



Bristol Township
Bristol, Pennsylvania
Bucks County

Financial Statements
Year Ended December 31, 2018



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Philadelphia, PA 19103

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BRISTOL TOWNSHIP

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BRISTOL TOWNSHIP

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INDEPENDENT AUDITOR'S REPORT

**Township Council
Bristol Township
Bristol, Pennsylvania**

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 Bristol Township, Bristol, Pennsylvania as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Bristol Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Bristol Township, Bristol, Pennsylvania, as of December 31, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Change In Accounting Principle

As described in Note 14 to the financial statements, the Township adopted new accounting guidance, GASB Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*". Our opinions are not modified with respect to that matter.

Report on Summarized Comparative Information

The financial statements of Bristol Township as of and for the year ended December 31, 2017, were audited by other auditors whose report dated September 13, 2018 expressed unmodified opinions on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule – general fund, the budgetary comparison schedule – refuse fund, the schedules of changes in net pension liability and Township pension contributions and the schedule of changes in OPEB liability on pages 3 through 13 and 52 through 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bristol Township, Bristol, Pennsylvania's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The combining and individual fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2019, on our consideration of Bristol Township, Bristol, Pennsylvania's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bristol Township, Bristol, Pennsylvania's internal control over financial reporting and compliance.

BBD, LLP

**Philadelphia, Pennsylvania
June 10, 2019**

BRISTOL TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2018

Management's discussion and analysis ("**MD&A**") of the financial performance of Bristol Township, Bristol, Pennsylvania (the "**Township**") provides an overview of the Township's financial performance for fiscal year ended December 31, 2018. Readers should also review the basic financial statements and related notes to enhance their understanding of the Township's financial performance.

TOWNSHIP PROFILE

The Township was established in 1692 and is governed by an elected seven-member Council pursuant to the Home Rule and Optional Plans Government Law, 53 Pa.C.S. Section 2901, et seq. The Township is located in Bucks County, Pennsylvania and is second largest municipality in the County. The Township encompasses 17.7 square miles, which includes the geographic areas of Croydon and Edgely, as well as a large part of Levittown. The Township employs approximately 118 employees comprised of 112 full-time and 6 part-time employees.

FINANCIAL HIGHLIGHTS

* Effective for 2018, the Township was required to comply with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The major impact of GASB Statement No. 75 is to present, on the Statement of Financial Position, certain items related to the Township's liability from its postretirement benefits plan, which was not required to be presented in the prior years. For consistency purposes, the December 31, 2017 Statement of Net Position (Deficit) has been restated in the financial statements as if GASB Statement No. 75 had been applied, retroactively.

Elements of GASB Statement No. 75 included within the Statement of Net Position (Deficit) include an actuarially determined liability for other postemployment benefits of \$68,594,630 and deferred outflows of \$6,441,201 for changes in assumptions and payments subsequent to measurement date (an effective reduction of the liability).

* On a government-wide basis including all governmental activities and the business-type activities, the liabilities and deferred inflows of resources of the Township exceeded assets and deferred outflows of resources resulting in a deficit in total net position at the close of the 2018 fiscal year of \$11,419,964. During the 2018 fiscal year, the Township had an increase in total net position of \$2,122,283. The net position of the governmental activities increased by \$1,833,294 and net position of business-type activities increased by \$288,989.

* As of the close of the 2018 fiscal year, the Township's governmental funds reported combined ending fund balances of \$44,165,556, an increase of \$3,709,358 in comparison with the prior year.

* The General Fund reported an increase in fund balance of \$84,281, bringing the cumulative balance to \$3,655,987 or 1.62% of total General Fund expenditures and other financing uses at the conclusion of the 2018 fiscal year.

* General Fund revenues and other financing sources were \$1,447,437 or 6.83% more than budgeted amounts and General Fund expenditures and other financing uses were \$1,363,156 or 6.43% more than budgeted amounts resulting in a net positive variance of \$84,281.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The MD&A is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

BRISTOL TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2018

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The Statement of Net Position (Deficit) presents information on all of the Township's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the Township is improving or deteriorating. To assess the Township's overall health, the reader will need to consider additional nonfinancial factors such as changes in the Township's tax base and the condition of the Township's assets.

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

The government-wide financial statements distinguish the functions of the Township that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges.

In the government-wide financial statements, the Township's activities are divided into two categories:

Governmental Activities

Most of the Township's basic services are included here, such as general administration, public safety, public works, culture and recreation and community development.

Business-type Activities

The Township's business-type activities charge a fee to customers to help cover all or most of the cost of certain services it provides. The Township's wastewater treatment and collection activities are reported as business-type activities.

The government-wide financial statements can be found on pages 14 and 15 of this report.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Township's funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds

Most of the Township's basic services are included in the 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 short-term inflows and outflows of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Township's near-term financing requirements.

BRISTOL TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2018

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 governmental near-term financing decisions. Both the Balance Sheet – Governmental Funds and Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Township maintains seventeen individual governmental funds. Information is presented separately in the Balance Sheet – Governmental Funds and Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds for each of the four major funds and the nonmajor governmental funds.

The Township adopts an annual appropriated budget for its General and Refuse Funds. A budgetary comparison schedule has been provided for the General and Refuse Funds to demonstrate compliance with the budget.

The governmental fund financial statements can be found on pages 16 through 19 of this report.

Proprietary Funds

The Township maintains one proprietary fund to account for the business-type activities of its Sewer Fund. Proprietary funds account for activity in the same way as other businesses in the private sector world.

The proprietary fund financial statements can be found on pages 20 through 22 of this report.

Fiduciary Funds

The Township is the trustee, or fiduciary, for its Police Pension Plan and certain Agency Funds. Fiduciary funds are not reflected in the government-wide financial statements because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The Township has an Escrow Fund and a Police Pension Trust Fund.

The fiduciary fund financial statements can be found on pages 23 and 24 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The notes to the financial statements can be found on pages 25 through 51 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which consists of the budgetary comparison schedule for the general fund and schedules concerning the Township's net pension liability and pension contributions and changes in its other post-employment benefits liability, as well as additional analysis which consists of combining and individual fund financial statements.

The required supplementary information and additional analysis can be found on pages 52 through 58 of this report.

BRISTOL TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted above, net position may serve over time as a useful indicator of the Township's financial condition. At the close of the 2018 fiscal year the Township's liabilities and deferred inflows exceeded assets and deferred outflows by \$11,419,964. The following table presents condensed information for the *Statement of Net Position* of the Township at December 31, 2018 and 2017.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2018</u>	<u>Restated 2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>Restated 2017</u>
ASSETS						
Current assets	\$ 47,947,731	\$ 43,494,871	\$12,773,483	\$ 9,208,880	\$ 60,721,214	\$ 52,703,751
Noncurrent assets	<u>50,438,687</u>	<u>47,670,959</u>	<u>13,346,365</u>	<u>13,035,764</u>	<u>63,785,052</u>	<u>60,706,723</u>
Total assets	<u>98,386,418</u>	<u>91,165,830</u>	<u>26,119,848</u>	<u>22,244,644</u>	<u>124,506,266</u>	<u>113,410,474</u>
DEFERRED OUTFLOWS						
Deferred loss on debt refunding	2,448,217	2,577,069	-	-	2,448,217	2,577,069
Deferred charges - OPEB	6,441,201	-	-	-	6,441,201	-
Deferred charges - pensions	<u>4,270,832</u>	<u>138,468</u>	-	-	<u>4,270,832</u>	<u>138,468</u>
Total deferred outflows	<u>13,160,250</u>	<u>2,715,537</u>	<u>-</u>	<u>-</u>	<u>13,160,250</u>	<u>2,715,537</u>
LIABILITIES						
Current liabilities	3,216,190	2,241,953	873,302	837,323	4,089,492	3,079,276
Noncurrent liabilities	<u>129,226,362</u>	<u>112,560,302</u>	<u>14,313,746</u>	<u>10,763,510</u>	<u>143,540,108</u>	<u>123,323,812</u>
Total liabilities	<u>132,442,552</u>	<u>114,802,255</u>	<u>15,187,048</u>	<u>11,600,833</u>	<u>147,629,600</u>	<u>126,403,088</u>
DEFERRED INFLOWS						
Deferred credits						
- pensions	<u>1,456,880</u>	<u>3,265,170</u>	<u>-</u>	<u>-</u>	<u>1,456,880</u>	<u>3,265,170</u>
NET POSITION (DEFICIT)						
Net investment in capital assets	26,479,443	25,868,785	3,037,845	2,280,609	29,517,288	28,149,394
Restricted	3,471,241	3,590,327	-	-	3,471,241	3,590,327
Unrestricted (deficit)	<u>(52,303,448)</u>	<u>(53,645,170)</u>	<u>7,894,955</u>	<u>8,363,202</u>	<u>(44,408,493)</u>	<u>(45,281,968)</u>
Total net position (deficit)	<u>\$ (22,352,764)</u>	<u>\$ (24,186,058)</u>	<u>\$10,932,800</u>	<u>\$10,643,811</u>	<u>\$ (11,419,964)</u>	<u>\$ (13,542,247)</u>

The Township's total assets as of December 31, 2018 were \$124,506,266 of which \$54,307,883 or 43.62% consisted of unrestricted cash and investments and \$63,785,052 or 51.23% consisted of the Township's investment in capital assets. The Township's total liabilities as of December 31, 2018 were \$147,629,600 of which \$61,161,430 or 41.43% consisted of general obligation debt used to acquire and construct capital assets, \$10,449,378 or 7.08% consists of the actuarially determined net pension liability and \$68,594,630 or 46.46% consists of the actuarially determined liability for other post-employment benefits.

The Township had a deficit in unrestricted net position of \$44,408,493 at December 31, 2018. The Township's unrestricted net position increased by \$873,475 during 2018 primarily due to the current year results from operations and the current year change in the net pension and other postemployment liabilities and related changes in deferred outflows and inflows.

A portion of the Township's net position reflects its restricted net position which totaled \$3,471,241 as of December 31, 2018. All of the Township's restricted net position relate to the net position of the Township's special revenue and capital funds with external constraints imposed by grantors, contributors, or enabling legislation.

BRISTOL TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2018

The largest portion of the Township's net position reflects its net investment in capital assets net of accumulated depreciation less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to residents of the Township; consequently, these assets are not available for future spending. Although the Township's investment in its 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. For the year ended December 31, 2018, the Township's net investment in capital assets increased by \$1,367,894 primarily because capital assets were acquired with funding sources other than long-term debt.

The following table presents condensed information for the *Statement of Activities* of the Township for 2018 and 2017:

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
REVENUES						
Program revenues						
Charges for services	\$ 2,627,967	\$ 2,781,908	\$5,251,281	\$5,284,385	\$ 7,879,248	\$ 8,066,293
Operating grants and contributions	4,004,372	3,502,199	-	-	4,004,372	3,502,199
Capital grants and contributions	885,561	2,028,754	-	-	885,561	2,028,754
General revenues						
Taxes	25,513,554	25,364,557	-	-	25,513,554	25,364,557
Franchise fees	1,094,082	1,139,339	-	-	1,094,082	1,139,339
Investment earnings	610,239	190,856	126,508	42,055	736,747	232,911
Total revenues	<u>34,735,775</u>	<u>35,007,613</u>	<u>5,377,789</u>	<u>5,326,440</u>	<u>40,113,564</u>	<u>40,334,053</u>
EXPENSES						
General government	2,535,519	2,753,487	-	-	2,535,519	2,753,487
Public safety	18,950,635	18,179,771	-	-	18,950,635	18,179,771
Public works	3,637,549	3,776,854	-	-	3,637,549	3,776,854
Sanitation	4,669,545	4,499,116	-	-	4,669,545	4,499,116
Culture and recreation	712,075	475,515	-	-	712,075	475,515
Community development	1,004,536	694,337	-	-	1,004,536	694,337
Interest and amortization expense related to noncurrent liabilities	1,427,622	1,366,969	-	-	1,427,622	1,366,969
Sewer	-	-	5,053,800	5,254,691	5,053,800	5,254,691
Total expenses	<u>32,937,481</u>	<u>31,746,049</u>	<u>5,053,800</u>	<u>5,254,691</u>	<u>37,991,281</u>	<u>37,000,740</u>
Change in net position (deficit) before transfers	1,798,294	3,261,564	323,989	71,749	2,122,283	3,333,313
TRANSFERS	<u>35,000</u>	<u>35,000</u>	<u>(35,000)</u>	<u>(35,000)</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION (DEFICIT)	<u>\$ 1,833,294</u>	<u>\$ 3,296,564</u>	<u>\$ 288,989</u>	<u>\$ 36,749</u>	<u>\$ 2,122,283</u>	<u>\$ 3,333,313</u>

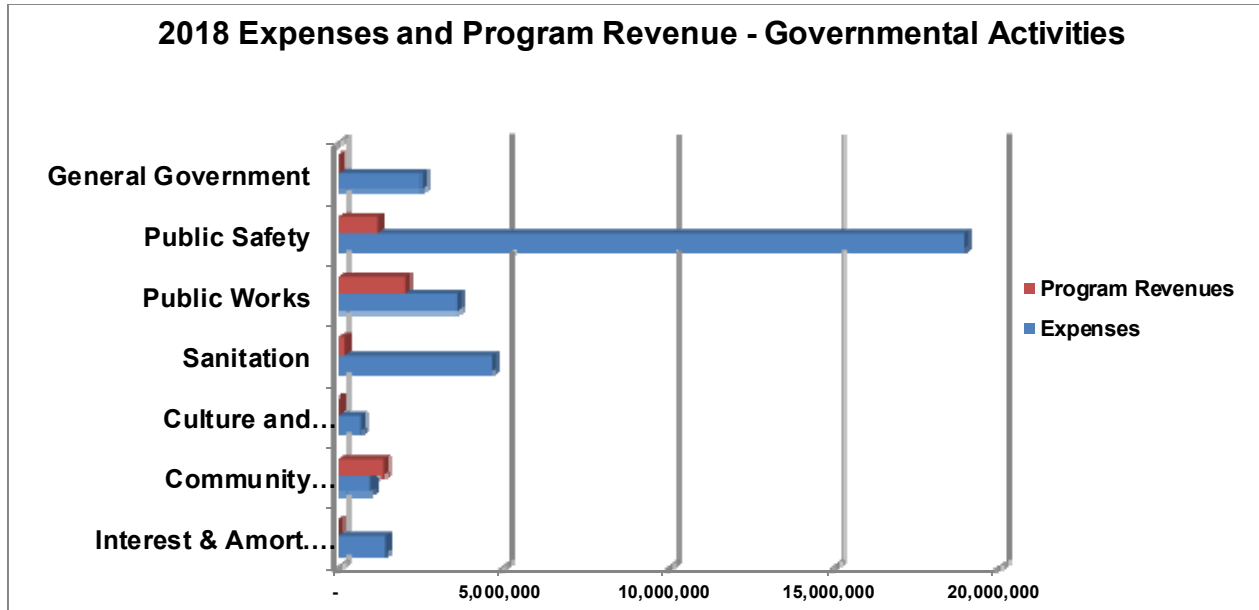
Overall, the Township's financial position has been improving, but challenges such as increased medical costs and pension contributions, rising costs associated with inflation and residential and commercial development and negotiated contracts have a potential to offset these gains in future fiscal years. Management of the Township continues to aggressively implement cost efficiencies and revenue-generating strategies to combat these factors.

BRISTOL TOWNSHIP

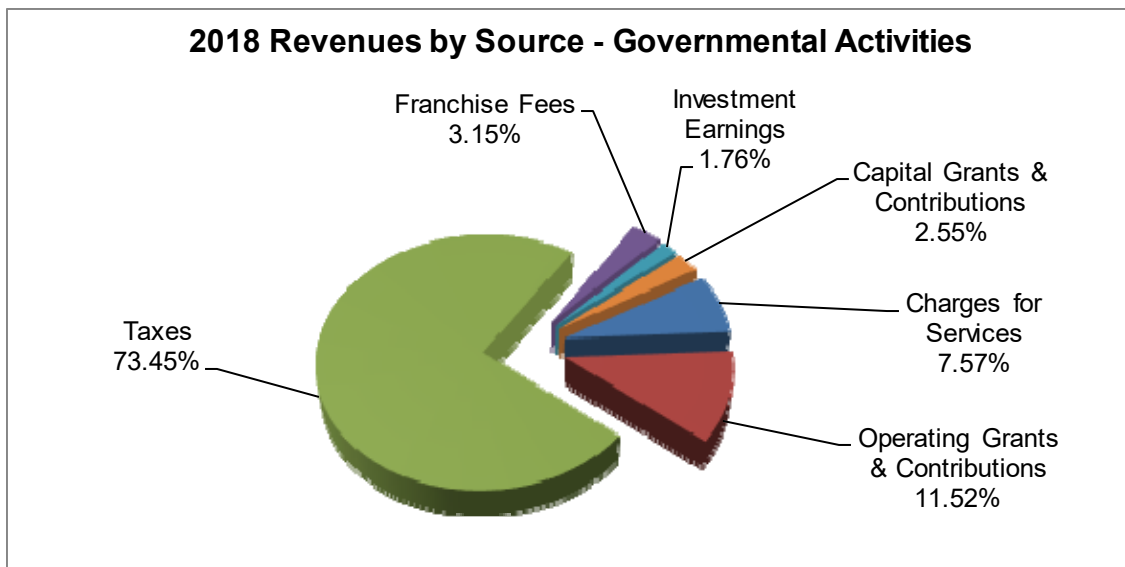
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2018

The *Statement of Activities* provides detail that focuses on how the Township finances its services. The *Statement of Activities* compares the costs of the Township functions and programs with the resources those functions and programs generate themselves in the form of program revenues. As demonstrated by the following graph, all of the Township's governmental activities are not self-supporting, raising enough program revenue to cover their costs, as most traditional governmental services are not.



