

**TOWN OF BRISTOL, NEW HAMPSHIRE**

**Annual Financial Statements**

**For the Year Ended December 31, 2012**

## Town of Bristol, New Hampshire

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## MELANSON HEATH & COMPANY, PC

CERTIFIED PUBLIC ACCOUNTANTS  
MANAGEMENT ADVISORS

### INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen  
Town of Bristol, New Hampshire

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bristol, New Hampshire, as of and for the year ended December 31, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We 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 from material misstatement.

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

policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Basis for Qualified Opinion on Governmental Activities**

Management has not included any of the Town's capital assets acquired nor the accumulated depreciation and depreciation expense related to those assets in the governmental activities. Accounting principles generally accepted in the United States of America require that those capital assets be capitalized and depreciated, which would increase the assets, net position, and expenses of the governmental activities. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities has not been determined.

### **Qualified Opinion on Governmental Activities**

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph on the governmental activities, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Town of Bristol, New Hampshire, as of December 31, 2012, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Opinion on Business-type Activities, Major Funds and Aggregate Remaining Fund Information**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business activities, each major fund, and the aggregate remaining fund information of the Town of Bristol, New Hampshire, as of December 31, 2012, and the respective changes in financial position where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and Schedule of Funding Progress 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 evidence sufficient to express an opinion or provide any assurance.

*Melanson, Heath + Company P.C.*

Manchester, New Hampshire  
October 30, 2013

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Town of Bristol, New Hampshire we offer readers this narrative overview and analysis of the financial activities of the Town of Bristol for the year ended December 31, 2012.

### **A. OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The 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 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 our finances in a manner similar to a private-sector business.

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

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

Both of the government-wide financial statements distinguish functions 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 include general government, public safety, highways and streets, sanitation, health, welfare, culture and recreation, conservation and economic development. The business-type activities include water and wastewater activities.

**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. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, 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 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.

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

**Proprietary funds.** Proprietary funds are maintained as follows:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Specifically, enterprise funds are used to account for water and wastewater operations.

Proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and wastewater operations, both of which are considered to be major funds.

**Notes to 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.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

## B. FINANCIAL HIGHLIGHTS

- As of the close of the current year, the total of assets exceeded liabilities by \$3,983,852 (i.e., net position), a change of \$(1,020,884) in comparison to the prior year.
- As of the close of the current year, governmental funds reported combined ending fund balances of \$1,176,345, a change of \$321,435 in comparison to the prior year.
- At the end of the current year, unassigned fund balance for the general fund was \$230,297 a change of \$(82,258) in comparison to the prior year.
- Total long-term debt (i.e., bonds and notes payable) at the close of the current year was \$3,051,223, a change of \$2,208,158 in comparison to the prior year.

## C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current year and prior years.

	<u>NET POSITION</u>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 4,573,649	\$ 4,293,270	\$ 1,540,258	\$ 1,156,917	\$ 6,113,907	\$ 5,450,187
Capital assets	-	-	4,315,770	4,407,327	4,315,770	4,407,327
Total assets	4,573,649	4,293,270	5,856,028	5,564,244	10,429,677	9,857,514
Long-term liabilities outstanding	1,761,509	678,108	1,495,157	578,065	3,256,666	1,256,173
Other liabilities	2,995,558	2,940,406	81,642	656,199	3,077,200	3,596,605
Deferred Inflows	111,959	-	-	-	111,959	-
Total liabilities	4,869,026	3,618,514	1,576,799	1,234,264	6,445,825	4,852,778
Net position:						
Net investment in capital assets	-	-	2,706,660	3,750,538	2,706,660	3,750,538
Restricted	54,076	54,142	-	-	54,076	54,142
Unrestricted	(349,453)	620,614	1,572,569	579,442	1,223,116	1,200,056
Total net position	<u>\$ (295,377)</u>	<u>\$ 674,756</u>	<u>\$ 4,279,229</u>	<u>\$ 4,329,980</u>	<u>\$ 3,983,852</u>	<u>\$ 5,004,736</u>

CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues:						
Program revenues						
Charges for services	\$ 673,739	\$ 650,820	\$ 724,856	\$ 657,842	\$ 1,398,595	\$ 1,308,662
Operating grants and contributions	1,670	1,029	38,113	7,112	39,783	8,141
Capital grants and contributions	248,053	123,616	15,345	54,047	263,398	177,663
General revenues:						
Property taxes	2,671,170	3,016,533	-	-	2,671,170	3,016,533
Motor vehicle permits	462,925	441,599	-	-	462,925	441,599
Penalties and interest on taxes	127,677	103,680	-	-	127,677	103,680
Grants and contributions not restricted to specific programs	239,229	329,732	-	-	239,229	329,732
Investment income	14,892	(275)	2,972	3,102	17,864	2,827
Miscellaneous	<u>33,264</u>	<u>13,328</u>	<u>31,567</u>	<u>381</u>	<u>64,831</u>	<u>13,709</u>
Total revenues	4,472,619	4,680,062	812,853	722,484	5,285,472	5,402,546
Expenses:						
General government	792,336	788,590	-	-	792,336	788,590
Public safety	2,104,938	1,790,890	-	-	2,104,938	1,790,890
Highway and streets	1,254,299	985,541	-	-	1,254,299	985,541
Sanitation	262,186	250,903	-	-	262,186	250,903
Health	51,848	53,956	-	-	51,848	53,956
Welfare	69,598	81,825	-	-	69,598	81,825
Culture and recreation	900,414	326,527	-	-	900,414	326,527
Conservation	893	255	-	-	893	255
Economic development	2,300	-	-	-	2,300	-
Interest on long-term debt	24,918	37,240	-	-	24,918	37,240
Capital outlay	-	298,004	-	-	-	298,004
Water services	-	-	439,550	403,785	439,550	403,785
Wastewater services	-	-	428,989	506,022	428,989	506,022
Total expenses	<u>5,463,730</u>	<u>4,613,731</u>	<u>868,539</u>	<u>909,807</u>	<u>6,332,269</u>	<u>5,523,538</u>
Change in net position before permanent fund contributions	(991,111)	66,331	(55,686)	(187,323)	(1,046,797)	(120,992)
Transfers in (out)	(4,935)	(25,579)	4,935	25,579	-	-
Permanent fund contributions	<u>25,913</u>	<u>9,853</u>	<u>-</u>	<u>-</u>	<u>25,913</u>	<u>9,853</u>
Change in net position	(970,133)	50,605	(50,751)	(161,744)	(1,020,884)	(111,139)
Net position - beginning of year	<u>674,756</u>	<u>624,151</u>	<u>4,329,980</u>	<u>4,491,724</u>	<u>5,004,736</u>	<u>5,115,875</u>
Net position - end of year	<u>\$ (295,377)</u>	<u>\$ 674,756</u>	<u>\$ 4,279,229</u>	<u>\$ 4,329,980</u>	<u>\$ 3,983,852</u>	<u>\$ 5,004,736</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent year, total net position was \$3,983,852, a change of \$(1,020,884) from the prior year.

