

BRISTOL TOWNSHIP
ANNUAL FINANCIAL REPORT
Year Ended December 31, 2012

INTRODUCTORY SECTION

TABLE OF CONTENTS

	<u>Page No.</u>
INTRODUCTORY SECTION	
Table of Contents	1
FINANCIAL SECTION	
Independent Auditors' Report	3
Management's Discussion and Analysis (Unaudited).....	5
Basic Financial Statements	
<i>Government-Wide Financial Statements</i>	
Statement of Net Position	19
Statement of Activities	20
<i>Fund Financial Statements</i>	
<i>Governmental Funds</i>	
Balance Sheet	21
Reconciliation of Total Governmental Funds Balances to Net Position of Governmental Activities	22
Statement of Revenues, Expenditures and Changes in Fund Balances.....	23
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	24
<i>Proprietary Funds</i>	
Statement of Net Position	25
Statement of Revenues, Expenses and Changes in Net Position	26
Statement of Cash Flows	27

TABLE OF CONTENTS

	<u>Page No.</u>
<i>Fiduciary Funds</i>	
Statement of Fiduciary Net Position	29
Statement of Changes in Fiduciary Net Position	30
Notes to the Basic Financial Statements	31
Required Supplementary Information	
Budgetary Comparison Schedules	
General Fund	59
Refuse Fund.....	60
Postemployment Benefits Other Than Pension Funding Progress	61
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	62
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133	64
SUPPLEMENTARY INFORMATION - MAJOR FEDERAL AWARD PROGRAMS AUDIT	
Schedule of Expenditures of Federal Awards	66
Notes to the Schedule of Expenditures of Federal Awards	67
Schedule of Findings and Questioned Costs	68
Schedule of Prior Audit Findings.....	71

FINANCIAL SECTION

Independent Auditors' Report

To the Township Council
Bristol Township
Bristol, Pennsylvania

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Bristol Township as of and for the year ended December 31, 2012, 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.

Auditors' 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 of 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 auditors' 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 as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Township Council
Bristol Township
Bristol, Pennsylvania

Other Matters

Required Supplementary Information

The management's discussion and analysis on pages 5 through 18, budgetary comparison information on pages 59 and 60 and postemployment benefits other than pension funding progress on page 61 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Other Information

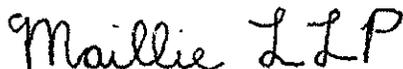
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bristol Township's financial statements. The schedule of expenditures of federal awards, required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Emphasis of Matter

As discussed in Note Q to the financial statements, for the year ended December 31, 2012, Bristol Township adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2013, on our consideration of Bristol Township'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 the 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's internal control over financial reporting and compliance.



Oaks, Pennsylvania
May 13, 2013

BRISTOL TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended December 31, 2012

This section of the financial statements for Bristol Township (the "Township") presents a narrative overview and narrative of the Township's financial performance for the fiscal year ended December 31, 2012.

FINANCIAL HIGHLIGHTS

- The Township's total net position decreased by \$3,104,580 in 2012.
- The General Fund unassigned fund balance at the end of 2012 was \$5,920,110.

OVERVIEW OF THE FINANCIAL STATEMENTS

The report consists of the following four parts:

- Management's discussion and analysis (this section)
- Basic financial statements (including notes)
- Required supplementary information
- Other supplementary information

Management's discussion and analysis is a guide to reading the financial statements and provides related information to help the reader to better understand the Township's government. The basic financial statements include notes that provide additional information essential to a full understanding of the financial data provided in the government-wide and fund financial statements. Required supplementary information is provided on the Township's Police Pension Trust Fund and budget to actual figures for major funds.

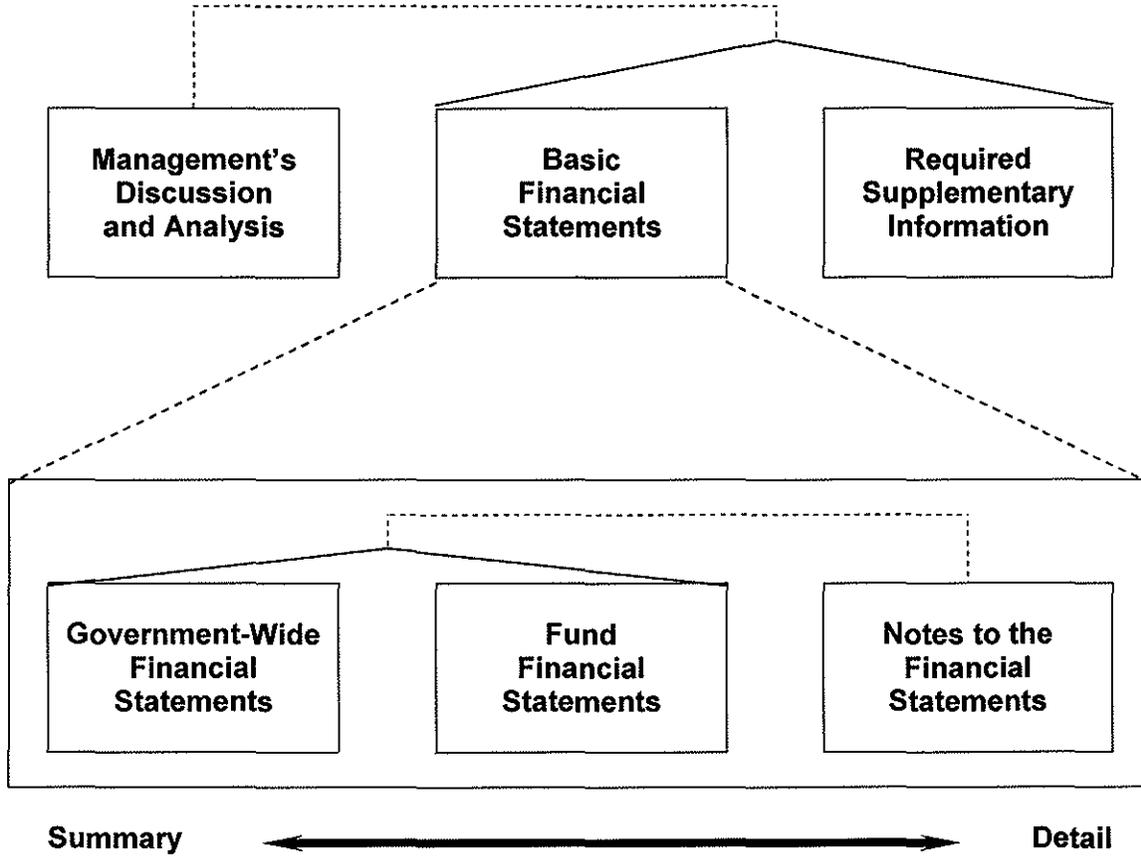
The basic financial statements present two different views of the Township:

- *Government-wide financial statements*, the first two statements, provide information about the Township's overall financial status.
- *Fund financial statements*, the remaining statements, focus on individual parts of the Township's government. They provide more detail on operations than the government-wide statements. There are three types of fund financial statements:
 - *Governmental Funds statements* show how general government services such as public safety, public works for highways and streets and health and welfare were financed in the short term, as well as what remains for future spending.
 - *Proprietary Fund statements* offer short-term and long-term financial information about the activities the Township operates like a business, such as the Water and Sewer Funds.
 - *Fiduciary Funds statements* reflect activities involving resources that are held by the Township as a trustee or agent for the benefit of others, including employees of the Township like the Police Pension Trust Fund. Fiduciary Funds are not reflected in the government-wide statements because the resources cannot be used to support the Township's programs.

BRISTOL TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended December 31, 2012

Table A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1
Organization of the Township's Annual Financial Report



BRISTOL TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended December 31, 2012

Table A-2 summarizes the major features of the Township's financial statements, including the area of the Township's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Fund	Fiduciary Funds
Scope	Entire Township (except Fiduciary Funds)	The day-to-day operating activities of the Township, such as public safety and public works	The activities of the Township, such as the Water and Sewer Funds	Instances in which the Township administers resources on behalf of others, such as the Police Pension Fund
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources measurement focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both financial and capital short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

The remainder of this overview explains the structure and contents of the government-wide and fund financial statements.

BRISTOL TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended December 31, 2012

Governmental-Wide Financial Statements

Government-wide financial statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies.

- The statement of net position includes all the Township's assets and liabilities, except Fiduciary Funds, with the difference between the two reported as net position. This statement serves a purpose similar to that of the balance sheet of a private-sector business.
- The statement of activities focuses on how the Township's net position changed during the year. Because it separates program revenue (revenue generated by specific programs through charges for services, grants and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program), it shows to what extent each program has to rely on local taxes for funding.

All changes to net position are reported using the accrual method of accounting, which requires that revenues be reported when they are earned and expenses be reported when the goods and/or services are received, regardless of when cash is received or paid.

Net position is one way to measure the Township's financial position. Over time, increases or decreases in the Township's net position is one indicator of whether the Township's financial position is improving or deteriorating. However, other nonfinancial factors such as changes in the Township's real property tax base and general economic conditions must be considered to assess the overall position of the Township.

There are two categories of activities for the primary government:

- *Governmental activities* include the Township's basic services such as general government, public safety, public works for highways and streets, community development, health and welfare and culture and recreation. Property taxes and state and federal grants finance most of these activities.
- *Business-type activities* such as the Township's Water Fund charge a fee to customers to cover the costs of services.

Net position of the governmental activities differs from the Governmental Funds balances because Governmental Fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources (money) are expended to purchase or build said assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. The principal and interest payments are both considered expenditures when paid. Depreciation is not calculated as it does not provide or reduce current financial resources. Finally, capital assets and long-term debt do not affect fund balances.

Government-wide statements are reported using an economic resources measurement focus and full accrual basis of accounting that involves the following steps to format the statement of net position:

- Capitalize current outlays for capital assets
- Report long-term debt as a liability

BRISTOL TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended December 31, 2012

- Depreciate capital assets and allocate the depreciation to the proper program/activities
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting
- Allocate net position balances as follows:
 - Net investment in capital assets.
 - Restricted net position is net position with constraints placed on their use by external sources (creditors, grantors, contributors, or laws or regulations of governments) or imposed by law through constitutional provisions or enabling legislation.
 - Unrestricted net position is net position that does not meet any of the above restrictions.

Fund Financial Statements

Fund financial statements provide more detailed information on the Township's most significant funds, not the Township as a whole. Funds are accounting devices, i.e., a group of related accounts, the Township uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law. Other funds are established to control and manage resources designated for specific purposes. Fund financial statements are reported using current financial resources and modified accrual accounting established by the Governmental Accounting Standards Board (GASB) for governments.

The Township has three kinds of funds:

- *Governmental Funds* include most of the Township's basic services and focus on: (1) the flow in and out of cash and other financial assets that can readily be converted into cash, and (2) the balances left at year-end that are available for spending. These funds are reported using the modified accrual accounting basis, and a current financial resources measurement focus. Consequently, the Governmental Funds statements provide a detailed short-term view that helps determine the financial resources available in the near future to finance the Township's programs.

The relationship between governmental activities (reported in the statement of net position and the statement of activities) and Governmental Funds is described in a reconciliation that follows the Governmental Funds financial statements.

The Township adopts an annual budget for the General Fund, as required by state law. A budgetary comparison of the Township's General Fund is presented as required supplementary information.

- *The Proprietary Fund* reports business-type programs and activities that charge fees designed to recover the cost of providing services. The Proprietary Fund reports using full accrual accounting.

BRISTOL TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended December 31, 2012

- *Fiduciary Funds* are funds for which the Township is the trustee or fiduciary. These include the Police Pension Plan and certain Agency Funds, or clearing accounts for assets held by the Township in its role as custodian until the funds are allocated to the private parties, organizations, or government agencies to which they belong. The Township is responsible to ensure the assets reported in these funds are used for their intended purposes. This fiduciary activity is reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. These funds are excluded from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Net Position

The Township's total assets were \$67,435,999 at December 31, 2012. Of this amount \$35,983,704 was capital assets.

GASB No. 34 requires that all capital assets, including infrastructure, be valued and reported within the governmental activities column of the government-wide financial statements, but allowed infrastructure to be added over several years.