To the degree that the Township's functions or programs cost more than they raise, the *Statement of Activities* shows how the Township chose to finance the difference through general revenues. The following chart shows that the Township relies on tax revenues to finance its governmental activities.



BRISTOL TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2018

GOVERNMENTAL FUNDS

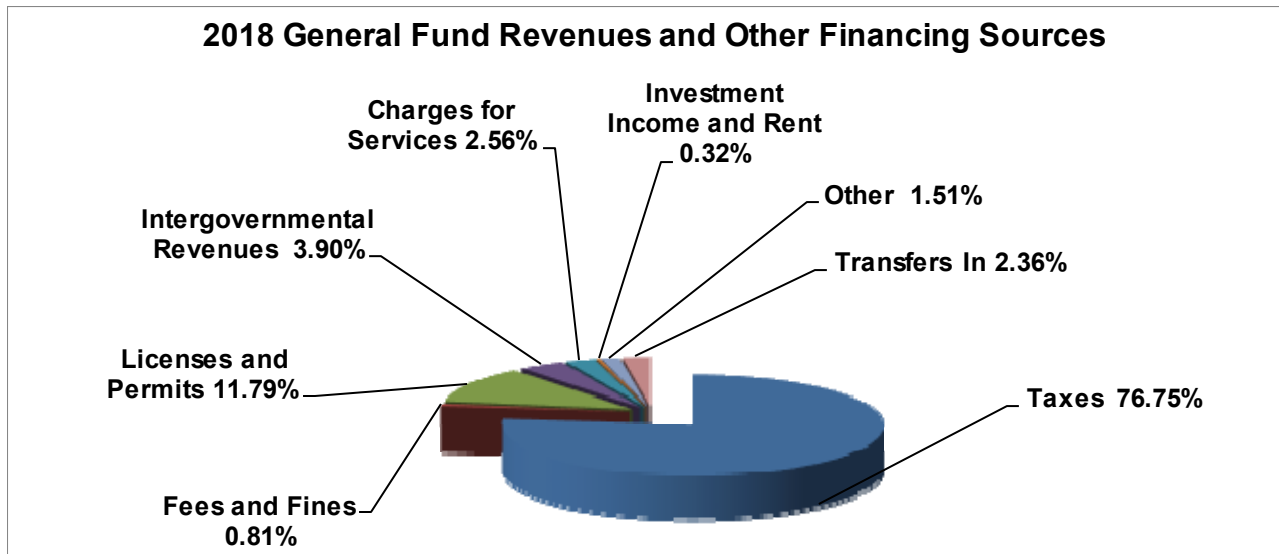
The governmental fund financial statements provide detailed information of the Township's major funds. Some funds are required to be established by State statute while other funds are established by the Township to manage monies restricted for a specific purpose. As of December 31, 2018, the Township's governmental funds reported a combined fund balance of \$44,165,556 which is an increase of \$3,709,358 from the prior year. The following table summarizes the Township's total governmental fund balances as of December 31, 2018 and 2017 and the total 2018 change in governmental fund balances.

	<u>2018</u>	<u>2017</u>	<u>\$ Change</u>
General Fund	\$ 3,655,987	\$ 3,571,706	\$ 84,281
Capital Reserve Fund	21,729,725	16,719,113	5,010,612
Refuse Fund	3,009,631	4,663,837	(1,654,206)
Debt Service Fund	10,668,488	10,255,178	413,310
Nonmajor Governmental Funds	<u>5,101,725</u>	<u>5,246,364</u>	<u>(144,639)</u>
	<u>\$44,165,556</u>	<u>\$40,456,198</u>	<u>\$ 3,709,358</u>

GENERAL FUND

The General Fund is the Township's primary operating fund. At the conclusion of the 2018 fiscal year the General Fund fund balance was \$3,655,987 representing an increase of \$84,281 in relation to the prior year. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2018 fiscal year.

The Township's reliance upon tax revenues is demonstrated by the graph below that indicates 76.75% of General Fund revenues are derived from local taxes.



BRISTOL TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2018

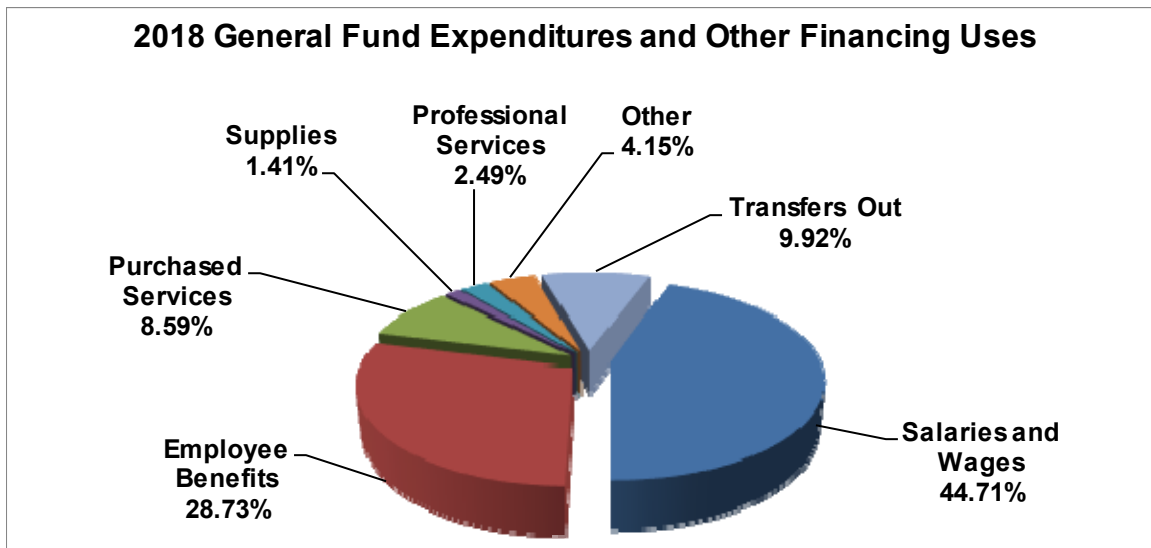
General Fund Revenues and Other Financing Sources

	<u>2018</u>	<u>2017</u>	<u>\$ Change</u>	<u>% Change</u>
Taxes	\$17,371,087	\$16,976,124	\$ 394,963	2.33
Fees and fines	182,282	189,063	(6,781)	(3.59)
Licenses and permits	2,668,608	2,883,592	(214,984)	(7.46)
Intergovernmental revenues	883,554	850,722	32,832	3.86
Charges for services	580,358	581,031	(673)	(0.12)
Investment income and rent	71,361	48,543	22,818	47.01
Other	341,187	224,300	116,887	52.11
Transfers in	<u>535,000</u>	<u>535,000</u>	<u>-</u>	<u>0.00</u>
	<u>\$22,633,437</u>	<u>\$22,288,375</u>	<u>\$ 345,062</u>	<u>1.55</u>

Taxes increased by \$394,963 or 2.33% primarily due to an increase in real estate transfer and earned income taxes received in 2018 compared to 2017.

Licenses and permits decreased by \$214,984 or 7.46% mainly as a result of decrease in building permits in comparison to the prior year.

As the graph below illustrates, the largest portion of General Fund expenditures is for salaries and benefits. The Township is a service entity and as such is labor intensive.



General Fund Expenditures and Other Financing Uses

	<u>2018</u>	<u>2017</u>	<u>\$ Change</u>	<u>% Change</u>
Salaries and wages	\$10,080,641	\$ 9,339,665	\$ 740,976	7.93
Employee benefits	6,478,773	6,316,140	162,633	2.57
Purchased services	1,936,197	1,936,571	(374)	(0.02)
Supplies	316,918	260,756	56,162	21.54
Professional services	564,716	641,192	(76,476)	(11.93)
Other	935,000	935,000	-	0.00
Transfers out	<u>2,236,911</u>	<u>6,801,823</u>	<u>(4,564,912)</u>	<u>(67.11)</u>
	<u>\$22,549,156</u>	<u>\$26,231,147</u>	<u>\$(3,681,991)</u>	<u>(14.04)</u>

BRISTOL TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2018

Salaries and wages increased by \$740,976 or 7.93% primarily as a result of a) scheduled salary increases and mandated benefit payouts required by the Township's collective bargaining agreements negotiated with its employees b) additional positions added for the police and an assistant public works director and c) the need for additional police overtime in 2018 compared to 2017.

Employee benefits increased by \$162,633 or 2.57% as a result of increased medical costs associated with negotiated contracts and additional employees and a general increase in benefits associated with wages.

Transfers out represent the appropriation of annual General Fund excess revenues over expenditures to the Capital Projects and Debt Service Funds.

CAPITAL RESERVE FUND

The Capital Reserve Fund accounts for financial resources committed to be used for capital expenditures or for the acquisition, construction of capital facilities, improvements and/or equipment. The Capital Reserve Fund is primarily funded through the issuance of general obligation debt and transfers from the General Fund. During 2018, the Capital Reserve Fund fund balance increased by \$5,010,612 for a cumulative balance of \$21,729,725 as of December 31, 2018 which is committed for future capital purchases. The increase can be attributed to the issuance of General Obligation Notes, Series of 2018, in the amount of \$5,000,000.

REFUSE FUND

The Refuse Fund accounts for expenditures related to the collections and disposal of refuse within the Township. The Refuse Fund is primarily funded through property taxes. During 2018, the Refuse Fund fund balance decreased by \$1,654,206 for a cumulative balance of \$3,009,631 as of December 31, 2018 which is committed for future sanitation costs. The decrease is due to the transfer of \$2,000,000 to the Capital Reserve Fund from the Refuse Fund.

DEBT SERVICE FUND

The Debt Service Fund accounts for the interest and principal payments due on the Township's outstanding general obligation debt. Taxes are levied and transfers are made during the year from the General Fund to finance debt service payments as they become due. As of December 31, 2018, the Debt Service Fund reported a fund balance of \$10,668,488 which is an increase of \$413,310 from the prior year.

NONMAJOR GOVERNMENTAL FUNDS

The Nonmajor Governmental Funds consist of special revenue funds and capital projects funds. Special revenue funds are maintained to account for the proceeds of specific revenue sources that are to be expended for specified purposes. The nonmajor special revenue funds include the Fire Fund, the Rescue Fund, the Parks and Recreation Operating Fund, the Grant Fund, the Liquid Fuels Fund, the DEA Fund, the Community Development Fund, the Home Partnership Fund, the Street Lights Fund, the Education Service Agency Fund and the Blighted Properties Fund. The nonmajor capital projects funds include the Parks and Recreation Capital Reserve and the Curb and Sidewalk Fund. Major revenue sources for these funds include taxes, intergovernmental revenues and charges for services. During 2018, the Nonmajor Governmental Funds fund balance decreased by \$144,639 for a cumulative balance of \$5,101,725 as of December 31, 2018. Of the cumulative fund balance at December 31, 2018, \$3,332,040 is restricted for the Liquid Fuels Fund. The Liquid Fuels Fund accounts for appropriations from the Commonwealth of Pennsylvania Department of Transportation to be used for road improvements, snow and ice removal and road related capital projects through the Public Works Department. More detailed information regarding the nonmajor governmental funds can be found in the combining and individual fund financial statements on pages 59 and 60.

GENERAL FUND BUDGET INFORMATION

The Township maintains its financial records and prepares its financial reports on the modified accrual basis of accounting. The Township budgets and expends funds according to procedures mandated by Township code of the Commonwealth of Pennsylvania. An annual operating budget is prepared by management and submitted to the Township Council for approval prior to the beginning of the fiscal year on January 1 each year. The most significant budgeted fund is the General Fund.

BRISTOL TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2018

More detailed information regarding the General Fund budget can be found in the Budgetary Comparison Schedule – General Fund on page 52. The Budgetary Comparison Schedule – General Fund shows the original budget, final budget and actual revenues, expenditures and other financing sources for the fiscal year. There were no differences between the original and final budgets.

General Fund revenues and other financing sources were \$1,447,437 or 6.83% more than budgeted amounts and General Fund expenditures and other financing uses were \$1,363,156 or 6.43% more than budgeted amounts resulting in a net positive variance of \$84,281.

Real estate transfer and earned income tax collections were \$685,010 and \$449,338, respectively, more than budgeted amounts, which is an indicator of an improving economy in the local community.

Expenditures were \$651,855 less than budgeted amounts due to less than anticipated expenditures for property and liability and unemployment insurance. In addition, a general contingency of \$400,000 was included in the budget for unanticipated expenditures and was not used.

During 2018, the Council appropriated \$2,129,000 to be transferred to the Capital Reserve Fund to subsidize future capital needs. Budgeted amounts appropriated only \$129,000 to be transferred to the Capital Reserve Fund.

BUSINESS-TYPE ACTIVITIES AND SEWER FUND

The business-type activities and Sewer Fund of the Township include the its sewer operations. The Township provides for wastewater collection and treatment to most of the non-Levittown sections of the Township. The collection system consists of approximately 60 miles of sewers and 18 pumping stations. The wastewater treatment plant is located in Croydon and maintained by a third-party contractor. The Township Council establishes the rates charged to the users of the sewerage system. Charges for services represent the principal revenue source for the Township's business-type activities.

The net position of the Township's business-type activities and Sewer Fund increased by \$288,989 during 2018. The net position of the business-type activities and Sewer Fund totaled \$10,932,800 as of December 31, 2018.

CAPITAL ASSETS

The Township's investment in capital assets for its governmental and business-type activities as of December 31, 2018 amounted to \$63,785,052, net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements, infrastructure, and machinery and equipment. The total net increase in the Township's investment in capital assets for 2018 was \$3,078,329 or 5.07%. The increase was the result of current year capital additions in excess of depreciation and disposals.

Current year capital additions were \$5,928,967, depreciation expense was \$2,820,113, and net disposals were \$30,525.

Major capital additions for the current fiscal year included the following:

Governmental activities:	
Public works equipment	\$540,779
Police and fire equipment	\$376,227
Road paving projects	\$569,022
Curb ramp projects	\$877,253
Cedar Avenue Park project	\$907,364
Municipal Complex Park project – construction in progress	\$399,033
Traffic light projects	\$527,733
Millcreek pedestrian bridge project – construction in progress	\$278,721
Business-type activities:	
Wastewater treatment plant generator – construction in progress	\$399,712
Croydon pump – construction in progress	\$339,047

BRISTOL TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2018

NONCURRENT LIABILITIES

As of December 31, 2018, the Township had total general obligation debt of \$61,161,430 consisting of \$46,753,030 in bonds and notes payable, \$14,266,857 in sewer bonds and notes payable and \$141,543 in bond premiums. The entire amount is backed by the full faith and credit of the Township. General obligation debt was primarily issued to finance capital expenditures or to finance the retirement (refund) of prior obligation debt. The total net increase in the Township's general obligation debt for the current fiscal year was \$6,200,858 or 11.28%.

During 2018, the Township issued General Obligation Notes, Series of 2018, in the amount of \$5,000,000 and Sewer Revenue Notes, Series of 2018, in the amount of \$4,000,000, which will be used for implementing various capital projects and for the purpose of expanding and improving the wastewater treatment plant and collection system.

The Township reports its defined benefit unfunded net pension liability and its liability for postemployment benefits on its Statement of Net Position (Deficit). The Township's unfunded net pension liability and net liability for post-employment benefits are actuarially determined liabilities totaled \$10,449,378 and \$68,594,630, respectively, as of December 31, 2018. These liabilities increased by \$13,881,995 or 21.30% during current year.

Other noncurrent liabilities consist of the Township's liability for compensated absences.

