

BRISTOL TOWNSHIP
ANNUAL FINANCIAL REPORT
Year Ended December 31, 2013



Certified Public Accountants and Business Consultants

INTRODUCTORY SECTION

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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, 2013, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2013, 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

Accounting principles generally accepted in the United States of America require that 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 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bristol Township's basic financial statements. The schedule of expenditures of federal awards, as 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 basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2014, 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 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.

Maillie LLP

Oaks, Pennsylvania
June 9, 2014

BRISTOL TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended December 31, 2013

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, 2013.

FINANCIAL HIGHLIGHTS

- The Township's total net position increased by \$5,143,081 in 2013.
- The General Fund unassigned fund balance at the end of 2013 was \$8,045,050.
- All Township funds ended 2013 with positive fund balances.
- Secured \$8 million for multi-year Highway Improvement Project.
- Used proceeds from the sale of Township water system to prefund 5-7 years of principal and interest payments for infrastructure projects.
- Reduced unfunded liabilities for OPEB by \$10.7 million from 2012.

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.

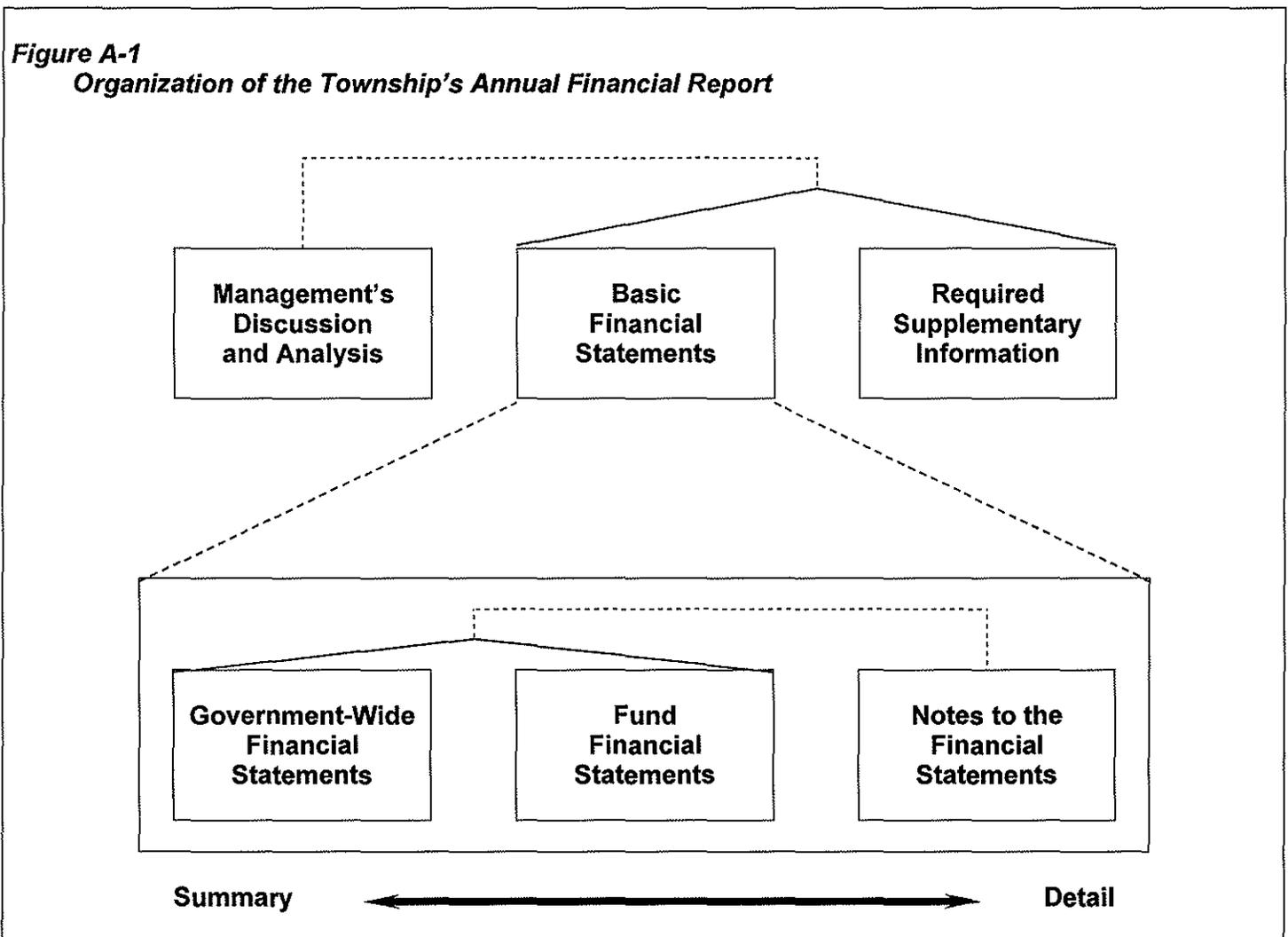
BRISTOL TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended December 31, 2013

- *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.

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



BRISTOL TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended December 31, 2013

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, 2013

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, 2013

- 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, 2013

- *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 \$67,441,896 at December 31, 2013. Of this amount \$29,542,060 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, 2013 and 2012

	Governmental Activities	
	2013	2012
ASSETS		
Capital assets	\$ 29,542,060	\$ 23,299,094
Other assets	37,899,836	24,391,640
TOTAL ASSETS	<u>67,441,896</u>	<u>47,690,734</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	<u>397,024</u>	<u>435,623</u>
LIABILITIES		
Other liabilities	2,697,141	2,230,328
Long-term liabilities	57,777,813	43,551,369
TOTAL LIABILITIES	<u>60,474,954</u>	<u>45,781,697</u>
NET POSITION		
Net investment in capital assets	12,955,621	17,035,221
Restricted net position	1,227,326	290,346
Unrestricted net position	<u>(6,818,981)</u>	<u>(14,980,907)</u>
TOTAL NET POSITION	<u>\$ 7,363,966</u>	<u>\$ 2,344,660</u>

<u>Business-Type Activities</u>		<u>Total Primary Government</u>		<u>Total Percentage Change</u>
<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	
\$ 13,735,962	\$ 12,684,610	\$ 43,278,022	\$ 35,983,704	20.3%
6,715,034	7,060,655	44,614,870	31,452,295	41.8%
<u>20,450,996</u>	<u>19,745,265</u>	<u>87,892,892</u>	<u>67,435,999</u>	30.3%
-	-	397,024	435,623	-8.9%
1,285,659	621,259	3,982,800	2,851,587	39.7%
9,181,528	9,263,972	66,959,341	52,815,341	26.8%
<u>10,467,187</u>	<u>9,885,231</u>	<u>70,942,141</u>	<u>55,666,928</u>	27.4%
4,563,800	3,436,408	17,519,421	20,471,629	-14.4%
75,654	79,700	1,302,980	370,046	252.1%
<u>5,344,355</u>	<u>6,343,926</u>	<u>(1,474,626)</u>	<u>(8,636,981)</u>	-82.9%
<u>\$ 9,983,809</u>	<u>\$ 9,860,034</u>	<u>\$ 17,347,775</u>	<u>\$ 12,204,694</u>	42.1%

BRISTOL TOWNSHIP**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)***Year Ended December 31, 2013*

The following statement of activities represents changes in net position for the year ended December 31, 2013. 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, 2013 and 2012

	Governmental Activities	
	2013	2012
REVENUES		
Program revenues		
Charges for services	\$ 4,608,449	\$ 4,235,039
Operating grants and contributions	3,271,434	3,163,220
Capital grants and contributions	920,680	1,204,399
General revenues		
Real estate taxes	16,848,232	16,446,145
Earned income taxes	6,204,734	6,115,518
Per capita taxes	99,078	105,080
Mercantile taxes	581,015	558,614
Mechanical devices taxes	52,658	53,090
Local service taxes	795,260	747,897
Amusement taxes	5,264	4,460
In lieu of taxes	57,365	44,456
Unrestricted investment earnings	82,506	16,739
Transfers	3,847,013	(3,928)
Sale of water facilities	-	-
Miscellaneous	245,225	320,475
TOTAL REVENUES	37,618,913	33,011,204
EXPENSES		
General government	2,589,718	3,074,955
Public safety	18,762,161	20,917,270
Public works, highways and streets	3,663,894	5,086,355
Community development	611,743	1,529,203
Culture and recreation	426,355	554,406
Sanitation	5,368,895	5,319,723
Interest on long-term debt	1,176,841	1,024,075
Sewer Fund	-	-
Water Fund	-	-
TOTAL EXPENSES	32,599,607	37,505,987
CHANGE IN NET POSITION	5,019,306	(4,494,783)
NET POSITION AT BEGINNING OF YEAR	2,344,660	6,839,443
NET POSITION AT END OF YEAR	\$ 7,363,966	\$ 2,344,660