The largest portion of net position \$2,706,660 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$54,076 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$1,223,116 may be used to meet the government's ongoing obligations to citizens and creditors.

**Governmental activities.** Governmental activities for the year resulted in a change in net position of \$(970,133). Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ (134,154)
Library project fund	301,970
Nonmajor funds activities	153,619
Principal debt service	130,649
Bond proceeds	(1,295,500)
Other	<u>(126,717)</u>
Total	<u>\$ (970,133)</u>

**Business-type activities.** Business-type activities for the year resulted in a change in net position of \$(50,751). Key elements of this change are as follows:

Water services	\$ (42,176)
Wastewater services	<u>(8,575)</u>
Total	<u>\$ (50,751)</u>

#### **D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the end of the current year, governmental funds reported combined ending fund balances of \$1,176,345, a change of \$321,435 in comparison to the prior year. Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ (134,154)
Library project fund	301,970
Nonmajor activities	<u>153,619</u>
Total	<u>\$ 321,435</u>

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$230,297, while total fund balance was \$392,559. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>12/31/12</u>	<u>12/31/11</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 230,297	\$ 312,555	\$ (82,258)	5.2%
Total fund balance <sup>1</sup>	\$ 392,559	\$ 526,713	\$ (134,154)	8.9%

<sup>1</sup>Now includes capital reserve funds. Prior period balances have been revised to conform to current presentation.

The fund balance of the general fund changed by \$(134,154) during the current year. Key factors in this change are as follows:

Revenues in excess of budget	\$ 124,447
Expenditures less than budget	114,926
Use of fund balance	(125,000)
Tax collections as compared to budget	(89,613)
Current year encumbrance spent in subsequent year over prior year encumbrances	40,967
Change in capital reserve funds	(92,863)
Other	<u>(107,018)</u>
Total	<u>\$ (134,154)</u>

Included in the total general fund balance are the Town's capital reserve accounts with the following balances:

	<u>12/31/12</u>	<u>12/31/11</u>	<u>Change</u>
Capital reserves	\$ <u>94,528</u>	\$ <u>187,391</u>	\$ <u>(92,863)</u>
Total	<u>\$ 94,528</u>	<u>\$ 187,391</u>	<u>\$ (92,863)</u>

**Proprietary funds.** Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unassigned net position of the enterprise funds at the end of the year amounted to \$1,572,569, a change of \$993,127 in comparison to the prior year.

Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

**E. GENERAL FUND BUDGETARY HIGHLIGHTS**

There were no differences between the original budget and the final amended budget.

**F. CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** Total investment in capital assets for business-type activities at year end amounted to \$4,315,770 (net of accumulated depreciation), a change of \$(91,557) from the prior year. This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

Major capital asset events during the current year included the following:

Construction in Progress	
Downtown Improvements	\$ 43,260
New River Crossing	\$ 41,322

Additional information on capital assets can be found in the Notes to the Financial Statements.

**Long-term debt.** At the end of the current year, total long-term debt outstanding was \$3,051,223, all of which was backed by the full faith and credit of the government.

Additional information on capital assets and long-term debt can be found in the Notes to the Financial Statements.

## **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:

Office of Town Administrator  
Town of Bristol  
230 Lake Street  
Bristol, New Hampshire 03222

TOWN OF BRISTOL, NEW HAMPSHIRE

STATEMENT OF NET POSITION

DECEMBER 31, 2012

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 2,608,385	\$ 373,553	\$ 2,981,938
Restricted cash	94,528	675,612	770,140
Investments	83,028	-	83,028
Receivables, net of allowance for uncollectibles:			
Property taxes	488,938	-	488,938
User fees	68,511	164,290	232,801
Bond proceeds receivable	446,020	407,500	853,520
Intergovernmental	205,508	4,525	210,033
Internal balances	255,807	(255,807)	-
Other assets	27,611	16,270	43,881
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	295,313	-	295,313
Intergovernmental	-	154,315	154,315
Capital assets:			
Land and construction in progress	-	2,068,035	2,068,035
Other assets, net of accumulated depreciation	-	<u>2,247,735</u>	<u>2,247,735</u>
<b>TOTAL ASSETS</b>	<b>4,573,649</b>	<b>5,856,028</b>	<b>10,429,677</b>
<b>LIABILITIES</b>			
Current:			
Accounts payable	2,395	-	2,395
Accrued liabilities	89,269	14,651	103,920
Due to school district	2,380,480	-	2,380,480
Tax refunds payable	241,913	-	241,913
Due to other governments	406	-	406
Other current liabilities	17,005	-	17,005
Current portion of long-term liabilities:			
Bonds and notes payable	162,535	64,139	226,674
Other liabilities	101,555	2,852	104,407
Noncurrent:			
Bonds and notes payable, net of current portion	1,369,808	1,454,741	2,824,549
OPEB liability	83,374	14,748	98,122
Other liabilities, net of current portion	308,327	25,668	333,995
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>111,959</b>	<b>-</b>	<b>111,959</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>4,869,026</b>	<b>1,576,799</b>	<b>6,445,825</b>
<b>NET POSITION</b>			
Net investment in capital assets	-	2,706,660	2,706,660
Restricted for:			
Permanent funds:			
Nonexpendable	50,485	-	50,485
Expendable	3,591	-	3,591
Unrestricted	<u>(349,453)</u>	<u>1,572,569</u>	<u>1,223,116</u>
<b>TOTAL NET POSITION</b>	<b>\$ (295,377)</b>	<b>\$ 4,279,229</b>	<b>\$ 3,983,852</b>

The accompanying notes are an integral part of these financial statements.