FACTORS BEARING ON THE TOWNSHIP'S FUTURE

The Township Council and administration has adopted ordinances and policies aimed at creating jobs and expanding the tax base while removing barriers to investing in Bristol Township. These actions to stimulate economic development have had a direct impact on increasing revenues such as the earned income, real estate transfer, local services, and mercantile taxes. However, the Township has lost some \$1,310,000 from neighboring municipalities enacting earned income tax ordinances. The Township is also, as all municipalities are, affected by the economy at large and the decided upturn in the economy has helped the Township in the fact they are collecting more earned income taxes (despite enactment s of earned income ordinances in other municipalities) and increased home values which equates to increased amounts from real estate transfer taxes. This being said Township governance is always looking for ways, through holding the line on taxes and streamlining processes, to encourage businesses to relocate to and ultimately prosper in the Bristol Township.

Unemployment in Bristol Township always exceeds the county-wide unemployment rate (4.00% Township vs 3.40% County). In addition, the median household income is also lower than the county-wide figure (\$61,321 Township vs \$74,800 County). For these reasons, economic factors tend to have a greater impact on Bristol Township than they do in surrounding communities.

The Township adopted a balanced 2019 General Fund budget totaling \$21,669,700 and the real estate tax millage rage remained unchanged at 23.98 mills for general purposes.

Township employees are represented by three labor unions and a total of six collective bargaining agreements that establish labor costs for all but thirteen full-time employees. In particular, post-retirement healthcare and pension costs have become burdensome to maintain, although some progress has been made in the latest rounds of union negotiations. The Township is currently negotiating with three of the six collective bargaining units to provide wage and benefit levels that are financially responsible and sustainable.

The Township continues to maintain a diversified revenue base should there be any short-term fluctuations in any one revenue source.

Collection of the earned income tax is a good indicator of local economic conditions. For 2018, the Township's collection of this tax was \$6,699,338, an increase of \$110,531 or 1.68% from the prior year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Township Manager, Bristol Township, 2501 Bath Road, Bristol, PA 19007.

BRISTOL TOWNSHIP

STATEMENT OF NET POSITION (DEFICIT)

December 31, 2018 with summarized comparative totals for 2017

	Governmental Activities	Business-type Activities	Totals	
			2018	2017
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash	\$ 33,608,836	\$ 8,601,996	\$ 42,210,832	\$ 45,976,325
Restricted cash	190,744	98,768	289,512	286,101
Investments	9,066,592	3,030,459	12,097,051	-
Taxes receivable, net	2,781,501	-	2,781,501	2,865,237
Accounts receivable, net	1,285,136	1,021,000	2,306,136	2,528,928
Internal balances	(21,260)	21,260	-	-
Due from other governments	1,004,140	-	1,004,140	956,131
Prepaid expenses	32,042	-	32,042	91,029
Total current assets	47,947,731	12,773,483	60,721,214	52,703,751
NONCURRENT ASSETS				
Capital assets, net	50,438,687	13,346,365	63,785,052	60,706,723
Total assets	98,386,418	26,119,848	124,506,266	113,410,474
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refunding of debt	2,448,217	-	2,448,217	2,577,069
Deferred charges - OPEB	6,441,201	-	6,441,201	-
Deferred charges - pensions	4,270,832	-	4,270,832	138,468
Total deferred outflows of resources	13,160,250	-	13,160,250	2,715,537
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)				
CURRENT LIABILITIES				
Accounts payable	1,790,924	662,346	2,453,270	2,001,611
Unearned revenue	802,056	55,947	858,003	473,947
Accrued expenses	212,890	-	212,890	-
Escheat liability	190,744	5,652	196,396	196,396
Escrow deposits	-	93,116	93,116	89,705
Accrued interest payable	219,576	56,241	275,817	317,617
Total current liabilities	3,216,190	873,302	4,089,492	3,079,276
NONCURRENT LIABILITIES				
Due within one year	2,420,507	587,868	3,008,375	2,962,968
Due in more than one year	126,805,855	13,725,878	140,531,733	120,360,844
Total noncurrent liabilities	129,226,362	14,313,746	143,540,108	123,323,812
Total liabilities	132,442,552	15,187,048	147,629,600	126,403,088
DEFERRED INFLOWS OF RESOURCES				
Deferred credits - pensions	1,456,880	-	1,456,880	3,265,170
NET POSITION (DEFICIT)				
Net investment in capital assets	26,479,443	3,037,845	29,517,288	28,149,394
Restricted	3,471,241	-	3,471,241	3,590,327
Unrestricted (deficit)	(52,303,448)	7,894,955	(44,408,493)	(45,281,968)
Total net position (deficit)	\$ (22,352,764)	\$ 10,932,800	\$ (11,419,964)	\$ (13,542,247)

See accompanying notes

BRISTOL TOWNSHIP

STATEMENT OF ACTIVITIES

Year ended December 31, 2018 with summarized comparative totals for 2017

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position (Deficit)</u>			
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>	
							<u>2018</u>	<u>2017</u>
GOVERNMENTAL ACTIVITIES								
General government	\$ 2,535,519	\$ 501,607	\$ 44,544	\$ -	\$ (1,989,368)	\$ -	\$ (1,989,368)	\$ (1,768,983)
Public safety	18,950,635	1,950,933	967,620	219,574	(15,812,508)	-	(15,812,508)	(14,795,256)
Public works	3,637,549	86,226	1,692,963	360,088	(1,498,272)	-	(1,498,272)	(1,361,390)
Sanitation	4,669,545	2,796	203,713	-	(4,463,036)	-	(4,463,036)	(4,297,815)
Culture and recreation	712,075	86,405	25,824	-	(599,846)	-	(599,846)	(397,305)
Community development	1,004,536	-	1,069,708	305,899	371,071	-	371,071	656,584
Interest and amortization expense related to noncurrent liabilities	1,427,622	-	-	-	(1,427,622)	-	(1,427,622)	(1,366,969)
Total governmental activities	<u>32,937,481</u>	<u>2,627,967</u>	<u>4,004,372</u>	<u>885,561</u>	<u>(25,419,581)</u>	<u>-</u>	<u>(25,419,581)</u>	<u>(23,331,134)</u>
BUSINESS-TYPE ACTIVITIES								
Sewer	5,053,800	5,251,281	-	-	-	197,481	197,481	29,694
Total primary government	<u>\$ 37,991,281</u>	<u>\$ 7,879,248</u>	<u>\$ 4,004,372</u>	<u>\$ 885,561</u>	<u>(25,419,581)</u>	<u>197,481</u>	<u>(25,222,100)</u>	<u>(23,301,440)</u>
GENERAL REVENUES								
Taxes								
Real estate taxes					15,717,740	-	15,717,740	15,808,583
Real estate transfer taxes					1,485,010	-	1,485,010	1,171,498
Earned income taxes					6,699,338	-	6,699,338	6,588,807
Other taxes					1,611,466	-	1,611,466	1,693,615
Franchise fees					1,094,082	-	1,094,082	1,139,339
Investment earnings					610,239	126,508	736,747	232,911
TRANSFERS					35,000	(35,000)	-	-
Total general revenues and transfers					<u>27,252,875</u>	<u>91,508</u>	<u>27,344,383</u>	<u>26,634,753</u>
CHANGE IN NET POSITION (DEFICIT)					1,833,294	288,989	2,122,283	3,333,313
NET POSITION (DEFICIT)								
Beginning of year					(24,186,058)	10,643,811	(13,542,247)	(16,875,560)
End of year					<u>\$ (22,352,764)</u>	<u>\$ 10,932,800</u>	<u>\$ (11,419,964)</u>	<u>\$ (13,542,247)</u>

See accompanying notes

BRISTOL TOWNSHIP

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2018 with summarized comparative totals for 2017

	Major Funds					Totals	
	General Fund	Capital Reserve Fund	Refuse Fund	Debt Service Fund	Nonmajor Governmental Funds	2018	2017
ASSETS							
Cash	\$ 1,331,411	\$ 18,717,826	\$ 3,010,874	\$ 6,668,879	\$ 3,879,846	\$ 33,608,836	\$ 37,937,251
Restricted cash	190,744	-	-	-	-	190,744	190,744
Investments	-	3,030,459	-	4,019,958	2,016,175	9,066,592	-
Taxes receivable, net	2,377,266	-	246,963	52,947	104,325	2,781,501	2,865,237
Accounts receivable, net	1,005,889	-	197,749	-	81,498	1,285,136	1,548,828
Due from other funds	141,833	361,472	-	-	-	503,305	87,859
Due from other governments	-	-	-	-	1,004,140	1,004,140	956,131
Prepaid items	32,042	-	-	-	-	32,042	30,839
Total assets	\$ 5,079,185	\$ 22,109,757	\$ 3,455,586	\$ 10,741,784	\$ 7,085,984	\$ 48,472,296	\$ 43,616,889
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
LIABILITIES							
Accounts payable	\$ 236,426	\$ 257,793	\$ 1,940	\$ -	\$ 1,294,765	\$ 1,790,924	\$ 1,237,965
Due to other funds	-	-	-	21,260	503,305	524,565	122,018
Unearned revenue	521,370	-	197,749	-	82,937	802,056	447,715
Accrued expenses	90,651	122,239	-	-	-	212,890	104,153
Escheat liability	190,744	-	-	-	-	190,744	190,744
Total liabilities	1,039,191	380,032	199,689	21,260	1,881,007	3,521,179	2,102,595
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenues - property taxes	384,007	-	246,266	52,036	103,252	785,561	1,058,096
FUND BALANCES							
Nonspendable							
Prepaid items	32,042	-	-	-	-	32,042	30,839
Restricted for							
Communications	-	-	-	-	46,957	46,957	47,344
Law enforcement	-	-	-	-	55,047	55,047	51,865
Road improvements and maintenance	-	-	-	-	3,332,040	3,332,040	3,457,578
Community development	-	-	-	-	31,516	31,516	31,422
Public safety	-	-	-	-	5,681	5,681	2,118
Committed for							
Capital projects	-	21,729,725	-	-	44,802	21,774,527	16,763,597
Sanitation	-	-	3,009,631	-	-	3,009,631	3,761,901
Parks and recreation	-	-	-	-	1,184,255	1,184,255	1,127,904
Street lights	-	-	-	-	292,147	292,147	382,733
Public safety	-	-	-	-	39,816	39,816	32,275
Debt service	-	-	-	10,668,488	-	10,668,488	10,255,178
Blighted properties	-	-	-	-	69,464	69,464	68,641
Assigned for							
Sanitation	-	-	-	-	-	-	901,936
Unassigned	3,623,945	-	-	-	-	3,623,945	3,540,867
Total fund balances	3,655,987	21,729,725	3,009,631	10,668,488	5,101,725	44,165,556	40,456,198
Total liabilities, deferred inflows of resources and fund balances	\$ 5,079,185	\$ 22,109,757	\$ 3,455,586	\$ 10,741,784	\$ 7,085,984	\$ 48,472,296	\$ 43,616,889

See accompanying notes

BRISTOL TOWNSHIP

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO NET POSITION OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION (DEFICIT)

December 31, 2018

TOTAL GOVERNMENTAL FUND BALANCES	\$ 44,165,556
<p>Amounts reported for governmental activities in the statement of net position (deficit) are different because:</p>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds balance sheet.	50,438,687
Deferred outflows of resources for deferred amounts on debt refunding are currently expended in the governmental funds, whereas they are capitalized and amortized over the life of the respective debt in the governmental funds balance sheet.	2,448,217
Some of the Township's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred inflows of resources on the governmental funds balance sheet.	785,561
Deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits are not reported as assets and liabilities in the governmental funds balance sheet.	9,255,153
Accrued interest payable on long-term liabilities is included in the government-wide statement of net position (deficit), but is excluded from the governmental funds balance sheet until due and payable.	(219,576)
Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds balance sheet.	<u>(129,226,362)</u>
NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES	<u>\$ (22,352,764)</u>

See accompanying notes

BRISTOL TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Year ended December 31, 2018 with summarized comparative totals for 2017

	Major Funds				Nonmajor Governmental Funds	Totals	
	General Fund	Capital Reserve Fund	Refuse Fund	Debt Service Fund		2018	2017
REVENUES							
Taxes	\$ 17,371,087	\$ -	\$ 5,245,590	\$ 1,029,944	\$ 1,962,620	\$ 25,609,241	\$ 25,196,740
Fees and fines	182,282	-	-	-	-	182,282	189,063
Licenses and permits	2,668,608	-	-	-	-	2,668,608	2,883,592
Intergovernmental revenues	883,554	305,899	196,623	-	3,486,529	4,872,605	5,543,435
Charges for services	580,358	-	2,796	-	191,672	774,826	811,494
Investment income and rent	71,361	231,852	68,194	153,677	85,154	610,238	190,856
Miscellaneous	341,187	60,741	-	-	108,662	510,590	315,261
Total revenues	<u>22,098,437</u>	<u>598,492</u>	<u>5,513,203</u>	<u>1,183,621</u>	<u>\$ 5,834,637</u>	<u>35,228,390</u>	<u>35,130,441</u>
EXPENDITURES							
Current							
General government	2,369,161	50,307	-	14,900	-	2,434,368	2,564,920
Public safety	15,189,073	356,374	-	-	1,571,531	17,116,978	16,499,001
Public works	1,819,011	2,206,725	-	-	2,498,821	6,524,557	5,997,218
Community development	-	-	-	-	1,001,899	1,001,899	1,351,632
Sanitation	-	-	4,667,409	-	-	4,667,409	4,523,610
Culture and recreation	-	-	-	-	1,014,936	1,014,936	410,497
Debt service	935,000	-	-	2,780,411	-	3,715,411	3,359,965
Capital outlay	-	78,474	-	-	-	78,474	21,053
Total expenditures	<u>20,312,245</u>	<u>2,691,880</u>	<u>4,667,409</u>	<u>2,795,311</u>	<u>6,087,187</u>	<u>36,554,032</u>	<u>34,727,896</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,786,192</u>	<u>(2,093,388)</u>	<u>845,794</u>	<u>(1,611,690)</u>	<u>(252,550)</u>	<u>(1,325,642)</u>	<u>402,545</u>
OTHER FINANCING SOURCES (USES)							
Proceeds from issuance of debt	-	4,975,000	-	25,000	-	5,000,000	10,000,000
Transfers in	535,000	2,129,000	-	2,000,000	107,911	4,771,911	7,336,823
Transfers out	(2,236,911)	-	(2,500,000)	-	-	(4,736,911)	(7,301,823)
Total other financing sources (uses)	<u>(1,701,911)</u>	<u>7,104,000</u>	<u>(2,500,000)</u>	<u>2,025,000</u>	<u>107,911</u>	<u>5,035,000</u>	<u>10,035,000</u>
NET CHANGE IN FUND BALANCES	84,281	5,010,612	(1,654,206)	413,310	(144,639)	3,709,358	10,437,545
FUND BALANCES							
Beginning of year	<u>3,571,706</u>	<u>16,719,113</u>	<u>4,663,837</u>	<u>10,255,178</u>	<u>5,246,364</u>	<u>40,456,198</u>	<u>30,018,653</u>
End of year	<u>\$ 3,655,987</u>	<u>\$ 21,729,725</u>	<u>\$ 3,009,631</u>	<u>\$ 10,668,488</u>	<u>\$ 5,101,725</u>	<u>\$ 44,165,556</u>	<u>\$ 40,456,198</u>

See accompanying notes

BRISTOL TOWNSHIP

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF ACTIVITIES

Year ended December 31, 2018

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 3,709,358

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense and the net book value of disposed of capital assets in the current period.

Capital outlay expenditures	\$ 5,128,587	
Net book value of disposed of capital assets	(30,525)	
Depreciation expense	<u>(2,330,334)</u>	2,767,728

Because some tax will not be collected for several months after the Township's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred inflows of resources decreased by this amount this year.

Deferred inflows of resources December 31, 2017	(1,058,096)	
Deferred inflows of resources December 31, 2018	<u>785,561</u>	(272,535)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on the change in net position of governmental activities. Also, governmental funds report the effect of premiums, discounts and similar items when long-term debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Issuance of debt	(5,000,000)	
Repayment of bonds and notes payable	2,347,661	
Repayment of capital leases	163,826	
Amortization of premiums and deferred amounts on debt refunding	<u>(124,006)</u>	(2,612,519)

Some expenses reported in the statement of activities do not require the use of current financial resources, and, therefore, are not reported as expenditures in the governmental funds.

