

**BRISTOL TOWNSHIP**  
**ANNUAL FINANCIAL REPORT**  
*Year Ended December 31, 2016*



*Certified Public Accountants and Business Consultants*

# **INTRODUCTORY SECTION**

**BRISTOL TOWNSHIP**  
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YEAR ENDED DECEMBER 31, 2016

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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, 2016, 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. 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.

To the Township Council  
Bristol Township  
Bristol, Pennsylvania

### ***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, 2016, 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.

### ***Emphasis of Matter***

For the year ended December 31, 2016, Bristol Township adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*. Our opinion is not modified with respect to these matters.

### ***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 6 through 19, budgetary comparison information on pages 62 and 63, schedule of changes in the net police pension plan liability and related ratios on page 64, schedule of police pension plan contributions on page 65, schedule of police pension plan investment returns on page 66, and postemployment benefits other than pension funding progress on page 67 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 audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

To the Township Council  
Bristol Township  
Bristol, Pennsylvania

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 and state 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 August 9, 2017, 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  
August 9, 2017



# BRISTOL TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2016

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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, 2016.

### FINANCIAL HIGHLIGHTS

- The Township's total net position increased by \$2,960,509 in 2016.
- The General Fund unassigned fund balance at the end of 2016 was \$7,467,680.
- All Township funds ended 2016 with positive fund balances.

### 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

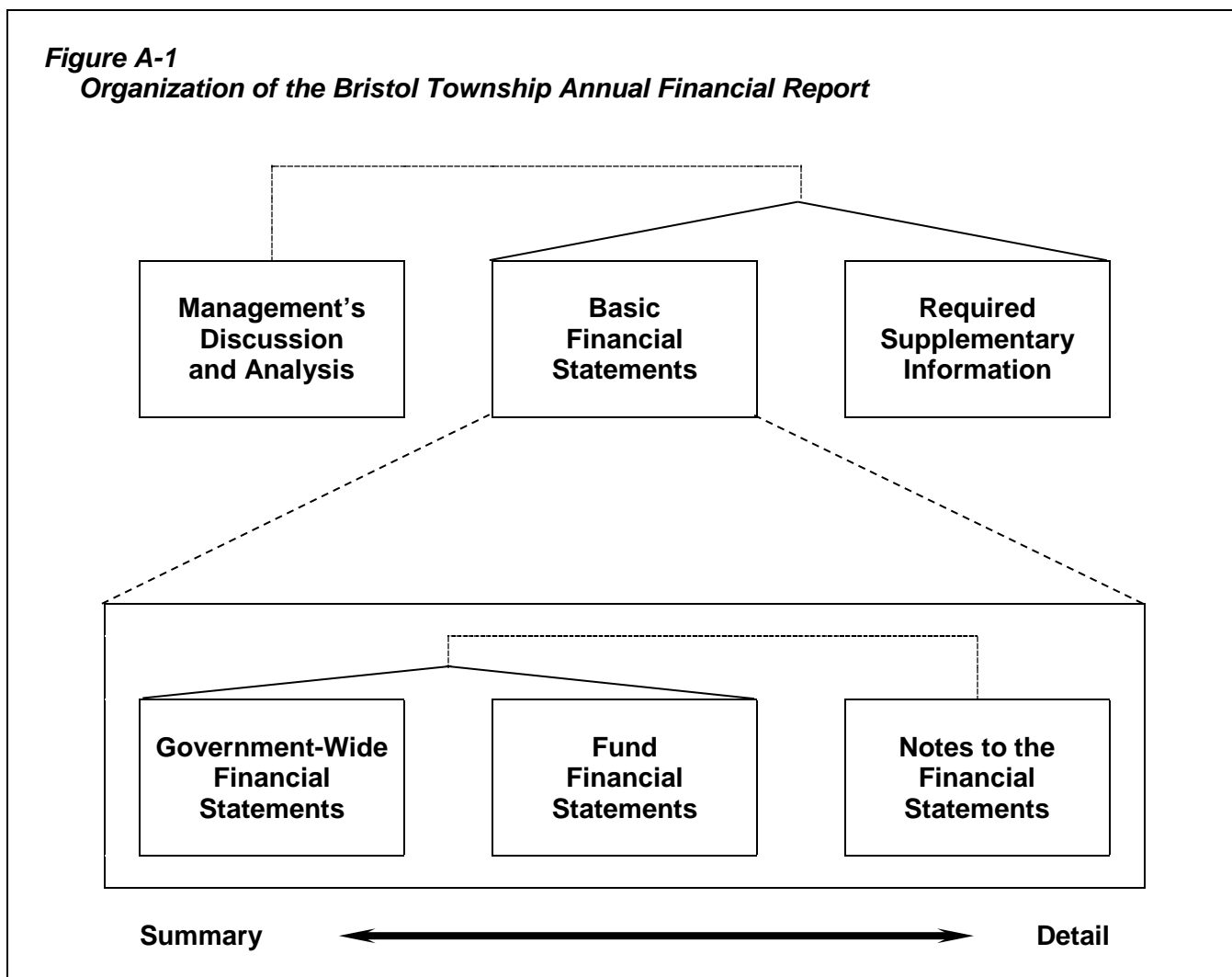
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2016

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- *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, 2016**

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"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
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, 2016

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### Government-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, 2016

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- 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, 2016

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- *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 \$77,513,847 at December 31, 2016. Of this amount \$45,138,388 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, 2016 and 2015**

	Governmental Activities	
	2016	2015
ASSETS		
Capital assets	\$ 45,138,388	\$ 41,203,579
Other assets	32,375,459	34,017,973
TOTAL ASSETS	<u>77,513,847</u>	<u>75,221,552</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	2,705,923	2,834,777
Deferred outflows related to pensions	2,227,181	2,669,148
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>4,933,104</u>	<u>5,503,925</u>
LIABILITIES		
Other liabilities	1,580,325	3,029,757
Long-term liabilities	85,736,618	84,689,008
TOTAL LIABILITIES	<u>87,316,943</u>	<u>87,718,765</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	<u>1,005,567</u>	<u>1,482,139</u>
NET POSITION		
Net investment in capital assets	21,789,795	23,004,709
Restricted net position	3,189,881	2,325,066
Unrestricted net position	<u>(30,855,235)</u>	<u>(33,805,202)</u>
TOTAL NET POSITION	<u>\$ (5,875,559)</u>	<u>\$ (8,475,427)</u>

<u>Business-Type Activities</u>		<u>Total Primary Government</u>		<u>Total</u>
<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>Percentage</u>
				<u>Change</u>
\$ 13,455,663	\$ 13,599,693	\$ 58,594,051	\$ 54,803,272	6.9%
9,068,769	9,498,596	41,444,228	43,516,569	-4.8%
<u>22,524,432</u>	<u>23,098,289</u>	<u>100,038,279</u>	<u>98,319,841</u>	1.7%
-	-	2,705,923	2,834,777	-4.5%
-	-	<u>2,227,181</u>	<u>2,669,148</u>	-16.6%
-	-	<u>4,933,104</u>	<u>5,503,925</u>	-10.4%
695,170	1,192,002	2,275,495	4,221,759	-46.1%
11,222,200	11,659,866	96,958,818	96,348,874	0.6%
<u>11,917,370</u>	<u>12,851,868</u>	<u>99,234,313</u>	<u>100,570,633</u>	-1.3%
-	-	<u>1,005,567</u>	<u>1,482,139</u>	-32.2%
4,909,966	4,958,996	26,699,761	27,963,705	-4.5%
-	-	3,189,881	2,325,066	37.2%
<u>5,697,096</u>	<u>5,287,425</u>	<u>(25,158,139)</u>	<u>(28,517,777)</u>	-11.8%
<u>\$ 10,607,062</u>	<u>\$ 10,246,421</u>	<u>\$ 4,731,503</u>	<u>\$ 1,770,994</u>	167.2%

# BRISTOL TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2016

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The following statement of activities represents changes in net position for the year ended December 31, 2016. 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, 2016 and 2015**

	Governmental Activities	
	2016	2015
REVENUES		
Program revenues		
Charges for services	\$ 4,384,473	\$ 3,962,713
Operating grants and contributions	3,795,112	2,788,590
Capital grants and contributions	503,165	305,127
General revenues		
Real estate taxes	16,762,261	16,719,769
Earned income taxes	6,497,767	6,642,310
Per capita taxes	114,959	111,451
Mercantile taxes	570,367	577,044
Mechanical devices taxes	56,075	55,250
Local service taxes	854,839	963,016
Amusement taxes	5,115	5,398
In lieu of taxes	62,749	60,357
Unrestricted investment earnings	82,771	36,512
Transfers	35,000	35,000
Gain on disposal of capital assets	389,338	-
Miscellaneous	713,539	222,000
TOTAL REVENUES	<u>34,827,530</u>	<u>32,484,537</u>
EXPENSES		
General government	2,850,090	2,677,492
Public safety	19,022,907	18,927,995
Public works, highways and streets	3,787,563	3,480,803
Community development	322,683	482,867
Culture and recreation	351,186	398,388
Sanitation	4,437,489	4,220,637
Interest on long-term debt	1,455,744	1,215,185
Sewer Fund	-	-
TOTAL EXPENSES	<u>32,227,662</u>	<u>31,403,367</u>
CHANGE IN NET POSITION	2,599,868	1,081,170
NET POSITION AT BEGINNING OF YEAR, restated in 2015	<u>(8,475,427)</u>	<u>(9,556,597)</u>
NET POSITION AT END OF YEAR	<u>\$ (5,875,559)</u>	<u>\$ (8,475,427)</u>



<u>Business-Type Activities</u>		<u>Total Primary Government</u>		<u>Total Percentage Change</u>
<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	
\$ 5,328,149	\$ 5,209,308	\$ 9,712,622	\$ 9,172,021	5.9%
-	-	3,795,112	2,788,590	36.1%
-	-	503,165	305,127	64.9%
-	-	16,762,261	16,719,769	0.3%
-	-	6,497,767	6,642,310	-2.2%
-	-	114,959	111,451	3.1%
-	-	570,367	577,044	-1.2%
-	-	56,075	55,250	1.5%
-	-	854,839	963,016	-11.2%
-	-	5,115	5,398	-5.2%
-	-	62,749	60,357	4.0%
20,171	7,586	102,942	44,098	133.4%
(35,000)	(35,000)	-	-	0.0%
1,550	-	390,888	-	0.0%
<u>31,324</u>	<u>1,001</u>	<u>744,863</u>	<u>223,001</u>	234.0%
<u>5,346,194</u>	<u>5,182,895</u>	<u>40,173,724</u>	<u>37,667,432</u>	6.7%
-	-	2,850,090	2,677,492	6.4%
-	-	19,022,907	18,927,995	0.5%
-	-	3,787,563	3,480,803	8.8%
-	-	322,683	482,867	-33.2%
-	-	351,186	398,388	-11.8%
-	-	4,437,489	4,220,637	5.1%
-	-	1,455,744	1,215,185	19.8%
<u>4,985,553</u>	<u>5,810,147</u>	<u>4,985,553</u>	<u>5,810,147</u>	-14.2%
<u>4,985,553</u>	<u>5,810,147</u>	<u>37,213,215</u>	<u>37,213,514</u>	0.0%
360,641	(627,252)	2,960,509	453,918	552.2%
<u>10,178,402</u>	<u>10,805,654</u>	<u>1,702,975</u>	<u>1,249,057</u>	36.3%
<u>\$ 10,539,043</u>	<u>\$ 10,178,402</u>	<u>\$ 4,663,484</u>	<u>\$ 1,702,975</u>	173.8%

# BRISTOL TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2016

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## 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 2016, real estate taxes brought in \$16,762,261 and earned income taxes brought in \$6,497,767.