<u>Business-Type Activities</u>		<u>Total Primary Government</u>		<u>Total</u>
<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>Percentage</u>
				<u>Change</u>
\$ 5,311,484	\$ 5,477,444	\$ 9,919,933	\$ 9,712,483	2.1%
-	-	3,271,434	3,163,220	3.4%
485,000	29,482	1,405,680	1,233,881	13.9%
-	-	16,848,232	16,446,145	2.4%
-	-	6,204,734	6,115,518	1.5%
-	-	99,078	105,080	-5.7%
-	-	581,015	558,614	4.0%
-	-	52,658	53,090	-0.8%
-	-	795,260	747,897	6.3%
-	-	5,264	4,460	18.0%
-	-	57,365	44,456	29.0%
9,108	8,016	91,614	24,755	270.1%
(3,847,013)	3,928	-	-	0.0%
2,497,462	-	2,497,462	-	0.0%
84,399	266,043	329,624	586,518	-43.8%
<u>4,540,440</u>	<u>5,784,913</u>	<u>42,159,353</u>	<u>38,796,117</u>	8.7%
-	-	2,589,718	3,074,955	-15.8%
-	-	18,762,161	20,917,270	-10.3%
-	-	3,663,894	5,086,355	-28.0%
-	-	611,743	1,529,203	-60.0%
-	-	426,355	554,406	-23.1%
-	-	5,368,895	5,319,723	0.9%
-	-	1,176,841	1,024,075	14.9%
4,059,606	3,571,906	4,059,606	3,571,906	13.7%
357,059	822,804	357,059	822,804	-56.6%
<u>4,416,665</u>	<u>4,394,710</u>	<u>37,016,272</u>	<u>41,900,697</u>	-11.7%
123,775	1,390,203	5,143,081	(3,104,580)	-265.7%
<u>9,860,034</u>	<u>8,469,831</u>	<u>12,204,694</u>	<u>15,309,274</u>	-20.3%
\$ <u>9,983,809</u>	\$ <u>9,860,034</u>	\$ <u>17,347,775</u>	\$ <u>12,204,694</u>	42.1%

BRISTOL TOWNSHIP**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)***Year Ended December 31, 2013***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 2013, real estate taxes brought in \$16,848,232 and earned income taxes brought in \$6,204,734.

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	\$ 2,589,718	\$ 1,715,442
Public safety	18,762,161	(16,281,817)
Public works, highways and streets	3,663,894	(2,504,938)
Community development	611,743	121,325
Culture and recreation	426,355	(358,958)
Sanitation	5,368,895	(5,313,257)
Interest on long-term debt	1,176,841	(1,176,841)
Sewer Fund	4,059,606	1,281,083
Water Fund	357,059	98,736
	<u>\$ 37,016,272</u>	<u>\$ (22,419,225)</u>

The Township relied on real estate taxes, earned income taxes and other general revenues to fund 74% of its governmental and business-type activities in 2013.

BRISTOL TOWNSHIP**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)***Year Ended December 31, 2013***Capital Assets**

The Township's investment in capital assets at December 31, 2013, net of accumulated depreciation, was \$43,278,022. Capital assets consist primarily of land, buildings and equipment. The following is a summary of capital assets at December 31, 2013.

Table A-6
Capital Assets

	Governmental Activities	
	2013	2012
Land	\$ 1,580,081	\$ 1,580,081
Construction in progress	3,974,718	1,237,103
Agricultural easement/intangibles	431,125	431,125
Buildings	3,881,639	3,881,639
Improvements	1,846,684	1,721,012
Equipment	6,059,955	5,651,872
Infrastructure	59,165,328	54,645,782
Water lines	-	-
Tanks	-	-
Pump stations	-	-
Collection system	-	-
Accumulated depreciation	<u>(47,397,470)</u>	<u>(45,849,520)</u>
CAPITAL ASSETS, net	<u>\$ 29,542,060</u>	<u>\$ 23,299,094</u>

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

<u>Business-Type Activities</u>		<u>Total Primary Government</u>		<u>Total</u>
<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>Percentage</u>
				<u>Change</u>
\$ 140,000	\$ 140,000	\$ 1,720,081	\$ 1,720,081	0.0%
11,824,210	9,873,315	15,798,928	11,110,418	42.2%
-	-	431,125	431,125	0.0%
1,288,943	1,288,943	5,170,582	5,170,582	0.0%
10,570	10,570	1,857,254	1,731,582	7.3%
4,100,322	4,100,322	10,160,277	9,752,194	4.2%
-	-	59,165,328	54,645,782	8.3%
-	2,601,519	-	2,601,519	-100.0%
1,964,174	1,964,174	1,964,174	1,964,174	0.0%
1,056,207	1,056,207	1,056,207	1,056,207	0.0%
5,534,083	5,383,142	5,534,083	5,383,142	2.8%
<u>(12,182,547)</u>	<u>(13,733,582)</u>	<u>(59,580,017)</u>	<u>(59,583,102)</u>	0.0%
<u>\$ 13,735,962</u>	<u>\$ 12,684,610</u>	<u>\$ 43,278,022</u>	<u>\$ 35,983,704</u>	20.3%

BRISTOL TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended December 31, 2013

Debt Administration

At December 31, 2013, the Township had \$66,947,113 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, 2013:

Table A-7
Statement of Long-Term Debt

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bonds	\$ 19,340,000	\$ 10,080,000	\$ (695,000)	\$ 28,725,000
Notes payable	7,342,671	-	-	7,342,671
Compensated absences	3,172,971	295,773	(530,488)	2,938,256
Capital leases	205,463	2,107,879	(791,496)	1,521,846
Liability for other postemployment benefits	<u>22,739,672</u>	<u>5,236,637</u>	<u>(1,558,094)</u>	<u>26,418,215</u>
TOTAL LONG-TERM DEBT	\$ <u>52,800,777</u>	\$ <u>17,720,289</u>	\$ <u>(3,575,078)</u>	\$ <u>66,945,988</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, 2013***Governmental Funds Revenues**

Governmental Funds revenues by sources are as follows:

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

	<u>2013</u>	<u>2012</u>	<u>Changes</u>
REVENUES			
Taxes	\$ 24,647,312	\$ 23,911,070	\$ 736,242
Licenses, fees and permits	3,019,988	2,501,526	518,462
Charges for services	1,247,681	1,373,853	(126,172)
Court costs, fines and forfeits	246,801	268,959	(22,158)
Intergovernmental	4,277,856	4,502,776	(224,920)
Interest	82,506	16,739	65,767
Other and reimbursed expenditures	310,827	320,475	(9,648)
OTHER FINANCING SOURCES			
Issuance of debt	10,080,000	-	10,080,000
Capital lease proceeds	2,107,879	-	2,107,879
Operating transfers in	<u>7,237,042</u>	<u>263,928</u>	<u>6,973,114</u>
TOTAL	\$ <u>53,257,892</u>	\$ <u>33,159,326</u>	\$ <u>20,098,566</u>

Tax revenues increased in 2013 due to modest across the board collection increases plus an almost doubling in the collections for real estate transfer tax and mechanical devices tax. Revenues from licenses, fees and permits increased mainly on the strength of better collection results on fees resulting in a smaller provision for doubtful accounts plus a marked increase in building and other construction permits and land development fees.

Court costs, fines and forfeits went down due to a sharp decrease in state police fines. Intergovernmental decreased due to significantly reduced funding for community development, the first time home buyer fund and a small decrease in highway aid. Interest increased significantly because of a good cash position maintained by the township during the year.

Increase in the issuance of debt was for the implementation of the Township milling and paving program which started in fiscal 2013 and will continue throughout 2014. The increase in proceeds from the capital lease is for the installation of energy efficient LED street light fixtures. Operating transfers in reflect the Township's commitment to prefunding the debt incurred for the above mentioned milling and paving program. These payments represent 5-7 years of principal and interest. Operating transfers in also reflect proceeds transferred into the general, debt and capital funds from the proceeds realized from the sale of the Township's sale of its water system.

