

Management's Discussion and Analysis Fiscal Year Ended December 31, 2013

The Municipal Officers of the Town of Bristol, Maine offer the readers of Bristol's financial statements this narrative overview and analysis of its financial activities for the fiscal year ended December 31, 2013. We encourage readers to consider the information presented in conjunction with additional information furnished in the basic financial statements and the accompanying notes to those financial statements.

The Financial Statements

The financial statements presented herein include all activities of the Town of Bristol, Maine using the integrated approach as prescribed by GASB (Governmental Accounting Standards Board) Statement No. 34. The government-wide financial statements present the financial picture of the Town using the accrual basis of accounting. They present governmental activities (functions that are principally supported by taxes and intergovernmental revenues) and business-type activities (functions that are intended to recover all or a significant portion of their costs through user fees and charges) separately. These statements include all assets of the Town as well as all liabilities, including long-term debt.

The fund financial statements include statements for each of the three categories of activity: governmental, business-type and fiduciary. Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Statement of Net Position and Statement of Activities

The statement of net position and statement of activities report information about the Town and its activities as a whole. Excluding infrastructure, these statements include all assets and liabilities of the Town using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net position and changes to it. Net position is the difference between assets and liabilities, which is one way to measure the Town's financial health or financial position. Over time, increases and decreases in net position is one indicator of whether the Town's financial health is improving or deteriorating. Other factors to consider are changes in the Town's property tax base and the condition of its infrastructure. In the statement of net position and statement of activities, the Town's activities are separated as follows:

Governmental activities: Most of the Town's basic services are reported in this category, including public safety, public works, and general administrative services. Property taxes, excise taxes, user fees, interest income, cable television franchise fees and State and Federal grants finance these activities.

Business-type activities: Parks and Recreation is considered a "business-type" activity. A fee is charged to customers to cover costs associated with admission to and use of Bristol's parks. Parks and Recreation is completely self supporting through admissions, rental income and other user fees.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds, not the Town as a whole. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by State law or by grantor. In the Town of Bristol, these include worthy poor funds, cemetery funds and a small fund set aside for maintenance of the Rock Schoolhouse. Management, however, establishes other funds to help it control and manage money for particular purposes. During fiscal year 2013 Bristol had eight "capital reserve" accounts: the Highway Equipment Fund, the Fire Truck Fund, the Revaluation Fund, the Building Fund, the Computer Fund, the Parks Fund, the School Boiler Fund and the Learning Center Fund.

Governmental Funds

Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the remaining balances at year end that are available for spending. These funds are reported using an accounting method called "modified accrual", which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed, shorter-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The Town's governmental funds consist of the following:

General Fund: The general operating fund of the Town used to account for all financial resources except those required to be accounted for in another fund.

Proprietary Funds: When the Town charges customers for services it provides (business-type activities), these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and Statement of Activities.

Fiduciary Funds: The Town's fiduciary funds are held in trust for the benefit of others. These funds are not included in the government-wide financial statements and cannot be used to support general government activities and operations.

Governmental Activities

The cost of all governmental activities in 2013 was \$7,927,849.46, an increase of \$693,322.17 in comparison to 2012. Some of the costs were paid by those who directly benefited from the programs, or by other governments and organizations that subsidized certain programs with operating grants and contributions. The Town paid for the "public benefit" portion of governmental activities with property taxes and through additional sources such as excise tax, interest, State revenue sharing, cable television franchise fees and other miscellaneous revenues.

Town programs include education, general government, health and welfare, highways and bridges, protection, special assessments (County tax), and unclassified. Each program's net cost (total cost less revenues generated by the activities) is presented below. The net costs show the financial burden placed on the Town's taxpayers by each of the functions:

Governmental Activities	Net Cost 2013	Net Cost 2012	Net Cost 2011
Education	\$4,005,296.37	\$4,044,857.17	\$3,781,589.85
General Government	649,579.60	429,084.63	410,557.17
Health and Welfare	276,802.63	230,516.89	247,515.32
Highways and Bridges	909,862.17	952,989.37	891,181.51
Protection	816,348.42	274,947.92	306,439.31
County Tax	1,224,272.56	1,275,455.50	1,268,146.98
Unclassified	<u>45,687.71</u>	<u>26,675.81</u>	<u>16,197.65</u>
Total:	\$7,927,849.46	\$7,234,527.29	\$6,921,627.79

On December 31, 2013, Bristol's net position for governmental activities totaled \$9,011,440.43. Net position as of December 31, 2012 were \$8,558,768.90 and \$8,352,388.92 as of December 31, 2011. The result is an increase in net assets of \$452,671.53 during fiscal year 2013.

Business-Type Activities

The cost of the Town's only proprietary fund, Bristol Parks and Recreation, was \$298,967.13. The amount paid by users of the system and raised through donations was \$302,034.02, resulting in a net gain of \$3,066.89.

Budgets and Budgetary Accounting

The breakdown of actual expenditures for the year may be found in the Selectmen's Financial Report which is part of the 2013 Annual Report of the Town of Bristol. This could be compared with the proposed budget for 2014 to ascertain potential increases or decreases in individual budgetary items.

Administrative Notes

Bristol had four outstanding loans at the end of fiscal year 2013: a bond for school renovations, which matures in 2018, a loan for the Partridge Bridge which matures in 2017, and two fire truck loans maturing in 2018 and 2023. The following is a comparison of total long-term debt:

FY 2013	FY 2012	FY 2011
\$ 910,576.99	\$ 864,774.03	\$ 1,015,025.18

There was a decrease in the County tax assessment as compared with fiscal year 2012.

FY 2013	FY 2012	FY 2011
\$1,224,272.56	\$1,275,455.50	\$1,268,146.98

There was an increase in unappropriated surplus as compared with fiscal year 2012.

FY 2013	FY 2012	FY 2011
\$968,129.71	\$951,268.57	\$944,913.52

The mill rate increases from 7.85 per \$1,000.00 of valuation for fiscal year 2011 and 7.60 per \$1,000.00 of valuation for fiscal year 2012 to 7.70 per \$1,000.00 of valuation for fiscal year 2013.

Education accounted for approximately 61% of the tax commitment followed by the County tax assessment at 21% and the Municipal budget at 18%.

Bristol's financial position continues to be exemplary. The Municipal Officers continue to pursue ways to lower the cost of providing essential services to Bristol's taxpayers while preparing for demands on infrastructure, increasing cost of education, the County tax commitment, decreased State revenues, and State and Federal mandates.