Table A-3
Condensed Statements of Net Position
December 31, 2012 and 2011

	Governmental Activities		Business-Type Activities		Total Primary Government		Total Percentage Change
	2012	2011	2012	2011	2012	2011	
ASSETS							
Capital assets	\$ 23,299,094	\$ 24,420,399	\$ 12,684,610	\$ 9,463,277	\$ 35,983,704	\$ 33,883,676	6.2%
Other assets	24,391,640	23,583,181	7,060,655	5,716,941	31,452,295	29,300,122	7.3%
TOTAL ASSETS	47,690,734	48,003,580	19,745,265	15,180,218	67,435,999	63,183,798	6.7%
DEFERRED OUTFLOWS OF RESOURCES							
Deferred charge on refunding	435,623	-	-	-	435,623	-	100.0%
LIABILITIES							
Other liabilities	2,230,328	2,906,666	621,259	2,384,670	2,851,587	5,291,336	-46.1%
Long-term liabilities	43,551,369	38,257,471	9,263,972	4,325,717	52,815,341	42,583,188	24.0%
TOTAL LIABILITIES	45,781,697	41,164,137	9,885,231	6,710,387	55,666,928	47,874,524	16.3%
NET POSITION							
Net investment in capital assets	17,035,221	23,799,143	3,436,408	5,078,071	20,471,629	28,877,214	-29.1%
Restricted net position	290,346	12,667,660	79,700	1,976,127	370,046	14,643,787	-97.5%
Unrestricted net position	(14,980,907)	(29,627,360)	6,343,926	1,415,633	(8,636,981)	(28,211,727)	-69.4%
TOTAL NET POSITION	\$ 2,344,660	\$ 6,839,443	\$ 9,860,034	\$ 8,469,831	\$ 12,204,694	\$ 15,309,274	-20.3%

BRISTOL TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended December 31, 2012

The following statement of activities represents changes in net position for the year ended December 31, 2012. It shows revenues by source and expense by function for governmental activities, business-type activities and the Township as a whole.

Table A-4
Condensed Statements of Activities
Years Ended December 31, 2012 and 2011

	Governmental Activities		Business-Type Activities		Total Primary Government		Total Percentage Change
	2012	2011	2012	2011	2012	2011	
REVENUES							
Program revenues							
Charges for services	\$ 4,235,039	\$ 4,338,675	\$ 5,477,444	\$ 5,136,078	\$ 9,712,483	\$ 9,474,753	2.5%
Operating grants and contributions	3,163,220	5,716,301	-	-	3,163,220	5,716,301	-44.7%
Capital grants and contributions	1,204,399	715,757	29,482	2,270,130	1,233,881	2,985,887	-58.7%
General revenues							
Real estate taxes	16,446,145	16,441,154	-	-	16,446,145	16,441,154	0.0%
Earned income taxes	6,115,518	5,357,935	-	-	6,115,518	5,357,935	14.1%
Per capita taxes	105,080	109,300	-	-	105,080	109,300	-3.9%
Mercantile taxes	558,614	455,197	-	-	558,614	455,197	22.7%
Mechanical devices taxes	53,090	57,516	-	-	53,090	57,516	-7.7%
Local service taxes	747,897	697,206	-	-	747,897	697,206	7.3%
Amusement taxes	4,460	4,603	-	-	4,460	4,603	-3.1%
In lieu of taxes	44,456	43,555	-	-	44,456	43,555	2.1%
Unrestricted investment earnings	16,739	18,665	8,016	(108,054)	24,755	(89,389)	-127.7%
Transfers	(3,928)	70,000	3,928	(70,000)	-	-	0.0%
Miscellaneous	320,475	357,168	266,043	190,742	586,518	547,910	7.0%
TOTAL REVENUES	33,011,204	34,383,032	5,784,913	7,418,896	38,796,117	41,801,928	-7.2%
EXPENSES							
General government	3,074,955	3,141,964	-	-	3,074,955	3,141,964	-2.1%
Public safety	20,917,270	21,810,105	-	-	20,917,270	21,810,105	-4.1%
Public works, highways and streets	5,086,355	5,361,978	-	-	5,086,355	5,361,978	-5.1%
Community development	1,529,203	2,042,922	-	-	1,529,203	2,042,922	-25.1%
Culture and recreation	554,406	606,716	-	-	554,406	606,716	-8.6%
Sanitation	5,319,723	5,339,554	-	-	5,319,723	5,339,554	-0.4%
Interest on long-term debt	1,024,075	1,001,714	-	-	1,024,075	1,001,714	2.2%
Sewer Fund	-	-	3,571,906	3,651,181	3,571,906	3,651,181	-2.2%
Water Fund	-	-	822,804	721,218	822,804	721,218	14.1%
TOTAL EXPENSES	37,505,987	39,304,953	4,394,710	4,372,399	41,900,697	43,677,352	-4.1%
CHANGE IN NET POSITION	(4,494,783)	(4,921,921)	1,390,203	3,046,497	(3,104,580)	(1,875,424)	65.5%
NET POSITION AT BEGINNING OF YEAR	6,839,443	11,761,364	8,469,831	5,423,334	15,309,274	17,184,698	-10.9%
NET POSITION AT END OF YEAR	\$ 2,344,660	\$ 6,839,443	\$ 9,860,034	\$ 8,469,831	\$ 12,204,694	\$ 15,309,274	-20.3%

BRISTOL TOWNSHIP**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)***Year Ended December 31, 2012***Net Program Expenses**

Net program expenses indicate the amount of support required from taxes and other general revenues for a program of the Township. In 2012, real estate taxes brought in \$16,446,145 and earned income taxes brought in \$6,115,518.

Table A-5
Net Cost of Governmental and Business-Type Activities

<u>Program</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government	\$ 3,074,955	\$ 773,312
Public safety	20,917,270	(19,140,934)
Public works, highways and streets	5,086,355	(3,967,798)
Community development	1,529,203	180,064
Culture and recreation	554,406	(465,799)
Sanitation	5,319,723	(5,258,099)
Interest on long-term debt	1,024,075	(1,024,075)
Sewer Fund	3,571,906	1,389,174
Water Fund	822,804	(276,958)
	<u>\$ 41,900,697</u>	<u>\$ (27,791,113)</u>

The Township relied on real estate taxes, earned income taxes and other general revenues to fund 59% of its governmental and business-type activities in 2012.

BRISTOL TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended December 31, 2012

Capital Assets

The Township's investment in capital assets at December 31, 2012, net of accumulated depreciation, was \$35,983,704. Capital assets consist primarily of land, buildings and equipment. The following is a summary of capital assets at December 31, 2012.

Table A-6
Capital Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>		<u>Total Percentage Change</u>
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	
Land	\$ 1,580,081	\$ 1,580,081	\$ 140,000	\$ 140,000	\$ 1,720,081	\$ 1,720,081	0.0%
Construction in progress	1,237,103	1,272,687	9,873,315	6,458,290	11,110,418	7,730,977	43.7%
Agricultural easement/intangibles	431,125	431,125	-	-	431,125	431,125	0.0%
Buildings	3,881,639	3,881,639	1,288,943	1,288,943	5,170,582	5,170,582	0.0%
Improvements	1,721,012	1,428,277	5,970	5,970	1,726,982	1,434,247	20.4%
Equipment	5,651,872	5,371,041	4,115,527	4,017,303	9,767,399	9,388,344	4.0%
Infrastructure	54,645,782	54,461,547	-	-	54,645,782	54,461,547	0.3%
Water lines	-	-	2,601,519	2,601,519	2,601,519	2,601,519	0.0%
Tanks	-	-	1,964,174	1,964,174	1,964,174	1,964,174	0.0%
Pump stations	-	-	1,056,207	1,056,207	1,056,207	1,056,207	0.0%
Collection system	-	-	5,372,537	5,372,537	5,372,537	5,372,537	0.0%
Accumulated depreciation	<u>(45,849,520)</u>	<u>(44,005,998)</u>	<u>(13,733,582)</u>	<u>(13,441,666)</u>	<u>(59,583,102)</u>	<u>(57,447,664)</u>	3.7%
CAPITAL ASSETS, net	\$ <u>23,299,094</u>	\$ <u>24,420,399</u>	\$ <u>12,684,610</u>	\$ <u>9,463,277</u>	\$ <u>35,983,704</u>	\$ <u>33,883,676</u>	6.2%

Detailed information about the Township's capital assets can be found in Note D.

BRISTOL TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended December 31, 2012

Debt Administration

At December 31, 2012, the Township had \$52,800,777 of debt outstanding, including general obligation bonds, compensated absences, capital leases, a liability for other postemployment benefits and estimated workers compensation claims. Debt and other liabilities increased due mostly to the increase in the Township's liability for postemployment benefits required by GASB 45. Detailed information about the Township's debt can be found in Note E.

The following is a summary of changes in long-term debt at December 31, 2012:

Table A-7
Statement of Long-Term Debt

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bonds	\$ 20,010,000	\$ -	\$ (670,000)	\$ 19,340,000
Notes payable	2,409,079	4,933,592	-	7,342,671
Compensated absences	3,001,453	747,750	(576,232)	3,172,971
Capital leases	621,256	-	(415,793)	205,463
Liability for other postemployment benefits	<u>17,586,126</u>	<u>6,824,109</u>	<u>(1,670,563)</u>	<u>22,739,672</u>
TOTAL LONG-TERM DEBT	\$ <u>43,627,914</u>	\$ <u>12,505,451</u>	\$ <u>(3,332,588)</u>	\$ <u>52,800,777</u>

FUND FINANCIAL STATEMENTS

Governmental Funds

The Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

The Township's Governmental Funds include the General Fund, Special Revenue Funds, Capital Project Funds and the Debt Service Funds. The General Fund is the chief operating fund for the Township. Special Revenue Funds are restricted to specific legislated use. Capital Project Funds account for the proceeds of bond issues. The major funds are shown on the balance sheet and the statement of revenues, expenditures and changes in fund balances in the financial statements.

BRISTOL TOWNSHIP**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)***Year Ended December 31, 2012***Governmental Funds Revenues**

Governmental Funds revenues by sources are as follows:

**Table A-8
Revenues by Source, Governmental Funds**

	<u>2012</u>	<u>2011</u>	<u>Changes</u>
REVENUES			
Taxes	\$ 23,911,070	\$ 23,177,275	\$ 733,795
Licenses, fees and permits	2,501,526	2,923,386	(421,860)
Charges for services	1,373,853	1,156,456	217,397
Court costs, fines and forfeits	268,959	271,538	(2,579)
Intergovernmental	4,502,776	6,441,228	(1,938,452)
Interest	16,739	18,665	(1,926)
Other and reimbursed expenditures	320,475	378,848	(58,373)
OTHER FINANCING SOURCES			
Capital lease proceeds	-	614,387	(614,387)
Operating transfers in	<u>263,928</u>	<u>190,844</u>	<u>73,084</u>
TOTAL	<u>\$ 33,159,326</u>	<u>\$ 35,172,627</u>	<u>\$ (2,013,301)</u>

Tax revenues increased in 2012 due to an increase in EIT (Earned Income Tax) revenue. Revenue from licenses, fees and permits decreased due to a slight decrease in building permits. Charges for services experienced an increase due to an increase in tax certification fees and additional insurance recoveries. Intergovernmental revenue decreased due to a reduction in grant revenues.

BRISTOL TOWNSHIP**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)***Year Ended December 31, 2012***Governmental Funds Expenditures**

Governmental Funds expenditures by function are as follows:

**Table A-9
Expenditures by Function, Governmental Funds**

	<u>2012</u>	<u>2011</u>	<u>Changes</u>
EXPENDITURES			
General government	\$ 3,257,684	\$ 2,917,431	\$ 340,253
Public safety	15,148,374	16,173,418	(1,025,044)
Public works, highways and streets	3,723,605	4,000,330	(276,725)
Community development	1,529,203	2,041,007	(511,804)
Sanitation	5,319,723	5,339,554	(19,831)
Culture and recreation	498,618	549,926	(51,308)
Debt service			
Principal	664,137	1,017,354	(353,217)
Interest	999,976	1,028,313	(28,337)
Capital outlay	722,217	1,780,940	(1,058,723)
OTHER FINANCING USES			
Operating transfers out	<u>267,856</u>	<u>120,844</u>	<u>147,012</u>
TOTAL	<u>\$ 32,131,393</u>	<u>\$ 34,969,117</u>	<u>\$ (2,837,724)</u>

Decrease in total expenditures in 2012 was associated with the reduction of employees, a reduction in charges for contracted services and numerous improved efficiencies.

