

**BRISTOL TOWNSHIP**  
**ANNUAL FINANCIAL REPORT**  
*Year Ended December 31, 2014*



*Certified Public Accountants and Business Consultants*

# **INTRODUCTORY SECTION**

**BRISTOL TOWNSHIP**  
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YEAR ENDED DECEMBER 31, 2014

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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, 2014, 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, 2014, 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.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 18, budgetary comparison information on pages 58 and 59 and postemployment benefits other than pension funding progress on page 60 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.

*Maillie LLP*

Oaks, Pennsylvania  
September 23, 2015

# BRISTOL TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2014

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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, 2014.

### FINANCIAL HIGHLIGHTS

- The Township's total net position increased by \$3,216,255 in 2014.
- The General Fund unassigned fund balance at the end of 2014 was \$11,444,046.
- All Township funds ended 2014 with positive fund balances.
- Secured \$3 million for road reconstruction and resurfacing project and improvements to Township buildings.
- Refinanced \$18 million in outstanding debt to decrease overall debt service costs

### 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

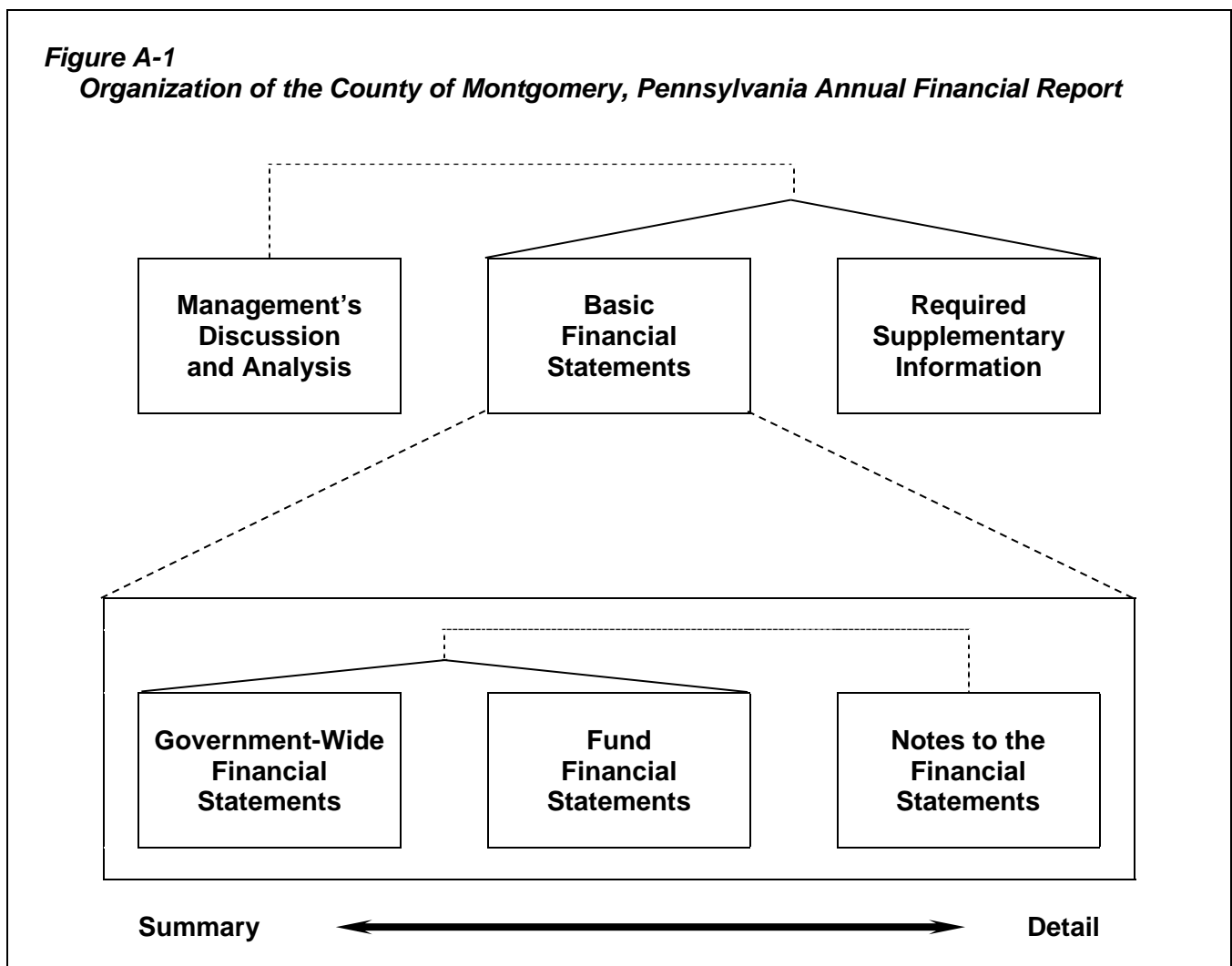
## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2014