TOWN OF BRISTOL, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

DECEMBER 31, 2012

	<u>General</u>	<u>Library Project Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and short-term investments	\$ 2,344,074	\$ 202,649	\$ 61,662	\$ 2,608,385
Investments	-	83,028	-	83,028
Restricted cash	94,528	-	-	94,528
Receivables:				
Property taxes	882,925	-	-	882,925
User fees	68,511	-	-	68,511
Bond proceeds	-	206,000	240,020	446,020
Intergovernmental	93,549	-	111,959	205,508
Due from other funds	<u>556,747</u>	<u>-</u>	<u>294,000</u>	<u>850,747</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 4,040,334</u></b>	<b><u>\$ 491,677</u></b>	<b><u>\$ 707,641</u></b>	<b><u>\$ 5,239,652</u></b>
<b>LIABILITIES</b>				
Accounts payable	\$ 2,395	\$ -	\$ -	\$ 2,395
Accrued liabilities	72,395	-	-	72,395
Tax refunds payable	241,913	-	-	241,913
Due to other funds	291,367	-	303,573	594,940
Due to school district	2,380,480	-	-	2,380,480
Due to other governments	406	-	-	406
Other liabilities	<u>17,005</u>	<u>-</u>	<u>-</u>	<u>17,005</u>
<b>TOTAL LIABILITIES</b>	<b>3,005,961</b>	<b>-</b>	<b>303,573</b>	<b>3,309,534</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>641,814</b>	<b>-</b>	<b>111,959</b>	<b>753,773</b>
<b>FUND BALANCES</b>				
Nonspendable	-	-	50,485	50,485
Restricted	-	491,677	11,177	502,854
Committed	94,528	-	232,887	327,415
Assigned	67,734	-	-	67,734
Unassigned	<u>230,297</u>	<u>-</u>	<u>(2,440)</u>	<u>227,857</u>
<b>TOTAL FUND BALANCES</b>	<b><u>392,559</u></b>	<b><u>491,677</u></b>	<b><u>292,109</u></b>	<b><u>1,176,345</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b><u>\$ 4,040,334</u></b>	<b><u>\$ 491,677</u></b>	<b><u>\$ 707,641</u></b>	<b><u>\$ 5,239,652</u></b>

The accompanying notes are an integral part of these financial statements.

TOWN OF BRISTOL, NEW HAMPSHIRE

RECONCILIATION OF TOTAL GOVERNMENTAL FUND  
BALANCES TO NET POSITION OF GOVERNMENTAL  
ACTIVITIES IN THE STATEMENT OF NET POSITION

DECEMBER 31, 2012

<b>Total governmental fund balances</b>	\$ 1,176,345
<ul style="list-style-type: none"><li>• Tax deeded property in governmental activities are not financial resources and, therefore, are not reported in the funds.</li></ul>	27,611
<ul style="list-style-type: none"><li>• Revenues are reported on the accrual basis of accounting and are not deferred until collection.</li></ul>	543,140
<ul style="list-style-type: none"><li>• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.</li></ul>	(16,874)
<ul style="list-style-type: none"><li>• Long-term liabilities, including bonds and lease payable, compensated absences, and landfill liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.</li></ul>	<u>(2,025,599)</u>
<b>Net position of governmental activities</b>	<u>\$ (295,377)</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF BRISTOL, NEW HAMPSHIRE  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>General</u>	<u>Library Project Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Property taxes	\$ 2,756,778	\$ -	\$ -	\$ 2,756,778
Penalties, interest, and other taxes	127,677	-	-	127,677
Charges for services	535,403	-	-	535,403
Intergovernmental	240,899	-	248,053	488,952
Licenses and permits	601,261	-	-	601,261
Investment income	461	14,372	59	14,892
Contributions	1,000	23,018	1,895	25,913
Miscellaneous	33,264	-	-	33,264
	<u>4,296,743</u>	<u>37,390</u>	<u>250,007</u>	<u>4,584,140</u>
<b>Expenditures:</b>				
Current:				
General government	782,462	-	671	783,133
Public safety	1,866,249	-	800	1,867,049
Highways and streets	753,090	-	502,417	1,255,507
Sanitation	259,852	-	-	259,852
Health	51,848	-	-	51,848
Welfare	69,598	-	-	69,598
Culture and recreation	269,076	41,369	-	310,445
Conservation	893	-	-	893
Economic development	2,300	-	-	2,300
Debt service	152,789	-	-	152,789
Capital outlay	212,241	587,615	-	799,856
	<u>4,420,398</u>	<u>628,984</u>	<u>503,888</u>	<u>5,553,270</u>
Excess (deficiency) of revenues over expenditures	(123,655)	(591,594)	(253,881)	(969,130)
<b>Other Financing Sources (Uses):</b>				
Bond proceeds	-	888,000	407,500	1,295,500
Transfers in	12,018	5,564	-	17,582
Transfers out	(22,517)	-	-	(22,517)
	<u>(10,499)</u>	<u>893,564</u>	<u>407,500</u>	<u>1,290,565</u>
Change in fund balance	(134,154)	301,970	153,619	321,435
Fund Equity, at Beginning of Year, as restated	<u>526,713</u>	<u>189,707</u>	<u>138,490</u>	<u>854,910</u>
Fund Equity, at End of Year	<u>\$ 392,559</u>	<u>\$ 491,677</u>	<u>\$ 292,109</u>	<u>\$ 1,176,345</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF BRISTOL, NEW HAMPSHIRE

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2012

<b>Net changes in fund balances - total governmental funds</b>	\$ 321,435
<ul style="list-style-type: none"> <li>• Governmental funds do not report tax deeded properties as a current asset. <span style="float: right;">27,611</span></li>   <li>• Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (e.g., property taxes) differ between the two statements. This amount represents the net change in deferred revenue. <span style="float: right;">(113,219)</span></li>   <li>• The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <ul style="list-style-type: none"> <li>Issuance of debt <span style="float: right;">(1,295,500)</span></li> <li>Repayments of debt (notes and capital leases) <span style="float: right;">130,649</span></li> </ul> </li>   <li>• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <span style="float: right;">(2,778)</span></li>   <li>• Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. <span style="float: right;"><u>(38,331)</u></span></li> </ul>	
<b>Change in net position of governmental activities</b>	<b>\$ <u><u>(970,133)</u></u></b>

The accompanying notes are an integral part of these financial statements.