Current year change in compensated absences	(300,398)	
Current year change in accrued interest payable	41,800	
Change in OPEB liability and related deferred inflows and outflows	(1,369,770)	
Change in net pension liability and related deferred inflows and outflows	<u>(130,370)</u>	<u>(1,758,738)</u>

CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES \$ 1,833,294

See accompanying notes

BRISTOL TOWNSHIP**STATEMENT OF NET POSITION - PROPRIETARY FUND**

December 31, 2018 with summarized comparative totals for 2017

	Sewer Fund	
	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 8,601,996	\$ 8,039,074
Restricted cash	98,768	95,357
Investments	3,030,459	-
Accounts receivable, net	1,021,000	980,100
Due from other funds	21,260	34,159
Prepaid expenses and other assets	-	60,190
Total current assets	<u>12,773,483</u>	<u>9,208,880</u>
NONCURRENT ASSETS		
Capital assets, net	<u>13,346,365</u>	<u>13,035,764</u>
Total assets	<u>26,119,848</u>	<u>22,244,644</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Current portion of sewer bonds and notes payable	587,868	446,635
Accounts payable	662,346	659,493
Unearned revenue	55,947	26,232
Escheat liability	5,652	5,652
Escrow deposits	93,116	89,705
Accrued interest payable	56,241	56,241
Total current liabilities	<u>1,461,170</u>	<u>1,283,958</u>
NONCURRENT LIABILITIES		
Sewer bonds and notes payable, net of current portion	13,720,652	10,308,520
Compensated absences	<u>5,226</u>	<u>8,355</u>
Total noncurrent liabilities	<u>13,725,878</u>	<u>10,316,875</u>
Total liabilities	<u>15,187,048</u>	<u>11,600,833</u>
NET POSITION		
Net investment in capital assets	3,037,845	2,280,609
Unrestricted	<u>7,894,955</u>	<u>8,363,202</u>
Total net position	<u>\$ 10,932,800</u>	<u>\$ 10,643,811</u>

See accompanying notes

BRISTOL TOWNSHIP

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

Year ended December 31, 2018 with summarized comparative totals for 2017

	<u>Sewer Fund</u>	
	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
Charges for services	\$ 4,786,719	\$ 4,847,074
Penalties and interest	210,330	249,025
Other revenues	<u>254,232</u>	<u>188,286</u>
Total operating revenues	<u>5,251,281</u>	<u>5,284,385</u>
OPERATING EXPENSES		
Administrative	368,078	530,031
Cost of sales and services	3,888,213	3,983,109
Depreciation	<u>489,779</u>	<u>490,724</u>
Total operating expenses	<u>4,746,070</u>	<u>5,003,864</u>
Operating income	<u>505,211</u>	<u>280,521</u>
NONOPERATING REVENUES (EXPENSES)		
Interest and investment revenue	126,508	42,055
Amortization of bond premiums	2,017	2,017
Interest expense	<u>(309,747)</u>	<u>(252,844)</u>
Total nonoperating revenues (expenses)	<u>(181,222)</u>	<u>(208,772)</u>
Income before transfers	323,989	71,749
TRANSFERS OUT	<u>(35,000)</u>	<u>(35,000)</u>
Change in net position	288,989	36,749
NET POSITION		
Beginning of year	<u>10,643,811</u>	<u>10,607,062</u>
End of year	<u>\$ 10,932,800</u>	<u>\$ 10,643,811</u>

See accompanying notes

BRISTOL TOWNSHIP

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

Year ended December 31, 2018 with summarized comparative totals for 2017

	Sewer Fund	
	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 5,313,185	\$ 5,273,122
Cash paid to employees	(334,412)	(346,698)
Cash paid to suppliers	<u>(3,918,744)</u>	<u>(4,016,745)</u>
Net cash provided by operating activities	<u>1,060,029</u>	<u>909,679</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to other funds	<u>(35,000)</u>	<u>(35,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition, construction and improvements of capital assets	(800,380)	(70,825)
Bonds and notes payable principal repayments	(444,618)	(457,571)
Issuance of debt	4,000,000	-
Interest paid on bonds and notes payable	<u>(309,747)</u>	<u>(250,461)</u>
Net cash provided by (used for) capital and related financing activities	<u>2,445,255</u>	<u>(778,857)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(3,030,459)	-
Earnings on investments	<u>126,508</u>	<u>42,055</u>
Net cash provided by (used for) investing activities	<u>(2,903,951)</u>	<u>42,055</u>
Net increase in cash	566,333	137,877
CASH		
Beginning of year	<u>8,134,431</u>	<u>7,996,554</u>
End of year	<u>\$ 8,700,764</u>	<u>\$ 8,134,431</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
<i>Operating income</i>	\$ 505,211	\$ 280,521
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	489,779	490,724
(Increase) decrease in		
Accounts receivable, net	(40,900)	15,971
Due from other funds	12,899	(34,159)
Prepaid expenses and other assets	60,190	15,954
Increase (decrease) in		
Accounts payable	2,853	132,845
Compensated absences	(3,129)	898
Unearned revenue	29,715	3,477
Escrow deposits	<u>3,411</u>	<u>3,448</u>
Net cash provided by operating activities	<u>\$ 1,060,029</u>	<u>\$ 909,679</u>
CASH AND CASH EQUIVALENTS ARE REPORTED AS:		
Cash	\$ 8,601,996	\$ 8,039,074
Restricted cash	<u>98,768</u>	<u>95,357</u>
	<u>\$ 8,700,764</u>	<u>\$ 8,134,431</u>

See accompanying notes

BRISTOL TOWNSHIP

STATEMENT OF NET POSITION - FIDUCIARY FUNDS

December 31, 2018 with summarized comparative totals for 2017

	<u>Escrow Fund</u>	<u>Police Pension Trust Fund</u>	<u>Totals</u>	
			<u>2018</u>	<u>2017</u>
ASSETS				
Cash	\$ 1,471,311	\$ 1,217,709	\$ 2,689,020	\$ 1,839,124
Investments, restricted	-	49,388,139	49,388,139	54,399,314
Other receivables	-	2,089	2,089	73,657
Total assets	<u>1,471,311</u>	<u>50,607,937</u>	<u>52,079,248</u>	<u>56,312,095</u>
LIABILITIES				
Accounts payable	1,469,494	2,298	1,471,792	1,102,236
Other current liabilities	<u>1,817</u>	-	<u>1,817</u>	<u>2,042</u>
Total liabilities	<u>\$ 1,471,311</u>	<u>2,298</u>	<u>1,473,609</u>	<u>1,104,278</u>
NET POSITION				
Assets held in trust for pension benefits		<u>\$ 50,605,639</u>	<u>\$ 50,605,639</u>	<u>\$ 55,207,817</u>

See accompanying notes

BRISTOL TOWNSHIP**STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUND**

Year ended December 31, 2018 with summarized comparative totals for 2017

	Police Pension Trust Fund	
	<u>2018</u>	<u>2017</u>
ADDITIONS		
Contributions		
Employer contributions	\$ 816,424	\$ 850,690
Member contributions	305,336	286,417
Commonwealth contributions	<u>688,605</u>	<u>660,708</u>
Total contributions	<u>1,810,365</u>	<u>1,797,815</u>
Investment income (loss)		
Interest and dividends	533,545	1,173,609
Net increase (decrease) in fair value of investments	(3,218,957)	6,741,981
Less: investment expenses	<u>(135,497)</u>	<u>(155,720)</u>
Total investment income (loss)	<u>(2,820,909)</u>	<u>7,759,870</u>
Total additions	<u>(1,010,544)</u>	<u>9,557,685</u>
DEDUCTIONS		
Benefits paid and contributions refunded	3,577,934	3,012,418
Administrative expenses	<u>13,700</u>	<u>5,398</u>
Total deductions	<u>3,591,634</u>	<u>3,017,816</u>
CHANGE IN NET POSITION	(4,602,178)	6,539,869
NET POSITION		
Beginning of year	<u>55,207,817</u>	<u>48,667,948</u>
End of year	<u>\$ 50,605,639</u>	<u>\$ 55,207,817</u>

See accompanying notes

BRISTOL TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Bristol Township (the "**Township**"), Bucks County, Pennsylvania, was established in 1692 and operates under the Home Rule Charter and Optional Plans Law as codified at Pa. C.S. Sub-Section 2901 et. seq. The residents of Bristol Township have elected to be governed pursuant to the Optional Plan of Government designated as the Council-Manager plan. This plan was adopted November 8, 2011 and consists of seven council members and a Township Manager. The Township provides the following services: general government; public safety – police, fire ambulance, codes and planning and zoning; public works – highways and street, sanitation and sewer; culture and recreation and community development.

The financial statements of the Township have been prepared in accordance with generally accepted accounting principles ("**GAAP**") as applied to governmental units. The Governmental Accounting Standards Board ("**GASB**") is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are as follows:

Reporting Entity

GASB has established the criteria for determining the activities, organizations and functions of government to be included in the financial statements of the reporting entity. In evaluating the Township as a reporting entity, management has addressed all potential component units which may or may not fall within the Township's accountability. The criteria used to evaluate component units for possible inclusion as part of the Township's reporting entity are financial accountability and the nature and significance of the relationship. The Township is considered to be an independent reporting entity and has no component units.

Basis of Presentation

Government-Wide Financial Statements

The statement of net position (deficit) and the statement of activities display information about the Township as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. These statements include the financial activities of the primary government except for fiduciary funds.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared as further defined below. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide statement of net position (deficit) presents the financial position of the Township which is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources and is classified in one of three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowing attributable to acquiring, constructing or improving those assets. The net position of the Township is reported as restricted when constraints placed on net position use is either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

BRISTOL TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

The statement of net position (deficit) includes separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

The government-wide statement of activities presents a comparison between expenses and program revenues for each function of the business-type activities of the Township and for each governmental function. Expenses are those that are specifically associated with a service or program and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the Township.

Except for interfund activity and balances between the funds that underlie governmental activities and the funds that underlie business-type activities, which are reported as transfers and internal balances, the effect of interfund activity has been removed from these statements.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements report detailed information about the Township. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. All other governmental funds are grouped together and presented in a separate column as nonmajor governmental funds. Fiduciary fund financial statements are presented by fund type.

Governmental Funds

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. The Township reports the following major governmental funds:

The General Fund is the Township'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 Capital Reserve Fund accounts for financial resources restricted, committed or assigned to be used for the acquisition, construction or capital facilities, improvements and/or equipment.

The Refuse Fund is used to account for the collection of fees and payment of expenses related to trash collection and recycling.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest and other related costs.

In addition, the Township reports the following nonmajor governmental funds:

Special Revenue Funds are used to account for the proceeds for specific revenue sources that are restricted or committed to expenditures for specified purposes.

Additional Capital Projects Funds are used to account for capital improvements for the Township's parks and recreation facilities and curb and sidewalk improvements.

BRISTOL TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

Revenue Recognition

In applying the "susceptible to accrual concept" under the modified accrual basis, 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 Township considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Deferred inflows of resources are reported in connection with receivables for tax revenues that are not considered to be available to liquidate liabilities of the current period. Revenue from federal, state and other grants designated for payment of specific Township expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as unearned revenues until earned. Other receipts are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, special termination benefits, other post-employment benefits and claims and judgments are recorded only when payment is due. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Proprietary Funds

Like the government-wide financial statements, proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in proprietary funds. The Township reports the following major proprietary fund:

The Sewer Fund is used to account for the operation of a sewage treatment plant and collection system.

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

Fiduciary Funds

Fiduciary funds account for the assets held by the Township as a trustee or agent for individuals, private organizations and/or governmental units and are, therefore, not available to support the Township's own programs. The Township reports the following fiduciary funds:

The Pension Trust Fund accounts for the activities of the Township's police defined benefit pension plans which accumulate resources for pension benefit payments to qualified employees upon retirement.

The Escrow Fund is an agency fund that is used to account for assets held for the benefit of others with the Township having not equity or ownership in the assets.

Cash and Cash Equivalents

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

BRISTOL TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

Investments

Investments are stated at fair value based upon quoted market prices, except for certificates of deposit which are recorded at cost, which approximates fair value.

Fair Value Measurements of Assets and Liabilities

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Township. Unobservable inputs reflect the Township's assumptions about the inputs market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the Township has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not require a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable, that is, inputs that reflect the Township's own assumptions.

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/due from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Taxes

Property taxes are levied on March 1 and are payable in the following periods:

March 1 – April 30	- Discount period, 2% of gross levy
May 1 – June 30	- Face period
June 30 to collection	- Penalty period, 10% of gross levy
December 31	- Lien date

The Bucks County Board of Assessments determines assessed valuations of property, and the Township's taxes are billed and collected by the Township. The tax on real estate for fiscal 2018 was 23.98 mills (\$23.98 for \$1,000 of assessed valuation), consisting of 16.58 mills for general purposes, 1.50 mills for capital projects, 0.90 mills for recreation purposes, 2.00 mills for fire protection, 2.45 mills for debt redemption and 0.55 mills for rescue squad. The Township experiences very small losses from uncollectible property taxes. Property taxes constitute a lien against real property and usually can be collected in full when title transfers. Only balances that remain after tax sales are written off each year.

BRISTOL TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

Other taxes levied in 2018 consisted of the following:

Real estate transfer tax	- 0.50% of gross sales price
Earned income tax	- 0.50% for general purposes
Local services tax	- \$1.00 per week [max of \$52.00 per year split between the Township (\$47.00) and Bristol Township School District (\$5.00)]
Per capita tax	- \$10.00 per year [split with Bristol Township School District]
Mercantile tax	- Wholesale .10% of gross receipts and retail .15% of gross receipts [split with Bristol Township School District]
Amusement tax	- 5% of gross receipts
Mechanical devices tax	- \$150 per year

Accounts Receivable

The Township's accounts receivable are reported at net realizable value. The Township's sewer and refuse operations experience very small losses from uncollectible accounts. Sewer and refuse fees constitute a lien against real property and usually can be collected in full when title transfers. Only balances after tax sales are written off each year. Accounts receivable are shown net of allowance for doubtful accounts. The allowance for doubtful accounts is estimated based on professional judgment and historical trend information.

Prepaid Items

Certain prepayments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide and fund financial statements.

Unearned Revenues

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund financial statements. Capital assets are defined by the Township as assets with an initial individual cost of \$5,000 or more. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair 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, inclusive of ancillary costs.

Property, plant and equipment (net of salvage value) of the Township is depreciated using the straight-line method over the following estimated useful lives: buildings and improvements – 5-40 years, infrastructure – 40 years, land improvements – 5-20 years, sewer collection lines – 10-60, and furniture, machinery and equipment – 3-20 years.

BRISTOL TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

Impairment of Long-Lived Assets

The Township evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. If a capital asset is considered to be impaired, the amount of impairment is measured by the method that most reflects the decline in service utility of the capital asset at the lower of carrying value or fair value for impaired capital assets that will no longer be used by the Township. No impairment losses were recognized in the year ended December 31, 2018.

Compensated Absences

Township policies permit employees to accumulate earned but unused vacation, sick days and compensatory leave. The liability for these compensated absences is recorded as a noncurrent liability in the government-wide financial statements. A liability for these amounts is recorded in the Governmental Funds and Proprietary Fund financial statements only to the extent they have matured, for example, as a result of employee resignation and retirement.

Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bonds and notes payable are reported net of the applicable premium or discount. Premiums and discounts are deferred and amortized over the life of the bonds and notes payable. Deferred amounts on refunding are recorded as a deferred outflow of resources and amortized over the life of the old debt or the life of the new debt, whichever is shorter. All amounts are amortized using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The amount of debt issued is reported as other financing sources and uses. Premiums received and discounts paid on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures except for refundings paid from proceeds which are reported as other financing uses.

Fund Equity

As prescribed by GASB, governmental funds report fund balance in classifications based primarily on the extent to which the Township is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. The Township reports the following fund balance classifications:

Nonspendable

Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form – such as inventory or prepaid insurance or (b) legally or contractually required to be maintained intact – such as a trust that must be retained in perpetuity.

Restricted

Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed

Committed fund balances are amounts that can only be used for specific purposes determined by a formal action of the Township's highest level of decision-making authority, the Township Council. Committed amounts cannot be used for any other purpose unless the Township Council removes those constraints by taking the same type of formal action (e.g., resolution).

BRISTOL TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

Assigned

Assigned fund balances are amounts that are constrained by the Township's intent to be used for specific purposes but are neither restricted nor committed. Intent is expressed by (a) the Township Manager or (b) an appointed body (e.g., finance committee) or (c) an official to which the Township has delegated the authority to assign, modify or rescind amounts to be used for specific purposes.

Assigned fund balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as non-spendable, restricted or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue fund or the capital projects fund are assigned for purposes in accordance with the nature of their fund type.

Unassigned

Unassigned fund balance is the residual classification for the General Fund. This classification represents General Fund balance that has not been assigned to other funds, and that has not been restricted, committed or assigned to specific purposes within the General Fund.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use externally restricted resources first, then unrestricted resources—committed, assigned or unassigned—in order as needed.