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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, 2014**

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, 2014

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### Governmental-Wide Financial Statements

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

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

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

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

There are two categories of activities for the primary government:

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

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

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

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

# BRISTOL TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2014

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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, 2014

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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 \$73,867,572 at December 31, 2014. Of this amount \$33,319,467 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, 2014 and 2013**

	Governmental Activities	
	2014	2013
ASSETS		
Capital assets	\$ 33,319,467	\$ 29,542,060
Other assets	40,548,105	37,899,836
TOTAL ASSETS	<u>73,867,572</u>	<u>67,441,896</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	<u>2,963,631</u>	<u>397,024</u>
LIABILITIES		
Other liabilities	1,228,366	2,697,141
Long-term liabilities	65,844,461	57,777,813
TOTAL LIABILITIES	<u>67,072,827</u>	<u>60,474,954</u>
NET POSITION		
Net investment in capital assets	14,066,285	12,955,621
Restricted net position	1,632,066	1,227,326
Unrestricted net position	<u>(5,939,975)</u>	<u>(6,818,981)</u>
TOTAL NET POSITION	<u>\$ 9,758,376</u>	<u>\$ 7,363,966</u>

<u>Business-Type Activities</u>		<u>Total Primary Government</u>		<u>Total Percentage Change</u>
<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	
\$ 13,687,438	\$ 13,735,962	\$ 47,006,905	\$ 43,278,022	8.6%
6,912,683	6,715,034	47,460,788	44,614,870	6.4%
<u>20,600,121</u>	<u>20,450,996</u>	<u>94,467,693</u>	<u>87,892,892</u>	7.5%
-	-	2,963,631	397,024	-8.9%
798,192	1,285,659	2,026,558	3,982,800	-49.1%
8,996,275	9,181,528	74,840,736	66,959,341	11.8%
<u>9,794,467</u>	<u>10,467,187</u>	<u>76,867,294</u>	<u>70,942,141</u>	8.4%
4,703,100	4,563,800	18,769,385	17,519,421	7.1%
-	75,654	1,632,066	1,302,980	25.3%
<u>6,102,554</u>	<u>5,344,355</u>	<u>162,579</u>	<u>(1,474,626)</u>	-111.0%
<u>\$ 10,805,654</u>	<u>\$ 9,983,809</u>	<u>\$ 20,564,030</u>	<u>\$ 17,347,775</u>	18.5%

# BRISTOL TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2014

The following statement of activities represents changes in net position for the year ended December 31, 2014. 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, 2014 and 2013**