TOWN OF BRISTOL, NEW HAMPSHIRE

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES,  
AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2012

	Original <u>Budget</u>	Final <u>Budget</u>	Actual Amounts (Budgetary <u>Basis</u> )	Variance with Final Budget Positive ( <u>Negative</u> )
<b>Revenues and other sources:</b>				
Property taxes	\$ 2,846,391	\$ 2,846,391	\$ 2,846,391	\$ -
Interest, penalties, and other taxes	123,600	123,600	127,677	4,077
Charges for services	533,425	533,425	620,445	87,020
Intergovernmental	246,299	246,299	250,982	4,683
Licenses and permits	585,950	585,950	601,261	15,311
Investment income	215	215	284	69
Miscellaneous	40,969	40,969	33,264	(7,705)
Other financing sources:				
Transfers in	85,760	85,760	106,752	20,992
Use of fund balance	<u>125,000</u>	<u>125,000</u>	<u>125,000</u>	<u>-</u>
Total Revenues	4,587,609	4,587,609	4,712,056	124,447
<b>Expenditures and other uses:</b>				
Current:				
General government	836,887	836,887	790,344	46,543
Public safety	1,883,108	1,883,108	1,896,729	(13,621)
Highways and streets	784,648	784,648	749,559	35,089
Sanitation	267,014	267,014	267,852	(838)
Health	56,938	56,938	51,848	5,090
Welfare	76,305	76,305	68,804	7,501
Culture and recreation	284,147	284,147	268,612	15,535
Conservation	1,808	1,808	893	915
Economic development	2,300	2,300	2,300	-
Debt service	192,158	192,158	174,016	18,142
Capital outlay	<u>202,296</u>	<u>202,296</u>	<u>201,726</u>	<u>570</u>
Total Expenditures	<u>4,587,609</u>	<u>4,587,609</u>	<u>4,472,683</u>	<u>114,926</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 239,373</u>	<u>\$ 239,373</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF BRISTOL, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

DECEMBER 31, 2012

	Business-Type Activities Enterprise Funds		
	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 179,127	\$ 194,426	\$ 373,553
Restricted cash	564,938	110,674	675,612
User fees, net of allowance for uncollectibles	83,332	80,958	164,290
Bond proceeds receivable	271,640	135,860	407,500
Intergovernmental receivables	-	4,525	4,525
Due from other funds	-	7,858	7,858
Other assets	<u>15,796</u>	<u>474</u>	<u>16,270</u>
Total current assets	1,114,833	534,775	1,649,608
Noncurrent:			
Intergovernmental	-	154,315	154,315
Capital assets:			
Land and construction in progress	1,126,925	941,110	2,068,035
Other capital assets, net of accumulated depreciation	<u>785,758</u>	<u>1,461,977</u>	<u>2,247,735</u>
Total noncurrent assets	<u>1,912,683</u>	<u>2,557,402</u>	<u>4,470,085</u>
<b>TOTAL ASSETS</b>	3,027,516	3,092,177	6,119,693
<b>LIABILITIES</b>			
Current:			
Accrued liabilities	4,960	9,691	14,651
Due to other funds	7,541	256,124	263,665
Current portion of long-term liabilities:			
Bonds payable	41,582	22,557	64,139
Other liabilities	<u>1,426</u>	<u>1,426</u>	<u>2,852</u>
Total current liabilities	55,509	289,798	345,307
Noncurrent:			
Bonds payable, net of current portion	825,538	629,203	1,454,741
OPEB liability	7,374	7,374	14,748
Other liabilities, net of current portion	<u>12,834</u>	<u>12,834</u>	<u>25,668</u>
Total noncurrent liabilities	<u>845,746</u>	<u>649,411</u>	<u>1,495,157</u>
<b>TOTAL LIABILITIES</b>	901,255	939,209	1,840,464
<b>NET POSITION</b>			
Net investment in capital assets	1,045,563	1,661,097	2,706,660
Unrestricted	<u>1,080,698</u>	<u>491,871</u>	<u>1,572,569</u>
<b>TOTAL NET POSITION</b>	<u>\$ 2,126,261</u>	<u>\$ 2,152,968</u>	<u>\$ 4,279,229</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF BRISTOL, NEW HAMPSHIRE

PROPRIETARY FUNDS

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

FOR THE YEAR ENDED DECEMBER 31, 2012

	Business-Type Activities Enterprise Funds		
	Water Fund	Wastewater Fund	Total
<b>Operating Revenues:</b>			
Charges for services	\$ 389,743	\$ 366,680	\$ 756,423
Total Operating Revenues	389,743	366,680	756,423
<b>Operating Expenses:</b>			
Operating expenses	281,512	308,442	589,954
Depreciation	108,367	107,789	216,156
Total Operating Expenses	389,879	416,231	806,110
Operating Income (Loss)	(136)	(49,551)	(49,687)
<b>Nonoperating Revenues (Expenses):</b>			
Intergovernmental revenue	8,785	44,673	53,458
Investment income	1,726	1,246	2,972
Interest expense	(49,671)	(12,758)	(62,429)
Total Nonoperating Revenues (Expenses), Net	(39,160)	33,161	(5,999)
Income (Loss) Before Transfers	(39,296)	(16,390)	(55,686)
<b>Transfers:</b>			
Transfers in	-	20,294	20,294
Transfers out	(2,880)	(12,479)	(15,359)
Change in Net Position	(42,176)	(8,575)	(50,751)
Net Position at Beginning of Year	2,168,437	2,161,543	4,329,980
Net Position at End of Year	\$ 2,126,261	\$ 2,152,968	\$ 4,279,229

The accompanying notes are an integral part of these financial statements.