BRISTOL TOWNSHIP**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)***Year Ended December 31, 2013***Governmental Funds Expenditures**

Governmental Funds expenditures by function are as follows:

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

	<u>2013</u>	<u>2012</u>	<u>Changes</u>
EXPENDITURES			
General government	\$ 3,379,225	\$ 3,538,529	\$ (159,304)
Public safety	14,706,491	15,396,502	(690,011)
Public works, highways and streets	9,603,964	3,751,564	5,852,400
Community development	641,343	1,688,637	(1,047,294)
Sanitation	5,368,895	5,319,723	49,172
Culture and recreation	523,091	504,469	18,622
Debt service			
Principal	1,450,964	664,137	786,827
Interest	1,107,342	999,976	107,366
OTHER FINANCING USES			
Operating transfers out	<u>3,390,029</u>	<u>267,856</u>	<u>3,122,173</u>
TOTAL	<u>\$ 40,171,344</u>	<u>\$ 32,131,393</u>	<u>\$ 8,039,951</u>

Decrease in total expenditures in 2013 for general government and public safety are associated with a reduction in workforce by attrition in addition to continued efficiencies. The decrease in community development is reflective of the decreased amounts available for funding such expenditures. The increase in public works expenditures is primarily due to the Township's implementation of its 2013 milling and paving program. Increase in debt service is reflective of payments being made on the increased debt level used to fund the aforementioned milling and paving project and other infrastructure projects.

Increases in operating transfers out are the mirror of operating transfers in net of transfers into the governmental fund from the proprietary funds. These transfers represent the township prefunding incurred debt and infrastructure projects.

BRISTOL TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended December 31, 2013

Governmental Fund Balances

Ending fund balances for Governmental Funds and Net Position for Proprietary Funds at December 31, 2013, 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	\$ 8,122,281	\$ -
Refuse Fund	1,551,337	-
Debt Service Fund	4,655,632	-
Capital Reserve Fund	7,014,403	-
Other Governmental Funds	2,981,791	-
Sewer Fund	-	9,983,809
	<u>\$ 24,325,444</u>	<u>\$ 9,983,809</u>

BUDGETARY HIGHLIGHTS

Total General Fund revenues came in \$2,228,095 over projections due to better than expected collections for delinquent taxes, real estate transfer taxes, EIT, building permits, collections on delinquent accounts, zoning and land development fees and the one time credits for closing the UDAG account and transfer of proceeds from the sale of the Township's water system.

Total General Fund expenditures were \$1,696,703 under budget. Much of this was achieved by attrition in the workforce, continued efficiencies and the reworking of contracts for contracted services and employee benefits especially on the police side of the budget.

All together, this eliminated the need to balance the budget through reserves.

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 Council and administration has adopted ordinances and policies aimed at creating jobs and expanding the tax base while removing barriers to investment in Bristol Township. These actions to stimulate economic development have had a direct impact on increasing revenues such as the earned income, real estate transfer, local services, and mercantile taxes.

BRISTOL TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended December 31, 2013

NEXT YEAR'S BUDGET

The Township was able to support its operation with no tax increase in 2014 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, 2013

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
ASSETS			
Cash and equivalents	\$ 23,783,978	\$ 5,749,106	\$ 29,533,084
Restricted cash	128,051	75,654	203,705
Receivables			
Accounts, net	563,256	505,044	1,068,300
Taxes, net	2,637,311	-	2,637,311
Internal balances	(1,961)	1,961	-
Due from other governmental agencies	754,690	188,182	942,872
Other assets	77,231	195,087	272,318
Net pension asset	9,957,280	-	9,957,280
Capital assets			
Capital assets, not being depreciated	5,985,924	11,964,210	17,950,134
Capital assets, net of accumulated depreciation	23,556,136	1,771,752	25,327,888
TOTAL ASSETS	<u>67,441,896</u>	<u>20,450,996</u>	<u>87,892,892</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	<u>397,024</u>	<u>-</u>	<u>397,024</u>
LIABILITIES			
Accounts payable and accrued expenses	1,956,242	1,187,192	3,143,434
Accrued liabilities	44,680	-	44,680
Accrued interest payable	285,116	22,813	307,929
Due to other governmental agencies	80,172	-	80,172
Unearned revenues	202,880	-	202,880
Escheat liability	128,051	5,652	133,703
Escrow deposits	-	70,002	70,002
Long-term liabilities			
Portion due or payable within one year			
Bonds payable	1,105,693	90,307	1,196,000
Notes payable	-	803,029	803,029
Capital leases	854,601	-	854,601
Portion due or payable after one year			
Bonds payable	25,792,820	1,736,180	27,529,000
Notes payable	-	6,539,642	6,539,642
Capital leases	667,245	-	667,245
Bond premiums	10,349	3,004	13,353
Compensated absences	2,928,890	9,366	2,938,256
Net OPEB obligation	26,418,215	-	26,418,215
TOTAL LIABILITIES	<u>60,474,954</u>	<u>10,467,187</u>	<u>70,942,141</u>
NET POSITION			
Net investment in capital assets	12,955,621	4,563,800	17,519,421
Restricted	1,227,326	75,654	1,302,980
Unrestricted	<u>(6,818,981)</u>	<u>5,344,355</u>	<u>(1,474,626)</u>
TOTAL NET POSITION	<u>\$ 7,363,966</u>	<u>\$ 9,983,809</u>	<u>\$ 17,347,775</u>

See accompanying notes to the basic financial statements.

BRISTOL TOWNSHIP
STATEMENT OF ACTIVITIES
Year Ended December 31, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General government	\$ 2,589,718	\$ 3,364,275	\$ 940,885	\$ -
Public safety	18,762,161	1,153,837	603,127	723,380
Public works	3,663,894	-	1,158,956	-
Sanitation	5,368,895	511	55,127	-
Culture and recreation	426,355	67,397	-	-
Community development	611,743	22,429	513,339	197,300
Interest on long-term debt	1,176,841	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	32,599,607	4,608,449	3,271,434	920,680
BUSINESS-TYPE ACTIVITIES				
Sewer Fund	4,059,606	4,855,689	-	485,000
Water Fund	357,059	455,795	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	4,416,665	5,311,484	-	485,000
TOTAL TOWNSHIP ACTIVITIES	\$ 37,016,272	\$ 9,919,933	\$ 3,271,434	\$ 1,405,680

GENERAL REVENUES

Taxes

Property taxes

Earned income tax

Local services tax

Real estate transfer tax

Per capita tax

Mercantile tax

Mechanical devices tax

Amusement tax

In lieu of taxes

Unrestricted investment earnings

Sale of water utilities

Miscellaneous

TRANSFERS

TOTAL GENERAL REVENUES AND TRANSFERS

CHANGE IN NET POSITION

NET POSITION AT BEGINNING OF YEAR

NET POSITION AT END OF YEAR

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
\$ 1,715,442	\$ -	\$ 1,715,442
(16,281,817)	-	(16,281,817)
(2,504,938)	-	(2,504,938)
(5,313,257)	-	(5,313,257)
(358,958)	-	(358,958)
121,325	-	121,325
<u>(1,176,841)</u>	<u>-</u>	<u>(1,176,841)</u>
 <u>(23,799,044)</u>	 <u>-</u>	 <u>(23,799,044)</u>
 -	1,281,083	1,281,083
<u>-</u>	<u>98,736</u>	<u>98,736</u>
 -	1,379,819	1,379,819
 <u>(23,799,044)</u>	 <u>1,379,819</u>	 <u>(22,419,225)</u>
 16,009,117	-	16,009,117
6,204,734	-	6,204,734
795,260	-	795,260
839,115	-	839,115
99,078	-	99,078
581,015	-	581,015
52,658	-	52,658
5,264	-	5,264
57,365	-	57,365
82,506	9,108	91,614
-	2,497,462	2,497,462
245,225	84,399	329,624
<u>3,847,013</u>	<u>(3,847,013)</u>	<u>-</u>
<u>28,818,350</u>	<u>(1,256,044)</u>	<u>27,562,306</u>
 5,019,306	123,775	5,143,081
 <u>2,344,660</u>	 <u>9,860,034</u>	 <u>12,204,694</u>
 <u>\$ 7,363,966</u>	 <u>\$ 9,983,809</u>	 <u>\$ 17,347,775</u>

BRISTOL TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2013

	<u>General Fund</u>	<u>Capital Reserve Fund</u>
ASSETS		
Cash and cash equivalents	\$ 6,825,448	\$ 7,904,904
Cash, restricted	128,051	-
Accounts receivable	398,268	-
Taxes receivable, net	1,963,510	-
Due from other funds	99,947	-
Due from other governments	-	-
Prepaid expenses	<u>77,231</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 9,492,455</u>	<u>\$ 7,904,904</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ 429,726	\$ 890,501
Due to other funds	7,251	-
Due to other governments	80,172	-
Unearned revenue	135,309	-
Accrued expenses	44,680	-
Escheat liability	<u>128,051</u>	<u>-</u>
TOTAL LIABILITIES	<u>825,189</u>	<u>890,501</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenues, property taxes	<u>544,985</u>	<u>-</u>
FUND BALANCES		
Nonspendable, prepaid expenses	77,231	-
Restricted		
Communications	-	-
Law enforcement	-	-
Road repairs	-	-
Community development	-	-
Public safety	-	-
Committed		
Capital projects	-	1,813,552
Sanitation	-	-
Parks and recreation	-	-
Street lights	-	-
Public safety	-	-
Debt service	-	-
Blighted properties	-	-
Assigned		
Sanitation	-	-
Capital projects	-	5,200,851
Unassigned	<u>8,045,050</u>	<u>-</u>
TOTAL FUND BALANCES	<u>8,122,281</u>	<u>7,014,403</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 9,492,455</u>	<u>\$ 7,904,904</u>

See accompanying notes to the basic financial statements.