**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	\$ 2,850,090	\$ 1,416,085
Public safety	19,022,907	(17,784,897)
Public works, highways and streets	3,787,563	(2,279,470)
Community development	322,683	1,005,896
Culture and recreation	351,186	(282,026)
Sanitation	4,437,489	(4,164,756)
Interest on long-term debt	1,455,744	(1,455,744)
Sewer Fund	<u>4,985,553</u>	<u>342,596</u>
	<u>\$ 37,213,215</u>	<u>\$ (23,202,316)</u>

The Township relied on real estate taxes, earned income taxes and other general revenues to fund 62% of its governmental and business-type activities in 2016.

# BRISTOL TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2016

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### Capital Assets

The Township's investment in capital assets at December 31, 2016, net of accumulated depreciation, was \$58,594,051. Capital assets consist primarily of land, buildings and equipment. The following is a summary of capital assets at December 31, 2016.

**Table A-6**  
**Capital Assets**

	Governmental Activities	
	2016	2015
Land	\$ 2,030,960	\$ 1,580,081
Construction in progress	614,079	4,163,531
Agricultural easement/intangibles	431,125	431,125
Buildings	3,783,139	3,783,139
Improvements	8,157,938	2,247,166
Equipment	7,894,414	7,401,618
Infrastructure	75,090,925	72,483,294
Tanks	-	-
Pump stations	-	-
Collection system	-	-
Accumulated depreciation	<u>(52,864,192)</u>	<u>(50,886,375)</u>
CAPITAL ASSETS, net	<u>\$ 45,138,388</u>	<u>\$ 41,203,579</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>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>Percentage</u>
				<u>Change</u>
\$ 140,000	\$ 140,000	\$ 2,170,960	\$ 1,720,081	26.2%
153,002	53,290	767,081	4,216,821	-81.8%
-	-	431,125	431,125	0.0%
10,843,681	10,843,681	14,626,820	14,626,820	0.0%
10,570	10,570	8,168,508	2,257,736	261.8%
4,304,288	4,156,288	12,198,702	11,557,906	5.5%
-	-	75,090,925	72,483,294	3.6%
1,964,174	1,964,174	1,964,174	1,964,174	0.0%
3,751,978	3,751,978	3,751,978	3,751,978	0.0%
5,718,178	5,628,453	5,718,178	5,628,453	1.6%
<u>(13,430,208)</u>	<u>(12,948,741)</u>	<u>(66,294,400)</u>	<u>(63,835,116)</u>	3.9%
<u>\$ 13,455,663</u>	<u>\$ 13,599,693</u>	<u>\$ 58,594,051</u>	<u>\$ 54,803,272</u>	6.9%

**BRISTOL TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2016**

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**Debt Administration**

At December 31, 2016, the Township had \$96,958,817 of debt outstanding, including general obligation bonds, compensated absences, capital leases, net pension liability, 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, 2016:

**Table A-7**  
**Statement of Long-Term Debt**

	Beginning Balance	Additions	Deletions	Ending Balance
Bonds	\$ 42,666,000	\$ -	\$ (1,889,001)	\$ 40,776,999
Notes payable	6,772,979	-	(363,080)	6,409,899
Compensated absences	3,083,123	896,258	(690,241)	3,289,140
Net pension liability	9,799,550	-	(85,516)	9,714,034
Capital leases	504,838	-	(167,748)	337,090
Bond premiums	162,136	-	(6,865)	155,271
Liability for other postemployment benefits	<u>33,360,248</u>	<u>4,576,367</u>	<u>(1,660,231)</u>	<u>36,276,384</u>
TOTAL LONG-TERM DEBT	<u>\$ 96,348,874</u>	<u>\$ 5,472,625</u>	<u>\$ (4,862,682)</u>	<u>\$ 96,958,817</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, 2016

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### Governmental Funds Revenues

Governmental Funds revenues by sources are as follows:

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

	<u>2016</u>	<u>2015</u>	<u>Changes</u>
REVENUES			
Taxes	\$ 24,968,519	\$ 25,050,452	\$ (81,933)
Licenses, fees and permits	3,057,027	2,939,021	118,006
Charges for services	1,029,479	728,424	301,055
Court costs, fines and forfeits	209,285	202,650	6,635
Intergovernmental	4,449,708	3,246,692	1,203,016
Interest	82,771	36,512	46,259
Other and reimbursed expenditures	713,539	222,000	491,539
OTHER FINANCING SOURCES			
Issuance of debt	-	7,097,215	(7,097,215)
Sale of general capital assets	461,079	-	461,079
Operating transfers in	<u>3,883,850</u>	<u>8,502,078</u>	<u>(4,618,228)</u>
TOTAL	<u>\$ 38,855,257</u>	<u>\$ 48,025,044</u>	<u>\$ (9,169,787)</u>

Tax revenues were down slightly when compared to the year ended December 31, 2015. While real estate taxes were up, year on year, these slight gains were offset by a 2% decline in earned income taxes and an 11% decline in local service taxes both of which are employment based taxes.

Revenues from licenses, fees and permits grew on the strength of a settlement with a major customer for back advertising fees and a consistent revenue stream from that settlement. Rental fees increased due to more diligent efforts to identify and bill properties being used in that fashion. Cable TV franchise fees rose marginally and while expected to continue to increase are reaching their saturation point. Building permit revenue maintained its 2015 level.

Intergovernmental revenue increased because of increases in Liquid Fuel funding, pension State Aid and a freeing up of Community Development Block Grant Funding facilitated by new staff and greater expertise.

The Township issues debt based on the need to fund large projects for the benefit of its taxpayers. In 2015, the Township issued ten million dollars in general obligation bonds, seven million dollars for the Township's ongoing road reconstruction program and for renovation of its antiquated municipal building and three million dollars to upgrade its waste water treatment plant. In 2016 the Township decided to use Liquid Fuels and surplus fund balance to continue a more conservative road paving plan, so no borrowing was required.

Other reimbursed expenditures came from the settlement of an enforcement action brought by the Township over environmental concerns, reimbursement from utilities for roads paved by the Township on those third party's behalf and a recognition of forfeited funds from the Township's non-uniform pension provider.

# BRISTOL TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2016

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Operating transfers in (and corresponding transfers out) are a result of Council's commitment to prefund debt payments and capital improvements out of current General Fund surpluses. In 2016, the Township used operating transfers to help fund capital projects determining the debt fund to be adequately funded over the mid-range future.

### Governmental Funds Expenditures

Governmental Funds expenditures by function are as follows:

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

	<u>2016</u>	<u>2015</u>	<u>Changes</u>
EXPENDITURES			
General government	\$ 2,594,414	\$ 2,634,432	\$ (40,018)
Public safety	16,171,309	16,553,577	(382,268)
Public works, highways and streets	6,951,764	11,328,342	(4,376,578)
Community development	1,328,857	550,342	778,515
Sanitation	4,437,489	4,220,637	216,852
Culture and recreation	287,373	334,486	(47,113)
Debt service			
Principal	2,207,956	1,532,496	675,460
Interest	1,032,888	1,003,433	29,455
OTHER FINANCING USES			
Operating transfers out	<u>3,848,850</u>	<u>8,467,078</u>	<u>(4,618,228)</u>
TOTAL	<u>\$ 38,860,900</u>	<u>\$ 46,624,823</u>	<u>\$ (7,763,923)</u>

Overall year on year expenditures fell 16.6%. This was mainly because the township has scaled back its milling and paving program having resurfaced well over 100 miles in the past four years. This mitigated the contracted increases in wage and benefits. Sanitation costs rose as the five-year contract has built in increases in the main disposal contract. Community development expenditures increased as more money became available due to increases in staff size and capability to monitor new projects. This was evidenced by a purchase of property to be developed as a new Township park.

Debt service payments increased as the full effect of the general obligation bonds issued in 2015 became due and payable.

Operating transfers out are the corresponding item to operating transfers in. These transfers, again, reflect, the slowdown in the road paving project and the mindset that the Township has adequately provided for debt service in the foreseeable future.

# BRISTOL TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2016

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## Governmental Fund Balances

Ending fund balances for Governmental Funds and Net Position for Proprietary Funds at December 31, 2016, 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	\$ 7,514,478	\$ -
Refuse Fund	4,217,570	-
Debt Service Fund	7,776,431	-
Capital Reserve Fund	6,196,793	-
Other Governmental Funds	4,313,381	-
Sewer Fund	-	10,607,062
	<u>\$ 30,018,653</u>	<u>\$ 10,607,062</u>

## BUDGETARY HIGHLIGHTS

The total General Fund revenues were \$2,314,874 over the adopted budget as all major categories of sources of funds were in excess of budgetary projections. Most revenue line items increased year on year with the exception of employment based taxes. However, these taxes did exceed budgetary expectations. Also down, year on year, were permitting revenues as there were not as many large projects in 2016 compared to 2015. But these revenues, too, exceeded budgetary projections.

Total General Fund expenditures were \$933,626 LESS than the adopted budget projections for 2016. This is an especially good result as constant inflationary pressure on employment related costs due to renegotiated employee contracts. These results further show Township management's commitment to trim control costs wherever possible and continue to deliver first class service to residents. This is especially true in the area of risk management where insurance premiums were kept under control with shrewd negotiations and procedures to decrease the Townships loss experience making it less expensive to protect Township assets.