BRISTOL TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended December 31, 2012

Governmental Fund Balances

Ending fund balances for Governmental Funds and Net Position for Proprietary Funds at December 31, 2012, are as follows:

Table A-10
Ending Fund Balances, Governmental Funds
Net Position, Proprietary Funds

<u>Fund</u>	<u>Governmental Funds</u>	<u>Proprietary Fund</u>
General Fund	\$ 5,999,257	\$ -
Refuse Fund	1,376,576	-
Capital Reserve Fund	1,048,526	-
Other Governmental Funds	2,814,537	-
Sewer Fund	-	8,645,732
Water Fund	-	1,214,302
	<u>\$ 11,238,896</u>	<u>\$ 9,860,034</u>

BUDGETARY HIGHLIGHTS

Total General Fund revenues came in \$1,193,250 over projections due mainly to the mandatory implementation of PA ACT 32 requiring all Pennsylvania employers to withhold earned income tax from their employees. The Township also received an additional \$172,936 in insurance recoveries and a FEMA/PEMA grant of \$50,000. This eliminated the need to balance the budget with reserves. General Fund expenditures came in \$936,459 under budget due to the elimination of eight full-time and three part-time positions and an additional 13 full-time positions being reduced to part-time. Other savings included a reduction in costs for equipment and contracted services.

ECONOMIC CONDITIONS

Unemployment in Bristol Township tends to exceed the county-wide unemployment rate. In addition, the median household income is also lower than the county-wide figure. For these reasons, economic factors tend to have a greater impact on Bristol Township than they do in surrounding communities.

The Township has undertaken economic development activities through its Department of Community Development and its Economic Development Advisory Board. This impact will be realized gradually and over time.

BRISTOL TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended December 31, 2012

NEXT YEAR'S BUDGET

The Township was able to support its operation with no tax increase in 2013 due to the reductions in staff and other operating expenditures.

Township employees are represented by three labor unions and a total of six collective bargaining agreements that establish labor costs for all but nine full-time employees. In particular, post retirement healthcare and pension costs have become burdensome to maintain. The Township is currently negotiating with five of the six collective bargaining units to provide wage and benefit levels that are financially sustainable.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability. Questions concerning this financial information or requests for additional information should be directed to:

Township of Bristol
Township Manager
2501 Bath Road
Bristol, PA 19007

BRISTOL TOWNSHIP
STATEMENT OF NET POSITION
December 31, 2012

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
ASSETS			
Cash and equivalents	\$ 10,090,579	\$ 5,594,983	\$ 15,685,562
Restricted cash	128,051	79,700	207,751
Receivables			
Accounts, net	732,782	1,177,383	1,910,165
Taxes, net	2,718,750	-	2,718,750
Due from other governmental agencies	664,219	-	664,219
Due from Agency Fund	28,341	-	28,341
Other assets	79,147	208,589	287,736
Net pension asset	9,949,771	-	9,949,771
Capital assets			
Capital assets, not being depreciated	3,248,309	10,013,315	13,261,624
Capital assets, net of accumulated depreciation	<u>20,050,785</u>	<u>2,671,295</u>	<u>22,722,080</u>
TOTAL ASSETS	<u>47,690,734</u>	<u>19,745,265</u>	<u>67,435,999</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	<u>435,623</u>	<u>-</u>	<u>435,623</u>
LIABILITIES			
Accounts payable and accrued expenses	1,120,854	517,734	1,638,588
Accrued liabilities	266,112	-	266,112
Accrued interest payable	293,513	23,825	317,338
Due to other governmental agencies	89,264	-	89,264
Unearned revenues	332,534	-	332,534
Escheat liability	128,051	5,652	133,703
Escrow deposits	-	74,048	74,048
Long-term liabilities			
Portion due or payable within one year			
Bonds payable	619,148	75,852	695,000
Notes payable	-	165,499	165,499
Capital leases	205,463	-	205,463
Portion due or payable after one year			
Bonds payable	16,818,513	1,826,487	18,645,000
Notes payable	-	7,177,172	7,177,172
Bond premiums	11,372	3,192	14,564
Compensated absences	3,157,201	15,770	3,172,971
Net OPEB obligation	<u>22,739,672</u>	<u>-</u>	<u>22,739,672</u>
TOTAL LIABILITIES	<u>45,781,697</u>	<u>9,885,231</u>	<u>55,666,928</u>
NET POSITION			
Net investment in capital assets	17,035,221	3,436,408	20,471,629
Restricted	290,346	79,700	370,046
Unrestricted	<u>(14,980,907)</u>	<u>6,343,926</u>	<u>(8,636,981)</u>
TOTAL NET POSITION	<u>\$ 2,344,660</u>	<u>\$ 9,860,034</u>	<u>\$ 12,204,694</u>

See accompanying notes to the basic financial statements.

BRISTOL TOWNSHIP
STATEMENT OF ACTIVITIES
Year Ended December 31, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
GOVERNMENTAL ACTIVITIES							
General government	\$ 3,074,955	\$ 2,983,983	\$ 864,284	\$ -	\$ 773,312	\$ -	\$ 773,312
Public safety	20,917,270	1,116,561	336,358	323,417	(19,140,934)	-	(19,140,934)
Public works	5,086,355	-	1,118,557	-	(3,967,798)	-	(3,967,798)
Sanitation	5,319,723	19,246	42,378	-	(5,258,099)	-	(5,258,099)
Culture and recreation	554,406	88,607	-	-	(465,799)	-	(465,799)
Community development	1,529,203	26,642	801,643	880,982	180,064	-	180,064
Interest on long-term debt	1,024,075	-	-	-	(1,024,075)	-	(1,024,075)
TOTAL GOVERNMENTAL ACTIVITIES	<u>37,505,987</u>	<u>4,235,039</u>	<u>3,163,220</u>	<u>1,204,399</u>	<u>(28,903,329)</u>	<u>-</u>	<u>(28,903,329)</u>
BUSINESS-TYPE ACTIVITIES							
Sewer Fund	3,571,906	4,931,598	-	29,482	-	1,389,174	1,389,174
Water Fund	822,804	545,846	-	-	-	(276,958)	(276,958)
TOTAL BUSINESS-TYPE ACTIVITIES	<u>4,394,710</u>	<u>5,477,444</u>	<u>-</u>	<u>29,482</u>	<u>-</u>	<u>1,112,216</u>	<u>1,112,216</u>
TOTAL TOWNSHIP ACTIVITIES	<u>\$ 41,900,697</u>	<u>\$ 9,712,483</u>	<u>\$ 3,163,220</u>	<u>\$ 1,233,881</u>	<u>(28,903,329)</u>	<u>1,112,216</u>	<u>(27,791,113)</u>
GENERAL REVENUES							
Taxes							
Property taxes					15,951,346	-	15,951,346
Earned income tax					6,115,518	-	6,115,518
Local services tax					747,897	-	747,897
Real estate transfer tax					494,799	-	494,799
Per capita tax					105,080	-	105,080
Mercantile tax					558,614	-	558,614
Mechanical devices tax					53,090	-	53,090
Amusement tax					4,460	-	4,460
In lieu of taxes					44,456	-	44,456
Unrestricted investment earnings					16,739	8,016	24,755
Miscellaneous					320,475	266,043	586,518
TRANSFERS					<u>(3,928)</u>	<u>3,928</u>	<u>-</u>
TOTAL GENERAL REVENUES AND TRANSFERS					<u>24,408,546</u>	<u>277,987</u>	<u>24,686,533</u>
CHANGE IN NET POSITION					(4,494,783)	1,390,203	(3,104,580)
NET POSITION AT BEGINNING OF YEAR, restated (see Note Q)					<u>6,839,443</u>	<u>8,469,831</u>	<u>15,309,274</u>
NET POSITION AT END OF YEAR					<u>\$ 2,344,660</u>	<u>\$ 9,860,034</u>	<u>\$ 12,204,694</u>

See accompanying notes to the basic financial statements.

BRISTOL TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2012

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Refuse Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 4,757,905	\$ 1,203,983	\$ 1,379,844	\$ 2,748,847	\$ 10,090,579
Cash, restricted	128,051	-	-	-	128,051
Accounts receivable	669,480	-	24,672	38,650	732,782
Taxes receivable, net	2,038,270	-	444,459	236,021	2,718,750
Due from other funds	133,652	-	-	-	133,652
Due from Agency Fund	11,639	-	11,862	4,840	28,341
Due from other governments	-	-	-	664,219	664,219
Prepaid expenses	79,147	-	-	-	79,147
TOTAL ASSETS	<u>\$ 7,818,124</u>	<u>\$ 1,203,983</u>	<u>\$ 1,860,837</u>	<u>\$ 3,692,577</u>	<u>\$ 14,575,521</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 471,812	\$ 155,457	\$ 6,902	\$ 486,683	\$ 1,120,854
Due to other funds	-	-	-	133,652	133,652
Due to other governments	89,264	-	-	-	89,264
Unearned revenue	277,868	-	32,900	21,766	332,534
Accrued expenses	266,112	-	-	-	266,112
Escheat liability	128,051	-	-	-	128,051
TOTAL LIABILITIES	<u>1,233,107</u>	<u>155,457</u>	<u>39,802</u>	<u>642,101</u>	<u>2,070,467</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues, property taxes	585,760	-	444,459	235,939	1,266,158
FUND BALANCES					
Nonspendable, prepaid expenses	79,147	-	-	-	79,147
Restricted					
Communications	-	-	-	46,726	46,726
Law enforcement	-	-	-	102,859	102,859
Road repairs	-	-	-	113,092	113,092
Community development	-	-	-	27,669	27,669
Committed					
Capital projects	-	761,128	-	150,655	911,783
Sanitation	-	-	805,465	-	805,465
Parks and recreation	-	-	-	508,951	508,951
Street lights	-	-	-	522,106	522,106
Debt service	-	-	-	690,330	690,330
Assigned					
Grant match	-	-	-	230,799	230,799
Economic development	-	-	-	353,407	353,407
Blighted properties	-	-	-	67,943	67,943
Sanitation	-	-	571,111	-	571,111
Capital projects	-	287,398	-	-	287,398
Unassigned	5,920,110	-	-	-	5,920,110
TOTAL FUND BALANCES	<u>5,999,257</u>	<u>1,048,526</u>	<u>1,376,576</u>	<u>2,814,537</u>	<u>11,238,896</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 7,818,124</u>	<u>\$ 1,203,983</u>	<u>\$ 1,860,837</u>	<u>\$ 3,692,577</u>	<u>\$ 14,575,521</u>

See accompanying notes to the basic financial statements.

BRISTOL TOWNSHIP**RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES***December 31, 2012*

TOTAL GOVERNMENTAL FUNDS BALANCES \$ 11,238,896

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. These assets consist of:

Land	1,580,081
Intangibles	431,125
Construction in progress	1,237,103
Buildings	3,881,639
Improvements	1,721,012
Equipment	5,651,872
Infrastructure	54,645,782
Accumulated depreciation	(45,849,520)

Deferred charges used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Deferred loss on defeasance of debt	435,623
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The net pension asset is not an available resource and, therefore, is not reported in the funds.

9,949,771

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Accrued interest	(293,513)
Bonds payable	(17,437,661)
Capital leases	(205,463)
Bond premiums	(11,372)
Compensated absences	(3,157,201)
Net OPEB obligation	(22,739,672)

Some of the Township's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.