<u>Refuse Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,970,866	\$ 4,654,034	\$ 2,428,726	\$ 23,783,978
-	-	-	128,051
28,051	-	38,650	464,969
445,809	75,707	152,285	2,637,311
40	-	5,734	105,721
-	-	852,977	852,977
-	-	-	77,231
<u>\$ 2,444,766</u>	<u>\$ 4,729,741</u>	<u>\$ 3,478,372</u>	<u>\$ 28,050,238</u>
\$ 429,677	\$ 33	\$ 206,305	\$ 1,956,242
-	-	100,431	107,682
-	-	-	80,172
26,840	-	40,731	202,880
-	-	-	44,680
-	-	-	128,051
<u>456,517</u>	<u>33</u>	<u>347,467</u>	<u>2,519,707</u>
<u>436,912</u>	<u>74,076</u>	<u>149,114</u>	<u>1,205,087</u>
-	-	-	77,231
-	-	47,343	47,343
-	-	114,032	114,032
-	-	958,021	958,021
-	-	27,669	27,669
-	-	80,261	80,261
-	-	58,549	1,872,101
980,224	-	-	980,224
-	-	480,775	480,775
-	-	1,080,772	1,080,772
-	-	66,434	66,434
-	4,655,632	-	4,655,632
-	-	68,005	68,005
571,113	-	-	571,113
-	-	-	5,200,851
-	-	(70)	8,044,980
<u>1,551,337</u>	<u>4,655,632</u>	<u>2,981,791</u>	<u>24,325,444</u>
<u>\$ 2,444,766</u>	<u>\$ 4,729,741</u>	<u>\$ 3,478,372</u>	<u>\$ 28,050,238</u>

BRISTOL TOWNSHIP**RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES***December 31, 2013*

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 24,325,444
 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	3,974,718
Buildings	3,881,639
Improvements	1,846,684
Equipment	6,059,955
Infrastructure	59,165,328
Accumulated depreciation	(47,397,470)
 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	397,024
 The net pension asset is not an available resource and, therefore, is not reported in the funds.	
	9,957,280
 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	(285,116)
Bonds payable	(26,898,513)
Capital leases	(1,521,846)
Bond premiums	(10,349)
Compensated absences	(2,928,890)
Net OPEB obligation	(26,418,215)
 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.	
	<u>1,205,087</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 7,363,966</u>

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, 2013

	General Fund	Capital Reserve Fund
	<u> </u>	<u> </u>
REVENUES		
Taxes		
Property	\$ 7,555,488	\$ -
Transfer	839,115	-
Earned income	6,204,734	-
Other	1,533,275	-
Fees and fines	246,801	-
Licenses and permits	3,019,988	-
Intergovernmental	1,117,486	-
Charges for services	718,462	-
Investment income and rent	67,946	6,632
Miscellaneous	238,800	62,602
	<u>21,542,095</u>	<u>69,234</u>
TOTAL REVENUES	<u>21,542,095</u>	<u>69,234</u>
EXPENDITURES		
Current		
General government	2,774,800	505,865
Public safety	12,559,142	-
Public works	1,565,222	4,947,169
Community development	-	-
Sanitation	-	-
Culture and recreation	-	-
Debt service		
Principal	175,000	40,320
Interest and other charges	753,480	-
	<u>17,827,644</u>	<u>5,493,354</u>
TOTAL EXPENDITURES	<u>17,827,644</u>	<u>5,493,354</u>
EXCESS (DEFICIENCY) OF REVENUES		
OVER EXPENDITURES	<u>3,714,451</u>	<u>(5,424,120)</u>
OTHER FINANCING SOURCES (USES)		
Proceeds from long-term debt, net	-	10,000,000
Proceeds from capital leases	-	-
Transfers in	1,060,068	1,389,997
Transfers out	(2,651,495)	-
	<u>(1,591,427)</u>	<u>11,389,997</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,591,427)</u>	<u>11,389,997</u>
NET CHANGE IN FUND BALANCES	2,123,024	5,965,877
FUND BALANCES AT BEGINNING OF YEAR	<u>5,999,257</u>	<u>1,048,526</u>
FUND BALANCES AT END OF YEAR	<u>\$ 8,122,281</u>	<u>\$ 7,014,403</u>

See accompanying notes to the basic financial statements.

Refuse Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ 5,540,560	\$ 1,026,953	\$ 1,947,187	\$ 16,070,188
-	-	-	839,115
-	-	-	6,204,734
-	-	-	1,533,275
-	-	-	246,801
-	-	-	3,019,988
55,127	-	3,105,243	4,277,856
511	-	528,708	1,247,681
2,458	2,311	3,159	82,506
-	-	9,425	310,827
<u>5,598,656</u>	<u>1,029,264</u>	<u>5,593,722</u>	<u>33,832,971</u>
-	1,040	97,520	3,379,225
-	-	2,147,349	14,706,491
-	-	3,091,573	9,603,964
-	-	641,343	641,343
5,368,895	-	-	5,368,895
-	-	523,091	523,091
-	649,611	586,033	1,450,964
-	341,178	12,684	1,107,342
<u>5,368,895</u>	<u>991,829</u>	<u>7,099,593</u>	<u>36,781,315</u>
<u>229,761</u>	<u>37,435</u>	<u>(1,505,871)</u>	<u>(2,948,344)</u>
-	-	80,000	10,080,000
-	-	2,107,879	2,107,879
-	3,961,977	825,000	7,237,042
(55,000)	-	(683,534)	(3,390,029)
<u>(55,000)</u>	<u>3,961,977</u>	<u>2,329,345</u>	<u>16,034,892</u>
174,761	3,999,412	823,474	13,086,548
<u>1,376,576</u>	<u>656,220</u>	<u>2,158,317</u>	<u>11,238,896</u>
\$ <u>1,551,337</u>	\$ <u>4,655,632</u>	\$ <u>2,981,791</u>	\$ <u>24,325,444</u>

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, 2013

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 13,086,548
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 capital outlays (\$8,068,158) exceed depreciation (\$1,825,192) in the current period.	6,242,966
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 decreased by this amount this year.	(61,071)
The issuance of long-term debt provides current financial resources to Governmental Funds, while the repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position. This amount is the net effect of these differences in the treatment of long-term debt.	(10,777,235)
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	8,397
Increase in the net pension asset	7,509
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).	228,311
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>(3,678,543)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 5,019,306</u>

See accompanying notes to the basic financial statements.