TOWN OF BRISTOL, NEW HAMPSHIRE  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Business-Type Activities Enterprise Funds		
	Water Fund	Wastewater Fund	Total
<b><u>Cash Flows From Operating Activities:</u></b>			
Receipts from customers and users	\$ 367,733	\$ 222,843	\$ 590,576
Payments to vendors and employees	<u>(325,837)</u>	<u>(300,004)</u>	<u>(625,841)</u>
Net Cash Provided By (Used For) Operating Activities	41,896	(77,161)	(35,265)
<b><u>Cash Flows From Noncapital Financing Activities:</u></b>			
Transfers in (out)	(2,880)	7,815	4,935
Interfund borrowing	7,541	(12,046)	(4,505)
Intergovernmental subsidy	<u>-</u>	<u>29,328</u>	<u>29,328</u>
Net Cash (Used For) Noncapital Financing Activities	4,661	25,097	29,758
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>			
Repayment of debt	(20)	(12,212)	(12,232)
Refunding of debt	-	(546,642)	(546,642)
Conversion of State Revolving loan liability	(586,715)	-	(586,715)
Issuance of debt	867,140	651,760	1,518,900
Bond proceeds not yet received	(271,640)	-	(271,640)
Acquisition and construction of capital assets	(121,300)	(3,299)	(124,599)
Interest expense	(44,560)	(12,758)	(57,318)
Intergovernmental grants/loans	8,785	-	8,785
Intergovernmental subsidy	<u>-</u>	<u>19,686</u>	<u>19,686</u>
Net Cash (Used For) Capital and Related Financing Activities	(148,310)	96,535	(51,775)
<b><u>Cash Flows From Investing Activities:</u></b>			
Investment income	1,726	1,246	2,972
Reclass of restricted cash	<u>144,399</u>	<u>3,221</u>	<u>147,620</u>
Net Cash (Used For) Investing Activities	<u>146,125</u>	<u>4,467</u>	<u>150,592</u>
Net Change in Cash and Short-Term Investments	44,372	48,938	93,310
Cash and Short-Term Investments, Beginning of Year	<u>134,755</u>	<u>145,488</u>	<u>280,243</u>
Cash and Short-Term Investments, End of Year	<u>\$ 179,127</u>	<u>\$ 194,426</u>	<u>\$ 373,553</u>
<b><u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u></b>			
Operating income (loss)	\$ (136)	\$ (49,551)	\$ (49,687)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	108,367	107,789	216,156
Changes in assets and liabilities:			
User fees	(22,010)	(143,837)	(165,847)
Other liabilities	(47,080)	5,684	(41,396)
OPEB liability	<u>2,755</u>	<u>2,754</u>	<u>5,509</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ 41,896</u>	<u>\$ (77,161)</u>	<u>\$ (35,265)</u>

The accompanying notes are an integral part of these financial statements.

# TOWN OF BRISTOL, NEW HAMPSHIRE

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

The accounting policies of the Town of Bristol, New Hampshire (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units, except as indicated in Note 2. The following is a summary of the more significant policies:

#### A. Reporting Entity

The Town is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In year 2012, it was determined that no entities met the required GASB 39 criteria of component units.

#### B. Government-Wide and Fund Financial Statements

##### Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

##### Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental

funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include property taxes.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers property tax revenues to be available if they are collected within 60 days of the end of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Town reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The library project fund accounts for the revenues and costs associated with operations and construction costs.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Town reports the following major proprietary funds:

- The *water services* fund accounts for water services provided to the Town's residents.
- The *wastewater services* fund accounts for sewerage treatment services provided to the Town's residents.

#### D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type are included under investment income.

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.

#### E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments for the Trust Funds consist of marketable securities, bonds and short-term money market investments. Investments are carried at market value.

*F. Interfund Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either “due from/to other funds” (i.e., the current portion of interfund loans).

*G. Inventories*

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. No significant inventory balances were on hand in governmental funds.

*H. Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (for enterprise funds only) are reported in the applicable business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Infrastructure	30 - 75
Vehicles	5
Office equipment	5
Computer equipment	5

I. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

J. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

K. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

The Town's fund balance classification policies and procedures are as follows:

- 1) Nonspendable funds are either unspendable in the current form (i.e., inventory or prepaid items) or can never be spent (i.e., perpetual care).
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the government (i.e., Town Meeting).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet

paid for. This account also includes fund balance voted to be used in the subsequent year.

- 5) Unassigned funds are available to be spent in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Town uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

Net Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

L. Use of Estimates

The preparation of basic 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 disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of the revenues and expenditures/expenses during the year. Actual results could vary from estimates that were used.

M. Material Changes in Classifications

The accompanying financial statements reflect various changes in classification from the prior year. See Note 24.

2. **Departures from Generally Accepted Accounting Principles**

The significant departures of the financial statements from generally accepted accounting principles are as follows:

Capital assets acquisitions are not capitalized in the governmental activities nor is depreciation expense recorded on these assets. This is a departure from generally accepted accounting principles of the United States of America.

### **3. Stewardship, Compliance, and Accountability**

#### **A. Budgetary Information**

The Town's budget is originally prepared by the Selectmen's office with the cooperation of the various department heads. It is then submitted to the Budget Committee, in accordance with the Municipal Budget Law. After reviewing the budget, the Committee holds a public hearing for discussion.

The final version of the budget is then submitted for approval at the annual Town meeting. The approved budget is subsequently reported to the State of New Hampshire on the statement of appropriation form in order to establish the current property tax rate.

The Selectmen cannot increase the total of the approved budget; however, they have the power to reclassify its components when necessary.

#### **B. Budgetary Basis**

The General Fund final appropriation appearing on the "Budget and Actual" page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

#### **C. Budget/GAAP Reconciliation**

The budgetary data for the general and proprietary funds is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 4,296,743	\$ 4,420,398
Other financing sources/uses (GAAP basis)	<u>12,018</u>	<u>22,517</u>
Subtotal (GAAP Basis)	4,308,761	4,442,915
Adjust tax revenue to accrual basis	89,613	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(26,767)
Add end-of-year appropriation carryforwards from expenditures	-	67,734
Recognize use of fund balance as funding source	125,000	-
Eliminate capital reserve activity	87,299	(5,564)
Other GAAP timing differences	<u>101,383</u>	<u>(5,635)</u>
Budgetary basis	<u>\$ 4,712,056</u>	<u>\$ 4,472,683</u>

*D. Deficit Fund Equity*

The following funds had deficits as of December 31, 2012:

Capital projects in the nonmajor funds	
Brownfields grant expense	\$ (1,984)
Central Street Bridge construction	<u>(456)</u>
Total nonmajor unassigned	<u>\$ (2,440)</u>
Capital projects in the sewer enterprise fund	
Preliminary design sewer to lake	\$ (91,236)
Waste water plant upgrades	\$ (106,776)
Sewer plant compliance project	\$ (63,104)

The deficits in these funds will be eliminated through future departmental revenues and transfers from other funds.

#### 4. Cash and Short-Term Investments

Custodial credit risk for deposits is the risk that in the event of a bank failure, the deposits may not be returned. The custodial credit risk for investments is the risk that, in the event of a failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. RSA 48:16 limits "deposit in any one bank shall not at any time exceed the sum of its paid-up capital and surplus, exception that a Town with a population in excess of 50,000 is authorized to deposit funds in a solvent bank in excess of the paid-up capital surplus of said bank." The Town does not have a deposit policy for custodial credit risk.

As of December 31, 2012, none of the Town's bank balance of \$3,903,005 was exposed to custodial credit risk as uninsured, uncollateralized, and collateral held by pledging bank's trust department not in the Town's name.