1,266,158

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 2,344,660*See accompanying notes to the basic financial statements.*

BRISTOL TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2012

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Refuse Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes					
Property	\$ 7,410,377	\$ 1,480	\$ 5,495,446	\$ 2,924,309	\$ 15,831,612
Transfer	494,799	-	-	-	494,799
Earned income	6,115,518	-	-	-	6,115,518
Other	1,469,141	-	-	-	1,469,141
Fees and fines	268,959	-	-	-	268,959
Licenses and permits	2,501,526	-	-	-	2,501,526
Intergovernmental	1,028,042	-	42,378	3,432,356	4,502,776
Charges for services	866,430	-	19,246	488,177	1,373,853
Investment income and rent	8,016	1,685	2,499	4,539	16,739
Miscellaneous	239,149	12,331	-	68,995	320,475
	<u>20,401,957</u>	<u>15,496</u>	<u>5,559,569</u>	<u>6,918,376</u>	<u>32,895,398</u>
TOTAL REVENUES					
EXPENDITURES					
Current					
General government	2,857,706	56,704	-	343,274	3,257,684
Public safety	13,292,190	-	-	1,856,184	15,148,374
Public works	1,934,879	-	-	1,788,726	3,723,605
Community development	-	-	-	1,529,203	1,529,203
Sanitation	-	-	5,319,723	-	5,319,723
Culture and recreation	-	-	-	498,618	498,618
Debt service					
Principal	165,000	-	-	499,137	664,137
Interest and other charges	761,483	-	-	238,493	999,976
Capital outlay	38,618	335,482	-	348,117	722,217
	<u>19,049,876</u>	<u>392,186</u>	<u>5,319,723</u>	<u>7,101,752</u>	<u>31,863,537</u>
TOTAL EXPENDITURES					
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	<u>1,352,081</u>	<u>(376,690)</u>	<u>239,846</u>	<u>(183,376)</u>	<u>1,031,861</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	190,000	-	-	73,928	263,928
Transfers out	-	-	(55,000)	(212,856)	(267,856)
	<u>190,000</u>	<u>-</u>	<u>(55,000)</u>	<u>(138,928)</u>	<u>(3,928)</u>
TOTAL OTHER FINANCING SOURCES (USES)					
NET CHANGE IN FUND BALANCES					
	1,542,081	(376,690)	184,846	(322,304)	1,027,933
FUND BALANCES AT BEGINNING OF YEAR					
	<u>4,457,176</u>	<u>1,425,216</u>	<u>1,191,730</u>	<u>3,136,841</u>	<u>10,210,963</u>
FUND BALANCES AT END OF YEAR					
	<u>\$ 5,999,257</u>	<u>\$ 1,048,526</u>	<u>\$ 1,376,576</u>	<u>\$ 2,814,537</u>	<u>\$ 11,238,896</u>

See accompanying notes to the basic financial statements.

BRISTOL TOWNSHIP

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

Year Ended December 31, 2012

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 1,027,933
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 as depreciation expense. This is the amount by which depreciation (\$1,843,522) exceeds capital outlays (\$722,217) in the current period.	(1,121,305)
Deferred charges are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the term lives of debt instruments as amortization expense. This is the amount by which amortization exceeds capital outlays in the current period.	(37,576)
Because some property taxes 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 tax revenues increased by this amount this year.	119,734
Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,012,005
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in Governmental Funds:	
Accrued interest not reflected in Governmental Funds	8,083
Decrease in the net pension asset	(183,444)
In the statement of activities, certain operating expenses--compensated absences (vacations, comp time and sick leave)--are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	(166,667)
Net change in the liability for the net OPEB obligation is reported in the government-wide statements but not in the Governmental Funds statements.	<u>(5,153,546)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (4,494,783)</u>

See accompanying notes to the basic financial statements.

BRISTOL TOWNSHIP
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2012

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 423,051	\$ 5,171,932	5,594,983
Restricted cash	-	79,700	79,700
Accounts receivable, net	54,893	1,122,490	1,177,383
Prepaid expenses and other assets	<u>4,289</u>	<u>204,300</u>	<u>208,589</u>
TOTAL CURRENT ASSETS	<u>482,233</u>	<u>6,578,422</u>	<u>7,060,655</u>
CAPITAL ASSETS			
Not being depreciated	-	10,013,315	10,013,315
Being depreciated, net	<u>794,676</u>	<u>1,876,619</u>	<u>2,671,295</u>
TOTAL CAPITAL ASSETS	<u>794,676</u>	<u>11,889,934</u>	<u>12,684,610</u>
TOTAL ASSETS	<u>1,276,909</u>	<u>18,468,356</u>	<u>19,745,265</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	62,607	455,127	517,734
Accrued interest payable	-	23,825	23,825
Escheat liability	-	5,652	5,652
Escrow deposits	-	74,048	74,048
Notes payable	-	165,499	165,499
Bonds payable	<u>-</u>	<u>75,852</u>	<u>75,852</u>
TOTAL CURRENT LIABILITIES	<u>62,607</u>	<u>800,003</u>	<u>862,610</u>
NONCURRENT LIABILITIES			
Compensated absences	-	15,770	15,770
Notes payable	-	7,177,172	7,177,172
Bonds payable	-	1,826,487	1,826,487
Bond premiums	<u>-</u>	<u>3,192</u>	<u>3,192</u>
TOTAL NONCURRENT LIABILITIES	<u>-</u>	<u>9,022,621</u>	<u>9,022,621</u>
TOTAL LIABILITIES	<u>62,607</u>	<u>9,822,624</u>	<u>9,885,231</u>
NET POSITION			
Net investment in capital assets	794,676	2,641,732	3,436,408
Restricted	-	79,700	79,700
Unrestricted	<u>419,626</u>	<u>5,924,300</u>	<u>6,343,926</u>
TOTAL NET POSITION	<u>\$ 1,214,302</u>	<u>\$ 8,645,732</u>	<u>\$ 9,860,034</u>

See accompanying notes to the basic financial statements.

BRISTOL TOWNSHIP
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended December 31, 2012

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
OPERATING REVENUES			
Charges for services	\$ 545,846	\$ 4,620,690	\$ 5,166,536
Penalties and interest	-	310,908	310,908
Other revenues	-	266,043	266,043
	<u>545,846</u>	<u>5,197,641</u>	<u>5,743,487</u>
OPERATING EXPENSES			
Administrative	777,306	463,516	1,240,822
Operating	-	2,724,119	2,724,119
Depreciation	45,498	246,418	291,916
	<u>822,804</u>	<u>3,434,053</u>	<u>4,256,857</u>
	<u>(276,958)</u>	<u>1,763,588</u>	<u>1,486,630</u>
NONOPERATING REVENUES (EXPENSES)			
Interest and investment revenue	716	7,300	8,016
Grants and contributions	-	29,482	29,482
Interest expense	-	(137,853)	(137,853)
	<u>716</u>	<u>(101,071)</u>	<u>(100,355)</u>
	<u>(276,242)</u>	<u>1,662,517</u>	<u>1,386,275</u>
TRANSFERS IN			
	73,928	-	73,928
TRANSFERS OUT			
	<u>(35,000)</u>	<u>(35,000)</u>	<u>(70,000)</u>
	<u>(237,314)</u>	<u>1,627,517</u>	<u>1,390,203</u>
NET POSITION AT BEGINNING OF YEAR, Sewer Fund restated (see Note Q)			
	<u>1,451,616</u>	<u>7,018,215</u>	<u>8,469,831</u>
	<u>\$ 1,214,302</u>	<u>\$ 8,645,732</u>	<u>\$ 9,860,034</u>

See accompanying notes to the basic financial statements.

BRISTOL TOWNSHIP
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended December 31, 2012

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 539,502	\$ 4,791,113	\$ 5,330,615
Payments to employees	(20,152)	(637,564)	(657,716)
Payments to suppliers	<u>(820,983)</u>	<u>(4,308,418)</u>	<u>(5,129,401)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(301,633)</u>	<u>(154,869)</u>	<u>(456,502)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	<u>38,928</u>	<u>(35,000)</u>	<u>3,928</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition, construction and improvements of capital assets	-	(3,513,249)	(3,513,249)
Proceeds from note	-	4,933,592	4,933,592
Bond principal repayment	-	(73,788)	(73,788)
Interest paid on bonds	-	(165,484)	(165,484)
Grants and contributions	<u>-</u>	<u>59,396</u>	<u>59,396</u>
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-</u>	<u>1,240,467</u>	<u>1,240,467</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Earnings on investments	<u>716</u>	<u>7,300</u>	<u>8,016</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(261,989)	1,057,898	795,909
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>685,040</u>	<u>4,193,734</u>	<u>4,878,774</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 423,051</u>	<u>\$ 5,251,632</u>	<u>\$ 5,674,683</u>

BRISTOL TOWNSHIP
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended December 31, 2012

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (276,958)	\$ 1,763,588	\$ 1,486,630
Adjustments to reconcile operating income (loss) to net cash used by operating activities			
Depreciation	45,498	246,418	291,916
Increase in			
Accounts receivable	(6,344)	(399,147)	(405,491)
Prepaid expenses and other assets	-	(172,230)	(172,230)
Decrease in			
Accounts payable	(63,829)	(1,582,048)	(1,645,877)
Accrued salaries and benefits	-	(4,069)	(4,069)
Escrow deposits	-	(7,381)	(7,381)
	<u> </u>	<u> </u>	<u> </u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (301,633)</u>	<u>\$ (154,869)</u>	<u>\$ (456,502)</u>

See accompanying notes to the basic financial statements.

BRISTOL TOWNSHIP
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2012

	<u>Pension Trust Fund</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 689,158	\$ 1,392,939
Investments	39,069,676	-
Receivables	11,892	-
Interest receivable	<u>89,881</u>	<u>-</u>
TOTAL ASSETS	<u>39,860,607</u>	<u>\$ 1,392,939</u>
LIABILITIES		
Accounts payable	22,158	\$ 1,364,598
Due to Township	<u>-</u>	<u>28,341</u>
TOTAL LIABILITIES	<u>22,158</u>	<u>\$ 1,392,939</u>
NET POSITION		
Held in trust for benefits and other purposes	<u>\$ 39,838,449</u>	

See accompanying notes to the basic financial statements.

BRISTOL TOWNSHIP
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
Year Ended December 31, 2012

	<u>Pension Trust Fund</u>
ADDITIONS	
Contributions	
Employer	\$ 560,712
Plan members	311,759
State	772,440
TOTAL CONTRIBUTIONS	<u>1,644,911</u>
Investment income	
Net increase in fair value of investments	3,263,482
Dividends	1,478,812
Investment activity expense	(144,070)
INVESTMENT INCOME, net	<u>4,598,224</u>
TOTAL ADDITIONS	<u>6,243,135</u>
DEDUCTIONS	
Benefits paid	2,740,306
Members' contributions refunded	45,018
Administrative expenses	5,000
TOTAL DEDUCTIONS	<u>2,790,324</u>
CHANGE IN NET POSITION	3,452,811
NET POSITION AT BEGINNING OF YEAR	<u>36,385,638</u>
NET POSITION AT END OF YEAR	<u>\$ 39,838,449</u>

See accompanying notes to the basic financial statements.

BRISTOL TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

NOTE A NATURE OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

The Township of Bristol (the "Township") operates under the Home Rule Charter which complies with the First Class Township Code under the laws of the Commonwealth of Pennsylvania. The operations of the Township are vested in an executive and five-member council. The Township provides the following services: general administrative services, tax collection, public improvements, public safety, water and sewer for certain areas of the Township, conservation and development, culture and recreation and maintenance and repairs of highways and streets programs. The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units, as prescribed by the Governmental Accounting Standards Board (GASB).

A summary of the Township's significant accounting policies follows.

Government-Wide and Fund Financial Statements

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

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

Separate financial statements are provided for Governmental Funds, Proprietary Funds and Fiduciary Funds, even though the latter are excluded from the government-wide financial statements. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the Proprietary Fund and Fiduciary Fund financial statements.

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

BRISTOL TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability rather than an expenditure.

Governmental Funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. This is a change in policy from prior years when the Township considered revenues to be available if they were collected within 90 days, with the exception of property taxes, which had to be received within 60 days of year-end to be deemed available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Licenses, operating grants, capital grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measureable only when the Township receives cash.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources." Governmental Funds operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during the period.

Because of their spending measurement focus, expenditure recognition for Governmental Fund Types exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as Governmental Fund Type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims for judgments, are recorded only when payment is due.

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* is used to account for capital expenditures of the Township.
- The *Refuse Fund* accounts for expenditures related to the collections and disposal of refuse.

BRISTOL TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

The Township reports the following major Proprietary Funds:

- The *Water Fund* is used to account for the fiscal activities of the Water Distribution System.
- The *Sewer Fund* is used to account for the fiscal activities of the Sewage Treatment Plant and Collection System.

Additionally, the Township reports the following Fiduciary Fund Types:

- The *Pension Trust Fund* accounts for the revenues (i.e., member contributions, Township contributions and net investment income) and the expenses (i.e., contributions refunded, retirement allowances and death benefits paid) of the Police Pension Trust Fund.
- The *Agency Funds* consist of Escrow Funds maintained with the Township for construction projects and for tax funds collected and owed to the county.

The Township's Enterprise Funds are Proprietary Funds. In the fund financial statements, the Proprietary Funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, the Proprietary Funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheet. The Proprietary Funds Type operating statements present increases (revenues) and decreases (expenses) in total net position.