BRISTOL TOWNSHIP
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2013

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 921	\$ 5,748,185	\$ 5,749,106
Restricted cash	-	75,654	75,654
Accounts receivable, net	-	505,044	505,044
Due from other funds	-	1,961	1,961
Due from other governments	-	188,182	188,182
Prepaid expenses and other assets	-	195,087	195,087
	<u>921</u>	<u>6,714,113</u>	<u>6,715,034</u>
TOTAL CURRENT ASSETS			
CAPITAL ASSETS			
Not being depreciated	-	11,964,210	11,964,210
Being depreciated, net	-	1,771,752	1,771,752
	<u>-</u>	<u>13,735,962</u>	<u>13,735,962</u>
TOTAL CAPITAL ASSETS			
	<u>921</u>	<u>20,450,075</u>	<u>20,450,996</u>
TOTAL ASSETS			
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	921	1,186,271	1,187,192
Accrued interest payable	-	22,813	22,813
Escheat liability	-	5,652	5,652
Escrow deposits	-	70,002	70,002
Notes payable	-	803,029	803,029
Bonds payable	-	90,307	90,307
	<u>921</u>	<u>2,178,074</u>	<u>2,178,995</u>
TOTAL CURRENT LIABILITIES			
NONCURRENT LIABILITIES			
Compensated absences	-	9,366	9,366
Notes payable	-	6,539,642	6,539,642
Bonds payable	-	1,736,180	1,736,180
Bond premiums	-	3,004	3,004
	<u>-</u>	<u>8,288,192</u>	<u>8,288,192</u>
TOTAL NONCURRENT LIABILITIES			
	<u>921</u>	<u>10,466,266</u>	<u>10,467,187</u>
TOTAL LIABILITIES			
NET POSITION			
Net investment in capital assets	-	4,563,800	4,563,800
Restricted	-	75,654	75,654
Unrestricted	-	5,344,355	5,344,355
	<u>-</u>	<u>9,983,809</u>	<u>9,983,809</u>
TOTAL NET POSITION			
	<u>\$ -</u>	<u>\$ 9,983,809</u>	<u>\$ 9,983,809</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, 2013

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
OPERATING REVENUES			
Charges for services	\$ 455,795	\$ 4,521,603	\$ 4,977,398
Penalties and interest	-	334,086	334,086
Other revenues	-	84,399	84,399
	<u>455,795</u>	<u>4,940,088</u>	<u>5,395,883</u>
OPERATING EXPENSES			
Administrative	357,059	765,813	1,122,872
Operating	-	2,874,166	2,874,166
Depreciation	-	255,808	255,808
	<u>357,059</u>	<u>3,895,787</u>	<u>4,252,846</u>
OPERATING INCOME			
	<u>98,736</u>	<u>1,044,301</u>	<u>1,143,037</u>
NONOPERATING REVENUES (EXPENSES)			
Interest and investment revenue	1,513	7,595	9,108
Grants and contributions	-	485,000	485,000
Interest expense	-	(163,819)	(163,819)
	<u>1,513</u>	<u>328,776</u>	<u>330,289</u>
INCOME BEFORE TRANSFERS			
	100,249	1,373,077	1,473,326
EXTRAORDINARY ITEMS			
Sale of water utilities	2,497,462	-	2,497,462
TRANSFERS OUT			
	<u>(3,812,013)</u>	<u>(35,000)</u>	<u>(3,847,013)</u>
CHANGE IN NET POSITION			
	(1,214,302)	1,338,077	123,775
NET POSITION AT BEGINNING OF YEAR			
	<u>1,214,302</u>	<u>8,645,732</u>	<u>9,860,034</u>
NET POSITION AT END OF YEAR			
	<u>\$ -</u>	<u>\$ 9,983,809</u>	<u>\$ 9,983,809</u>

See accompanying notes to the basic financial statements.

BRISTOL TOWNSHIP
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended December 31, 2013

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 510,688	\$ 5,553,488	\$ 6,064,176
Payments to employees	-	(382,204)	(382,204)
Payments to suppliers	<u>(414,456)</u>	<u>(2,523,822)</u>	<u>(2,938,278)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>96,232</u>	<u>2,647,462</u>	<u>2,743,694</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	<u>(3,812,013)</u>	<u>(36,961)</u>	<u>(3,848,974)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition, construction and improvements of capital assets	-	(2,101,836)	(2,101,836)
Bond principal repayment	-	(75,852)	(75,852)
Interest paid on bonds	-	(165,019)	(165,019)
Grants and contributions	-	296,818	296,818
Proceeds from sale of water utilities	<u>3,292,138</u>	<u>-</u>	<u>3,292,138</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>3,292,138</u>	<u>(2,045,889)</u>	<u>1,246,249</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Earnings on investments	<u>1,513</u>	<u>7,595</u>	<u>9,108</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(422,130)	572,207	150,077
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>423,051</u>	<u>5,251,632</u>	<u>5,674,683</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 921</u>	<u>\$ 5,823,839</u>	<u>\$ 5,824,760</u>

See accompanying notes to the basic financial statements.

BRISTOL TOWNSHIP
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended December 31, 2013

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 98,736	\$ 1,044,301	\$ 1,143,037
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	-	255,808	255,808
Increase in			
Accounts receivable	54,893	617,446	672,339
Prepaid expenses and other assets	4,289	9,213	13,502
Increase (decrease) in			
Accounts payable	(61,686)	731,144	669,458
Accrued salaries and benefits	-	(6,404)	(6,404)
Escrow deposits	-	(4,046)	(4,046)
	<u> </u>	<u> </u>	<u> </u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ <u>96,232</u>	\$ <u>2,647,462</u>	\$ <u>2,743,694</u>

See accompanying notes to the basic financial statements.

BRISTOL TOWNSHIP
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2013

	<u>Pension Trust Fund</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 671,217	\$ 1,276,719
Investments	44,026,791	-
Receivables	24,712	-
Interest receivable	22,154	-
Prepaid expenses	<u>5,000</u>	<u>-</u>
TOTAL ASSETS	44,749,874	<u><u>\$ 1,276,719</u></u>
LIABILITIES		
Accounts payable	<u>-</u>	<u><u>\$ 1,276,719</u></u>
NET POSITION		
Held in trust for benefits and other purposes	<u><u>\$ 44,749,874</u></u>	

See accompanying notes to the basic financial statements.

BRISTOL TOWNSHIP**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION****FIDUCIARY FUNDS***Year Ended December 31, 2013*

	<u>Pension Trust Fund</u>
ADDITIONS	
Contributions	
Employer	\$ 766,984
Plan members	308,593
State	520,504
TOTAL CONTRIBUTIONS	<u>1,596,081</u>
Investment income	
Net increase in fair value of investments	5,161,598
Dividends	1,249,897
Investment activity expense	(103,042)
INVESTMENT INCOME, net	<u>6,308,453</u>
TOTAL ADDITIONS	<u>7,904,534</u>
DEDUCTIONS	
Benefits paid	2,844,988
Members' contributions refunded	136,021
Administrative expenses	12,100
TOTAL DEDUCTIONS	<u>2,993,109</u>
CHANGE IN NET POSITION	4,911,425
NET POSITION AT BEGINNING OF YEAR	<u>39,838,449</u>
NET POSITION AT END OF YEAR	<u>\$ 44,749,874</u>

See accompanying notes to the basic financial statements.

BRISTOL TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

NOTE A NATURE OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

The Township of Bristol (the "Township") operates under the Home Rule Charter and Optional Plans Law as codified at Pa. C. S. Sub-Section 2901 et seq. The residents of Bristol Township have elected to be governed pursuant to the Optional Plan of Government designated as the Council-Manager plan. This plan was adopted January 2, 2012, and consists of seven council members and a township manager.

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.

BRISTOL TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

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.

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 measurable 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.

BRISTOL TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

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.
- The *Debt Service Fund* accounts for expenditures related to the payment of long-term debt expenses.

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 water system was sold in July 2013.
- 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 Fund 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.

BRISTOL TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

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.

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, 2013, the General Fund restricted cash balance of \$128,051 represents funds to be escheated to the state. The Sewer Fund restricted cash balance of \$75,654 represents \$70,002 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.

BRISTOL TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

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.

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 \$63,427, respectively. Accounts receivable for business-type activities have been reported net of an allowance for doubtful accounts of \$1,751,188. 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*.

BRISTOL TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

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.

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.

BRISTOL TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

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.

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.

BRISTOL TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

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 2013 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. The Township Manager prepares the proposed budget to Council no later than November 15 of the year before which the budget shall apply.
2. After the Township Manager's recommended budget message is given to Council and after the completion of changes directed by Council, if any, Council shall cause to be published in one or more newspapers of general circulation within the Township:
 - a. The proposed budgets or the times and places where copies of the proposed budgets shall be available for inspection.
 - b. Notice of a public meeting, with the date, time and place specified, at which said budgets will be considered by Council, which meeting shall constitute the first reading of the budgets and shall take place during the month of November prior to the fiscal year within which such budgets shall apply. At such public meeting, the public shall be afforded the opportunity to comment.
3. After the 20-day inspection period but prior to December 31, the Township Council adopts the final budget by enacting an appropriate resolution.

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

Lapsing of Appropriations - Unexpended appropriations lapse at year-end except for bonds, common notes and grant monies.

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.

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.

BRISTOL TOWNSHIP
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- 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 in the Township's primary depository 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). This is evidenced by monthly reports on assets pledged by the depository.