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Township's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. However, presentation of prior year totals by fund and activity type has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the Township's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Implementation of New Accounting Pronouncements

Effective January 1, 2018, the Township adopted the provisions of GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", GASB Statement No. 85, "Omnibus 2017" and GASB Statement No. 86, "Certain Debt Extinguishment Issues".

GASB Statement No. 75 replaces the requirements of GASB Statement No. 45 and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. GASB Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements.

The objective of GASB Statement No. 85 is to address practice issues that have been identified during implementation and application of certain GASB Statements. GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pension and other postemployment benefits (OPEB)).

BRISTOL TOWNSHIP

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December 31, 2018

GASB Statement No. 86 established standards of accounting and financial reporting for in-substance defeasance transactions in which cash and other monetary assets acquired with only existing resources—that is, resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the purpose of extinguishing debt. GASB Statement No. 86 also amended accounting and financial reporting requirements for prepaid insurance associated with debt that is extinguished, whether through a legal extinguishment or through an insubstance defeasance, regardless of how the cash and other monetary assets were acquired. Finally, GASB Statement No. 86 established an additional disclosure requirement related to debt that is defeased in substance, regardless of how the cash and other monetary assets were acquired. The implementation of GASB Statement No. 86 had no impact on the financial statements of the Township for the year ended December 31, 2018.

New Accounting Pronouncements

GASB Statement No. 83, "*Certain Asset Retirement Obligations*" will be effective for the Township for the year ended December 31, 2019. GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations ("**AROs**"). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in GASB Statement No. 83.

GASB Statement No. 84, "*Fiduciary Activities*" will be effective for the Township for the year ended December 31, 2019. The objective of GASB Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

GASB Statement No. 87, "*Leases*" will be effective for the Township for the year ended December 31, 2020. The objective of GASB Statement No. 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB Statement No. 87 increases the usefulness of financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities.

GASB Statement No. 88, "*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*", will be effective for the Township for the year ended December 31, 2019. The objective of GASB Statement No. 88 is to improve the information that is disclosed in the notes to financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. GASB Statement No. 88 defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

GASB Statement No. 90, "*Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*", will be effective for the Township for the year ended December 31, 2019. The primary objects of GASB Statement No. 90 are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

BRISTOL TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The Township Manager provides a proposed budget to the Township Council no later than November 15th Notice of a public meeting at which said budget will be considered by Township Council shall take place no later than November 30th for the succeeding fiscal year beginning January 1. At such public meeting, the public shall be afforded the opportunity to comment.

The Township is required to publish notice by advertisement at least once in one newspaper of general circulation in the Township, and within 20 days of final action prior to December 31, that the budget has been prepared and is available for public inspection at the Township offices.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles.

The Township is legally required to maintain budgetary controls at the major function level. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at the level of budgetary control and include the effect of approved budget amendments.

(3) DEPOSITS AND INVESTMENTS

State statutes authorize the Township to invest in U.S. Treasury bills, time or share accounts of institutions insured by the Federal Deposit Insurance Corporation or in certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, state treasurer's investment pools or mutual funds.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The Township is required by statute to deposit funds in depositories that are either banks, banking institutions or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, the Commonwealth of Pennsylvania or any political subdivision. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit.

At December 31, 2018, the carrying amount of the Township's deposits was \$45,189,364 and the bank balance was \$45,522,682. Of the bank balance, \$500,000 was covered by federal depository insurance and \$45,022,682 was collateralized by the Township's depositories in accordance with Act 72 and the collateral was held by the depositories' agent in pooled public funds.

Investments

As of December 31, 2018, the Township's had the following investments:

<u>Description</u>	<u>Fair Value</u>	<u>Average Investment Maturities (in Years)</u>		
		<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>
Fixed income mutual funds	\$ 15,942,120	\$ -	\$ 15,942,120	\$ -
Equity mutual funds	30,296,345	30,296,345	-	-
Real estate investment trusts	3,149,674	3,149,674	-	-
Certificates of deposit	<u>12,097,051</u>	<u>12,097,051</u>	<u>-</u>	<u>-</u>
	<u>\$61,485,190</u>	<u>\$45,543,070</u>	<u>\$15,942,120</u>	<u>\$ -</u>

Mutual funds were valued using Level 1 inputs while real estate investment trusts were valued using Level 3 inputs.

Fixed income mutual fund maturities were based off an average 5.3-year maturity.

BRISTOL TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of a failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Township does not have a formal policy related to custodial credit risk for investments. As of December 31, 2018, the real estate investment trusts are uninsured investment securities that are held by either the counterparty or the counterparty's trust department or agent but not in the Township's name and subject to custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Township's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. As of December 31, 2018, the fixed income mutual funds are considered to be exposed to interest rate risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill their obligations. The Township limits its type of investments permitted as defined in the state statutes. The Township does not have a formal policy that addresses credit risk. The Township had no investments subject to credit risk as of December 31, 2018.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from the requirement. As of December 31, 2018, the Township had no investments subject to concentration of credit risk.

(4) CAPITAL ASSETS

The Township's capital asset activity for the year ended December 31, 2018 was as follows:

	<u>Balance January 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2018</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 2,896,413	\$ -	\$ -	\$ 2,896,413
Intangibles	431,125	-	-	431,125
Construction in progress	<u>883,377</u>	<u>1,086,010</u>	<u>343,008</u>	<u>1,626,379</u>
Total capital assets not being depreciated	<u>4,210,915</u>	<u>1,086,010</u>	<u>343,008</u>	<u>4,953,917</u>
Capital assets being depreciated				
Improvements	8,536,203	21,755	-	8,557,958
Infrastructure	77,683,101	3,396,517	-	81,079,618
Buildings	3,783,139	-	-	3,783,139
Furniture, machinery and equipment	<u>8,497,898</u>	<u>967,313</u>	<u>203,500</u>	<u>9,261,711</u>
Total capital assets being depreciated	<u>98,500,341</u>	<u>4,385,585</u>	<u>203,500</u>	<u>102,682,426</u>
Less accumulated depreciation for				
Improvements	(1,250,436)	(268,747)	-	(1,519,183)
Infrastructure	(44,587,973)	(1,314,491)	-	(45,902,464)
Buildings	(3,284,772)	(41,671)	-	(3,326,443)
Furniture, machinery and equipment	<u>(5,917,116)</u>	<u>(705,425)</u>	<u>(172,975)</u>	<u>(6,449,566)</u>
Total accumulated depreciation	<u>(55,040,297)</u>	<u>(2,330,334)</u>	<u>(172,975)</u>	<u>(57,197,656)</u>
Total capital assets being depreciated, net	<u>43,460,044</u>	<u>2,055,251</u>	<u>30,525</u>	<u>45,484,770</u>
Governmental activities, net	<u>\$ 47,670,959</u>	<u>\$ 3,141,261</u>	<u>\$ 373,533</u>	<u>\$ 50,438,687</u>

BRISTOL TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

Business-type activities

Capital assets not being depreciated			
Land	\$ 140,000	\$ -	\$ 140,000
Construction in progress	<u>153,002</u>	<u>800,380</u>	<u>953,382</u>
Total capital assets not being depreciated	<u>293,002</u>	<u>800,380</u>	<u>1,093,382</u>
Capital assets being depreciated			
Building	10,843,681	-	10,843,681
Tanks	1,964,174	-	1,964,174
Pump stations	3,751,978	-	3,751,978
Land improvements	10,570	-	10,570
Office equipment	101,439	-	101,439
Vehicles	338,380	-	338,380
Machinery and equipment	3,935,294	-	3,935,294
Collection system	<u>5,718,178</u>	<u>-</u>	<u>5,718,178</u>
Total capital assets being depreciated	<u>26,663,694</u>	<u>-</u>	<u>26,663,694</u>
Less accumulated depreciation for			
Building	(2,065,264)	(238,868)	(2,304,132)
Tanks	(1,652,246)	(33,735)	(1,685,981)
Pump stations	(1,095,660)	(82,904)	(1,178,564)
Land improvements	(7,581)	(230)	(7,811)
Office equipment	(101,439)	-	(101,439)
Vehicles	(258,246)	(28,116)	(286,362)
Machinery and equipment	(3,572,092)	(60,205)	(3,632,297)
Collection system	<u>(5,168,404)</u>	<u>(45,721)</u>	<u>(5,214,125)</u>
Total accumulated depreciation	<u>(13,920,932)</u>	<u>(489,779)</u>	<u>(14,410,711)</u>
Total capital assets being depreciated, net	<u>12,742,762</u>	<u>(489,779)</u>	<u>12,252,983</u>
Business-type activities, net	<u>\$ 13,035,764</u>	<u>\$ 310,601</u>	<u>\$ 13,346,365</u>

As of December 31, 2018, Bristol Township had outstanding construction commitments totaling \$6,000,313 related to the Wistar Road Bridge project and the completion of the Municipal Park Complex project.

Depreciation expense for was charged to functions/programs of the Township as follows:

Governmental activities

General government	\$ 334,226
Public safety	431,800
Public works	1,498,095
Culture and recreation	<u>66,213</u>

Total depreciation expense - governmental activities \$2,330,334

Business-type activities

Sewer	<u>\$ 489,779</u>
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(5) INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2018 is as follows:

<u>Receivable To</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
General Fund	\$141,833	Nonmajor Governmental Fund	\$141,833
Capital Projects Fund	361,472	Nonmajor Governmental Fund	361,472
Sewer Fund	<u>21,260</u>	Debt Service Fund	<u>21,260</u>
	<u>\$524,565</u>		<u>\$524,565</u>

BRISTOL TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

Interfund balances between funds represent temporary loans recorded to cover various expenses. The balances are generally repaid shortly after year-end.

A summary of interfund transfers for the year ended December 31, 2018 is as follows:

<u>Transfers In</u>	<u>Amount</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	\$ 500,000	Refuse Fund	\$ 500,000
General Fund	35,000	Sewer Fund	35,000
Nonmajor Governmental Fund	107,911	General Fund	107,911
Capital Projects Fund	129,000	General Fund	129,000
Capital Projects Fund	2,000,000	Refuse Fund	2,000,000
Debt Service Fund	<u>2,000,000</u>	General Fund	<u>2,000,000</u>
	<u>\$4,771,911</u>		<u>\$4,771,911</u>

Interfund transfers from the Refuse Fund and Sewer Fund to the General Fund represent the reimbursement of costs incurred by the General Fund on behalf the Refuse Fund and Sewer Fund. Transfers from the General Fund and Refuse Fund to the Capital Projects Fund and Debt Service Fund represent transfers to subsidize costs associated with the acquisition of capital assets and debt service requirements. Transfers from the General Fund to the Nonmajor Governmental Fund represent transfers to subsidize the operations of the Education Service Agency Fund.

(6) NONCURRENT LIABILITIES

The following summarizes the changes in the Township's noncurrent liabilities for the year ended December 31, 2018:

	<u>Balance January 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31, 2018</u>	<u>Amount Due Within One Year</u>
Governmental activities					
General obligation debt					
Bonds and notes payable	\$ 44,100,691	\$ 5,000,000	\$ 2,347,661	\$ 46,753,030	\$2,415,661
Bond premiums	<u>104,726</u>	<u>-</u>	<u>4,846</u>	<u>99,880</u>	<u>4,846</u>
Total general obligation debt	44,205,417	5,000,000	2,352,507	46,852,910	2,420,507
Other noncurrent liabilities					
Compensated absences	3,029,046	300,398	-	3,329,444	-
OPEB liability	60,783,659	9,554,147	1,743,176	68,594,630	-
Net pension liability	4,378,354	12,574,425	6,503,401	10,449,378	-
Capital leases	<u>163,826</u>	<u>-</u>	<u>163,826</u>	<u>-</u>	<u>-</u>
Total other noncurrent liabilities	<u>68,354,885</u>	<u>22,428,970</u>	<u>8,410,403</u>	<u>82,373,452</u>	<u>-</u>
Total noncurrent liabilities governmental activities	<u>\$112,560,302</u>	<u>\$27,428,970</u>	<u>\$10,762,910</u>	<u>\$129,226,362</u>	<u>\$2,420,507</u>
Business-type activities					
General obligation debt:					
Sewer revenue bonds and notes payable	\$ 10,711,475	\$ 4,000,000	\$ 444,618	\$ 14,266,857	\$ 585,851
Bond premiums	<u>43,680</u>	<u>-</u>	<u>2,017</u>	<u>41,663</u>	<u>2,017</u>
Total general obligation debt	10,755,155	4,000,000	446,635	14,308,520	587,868
Other noncurrent liabilities					
Compensated absences	<u>8,355</u>	<u>-</u>	<u>3,129</u>	<u>5,226</u>	<u>-</u>
Total noncurrent liabilities business-type activities	<u>\$ 10,763,510</u>	<u>\$ 4,000,000</u>	<u>\$ 449,764</u>	<u>\$ 14,313,746</u>	<u>\$ 587,868</u>

BRISTOL TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

(7) GENERAL OBLIGATION DEBT

General obligation debt is a direct obligation of the Township for which full faith and credit are pledged and are payable from local sources. The Township has not pledged any assets as collateral for general obligation debt. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior general obligation debt.

General obligation debt outstanding as of December 31, 2018 consisted of the following:

Governmental Activities

On December 18, 2018, the Township issued General Obligation Notes, Series of 2018, (the "**Series 2018 Notes**") in the amount of \$5,000,000 to the Delaware Valley Regional Finance Authority ("**DVRFA**"). Interest is payable monthly at a rate of 3.260%, pursuant to the Interest Rate Management Plan described below. Principal payments are due annually in varying amounts from November, 2019 through November, 2038 and is secured by the guaranty of the Township. The proceeds will be used for the purpose of implementing various capital projects. The amount outstanding under the Series 2018 Notes was \$5,000,000 at December 31, 2018.

On September 25, 2017, the Township issued General Obligation Notes, Series of 2017, (the "**Series 2017 Notes**") in the amount of \$10,000,000 to DVRFA. Interest is payable monthly at a rate of 2.387%, pursuant to the Interest Rate Management Plan described below. Principal payments are due annually in varying amounts from September, 2018 through September, 2037 and is secured by the guaranty of the Township. The proceeds will be used for the purpose of implementing various capital projects. The amount outstanding under the Series 2017 Notes was \$9,610,000 at December 31, 2018.

On June 26, 2015, the Township issued General Obligation Bonds, Series of 2015, (the "**Series 2015 Bonds**") in the amount of \$10,000,000. Interest is payable semiannually in March and September at rates that range from 0.62% to 4.00%. Principal payments are due annually in varying amounts from September, 2016 through September, 2040. The proceeds were used for various capital projects including upgrades to the Township's road and facilities. The amount outstanding under the Series 2015 Bonds was \$9,185,000 at December 31, 2018, of which \$6,429,500 pertains to governmental activities.

On October 15, 2014, the Township issued General Obligation Notes, Series of 2014, (the "**Series 2014 Notes**") in the amount of \$3,000,000 to DVRFA. Interest is payable monthly at a rate of 2.651%, pursuant to the Interest Rate Management Plan described below. Principal payments are due annually in varying amounts from September, 2015 through September, 2029. The proceeds were used for various capital projects including upgrades to the Township's road and facilities and stormwater drainage projects. The amount outstanding under the Series 2014 Notes was \$2,310,000 at December 31, 2018.

On June 4, 2014, the Township issued General Obligation Bonds, Series B of 2014, (the "**Series 2014B Bonds**") in the amount of \$6,820,000. Interest is payable semiannually in March and September at rates that range from 0.60% to 4.00%. Principal payments due annually in varying amounts from September, 2016 through September, 2038. The proceeds were used for the refunding of the General Obligation Bonds, Series of 2010, and for the funding of various capital projects. The amount outstanding under the Series 2014B Bonds was \$6,805,000 at December 31, 2018, of which \$4,982,530 pertains to governmental activities.

On June 4, 2014, the Township issued General Obligation Bonds, Series A of 2014, (the "**Series 2014A Bonds**") in the amount of \$13,685,000. Interest is payable semiannually in March and September at rates that range from 0.649% to 4.329%. Principal payments are due annually in varying amounts from September, 2015 through September, 2030 and is secured by the guaranty of the Township. The proceeds were used for the refunding of the General Obligation Bonds, Series of 2008 and 2010, and for the funding of various capital projects. The amount outstanding under the Series 2014A Bonds was \$10,790,000 at December 31, 2018.