	Governmental Activities	
	2014	2013
REVENUES		
Program revenues		
Charges for services	\$ 4,470,259	\$ 4,608,449
Operating grants and contributions	3,768,482	3,271,434
Capital grants and contributions	712,776	920,680
General revenues		
Real estate taxes	16,479,113	16,848,232
Earned income taxes	6,098,741	6,204,734
Per capita taxes	93,039	99,078
Mercantile taxes	557,186	581,015
Mechanical devices taxes	65,650	52,658
Local service taxes	784,267	795,260
Amusement taxes	5,189	5,264
In lieu of taxes	58,328	57,365
Unrestricted investment earnings	30,176	82,506
Transfers	35,000	3,847,013
Sale of water facilities	-	-
Miscellaneous	610,707	245,225
TOTAL REVENUES	<u>33,768,913</u>	<u>37,618,913</u>
EXPENSES		
General government	2,698,379	2,589,718
Public safety	18,765,984	18,762,161
Public works, highways and streets	3,832,813	3,663,894
Community development	376,900	611,743
Culture and recreation	413,467	426,355
Sanitation	4,074,562	5,368,895
Interest on long-term debt	1,212,398	1,176,841
Sewer Fund	-	-
Water Fund	-	-
TOTAL EXPENSES	<u>31,374,503</u>	<u>32,599,607</u>
CHANGE IN NET POSITION	2,394,410	5,019,306
NET POSITION AT BEGINNING OF YEAR	<u>7,363,966</u>	<u>2,344,660</u>
NET POSITION AT END OF YEAR	<u>\$ 9,758,376</u>	<u>\$ 7,363,966</u>

<u>Business-Type Activities</u>		<u>Total Primary Government</u>		<u>Total Percentage Change</u>
<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	
\$ 5,252,129	\$ 5,311,484	\$ 9,722,388	\$ 9,919,933	-2.0%
-	-	3,768,482	3,271,434	15.2%
-	485,000	712,776	1,405,680	-49.3%
-	-	16,479,113	16,848,232	-2.2%
-	-	6,098,741	6,204,734	-1.7%
-	-	93,039	99,078	-6.1%
-	-	557,186	581,015	-4.1%
-	-	65,650	52,658	24.7%
-	-	784,267	795,260	-1.4%
-	-	5,189	5,264	-1.4%
-	-	58,328	57,365	1.7%
6,208	9,108	36,384	91,614	-60.3%
(35,000)	(3,847,013)	-	-	0.0%
-	2,497,462	-	2,497,462	0.0%
-	84,399	610,707	329,624	85.3%
<u>5,223,337</u>	<u>4,540,440</u>	<u>38,992,250</u>	<u>42,159,353</u>	-7.5%
-	-	2,698,379	2,589,718	4.2%
-	-	18,765,984	18,762,161	0.0%
-	-	3,832,813	3,663,894	4.6%
-	-	376,900	611,743	-38.4%
-	-	413,467	426,355	-3.0%
-	-	4,074,562	5,368,895	-24.1%
-	-	1,212,398	1,176,841	3.0%
4,401,492	4,059,606	4,401,492	4,059,606	8.4%
-	357,059	-	357,059	-100.0%
<u>4,401,492</u>	<u>4,416,665</u>	<u>35,775,995</u>	<u>37,016,272</u>	-3.4%
821,845	123,775	3,216,255	5,143,081	-37.5%
<u>9,983,809</u>	<u>9,860,034</u>	<u>17,347,775</u>	<u>12,204,694</u>	42.1%
\$ <u>10,805,654</u>	\$ <u>9,983,809</u>	\$ <u>20,564,030</u>	\$ <u>17,347,775</u>	18.5%



# BRISTOL TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2014

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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 2014, real estate taxes brought in \$16,479,113 and earned income taxes brought in \$6,098,471.

**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	\$ 2,698,379	\$ 1,883,500
Public safety	18,765,984	(17,604,322)
Public works, highways and streets	3,832,813	(1,974,381)
Community development	376,900	743,176
Culture and recreation	413,467	(356,866)
Sanitation	4,074,562	(3,901,695)
Interest on long-term debt	1,212,398	(1,212,398)
Sewer Fund	4,401,492	850,637
	<u>\$ 35,775,995</u>	<u>\$ (21,572,349)</u>

The Township relied on real estate taxes, earned income taxes and other general revenues to fund 74% of its governmental and business-type activities in 2014.