With all these factors taken into account the Township again showed an excess of revenue over expenditures even after the budgeted transfer to the Capital fund to fund ongoing capital projects.

## ECONOMIC CONDITIONS

Unemployment in Bristol Township always exceeds 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.



## **BRISTOL TOWNSHIP**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2016

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The Township Council and administration has adopted ordinances and policies aimed at creating jobs and expanding the tax base while removing barriers to investing in Bristol Township. These actions to stimulate economic development have had a direct impact on increasing revenues such as the earned income, real estate transfer, local services, and mercantile taxes. However, the Township has lost some \$500,000 from abutting municipalities enacting earned income. The Township is also, as all municipalities are, affected by the economy at large which has been in a slow growth posture for about a decade. This being said Township governance is always looking for ways, through holding the line on taxes and streamlining processes, to encourage businesses to relocate to and ultimately prosper in the Bristol Township.

### **NEXT YEAR'S BUDGET**

The Township was able to support its operation with no tax increase in 2017 due to the careful control of costs and all 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 two of the six collective bargaining units to provide wage and benefit levels that are financially responsible and 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, 2016**

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Cash and equivalents	\$ 27,999,514	\$ 7,904,645	\$ 35,904,159
Restricted cash	190,744	91,909	282,653
Receivables			
Accounts, net	893,352	996,071	1,889,423
Taxes, net	2,716,151	-	2,716,151
Internal balances	-	-	-
Due from other governmental agencies	528,900	-	528,900
Other assets	46,798	76,144	122,942
Capital assets			
Capital assets, not being depreciated	3,076,164	293,002	3,369,166
Capital assets, net of accumulated depreciation	42,062,224	13,162,661	55,224,885
<b>TOTAL CAPITAL ASSETS</b>	<b>45,138,388</b>	<b>13,455,663</b>	<b>58,594,051</b>
<b>TOTAL ASSETS</b>	<b>77,513,847</b>	<b>22,524,432</b>	<b>100,038,279</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	2,705,923	-	2,705,923
Deferred outflows related to pensions	2,227,181	-	2,227,181
<b>TOTAL DEFERRED OUTFLOWS         OF RESOURCES</b>	<b>4,933,104</b>	<b>-</b>	<b>4,933,104</b>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	762,986	526,648	1,289,634
Accrued interest payable	276,953	53,858	330,811
Due to other governmental agencies	-	-	-
Unearned revenues	347,377	22,755	370,132
Escheat liability	192,344	5,652	197,996
Escrow deposits	-	86,257	86,257
Due to agency fund	665	-	665
Long-term liabilities			
Portion due or payable within one year			
Bonds payable	1,917,161	97,339	2,014,500
Notes payable	-	375,076	375,076
Capital leases	173,264	-	173,264
Portion due or payable after one year			
Bonds payable	34,100,691	4,661,808	38,762,499
Notes payable	-	6,034,823	6,034,823
Capital leases	163,826	-	163,826
Bond premiums	109,574	45,697	155,271
Compensated absences	3,281,684	7,457	3,289,141
Net pension liability	9,714,034	-	9,714,034
Net OPEB obligation	36,276,384	-	36,276,384
<b>TOTAL LIABILITIES</b>	<b>87,316,943</b>	<b>11,917,370</b>	<b>99,234,313</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	1,005,567	-	1,005,567
<b>NET POSITION</b>			
Net investment in capital assets	21,789,795	4,909,966	26,699,761
Restricted	3,189,881	-	3,189,881
Unrestricted	(30,855,235)	5,697,096	(25,158,139)
<b>TOTAL NET POSITION</b>	<b>\$ (5,875,559)</b>	<b>\$ 10,607,062</b>	<b>\$ 4,731,503</b>

See accompanying notes to the basic financial statements.

**BRISTOL TOWNSHIP**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2016**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES</b>				
General government	\$ 2,850,090	\$ 3,618,730	\$ 647,445	\$ -
Public safety	19,022,907	678,877	559,133	-
Public works	3,787,563	-	1,508,093	-
Sanitation	4,437,489	6,961	265,772	-
Culture and recreation	351,186	69,160	-	-
Community development	322,683	10,745	814,669	503,165
Interest on long-term debt	1,455,744	-	-	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>32,227,662</b>	<b>4,384,473</b>	<b>3,795,112</b>	<b>503,165</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Sewer Fund	4,985,553	5,328,149	-	-
<b>TOTAL TOWNSHIP ACTIVITIES</b>	<b>\$ 37,213,215</b>	<b>\$ 9,712,622</b>	<b>\$ 3,795,112</b>	<b>\$ 503,165</b>

**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

Miscellaneous

Gain on disposal of capital assets

**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.*

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Net (Expense) Revenue and Changes in Net Position

<u>Governmental</u>	<u>Business-Type</u>	
<u>Activities</u>	<u>Activities</u>	<u>Totals</u>
\$ 1,416,085	\$ -	\$ 1,416,085
(17,784,897)	-	(17,784,897)
(2,279,470)	-	(2,279,470)
(4,164,756)	-	(4,164,756)
(282,026)	-	(282,026)
1,005,896	-	1,005,896
<u>(1,455,744)</u>	<u>-</u>	<u>(1,455,744)</u>
(23,544,912)	-	(23,544,912)
<u>-</u>	<u>342,596</u>	<u>342,596</u>
<u>(23,544,912)</u>	<u>342,596</u>	<u>(23,202,316)</u>
15,639,883	-	15,639,883
6,497,767	-	6,497,767
854,839	-	854,839
1,122,378	-	1,122,378
114,959	-	114,959
570,367	-	570,367
56,075	-	56,075
5,115	-	5,115
62,749	-	62,749
82,771	20,171	102,942
713,539	31,324	744,863
389,338	1,550	390,888
35,000	(35,000)	-
<u>26,144,780</u>	<u>18,045</u>	<u>26,162,825</u>
2,599,868	360,641	2,960,509
<u>(8,475,427)</u>	<u>10,246,421</u>	<u>1,770,994</u>
<u>\$ (5,875,559)</u>	<u>\$ 10,607,062</u>	<u>\$ 4,731,503</u>

**BRISTOL TOWNSHIP**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2016**

	General Fund	Capital Reserve Fund
	<u>          </u>	<u>          </u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 5,569,056	\$ 6,319,899
Cash, restricted	190,744	-
Accounts receivable	832,353	-
Taxes receivable, net	2,253,098	-
Due from other funds	115,405	1,720
Due from other governments	-	-
Prepaid expenses	46,798	-
	<u>          </u>	<u>          </u>
TOTAL ASSETS	<u>\$ 9,007,454</u>	<u>\$ 6,321,619</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 345,605	\$ 115,520
Due to other funds	-	9,306
Due to Agency Fund	665	-
Unearned revenue	253,588	-
Accrued expenses	88,944	-
Escheat liability	190,744	-
	<u>          </u>	<u>          </u>
TOTAL LIABILITIES	<u>879,546</u>	<u>124,826</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenues, property taxes	613,430	-
	<u>          </u>	<u>          </u>
<b>FUND BALANCES</b>		
Nonspendable, prepaid expenses	46,798	-
Restricted		
Communications	-	-
Law enforcement	-	-
Road repairs	-	-
Community development	-	-
Public safety	-	-
Committed		
Capital projects	-	6,196,793
Sanitation	-	-
Parks and recreation	-	-
Street lights	-	-
Public safety	-	-
Debt service	-	-
Blighted properties	-	-
Assigned		
Sanitation	-	-
Capital projects	-	-
Unassigned	7,467,680	-
	<u>          </u>	<u>          </u>
TOTAL FUND BALANCES	<u>7,514,478</u>	<u>6,196,793</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 9,007,454</u>	<u>\$ 6,321,619</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>
\$ 4,204,125	\$ 7,773,181	\$ 4,133,253	\$ 27,999,514
-	-	-	190,744
27,963	-	33,036	893,352
209,039	86,630	167,384	2,716,151
-	-	5,350	122,475
-	-	528,900	528,900
-	-	-	46,798
<u>\$ 4,441,127</u>	<u>\$ 7,859,811</u>	<u>\$ 4,867,923</u>	<u>\$ 32,497,934</u>
\$ 330	\$ -	\$ 212,587	\$ 674,042
-	-	113,169	122,475
-	-	-	665
27,963	-	65,826	347,377
-	-	-	88,944
-	-	1,600	192,344
<u>28,293</u>	<u>-</u>	<u>393,182</u>	<u>1,425,847</u>
<u>195,264</u>	<u>83,380</u>	<u>161,360</u>	<u>1,053,434</u>
-	-	-	46,798
-	-	47,344	47,344
-	-	24,136	24,136
-	-	3,079,649	3,079,649
-	-	31,416	31,416
-	-	7,336	7,336
-	-	44,351	6,241,144
3,493,908	-	-	3,493,908
-	-	727,032	727,032
-	-	245,478	245,478
-	-	38,341	38,341
-	7,776,431	-	7,776,431
-	-	68,298	68,298
723,662	-	-	723,662
-	-	-	-
-	-	-	7,467,680
<u>4,217,570</u>	<u>7,776,431</u>	<u>4,313,381</u>	<u>30,018,653</u>
<u>\$ 4,441,127</u>	<u>\$ 7,859,811</u>	<u>\$ 4,867,923</u>	<u>\$ 32,497,934</u>

# BRISTOL TOWNSHIP

## RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES DECEMBER 31, 2016

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TOTAL GOVERNMENTAL FUNDS BALANCES \$ 30,018,653

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

Land	2,030,960
Intangibles	431,125
Construction in progress	614,079
Buildings	3,783,139
Improvements	8,157,938
Equipment	7,894,414
Infrastructure	75,090,925
Accumulated depreciation	(52,864,192)

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	2,705,923
-------------------------------------	-----------

Deferred inflows and outflows of resources related to pension activities are not financial resources and therefore are not reported in the governmental funds.