BRISTOL TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

On April 25, 2013, the Township issued General Obligation Notes, Series A of 2013, (the "**Series 2013A Notes**") in the amount of \$6,000,000 to DVFRA. Interest is payable monthly through April 2033 with an interest rate of 2.411%, pursuant to the Interest Rate Management Plan described below. Principal payments are due annually in varying amounts from April, 2014 through April, 2033 and is secured by the guaranty of the Township. The proceeds were used for the purpose of road construction and resurfacing, stormwater drainage projects and improvements to the municipal building. The amount outstanding under the Series 2013A Notes was \$4,759,000 at December 31, 2018.

On April 25, 2013, the Township issued General Obligation Notes, Series B of 2013, (the "**Series 2013B Notes**") in the amount of \$80,000 to DVFRA. Interest is payable monthly at a rate of 2.411%, pursuant to the Interest Rate Management Plan described below. Principal payments are due annually in varying amounts from April, 2014 through April, 2020 and is secured by the guaranty of the Township. The proceeds were used for the purpose of purchasing an ambulance. The amount outstanding under the Series 2013B Notes was \$24,000 at December 31, 2018.

On October 25, 2013, the Township issued General Obligation Notes, Series C of 2013, (the "**Series 2013C Notes**") in the amount of \$4,000,000 to DVFRA. Interest is payable monthly at a rate of 2.647%, pursuant to the Interest Rate Management Plan described below. Principal payments are due annually in varying amounts from October, 2014 through October, 2028 and is secured by the guaranty of the Township. The proceeds were used for the purpose of road construction and resurfacing and stormwater drainage projects. The amount outstanding under the Series 2013C Notes was \$2,848,000 at December 31, 2018.

Annual debt service requirements under the governmental activities general obligation debt is as follows:

<u>Year ending December 31,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2019	\$ 2,415,661	\$ 1,446,031	\$ 3,861,692
2020	2,500,661	1,386,664	3,887,325
2021	2,566,161	1,321,483	3,887,644
2024	2,636,661	1,251,477	3,888,138
2023	2,710,661	1,176,791	3,887,452
2024-2028	11,995,305	4,734,263	16,729,568
2029-2033	11,307,329	2,869,431	14,176,760
2034-2038	9,794,591	1,153,631	10,948,222
2039-2040	<u>826,000</u>	<u>49,840</u>	<u>875,840</u>
	<u>\$46,753,030</u>	<u>\$15,389,611</u>	<u>\$62,142,641</u>

Business-Type Activities

On December 20, 2018, the Township issued Guaranteed General Obligation Guaranteed Revenue Notes, Series of 2018, (the "**Series 2018 Revenue Notes**") in the amount of \$4,000,000 to DVFRA. Interest is payable monthly at a rate of 3.141%, pursuant to the Interest Rate Management Plan described below. Principal payments are due annually in varying amounts from November, 2019 through November, 2038 and is secured by the assignment and pledge of the operation revenues of the sewer operations. The proceeds were used for the purpose of expanding and improving the wastewater treatment plant and collection system. The amount outstanding under the Series 2018 Revenue Notes was \$4,000,000 at December 31, 2018.

On June 4, 2014, the Township issued General Obligation Bonds, Series B of 2014, (the "**Series 2014B Bonds**") in the amount of \$6,820,000. Interest is payable semiannually in March and September at rates that range from 0.60% to 4.00%. Principal payments due annually in varying amounts from September, 2016 through September, 2038. The proceeds were used for the refunding of the General Obligation Bonds, Series of 2010, and for the funding of various capital projects. The amount outstanding under the Series 2014B Bonds was \$6,805,000 at December 31, 2018, of which \$1,822,470 pertains to business-type activities.

BRISTOL TOWNSHIP

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On June 26, 2015, the Township issued General Obligation Bonds, Series of 2015, (the "**Series 2015 Bonds**") in the amount of \$10,000,000. Interest is payable semiannually in March and September at rates that range from 0.62% to 4.00%. Principal payments are due annually in varying amounts from September, 2016 through September, 2040. The proceeds were used for various capital projects including upgrades to the Township's road and facilities. The amount outstanding under the Series 2015 Bonds was \$9,185,000 at December 31, 2018, of which \$2,755,500 pertains to business-type activities.

On December 8, 2010, the Township issued Guaranteed Revenue Notes, Series of 2010, (the "**Series 2010 Revenue Notes**") in the amount of \$8,326,000 to a government sponsored lending institution ("**Pennvest**"). Interest is payable at rates that range from 1.274% to 2.547%. The Series 2010 Revenue Notes are payable in 240 monthly payments from November, 2012 through October, 2032 and is secured by the assignment and pledge of the operation revenues of the sewer operations. The proceeds were used for the purpose of making improvements and repairs to the sewer plant facility. The amount outstanding under the Series 2010 Revenue Notes was \$5,688,887 at December 31, 2018.

Annual debt service requirements under the business-type activities general obligation debt is as follows:

<u>Year ending December 31,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2019	\$ 585,851	\$ 434,793	\$ 1,020,644
2020	602,806	419,388	1,022,194
2021	618,493	403,513	1,022,006
2024	633,415	387,221	1,020,636
2023	651,081	370,404	1,021,485
2024-2028	3,528,332	1,577,162	5,105,494
2029-2033	4,177,470	1,010,052	5,187,522
2034-2038	3,115,409	417,915	3,533,324
2039-2040	<u>354,000</u>	<u>21,360</u>	<u>375,360</u>
	<u>\$14,266,857</u>	<u>\$5,041,808</u>	<u>\$19,308,665</u>

Interest Rate Management Plan

The DVRFA was formed by certain counties in Southeastern Pennsylvania to provide financing to local government units ("**participants**") for various projects. DVRFA obtained the funds used to finance these projects by issuing its Local Government Revenue Bonds. In order to reduce the interest costs of participants in its loan program and to enhance their ability to manage their interest rate risks, DVRFA and the participants in its loan program, including the Township, have entered into an Interest Rate Management Plan, the provisions of which allow the participants to select fixed or variable rates of interest on their loans. In order to provide this option to the participants, DVRFA has entered into an interest rate swap agreement with a financial institution. In the event that the swap agreement between DVRFA and the financial institution is terminated, the value of the swap to DVRFA at the time of termination is a liability and insufficient funds are available to pay the liability, the participants are required to pay their proportionate share of the liability. The values of the swap agreements relative to the notes identified above at December 31, 2018 was an asset of \$ 1,870,107, in aggregate. The values of the swap agreements relative to these Notes are not reflected on the Township's statement of net position (deficit).

Authorized Unissued Debt

On December 20, 2018, the Township authorized the issuance of General Obligation Notes, Series of 2018A, (the "**Series 2018A Notes**") in the amount of \$6,935,000 to the DVRFA. The anticipated closing date of the Series 2018A Notes is September 2019. Interest will be payable monthly at a rate of 3.094%, pursuant to the Interest Rate Management Plan described above. Principal payments will be due annually in varying amounts from November, 2020 through November, 2033 and is secured by the guaranty of the Township. The proceeds will be used for the refunding of the Series 2014B Bonds.

BRISTOL TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

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(8) POST EMPLOYMENT RETIREMENT PLAN

The Bristol Township Health and Welfare Plan (the "**OPEB Plan**") is a contributory, single-employer postretirement benefits plan for eligible employees of the Township. The OPEB Plan provides postretirement medical benefits upon retirement or disability to plan members and their beneficiaries, pursuant to Township ordinances and the collective bargaining agreement between the Township and the Bristol Township Police Benevolent Association. The OPEB Plan can be amended by the Township through its ordinances and collective bargaining agreements. The OPEB Plan is administered by a plan administrator appointed by the Township Council. The OPEB Plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

Plan Membership

Membership in the OPEB Plan consisted of the following at December 31, 2018:

Active participants	106
Vested former participants	-
Retired participants	<u>84</u>
Total	<u>190</u>

Funding Policy

The contribution requirements of the Township are established and may be amended by the establishment of a new collective bargaining agreement between the Township and the Bristol Township Police Benevolent Association. The OPEB Plan does not require any contributions from plan members. The Township funds the plan on a pay-as-you-go basis. For 2018, the Township contributed \$1,743,176 to the OPEB Plan for current premiums.

OPEB Liability

The Township's OPEB liability has been measured as of December 31, 2018. The total OPEB liability was determined by an actuarial valuation as of January 1, 2018, and by rolling forward the liabilities from the January 1, 2018 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The OPEB liability is \$68,594,630, all of which is unfunded.

The Township's change in total OPEB liability for the year ended December 31, 2018 was as follows:

Balances as of December 31, 2017	\$60,783,659
Changes for the year:	
Service cost	1,381,774
Interest on total OPEB liability	2,271,305
Changes of assumptions	5,901,068
Benefit payments	<u>(1,743,176)</u>
Net changes	<u>7,810,971</u>
Balances as of December 31, 2018	<u>\$68,594,630</u>

Sensitivity of the OPEB Liability to Change in Healthcare Cost Trend Rates

The following presents the OPEB liability for December 31, 2018, calculated using current healthcare cost trends as well as what the OPEB liability would be if healthcare cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
OPEB liability	<u>\$57,901,821</u>	<u>\$68,594,630</u>	<u>\$82,311,586</u>

BRISTOL TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Township calculated using the discount rate 3.16%, as well as what the net pension liability would be if it were calculated using the discount rate that is one percentage point lower (2.16%) or 1 percentage point higher (4.16%) than the current rate:

	<u>1% Decrease</u> <u>2.16%</u>	<u>Current Discount Rate</u> <u>3.16%</u>	<u>1% Increase</u> <u>4.16%</u>
Net OPEB liability	<u>\$81,641,818</u>	<u>\$68,594,630</u>	<u>\$58,435,235</u>

OPEB Expense and Deferred Outflows of Related to OPEB

At December 31, 2018, the Township had deferred outflows of resources related to the OPEB Plan from the following sources:

	<u>Deferred Outflows of Resources</u>
Changes in assumptions	\$4,720,854
Benefit payments subsequent to measurement date	<u>1,720,347</u>
	<u>\$6,441,201</u>

An amount of \$1,720,347 reported as deferred outflows of resources related to OPEB resulting from the Township's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2019.

Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:

2019	\$1,180,214
2020	1,180,214
2021	1,180,214
2022	<u>1,180,212</u>
	<u>\$4,720,854</u>

Actuarial Methods and Significant Assumptions

The OPEB liability as of December 31, 2018, was determined by rolling forward the OPEB Liability as of January 1, 2018 to December 31, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - entry age normal
- Discount rate - 3.16% - Standard and Poors 20 year municipal bond rate. The discount rate changed from 3.71% to 3.16%.
- Salary growth – 6.00% per year
- Assumed healthcare cost trends – 6.00% in 2018 and 5.50% in 2019 through 2021.
- Mortality rates were based on the RP-2000 blue collar mortality table.

BRISTOL TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

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(9) EMPLOYEE RETIREMENT PLANS

Police Pension Fund

The Bristol Township Police Pension Fund accounts for a contributory, single-employer defined benefit pension plan (the "**Police Pension Plan**") that covers all full-time uniformed police officers of the Township. The Police Pension Plan provides retirement, disability and death benefits to plan members and their beneficiaries under Ordinance 2005-02, pursuant to Act 600 of 1956, as amended.

Plan Membership

Membership in the Police Pension Plan consisted of the following at December 31, 2018:

Active employees	53
Retirees and beneficiaries currently receiving benefits	78
Terminated plan members entitled to but not yet receiving benefits	<u>3</u>
Total	<u>134</u>

Benefit Provisions

The Police Pension Plan provides retirement, disability and death benefits to plan members and their beneficiaries.

Members are eligible for normal retirement after attainment of age 53 and 25 years of service or age 60 and 20 years of service and early retirement after 20 years of service. If hired before January 1, 1998, are eligible for normal retirement after attainment of age 50 and 25 years. Normal retirement benefits are calculated as 50% of average compensation during the last 36 months of employment plus a service increment of \$20 per month for each completed year of benefit service in excess of 25 years, up to a maximum service increment of \$100 per month.

If a member is totally and permanently disabled in the line of duty, they are eligible for disability payments equal to 100% of their salary at the time of disability offset by the member's social security income. If hired after January 1, 2013, a member is eligible for 75% of their final salary.

If a member is eligible for retirement at the time of death, a monthly death benefit is payable to their surviving spouse or eligible dependent child, equal to 50% of the normal monthly retirement benefit. Upon the death of a member pre-retirement, vested contributions will be refunded with interest or 50% of vested benefit payable beginning at the member's superannuation retirement date.

Members who begin retirement benefits on or after January 1, 1991 may be provided a cost of living adjustment. In no such case shall the benefit exceed 75% of salary and the total adjustment shall not exceed 30%. For members hired after January 1, 1998, the adjustment shall not exceed 15%.

Basis of Accounting

The Police Pension Plan's financial statements are prepared using the accrual basis of accounting. Contributions are recognized in the period when due and benefits and refunds are recognized when due and payable.

Method Used to Value Investments

Investments in the Police Pension Plan are reported at fair value. Investments that do not have an established market value are reported at estimated fair value.

BRISTOL TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

Contributions

Annual contributions to the Police Pension Plan are based upon the minimum municipal obligation (the "MMO"). The MMO is derived from the Police Pension Plan's biennial actuarial valuation. Members in the Police Pension Plan are required to contribute 5.00% of total compensation. This contribution is established by the Plan's governing ordinance. The Commonwealth of Pennsylvania provides an allocation of funds, which must be used, for pension funding. Any financial requirement established by the MMO which exceeds the state and employee contribution must be funded by the Township.

Administrative Costs

Administrative costs, including the investment manager, custodial trustee and actuarial services are charged to the Plan and funded through investment earnings.

Annual Pension Cost

The annual required contribution was determined as part of the January 1, 2017 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) a 8.00% percent investment rate of return (net of administrative costs) and (b) 2.25% inflation and 6.00% salary increases. The unfunded actuarial accrued liability is being amortized on the level dollar closed basis over 8 years.

Discount Rate

The discount rate used to measure the total pension liability is 8.00%. The Police Pension Plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Police Pension Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer's funding policy requires the full funding of the entry age normal cost plus plan expenses, as well as an amortization of the unfunded liability.

Rate of Return

The long-term expected rate of return on Police Pension Plan investments was determined using the building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target allocation percentage and by adding expected inflation.

The annual money-weighted rate of return on Police Pension Plan investments, net of pension plan investment expenses not funded through the MMO was -5.11%. The money-weighted rate of return expresses investment performance, net of expenses, adjusted for the changing amounts actually invested.

The Police Pension Plan investment policy in regard to allocation of invested assets is established and may be amended by the Township Council and Pension Board. The objective investment strategy is to reduce risk while maximizing returns through prudent diversification of the portfolio in order to maintain a fully funded status and meet the benefit and expense obligations when due.

A schedule of Police Pension Plan investments by asset class, target allocations, and long-term expected rate of return is as follows:

BRISTOL TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
U.S. Equity	42.00%	5.00%
International Equity	16.00%	4.90%
Emerging Equity	7.00%	5.00%
Core Fixed Income	15.00%	2.60%
Intermediate Inv. Grade Corp.	7.50%	3.60%
High Yield	3.75%	4.10%
Emerging Debt	3.75%	4.20%
Cash	<u>5.00%</u>	1.00%
Total Portfolio	<u>100.00%</u>	

Net Pension Liability

The Township's net pension liability has been measured as of December 31, 2018. The total pension liability was determined by an actuarial valuation as of January 1, 2017, and by rolling forward the liabilities from the January 1, 2017 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The net pension liability is \$10,983,988 measured as the difference between the total pension liability of \$61,589,627 and the fiduciary net position of \$50,605,639.