# BRISTOL TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2014

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### Capital Assets

The Township's investment in capital assets at December 31, 2014, net of accumulated depreciation, was \$47,006,905. Capital assets consist primarily of land, buildings and equipment. The following is a summary of capital assets at December 31, 2014.

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

	Governmental Activities	
	2014	2013
Land	\$ 1,580,081	\$ 1,580,081
Construction in progress	4,538,365	3,974,718
Agricultural easement/intangibles	431,125	431,125
Buildings	3,881,639	3,881,639
Improvements	1,973,220	1,846,684
Equipment	6,873,137	6,059,955
Infrastructure	63,229,464	59,165,328
Tanks	-	-
Pump stations	-	-
Collection system	-	-
Accumulated depreciation	<u>(49,187,564)</u>	<u>(47,397,470)</u>
CAPITAL ASSETS, net	<u>\$ 33,319,467</u>	<u>\$ 29,542,060</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 Percentage Change</u>
<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	
\$ 140,000	\$ 140,000	\$ 1,720,081	\$ 1,720,081	0.0%
-	11,824,210	4,538,365	15,798,928	-71.3%
-	-	431,125	431,125	0.0%
10,843,681	1,288,943	14,725,320	5,170,582	184.8%
10,570	10,570	1,983,790	1,857,254	6.8%
4,140,930	4,100,322	11,014,067	10,160,277	8.4%
-	-	63,229,464	59,165,328	6.9%
1,964,174	1,964,174	1,964,174	1,964,174	0.0%
3,581,599	1,056,207	3,581,599	1,056,207	239.1%
5,542,763	5,534,083	5,542,763	5,534,083	0.2%
<u>(12,536,279)</u>	<u>(12,182,547)</u>	<u>(61,723,843)</u>	<u>(59,580,017)</u>	3.6%
<u>\$ 13,687,438</u>	<u>\$ 13,735,962</u>	<u>\$ 47,006,905</u>	<u>\$ 43,278,022</u>	8.6%

**BRISTOL TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2014**

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**Debt Administration**

At December 31, 2014, the Township had \$74,810,614 of debt outstanding, including general obligation bonds, compensated absences, capital leases, a liability for other postemployment benefits and estimated workers compensation claims. Debt and other liabilities increased due mostly to the increase in the Township's liability for postemployment benefits required by GASB 45. Detailed information about the Township's debt can be found in Note E.

The following is a summary of changes in long-term debt at December 31, 2014:

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

	Beginning Balance	Additions	Deletions	Ending Balance
Bonds	\$ 28,725,000	\$ 23,505,000	\$ (18,276,000)	\$ 33,954,000
Notes payable	7,342,671	-	(192,887)	7,149,784
Compensated absences	2,938,256	649,844	(497,508)	3,090,592
Capital leases	1,521,846	-	(854,601)	667,245
Liability for other postemployment benefits	<u>26,418,215</u>	<u>5,383,366</u>	<u>(1,852,588)</u>	<u>29,948,993</u>
TOTAL LONG-TERM DEBT	<u>\$ 66,945,988</u>	<u>\$ 29,538,210</u>	<u>\$ (21,673,584)</u>	<u>\$ 74,810,614</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, 2014**

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**Governmental Funds Revenues**

Governmental Funds revenues by sources are as follows:

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

	<u>2014</u>	<u>2013</u>	<u>Changes</u>
<b>REVENUES</b>			
Taxes	\$ 24,151,488	\$ 24,647,312	\$ (495,824)
Licenses, fees and permits	3,566,833	3,019,988	546,845
Charges for services	606,213	1,247,681	(641,468)
Court costs, fines and forfeits	207,668	246,801	(39,133)
Intergovernmental	4,629,131	4,277,856	351,275
Interest	30,176	82,506	(52,330)
Other and reimbursed expenditures	610,707	310,827	299,880
<b>OTHER FINANCING SOURCES</b>			
Issuance of debt	21,701,527	10,080,000	11,621,527
Capital lease proceeds	-	2,107,879	(2,107,879)
Operating transfers in	1,270,816	7,237,042	(5,966,226)
<b>TOTAL</b>	<b>\$ <u>56,774,559</u></b>	<b>\$ <u>53,257,892</u></b>	<b>\$ <u>3,516,667</u></b>

Tax revenues were down slightly in a year on year comparison. This is attributable to a diminution of collections for prior year taxes and a modest decrease in employment based on taxes. Revenues from license, fees and permits were up substantially because of major construction that was commenced by the local school district during the year.