1,221,614

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	(276,953)
Bonds payable	(36,017,852)
Capital leases	(337,090)
Bond premiums	(109,574)
Compensated absences	(3,281,684)
Net pension liability	(9,714,034)
Net OPEB obligation	(36,276,384)

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

1,053,434

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (5,875,559)

*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, 2016

	<u>General Fund</u>	<u>Capital Reserve Fund</u>
REVENUES		
Taxes		
Property	\$ 7,513,022	\$ -
Transfer	1,122,378	-
Earned income	6,497,767	-
Other	1,601,355	-
Fees and fines	209,285	-
Licenses and permits	3,057,027	-
Intergovernmental	829,667	-
Charges for services	565,829	208,451
Investment income and rent	23,881	13,695
Miscellaneous	609,463	-
TOTAL REVENUES	<u>22,029,674</u>	<u>222,146</u>
EXPENDITURES		
Current		
General government	2,518,796	70,718
Public safety	13,892,259	332,319
Public works	1,517,919	4,241,413
Community development	-	-
Sanitation	-	-
Culture and recreation	-	-
Debt service		
Principal	884,200	-
Interest and other charges	-	-
TOTAL EXPENDITURES	<u>18,813,174</u>	<u>4,644,450</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>3,216,500</u>	<u>(4,422,304)</u>
OTHER FINANCING SOURCES (USES)		
Sale of general capital assets	-	461,079
Transfers in	460,000	3,273,100
Transfers out	(3,423,850)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,963,850)</u>	<u>3,734,179</u>
NET CHANGE IN FUND BALANCES	252,650	(688,125)
FUND BALANCES AT BEGINNING OF YEAR	<u>7,261,828</u>	<u>6,884,918</u>
FUND BALANCES AT END OF YEAR	<u>\$ 7,514,478</u>	<u>\$ 6,196,793</u>

See accompanying notes to the basic financial statements.



Refuse Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ 5,271,163	\$ 1,018,094	\$ 1,944,740	\$ 15,747,019
-	-	-	1,122,378
-	-	-	6,497,767
-	-	-	1,601,355
-	-	-	209,285
-	-	-	3,057,027
265,772	-	3,354,269	4,449,708
6,961	-	248,238	1,029,479
13,110	20,771	11,314	82,771
-	-	104,076	713,539
<u>5,557,006</u>	<u>1,038,865</u>	<u>5,662,637</u>	<u>34,510,328</u>
-	4,900	-	2,594,414
-	-	1,946,731	16,171,309
-	-	1,192,432	6,951,764
-	-	1,328,857	1,328,857
4,437,489	-	-	4,437,489
-	-	287,373	287,373
-	1,156,008	167,748	2,207,956
-	1,019,007	13,881	1,032,888
<u>4,437,489</u>	<u>2,179,915</u>	<u>4,937,022</u>	<u>35,012,050</u>
<u>1,119,517</u>	<u>(1,141,050)</u>	<u>725,615</u>	<u>(501,722)</u>
-	-	-	461,079
-	-	150,750	3,883,850
(400,000)	-	(25,000)	(3,848,850)
<u>(400,000)</u>	<u>-</u>	<u>125,750</u>	<u>496,079</u>
719,517	(1,141,050)	851,365	(5,643)
<u>3,498,053</u>	<u>8,917,481</u>	<u>3,462,016</u>	<u>30,024,296</u>
\$ <u><u>4,217,570</u></u>	\$ <u><u>7,776,431</u></u>	\$ <u><u>4,313,381</u></u>	\$ <u><u>30,018,653</u></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, 2016

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NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (5,643)
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 (\$6,116,057) exceed depreciation (\$2,109,507) in the current period.	4,006,550
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.	(124,006)
Because some property taxes will not be collected for several months after the Township's fiscal year ends, they are not considered as "available" revenues in the Governmental Funds. Deferred tax revenues increased by this amount this year.	(107,136)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales) is to decrease net assets	(71,741)
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.	1,989,409
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	(80,303)
Pension plan expense	120,121
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).	(211,247)
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>(2,916,136)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 2,599,868</u>

*See accompanying notes to the basic financial statements.*

**BRISTOL TOWNSHIP**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**DECEMBER 31, 2016**

Sewer Fund

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 7,904,645
Restricted cash	91,909
Accounts receivable, net	996,071
Prepaid expenses and other assets	<u>76,144</u>

TOTAL CURRENT ASSETS 9,068,769

CAPITAL ASSETS

Not being depreciated	293,002
Being depreciated, net	<u>13,162,661</u>

TOTAL CAPITAL ASSETS 13,455,663

TOTAL ASSETS 22,524,432

LIABILITIES

CURRENT LIABILITIES

Accounts payable	526,648
Accrued interest payable	53,858
Bonds payable	97,339
Deferred revenue	22,755
Escheat liability	5,652
Escrow deposits	86,257
Notes payable	<u>375,076</u>

TOTAL CURRENT LIABILITIES 1,167,585

NONCURRENT LIABILITIES

Compensated absences	7,457
Notes payable	6,034,823
Bonds payable	4,661,808
Bond premiums	<u>45,697</u>

TOTAL NONCURRENT LIABILITIES 10,749,785

TOTAL LIABILITIES 11,917,370

NET POSITION

Net investment in capital assets	4,909,966
Unrestricted	<u>5,697,096</u>

TOTAL NET POSITION \$ 10,607,062

*See accompanying notes to the basic financial statements.*

**BRISTOL TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**PROPRIETARY FUND**  
**YEAR ENDED DECEMBER 31, 2016**

	<u>Sewer Fund</u>
OPERATING REVENUES	
Charges for services	\$ 4,874,548
Penalties and interest	248,666
Other revenues	<u>236,259</u>
TOTAL OPERATING REVENUES	<u>5,359,473</u>
OPERATING EXPENSES	
Administrative	725,736
Operating	3,521,583
Depreciation	<u>481,467</u>
TOTAL OPERATING EXPENSES	<u>4,728,786</u>
OPERATING INCOME	<u>630,687</u>
NONOPERATING REVENUES (EXPENSES)	
Interest and investment revenue	20,171
Gain on sale of capital assets	1,550
Interest expense	<u>(256,767)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(235,046)</u>
INCOME BEFORE TRANSFERS	395,641
TRANSFERS OUT	<u>(35,000)</u>
CHANGE IN NET POSITION	360,641
NET POSITION AT BEGINNING OF YEAR	<u>10,246,421</u>
NET POSITION AT END OF YEAR	<u>\$ 10,607,062</u>

*See accompanying notes to the basic financial statements.*

**BRISTOL TOWNSHIP**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**YEAR ENDED DECEMBER 31, 2016**

	<u>Sewer Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 5,485,258
Payments to employees	(325,637)
Payments to suppliers	<u>(4,395,361)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>764,260</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers to other funds	<u>(35,000)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition, construction and improvements of capital assets	(337,437)
Proceeds from bond	-
Bond principal repayment	(430,420)
Interest paid on bonds	(277,152)
Proceeds from sale of capital assets	<u>1,550</u>
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(1,043,459)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Earnings on investments	<u>20,171</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(294,028)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>8,290,582</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 7,996,554</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	\$ 630,687
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	481,467
Decrease in	
Accounts receivable	15,312
Other receivable	86,100
Prepaid expenses and other assets	37,502
Increase (decrease) in	
Accounts payable	(502,837)
Accrued salaries and benefits	(5,229)
Due to other funds	(3,115)
Deferred revenue	14,373
Escrow deposits	<u>10,000</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 764,260</u>

*See accompanying notes to the basic financial statements.*

**BRISTOL TOWNSHIP**

## STATEMENT OF FIDUCIARY NET POSITION

## FIDUCIARY FUNDS

DECEMBER 31, 2016

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	<u>Pension Trust Fund</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 868,280	\$ 1,217,851
Investments	47,774,868	-
Receivables	24,800	-
Due from Township	-	665
	<u>48,667,948</u>	<u>1,218,516</u>
TOTAL ASSETS	48,667,948	\$ <u><u>1,218,516</u></u>
LIABILITIES		
Accounts payable	-	\$ <u><u>1,218,516</u></u>
NET POSITION		
Held in trust for benefits and other purposes	\$ <u><u>48,667,948</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, 2016

	<u>Pension Trust Fund</u>
ADDITIONS	
Contributions	
Employer	\$ 1,042,727
Plan members	290,882
State	638,698
TOTAL CONTRIBUTIONS	<u>1,972,307</u>
Investment income	
Net decrease in fair value of investments	2,426,360
Dividends	1,086,358
Investment activity expense	(161,939)
INVESTMENT INCOME, net	<u>3,350,779</u>
TOTAL ADDITIONS	<u>5,323,086</u>
DEDUCTIONS	
Benefits paid	2,977,104
Members' contributions refunded	909
Administrative expenses	11,400
TOTAL DEDUCTIONS	<u>2,989,413</u>
CHANGE IN NET POSITION	2,333,673
NET POSITION AT BEGINNING OF YEAR	<u>46,334,275</u>
NET POSITION AT END OF YEAR	<u>\$ 48,667,948</u>

See accompanying notes to the basic financial statements.

**BRISTOL TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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**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 November 8, 2011, 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, 2016

---

**NOTE A - NATURE OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 another 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 another 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, 2016

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**NOTE A - NATURE OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 Fund:

- 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, 2016

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**NOTE A - NATURE OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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** - Statutes authorize the Township to invest in: 1) obligations, participations and other instruments of any Federal agency, 2) repurchase agreements with respect to U.S. Treasury bills or obligations, 3) negotiable certificates of deposit, 4) bankers' acceptances, 5) commercial paper, 6) shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933, and 7) savings or demand deposits. The specific conditions under which the Township may invest in these categories are detailed in Pennsylvania Act No. 53 of 1973, as amended by Pennsylvania Act No. 10 of 2016. Investments are stated at fair value.

**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.

**BRISTOL TOWNSHIP**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2016

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**NOTE A - NATURE OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Restricted Cash** - Restricted cash represents cash set aside for liquidation of specific obligations. At December 31, 2016, the General Fund restricted cash balance of \$190,744 represents funds to be escheated to the state. The Sewer Fund restricted cash balance of \$91,909 represents \$86,257 paid by property owners that are held in escrow accounts for the purpose of sewer hookup and unclaimed monies of \$5,652 to be remitted to the state in accordance with escheat law.

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

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

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

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 \$485,161 and \$55,443, respectively. Accounts receivable for business-type activities have been reported net of an allowance for doubtful accounts of \$1,900,356. The Sewer Fund evaluates the collectability 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. The Sewer Department has also retained a debt collector to help with the more difficult non-paying 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, 2016

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**NOTE A - NATURE OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***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 has two items that qualify for reporting in this category. The deferred outflow of resources related to pensions is reported in the government-wide statement of net position and is the net difference between projected and actual earnings on pension plan investments. The deferred charge on refunding is reported in the government-wide statement of net position and 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 two items that qualify for reporting in this category. The deferred inflow of resources related to pensions is reported in the government-wide statement of net position and is the result of changes in plan assumptions and differences between expected and actual experience of the pension plan. 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 measurable 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.

**BRISTOL TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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**NOTE A - NATURE OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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.

