial Report 2013

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## INDEPENDENT AUDITORS' REPORT

Board of Selectmen  
Town of Bristol  
P.O. Box 339  
Bristol, Maine 04539

We have audited the accompanying general purpose financial statements of the Town of Bristol, as of and for the years ended December 31, 2013 and 2012, 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'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Town of Bristol as of December 31, 2013 and 2012, and the respective changes in financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on Schedule A-1 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Bristol's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

January 16, 2014

TOWN OF BRISTOL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Town of Bristol conform to generally accepted accounting principles as applicable to governmental units.

1. Financial Reporting Entity

The Town of Bristol was incorporated in 1765. The Town operates under a town meeting form of government.

In evaluating the Town of Bristol as a reporting entity, management has addressed all potential component units. The primary criteria for including a component reporting entity are the exercise of financial accountability by the Town of Bristol's municipal officials.

The Town's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is responsible for establishing Generally Accepted Accounting Principles (GAAP) for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP are used by the Town as discussed below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain significant changes in the Statement include the following:

1.) Financial statements now include:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the Town's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Town's activities, including infrastructure (roads, bridges, etc.).

2.) A change in the fund financial statements to focus on the major funds.

2. Basic Financial Statements - Government-Wide Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as governmental. The Town's fire protection, recreation, public works, and general administrative services are classified as governmental activities.

In the government-wide Statements of Net Position, the governmental column is presented on a consolidated basis by column, and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net position is reported in four parts - net invested in capital assets; committed for capital projects; assigned for other purposes, and unassigned. The Town first utilizes restricted resources to finance qualifying activities.

TOWN OF BRISTOL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

2. Basic Financial Statements - Government-Wide Statements (cont'd)

The government-wide Statements of Activities reports both the gross and net cost of each of the Town's functions and business-type activities (fire, public works, administrative, etc.). The functions are also supported by general government revenues (property, certain intergovernmental revenues, fines, permits, and charges, etc.). The Statements of Activities reduces gross expenses (including depreciation) by related program revenues and operating and capital grants. Program revenues must be directly associated with the function (fire, public works, etc.). Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property, intergovernmental revenues, interest income, etc.).

This government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

3. Basic Financial Statements - Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Town:

a. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town:

1. General Fund:

General Fund is the general operating fund of the town. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Fiduciary Funds:

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support town programs. The reporting focus is on net assets and changes in net assets and is reported using accounting principles similar to proprietary funds.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category) for the determination of major funds.

TOWN OF BRISTOL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

3. Basic Financial Statements - Fund Financial Statements (cont'd)

a. Governmental Funds (cont'd):

2. Fiduciary Funds (cont'd):

The Town's fiduciary funds are presented in the fiduciary fund financial statements. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

3. Proprietary Fund:

The Proprietary Fund is the fund used to account for all financial resources relating to the Parks and Recreation Department. The generally accepted accounting principles applicable are those similar to business in the private sector.

4. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied:

a. Accrual:

Governmental activities in the government-wide financial statements and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

b. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e. both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

5. Financial Statement Amounts

a. Cash and Cash Equivalents:

The Town has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agents. Statutes authorize the Treasurer of the Town, as directed by the municipal officers, to invest all municipal funds, including reserve and trust funds, to the extent that the terms of the instrument, order, or article creating the fund do not prohibit the investment in financial institutions as described in Section 5706 MRSA and securities as described in Sections 5711 through 5717 MRSA.

TOWN OF BRISTOL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

5. Financial Statement Amounts

b. Capital Assets:

Capital assets purchased or acquired with an original cost of \$2,000.00 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-50 Years
Machinery and Equipment	5-10 Years
Improvements	10-20 Years
Other Infrastructure	10-50 Years

c. Revenues:

Substantially, all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied. In applying GASB No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

d. Expenditures:

Expenditures are recognized when the related fund liability is incurred.

e. Use of Estimates:

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

NOTE B - CASH:

Cash

The Town's cash is categorized to give an indication of the level of risk assumed by the Town at year end. These Categories are defined as follows:

Category #1 - Insured or collateralized with securities held by the Town or by its agent in the Town's name.

Category #2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name.

Category #3 - Uncollateralized (This includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Town's name.)