Proprietary Funds operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Amounts paid to acquire capital assets in the Proprietary Funds are capitalized as assets in the fund financial statements, rather than reported as an expenditure.

Fiduciary Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. These include the Pension Trust Fund and Agency Funds. The Pension Trust Fund is accounted for in essentially the same manner as the Proprietary Funds since capital maintenance is critical. The Pension Trust Fund financial statements are prepared using the accrual basis of accounting.

Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refund are recognized when due and payable in accordance with the terms of the plan. Agency Funds are custodial in nature and do not involve measurement of results of operations.

BRISTOL TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed for their intended purposes.

Assets, Liabilities and Net Position or Fund Balances

Cash and Cash Equivalents - For purposes of the accompanying statement of cash flows, the Township considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Receivables and Payables

Interfund Receivables and Payables - Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." All receivables are shown net of an allowance for doubtful accounts.

Investments - Investments for the Township are reported at fair value. Investments that do not have an established market value are reported at estimated values.

Prepaid Assets - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid assets in both the government-wide and fund financial statements.

Restricted Cash - Restricted cash represents cash set aside for liquidation of specific obligations. At December 31, 2012, the General Fund restricted cash balance of \$128,051 represents funds to be escheated to the state. The Sewer Fund restricted cash balance of \$79,700 represents \$74,048 paid by property owners that are held in escrow accounts for the purpose of sewer hookup and unclaimed monies of \$5,652 to be remitted to the state in accordance with escheat law.

Capital Assets - Capital assets, which include property, plant and equipment, intangible easements and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activity column in the government-wide financial statements. Property, plant and equipment and infrastructure with initial, individual costs that equal or exceed \$6,000 and estimated useful lives of over one year are recorded as capital assets. The intangible easements have indefinite useful lives and are therefore not depreciated. Capital assets are recorded at historical costs or estimated historical costs 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 its useful life are not capitalized.

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

BRISTOL TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

Property, plant and equipment of the primary government is depreciated using the straight-line method over the following intended useful lives:

	<u>Years</u>
Buildings and improvements	5-40
Equipment	3-20
Infrastructure	40
Water lines	40
Sewer collection lines	10-60

Allowance for Doubtful Accounts - Accounts receivable and taxes receivable for the governmental activities have been reported net of an allowance for doubtful accounts of \$401,500 and \$80,824, respectively. Accounts receivable for business-type activities have been reported net of an allowance for doubtful accounts of \$1,584,044. The Water and Sewer Funds evaluate the collectibility of individual receivables and record an allowance for doubtful accounts. The Sewer Department's policy is to file a lien against the respective property for delinquent sewer customers; however, the Sewer Department is required to provide continuous services to these customers.

Compensated Absences - Township policy permits employees to accumulate a limited amount of earned, but unused sick time. These benefits are payable to employees upon separation of service. All leave pay is accrued when incurred in the government-wide financial statements and the Proprietary Funds statements. The computed liability is in compliance with GASB 16, *Accounting for Compensated Absences*.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Township only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Township has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the Governmental Funds balance sheet. The Governmental Funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

BRISTOL TOWNSHIP

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2012

Long-Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized during the current period.

In the fund financial statements, Governmental Fund Types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Unearned Revenue - Unearned revenues reported in government-wide financial statements will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Unearned revenues reported in Governmental Funds financial statements represent revenues which are measureable but not available and, in accordance with the modified accrual basis of accounting, are reported as deferred revenues. The Township deems revenues received within 60 days of year-end to be available.

Net Position Flow Assumption - Sometimes the Township will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and Proprietary Funds financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Township's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Net Position/Fund Balances - The government-wide and business-type activities financial statements utilize a net position presentation. Net position is categorized as invested in capital assets (net of related debt), restricted and unrestricted.

- **Net Investment in Capital Assets** - This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.
- **Restricted Net Position** - The category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** - This category represents net position of the Township not restricted for any project or other purpose.

BRISTOL TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

The Township has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent.

- **Nonspendable Fund Balance** - Amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
- **Restricted Fund Balance** - Amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government) through constitutional provisions, or by enabling legislation.
- **Committed Fund Balance** - Amounts constrained to specific purposes by the Township itself, using its highest level of decision-making authority (i.e., Township Council). To be reported as committed, amounts cannot be used for any other purpose unless the Township takes the same level of action to remove or change the constraint. This formal action is a Council approved resolution.
- **Assigned Fund Balance** - Amounts the Township intends to use for a specific purpose, but are neither restricted nor committed. Assignments of fund balance are created by the Township Manager pursuant to authorization established by Township Council.
- **Unassigned Fund Balance** - Amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed for their intended purposes. The Township has not established a formal policy for its use of unrestricted fund balance amounts. As such, the Township uses committed fund balances first, followed by assigned resources and then unassigned resources, as appropriate opportunities arise.

Interfund Transactions - Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions except quasi-external transactions and reimbursements are reported as transfers.

Accounting Estimates - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts may differ from those estimates.

Budgets and Budgetary Accounting

Legal Requirements - Commonwealth of Pennsylvania statutes require that Township governments establish budgetary systems and adopt annual operating budgets. The Township's annual budget includes the General Fund, certain Special Revenue Funds and Debt Service Funds and is based on estimates of revenues and expenditures approved by the Township Council. The Township adopted the 2012 budget on the same basis of accounting as reported in the financial statements. The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

Township Budget Process

1. During the fall, the executive of the Township prepares a preliminary budget, which is submitted to the Township Council for review.
2. The Township Council reviews the preliminary projections of revenues and expenditures incorporating any revisions or adjustments.
3. Public meetings are conducted on the proposed budget. The proposed budget is available for public inspection for 20 days prior to final adoption.
4. After the 20-day inspection period but prior to December 31, the Township Council adopts the final budget by enacting an appropriate resolution.
5. Formal budgetary process is employed as a planning device. The adopted budget is on the modified accrual basis. Budget amounts are as originally adopted, or as amended by the Township Council.

Level of Control - The Township maintains budgetary control at the individual fund level.

Lapsing of Appropriations - Unexpended appropriations lapse at year-end.

Management Amendment Authority - During the course of the year, departmental needs may change, emergencies may occur, or additional revenue may arise. As a result, funds are transferred between line items of a department's budget or additional revenue may need to be budgeted for a specific project or grant. Adjustments to the budget are made on a line item basis during the year and approved by Township Council.

Financial analysis is provided monthly to management showing spending levels in comparison to the current budget. The budget is also reviewed by management with operating departments.

BRISTOL TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

NOTE B DEPOSIT AND INVESTMENT RISK

Under Section 1705.1 of the Township Code of the Commonwealth of Pennsylvania, the Township is authorized to invest its funds in the following:

- United States Treasury bills.
- Short-term obligations of the United States Government or its agencies or instrumentalities.
- Deposits in savings accounts or time deposits, other than certificates of deposit, or share accounts of institutions having their principal place of business in the Commonwealth of Pennsylvania and insured by the Federal Deposit Insurance Corporation (FDIC) or other like insurance.
- Obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, the Commonwealth of Pennsylvania, or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth of Pennsylvania, or of any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.
- Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933.
- Certificates of deposit purchased from institutions having their principal place of business in or outside the Commonwealth of Pennsylvania, which are insured by the FDIC or other like insurance. For any amounts in excess of the insured maximum, such deposits shall be collateralized by a pledge or assignment of assets pursuant to Act No. 72 of the General Assembly. Certificates of deposit may not exceed 20% of a bank's total capital surplus or 20% of a savings and loan's or savings bank's assets net of its liabilities.
- Commercial paper and prime commercial paper meeting certain requirements.
- Repurchase agreements which are fully collateralized by obligations of the United States of America.

For all deposits above the insured maximum, assets are pledged as collateral under Subsection (c)(3), to be pooled in accordance with the Act of August 6, 1971 (P.L. 281, No. 72).

The Township and the Police Pension Plan have no formal policy pertaining to exposure of credit risk, custodial credit risk, concentration of credit risk, or interest rate risk for deposits and investments.

BRISTOL TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

Deposits

The Township's deposits, including both restricted and unrestricted cash, excluding the Pension Trust Fund, at December 31, 2012, were as follows:

	<u>Book Balance</u>	<u>Bank Balance</u>
Governmental Funds	\$ 10,218,630	\$ 11,922,428
Proprietary Funds	5,674,683	5,674,384
Agency Funds	<u>1,392,939</u>	<u>1,394,878</u>
	<u>\$ 17,286,252</u>	<u>\$ 18,991,690</u>

Investments

The Township's investments at December 31, 2012, were as follows:

Pension Trust Fund

	<u>Cost</u>	<u>Market Value</u>
Fixed income mutual funds	\$ 11,642,309	\$ 12,500,235
Equity mutual funds	<u>25,012,503</u>	<u>26,569,441</u>
	<u>\$ 36,654,812</u>	<u>\$ 39,069,676</u>

As of December 31, 2012, the Township had the following debt investments and maturities in its Police Pension Plan Accounts.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Average Investment Maturities (in Years)</u>	
		<u>1 to 5</u>	<u>6 to 10</u>
Fixed income mutual funds	\$ <u>12,500,235</u>	\$ <u>-</u>	\$ <u>12,500,235</u>

Interest Rate Risk - The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates for the Police Pension Plan.

Credit Risk - At December 31, 2012, \$1,039,639 (8.3%), \$5,718,582 (45.7%) and \$1,056,800 (8.5%) of the Police Pension Plan fixed income mutual funds were rated A, BB and B, respectively, by Morningstar and \$4,685,214 (37.5%) of the fixed income mutual funds were unrated. The Police Pension Plan money market funds in the amount of \$689,158, recorded as cash and cash equivalents, were unrated. The Township does not have a formal policy that limits investments to ratings issued by nationally recognized statistical rating organizations for the Police Pension Plan.

BRISTOL TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

Concentration of Credit Risk - The Township does not have a formal policy that places a limit on the amount or percent that may be invested in any one issuer for the Police Pension Plan. At December 31, 2012, no investment of the Police Pension Plan represented 5% or more of total net position.

Custodial Credit Risk - For deposits and investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At December 31, 2012, \$18,685,122 of the Township's deposits was exposed to custodial credit risk, as they were collateralized with securities held by the pledging financial institution and uninsured. At December 31, 2012, none of the Township Police Pension Plan investments were exposed to custodial credit risk. The Township does not have a formal policy related to custodial credit risk for the governmental activities or the Pension Trust Fund.

NOTE C REAL ESTATE TAXES

Real estate taxes attach as an enforceable lien on property on May 1. Taxes are billed on March 1, payable under the following terms: 2% discount, March 1 based on the assessed value listed as of the prior December 31, for the real property located in the Township through May 1; face amount, May 2 through July 1; and 10% penalty after July 2. The Township bills these taxes, which are collected by the Township Tax Office. Assessed values of real property are generally 12% of the market value as determined by the Bucks County Board of Assessment. Real estate taxes levied for 2012 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during 2012 and expected to be collected within the first 60 days of 2013 are recognized as revenue in 2012. Net receivables estimated to be collectible subsequent to March 1, are reflected in deferred revenue. Prior years' levies are recorded using these same principles and remaining receivables are annually reevaluated as to collectibility.

The rate of real estate taxation in 2012 was 18.08 mills for general purposes, .9 mills for recreation purposes, 2 mills for fire purposes, 2.4575 mills for debt purposes and .55 mills for rescue purposes on a total Township assessed valuation of \$416,024,630.