**BRISTOL TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2016

---

**NOTE A - NATURE OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- **Assigned Fund Balance** - Amounts the Township intends to use for a specific purpose, but are neither restricted nor committed. Assignments of fund balance are created by the Township Manager pursuant to authorization established by Township Council.
- **Unassigned Fund Balance** - Amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

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

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

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

***Budgets and Budgetary Accounting***

***Legal Requirements*** - Commonwealth of Pennsylvania statutes require that Township governments establish budgetary systems and adopt annual operating budgets. The Township's annual budget includes the General Fund, certain Special Revenue Funds and Debt Service Funds and is based on estimates of revenues and expenditures approved by the Township Council. The Township adopted the 2016 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.

**BRISTOL TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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**NOTE A - NATURE OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

***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.



**BRISTOL TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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**NOTE B - DEPOSIT AND INVESTMENT RISK (Continued)**

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

For all deposits 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.

**BRISTOL TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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**NOTE B - DEPOSIT AND INVESTMENT RISK (Continued)**

**Deposits**

The Township's deposits, including both restricted and unrestricted cash, excluding the Pension Trust Fund, at December 31, 2016, were as follows:

	<u>Book Balance</u>	<u>Bank Balance</u>
Governmental funds	\$ 28,190,258	\$ 28,456,406
Proprietary funds	7,996,554	8,068,373
Agency funds	<u>1,217,851</u>	<u>1,239,480</u>
	<u>\$ 37,404,663</u>	<u>\$ 37,764,259</u>

**Investments**

***Fair Value Measurement*** The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are those that lack significant observable inputs. The Township had the following Level 1 inputs as of December 31, 2016:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Average Investment</u>		
	<u>Level 1</u>	<u>Maturities (in Years)</u>		
	<u>Inputs</u>	<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>
Fixed income mutual funds	\$ 14,998,716	\$ -	\$ -	\$ 14,998,716
Equity mutual funds	30,258,176	30,258,176	-	-
Real Estate	<u>2,517,976</u>	<u>2,517,976</u>	-	-
	<u>\$ 47,774,868</u>	<u>\$ 32,776,152</u>	<u>\$ -</u>	<u>\$ 14,998,716</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.

**BRISTOL TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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**NOTE B - DEPOSIT AND INVESTMENT RISK (Continued)**

**Credit Risk** - At December 31, 2016, \$4,959,307 (33.1%), \$8,670,881 (57.8%) and \$1,368,528 (9.1%) of the Police Pension Plan fixed income mutual funds were rated A, BBB, and B, respectively, by Morningstar. The Police Pension Plan money market funds in the amount of \$868,280 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, 2016, 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, 2016, \$37,157,789 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, 2016, \$2,517,976 of the Township Police Pension Plan investments were exposed to custodial credit risk. The Township does not have a formal policy related to custodial credit risk for the governmental activities or the Pension Trust Fund.

**NOTE C - REAL ESTATE TAXES**

Real estate taxes attach as an enforceable lien on property on May 1. Taxes are billed on March 1, payable under the following terms: 2% discount, March 1 based on the assessed value listed as of the prior December 31, for the real property located in the Township through 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 2016 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during 2016 and expected to be collected within the first 60 days of 2016 are recognized as revenue in 2016. 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 2016 was 18.08 mills for general purposes, .9 mills for recreation purposes, 2 mills for fire purposes, 2.45 mills for debt purposes and .55 mills for rescue purposes on a total Township assessed valuation of \$416,156,390.

**BRISTOL TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE D - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2016, was as follows:

**Governmental Activities**

	Balance January 1, 2016	Increases	Decreases	Balance December 31, 2016
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 1,580,081	\$ 503,379	\$ (52,500)	\$ 2,030,960
Intangibles	431,125	-	-	431,125
Construction in progress	4,163,531	439,754	(3,989,206)	614,079
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>6,174,737</u>	<u>943,133</u>	<u>(4,041,706)</u>	<u>3,076,164</u>
Capital assets being depreciated				
Buildings	3,783,139	-	-	3,783,139
Improvements	2,247,166	5,910,772	-	8,157,938
Equipment	7,401,618	643,727	(150,931)	7,894,414
Infrastructure	72,483,294	2,607,631	-	75,090,925
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>85,915,217</u>	<u>9,162,130</u>	<u>(150,931)</u>	<u>94,926,416</u>
Accumulated depreciation				
Buildings	(3,184,779)	(50,353)	-	(3,235,132)
Improvements	(835,443)	(160,600)	-	(996,043)
Equipment	(4,829,348)	(583,391)	131,690	(5,281,049)
Infrastructure	(42,036,805)	(1,315,163)	-	(43,351,968)
TOTAL ACCUMULATED DEPRECIATION	<u>(50,886,375)</u>	<u>(2,109,507)</u>	<u>131,690</u>	<u>(52,864,192)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>35,028,842</u>	<u>7,052,623</u>	<u>(19,241)</u>	<u>42,062,224</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	<u>\$ 41,203,579</u>	<u>\$ 7,995,756</u>	<u>\$ (4,060,947)</u>	<u>\$ 45,138,388</u>

**BRISTOL TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE D - CAPITAL ASSETS (Continued)**

**Business-Type Activities**

	Balance January 1, 2016	Increases	Decreases	Balance December 31, 2016
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 140,000	\$ -	\$ -	\$ 140,000
Construction in progress	53,290	99,712	-	153,002
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>193,290</u>	<u>99,712</u>	<u>-</u>	<u>293,002</u>
Capital assets being depreciated				
Building	10,843,681	-	-	10,843,681
Tanks	1,964,174	-	-	1,964,174
Pump stations	3,751,978	-	-	3,751,978
Land improvements	10,570	-	-	10,570
Office equipment	101,439	-	-	101,439
Vehicles	338,380	-	-	338,380
Equipment	3,716,469	148,000	-	3,864,469
Collection system	5,628,453	89,725	-	5,718,178
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>26,355,144</u>	<u>237,725</u>	<u>-</u>	<u>26,592,869</u>
Accumulated depreciation				
Building	(1,587,528)	(238,868)	-	(1,826,396)
Tanks	(1,584,776)	(33,735)	-	(1,618,511)
Pump stations	(929,852)	(82,904)	-	(1,012,756)
Land improvements	(7,121)	(230)	-	(7,351)
Office equipment	(99,478)	(1,280)	-	(100,758)
Vehicles	(202,014)	(28,116)	-	(230,130)
Equipment	(3,472,932)	(45,194)	-	(3,518,126)
Collection system	(5,065,040)	(51,140)	-	(5,116,180)
TOTAL ACCUMULATED DEPRECIATION	<u>(12,948,741)</u>	<u>(481,467)</u>	<u>-</u>	<u>(13,430,208)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>13,406,403</u>	<u>(243,742)</u>	<u>-</u>	<u>13,162,661</u>
<b>BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net</b>				
	<u>\$ 13,599,693</u>	<u>\$ (144,030)</u>	<u>\$ -</u>	<u>\$ 13,455,663</u>

**BRISTOL TOWNSHIP**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2016

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**NOTE D - CAPITAL ASSETS (Continued)**

Depreciation expense was charged to functions/programs as follows:

GOVERNMENTAL ACTIVITIES	
General government	\$ 253,789
Public safety	277,696
Public works	1,514,209
Culture and recreation	<u>63,813</u>
TOTAL GOVERNMENTAL ACTIVITIES	\$ <u>2,109,507</u>
BUSINESS-TYPE ACTIVITIES	
Sewer Fund	\$ <u>481,467</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>37,839,513</u>
Other liabilities	
Compensated absences	3,070,437
Net pension liability	9,799,550
Capital leases	504,838
Bond premiums	114,422
Other postemployment benefits	<u>33,360,248</u>
TOTAL OTHER LIABILITIES	<u>46,849,495</u>
TOTAL GOVERNMENTAL ACTIVITIES LONG-TERM LIABILITIES	\$ <u>84,689,008</u>
BUSINESS-TYPE ACTIVITIES	
Bonds payable, General Obligation Bonds	\$ <u>4,826,487</u>
Other liabilities	
Notes payable	6,772,979
Bond premiums	47,714
Compensated absences	<u>12,686</u>
TOTAL OTHER LIABILITIES	<u>6,833,379</u>
TOTAL BUSINESS-TYPE ACTIVITIES LONG-TERM LIABILITIES	\$ <u>11,659,866</u>

<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
\$ -	\$ (1,821,661)	\$ 36,017,852	\$ 1,917,161
896,258	(685,012)	3,281,683	-
-	(85,516)	9,714,034	-
-	(167,748)	337,090	173,264
-	(4,848)	109,574	-
<u>4,576,367</u>	<u>(1,660,231)</u>	<u>36,276,384</u>	<u>-</u>
<u>5,472,625</u>	<u>(2,603,355)</u>	<u>49,718,765</u>	<u>173,264</u>
\$ <u>5,472,625</u>	\$ <u>(4,425,016)</u>	\$ <u>85,736,617</u>	\$ <u>2,090,425</u>
\$ -	\$ (67,340)	\$ 4,759,147	\$ 89,839
-	(363,080)	6,409,899	367,733
-	(2,017)	45,697	-
-	(5,229)	7,457	-
<u>-</u>	<u>(370,326)</u>	<u>6,463,053</u>	<u>367,733</u>
\$ <u>-</u>	\$ <u>(437,666)</u>	\$ <u>11,222,200</u>	\$ <u>457,572</u>

**BRISTOL TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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**NOTE E - LONG-TERM DEBT (Continued)**

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>
2017	\$ 1,917,161	\$ 1,149,848	\$ 3,067,009
2018	1,957,661	1,104,749	3,062,410
2019	2,011,661	1,053,651	3,065,312
2020	2,061,661	1,004,030	3,065,691
2021	2,103,161	949,617	3,052,778
2022 to 2026	10,153,305	3,800,326	13,953,631
2027 to 2031	7,756,963	2,279,057	10,036,020
2032 to 2036	5,185,792	1,137,408	6,323,200
2037 to 2040	<u>2,870,487</u>	<u>239,312</u>	<u>3,109,799</u>
	<u>\$ 36,017,852</u>	<u>\$ 12,717,998</u>	<u>\$ 48,735,850</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>
2017	\$ 457,572	\$ 250,464	\$ 708,036
2018	444,618	288,006	732,624
2019	438,851	309,538	748,389
2020	450,806	298,763	749,569
2021	461,493	287,676	749,169
2022 to 2026	2,485,255	1,259,674	3,744,929
2027 to 2031	3,147,467	904,519	4,051,986
2032 to 2036	2,133,472	448,019	2,581,491
2037 to 2040	<u>1,149,512</u>	<u>97,688</u>	<u>1,247,200</u>
	<u>\$ 11,169,046</u>	<u>\$ 4,144,347</u>	<u>\$ 15,313,393</u>