#### 5. Investments

##### A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law employs the prudent person rule whereby investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

Presented below is the actual rating as of year-end for each investment of the Town:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>		
				<u>Aaa</u>	<u>Aa</u>	<u>Not Rated</u>
Mutual funds	\$ <u>83,028</u>	N/A	\$ <u>83,028</u>	\$ -	\$ -	\$ -
Total investments	\$ <u>83,028</u>		\$ <u>83,028</u>	\$ -	\$ -	\$ -

##### B. Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in any one issuer.

C. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The Town has no securities that are sensitive to market interest rate fluctuations.

D. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town does not have policies for foreign currency risk.

6. **Restricted Cash**

Restricted cash represents capital reserve funds held by the trustees of trust funds as of December 31, 2012.

7. **Property Taxes Receivable**

The Town bills property taxes semi-annually, in May and November. Property tax revenues are recognized in the year for which taxes have been levied. Property taxes are due on July 1 and December 1. Delinquent accounts are charged 12% interest. In March of the next year, a lien is recorded on delinquent property at the Registry of Deeds. The Town purchases all the delinquent accounts by paying the delinquent balance, recording costs and accrued interest. The accounts that are lienied by the Town will be reclassified from property taxes receivable to unredeemed tax liens receivable. After this date, delinquent accounts will be charged interest at a rate of 18%. The Town annually budgets amounts (overlay for abatements) for property tax abatements and refunds.

Taxes receivable at December 31, 2012 consist of the following:

Real Estate		
2012		\$ 587,612
Unredeemed Taxes:		
2011	170,206	
2010	99,744	
2009 and prior	<u>20,092</u>	
		290,042
A/R Water/Sewer Liens		<u>5,271</u>
Total		<u>\$ 882,925</u>

### 8. Allowance for Doubtful Accounts

The receivables reported in the accompanying entity-wide financial statements reflect the following estimated allowances for doubtful:

	<u>Governmental</u>	<u>Business-Type</u>
Property taxes	\$ 98,674	\$ -
User fees	\$ -	\$ 16,573

### 9. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in 2012.

### 10. Interfund Fund Receivables/Payables

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of the December 31, 2012 balances in inter-fund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 556,747	\$ 291,367
Capital Project Funds	294,000	303,573
Enterprise Funds	<u>7,858</u>	<u>263,665</u>
Total	<u>\$ 858,605</u>	<u>\$ 858,605</u>

**11. Capital Assets**

Capital asset activity for the year ended December 31, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 2,841,560	\$ -	\$ -	\$ 2,841,560
Machinery, equipment, and furnishings	1,748,545	-	-	1,748,545
Infrastructure	<u>2,636,705</u>	<u>-</u>	<u>-</u>	<u>2,636,705</u>
Total capital assets, being depreciated	7,226,810	-	-	7,226,810
Less accumulated depreciation for:				
Buildings and improvements	(1,862,529)	(24,286)	-	(1,886,815)
Machinery, equipment, and furnishings	(1,260,606)	(99,712)	-	(1,360,318)
Infrastructure	<u>(1,639,784)</u>	<u>(92,158)</u>	<u>-</u>	<u>(1,731,942)</u>
Total accumulated depreciation	<u>(4,762,919)</u>	<u>(216,156)</u>	<u>-</u>	<u>(4,979,075)</u>
Total capital assets, being depreciated, net	2,463,891	(216,156)	-	2,247,735
Capital assets, not being depreciated:				
Land	9,894	-	-	9,894
Construction in progress	<u>1,933,542</u>	<u>124,599</u>	<u>-</u>	<u>2,058,141</u>
Total capital assets, not being depreciated	<u>1,943,436</u>	<u>124,599</u>	<u>-</u>	<u>2,068,035</u>
Business-type activities capital assets, net	<u>\$ 4,407,327</u>	<u>\$ (91,557)</u>	<u>\$ -</u>	<u>\$ 4,315,770</u>

Depreciation expense was charged to functions of the Town as follows:

Business-Type Activities:	
Water	\$ 108,367
Waste water	<u>107,789</u>
Total depreciation expense - business-type activities	<u>\$ 216,156</u>

**12. Accounts Payable**

Accounts payable represent 2012 expenditures paid on or after January 1, 2013.

**13. Tax Refunds Payable**

This balance consists of an estimate of refunds due to property taxpayers for potential abatements. These cases are currently pending with the state Board of Tax and Land Appeals.

**14. Capital Lease Obligations**

The Town is the lessee of certain equipment under capital leases expiring in various years through 2015. Future minimum lease payments under the capital leases consisted of the following as of December 31, 2012:

<u>Fiscal Year</u>	<u>Capital Leases</u>
2013	\$ 93,712
2014	93,712
2015	<u>93,712</u>
Total minimum lease payments	281,136
Less amounts representing interest	<u>14,972</u>
Present Value of Minimum Lease Payments	<u>\$ 266,164</u>

**15. Long-Term Debt**

*A. General Obligation Bonds*

The Town issues general obligation bonds and notes payable to provide funds for the acquisition and construction of major capital facilities and equipment. Notes payable have been issued for both governmental and business-type activities. General obligation bonds have been issued for business-type activities. General obligation bonds and notes payable currently outstanding are as follows:

<u>Governmental Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 12/31/12</u>
Central Street Bridge	07/31/17	4.12%	\$ 236,843
Library project	06/30/22	2.12%	888,000
Central Square project	10/15/27	2.54%	<u>407,500</u>
Total Governmental Activities:			<u>\$ 1,532,343</u>

<u>Business-Type Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 12/31/12</u>
Water			
SRF Drinking Water	05/01/31	1.10%	\$ 595,480
Central Square	10/15/27	2.54%	271,640
Sewer			
Sewerage treatment plant upgrades	02/15/39	3.55%	357,900
Wastewater plant- chlorinate	08/15/33	3.11%	158,000
Central Square	10/15/27	2.54%	<u>135,860</u>
Total Business-Type Activities:			<u>\$ 1,518,880</u>

**B. Future Debt Service**

The annual payments to retire all long-term debt outstanding as of December 31, 2012 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 162,535	\$ 22,934	\$ 185,469
2014	162,535	34,410	196,945
2015	162,535	29,886	192,421
2016	162,535	25,362	187,897
2017	162,535	20,838	183,373
2018 - 2022	575,835	55,842	631,677
2023 - 2027	<u>143,833</u>	<u>10,350</u>	<u>154,183</u>
Total	<u>\$ 1,532,343</u>	<u>\$ 199,622</u>	<u>\$ 1,731,965</u>

The general fund has been designated as the sources to repay the governmental-type general obligation long-term debt outstanding as of December 31, 2012.