The Township's pension policies pertaining to exposure of credit risk, custodial credit risk, concentration of credit risk, or interest rate risk for deposits and investments are administered by the Township's independent consulting and asset management firm and approved by Council.

Deposits

The Township's deposits, including both restricted and unrestricted cash, excluding the Pension Trust Fund, at December 31, 2013, were as follows:

	<u>Book Balance</u>	<u>Bank Balance</u>
Governmental Funds	\$ 23,912,029	\$ 24,646,388
Proprietary Funds	5,824,760	5,824,461
Agency Funds	<u>1,276,719</u>	<u>1,301,546</u>
	<u>\$ 31,013,508</u>	<u>\$ 31,772,395</u>

BRISTOL TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Investments

The Township's investments at December 31, 2013, were as follows:

Pension Trust Fund

	<u>Cost</u>	<u>Market Value</u>
Fixed income mutual funds	\$ 12,258,957	\$ 12,554,491
Equity mutual funds	<u>26,249,067</u>	<u>31,472,300</u>
	<u>\$ 38,508,024</u>	<u>\$ 44,026,791</u>

As of December 31, 2013, 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>12,554,491</u>	\$ <u>5,872,191</u>	\$ <u>6,682,300</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, 2013, \$790,176 (6.3%), \$4,623,916 (36.8%) and \$2,540,928 (20.2%) of the Police Pension Plan fixed income mutual funds were rated A, BB and B, respectively, by Morningstar and \$4,599,471 (36.7%) of the fixed income mutual funds were unrated. The Police Pension Plan money market funds in the amount of \$671,217, 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.

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, 2013, 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, 2013, \$31,522,395 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, 2013, 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.

BRISTOL TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
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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 April 30; face amount, May through June 30; and 10% penalty after June 30. 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 2013 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during 2013 and expected to be collected within the first 60 days of 2013 are recognized as revenue in 2013. 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 2013 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 \$418,976,930.

BRISTOL TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

NOTE D CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013, was as follows:

Governmental Activities

	Balance January 1, 2013	Increases	Decreases	Balance December 31, 2013
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 1,580,081	\$ -	\$ -	\$ 1,580,081
Intangibles	431,125	-	-	431,125
Construction in progress	1,237,103	3,097,282	(359,667)	3,974,718
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>3,248,309</u>	<u>3,097,282</u>	<u>(359,667)</u>	<u>5,985,924</u>
Capital assets being depreciated				
Buildings	3,881,639	-	-	3,881,639
Improvements	1,721,012	125,672	-	1,846,684
Equipment	5,651,872	685,325	(277,242)	6,059,955
Infrastructure	54,645,782	4,519,546	-	59,165,328
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>65,900,305</u>	<u>5,330,543</u>	<u>(277,242)</u>	<u>70,953,606</u>
Accumulated depreciation				
Buildings	(3,084,459)	(52,421)	-	(3,136,880)
Improvements	(619,918)	(69,108)	-	(689,026)
Equipment	(3,688,169)	(513,097)	277,242	(3,924,024)
Infrastructure	(38,456,974)	(1,190,566)	-	(39,647,540)
TOTAL ACCUMULATED DEPRECIATION	<u>(45,849,520)</u>	<u>(1,825,192)</u>	<u>277,242</u>	<u>(47,397,470)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>20,050,785</u>	<u>3,505,351</u>	<u>-</u>	<u>23,556,136</u>
 GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	 <u>\$ 23,299,094</u>	 <u>\$ 6,602,633</u>	 <u>\$ (359,667)</u>	 <u>\$ 29,542,060</u>

BRISTOL TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

Business-Type Activities

	Balance January 1, 2013	Increases	Decreases	Balance December 31, 2013
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 140,000	\$ -	\$ -	\$ 140,000
Construction in progress	9,873,315	1,950,895	-	11,824,210
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	10,013,315	1,950,895	-	11,964,210
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	10,570	-	-	10,570
Office equipment	101,439	-	-	101,439
Vehicles	297,772	-	-	297,772
Equipment	3,701,111	-	-	3,701,111
Collection system	5,383,142	150,941	-	5,534,083
Water lines	2,601,519	-	(2,601,519)	-
TOTAL CAPITAL ASSETS BEING DEPRECIATED	16,404,877	150,941	(2,601,519)	13,954,299
Accumulated depreciation				
Building	(1,288,943)	-	-	(1,288,943)
Tanks	(1,483,572)	(33,734)	-	(1,517,306)
Pump stations	(817,183)	(11,250)	-	(828,433)
Land improvements	(5,971)	(345)	-	(6,316)
Office equipment	(95,499)	(1,419)	-	(96,918)
Vehicles	(127,817)	(19,995)	-	(147,812)
Equipment	(3,292,731)	(77,037)	-	(3,369,768)
Collection system	(4,815,023)	(112,028)	-	(4,927,051)
Water lines	(1,806,843)	-	1,806,843	-
TOTAL ACCUMULATED DEPRECIATION	(13,733,582)	(255,808)	1,806,843	(12,182,547)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	2,671,295	(104,867)	(794,676)	1,771,752
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	\$ 12,684,610	\$ 1,846,028	\$ (794,676)	\$ 13,735,962

BRISTOL TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Depreciation expense was charged to functions/programs as follows:

GOVERNMENTAL ACTIVITIES	
General government	\$ 160,331
Public safety	252,465
Public works	1,351,704
Culture and recreation	<u>60,692</u>
TOTAL GOVERNMENTAL ACTIVITIES	\$ <u>1,825,192</u>
BUSINESS-TYPE ACTIVITIES	
Sewer Fund	<u>\$ 255,808</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>
GOVERNMENTAL ACTIVITIES	
Bonds payable, General Obligation Bonds	\$ <u>17,437,661</u>
Other liabilities	
Compensated absences	3,157,201
Capital leases	205,463
Other postemployment benefits	<u>22,739,672</u>
TOTAL OTHER LIABILITIES	<u>26,102,336</u>
TOTAL GOVERNMENTAL ACTIVITIES LONG-TERM LIABILITIES	\$ <u>43,539,997</u>
BUSINESS-TYPE ACTIVITIES	
Bonds payable, General Obligation Bonds	\$ <u>1,902,339</u>
Other liabilities	
Notes payable	7,342,671
Compensated absences	15,770
TOTAL OTHER LIABILITIES	<u>7,358,441</u>
TOTAL BUSINESS-TYPE ACTIVITIES LONG-TERM LIABILITIES	\$ <u>9,260,780</u>

<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
\$ <u>10,080,000</u>	\$ <u>(619,148)</u>	\$ <u>26,898,513</u>	\$ <u>1,105,693</u>
294,496	(522,807)	2,928,890	-
2,107,879	(791,496)	1,521,846	854,601
5,236,637	(1,558,094)	26,418,215	-
<u>7,639,012</u>	<u>(2,872,397)</u>	<u>30,868,951</u>	<u>854,601</u>
\$ <u>17,719,012</u>	\$ <u>(3,491,545)</u>	\$ <u>57,767,464</u>	\$ <u>1,960,294</u>
\$ <u>-</u>	\$ <u>(75,852)</u>	\$ <u>1,826,487</u>	\$ <u>90,307</u>
-	-	7,342,671	803,029
1,277	(7,681)	9,366	-
<u>1,277</u>	<u>(7,681)</u>	<u>7,352,037</u>	<u>803,029</u>
\$ <u>1,277</u>	\$ <u>(83,533)</u>	\$ <u>9,178,524</u>	\$ <u>893,336</u>

BRISTOL TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
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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>
2014	\$ 1,105,693	\$ 1,200,941	\$ 2,306,634
2015	1,142,783	1,160,580	2,303,363
2016	1,186,435	1,126,459	2,312,894
2017	1,226,670	1,088,939	2,315,609
2018	1,264,960	1,048,776	2,313,736
2019 to 2023	7,050,265	4,529,392	11,579,657
2024 to 2028	5,667,707	3,200,946	8,868,653
2029 to 2033	4,464,000	2,088,038	6,552,038
2034 to 2038	<u>3,790,000</u>	<u>850,493</u>	<u>4,640,493</u>
	<u>\$ 26,898,513</u>	<u>\$ 16,294,564</u>	<u>\$ 43,193,077</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>
2014	\$ 893,336	\$ 178,523	\$ 1,071,859
2015	472,385	158,467	630,852
2016	470,669	151,293	621,962
2017	467,136	157,701	624,837
2018	448,625	215,954	664,579
2019 to 2023	2,410,123	890,272	3,300,395
2024 to 2028	2,809,373	528,876	3,338,249
2029 to 2033	<u>1,197,511</u>	<u>117,843</u>	<u>1,315,354</u>
	<u>\$ 9,169,158</u>	<u>\$ 2,398,929</u>	<u>\$ 11,568,087</u>