**BRISTOL TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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**NOTE E - LONG-TERM DEBT (Continued)**

The following is a summary of general obligation debt outstanding:

Year	Amount of Original Issue	Purpose	Balance Outstanding December 31, 2016
2015	\$ 10,000,000	General Obligation Bonds, Series of 2015, interest semiannually through September 15, 2040, interest rates range from 0.62% to 4.0%, principal payments due annually through September 15, 2040, for the purpose of continued road construction and the expansion of the Township's waste water treatment plant	\$ 9,780,000
2014	\$ 3,000,000	General Obligation Note, Series A, with interest monthly through September 2029, interest rate at 2.651%, principal payments due annually beginning September 29, 2015 through September 29, 2029, for the purpose of road construction and resurfacing, stormwater drainage projects and improvements to the municipal building	2,664,000
2014	\$ 6,820,000	General Obligation Bonds, Series of 2014, interest semiannually through September 15, 2038, interest rates range from 0.6% to 4.0%, principal payments due annually through September 15, 2038, for the refunding of the General Obligation Bonds, Series of 2010, and for the funding of various capital projects	6,815,000
2014	\$ 13,685,000	General Obligation Bonds, Series of 2014A, interest semiannually through September 15, 2038, interest rates range from 0.649% to 4.329%, principal payments due annually through September 15, 2038, for the refunding of the General Obligation Bonds, Series of 2008 and 2010, and for the funding of various capital projects	12,430,000
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	5,273,000
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	47,000
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	<u>3,328,000</u>
		SUBTOTAL FORWARD	<u>\$ 40,337,000</u>

**BRISTOL TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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**NOTE E - LONG-TERM DEBT (Continued)**

Year	Amount of Original Issue	Purpose	Balance Outstanding December 31, 2016
		SUBTOTAL FORWARDED	\$ 40,337,000
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	6,409,898
2008	\$ 11,430,000	Federally taxable General Obligation Bonds, Series of 2008, interest semiannually through September 15, 2008, interest rates range from 4.85% to 7.15%, principal payments due annually through September 15, 2038, for the funding of the Township's unfunded actuarial accrued liability in its Uniformed Pension Plan	440,000
			<u>\$ 47,186,898</u>

**NOTE F - OBLIGATION UNDER CAPITAL LEASES**

Obligation under capital leases consists of the following leases payable:

- Street lights and monitoring equipment in the original 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	\$ 2,107,879
Accumulated depreciation	<u>(336,675)</u>
	<u>\$ 1,771,204</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, 2016, are as follows:

TOTAL MINIMUM LEASE PAYMENTS	\$ 348,120
Amount representing interest	<u>(11,030)</u>
TOTAL PRESENT VALUE OF NET MINIMUM LEASE PAYMENTS	337,090
Principal due within one year	<u>(173,264)</u>
 LONG-TERM CAPITAL LEASE PAYABLE	 <u>\$ 163,826</u>

**BRISTOL TOWNSHIP**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2016

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**NOTE F - OBLIGATION UNDER CAPITAL LEASES (Continued)**

Future minimum capital lease payments are as follows:

<u>Year Ending</u> <u>December 31,</u>	
2017	\$ 181,628
2018	<u>166,492</u>
	<u>\$ 348,120</u>

**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.

**BRISTOL TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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**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>
<b>GOVERNMENTAL FUNDS</b>		
General fund	\$ 115,405	\$ -
Capital reserve fund	1,720	9,306
Other governmental funds	<u>5,350</u>	<u>113,169</u>
	<u>\$ 122,475</u>	<u>\$ 122,475</u>

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

**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>
<b>GOVERNMENTAL FUNDS</b>		
General fund	\$ 460,000	\$ 3,423,850
Capital reserve fund	3,273,100	-
Refuse fund	-	400,000
Debt service fund	-	-
Other governmental funds	150,750	25,000
<b>PROPRIETARY FUND</b>		
Sewer fund	<u>-</u>	<u>35,000</u>
	<u>\$ 3,883,850</u>	<u>\$ 3,883,850</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. For the year ended December 31, 2016, the Township's expense for treatment services under these agreements was \$1,452,071.

**BRISTOL TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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**NOTE K - EMPLOYEES' RETIREMENT PLANS**

**Police Pension Trust Fund**

***Summary of Significant Accounting Policies***

**Method Used to Value Investments** - Police Pension Plan investments are carried at fair value as reported by the investment managers. For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

**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.

As of December 31, 2016, membership consisted of:

Active employees	60
Retirees and beneficiaries currently receiving benefits	70
Terminated employees entitled to benefits but not yet receiving them	4

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 75% of final pay without offset of 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.

**BRISTOL TOWNSHIP**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2016

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**NOTE K - EMPLOYEES' RETIREMENT PLANS (Continued)**

**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.

**Investments**

The deposits and investments of the Plan are held separately from those of the Township and are under the control of the Plan's Board of Commissioners.

**Investment Policy**

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Township Board of Commissioners and Pension Board. The objective of the investment strategy is to reduce risk while maximizing returns through the prudent diversification of the portfolio in order to maintain a fully funded status and meet the benefit and expense obligations when due. The following was the Board's adopted asset allocation policy as of December 31, 2016:

<u>Asset Class</u>	<u>Target Allocation</u>
US equity	42.00%
International equity	16.00%
Emerging equity	7.00%
Core fixed income	21.00%
Intermediate inv. grade corp.	2.25%
Bank loans	2.25%
High yield	2.25%
Emerging debt	2.25%
Cash	<u>5.00%</u>
	<u><u>100%</u></u>

**Concentrations**

As of December 31, 2016, no investment in any one organization represented five percent (5%) or more of the Plan's fiduciary net position.

**BRISTOL TOWNSHIP**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2016

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**NOTE K - EMPLOYEES' RETIREMENT PLANS (Continued)**

**Rate of Return**

For the year ended December 31, 2016, the annual money-weighted rate of return on Plan investments, net of Plan investment expense, was 7.23%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

***Net Pension Liability of the Township***

The components of the net pension liability of the Township at December 31, 2016, were as follows:

Total pension liability	\$ 58,381,982
Plan fiduciary net position	<u>(48,667,948)</u>
<b>NET PENSION LIABILITY</b>	<b>\$ <u>9,714,034</u></b>
 Plan fiduciary net position as a percentage of the total pension liability	  <u>83.36%</u>

***Actuarial Assumptions***

The total pension liability was determined by an actuarial valuation as of January 1, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	6.0% annual increase
Investment rate of return	8.0%

Mortality rates were based on the Blue Collar RP-2000 Mortality Table.

Due to the size of the Plan, there have been no experience studies used to determine Plan assumptions.

**BRISTOL TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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**NOTE K - EMPLOYEES' RETIREMENT PLANS (Continued)**

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of December 31, 2016 (see the Plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
US equity	5.20%
International equity	5.20%
Emerging equity	5.20%
Core fixed income	3.00%
Intermediate inv. grade corp.	3.80%
Bank loans	2.70%
High yield	4.30%
Emerging debt	4.80%
Cash	0.80%

***Discount Rate***

The discount rate is based on the long-term expected rate of return on Plan investments expected to be used to finance the payments of benefits. The Plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the Plan assets are expected to be invested using a strategy to achieve that return. The employer has always met the funding requirements of Pennsylvania law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus Plan expenses, as well as amortization of the unfunded liability.



**BRISTOL TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE K - EMPLOYEES' RETIREMENT PLANS (Continued)**

***Changes in the Net Pension Liability***

	Total Pension Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net Pension Liability <u>(a)-(b)</u>
BALANCE AT DECEMBER 31, 2015	\$ 56,133,825	\$ 46,334,275	\$ 9,799,550
Service cost	791,282	-	791,282
Interest	4,434,888	-	4,434,888
Changes in benefit terms	-	-	-
Changes for experience	-	-	-
Changes of assumptions	-	-	-
Contributions			
Employer	-	1,042,727	(1,042,727)
State aid	-	638,698	(638,698)
Member	-	290,882	(290,882)
Net investment income	-	3,350,779	(3,350,779)
Benefit payments	(2,978,013)	(2,978,013)	-
Administrative expense	-	(11,400)	11,400
NET CHANGES	<u>2,248,157</u>	<u>2,333,673</u>	<u>(85,516)</u>
BALANCE AT DECEMBER 31, 2016	<u>\$ 58,381,982</u>	<u>\$ 48,667,948</u>	<u>\$ 9,714,034</u>

***Changes in Assumptions***

In the 2015 actuarial valuation, the mortality assumption was changed from the Blue Collar RP-2000 Table to the Blue Collar RP-2000 Table projected to 2015 using Scale AA.

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

The following presents the net pension liability of the Township, calculated using the discount rate of 8.00%, as well as what the Township's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00%) or one percentage point higher (9.00%) than the current rate:

	1% Decrease <u>(7.00%)</u>	Current Discount Rate (8.00%)	1% Increase <u>(9.00%)</u>
Net pension (asset) liability	\$ <u>15,821,842</u>	\$ <u>9,714,034</u>	\$ <u>4,538,896</u>

**BRISTOL TOWNSHIP**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2016

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**NOTE K - EMPLOYEES' RETIREMENT PLANS (Continued)**

***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

For the year ended December 31, 2016, the Township recognized pension expense of \$1,561,304. At December 31, 2016, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 346,210
Changes in assumptions	-	659,357
Difference between projected and actual investment earnings	<u>2,227,181</u>	<u>-</u>
	<u>\$ 2,227,181</u>	<u>\$ 1,005,567</u>

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

<u>Year Ending December 31,</u>	
2017	\$ 247,045
2018	247,045
2019	671,194
2020	56,330

**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 \$88,444 and \$109,569, respectively, during the year ended December 31, 2016.

**BRISTOL TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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**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 \$8,399,541 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 2016, the Township contributed \$1,285,740 to the plan for current premiums.