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 64,139	\$ 31,626	\$ 95,765
2014	64,361	38,104	102,465
2015	65,119	36,737	101,856
2016	66,798	35,341	102,139
2017	68,692	33,909	102,601
2018 - 2022	362,032	149,099	511,131
2023 - 2027	405,570	97,305	502,875
2028 - 2032	<u>422,169</u>	<u>78,906</u>	<u>501,075</u>
Total	<u>\$ 1,518,880</u>	<u>\$ 501,027</u>	<u>\$ 2,019,907</u>

**C. Changes in General Long-Term Liabilities**

During the year ended December 31, 2012, the following changes occurred in long-term liabilities:

	Total Balance 1/1/12	Additions	Reductions	Total Balance 12/31/12	Less Current Portion	Equals Long-Term Portion 12/31/12
<b><u>Governmental Activities</u></b>						
Bonds and notes payable	\$ 284,211	\$ 1,295,500	\$ (47,368)	\$ 1,532,343	\$ (162,535)	\$ 1,369,808
OPEB liability	52,157	31,217	-	83,374	-	83,374
Other:						
Lease payable	349,445	-	(83,281)	266,164	(85,944)	180,220
Accrued employee benefits	136,604	7,114	-	143,718	(15,611)	128,107
Totals	<u>\$ 822,417</u>	<u>\$ 1,333,831</u>	<u>\$ (130,649)</u>	<u>\$ 2,025,599</u>	<u>\$ (264,090)</u>	<u>\$ 1,761,509</u>
<b><u>Business-Type Activities</u></b>						
Bonds and notes payable	\$ 558,854	\$ 1,518,900	\$ (558,874)	\$ 1,518,880	\$ (64,139)	\$ 1,454,741
OPEB liability	12,279	2,469	-	14,748	-	14,748
Other:						
Accrued employee benefits	24,648	3,872	-	28,520	(2,852)	25,668
Totals	<u>\$ 595,781</u>	<u>\$ 1,525,241</u>	<u>\$ (558,874)</u>	<u>\$ 1,562,148</u>	<u>\$ (66,991)</u>	<u>\$ 1,495,157</u>

**D. Current Year Refunding**

During 2012 the Town was notified by the New Hampshire Municipal Bond Bank that two outstanding bond issues were refunded. In accordance with the refunding performed by the State, the Town received revised amortization and incurred no costs for the refunding. The amount outstanding prior to the refunding was \$164,155 for Sewerage Treatment Plant Upgrade issue and \$382,487 for Wastewater Plant – Chlorinate issue. The new refunding issues reflect a decrease of \$(30,742) in principal balance outstanding at year end.

**E. State Revolving Fund Drinking Water Loan**

In 2012 the Town and State of New Hampshire executed a supplemental loan agreement to finalize the original loan agreement associated with the Water Booster Station project that was signed in calendar year 2009. The Town will begin to repay \$595,500 received in prior years in the form of draw-down requests beginning in 2013.

**16. Deferred Inflows of Resources**

Deferred inflows of resources are the acquisition of net assets by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities.

The following is a summary of deferred inflow of resources balances as of December 31, 2012:

	Governmental Activities		
Entity-wide Basis:			
Intergovernmental - Central Square TE	\$	111,959	
Total	\$	<u>111,959</u>	
		Governmental Funds	
		General Fund	Nonmajor Fund
		<u>        </u>	<u>        </u>
Fund Basis:		Total	
Deferred revenues	\$	641,814	\$ 641,814
Intergovernmental - Central Square TE		-	111,959
Total	\$	<u>641,814</u>	<u>\$ 753,773</u>

**17. Restricted Net Position**

The accompanying entity-wide financial statements report restricted net position when external constraints from grantors or contributors are placed on net position.

Permanent fund restricted net position is segregated between nonexpendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions.

**18. Governmental Funds - Balances**

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The Town has implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at December 31, 2012:

Nonspendable - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes general fund

reserves for prepaid expenditures and nonmajor governmental fund reserves for the principal portion of permanent trust funds.

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes general fund encumbrances funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing, special article appropriations approved at Town Meeting, capital reserve funds set aside by Town Meeting vote for future capital acquisitions and improvements (now reported as part of the general fund per GASB 54), and various special revenue funds.

Assigned - Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period.

Unassigned - Represents amounts that are available to be spent in future periods.

Following is a breakdown of the Town's fund balances at December 31, 2012:

	Non Spendable	Restricted	Committed	Assigned	Unassigned	Total
General Fund						
Reserve for:						
Encumbrance	\$ -	\$ -	\$ -	\$ 67,734	\$ -	\$ 67,734
Capital Reserve	-	-	94,528	-	-	94,528
Unassigned	-	-	-	-	230,297	230,297
sub total	-	-	94,528	67,734	230,297	392,559
Major						
Library Project	-	491,677	-	-	-	491,677
sub total	-	491,677	-	-	-	491,677
Non Major						
Special Revenue	-	7,586	-	-	-	7,586
Capital Projects	-	-	232,887	-	(2,440)	230,447
Permanent Funds						
Nonexpendable	50,485	-	-	-	-	50,485
Expendable	-	3,591	-	-	-	3,591
sub total	50,485	11,177	232,887	-	(2,440)	292,109
Grand Total	\$ 50,485	\$ 502,854	\$ 327,415	\$ 67,734	\$ 227,857	\$ 1,176,345

**19. General Fund Unassigned Fund Balance**

The unassigned general fund balance reported on the balance sheet is stated in accordance with generally accepted accounting principles (GAAP), which differs in respect to how unassigned fund balance is reported in accordance with the budgetary basis for reporting for the State of New Hampshire for tax rate setting purposes. The major difference is the State of New Hampshire considers revenues in connection with property tax receivables to be available to liquidate liabilities when billed rather than received.