BRISTOL TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

NOTE D CAPITAL ASSETS

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

Governmental Activities

	<u>Balance January 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31, 2012</u>
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 1,580,081	\$ -	\$ -	\$ 1,580,081
Intangibles	431,125	-	-	431,125
Construction in progress	1,272,687	187,751	(223,335)	1,237,103
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>3,283,893</u>	<u>187,751</u>	<u>(223,335)</u>	<u>3,248,309</u>
Capital assets being depreciated				
Buildings	3,881,639	-	-	3,881,639
Improvements	1,428,277	292,735	-	1,721,012
Equipment	5,371,041	280,831	-	5,651,872
Infrastructure	54,461,547	184,235	-	54,645,782
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>65,142,504</u>	<u>757,801</u>	<u>-</u>	<u>65,900,305</u>
Accumulated depreciation				
Buildings	(3,032,038)	(52,421)	-	(3,084,459)
Improvements	(563,541)	(56,377)	-	(619,918)
Equipment	(3,170,529)	(517,640)	-	(3,688,169)
Infrastructure	(37,239,890)	(1,217,084)	-	(38,456,974)
TOTAL ACCUMULATED DEPRECIATION	<u>(44,005,998)</u>	<u>(1,843,522)</u>	<u>-</u>	<u>(45,849,520)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>21,136,506</u>	<u>(1,085,721)</u>	<u>-</u>	<u>20,050,785</u>
 GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	 <u>\$ 24,420,399</u>	 <u>\$ (897,970)</u>	 <u>\$ (223,335)</u>	 <u>\$ 23,299,094</u>

BRISTOL TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

Business-Type Activities

	Balance January 1, 2012	Increases	Decreases	Balance December 31, 2012
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 140,000	\$ -	\$ -	\$ 140,000
Construction in progress	6,458,290	3,419,921	(4,896)	9,873,315
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>6,598,290</u>	<u>3,419,921</u>	<u>(4,896)</u>	<u>10,013,315</u>
Capital assets being depreciated				
Building	1,288,943	-	-	1,288,943
Tanks	1,964,174	-	-	1,964,174
Pump stations	1,056,207	-	-	1,056,207
Land improvements	5,970	-	-	5,970
Office equipment	100,063	-	-	100,063
Vehicles	297,772	-	-	297,772
Equipment	3,619,468	98,224	-	3,717,692
Collection system	5,372,537	-	-	5,372,537
Water lines	2,601,519	-	-	2,601,519
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>16,306,653</u>	<u>98,224</u>	<u>-</u>	<u>16,404,877</u>
Accumulated depreciation				
Building	(1,288,943)	-	-	(1,288,943)
Tanks	(1,449,837)	(33,735)	-	(1,483,572)
Pump stations	(805,933)	(11,250)	-	(817,183)
Land improvements	(5,971)	-	-	(5,971)
Office equipment	(98,198)	(1,004)	-	(99,202)
Vehicles	(107,822)	(19,995)	-	(127,817)
Equipment	(3,219,033)	(69,995)	-	(3,289,028)
Collection system	(4,704,584)	(110,439)	-	(4,815,023)
Water lines	(1,761,345)	(45,498)	-	(1,806,843)
TOTAL ACCUMULATED DEPRECIATION	<u>(13,441,666)</u>	<u>(291,916)</u>	<u>-</u>	<u>(13,733,582)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>2,864,987</u>	<u>(193,692)</u>	<u>-</u>	<u>2,671,295</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	<u>\$ 9,463,277</u>	<u>\$ 3,226,229</u>	<u>\$ (4,896)</u>	<u>\$ 12,684,610</u>

BRISTOL TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

Depreciation expense was charged to functions/programs as follows:

GOVERNMENTAL ACTIVITIES	
General government	\$ 165,509
Public safety	259,475
Public works	1,362,750
Culture and recreation	<u>55,788</u>
TOTAL GOVERNMENTAL ACTIVITIES	\$ <u>1,843,522</u>
BUSINESS-TYPE ACTIVITIES	
Water Fund	\$ 45,498
Sewer Fund	<u>246,418</u>
TOTAL BUSINESS-TYPE ACTIVITIES	\$ <u>291,916</u>

NOTE E LONG-TERM DEBT

Other liabilities are generally liquidated by the General Fund and the Debt Service Fund. A summary of changes in long-term debt obligations is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
GOVERNMENTAL ACTIVITIES					
Bonds payable, General Obligation Bonds	\$ 18,033,873	\$ -	\$ (596,212)	\$ 17,437,661	\$ 619,148
Other liabilities					
Compensated absences	2,990,534	742,475	(575,808)	3,157,201	-
Capital leases	621,256	-	(415,793)	205,463	205,463
Other postemployment benefits	17,586,126	6,824,109	(1,670,563)	22,739,672	-
TOTAL OTHER LIABILITIES	<u>21,197,916</u>	<u>7,566,584</u>	<u>(2,662,164)</u>	<u>26,102,336</u>	<u>205,463</u>
TOTAL GOVERNMENTAL ACTIVITIES LONG-TERM LIABILITIES	\$ <u>39,231,789</u>	\$ <u>7,566,584</u>	\$ <u>(3,258,376)</u>	\$ <u>43,539,997</u>	\$ <u>824,611</u>
BUSINESS-TYPE ACTIVITIES					
Bonds payable, General Obligation Bonds	\$ 1,976,127	\$ -	\$ (73,788)	\$ 1,902,339	\$ 75,852
Other liabilities					
Notes payable	2,409,079	4,933,592	-	7,342,671	165,499
Compensated absences	10,919	5,275	(424)	15,770	-
TOTAL OTHER LIABILITIES	<u>2,419,998</u>	<u>4,938,867</u>	<u>(424)</u>	<u>7,358,441</u>	<u>165,499</u>
TOTAL BUSINESS-TYPE ACTIVITIES LONG-TERM LIABILITIES	\$ <u>4,396,125</u>	\$ <u>4,938,867</u>	\$ <u>(74,212)</u>	\$ <u>9,260,780</u>	\$ <u>241,351</u>

BRISTOL TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

An analysis of debt service requirements to maturity on these governmental activities obligations follows (with the exception of compensated absences, estimated workers' compensation liability, liability for other postemployment benefits and capital leases):

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2013	\$ 619,148	\$ 974,725	\$ 1,593,873
2014	639,693	948,472	1,588,165
2015	665,783	919,860	1,585,643
2016	697,435	897,769	1,595,204
2017	724,670	872,582	1,597,252
2018 to 2022	4,106,699	3,894,133	8,000,832
2023 to 2027	3,074,233	2,917,437	5,991,670
2028 to 2032	2,505,000	2,134,985	4,639,985
2033 to 2037	3,540,000	1,103,604	4,643,604
2038	865,000	61,847	926,847
	<u>\$ 17,437,661</u>	<u>\$ 14,725,414</u>	<u>\$ 32,163,075</u>

An analysis of debt service requirements to maturity on these business-type activities obligations follows (with the exception of compensated absences, estimated workers' compensation liability, liability for other postemployment benefits and capital leases):

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2013	\$ 241,351	\$ 218,494	\$ 459,845
2014	379,797	247,879	627,676
2015	391,167	236,807	627,974
2016	392,167	226,916	619,083
2017	397,781	216,659	614,440
2018 to 2022	2,155,564	915,523	3,071,087
2023 to 2027	2,486,927	595,136	3,082,063
2028 to 2032	2,606,107	205,721	2,811,828
2033	194,149	1,238	195,387
	<u>\$ 9,245,010</u>	<u>\$ 2,864,373</u>	<u>\$ 12,109,383</u>

BRISTOL TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

The following is a summary of general obligation debt outstanding:

<u>Year</u>	<u>Amount of Original Issue</u>	<u>Purpose</u>	<u>Balance Outstanding December 31, 2012</u>
2010	\$ 9,000,000	General Revenue Note, up to a maximum principal amount of \$9,000,000 with interest monthly through May 1, 2033, interest rates range from 1.274% to 2.547%, principal payments due monthly beginning June 1, 2013 through May 1, 2033, for the purpose of making improvements and repairs to the Sewer Plant Facility; funded through the Pennsylvania Infrastructure Investment Authority and drawn down as needed	\$ 7,342,671
2010	\$ 9,920,000	General Obligation Bonds, Series of 2010, interest semiannually through September 1, 2030, interest rates range from 2.00% to 4.25%, principal payments due annually through September 1, 2030, for the refunding of the General Obligation Bonds, Series of 2004, and for the funding of various capital projects	8,385,000
2008	\$ 11,430,000	Federally taxable General Obligation Bonds, Series of 2008, interest semiannually through September 15, 2008, interest rates range from 4.85% to 7.15%, principal payments due annually through September 15, 2038, for the funding of the Township's unfunded actuarial accrued liability in its Uniformed Pension Plan	<u>10,955,000</u>
			<u>\$ 26,682,671</u>

BRISTOL TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

NOTE F OBLIGATION UNDER CAPITAL LEASES

Obligation under capital leases consists of the following leases payable:

- One backhoe in the amount of \$99,430 for the Public Works Department, bearing an interest rate of 3.30%, expiring in May 2013.
- Township Software in the amount of \$350,000 for the General Government, bearing an interest rate of 2.50%, expiring in December 2013.
- Four Crown Victoria's in the amount of \$167,123 for the Police Department, bearing an interest rate of 3.30%, expiring in December 2013.

The assets acquired through capital leases are as follows:

Equipment	\$ 614,387
Accumulated depreciation	<u>(39,659)</u>
	<u>\$ 574,728</u>

Future minimum lease payments under the capital lease agreements together with the present value of the net minimum lease payments as of December 31, 2012, are as follows:

TOTAL MINIMUM LEASE PAYMENTS	\$ 211,310
Amount representing interest	<u>(5,847)</u>
TOTAL PRESENT VALUE OF NET MINIMUM LEASE PAYMENTS	205,463
Amount due within one year	<u>(205,463)</u>
 LONG-TERM CAPITAL LEASE PAYABLE	 <u>\$ -</u>

Future minimum capital lease payments are as follows:

Year Ending December 31,	
2013	<u>\$ 205,463</u>

BRISTOL TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

NOTE G COMPENSATED ABSENCES

Full-time employees earn vacation to be used by the end of the year or it is forfeited. Township police officers are entitled to accrue unlimited days of sick leave benefits and, at termination or retirement, are entitled to payment for all unused sick time in an amount equal to the existing hourly rate. In addition, the remaining Township employees accrue sick leave benefits and, at time of retirement or resignation, are paid for as determined in the employee's contractual agreement.

For employees of the Sewer Department, vacation time not taken at year-end accrues and must be taken within the next two weeks. If the employee terminates within the nine-month period, accrued vacation is due to the employee. Employees may accrue up to 150 days of sick leave and will be paid 50% of the accrued sick leave at the time of termination up to a maximum of \$5,000 if the employee has ten years of service and a maximum of \$7,500 if the employee has 20 years of service.

Applicable GASB pronouncements require accrual of sick pay that meets certain specific conditions. The Township has determined that such conditions apply to accumulated sick pay of Governmental Funds and Proprietary Funds. To the extent sick pay liabilities in Governmental Funds are to be liquidated with available resources, they are accounted for as fund liabilities in the fund financial statements; the remainder of the obligation is accounted for as a liability in the government-wide financial statements. Proprietary Funds account for the entire amount of these liabilities.

NOTE H INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances are as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
GOVERNMENTAL FUNDS		
General Fund	\$ 145,291	\$ -
Refuse Fund	11,862	-
Other Governmental Funds	4,840	133,652
FIDUCIARY FUNDS		
Agency Funds	<u>-</u>	<u>28,341</u>
	<u>\$ 161,993</u>	<u>\$ 161,993</u>

The General Fund has paid expenses on behalf of other funds; therefore, a corresponding interfund receivable and payable has been recorded.

BRISTOL TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

NOTE I INTERFUND OPERATING TRANSFERS

Interfund transfers are a result of the requirement for the General Fund to match a portion of the expenditures or expenses of other funds as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
GOVERNMENTAL FUNDS		
General Fund	\$ 190,000	\$ -
Refuse Fund	-	55,000
Other Governmental Funds	73,928	212,856
PROPRIETARY FUNDS		
Water Fund	73,928	35,000
Sewer Fund	-	35,000
	<u>\$ 337,856</u>	<u>\$ 337,856</u>

NOTE J INTERAUTHORITY TREATMENT SERVICE

The Township has separate agreements with four other municipal authorities which provide for the treatment by these authorities of a portion of the wastewater collected by the Township. These agreements expire between 2004 and 2012. For the year ended December 31, 2012, the Township's expense for treatment services under these agreements was \$1,196,250.

NOTE K EMPLOYEES' RETIREMENT PLANS

Police Pension Trust Fund

Plan Description - The Township maintains a single-employer defined benefit pension plan for all full-time police officers under the provisions of Ordinance 2005-02 adopted pursuant to Act 600. The plan is included in the financial statements of the Township as a Pension Trust Fund. The plan also issues a separate stand alone financial statement. The financial statements of the Pension Trust Fund are prepared on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due, in accordance with Act 205, as amended by Act 189. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

BRISTOL TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

Current memberships in the plan are composed of the following based on the actuarial valuation dated January 1, 2011, the date of the latest actuarial valuation.