**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.

**BRISTOL TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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**NOTE M - POST-EMPLOYMENT BENEFIT PLAN (Continued)**

The Township's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2016 were as follows:

Fiscal Year Ended December 31,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 5,383,367	21.25%	\$ 29,948,993
2015	5,524,598	38.25%	33,360,248
2016	4,576,367	36.28%	36,276,385

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:

	Governmental Activities
Annual required contribution (ARC)	\$ 5,550,447
Estimated interest on net OPEB obligation	1,334,410
Estimated adjustment to ARC	<u>(2,308,489)</u>
ESTIMATED ANNUAL OPEB COSTS	4,576,368
Contributions made	<u>(1,660,231)</u>
ESTIMATED INCREASE IN NET OPEB OBLIGATION	2,916,137
Estimated net OPEB obligation at beginning of year	<u>33,360,248</u>
ESTIMATED NET OPEB OBLIGATION AT END OF YEAR	<u>\$ 36,276,385</u>

**Funded Status and Funding Progress**

As of January 1, 2016, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$64,456,103 and there were no assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$64,456,103. The covered payroll (annual payroll of active employees covered by the plan) was \$6.3 million and the ratio of the UAAL to the covered payroll was 1015%.

**NOTE M - POST-EMPLOYMENT BENEFIT PLAN (Continued)**

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, 2016 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 that includes a Personal Choice Plan starting at 29% in 2017, decreasing to 9% in 2018 and decreasing .25% per year to an ultimate level of 5% and a DVHT plan that starts at 5.5% in 2017, increases to 9% in 2018 and decreases by .25% per year until reaching an ultimate level of 5%. The actuarial assumptions also include a vision cost trend rate of 3.5%, and a dental rate that is 0% in 2017 and 2.25% every year thereafter, as well as a medicare part B trend rate at 4% each year. The actuarial valuation assumes 100% participant election and 85% of retiring members' spouses will elect coverage under the plan. The UAAL is being amortized using the level dollar method over a period of 30 years on a closed basis.

**BRISTOL TOWNSHIP**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2016

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**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 \$ 46,798

Unassigned

Amounts available for any purpose 7,467,680

**Capital Reserve Fund**

Committed

Amounts committed for capital projects 6,196,793

**Refuse Fund**

Committed

Amounts committed for refuse collection 3,493,908

Assigned

Amounts assigned for refuse collection 723,662

**Debt Service Fund**

Committed

Amounts committed for debt service 7,776,431

**Other Governmental Funds**

Restricted

Restriction of funds for communications 47,344

Restriction of funds for law enforcement 24,136

Restriction of funds for road repairs 3,079,649

Restriction of funds for community development 31,416

Restriction of funds for public safety 7,336

Committed

Amounts committed for parks and recreation 727,032

Amounts committed for street light repairs 245,478

Amounts committed for public safety 38,341

Amounts committed for capital projects 44,351

Amounts committed for blighted properties 68,298

\$ 30,018,653

**BRISTOL TOWNSHIP**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2016

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**NOTE N - FUND BALANCES/NET POSITION CLASSIFICATIONS AND RESTRICTIONS**  
 (Continued)

**Proprietary Fund**

The restrictions of net position included in the Proprietary Fund is as follows:

***Sewer Fund***

Amounts invested in capital assets, net of related debt	\$ 4,909,966
Amounts available for any purpose	<u>5,697,096</u>
	<u>\$ 10,607,062</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>\$ 48,667,948</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, 2016, the Township paid insurance premiums of \$480,683.

**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, 2016.

## **REQUIRED SUPPLEMENTARY INFORMATION**



**BRISTOL TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2016**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes				
Property	\$ 7,500,000	\$ 7,500,000	\$ 7,513,022	\$ 13,022
Transfer	600,000	600,000	1,122,378	522,378
Earned income	6,000,000	6,000,000	6,497,767	497,767
Other	1,494,000	1,494,000	1,601,355	107,355
Fees and fines	193,000	193,000	209,285	16,285
Licenses and permits	2,483,200	2,483,200	3,057,027	573,827
Intergovernmental	748,600	748,600	829,667	81,067
Charges for services	541,200	541,200	565,829	24,629
Investment income and rent	12,000	12,000	23,881	11,881
Miscellaneous	142,800	142,800	609,463	466,663
<b>TOTAL REVENUES</b>	<u>19,714,800</u>	<u>19,714,800</u>	<u>22,029,674</u>	<u>2,314,874</u>
<b>EXPENDITURES</b>				
Current				
General government	3,254,800	3,254,800	2,518,796	736,004
Public safety	13,905,000	13,905,000	13,892,259	12,741
Public works	1,702,800	1,702,800	1,517,919	184,881
Debt service				
Principal	884,200	884,200	884,200	-
<b>TOTAL EXPENDITURES</b>	<u>19,746,800</u>	<u>19,746,800</u>	<u>18,813,174</u>	<u>933,626</u>
<b>EXCESS (DEFICIENCY) OF REVENUES     OVER EXPENDITURES</b>	<u>(32,000)</u>	<u>(32,000)</u>	<u>3,216,500</u>	<u>3,248,500</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	3,460,000	3,460,000	460,000	(3,000,000)
Transfers out	(3,428,000)	(3,428,000)	(3,423,850)	4,150
<b>TOTAL OTHER FINANCING     SOURCES (USES)</b>	<u>32,000</u>	<u>32,000</u>	<u>(2,963,850)</u>	<u>(2,995,850)</u>
<b>NET CHANGE IN FUND     BALANCE</b>	<u>-</u>	<u>-</u>	<u>252,650</u>	<u>252,650</u>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<u>7,261,828</u>	<u>7,261,828</u>	<u>7,261,828</u>	<u>-</u>
<b>FUND BALANCE AT END     OF YEAR</b>	<u>\$ 7,261,828</u>	<u>\$ 7,261,828</u>	<u>\$ 7,514,478</u>	<u>\$ 252,650</u>

**BRISTOL TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE**  
**REFUSE FUND**  
**YEAR ENDED DECEMBER 31, 2016**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 5,150,000	\$ 5,150,000	\$ 5,271,163	\$ 121,163
Intergovernmental	117,000	117,000	265,772	148,772
Charges for services	-	-	6,961	6,961
Investment income and rent	3,500	3,500	13,110	9,610
<b>TOTAL REVENUES</b>	<b>5,270,500</b>	<b>5,270,500</b>	<b>5,557,006</b>	<b>286,506</b>
<b>EXPENDITURES</b>				
Current, sanitation	4,870,500	4,870,500	4,437,489	433,011
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>400,000</b>	<b>400,000</b>	<b>1,119,517</b>	<b>719,517</b>
<b>OTHER FINANCING USES</b>				
Transfers out	(400,000)	(400,000)	(400,000)	-
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>719,517</b>	<b>719,517</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b>3,498,053</b>	<b>3,498,053</b>	<b>3,498,053</b>	<b>-</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 3,498,053</b>	<b>\$ 3,498,053</b>	<b>\$ 4,217,570</b>	<b>\$ 719,517</b>

# BRISTOL TOWNSHIP

## SCHEDULE OF CHANGES IN THE NET POLICE PENSION PLAN LIABILITY AND RELATED RATIOS LAST THREE FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY			
Service cost	\$ 791,282	\$ 746,492	\$ 1,075,572
Interest	4,434,888	4,268,577	4,262,456
Changes for experience	-	(674,370)	-
Changes of assumptions	-	(1,284,341)	-
Benefit payments	<u>(2,978,013)</u>	<u>(2,983,918)</u>	<u>(2,963,530)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	2,248,157	72,440	2,374,498
TOTAL PENSION LIABILITY, BEGINNING	<u>56,133,825</u>	<u>56,061,385</u>	<u>53,686,887</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u>\$ 58,381,982</u>	<u>\$ 56,133,825</u>	<u>\$ 56,061,385</u>
PLAN FIDUCIARY NET POSITION			
Contributions			
Employer	\$ 1,042,727	\$ 1,764,421	\$ 1,112,391
State aid	638,698	454,817	627,271
Member	290,882	295,752	297,595
Net investment income	3,350,779	319,618	2,677,685
Benefit payments, including refunds of member contributions	(2,978,013)	(2,983,918)	(2,963,530)
Administrative expense	<u>(11,400)</u>	<u>(12,700)</u>	<u>(5,000)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	2,333,673	(162,010)	1,746,412
PLAN FIDUCIARY NET POSITION, BEGINNING	<u>46,334,275</u>	<u>46,496,285</u>	<u>44,749,873</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u>\$ 48,667,948</u>	<u>\$ 46,334,275</u>	<u>\$ 46,496,285</u>
TOWNSHIP'S NET PENSION LIABILITY ENDING (a)-(b)	<u>\$ 9,714,034</u>	<u>\$ 9,799,550</u>	<u>\$ 9,565,100</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>83.36%</u>	<u>82.54%</u>	<u>82.94%</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 5,444,324</u>	<u>\$ 6,128,720</u>	<u>\$ 6,124,324</u>
TOWNSHIP'S NET PENSION LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>178.42%</u>	<u>159.90%</u>	<u>156.18%</u>

### NOTES TO SCHEDULE

Changes of assumptions. In the 2015 actuarial valuation, the mortality assumption was changed from the Blue Collar RP-2000 Table to the Blue Collar RP-2000 Table projected to 2015 using Scale AA.

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.

**BRISTOL TOWNSHIP**  
**SCHEDULE OF POLICE PENSION PLAN CONTRIBUTIONS**  
**LAST THREE FISCAL YEARS**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 1,617,617	\$ 2,219,238	\$ 1,739,662
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>1,681,425</u>	<u>2,219,238</u>	<u>1,739,662</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ (63,808)</u>	<u>\$ -</u>	<u>\$ -</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 5,444,324</u>	<u>\$ 6,128,720</u>	<u>\$ 6,124,324</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>30.88%</u>	<u>36.21%</u>	<u>28.41%</u>

**NOTES TO SCHEDULE**

Valuation date: January 1, 2015

Actuarially determined contribution rates are calculated by September 30 of each year for the upcoming calendar year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	10 years
Asset valuation method	Section 210(a) of Act 44
Inflation	2.25%
Salary increases	6.0% annual increase
Investment rate of return	8.0%
Retirement age	Normal retirement age
Mortality	Mortality rates were based on the Blue Collar RP-2000 Mortality Table projected to 2015 using Scale AA

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.

**BRISTOL TOWNSHIP**

**SCHEDULE OF POLICE PENSION PLAN INVESTMENT RETURNS  
LAST THREE FISCAL YEARS**

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	<u>2016</u>	<u>2015</u>	<u>2014</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>7.23%</u>	<u>0.70%</u>	<u>6.11%</u>

**NOTES TO SCHEDULE**

This schedule is intended to show information for ten years. All available information is displayed. Additional information will be displayed as it becomes available.