Court costs, fines and forfeits were down due to a substantial decrease in collection of court costs. Intergovernmental income is up primarily because an accrual for grant money expected to be received for completion of a state sponsored project. Actual interest income was up because of the Township's strong cash position but there was a marked decrease in that line item because of a one-time receipt in 2013.

Increase in the issuance of debt was for the implementation of the Township milling and paving program which started in fiscal 2013 and will continue throughout 2015. Increase in the issuance of debt was due to the Township floating a new issue of bonds in order to take advantage of historically low interest rates to reduce the overall debt service of the Township. Also, the Township took on another \$3,000,000 for its continuing road upgrade program. Operating transfers were down because in 2013 there were one-time inflows from the sale of the Township water system.

**BRISTOL TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2014**

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**Governmental Funds Expenditures**

Governmental Funds expenditures by function are as follows:

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

	<u>2014</u>	<u>2013</u>	<u>Changes</u>
<b>EXPENDITURES</b>			
General government	\$ 2,557,075	\$ 3,379,225	\$ (822,150)
Public safety	14,940,696	14,706,491	234,205
Public works, highways and streets	7,001,821	9,603,964	(2,602,143)
Community development	1,116,782	641,343	475,439
Sanitation	4,074,562	5,368,895	(1,294,333)
Culture and recreation	360,626	523,091	(162,465)
Debt service			
Principal	1,500,601	1,450,964	49,637
Interest	1,188,974	1,107,342	81,632
<b>OTHER FINANCING USES</b>			
Operating transfers out	1,235,816	3,390,029	(2,154,213)
Payment to redeem bonds	<u>18,498,975</u>	<u>-</u>	<u>18,498,975</u>
<b>TOTAL</b>	<u>\$ 52,475,928</u>	<u>\$ 40,171,344</u>	<u>\$ 12,304,584</u>

Overall year on year expenditures were less than the prior year. This was basically a result of the completion in 2013 of a major public works project and a negotiated reduction in the Township's cost for solid waste disposal and recycling program. General government expenditures were down due to attrition of the work force plus a reduction of several employees to part-time status. Also, some capital expenditures associated with the general government were not extant in 2014 as they were in 2013. Culture and recreation expenditures went down due to a decrease in demand for services, the completion of a capital project in 2013 and the reduction of repair and maintenance for both the properties and equipment plus a sizable reduction in operating supplies.

Small increases were realized in the public safety area as state mandated contributions to the police pension and the inexorable increase in health related benefits create downward pressure on the Township's bottom line. Also, community development expenditures rose but this was because of a state/federal grant that is also recognized in 2014 and expected to be realized in 2015. Debt expenditures were also slightly up as two balloon payments for the Township's LED retrofit program were due plus a further borrowing pushed up interest costs.

Payments to redeem bonds are the flip side of proceeds from the Townships bond refinancing. Transfers out are again the other side of transfers in and are down mainly as the Township did not pre-fund the debt fund as they did in 2013.

# BRISTOL TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2014

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## Governmental Fund Balances

Ending fund balances for Governmental Funds and Net Position for Proprietary Funds at December 31, 2014, 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	\$ 11,513,279	\$ -
Refuse Fund	2,707,228	-
Debt Service Fund	4,654,979	-
Capital Reserve Fund	6,841,435	-
Other Governmental Funds	2,907,154	-
Sewer Fund	-	10,805,654
	<u>\$ 28,624,075</u>	<u>\$ 10,805,654</u>

## BUDGETARY HIGHLIGHTS

The total General Fund revenues came in \$1,861,584 over projections due to continued strong collections for delinquent taxes, real estate transfer taxes, EIT and LST. Licenses and permits showed a dramatic increase due to the local school district commencing construction on three new supersized elementary schools which consolidate the nine elementary schools that previously were in service.