Active employees	62
Retirees and beneficiaries currently receiving benefits	64
Terminated employees entitled to benefits but not yet receiving them	1

All full-time police officers are required to participate in the plan. The plan provides for normal retirement at age 50 after 25 or more years of service or age 60 with 20 or more years of service. The amount of the pension benefit is 50% of the monthly average salary during the last 36 months of employment plus \$20 per month for every year's service in excess of 25 years up to a maximum additional benefit of \$100 per month. Benefits vest after 12 years of service. The plan provides survivor benefits of 50%. Benefits provided under Act 30 (officers killed in the line of duty) are paid by the Commonwealth. Disability is provided for service injuries at 100% of annual rate of pay offset by workers' compensation. Cost-of-living adjustments shall be provided for all members retiring on or after January 1, 1991, based on the increase in the Consumer Price Index. The pension benefit shall not exceed 75% of salary for computing the pension benefit, and the total cost-of-living adjustment shall not exceed 30% of the original pension benefit.

Funding Policy - The Township's Police Pension Plan funding policy provides for periodic contributions at actuarially determined rates, expressed as a percentage of annual covered payroll, that are sufficient to accumulate sufficient assets to pay benefits when due. Level percentages of payroll employer contributions rates are determined using the entry age normal actuarial funding method as required by Pennsylvania Act 205. The plan also uses a method defined by Act 205 to amortize the compounded liability over the defined period. As a condition of participation, employees are required to contribute a portion of their salary to the plan as stipulated through Pennsylvania Act 205. Plan members are required to contribute 5% of their annual covered salary. Interest is accumulated each year at a rate of 5%. The Township contribution to the plan is governed by Act 205, which monitors minimum actuarial funding for pension plans. Administration costs of the plan are financed through investment earnings.

BRISTOL TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

The following schedule of funding progress presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Schedule of Funding Progress for the Bristol Township Police Pension Plan

Actuarial Value of Assets January 1,	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) - Entry Age	(c) Unfunded AAL (UAAL) (b)-(a)	(d) Funded Ratio (a)/(b)	(e) Covered Payroll	(f) UAAL as a Percentage of Covered Payroll (c)/(e)
2007	\$ 25,329,086	\$ 34,870,323	\$ 9,541,237	72.6%	\$ 5,062,559	188.5%
2009	38,121,448	42,174,232	4,052,784	90.4%	5,797,453	69.9%
2011	40,282,763	45,806,594	5,523,831	87.9%	6,396,587	86.4%

Investments - The Pension Trust Fund investments are stated at fair value. Investments that do not have an established market are reported at estimated fair value.

Annual Pension Cost - The annual required contribution was determined based on the most recent annual actuarial valuation dated as of January 1, 2011. The entry age normal method of funding was used in the valuation. Significant actuarial assumptions include (a) a rate of return on the investment of present and future assets at 8% per year, net of investment expenses and (b) projected salary increases of 6% per year.

Three-Year Trend Information

Year Ended December 31,	Annual Pension Costs	Percentage of Pension Costs Contributed	Net Pension Assets
2010	\$ 564,367	100%	\$ 10,520,687
2011	1,212,176	76%	10,133,215
2012	1,516,596	88%	9,949,771

Actuarial Valuation Information - The Township has an actuarial valuation prepared every two years. The following methods and assumptions were used to prepare the valuation:

Actuarial valuation date.....	January 1, 2011
Actuarial cost method	Entry age normal
Asset valuation method.....	120% of market value
Amortization method.....	Level dollar
Remaining amortization period	16 years
Actuarial assumptions	
Investment rate of return	8%
Projected salary increases	6%

BRISTOL TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

For the most recent actuarial valuation, the asset valuation method used was 120% of market value. The asset valuation method used in prior actuarial valuations was 130% of market value.

During 2008, the Township issued federally taxable general obligation bonds to fully fund the unfunded actuarial accrued pension liability in the Police Pension Plan. The Township's contribution resulted in a net pension asset in the Police Pension Plan. At December 31, 2012, the Township's net pension asset was as follows:

Annual required contribution (ARC)	\$ 1,333,152
Interest on net pension asset	(810,657)
Adjustment to ARC	994,101
ANNUAL PENSION COST	<u>1,516,596</u>
Contributions made	<u>(1,333,152)</u>
DECREASE IN NET PENSION ASSET	183,444
Net pension asset at beginning of year	<u>(10,133,215)</u>
NET PENSION ASSET AT END OF YEAR	<u>\$ (9,949,771)</u>

Contributions Required and Contributions Made - Act 205 of 1984, the Municipal Pension Plan Funding Standard Recovery Act, initiated actuarial funding requirements for municipal pension plans. Under Act 205 provisions, a municipal budget must provide for the full payment of the minimum municipal obligation (MMO) to each employee pension fund of the municipality. Act 189 of 1990 amended Act 205 and redefined the calculation used to determine the MMO to employee pension funds. The MMO is now defined as the total financial requirements to the pension fund, less funding adjustments and estimated contributions. The annual required contribution for the MMO to the Pension Trust Fund was \$1,333,152 for the year ended December 31, 2012, which was funded by the Township through a state aid amount of \$772,440 and Township contributions of \$560,712. The contributions represented 21% of covered payroll. Employee contributions in 2012 totaled \$311,759 or 5% of covered payroll.

Schedule of Contributions from Employer - Six-Year Trend Information

Year Ended December 31,	Annual Required Contribution	Percentage of Annual Required Contribution Contributed
2007	\$ 1,984,931	100%
2008	499,322	124%
2009	543,501	107%
2010	564,367	100%
2011	1,212,176	100%
2012	1,333,152	100%

Nonuniform Employees

The Township provides a defined contribution pension plan for eligible full-time nonuniformed employees of the Township. Members are permitted to contribute an amount up to 10% of their compensation to the plan. The Township contributes on behalf of each member who was a participant on the last day of the plan year an amount equal to 1% above the member's contribution up to a maximum of 5%. Township and employee contributions to the plan were \$147,020 and \$166,158, respectively, during the year ended December 31, 2012.

NOTE L DEFERRED COMPENSATION PLAN

The Township has established and administers a deferred compensation program (the "Program") in accordance with Internal Revenue Code Section 401(k) available to all full-time Township employees. Contributions to the Program are made from employee payroll deductions based on an election by the participant. Assets of the Program amounting to \$5,630,875 are not available to employees until termination, retirement, death, or unforeseeable emergency. Investments are managed by the Program trustees under various investment options. The choice of the investment option is made by the participants. The Township is not responsible for any investment loss incurred in the Program or for the failure of any investment to earn a specific or expected return.

NOTE M POSTEMPLOYMENT BENEFIT PLAN

Plan Description

The Township administers a single-employer postemployment benefit plan that covers health insurance for eligible retirees. In addition, effective January 1, 1987, officers' spouses not covered by other health care benefits are covered 100% and minor children residing in the same house as the officer are covered 50% by the Township. The plan is governed by the Collective Bargaining Agreement (the "Agreement") between Bristol Township and the Bristol Township Police Benevolent Association. The Agreement provides the authority under which benefit provisions for the plan were established and may be amended. The plan does not issue a publicly available financial report.

Funding Policy

The contribution requirements of the Township are established and may be amended by the establishment of a new Agreement between Bristol Township and the Bristol Township Police Benevolent Association. The plan does not require any contributions from plan members. The Township funds the plan on a pay-as-you-go basis. For 2012, the Township contributed \$1,670,563 to the plan for current premiums.

BRISTOL TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

Annual OPEB Cost and Net OPEB Obligation

The Township's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The Township's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2012 were as follows:

<u>Fiscal Year Ended December 31,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$ 5,877,270	28.04%	\$ 12,539,886
2011	6,624,214	23.82%	17,586,126
2012	6,824,109	24.48%	22,739,672

The components of the Township's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the Township's net OPEB obligation to the plan are as follows:

	<u>Governmental Activities</u>
Annual required contribution (ARC)	\$ 7,220,981
Estimated interest on net OPEB obligation	703,446
Estimated adjustment to ARC	<u>(1,100,318)</u>
ESTIMATED ANNUAL OPEB COSTS	6,824,109
Contributions made	<u>(1,670,563)</u>
ESTIMATED INCREASE IN NET OPEB OBLIGATION	5,153,546
Estimated net OPEB obligation at beginning of year	<u>17,586,126</u>
ESTIMATED NET OPEB OBLIGATION AT END OF YEAR	<u>\$ 22,739,672</u>

Funded Status and Funding Progress

As of January 1, 2011, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$77,074,400 and there were no assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$77,074,400. The covered payroll (annual payroll of active employees covered by the plan) was \$6.4 million and the ratio of the UAAL to the covered payroll was 1205%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the January 1, 2011 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return, which is the expected short-term investment yield on the investments that are expected to be used to finance the payments of benefits, a salary increase of 6% per year, a health care cost trend rate of 5% during 2011, then 10% in 2012, decreasing by 0.5% per year to an ultimate rate of 5%. The actuarial assumptions also include a vision cost trend rate increase of 3.25% per year. The actuarial valuation assumes 100% participant election and 85% of retiring members' spouses will elect coverage under the plan. The UAAL is being amortized using the level dollar method over a period of 30 years on a closed basis.

BRISTOL TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

NOTE N FUND BALANCES/NET POSITION CLASSIFICATIONS AND RESTRICTIONS

Governmental Funds

The Governmental Funds financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Township is bound to honor constraints on the specific purposes for which amounts in the respective Governmental Funds can be spent. The classifications used in the Governmental Funds financial statements are as follows:

General Fund

Nonspendable

Amounts that are not spendable representing prepaid expenses not available in the next fiscal year \$ 79,147

Unassigned

Amounts available for any purpose 5,920,110

Capital Reserve Fund

Committed

Amounts committed for capital projects 761,128

Assigned

Amounts assigned for capital projects 287,398

Refuse Fund

Committed

Amounts committed for refuse collection 805,465

Assigned

Amounts assigned for refuse collection 571,111

Other Governmental Funds

Restricted

Restriction of funds for communications 46,726

Restriction of funds for law enforcement 102,859

Restriction of funds for road repairs 113,092

Restriction of funds for community development 27,669

Committed

Amounts committed for parks and recreation 508,951

Amounts committed for street light repairs 522,106

Amounts committed for capital projects 150,655

Amounts committed for debt service 690,330

Assigned

Amounts assigned for grant match 230,799

Amounts assigned for economic development 353,407

Amounts assigned for blighted properties 67,943

\$ 11,238,896

BRISTOL TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

Proprietary Funds

The restrictions of net position included in the Proprietary Funds are as follows:

Water Fund

Amounts invested in capital assets, net of related debt	\$ 794,676
Amounts available for any purpose	419,626

Sewer Fund

Amounts invested in capital assets, net of related debt	2,641,732
Amounts restricted for escrow deposits and escheat liability	79,700
Amounts available for any purpose	<u>5,924,300</u>
	<u>\$ 9,860,034</u>

Fiduciary Funds

The restrictions of net position included in the Fiduciary Funds are as follows:

Pension Trust Fund

Amounts restricted for payment of pension benefits	<u>\$ 39,838,449</u>
--	----------------------

NOTE O RISK MANAGEMENT

The Township maintains an insurance policy for workers' compensation insurance. Insurance premiums are developed based on employee job descriptions, rate factors and payroll costs for the year. The policy has an audit performed each year and the Township may be required to pay any additional premium as a result of the audit, or the Township may be entitled to a refund as a result of the audit. For the year ended December 31, 2012, the Township paid insurance premiums of \$748,030.

NOTE P LITIGATION

In the normal course of business, there are various claims and suits pending against the Township and its elected officials. Management is of the opinion that these matters will not have a material adverse effect on the Township's financial position at December 31, 2012.

BRISTOL TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

NOTE Q PRIOR PERIOD ADJUSTMENT

For the year ended December 31, 2012, the Township has adopted GASB 65, which states that debt issuance costs should be recognized as an outflow of resources in the period incurred rather than recognized over the life of the debt incurred.

For the Sewer Fund, the Township is treating debt issuance costs of \$45,360 previously incurred and being amortized over the life of the related debt as having been recognized in the period incurred. As a result, the 2011 amortization expense decreased by \$2,268, which increased the 2011 change in net position by \$2,268. The Township has adjusted beginning net position for the Sewer Fund from \$7,060,862 to \$7,018,215.