**BRISTOL TOWNSHIP**  
**POSTEMPLOYMENT BENEFITS OTHER THAN**  
**PENSION FUNDING PROGRESS**  
**YEAR ENDED DECEMBER 31, 2016**

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Actuarial Valuation Date January 1,	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) - Entry Age	(c) Unfunded AAL (UAAL) (b)-(a)	(d) Funded Ratio (a)/(b)	(e) Covered Payroll	(f) UAAL as a Percentage of Covered Payroll (c)/(e)
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%
2016	-	64,456,103	64,456,106	0%	6,348,682	1015.3%

***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, 2016, and the related notes to the financial statements, which collectively comprise Bristol Township's basic financial statements, and have issued our report thereon dated August 9, 2017.

***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 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 over financial reporting 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  
August 9, 2017



***Independent Auditors' Report on Compliance for Each Major Federal Program and  
Report on Internal Control Over Compliance in Accordance With the Uniform Guidance***

To the Township Council  
Bristol Township  
Bristol, Pennsylvania

We have audited Bristol Township's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of Bristol Township's major federal programs for the year ended December 31, 2016. Bristol Township's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with 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 the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bristol Township's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

To the Township Council  
Bristol Township  
Bristol, Pennsylvania

***Basis for Qualified Opinion on Community Development Block Grants CFDA #14.218***

As described in the accompanying schedule of findings and questioned costs, Bristol Township did not comply with requirements regarding CFDA 14.218 Community Development Block Grants as described in finding numbers 2016-001 for Financial Management of Federal Awards, 2016-002 for Reporting, 2016-003 for Matching, Level of Effort and Earmarking, and 2016-004 for Subrecipient Monitoring. Compliance with such requirements is necessary, in our opinion, for Bristol Township to comply with the requirements applicable to that program.

***Qualified Opinion on Community Development Block Grants CFDA #14.218***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 CFDA 14.218 Community Development Block Grants for the year ended December 31, 2016.

***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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Bristol Township's internal control over compliance.

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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as 2016-001 for Financial Management of Federal Awards, 2016-002 for Reporting, 2016-003 for Matching, Level of Effort and Earmarking, and 2016-004 for Subrecipient Monitoring to be material weaknesses.

To the Township Council  
Bristol Township  
Bristol, Pennsylvania

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 response.

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

*Maille LP*

Oaks, Pennsylvania  
August 9, 2017

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

**BRISTOL TOWNSHIP****SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS****YEAR ENDED DECEMBER 31, 2016**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>	<u>Passed Through to Subrecipients</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
Community Development Block Grant	14.218	B-14-MC-42-0004	\$ 136,323	\$ -
Community Development Block Grant	14.218	B-15-MC-42-0004	664,501	-
Community Development Block Grant	14.218	B-16-MC-42-0004	34,303	24,168
Total Community Development Block Grants			<u>835,127</u>	<u>24,168</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>				
Edward J. Byrne Memorial Justice Assistance Grant-Bullet Proof Vest	16.738	2009-CK-WX-0070	2,655	-
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>				
<b>Passed through the North Central Highway Safety Network</b>				
State and Community Highway Safety - AD Wave 2 Enforcement	20.600	N/A	3,097	-
State and Community Highway Safety - Buckle Up Grant	20.600	N/A	<u>3,400</u>	<u>-</u>
TOTAL FEDERAL AWARDS			<u>\$ 844,279</u>	<u>\$ 24,168</u>

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

**BRISTOL TOWNSHIP**  
NOTES TO THE SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS  
DECEMBER 31, 2016

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**NOTE A - BASIS OF ACCOUNTING**

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

**NOTE B - FEDERAL EXPENDITURES**

The schedule of expenditures of federal awards reflects federal expenditures for all individual grants which were active during the fiscal year.

**NOTE C - INDIRECT COST RATES**

The Township has not elected to use the 10% de minimis indirect cost rate as allowed in the Uniform Guidance, Section 414.

**BRISTOL TOWNSHIP**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**DECEMBER 31, 2016**

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**A. SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issued: **Unmodified**

Internal control over financial reporting:

Significant deficiencies identified: **No**

Significant deficiencies identified that are considered to be material weaknesses: **No**

Noncompliance material to financial statements noted: **No**

**Federal Awards**

Internal control over major programs:

Significant deficiencies identified: **No**

Significant deficiencies identified that are considered to be material weaknesses: **Yes**

Type of auditors' report issued on compliance for major programs: **Qualified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the Circular: **Yes**

Identification of major programs:

<u>Program</u>	<u>CFDA</u>
Community Development Block Grant	14.218

The threshold used for distinguishing Types A and B programs was \$750,000.

Auditee qualified as a low-risk auditee: **No**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

None

**BRISTOL TOWNSHIP**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**DECEMBER 31, 2016**

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**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

**2016-001 Community Development Block Grant - Financial Management of Federal Awards**  
**Federal CFDA #14.218**

**Condition:** The Township does not have the required written documentation of their policies and procedures over the administration of the grant.

**Criteria:** An entity must establish and maintain effective internal control over the Federal award and those internal control policies and procedures must be established in writing in accordance with the Uniform Grant Guidance. Specifically, written policies and procedures to address cash management, allowability of costs, conflicts of interest in procurement, procurement, and travel expenses, must be maintained.

**Cause:** The policies were not developed in accordance with Uniform Grant Guidance.

**Effect:** Required written procedures were not maintained.

**Questioned costs:** The finding does not result in questioned costs.

**Recommendation:** We recommend the Township establish written policies and procedure documents to ensure there is appropriate documentation of the internal controls in place to comply with the Uniform Guidance requirements. These written policies and procedures should, at a minimum, outline policies and procedures over cash management, the determination of the allowability of costs, conflicts of interest, procurement and travel policies.

**Management's Response:** Through review of the cited criteria and consultation between the finance officer and those responsible for the dispersal of funds, adequate policies and procedures are being developed and codified to address the concerns raised in this finding. Moreover, technical help and continuing education will be sought out on how to efficiently and effectively implement the new regime.

**2016-002 Community Development Block Grant - Reporting**  
**Federal CFDA #14.218**

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

**Condition:** The Township's original submission of the 2015 Consolidated Annual Performance and Evaluation Report (CAPER) was rejected by the U.S. Department of Housing and Urban Development and the revised report was not accepted until after the required date. Additionally, we were unable to reconcile the PR-26 report filed with the revised CAPER to the financial records.

**Criteria:** Federal regulations dictate that reports should be completed accurately and on a timely basis, and expenditures and revenues related to each grant year should be recorded in separate accounts based on the program and grant year.

**Effect:** The Township did not properly complete the Consolidated Annual Performance and Evaluation Report or the Action Plans and the PR-26 report did not match the accounting records.



**BRISTOL TOWNSHIP**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2016

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**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT  
(Continued)**

**Questioned costs:** The finding does not result in questioned costs.

**Cause:** Based upon review with management, the original submission was completed prior to the hiring of staff with the adequate knowledge and experience to properly complete the report. Additionally, the accounting system does not separate expenditures by grant year creating difficulty in accurately completing the report.

**Recommendation:** The Township should implement procedures to ensure that accurate reports can be prepared and submitted on a timely basis. Additionally, the Township should record all grant activity in the accounting system based on the program and grant year.

**Management's Response:** The 2015 CAPER was submitted on time, as stated in the May 27, 2016 HUD Annual Community Assessment Letter. The Plan was submitted in IDIS on March 30, 2016 and certifications mailed the following morning. The 2016 HUD Annual Community Assessment Letter disapproved the submission requiring "updates to include sufficient detail for interested citizens to understand the activities being undertaken with CDBG funds." These details and the required workout plan were submitted on June 27, 2016, and subsequently approved. The PR-26 report is not an accrual based accounting report.

**2016-003 Community Development Block Grant - Matching, Level of Effort, Earmarking  
Federal CFDA #14.218**

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

**Condition:** According to the 2015 Consolidated Annual Performance and Evaluation Report (CAPER) the Township's administration payments for Community Development Block Grants (CDBG) exceeded the 20% maximum of total costs.

**Criteria:** Federal regulations dictate that no less than 70% of funds must be used for activities that benefit low and moderate income persons, no more than 20% of the total CDBG grant may be obligated during the year for activities that qualify as planning and administrative, and the amount of CDBG funds obligated during the program year from public services must not exceed 15% of the grant amount received for that year.

**Effect:** The Township did not meet the earmarking compliance requirement for CDBG funding.

**Questioned costs:** The finding results in \$542 of questioned costs

**Cause:** Administration costs were not monitored to ensure the 20% maximum was not exceeded.

**Recommendation:** The Township should implement procedures to effectively monitor administrative costs in the CDBG program to ensure they remain less than 20% of total costs.

**Management's Response:** The Administration Cap of 20% was slightly over due to an employee retiring and contractual obligations for vacation and sick pay paid out.

**BRISTOL TOWNSHIP**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2016

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**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT  
(Continued)**

**2016-004 Community Development Block Grant - Subrecipient Monitoring  
Federal CFDA #14.218**

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

**Condition:** The Township did not perform any risk assessments on subrecipients during 2016.

**Criteria:** Federal regulations dictate that the Township is responsible for during-the award monitoring of subrecipient's use of Federal awards through reporting, site visits, or other means to provide reasonable assurance the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. These activities should begin with a risk assessment performed for each subrecipient in order to determine the level of monitoring required.

**Effect:** The Township is not in compliance with its subrecipient monitoring duties.

**Cause:** The Township did not perform any risk assessments on subrecipients during 2016.

**Recommendation:** The Township should implement procedures to ensure that adequate subrecipient monitoring activities are performed annually, in compliance with the grant requirements.

**Management's Response:** The subrecipient monitoring occurred in the beginning of the application process and after each project was completed. The Township has monitoring procedures approved by HUD.

**BRISTOL TOWNSHIP**  
SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2016

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**2014-001 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 no longer applicable as periodic certifications are no longer required under Uniform Grant Guidance.

**2014-002 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 2016-002

**2014-003 Community Development Block Grant - Matching, Level of Effort, Earmarking**  
**Federal CFDA #14.218**

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

**Description of Finding:** Compliance with earmarking requirements could not be determined as the Township had not received its funding allocation as of the report date

**Current Status:** This finding is still applicable. See the schedule of findings and questioned costs item 2016-003.

**2014-004 Community Development Block Grant - Subrecipient Monitoring**  
**Federal CFDA #14.218**

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

**Description of Current Finding:** The Township did not perform any subrecipient monitoring procedures.

**Current Status:** This finding is still applicable. See the schedule of findings and questioned costs item 2016-004.