BRISTOL TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

The following is a summary of general obligation debt outstanding:

Year	Amount of Original Issue	Purpose	Balance Outstanding December 31, 2013
2013	\$ 6,000,000	General Obligation Note, Series A, with interest monthly through April 2033, interest rate at 2.411%, principal payments due annually beginning April 25, 2014 through April 25, 2033, for the purpose of road construction and resurfacing, stormwater drainage projects and improvements to the municipal building	\$ 6,000,000
2013	\$ 80,000	General Obligation Note, Series B, with interest monthly through April 2033, interest rate at 2.411%, principal payments due annually beginning April 25, 2014 through April 25, 2020, for the purpose of purchasing an ambulance	80,000
2013	\$ 4,000,000	General Obligation Note, Series C, with interest monthly through April 2033, interest rate at 2.647%, principal payments due annually beginning October 25, 2014 through October 25, 2028, for the purpose of road construction and resurfacing and stormwater drainage projects	4,000,000
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	7,865,000
2008	\$ 11,430,000	Federally taxable General Obligation Bonds, Series of 2008, interest semiannually through September 15, 2038, 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>10,780,000</u>
			<u>\$ 36,067,671</u>

BRISTOL TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

NOTE F OBLIGATION UNDER CAPITAL LEASES

Obligation under capital leases consists of the following leases payable:

- Street lights and monitoring equipment in the amount of \$2,107,579 for the Public Works Department, bearing an interest rate of 3.23%, expiring in November 2018.

The assets acquired through capital leases are as follows:

Equipment	\$ <u>2,107,879</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, 2013, are as follows:

TOTAL MINIMUM LEASE PAYMENTS	\$ 1,610,722
Amount representing interest	<u>(88,876)</u>
TOTAL PRESENT VALUE OF NET MINIMUM LEASE PAYMENTS	1,521,846
Amount due within one year	<u>(899,346)</u>
 LONG-TERM CAPITAL LEASE PAYABLE	 \$ <u>622,500</u>

Future minimum capital lease payments are as follows:

<u>Year Ending December 31,</u>	
2014	\$ 899,346
2015	181,628
2016	181,628
2017	181,628
2018	<u>166,492</u>
	 \$ <u>1,610,722</u>

BRISTOL TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
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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	\$ 99,947	\$ 7,251
Refuse Fund	40	-
Other Governmental Funds	5,734	100,431
PROPRIETARY FUNDS		
Sewer Fund	<u>1,961</u>	<u>-</u>
	<u>\$ 107,682</u>	<u>\$ 107,682</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, 2013

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	\$ 1,060,068	\$ 2,651,495
Capital Reserve Fund	1,389,997	-
Refuse Fund	-	55,000
Debt Service Fund	3,961,977	-
Other Governmental Funds	825,000	683,534
PROPRIETARY FUNDS		
Water Fund	-	3,812,013
Sewer Fund	-	35,000
	<u>\$ 7,237,042</u>	<u>\$ 7,237,042</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, 2013, the Township's expense for treatment services under these agreements was \$1,175,325.

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
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Current memberships in the plan are composed of the following based on the actuarial valuation dated January 1, 2013, the date of the latest actuarial valuation.

Active employees	63
Retirees and beneficiaries currently receiving benefits	67
Terminated employees entitled to benefits but not yet receiving them	2

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, 2013

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 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)
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%
2013	43,737,226	51,565,991	7,828,765	84.8%	5,790,004	135.2%

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, 2013. 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
2011	\$ 1,212,176	76%	\$ 10,133,215
2012	1,516,596	88%	9,949,771
2013	1,279,979	101%	9,957,280

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, 2013
Actuarial cost method	Entry age normal
Asset valuation method.....	120% of market value
Amortization method.....	Level dollar
Remaining amortization period	12 years
Actuarial assumptions	
Investment rate of return	8%
Projected salary increases	6%

BRISTOL TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

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 120% 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, 2013, the Township's net pension asset was as follows:

Annual required contribution (ARC)	\$ 1,287,488
Interest on net pension asset	(795,982)
Adjustment to ARC	788,473
ANNUAL PENSION COST	<u>1,279,979</u>
Contributions made	<u>(1,287,488)</u>
DECREASE IN NET PENSION ASSET	(7,509)
Net pension asset at beginning of year	<u>(9,949,771)</u>
NET PENSION ASSET AT END OF YEAR	<u>\$ (9,957,280)</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 \$1,287,488 for the year ended December 31, 2013, which was funded by the Township through a state aid amount of \$520,504 and Township contributions of \$766,984. The contributions represented 22% of covered payroll. Employee contributions in 2013 totaled \$308,593 or 5% of covered payroll.

Schedule of Contributions from Employer - Six-Year Trend Information

<u>Year Ended</u> <u>December 31,</u>	<u>Annual</u> <u>Required</u> <u>Contribution</u>	<u>Percentage</u> <u>of Annual</u> <u>Required</u> <u>Contribution</u> <u>Contributed</u>
2008	\$ 499,322	100%
2009	543,501	124%
2010	564,367	107%
2011	1,212,176	100%
2012	1,333,152	100%
2013	1,287,488	100%

BRISTOL TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

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 \$112,574 and \$124,754, respectively, during the year ended December 31, 2013.

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 \$6,740,459 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 POST-EMPLOYMENT BENEFIT PLAN

Plan Description

The Township administers a single-employer post-employment 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 police benefits are 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. There is also one Municipal Building retiree who receives post-employment benefits under the benefit plan. 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 2013, the Township contributed \$1,558,094 to the plan for current premiums.

BRISTOL TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

Annual OPEB Cost and Net OPEB Obligation

The Township's annual other post-employment 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 2013 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>
2011	\$ 6,624,214	23.82%	\$ 17,586,126
2012	6,824,109	24.48%	22,739,672
2013	5,236,637	29.75%	26,418,215

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)	\$ 5,782,908
Estimated interest on net OPEB obligation	909,998
Estimated adjustment to ARC	(1,456,269)
ESTIMATED ANNUAL OPEB COSTS	<u>5,236,637</u>
Contributions made	(1,558,094)
ESTIMATED INCREASE IN NET OPEB OBLIGATION	<u>3,678,543</u>
Estimated net OPEB obligation at beginning of year	<u>22,739,672</u>
ESTIMATED NET OPEB OBLIGATION AT END OF YEAR	<u>\$ 26,418,215</u>

Funded Status and Funding Progress

As of January 1, 2013, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$70,420,090 and there were no assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$70,420,090. The covered payroll (annual payroll of active employees covered by the plan) was \$5.8 million and the ratio of the UAAL to the covered payroll was 1216%.

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, 2013 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 10% through 2015, decreasing by 0.5% per year to an ultimate rate of 5%. The actuarial assumptions also include a vision cost trend rate of 9.9% for 2014 and 3.5% per year thereafter, and a dental trend rate of 2.8% for 2014 and 4% per year thereafter. 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, 2013

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 \$ 77,231

Unassigned

Amounts available for any purpose 8,045,050

Capital Reserve Fund

Committed

Amounts committed for capital projects 1,813,552

Assigned

Amounts assigned for capital projects 5,200,851

Refuse Fund

Committed

Amounts committed for refuse collection 980,224

Assigned

Amounts assigned for refuse collection 571,113

Debt Service Fund

Committed

Amounts committed for debt service 4,655,632

Other Governmental Funds

Restricted

Restriction of funds for communications 47,343

Restriction of funds for law enforcement 114,032

Restriction of funds for road repairs 958,021

Restriction of funds for community development 27,669

Restriction of funds for public safety 80,261

Committed

Amounts committed for parks and recreation 480,775

Amounts committed for street light repairs 1,080,772

Amounts committed for public safety 66,434

Amounts committed for capital projects 58,549

Amounts committed for blighted properties 68,005

Unassigned

(70)

\$ 24,325,444

BRISTOL TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

Proprietary Funds

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

Sewer Fund

Amounts invested in capital assets, net of related debt	\$ 4,563,800
Amounts restricted for escrow deposits and escheat liability	75,654
Amounts available for any purpose	<u>5,344,355</u>
	<u>\$ 9,983,809</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>\$ 44,749,874</u>
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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, 2013, the Township paid insurance premiums of \$539,125.

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, 2013.