TOWN OF BRISTOL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

NOTE B - CASH (CONT'D):

At December 31, 2013 cash consisted of:

ACCOUNT TYPE	CARRYING AMOUNT	BANK BALANCE	CATEGORY		
			#1	#2	#3
Interest Bearing Accounts	\$ 2,122,986.98	\$ 2,157,508.59	\$ 2,115,381.03	\$	\$ 42,127.56

NOTE C - ACCOUNTS RECEIVABLE:

Accounts Receivable consists of the following:

State Homestead	\$ 5,709.41
State Revenue Sharing	4,000.00
State General Assistance Reimbursement	3,232.06
Dead River Vendor	795.80
	<u>\$ 13,737.27</u>

NOTE D - GENERAL LONG-TERM DEBT:

The following is a summary of note and bond transactions of the Town for the year ended December 31, 2013:

	BALANCE 1/1/13	ADDITIONS	REDUCTIONS	BALANCE 12/31/13
General Fund:				
Bath Savings Institution - Fire Truck	\$ 369,933.30	\$	\$ 55,099.51	\$ 314,833.79
The First - Partridge Bridge	179,840.73		35,931.21	143,909.52
Maine Municipal Bond Bank - School Renovations	315,000.00		63,000.00	252,000.00
The First - Fire Truck		209,000.00	9,166.32	199,833.68
	<u>\$ 864,774.03</u>	<u>\$ 209,000.00</u>	<u>\$ 163,197.04</u>	<u>\$ 910,576.99</u>

TOWN OF BRISTOL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

NOTE D - GENERAL LONG-TERM DEBT (CONT'D):

Long-Term Debt as of December 31, 2013 is as follows:

General Fund:

Bath Savings Institution - Fire Truck

The note is for 10 years with 9 annual principal and interest payments of \$71,690.07 and a final payment of remaining principal and any accrued interest. Interest is set at 4.49%.

\$ 314,833.79

The First - Partridge Bridge

The note is for 10 years with monthly principal and interest payments of \$3,515.38 and a final principal and interest payment of \$3,514.03. The interest is paid monthly at a rate of 3.83%.

143,909.52

Maine Municipal Bond Bank - School Renovations

The bond is for 10 years with annual principal payments of \$63,000.00. \$270,000.00 of principal was forgiven at closing. The interest rate is set at 0%.

252,000.00

The First - Fire Truck

This note is for 10 years with monthly principal and interest payments of \$1,997.95 and a final payment of remaining principal and any accrued interest. Interest rate is 2.750%.

199,833.68  
\$ 910,576.99

The annual requirement to amortize notes and bonds payable as of December 31, 2013 follows:

<u>YEAR ENDING</u> <u>DECEMBER 31</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2014	\$ 176,586.38	\$ 24,263.65	\$ 200,850.03
2015	181,146.39	19,703.64	200,850.03
2016	185,893.63	14,956.40	200,850.03
2017	176,523.45	9,681.95	186,205.40
2018	89,526.01	6,167.82	95,693.83
2019-2021	100,901.13	6,452.43	107,353.56
	<u>\$ 910,576.99</u>	<u>\$ 81,225.89</u>	<u>\$ 991,802.88</u>

TOWN OF BRISTOL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

NOTE E - GENERAL FUND BUDGET:

The Town operates on a net budget as compared with a gross budget. All revenues are not estimated, but are credited to the particular operating account. Certain revenues are dedicated for particular purposes by vote of the townspeople at the annual town meeting or at special town meetings.

At the annual town meeting, held in March of each year, the townspeople vote on various articles on which amounts for appropriations have been recommended by the Board of Selectmen and/or the budget committee.

NOTE F - ASSIGNED FOR OTHER PURPOSES:

Historically, the townspeople vote to carry certain departmental unexpended balances forward to the following year for expenditure. This is usually in lieu of additional appropriations in any particular account.

General Government	\$ 69,691.22
Education	525,398.06
Highways and Bridges	90,485.47
Protection	3,397.91
Unclassified	12,991.07
	<u>\$ 701,963.73</u>

NOTE G - REVENUE RECOGNITION - PROPERTY TAXES:

The Town's property tax for the current year was levied May 29, 2013 on the assessed value listed as of April 1, 2013 for all taxable real and personal property located in the Town. Taxes were due September 16, 2013 with interest at 7% per annum or part thereof commencing September 17, 2013.

Tax liens are filed against delinquent real estate taxpayers after eight months but within one year of the original tax commitment. If the tax, interest, and costs have not been paid eighteen months after the filing of a lien certificate then the lien is automatically foreclosed.

The National Council on Governmental Accounting (N.C.G.A.) Interpretation No. 3 requires that property tax revenue be recognized only to the extent it will be collected within sixty days following the year end. The deferred tax revenue shown on the balance sheet represents property taxes not expected to be collected within sixty days after the year end.

Property taxes are recognized when they become available. Available includes those taxes expected to be collected within sixty days after year end as stated above.

TOWN OF BRISTOL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

NOTE H - DEFINED BENEFIT PENSION PLAN:

Public school teachers contribute to the Maine Public Employees Retirement System ("System"), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for public school teachers, state employees (except as members of the judiciary and legislature who are covered under the Judicial and Legislative Retirement Systems) and political subdivisions. The System also provides retirement, death, disability, and health insurance benefits. These benefit provisions and all other requirements are established by state statute. The MainePERS issues a publicly available financial report that includes financial statements and required supplementary information for the teachers group. This report may be obtained by calling 1-800-451-9800.