The following summarizes the specific differences between GAAP basis and budgetary basis of reporting the general fund undesignated fund balance:

GAAP basis balance	\$ 230,297
Deferred revenue	641,814
Allowance for doubtful accounts	(98,674)
Other GAAP accruals	<u>100,006</u>
Tax Rate Setting Balance	<u>\$ 873,443</u>

**20. Commitments and Contingencies**

Outstanding Legal Issues - There are several pending legal issues in which the Town is involved. The Town's management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

**21. Post-Employment Healthcare and Life Insurance Benefits**

**Other Post-Employment Benefits**

The Town implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. The Town has elected to use the alternative measurement method instead of obtaining an actuarial valuation. Statement 45 allows employers with less than one hundred total plan members to apply a simplified alternative measurement method instead of obtaining actuarial valuations. The alternative method includes the same broad measurement steps as an actuarial valuation; however, it permits simplification of certain assumptions to make the

method usable by nonspecialists. Statement 45 requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of a required contribution as an expense on the Statement of Revenues, Expenses, and Changes in Net Position when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their required contribution, a post-employment benefit liability is recognized on the Statement of Net Position over time.

*A. Plan Description*

The Town provides its eligible retirees, including in some cases their beneficiaries (as govern by RSA 100-A:50), the ability to purchase health, dental, and prescription insurance at the Town's group rates. Although the Town does not supplement the cost of these plans, GASB Statement 45 requires the Town to recognize the liability for the inclusion of any implicit rate subsidies afforded its retirees. This subsidy is generated as a result of the basic nature of insurance - one risk group subsidizes another to arrive at a blended premium, therefore current employees who are young and healthy subsidized the older retirees. As of December 31, 2012, there were 3 retiree subscribers, including eligible spouses and dependents, and 47 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

*B. Benefits Provided*

The Town provides medical, prescription drug, mental health/substance abuse, and life insurance to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

*C. Funding Policy*

Retirees contribute 100% of the cost of the health plan, as determined by the Town. The Town contributes the remainder of the health plan costs on a pay-as-you-go basis.

*D. Annual OPEB Costs and Net OPEB Obligation*

The Town's 2012 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending December 31, 2012, the amount actually contributed to the plan, and the change in the Town's net

OPEB obligation based on an alternative measurement method valuation as of December, 31, 2012.

Annual Required Contribution (ARC)	\$ <u>54,779</u>
Annual OPEB cost	54,779
Contributions made	<u>(18,053)</u>
Increase in net OPEB obligation	36,726
Net OPEB obligation - beginning of year	<u>61,396</u>
Net OPEB obligation - end of year	<u><u>\$ 98,122</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2009	\$ 43,466	52.9%	\$ 20,466
2010	\$ 43,466	52.9%	\$ 20,466
2011	\$ 43,466	52.9%	\$ 20,466
2012	\$ 54,779	67.0%	\$ 18,053

*E. Funded Status and Funding Progress*

The funded status of the plan as of December 31, 2012, the date of the most recent valuation was as follows:

Actuarial accrued liability (AAL)	\$ 622,650
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 622,650</u></u>
Funded ratio (actuarial value of plan assets/AAL)	<u><u>0%</u></u>
Covered payroll (active plan members)	<u><u>\$ 1,614,836</u></u>
UAAL as a percentage of covered payroll	<u><u>38.6%</u></u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required

supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the accrued liabilities for benefits.

*F. Actuarial Methods and Assumptions*

Projections of benefits for financial reporting purposes are based on the plan as understood by the Town and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Town and plan members to that point. The methods and assumptions used include techniques that are designed to reduce short-term volatility in accrued liabilities and the value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2012 actuarial valuation the projected unit credit cost method was used. The value of assets was not determined as the Town has not advance funded its obligation. The assumptions included a 4% investment rate of return and an initial annual healthcare cost trend rate of 10% which decreases to a 5% long-term rate for all healthcare benefits after ten years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 4%.

**22. Pension Plan**

The Town follows the provisions of GASB Statement No. 27, *Accounting for Pensions for State and Local Government Employees*, with respect to the employees' retirement funds.

*A. Plan Description*

Full-time employees participate in the State of New Hampshire Retirement System (the System), a multiple-employer contributory pension plan and trust established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers within the State of New Hampshire are eligible and required to participate in the system. Full-time employees of political subdivisions, including counties, municipalities and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation.

The New Hampshire Retirement System, a Public Employees Retirement system (PERS), is divided into two membership groups. State or local employees and teachers belong to Group I. Police officers and firefighters belong to Group II. All assets are held in a single trust and are available to each group, funding policies, vesting requirements, contribution requirements and plan assets available to pay benefits are disclosed in the System's annual report available from the New Hampshire Retirement System located at 54 Regional Drive, Concord, New Hampshire 03301-8507.

**B. Funding Policy**

Plan members are required to contribute a percentage of their gross earnings to the pension plan, which the contribution rates are 7% for employees and 11.55% for police and 11.80% for fire. The Town makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, and is 19.95% for police, 22.89% for fire, and 8.80% for all other covered employees. The Town's contributions to the System for the years ended December 31, 2012, 2011, and 2010 were \$257,739, \$231,543, and \$198,138 respectively, which were equal to its annual required contributions for each of these years.

The payroll for employees covered by the System for the year ended December 31, 2012, was \$1,614,836.

**23. 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; and natural disasters for which the government carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three years.

**24. Beginning Net Position Restatement**

The beginning (January 1, 2011) fund balances of the Town have been restated as follows:

	Fund Equity 12/31/11 (as previously reported)	GASB 54 Reclassification	Fund Equity 12/31/11 (as restated)
General fund	\$ 526,713	\$ -	\$ 526,713
Library Project fund	-	189,707	189,707
Nonmajor funds	<u>328,197</u>	<u>(189,707)</u>	<u>138,490</u>
Total	<u>\$ 854,910</u>	<u>\$ -</u>	<u>\$ 854,910</u>

**25. Implementation of New GASB Standards**

The GASB has issued Statement 68 *Accounting and Financial Reporting for Pensions*, which is required to be implemented in fiscal year 2015. Management's current assessment is that this pronouncement will have a significant impact on the Town's basic financial statements by recognizing as a liability and expense, the Town's applicable portion of the New Hampshire Retirement System's actuarially accrued liability.

**TOWN OF BRISTOL, NEW HAMPSHIRE  
SCHEDULE OF FUNDING PROGRESS  
REQUIRED SUPPLEMENTARY INFORMATION**

**December 31, 2012  
(Unaudited)**

**Other Post-Employment Benefits**

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Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
01/01/09	\$ -	\$ 411,192	\$ 411,192	0.0%	\$ 1,389,005	29.6%
12/31/12	\$ -	\$ 622,650	\$ 622,650	0.0%	\$ 1,614,836	38.6%

See Independent Auditors' Report.