The Township's change in total pension liability, plan fiduciary net position, and net pension liability for the year ended December 31, 2018 were as follows:

	<u>Plan Fiduciary Total Pension Liability (A)</u>	<u>Net Position Position (B)</u>	<u>Net Pension Liability (A) – (B)</u>
Balances as of January 1, 2018	<u>\$59,548,211</u>	<u>\$55,207,817</u>	<u>\$ 4,340,394</u>
Changes for the year:			
Service cost	924,640	-	924,640
Interest on total pension liability	4,694,710	-	4,694,710
Changes of assumptions	-	-	-
Differences between expected and actual experience	-	-	-
Employer contributions	-	816,424	(816,424)
State contributions	-	688,605	(688,605)
Member contributions	-	305,336	(305,336)
Net investment income	-	(2,820,909)	2,820,909
Benefit payments	(3,577,934)	(3,577,934)	-
Administrative expense	-	(13,700)	13,700
Net changes	<u>2,041,416</u>	<u>(4,602,178)</u>	<u>6,643,594</u>
Balances as of December 31, 2018	<u>\$61,589,627</u>	<u>\$50,605,639</u>	<u>\$10,983,988</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Township calculated using the discount rate 7.00%, as well as what the net pension liability would be if it were calculated using the discount rate that is one percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate:

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NOTES TO FINANCIAL STATEMENTS

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	<u>1% Decrease</u> <u>7.00%</u>	<u>Current Discount</u> <u>Rate</u> <u>8.00%</u>	<u>1% Increase</u> <u>9.00%</u>
Net Pension Liability	<u>\$17,379,457</u>	<u>\$10,983,988</u>	<u>\$5,560,874</u>

Pension Expense and Deferred Outflows of Related to Pension

For the year ended December 31, 2018, the Township recognized pension expense of \$1,652,427. At December 31, 2018, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows</u> <u>of Resources</u>	<u>Deferred Inflows</u> <u>of Resources</u>
Difference between expected and actual experience	\$ -	\$903,458
Changes in assumptions	125,234	-
Net difference between projected and actual earnings on pension plan investments	<u>4,121,615</u>	<u>-</u>
	<u>\$4,246,849</u>	<u>\$903,458</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:

2019	\$1,064,135
2020	449,271
2021	402,747
2022	<u>1,427,238</u>
	<u>\$3,343,391</u>

Deferred Retirement Option Program

An active member who has met the eligibility requirements for normal retirement may elect to participate in the Deferred Retirement Option Program ("**DROP**") for a period of no more than 48 months. The member's monthly pension shall be calculated as of their date of participation in the program and shall be distributed in a lump sum at retirement. As of December 31, 2018, there were 7 members participating in the DROP with a total DROP account balance of \$923,329.

Actuarial Methods and Significant Assumptions

- Investment return – 8.00% (net of pension plan expense, including inflation)
- Discount rate – 8.00%
- Inflation – 2.25%
- Salary increases – 6.00% per year
- Mortality rates – Blue Collar RP 2000 mortality

BRISTOL TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

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Nonuniform Pension

Bristol Township has a contributory, single-employer defined benefit pension plan (the "**Nonuniform Pension Plan**") that covers all full-time non-uniformed employees of the Township. The Nonuniform Pension Plan participates in the Pennsylvania Municipal Retirement System ("**PMRS**"), which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a comprehensive annual financial report that includes financial statements and required supplementary information. A copy of the report may be obtained by writing to Pennsylvania Municipal Retirement System, P.O. Box 1165, Harrisburg, PA 17108-1165; or by accessing its website at <http://www.pmr.state.pa.us>.

Plan Membership

Membership in the Nonuniform Pension Plan consisted of the following at December 31, 2017:

Active employees	39
Retirees and beneficiaries currently receiving benefits	26
Terminated plan members entitled to but not yet receiving benefits	<u>10</u>
Total	<u>75</u>

Benefit Provisions

The Nonuniform Pension Plan provides retirement, disability and death benefits to plan members and their beneficiaries. Cost-of-living allowances are provided at the discretion of the Nonuniform Pension Plan.

Method Used to Value Investments

Investments in the Nonuniform Pension Plan are reported at fair value. Investments that do not have an established market value are reported at estimated fair value.

Contributions

Annual contributions to the Nonuniform Pension Plan are based upon the minimum municipal obligation (the "**MMO**"). The MMO is derived from the Nonuniform Pension Plan's biennial actuarial valuation. Members in the Nonuniform Pension Plan are required to contribute 1.00% of total compensation and can make an additional voluntary contribution of up to 9.00%. The Commonwealth of Pennsylvania provides an allocation of funds, which must be used, for pension funding. Any financial requirement established by the MMO which exceeds the state and employee contribution must be funded by the Township.

Administrative Costs

Administrative costs, including the investment manager, custodial trustee and actuarial services are charged to the Plan and funded through investment earnings.

Annual Pension Cost

The annual required contribution was determined as part of the January 1, 2017 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) a 5.25% percent investment rate of return (net of administrative costs) and (b) 2.80% inflation and salary increases ranging from 2.80% to 7.05%. The unfunded actuarial accrued liability (asset) is being amortized on the level dollar closed basis.

BRISTOL TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

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Discount Rate

The discount rate used to measure the total pension liability is 5.25%. The Nonuniform Pension Plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer's funding policy requires the full funding of the entry age normal cost plus plan expenses, as well as an amortization of the unfunded liability (asset).

Rate of Return

The long-term expected rate of return on pension plan investments was determined using the building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target allocation percentage and by adding expected inflation.

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the PMRS Board of Directors. Plan assets are managed with a long-term objective of achieving and maintaining a fully-funded status for the benefits provided through the pension.

A schedule of plan investments by asset class, target allocations, and long-term expected real rate of return is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Nominal Rate of Return</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equities (Large Capitalized Firms)	25%	8.6%	5.6%
Domestic Equities (Small Capitalized Firms)	15%	10.2%	7.2%
International Equities (International Developed Markets)	15%	7.6%	4.6%
International Equities (Emerging Markets)	10%	11.7%	8.7%
Real Estate	20%	9.2%	6.2%
Fixed Income	<u>15%</u>	<u>5.1%</u>	<u>2.1%</u>
Total Portfolio	<u>100%</u>	<u>8.6%</u>	<u>5.6%</u>

The above was the PMRS Board's adopted asset allocation policy and best estimates of geometrical real rates of return for each major asset class as of December 31, 2017.

Net Pension Liability (Asset)

The Township's net pension liability (asset) has been measured as of December 31, 2017. The total pension liability (asset) was determined by an actuarial valuation as of January 1, 2017, and by rolling forward the liabilities from the January 1, 2017 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The net pension asset is \$534,610 and measured as the difference between the total pension liability of \$5,983,708 and the fiduciary net position of \$6,518,318.

The Township's change in total pension liability, plan fiduciary net position, and net pension liability (asset) for the year ended December 31, 2017 were as follows:

BRISTOL TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

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	<u>Total Pension Liability (A)</u>	<u>Plan Fiduciary Net Position Position (B)</u>	<u>Net Pension Liability (Asset) (A) – (B)</u>
Balances as of January 1, 2017	<u>\$5,627,131</u>	<u>\$5,589,171</u>	<u>\$ 37,960</u>
Changes for the year:			
Service cost	231,385	-	231,385
Interest on total pension liability	295,452	-	295,452
Changes of assumptions	-	-	-
Differences between expected and actual experience	-	-	-
Employer contributions	-	-	-
PMRS assessment contribution	-	1,600	(1,600)
Member contributions	-	129,231	(129,231)
Net investment income	-	984,271	(984,271)
Transfers	(10,235)	(10,235)	-
Benefit payments	(160,025)	(160,025)	-
PMRS administrative expense	-	(1,560)	1,560
Administrative expense	-	(14,135)	14,135
Net changes	<u>356,577</u>	<u>929,147</u>	<u>(572,570)</u>
Balances as of December 31, 2017	<u>\$5,983,708</u>	<u>\$6,518,318</u>	<u>\$(534,610)</u>

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the Township calculated using the discount rate 5.25%, as well as what the net pension liability (asset) would be if it were calculated using the discount rate that is one percentage point lower (4.25%) or 1 percentage point higher (6.25%) than the current rate:

	<u>1% Decrease 4.25%</u>	<u>Current Discount Rate 5.25%</u>	<u>1% Increase 6.25%</u>
Net Pension Liability (Asset)	<u>\$480,817</u>	<u>\$(534,610)</u>	<u>\$(1,529,603)</u>

Pension Expense and Deferred Outflows of Related to Pension

For the year ended December 31, 2017, the Township recognized negative pension expense of \$15,428. At December 31, 2017, the Township reported deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 70,808
Changes in assumptions	23,983	-
Net difference between projected and actual earnings on pension plan investments	-	482,614
	<u>\$23,983</u>	<u>\$553,422</u>

Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

BRISTOL TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

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Year ended December 31:

2018	\$(121,369)
2019	(109,665)
2020	(163,021)
2021	<u>(135,384)</u>
	<u>\$ (529,439)</u>

Actuarial Methods and Significant Assumptions

- Investment return – 5.25% (including inflation) The investment return rate changed from 5.50% to 5.25%.
- Discount rate – 5.25%
- Inflation – 2.80%
- Salary increases – 2.80%-7.05% per year age related scale with merit and inflation component
- Mortality rates – RP 2000 mortality tables for males and females

(10) DEFERRED COMPENSATION PLAN

The Township has established and administers a deferred compensation plan in accordance with Internal Revenue Code Section 410(k) available to all full-time Township employees. Contributions to the deferred compensation plan are made from employee payroll deductions based on an election by the participant. Assets of the deferred compensation plan totaled \$8,685,137 as of December 31, 2018 are not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the deferred compensation plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are solely the property and rights of the participants. The Township has no liability for losses under the plan. Investments are managed by the plan's administrator under several different investment options or combinations thereof. The choice of the investment option(s) is made by the participants. The Township has no management control over the assets of the deferred compensation plan. Accordingly, the assets of the Defined Contribution Plan are not included in these financial statements.

(11) INTERAUTHORITY TREATMENT SERVICE

The Township has entered into agreements with four other municipal authorities which provide for the treatment of a portion of the wastewater collected by the Township. For the year ended December 31, 2018, the Township purchased wastewater treatment services under these agreements totaling \$1,961,413.

(12) CONTINGENCIES AND COMMITMENTS

Government Grants and Awards

The Township receives federal, state and local funding under a number of programs. Payments made by these sources under contractual agreements are provisional and subject to redetermination based on filing of reports and audits of those reports. Final settlements due from or to these sources are recorded in the year in which the related services are performed. Any adjustments resulting from subsequent examinations are recognized in the year in which the results of such examinations become known. Township officials do not expect any significant adjustments as a result of these examinations.

BRISTOL TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

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Litigation

The Township is a defendant in various matters of litigation and claims. These matters result from the normal course of business. It is not presently possible to determine the ultimate outcome or settlement cost, if any, of these matters.

(13) RISK MANAGEMENT

Property and Liability

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs except for workers compensation and employee health, for which the Township retains risk of loss. For insured programs, there were no significant reductions in insurance coverages during 2018. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Health Insurance

The Township participates in a consortium with other municipal entities from Pennsylvania and Delaware to provide a self-insurance program for health insurance and related expenses for eligible employees, spouses and dependents. Accordingly, benefit payments plus an administrative charge are made a third party who approves and process all claims.

Workers' Compensation

The Township and other Pennsylvania municipalities and housing and redevelopment authorities participate in a workers' compensation trust, which is a cooperative voluntary arrangement. The Township and the other participating members pay an annual premium to the workers' compensation trust for the purpose of seeking prevention or lessening of claims due to injuries of employees of the participating members and pooling workers' compensation and occupational disease insurance risks, reserves, claims, and losses and providing self-insurance and reinsurance thereof. It is the intent of the participating members of the workers' compensation trust that the workers' compensation trust will utilize funds contributed by the participating members, which shall be held in trust, to provide self-insurance and reimbursement to the members for their obligations to pay compensation as required under the Workers' Compensation Act and the Pennsylvania Occupational Disease Act and to purchase excess and aggregate insurance. As of December 31, 2018, the Township is not aware of any additional assessments relating to the workers' compensation trust.

(14) PRIOR PERIOD ADJUSTMENT

As a result of the implementation of GASB Statement No. 75, the Township made a prior period adjustment to record its OPEB liability. This prior period adjustment and its effect on net position at January 1, 2017 are summarized in the following table:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Totals</u>
Net position (deficit) at January 1, 2017, as previously stated	\$ (5,875,559)	\$10,607,062	\$ 4,731,503
Prior period adjustment to			
Record net nonuniform pension liability	(37,960)	-	(37,960)
Record deferred outflows (inflows) of resources related to its net nonuniform pension	26,103	-	26,103
To adjust employer OPEB obligation to reflect unfunded actuarial liability	<u>(21,595,206)</u>	<u>-</u>	<u>(21,595,206)</u>
Net position (deficit) at January 1, 2017, as restated	<u>\$ (27,482,622)</u>	<u>\$10,607,062</u>	<u>\$ (16,875,560)</u>

BRISTOL TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

(15) SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 10, 2019, the date on which the financial statements were available to be issued. Except as disclosed in Note 7, no material subsequent events have occurred since December 31, 2018 that required recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

BRISTOL TOWNSHIP

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended December 31, 2018

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Budget Positive (Negative)</u>
REVENUES			
Taxes			
Property	\$ 7,611,000	\$ 7,601,001	\$ (9,999)
Transfer	800,000	1,485,010	685,010
Earned income	6,250,000	6,699,338	449,338
Other	<u>1,531,000</u>	<u>1,585,738</u>	<u>54,738</u>
Total taxes	16,192,000	17,371,087	1,179,087
Fees and fines	200,000	182,282	(17,718)
Licenses and permits	2,776,200	2,668,608	(107,592)
Intergovernmental revenues	801,700	883,554	81,854
Charges for services	476,500	580,358	103,858
Investment income and rent	40,000	71,361	31,361
Miscellaneous	<u>164,600</u>	<u>341,187</u>	<u>176,587</u>
Total revenues	<u>20,651,000</u>	<u>22,098,437</u>	<u>1,447,437</u>
EXPENDITURES			
Current			
General government	3,245,600	2,369,161	876,439
Public safety	15,093,400	15,189,073	(95,673)
Public works	1,690,100	1,819,011	(128,911)
Debt Service	<u>935,000</u>	<u>935,000</u>	<u>-</u>
Total expenditures	<u>20,964,100</u>	<u>20,312,245</u>	<u>651,855</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(313,100)</u>	<u>1,786,192</u>	<u>2,099,292</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	535,000	535,000	-
Transfers out	<u>(221,900)</u>	<u>(2,236,911)</u>	<u>(2,015,011)</u>
Total other financing sources (uses)	<u>313,100</u>	<u>(1,701,911)</u>	<u>(2,015,011)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>84,281</u>	<u>\$ 84,281</u>
FUND BALANCE			
Beginning of year		<u>3,571,706</u>	
End of year		<u>\$ 3,655,987</u>	

BRISTOL TOWNSHIP**BUDGETARY COMPARISON SCHEDULE - REFUSE FUND**

Year ended December 31, 2018

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Budget Positive (Negative)</u>
REVENUES			
Property taxes	\$ 5,173,000	\$ 5,245,590	\$ 72,590
Intergovernmental revenues	180,000	196,623	16,623
Charges for services	-	2,796	2,796
Investment income and rent	<u>12,000</u>	<u>68,194</u>	<u>56,194</u>
Total revenues	<u>5,365,000</u>	<u>5,513,203</u>	<u>148,203</u>
EXPENDITURES			
Current			
Sanitation	<u>4,698,700</u>	<u>4,667,409</u>	<u>31,291</u>
Total expenditures	<u>4,698,700</u>	<u>4,667,409</u>	<u>31,291</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>666,300</u>	<u>845,794</u>	<u>179,494</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(2,500,000)</u>	<u>(2,500,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(2,500,000)</u>	<u>(2,500,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$(1,833,700)</u>	<u>(1,654,206)</u>	<u>\$ 179,494</u>
FUND BALANCE			
Beginning of year		<u>4,663,837</u>	
End of year		<u>\$ 3,009,631</u>	

BRISTOL TOWNSHIP

SCHEDULE OF CHANGES IN NET POLICE PENSION LIABILITY

Year ended December 31

	<u>2018</u>	<u>2017</u>	<u>2016</u>
TOTAL PENSION LIABILITY			
Service cost	\$ 924,640	\$ 872,302	\$ 791,282
Interest on total pension liability	4,694,710	4,522,550	4,434,888
Differences between expected and actual experience	-	(1,483,656)	-
Changes of assumptions	-	267,451	-
Benefit payments, including refunds of member contributions	<u>(3,577,934)</u>	<u>(3,012,418)</u>	<u>(2,978,013)</u>
Net change in total pension liability	2,041,416	1,166,229	2,248,157
Total pension liability, beginning	<u>59,548,211</u>	<u>58,381,982</u>	<u>56,133,825</u>
Total pension liability, ending	<u>\$ 61,589,627</u>	<u>\$ 59,548,211</u>	<u>\$ 58,381,982</u>
PLAN FIDUCIARY NET POSITION			
Employer contributions	\$ 1,505,029	\$ 1,511,398	\$ 1,681,425
Employee contributions	305,336	286,417	290,882
Net investment income	(2,820,909)	7,759,872	3,350,779
Benefit payments	(3,577,934)	(3,012,418)	(2,978,013)
Administrative expense	<u>(13,700)</u>	<u>(5,400)</u>	<u>(11,400)</u>
Net change in plan fiduciary net position	(4,602,178)	6,539,869	2,333,673
Fiduciary net position, beginning	<u>55,207,817</u>	<u>48,667,948</u>	<u>46,334,275</u>
Fiduciary net position, ending	<u>\$ 50,605,639</u>	<u>\$ 55,207,817</u>	<u>\$ 48,667,948</u>
Net pension liability, ending	<u>\$ 10,983,988</u>	<u>\$ 4,340,394</u>	<u>\$ 9,714,034</u>
Fiduciary net position as a % of total pension liability	82.17%	92.71%	83.36%
Internal money-weighted rate of return	-5.11%	15.94%	7.23%
Covered payroll	5,600,000	5,680,410	5,444,324
Net pension liability as a % of covered payroll	196.14%	76.41%	178.42%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