For the government-wide governmental activities, the Township is treating debt issuance costs of \$425,058 previously incurred and being amortized over the life of the related debt as having been recognized in the period incurred. As a result, the 2011 amortization expense decreased by \$20,838, which increased the 2011 change in net position by \$20,838. The Township has adjusted beginning net position for the governmental activities from \$7,213,937 to \$6,839,443.

For the government-wide business-type activities, the Township is treating debt issuance costs of \$45,360 previously incurred and being amortized over the life of the related debt as having been recognized in the period incurred. As a result, the 2011 amortization expense decreased by \$2,268, which increased the 2011 change in net position by \$2,268. The Township has adjusted beginning net position for the business-type activities from \$8,512,478 to \$8,469,831.

NOTE R SUBSEQUENT EVENTS

In 2013, the Township approved an ordinance that authorized the incurrence of nonelectoral debt by the Township pursuant to the issuance of the General Obligation Notes, Series of 2013, in the aggregate principal amount of \$6,080,000, for the purposes of paying for road resurfacing projects, storm water drainage projects, improvements to the Township Municipal Building, acquisition of an ambulance and the costs of issuance of the 2013 notes.

REQUIRED SUPPLEMENTARY INFORMATION

BRISTOL TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property	\$ 7,401,464	\$ 7,401,464	\$ 7,410,377	\$ 8,913
Transfer	600,000	600,000	494,799	(105,201)
Earned income	5,318,331	5,318,331	6,115,518	797,187
Other	1,396,097	1,396,097	1,469,141	73,044
Fees and fines	299,701	299,701	268,959	(30,742)
Licenses and permits	2,481,800	2,481,800	2,501,526	19,726
Intergovernmental	947,133	947,133	1,028,042	80,909
Charges for services	651,781	651,781	866,430	214,649
Investment income and rent	7,000	7,000	8,016	1,016
Miscellaneous	105,400	105,400	239,149	133,749
TOTAL REVENUES	<u>19,208,707</u>	<u>19,208,707</u>	<u>20,401,957</u>	<u>1,193,250</u>
EXPENDITURES				
Current				
General government	3,361,573	3,361,573	2,857,706	503,867
Public safety	13,488,189	13,488,189	13,292,190	195,999
Public works	2,064,812	2,064,812	1,934,879	129,933
Debt service				
Principal	165,000	165,000	165,000	-
Interest and other charges	761,483	761,483	761,483	-
Capital outlay	-	-	38,618	(38,618)
TOTAL EXPENDITURES	<u>19,841,057</u>	<u>19,841,057</u>	<u>19,049,876</u>	<u>791,181</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(632,350)</u>	<u>(632,350)</u>	<u>1,352,081</u>	<u>1,984,431</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	777,629	777,629	190,000	(587,629)
Transfers out	(145,279)	(145,279)	-	145,279
TOTAL OTHER FINANCING SOURCES (USES)	<u>632,350</u>	<u>632,350</u>	<u>190,000</u>	<u>(442,350)</u>
NET CHANGE IN FUND BALANCE	-	-	1,542,081	1,542,081
FUND BALANCE AT BEGINNING OF YEAR	<u>4,457,176</u>	<u>4,457,176</u>	<u>4,457,176</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 4,457,176</u>	<u>\$ 4,457,176</u>	<u>\$ 5,999,257</u>	<u>\$ 1,542,081</u>

BRISTOL TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
REFUSE FUND
Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 5,367,798	\$ 5,367,798	\$ 5,495,446	\$ 127,648
Intergovernmental	105,000	105,000	42,378	(62,622)
Charges for services	50,000	50,000	19,246	(30,754)
Investment income and rent	3,000	3,000	2,499	(501)
TOTAL REVENUES	5,525,798	5,525,798	5,559,569	33,771
EXPENDITURES				
Current, sanitation	5,546,759	5,546,759	5,319,723	227,036
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(20,961)	(20,961)	239,846	260,807
OTHER FINANCING SOURCES (USES)				
Transfers in	75,961	75,961	-	(75,961)
Transfers out	(55,000)	(55,000)	(55,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	20,961	20,961	(55,000)	(75,961)
NET CHANGE IN FUND BALANCE	-	-	184,846	184,846
FUND BALANCE AT BEGINNING OF YEAR	1,191,730	1,191,730	1,191,730	-
FUND BALANCE AT END OF YEAR	\$ 1,191,730	\$ 1,191,730	\$ 1,376,576	\$ 184,846

BRISTOL TOWNSHIP
POSTEMPLOYMENT BENEFITS OTHER THAN
PENSION FUNDING PROGRESS
Year Ended December 31, 2012

<u>Actuarial Valuation Date January 1,</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Actuarial Accrued Liability (AAL) - Entry Age</u>	<u>(c) Unfunded AAL (UAAL) (b)-(a)</u>	<u>(d) Funded Ratio (a)/(b)</u>	<u>(e) Covered Payroll</u>	<u>(f) UAAL as a Percentage of Covered Payroll (c)/(e)</u>
2010	\$ -	\$ 66,917,267	\$ 66,917,267	0%	\$ 4,838,138	1383.1%
2011	-	77,074,400	77,074,400	0%	6,396,587	1204.9%

Independent Auditors' 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

To the Township Council
Bristol Township
Bristol, Pennsylvania

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Bristol Township as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Bristol Township's basic financial statements, and have issued our report thereon dated May 13, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bristol 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 Bristol Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Bristol 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.

To the Township Council
Bristol Township
Bristol, Pennsylvania

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bristol 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.

Maillie LLP

Oaks, Pennsylvania
May 13, 2013

***Independent Auditors' Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on the
Schedule of Expenditures of Federal Awards Required by OMB Circular A-133***

To the 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 Circular A-133 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, 2012. Bristol Township's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2012.

To the Township Council
Bristol Township
Bristol, Pennsylvania

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 12-01 and 12-02. Our opinion on each major federal program is not modified with respect to these matters.

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 OMB Circular A-133, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 12-02 to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 12-01 to be a significant deficiency.

Bristol Township's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Bristol Township's response was not subjected to the auditing procedures applied in the audit, and, accordingly, we express no opinion on the responses.

Purpose of this Report

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Maillie LLP

Oaks, Pennsylvania
May 13, 2013

**SUPPLEMENTARY INFORMATION - MAJOR FEDERAL
AWARD PROGRAMS AUDIT**

BRISTOL TOWNSHIP
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Community Development Block Grant	14.218	N/A	\$ 610,046
Passed through Pennsylvania Department of Community and Economic Development			
ARRA - Neighborhood Stabilization Program	14.228	C000045718	294,564
Home Investment Partnerships Program	14.239	C000050796	191,598
U.S. DEPARTMENT OF JUSTICE			
Public Safety Partnership and Community Policing Grants - Justice Assistance Grants	16.710	N/A	105,344
ARRA - Edward J. Byrne Memorial Justice Assistance Grant	16.804	N/A	8,700
U.S. DEPARTMENT OF ENERGY			
ARRA - Energy Efficiency and Conservation Block Grant Program	81.128	N/A	163,650
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through the North Central Highway Safety Network			
State and Community Highway Safety - Aggressive Driving Enforcement and Education	20.600	N/A	3,038
State and Community Highway Safety - Buckle Up Grant	20.600	N/A	2,210
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed through the Pennsylvania Emergency Management Agency			
Disaster Grants - Public Assistance	97.036	FEMA-4025-DR	<u>46,687</u>
TOTAL FEDERAL AWARDS			\$ <u>1,425,837</u>

See accompanying notes to the schedule of expenditures of federal awards.

BRISTOL TOWNSHIP
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS
Year Ended December 31, 2012

NOTE A REPORTING ENTITY

The Township is the reporting entity for financial reporting purposes as defined in Note A.

NOTE B BASIS OF ACCOUNTING

The expenditures in the accompanying schedule of expenditures of federal awards are presented on the modified accrual basis of accounting as described in Note A.

NOTE C RISK-BASED APPROACH

The 2012 threshold for determining Type A and B programs is \$300,000. The following high risk Type A programs and high risk Type B programs were audited as major:

<u>Program</u>	<u>CFDA #</u>
Community Development Block Grant	14.218
Neighborhood Stabilization Program	14.228

The amount expended under programs tested as major federal programs for the year ended December 31, 2012, totaled \$904,610 or 63% of total federal awards.

**NOTE D PENNSYLVANIA DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT
FEDERAL FUNDS RECEIVED**

The following grants are federal funds received by the Township, passed through the Pennsylvania Department of Community and Economic Development for the year ended December 31, 2012:

Neighborhood Stabilization Program	\$ 294,564
Home Investment Partnerships Program	<u> 191,598</u>
	<u>\$ 486,162</u>

BRISTOL TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2012

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Bristol Township.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditors' 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 Bristol Township were disclosed during the audit.
4. One material weakness and one significant deficiency, both relating to the audit of the Community Development Block Grant, are reported in the Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133.
5. The auditors' report on compliance for the major award programs for Bristol Township expresses an unqualified opinion.
6. The programs tested as major programs include:

Program	CFDA
Community Development Block Grant	14.218
Neighborhood Stabilization Program	14.228

7. The threshold used for distinguishing Types A and B programs was \$300,000.
8. Bristol Township was determined to be a high-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None.

C. FINDINGS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

12-01 Community Development Block Grant - Allowable Costs
 Federal CFDA #14.218

Federal Agency: U.S. Department of Housing and Urban Development

Condition: Our review of payroll expenses revealed that the program coordinators' salaries were charged to both the Community Development Block Grant and an additional federal program without having activity reports or equivalent documentation to support the distribution of their salaries. Additionally, the program coordinators' assistants work solely on the Community Development Block Grant but their salaries are not supported by the required periodic certifications.

BRISTOL TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2012

Criteria: Federal regulations under OMB Cost Circular A-87 dictate that where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards. Additionally, the regulations state that where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification.

Effect: The wages charged to the program were not supported by personnel activity reports or periodic certifications.

Cause: The Township did not maintain the appropriate level of documentation for the charge of wages to the program.

Recommendation: We recommend employees maintain timesheets that break down their time by activity. Salary and wages should then be charged to the programs each pay period based on the actual activity of the employees. Alternatively, estimates or other distribution percentages may be used for interim accounting purposes, provided that the Township create a methodology where, on no less than a quarterly basis, comparisons of actual costs to budgeted distributions based on the timesheets are made, and adjustments are made to the salaries and wages charged to the program to reflect actual activity of the employee. Additionally, if an employee is working solely on this program, a periodic certification, completed no less than semi-annually and signed by the employee and a supervisory official having first-hand knowledge of the work performed by the employee, should be completed.

Management's Response: The Township will put procedures in place to ensure that salaries charged to programs are appropriately supported. For individuals that work exclusively on one program, the Township will maintain periodic certifications on a biannual basis, whereby the employees as well as the supervisory official will sign the statement indicating that the respective employee performed work exclusively for the program. These certifications will be maintained on file to support the charges to the program. For individuals that are charged to multiple programs, a time tracking system will be put in place to ensure that the salaries charged to the specific programs are appropriately supported.

**12-02 Community Development Block Grant - Reporting
Federal CFDA #14.21**

Federal Agency: U.S. Department of Housing and Urban Development

Condition: Our review of the Consolidated Annual Performance and Evaluation Report (CAPER) revealed that the Township did not properly complete the report. The PR26-CDBG was not correctly prepared and the amounts reported in the other sections of the CAPER which disclose various financial data could not be reconciled to the PR26.

Criteria: Federal regulations dictate that reports should be accurately completed.

Effect: The Township did not properly complete the Consolidated Annual Performance and Evaluation Report.

Cause: Based upon review with management, in prior years the Township hired a consultant to assist staff in completing the CAPER. In the current year, the consultant was not available and internal staff lacked the experience to complete the report.

BRISTOL TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2012

Recommendation: The Township should implement procedures to ensure that accurate reports can be prepared and submitted.

Management's Response: The Township has met with HUD and submitted a corrected PR-26 with reconciled financial data for 2012 and has put new systems in place to insure that all future reports will be properly completed.

BRISTOL TOWNSHIP
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2012

Findings - Financial Statements Audit

2011-1 Failure to Follow Township Procurement Regulations

Description of Finding: The Township failed to properly procure contracted services and did not receive full Township Council approval for funds spent from the Township's Economic Development Fund in accordance with Township regulations.

Current Status: As a result of the prior year finding, the Township Manager has initiated stricter controls and oversight over procurement policies. During our audit, we did not note any contracts which were not properly approved or that did not adhere to Township regulations.