NOTE Q SUBSEQUENT EVENT

In June 2014, the Township issued General Obligation Bonds, Series A of 2014, for \$13,685,000 to advance refund the outstanding Federally Taxable General Obligation Bonds, Series of 2008, and a portion of the outstanding General Obligation Bonds, Series of 2010. The Township also issued General Obligation Bonds, Series B of 2014, for \$6,820,000 to advance refund a portion of the outstanding General Obligation Bonds, Series of 2010.

REQUIRED SUPPLEMENTARY INFORMATION

BRISTOL TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property	\$ 7,300,422	\$ 7,300,422	\$ 7,555,488	\$ 255,066
Transfer	600,000	600,000	839,115	239,115
Earned income	5,400,000	5,400,000	6,204,734	804,734
Other	1,388,095	1,388,095	1,533,275	145,180
Fees and fines	243,401	243,401	246,801	3,400
Licenses and permits	2,495,500	2,495,500	3,019,988	524,488
Intergovernmental	986,805	986,805	1,117,486	130,681
Charges for services	734,577	734,577	718,462	(16,115)
Investment income and rent	7,300	7,300	67,946	60,646
Miscellaneous	157,900	157,900	238,800	80,900
TOTAL REVENUES	<u>19,314,000</u>	<u>19,314,000</u>	<u>21,542,095</u>	<u>2,228,095</u>
EXPENDITURES				
Current				
General government	3,689,391	3,689,391	2,774,800	914,591
Public safety	12,965,723	12,965,723	12,559,142	406,581
Public works	1,940,753	1,940,753	1,565,222	375,531
Debt service				
Principal	175,000	175,000	175,000	-
Interest and other charges	753,480	753,480	753,480	-
TOTAL EXPENDITURES	<u>19,524,347</u>	<u>19,524,347</u>	<u>17,827,644</u>	<u>1,696,703</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(210,347)</u>	<u>(210,347)</u>	<u>3,714,451</u>	<u>3,924,798</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	3,159,895	3,159,895	1,060,068	(2,099,827)
Transfers out	(2,796,148)	(2,796,148)	(2,651,495)	144,653
TOTAL OTHER FINANCING SOURCES (USES)	<u>363,747</u>	<u>363,747</u>	<u>(1,591,427)</u>	<u>(1,955,174)</u>
NET CHANGE IN FUND BALANCE				
	153,400	153,400	2,123,024	1,969,624
FUND BALANCE AT BEGINNING OF YEAR				
	<u>5,999,257</u>	<u>5,999,257</u>	<u>5,999,257</u>	<u>-</u>
FUND BALANCE AT END OF YEAR				
	<u>\$ 6,152,657</u>	<u>\$ 6,152,657</u>	<u>\$ 8,122,281</u>	<u>\$ 1,969,624</u>

BRISTOL TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
REFUSE FUND
Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 5,367,800	\$ 5,367,800	\$ 5,540,560	\$ 172,760
Intergovernmental	50,000	50,000	55,127	5,127
Charges for services	50,000	50,000	511	(49,489)
Investment income and rent	3,000	3,000	2,458	(542)
TOTAL REVENUES	5,470,800	5,470,800	5,598,656	127,856
EXPENDITURES				
Current, sanitation	5,415,800	5,415,800	5,368,895	46,905
EXCESS OF REVENUES OVER EXPENDITURES	55,000	55,000	229,761	174,761
OTHER FINANCING USES				
Transfers out	(55,000)	(55,000)	(55,000)	-
NET CHANGE IN FUND BALANCE	-	-	174,761	174,761
FUND BALANCE AT BEGINNING OF YEAR	1,376,576	1,376,576	1,376,576	-
FUND BALANCE AT END OF YEAR	\$ 1,376,576	\$ 1,376,576	\$ 1,551,337	\$ 174,761

BRISTOL TOWNSHIP
POSTEMPLOYMENT BENEFITS OTHER THAN
PENSION FUNDING PROGRESS
Year Ended December 31, 2013

<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%
2013	-	70,420,090	70,420,090	0%	5,790,004	1216.2%

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, 2013, and the related notes to the financial statements, which collectively comprise Bristol Township's basic financial statements, and have issued our report thereon dated June 9, 2014.

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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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
June 9, 2014

***Independent Auditors' Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance in Accordance With 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 U.S. Office of Management and Budget (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, 2013. 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, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance with the compliance requirements referred to about that 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 13-01, 13-02 and 13-03. Our opinion on each major federal program is not modified with respect to these matters.

To the Township Council
Bristol Township
Bristol, Pennsylvania

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 as a basis for designing 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 items 13-02 and 13-03 to be a material weaknesses.

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 13-01 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 of compliance, 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
June 9, 2014

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

BRISTOL TOWNSHIP
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2013

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	\$ 468,613
Passed through Pennsylvania Department of Community and Economic Development			
ARRA - Neighborhood Stabilization Program	14.228	C000045718	65,324
Home Investment Partnerships Program	14.239	C000050796	70,884
U.S. DEPARTMENT OF JUSTICE			
Public Safety Partnership and Community Policing Grants - Justice Assistance Grants	16.738	N/A	61,133
ARRA - Edward J. Byrne Memorial Justice Assistance Grant	16.804	N/A	75,573
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	4,381
State and Community Highway Safety - Buckle Up Grant	20.600	N/A	3,159
U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION			
Congressionally Mandated Projects	66.202	N/A	485,000
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed through the Pennsylvania Emergency Management Agency			
Disaster Grants - Public Assistance	97.036	FEMA-4025-DR	<u>127,800</u>
TOTAL FEDERAL AWARDS			<u>\$ 1,361,867</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, 2013

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 2013 threshold for determining Type A and B programs is \$300,000. The following high risk Type A programs were audited as major:

<u>Program</u>	<u>CFDA #</u>
Community Development Block Grant	14.218
Congressionally Mandated Projects	66.202

The amount expended under programs tested as major federal programs for the year ended December 31, 2013, totaled \$953,613 or 70% 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, 2013:

Neighborhood Stabilization Program	\$ 65,324
Home Investment Partnerships Program	<u>70,884</u>
	<u>\$ 136,208</u>

BRISTOL TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2013

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified 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, and one material weakness relating to the Congressionally Mandated Projects grant, are reported in the Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With OMB Circular A-133.
5. The auditors' report on compliance for the major award programs for Bristol Township expresses an unmodified opinion.
6. The programs tested as major programs include:

Program	CFDA
Community Development Block Grant	14.218
Congressionally Mandated Projects	66.202

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

**13-01 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 coordinator and the program coordinators' assistant 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, 2013

Criteria: Federal regulations under OMB Cost Circular A-87 dictate 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 periodic certifications.

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

Recommendation: We recommend that, if an employee is working solely on this program, a periodic certification, completed no less than semiannually 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.

13-02 Community Development Block Grant - Reporting
Federal CFDA #14.218

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.

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

Management's Response: The Township will submit a corrected PR-26 with reconciled financial data for 2013 and will put new systems in place to ensure that all future reports will be properly completed.

BRISTOL TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2013

13-03 Congressionally Mandated Projects - Reporting
Federal CFDA #66.202

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

Condition: Our review of the Townships submission of the EPA Form 5700-52A, "MBE/WBE Utilization Under Federal Grants, Cooperative Agreements and Interagency Agreements" revealed that the Township did not properly complete and/or submit the reports. The report is required to be filed semiannually for periods ending March 31 and September 30, within 30 days of the end of the period. The report for the March 31 deadline was submitted late, in the following July. The report for the September 30 period was not completed or filed.

Criteria: Federal regulations dictate that reports should be accurately completed and submitted by the stipulated deadline.

Effect: The Township did not properly complete the EPA Form 5700-52A, "MBE/WBE Utilization Under Federal Grants, Cooperative Agreements and Interagency Agreements."

Cause: The Township personnel were not aware the report for the period ending March 31 had to be filed, even though there was no activity within that period, resulting in the late submission. Township personnel have not filed the report for the period ending September 30.

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

Management's Response: The Township will implement procedures and put systems in place to ensure future reports are properly completed and submitted in a timely manner.

BRISTOL TOWNSHIP
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2013

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

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

Description of Finding: Our review of payroll expenses revealed that the wages charged to the program were not supported by personnel activity reports or periodic certifications.

Current Status: This finding is still applicable. See the schedule of findings and questioned costs item 13-01.

12-02 Community Development Block Grant - Reporting
Federal CFDA #14.218

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

Description of Finding: 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.

Current Status: This finding is still applicable. See the schedule of findings and questioned costs item 13-02.