Teachers are required to contribute 7.65% of their annual salary to the System. The State of Maine contributes the remaining amounts necessary to fund the System, using the actuarial basis specified by statute. The covered payroll for teachers is approximately \$1,355,747.13. As required by Accounting Standards, the amount paid on behalf of the School Department by the State of Maine has been recorded as revenue and an expenditure, which amounted to \$205,086.94. The only exception is the contribution required for federally funded teachers for which the Town contributes 16.15% for the first six months and 13.5% for the second six months of their compensation. This cost amounted to \$4,555.79 for the year ended June 30, 2013.

NOTE I - INTERFUND RECEIVABLES AND PAYABLES:

Due To and Due From Other Funds consist of the following:

Due To Parks and Recreation Department	\$ 87,881.56
Due To Capital Reserve	5,462.00
Due To Worthy Poor Trust Fund	119.09
	<u>\$ 93,462.65</u>

NOTE J - PROPERTY, PLANT, AND EQUIPMENT:

The following is a summary of changes in fixed assets at December 31, 2013:

	BALANCE JANUARY 1, 2013	ADDITIONS	BALANCE DECEMBER 31, 2013
Land and Land Improvements	\$ 966,877.28	\$ 243,390.49	\$ 1,210,267.77
Buildings	5,176,363.20	47,248.67	5,223,611.87
Equipment	2,331,660.69	287,773.00	2,619,433.69
Infrastructure	5,542,737.38	454,787.20	5,997,524.58
	<u>\$ 14,017,638.55</u>	<u>\$ 1,033,199.36</u>	<u>\$ 15,050,837.91</u>
Accumulated Depreciation	(6,617,222.26)	(508,132.21)	(7,125,354.47)
Net Property, Plant, and Equipment	<u>\$ 7,400,416.29</u>	<u>\$ 525,067.15</u>	<u>\$ 7,925,483.44</u>

TOWN OF BRISTOL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

NOTE K - RISK MANAGEMENT:

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. All significant losses are covered by commercial insurance. There has been no significant reduction in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE L - INTEREST COST INCURRED:

During the current year the Town incurred interest costs totaling \$25,665.29 which was charged as an expense to various accounts.

NOTE M - OVERLAPPING DEBT:

The Town of Bristol is situated in Lincoln County and is therefore subject to annual assessment of its proportional share of county expenses. Long-term debt outstanding in Lincoln County for which the Town of Bristol would be proportionally responsible in the event the County defaulted, is approximately \$7,780,060.00 at December 31, 2013. The Town of Bristol's share would be 14.3% of the debt, or \$1,112,540.00.

NOTE N - EXPENDITURES IN EXCESS OF APPROPRIATIONS:

During the year expenditures exceeded appropriations in the general assistance general fund categories. Expenditures were greater than anticipated. There were overdrafts in abatements and Marsh Island tax which historically has not been appropriated but rather is funded from unappropriated surplus.

NOTE O - JOINT VENTURE:

The Towns of Bristol and South Bristol have entered into an interlocal agreement to provide for solid waste disposal facilities for the two communities. The joint venture is administered by a joint board composed of the Board of Selectmen from each town. All costs and revenues are shared in the ratio of 60% - Bristol and 40% - South Bristol.

The following is a summary of the joint venture financial statements:

	TOTAL	BRISTOL'S SHARE
Total Assets	\$ 241,006.07	\$ 144,603.64
Total Liabilities	3,489.56	2,093.73
Total Net Position	<u>\$ 237,516.51</u>	<u>\$ 142,509.91</u>
 Total Revenues	 \$ 476,592.15	 \$ 285,955.29
Total Expenditures	465,170.95	279,102.57
Excess of Expenditures over Revenues	<u>\$ 11,421.20</u>	<u>\$ 6,852.72</u>

Bristol's assessments paid to the joint venture in 2013 totaled \$213,252.00 and are recorded as expenditures.

TOWN OF BRISTOL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

NOTE P - DEFERRED REVENUE:

Deferred Revenue consists of the following:

Prepaid 2014 Taxes	\$ 5,897.88
Excess of State Revenue Share's Receipts over the amount used to reduce the 2013 tax commitment	<u>18,320.56</u>
	<u>\$ 24,218.44</u>

NOTE Q - SUBSEQUENT EVENT:

Management has made an evaluation of subsequent events to and including the audit report date, which was the date the financial statements were available to be issued, and determined that any subsequent events that would require recognition or disclosure have been considered in the preparation of the financial statements.