<u>2015</u>	<u>2014</u>
\$ 746,492	\$ 1,075,572
4,268,577	4,262,456
(674,370)	-
(1,284,341)	-
<u>(2,983,918)</u>	<u>(2,963,530)</u>
72,440	2,374,498
<u>56,061,385</u>	<u>53,686,887</u>
<u>\$ 56,133,825</u>	<u>\$ 56,061,385</u>

\$ 2,219,238	\$ 1,739,662
295,752	297,595
319,618	2,677,685
(2,983,918)	(2,963,530)
<u>(12,700)</u>	<u>(5,000)</u>
(162,010)	1,746,412
<u>46,496,285</u>	<u>44,749,873</u>
<u>\$ 46,334,275</u>	<u>\$ 46,496,285</u>
<u>\$ 9,799,550</u>	<u>\$ 9,565,100</u>

82.54%	82.94%
0.70%	6.11%
6,128,720	6,124,324
159.90%	156.18%

BRISTOL TOWNSHIP

SCHEDULE OF CHANGES IN NET NONUNIFORM PENSION LIABILITY (ASSET)

Year ended December 31

	Measurement Date			
	2017	2016	2015	2014
TOTAL PENSION LIABILITY				
Service cost	\$ 231,385	\$ 198,014	\$ 194,014	\$ 194,791
Interest on total pension liability	295,452	288,554	280,378	266,574
Differences between expected and actual experience	-	(47,906)	(86,380)	(61,520)
Changes of assumptions	-	34,807	16,453	-
Transfers	(10,235)	-	-	-
Benefit payments, including refunds of member contributions	(160,025)	(207,311)	(198,779)	(416,448)
Net change in total pension liability	356,577	266,158	205,686	(16,603)
Total pension liability, beginning	5,627,131	5,360,973	5,155,287	5,171,890
Total pension liability, ending	\$ 5,983,708	\$ 5,627,131	\$ 5,360,973	\$ 5,155,287
PLAN FIDUCIARY NET POSITION				
Employer contributions	\$ -	\$ 17,384	\$ 13,340	\$ 94,343
Contributions - PMRS assessment	1,600	1,660	1,520	-
Employee contributions	129,231	109,569	103,009	101,949
PMRS investment income	307,359	306,029	298,000	282,910
Market value investment income	676,912	138,191	(353,084)	(2,986)
Transfers	(10,235)	-	-	(5,156)
Benefit payments	(160,025)	(207,311)	(198,779)	(416,448)
PMRS administrative expense	(1,560)	(1,540)	(1,520)	(1,500)
Additional administrative expense	(14,135)	(14,993)	(12,423)	(10,849)
Net change in plan fiduciary net position	929,147	348,989	(149,937)	42,263
Fiduciary net position, beginning	5,589,171	5,240,182	5,390,119	5,347,856
Fiduciary net position, ending	\$ 6,518,318	\$ 5,589,171	\$ 5,240,182	\$ 5,390,119
Net pension liability (asset), ending	\$ (534,610)	\$ 37,960	\$ 120,791	\$ (234,832)
Fiduciary net position as a % of total pension liability	108.93%	99.33%	97.75%	104.56%
Covered payroll	2,088,573	1,802,117	1,888,016	1,852,666
Net pension liability (asset) as a % of covered payroll	-25.60%	2.11%	6.40%	-12.68%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

BRISTOL TOWNSHIP**SCHEDULE OF TOWNSHIP POLICE PENSION CONTRIBUTIONS**

Year ended December 31,

Police Pension Fund

Fiscal Year Ended December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2014	\$ 1,739,662	\$ 1,739,662	\$ -	\$ 6,124,324	28.41%
2015	2,219,238	2,219,238	-	6,128,720	36.21%
2016	1,617,617	1,681,425	(63,808)	5,444,324	30.88%
2017	1,511,398	1,511,398	-	5,680,410	26.61%
2018	1,505,029	1,505,029	-	5,600,000	26.88%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

BRISTOL TOWNSHIP

SCHEDULE OF TOWNSHIP NONUNIFORM PENSION CONTRIBUTIONS

Year ended December 31,

Nonuniform Pension Fund

Measurement Date Fiscal Year Ended December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2014	\$94,342	\$94,343	\$ (1)	\$ 1,852,666	5.09%
2015	92,525	14,860	77,665	1,888,016	0.79%
2016	89,985	19,044	70,941	1,802,117	1.06%
2017	103,714	1,600	102,114	2,088,573	0.08%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

BRISTOL TOWNSHIP**SCHEDULE OF CHANGES IN NET OPEB LIABILITY**Year ended December 31, 2018

	<u>2018</u>
TOTAL OPEB LIABILITY	
Service cost	\$ 1,381,774
Interest on total OPEB liability	2,271,305
Changes of assumptions	5,901,068
Benefit payments	<u>(1,743,176)</u>
Net change in total OPEB liability	7,810,971
Total OPEB liability, beginning	<u>60,783,659</u>
Total OPEB liability, ending	<u>\$ 68,594,630</u>
Fiduciary net position as a % of total OPEB liability	0.00%
Covered payroll	\$ 7,814,536
OPEB liability as a % of covered payroll	877.78%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS**

BRISTOL TOWNSHIP

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUND TYPES

December 31, 2018

	Special Revenue					
	<u>Fire Fund</u>	<u>Rescue Fund</u>	<u>Parks and Recreation Operating Fund</u>	<u>Grant Fund</u>	<u>Liquid Fuels Fund</u>	<u>DEA Fund</u>
ASSETS						
Cash	\$ 23,525	\$ 5,891	\$ 1,120,907	\$ 642	\$ 1,864,365	\$ 64,755
Investments	-	-	-	-	2,016,175	-
Taxes receivable, net	43,222	11,886	19,450	-	-	-
Accounts receivable, net	-	-	-	-	-	-
Due from other governments	-	-	-	400,088	-	-
Total assets	<u>\$ 66,747</u>	<u>\$ 17,777</u>	<u>\$ 1,140,357</u>	<u>\$ 400,730</u>	<u>\$ 3,880,540</u>	<u>\$ 64,755</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 21,965	\$ 2,717	\$ 9,049	\$ 353,773	\$ 548,500	\$ -
Due to other funds	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	9,708
Total liabilities	<u>21,965</u>	<u>2,717</u>	<u>9,049</u>	<u>353,773</u>	<u>548,500</u>	<u>9,708</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues - property taxes	<u>42,479</u>	<u>11,682</u>	<u>19,385</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES						
Restricted for						
Communications	-	-	-	46,957	-	-
Law enforcement	-	-	-	-	-	55,047
Road repairs	-	-	-	-	3,332,040	-
Community development	-	-	-	-	-	-
Public safety	2,303	3,378	-	-	-	-
Committed for						
Capital projects	-	-	-	-	-	-
Parks and recreation	-	-	1,111,923	-	-	-
Street lights	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Blighted properties	-	-	-	-	-	-
Total fund balances	<u>2,303</u>	<u>3,378</u>	<u>1,111,923</u>	<u>46,957</u>	<u>3,332,040</u>	<u>55,047</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 66,747</u>	<u>\$ 17,777</u>	<u>\$ 1,140,357</u>	<u>\$ 400,730</u>	<u>\$ 3,880,540</u>	<u>\$ 64,755</u>

Funds					Capital Projects Funds		
Community Development Fund	Home Partnership Fund	Street Lights Fund	Education Service Agency Fund	Blighted Properties Fund	Parks and Recreation Capital Reserve Fund	Curb and Sidewalk Fund	Total
\$ 241,108	\$ 3,931	\$ 346,208	\$ 39,816	\$ 69,464	\$ 72,332	\$ 26,902	\$ 3,879,846
-	-	-	-	-	-	-	2,016,175
-	-	29,767	-	-	-	-	104,325
-	-	20,393	43,205	-	-	17,900	81,498
<u>604,052</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,004,140</u>
<u>\$ 845,160</u>	<u>\$ 3,931</u>	<u>\$ 396,368</u>	<u>\$ 83,021</u>	<u>\$ 69,464</u>	<u>\$ 72,332</u>	<u>\$ 44,802</u>	<u>\$ 7,085,984</u>
\$ 304,455	\$ 184	\$ 54,122	\$ -	\$ -	\$ -	\$ -	\$ 1,294,765
503,305	-	-	-	-	-	-	503,305
<u>9,631</u>	<u>-</u>	<u>20,393</u>	<u>43,205</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,937</u>
<u>817,391</u>	<u>184</u>	<u>74,515</u>	<u>43,205</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,881,007</u>
<u>-</u>	<u>-</u>	<u>29,706</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>103,252</u>
-	-	-	-	-	-	-	46,957
-	-	-	-	-	-	-	55,047
-	-	-	-	-	-	-	3,332,040
27,769	3,747	-	-	-	-	-	31,516
-	-	-	-	-	-	-	5,681
-	-	-	-	-	-	44,802	44,802
-	-	-	-	-	72,332	-	1,184,255
-	-	292,147	-	-	-	-	292,147
-	-	-	39,816	-	-	-	39,816
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,464</u>	<u>-</u>	<u>-</u>	<u>69,464</u>
<u>27,769</u>	<u>3,747</u>	<u>292,147</u>	<u>39,816</u>	<u>69,464</u>	<u>72,332</u>	<u>44,802</u>	<u>5,101,725</u>
<u>\$ 845,160</u>	<u>\$ 3,931</u>	<u>\$ 396,368</u>	<u>\$ 83,021</u>	<u>\$ 69,464</u>	<u>\$ 72,332</u>	<u>\$ 44,802</u>	<u>\$ 7,085,984</u>

BRISTOL TOWNSHIP

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUND TYPES**

Year ended December 31, 2018

	<u>Special Revenue</u>					
	<u>Fire Fund</u>	<u>Rescue Fund</u>	<u>Parks and Recreation Operating Fund</u>	<u>Grant Fund</u>	<u>Liquid Fuels Fund</u>	<u>DEA Fund</u>
REVENUES						
Taxes	\$ 840,771	\$ 231,212	\$ 378,347	\$ -	\$ -	\$ -
Intergovernmental revenues	277,436	-	-	579,662	1,623,813	16,587
Charges for services	-	-	80,678	-	-	-
Investment income and rent	-	-	20,101	-	54,539	906
Miscellaneous	-	-	11,259	-	-	-
Total revenues	<u>1,118,207</u>	<u>231,212</u>	<u>490,385</u>	<u>579,662</u>	<u>1,678,352</u>	<u>17,493</u>
EXPENDITURES						
Current						
Public safety	1,117,565	228,291	-	-	-	14,311
Public works	-	-	-	-	1,803,890	-
Community development	-	-	-	-	-	-
Culture and recreation	-	-	434,887	580,049	-	-
Total expenditures	<u>1,117,565</u>	<u>228,291</u>	<u>434,887</u>	<u>580,049</u>	<u>1,803,890</u>	<u>14,311</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>642</u>	<u>2,921</u>	<u>55,498</u>	<u>(387)</u>	<u>(125,538)</u>	<u>3,182</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	642	2,921	55,498	(387)	(125,538)	3,182
FUND BALANCES						
Beginning of year	<u>1,661</u>	<u>457</u>	<u>1,056,425</u>	<u>47,344</u>	<u>3,457,578</u>	<u>51,865</u>
End of year	<u>\$ 2,303</u>	<u>\$ 3,378</u>	<u>\$ 1,111,923</u>	<u>\$ 46,957</u>	<u>\$ 3,332,040</u>	<u>\$ 55,047</u>

Funds					Capital Projects Funds		
Community Development Fund	Home Partnership Fund	Street Lights Fund	Education Service Agency Fund	Blighted Properties Fund	Parks and Recreation Capital Reserve Fund	Curb and Sidewalk Fund	Total
\$ -	\$ -	\$ 512,290	\$ -	\$ -		\$ -	\$ 1,962,620
989,031	-	-	-	-	-	-	3,486,529
	-	-	110,994	-	-	-	191,672
1,785	-	5,829	-	823	853	318	85,154
11,177	-	86,226	-	-	-	-	108,662
<u>1,001,993</u>	<u>-</u>	<u>604,345</u>	<u>110,994</u>	<u>823</u>	<u>853</u>	<u>318</u>	<u>5,834,637</u>
-	-	-	211,364	-	-	-	1,571,531
-	-	694,931	-	-	-	-	2,498,821
1,001,899	-	-	-	-	-	-	1,001,899
-	-	-	-	-	-	-	1,014,936
<u>1,001,899</u>	<u>-</u>	<u>694,931</u>	<u>211,364</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,087,187</u>
94	-	(90,586)	(100,370)	823	853	318	(252,550)
-	-	-	107,911	-	-	-	107,911
94	-	(90,586)	7,541	823	853	318	(144,639)
<u>27,675</u>	<u>3,747</u>	<u>382,733</u>	<u>32,275</u>	<u>68,641</u>	<u>71,479</u>	<u>44,484</u>	<u>5,246,364</u>
<u>\$ 27,769</u>	<u>\$ 3,747</u>	<u>\$ 292,147</u>	<u>\$ 39,816</u>	<u>\$ 69,464</u>	<u>\$ 72,332</u>	<u>\$ 44,802</u>	<u>\$ 5,101,725</u>

SINGLE AUDIT

BRISTOL TOWNSHIP

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended December 31, 2018

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Grantor Number</u>	<u>Expenditures</u>	<u>Expenditures to Subrecipients</u>
U.S. Department of Housing and Urban Development					
Community Development Block Grant	D	14.218	B-12-MC-42-0004	\$ 6,445	\$ -
Community Development Block Grant	D	14.218	B-14-MC-42-0004	21,498	-
Community Development Block Grant	D	14.218	B-15-MC-42-0004	23,347	-
Community Development Block Grant	D	14.218	B-16-MC-42-0004	380,108	-
Community Development Block Grant	D	14.218	B-17-MC-42-0004	269,455	-
Community Development Block Grant	D	14.218	B-18-MC-42-0004	<u>301,046</u>	<u>-</u>
Total CFDA No. 14.218				1,001,899	-
U.S. Department of Transportation					
Passed-Through the Pennsylvania Department of Transportation					
Transportation Alternatives Program	I	20.205	104302	<u>155,382</u>	<u>-</u>
Total Federal Awards				<u>\$ 1,157,281</u>	<u>\$ -</u>

Source Codes

D - Direct Funding

I - Indirect Funding

BRISTOL TOWNSHIP

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2018

(1) FEDERAL EXPENDITURES

The Schedule of Expenditures of Federal Awards reflects federal expenditures for all individual grants which were active during the fiscal year.

(2) BASIS OF ACCOUNTING

The Township uses the modified accrual method of recording transactions. Revenues are recorded when measurable and available. Expenditures are recorded when incurred.

(3) INDIRECT COSTS

The Township has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance. No indirect costs were charged to the Township's Federal awards for the year ended December 31, 2018.

BRISTOL TOWNSHIP

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended December 31, 2018

There were no audit findings for the year ended December 31, 2017.



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

**Township Council
Bristol Township
Bristol, Pennsylvania**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Bristol Township, Bristol, Pennsylvania (the "**Township**"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated June 10, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BBD, LLP

**Philadelphia, Pennsylvania
June 10, 2019**



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

**Township Council
Bristol Township
Bristol, Pennsylvania**

Report on Compliance for Each Major Federal Program

We have audited Bristol Township's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Bristol Township's major federal programs for the year ended December 31, 2018. Bristol Township's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Bristol Township's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance")*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bristol Township's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Bristol Township's compliance.

Opinion on Each Major Federal Program

In our opinion, Bristol Township, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

Report on Internal Control over Compliance

Management of Bristol Township is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Bristol Township's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Bristol Township's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BBD, LLP

**Philadelphia, Pennsylvania
June 10, 2019**

BRISTOL TOWNSHIP

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended December 31, 2018

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of the Bristol Township were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements of the Bristol Township are reported in the independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of the Bristol Township, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over the major federal award programs are reported in the independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award program for the Bristol Township expresses an unmodified opinion on the major federal program.
6. There are no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The program tested as a major program was:

Community Development Block Grant – CFDA Number 14.218
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Bristol Township was determined not to be a low-risk auditee.

FINDINGS—FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

None