

TOWN OF BRISTOL  
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DECEMBER 31, 2008

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## INDEPENDENT AUDITORS' REPORT

Board of Selectmen  
Town of Bristol  
P.O. Box 147  
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, 2008 and 2007, 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 opinions.

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, 2008 and 2007, 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.

The *Management's Discussion and Analysis* and budgetary comparison information on Schedule A-1, 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's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

January 29, 2009

TOWN OF BRISTOL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008

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.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The Town elected to implement the provisions of the Statement in the year ended June 30, 2004.

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.

TOWN OF BRISTOL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008

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

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

In the government-wide Statements of Net Assets, 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 assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Town first utilizes restricted resources to finance qualifying activities.

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 assets 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.

TOWN OF BRISTOL  
NOTES TO FINANCIAL STATEMENTS  
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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 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.

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.

TOWN OF BRISTOL  
NOTES TO FINANCIAL STATEMENTS  
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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

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.

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.

TOWN OF BRISTOL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008

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

6. Total Columns

Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

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.)

ACCOUNT TYPE	CARRYING AMOUNT	BANK BALANCE	CATEGORY		
			#1	#2	#3
Interest Bearing Accounts	\$ 1,909,490.14	\$ 2,077,025.75	\$ 414,182.18	\$ 1,447,236.60	\$ 215,606.97

NOTE C - ACCOUNTS RECEIVABLE:

Accounts Receivable consists of the following:

State Revenue Sharing	\$ 8,500.00
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TOWN OF BRISTOL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008

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, 2008:

	<u>BALANCE</u> 1/1/08	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCE</u> 12/31/08
General Fund:				
First National Bank - Fire Truck	\$ 118,754.00	\$	\$ 23,750.00	\$ 95,004.00
Maine Municipal Bond Bank - Transfer Facility	25,000.00		25,000.00	
First National Bank - Partridge Bridge	340,320.87		29,737.21	310,583.66
Maine Municipal Bond Bank - School Renovations	210,649.51	487,834.49	131,484.00	567,000.00
Bath Savings Institution - Tax Anticipation Note		800,000.00	800,000.00	
	<u>\$ 694,724.38</u>	<u>\$ 1,287,834.49</u>	<u>\$ 1,009,971.21</u>	<u>\$ 972,587.66</u>

Long-Term Debt as of December 31, 2008 is as follows:

General Fund:

First National Bank of Damariscotta.

The note is for 10 years with 9 annual principal payments of \$23,750.00 and a final principal and interest payment of \$23,882.87.

Interest rate was fixed at 2.17% through May 9, 2005 at which time it changed to a floating rate of 1% above the bank's then

LIBOR index adjusted annually. At December 31, 2007 the rate was 4.21%.

\$ 95,004.00

First National Bank of Damariscotta.

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%.

310,583.66

Maine Municipal Bond Bank.

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%.

567,000.00

\$ 972,587.66

TOWN OF BRISTOL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008

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

The annual requirement to amortize notes and bonds payable as of December 31, 2008 follows:

YEAR ENDING DECEMBER 31	PRINCIPAL	INTEREST	TOTAL
2009	\$ 117,572.27	\$ 13,423.88	\$ 130,996.15
2010	118,773.71	11,707.06	130,480.77
2011	120,021.98	9,943.42	129,965.40
2012	121,322.90	8,127.12	129,450.02
2013	98,916.39	6,268.17	105,184.56
2014-2018	395,980.41	10,583.71	406,564.12
	<u>\$ 972,587.66</u>	<u>\$ 60,053.36</u>	<u>\$ 1,032,641.02</u>

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 - DESIGNATED FOR SUBSEQUENT YEARS' EXPENDITURES:

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	\$ 50,302.52
Education	568,397.21
Highways and Bridges	24,371.13
Protection	5,659.56
Unclassified	52,179.66
	<u>\$ 700,910.08</u>

NOTE G - REVENUE RECOGNITION - PROPERTY TAXES:

The Town's property tax for the current year was levied May 28, 2008 on the assessed value listed as of April 1, 2008 for all taxable real and personal property located in the Town. Taxes were due September 15, 2008 with interest at 10% per annum or part thereof commencing September 16, 2008.

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.



TOWN OF BRISTOL  
NOTES TO FINANCIAL STATEMENTS  
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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 \$19,191.69 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 \$11,511,076.00 at December 31, 2008. The Town of Bristol's share would be 14.89% of the debt, or \$1,713,999.00.

NOTE N - EXPENDITURES IN EXCESS OF APPROPRIATIONS:

During the year expenditures exceeded total appropriations in the following general fund categories:

	APPROPRIATION AND REVENUE	EXPENDITURES	VARIANCE
Abatements	\$	\$ 4,642.76	\$ (4,642.76)
Excise Taxes	\$ 549,360.75	\$ 570,000.00	\$ (20,639.25)
Registrations and Licenses	\$ 238,239.87	\$ 242,990.82	\$ (4,750.95)
Marsh Island Tax	\$	\$ 337.99	\$ (337.99)
Partridge Bridge	\$ 89,283.90	\$ 92,785.49	\$ (3,501.59)
Solid Waste Bond Payments	\$ 50.00	\$ 269,925.00	\$ (26,875.00)
Town Road Management	\$ 854,202.00	\$ 863,581.55	\$ (9,379.55)
Bristol Fire and Rescue	\$ 165,598.34	\$ 167,118.77	\$ (1,520.43)

Historically, the Town has not appropriated funds for abatements, but rather funds the expenditures through other unappropriated revenue or unappropriated surplus. Revenues were less than estimated for the other accounts.

TOWN OF BRISTOL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008

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	\$	\$
Total Liabilities		
Total Fund Balance	\$	\$
Total Revenues	\$	\$
Total Expenditures		
Excess of Revenues over Expenditures	\$	\$

Bristol's assessments paid to the joint venture in 2008 totaled \$205,824.00 and are recorded as expenditures.

NOTE P - DEFERRED REVENUE:

Deferred Revenue consists of the following:

Prepaid 2009 Taxes	\$	1,210.22
Excess of State Revenue Share's Receipts over the amount used to Reduce the 2008 tax commitment		11,562.67
	\$	12,772.89