Total General Fund expenditures were \$2,108,699 under projection. Again, this was facilitated by worker attrition without corresponding replacement and the necessity to make certain workers part-time because of the downward pressure on the Township's bottom line associated with full time union employees.

All together, this eliminated the need to balance the budget through reserve transfers and actually allowed for a transfer to fund capital projects.

## ECONOMIC CONDITIONS

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

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

# **BRISTOL TOWNSHIP**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2014

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## **NEXT YEAR'S BUDGET**

The Township was able to support its operation with no tax increase in 2015 due to the reductions in staff and other operating expenditures.

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

## **CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT**

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

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



**BRISTOL TOWNSHIP**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2014**

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Cash and equivalents	\$ 26,576,491	\$ 5,654,037	\$ 32,230,528
Restricted cash	128,051	75,659	203,710
Receivables			
Accounts, net	511,300	943,176	1,454,476
Taxes, net	2,580,670	-	2,580,670
Due from other governmental agencies	932,487	48,500	980,987
Other assets	69,233	191,311	260,544
Net pension asset	9,749,873	-	9,749,873
Capital assets			
Capital assets, not being depreciated	6,549,571	140,000	6,689,571
Capital assets, net of accumulated depreciation	26,769,896	13,547,438	40,317,334
<b>TOTAL CAPITAL ASSETS</b>	<b>33,319,467</b>	<b>13,687,438</b>	<b>47,006,905</b>
<b>TOTAL ASSETS</b>	<b>73,867,572</b>	<b>20,600,121</b>	<b>94,467,693</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	2,963,631	-	2,963,631
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	711,037	701,289	1,412,326
Accrued interest payable	190,993	21,244	212,237
Unearned revenues	192,887	-	192,887
Escheat liability	132,651	5,652	138,303
Escrow deposits	-	70,007	70,007
Due to Agency Fund	798	-	798
Long-term liabilities			
Portion due or payable within one year			
Bonds payable	1,288,000	-	1,288,000
Notes payable	-	382,908	382,908
Capital leases	162,407	-	162,407
Portion due or payable after one year			
Bonds payable	30,839,513	1,826,487	32,666,000
Notes payable	-	6,766,876	6,766,876
Capital leases	504,838	-	504,838
Bond premiums	22,055	8,067	30,122
Compensated absences	3,078,655	11,937	3,090,592
Net OPEB obligation	29,948,993	-	29,948,993
<b>TOTAL LIABILITIES</b>	<b>67,072,827</b>	<b>9,794,467</b>	<b>76,867,294</b>
<b>NET POSITION</b>			
Net investment in capital assets	14,066,285	4,703,100	18,769,385
Restricted	1,632,066	-	1,632,066
Unrestricted	(5,939,975)	6,102,554	162,579
<b>TOTAL NET POSITION</b>	<b>\$ 9,758,376</b>	<b>\$ 10,805,654</b>	<b>\$ 20,564,030</b>

See accompanying notes to the basic financial statements.

**BRISTOL TOWNSHIP**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2014**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES</b>				
General government	\$ 2,698,379	\$ 3,840,873	\$ 741,006	\$ -
Public safety	18,765,984	541,244	584,534	35,884
Public works	3,832,813	-	1,858,432	-
Sanitation	4,074,562	2,945	169,922	-
Culture and recreation	413,467	53,331	3,270	-
Community development	376,900	31,866	411,318	676,892
Interest on long-term debt	1,212,398	-	-	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>31,374,503</b>	<b>4,470,259</b>	<b>3,768,482</b>	<b>712,776</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Sewer Fund	4,401,492	5,252,129	-	-
<b>TOTAL TOWNSHIP ACTIVITIES</b>	<b>\$ 35,775,995</b>	<b>\$ 9,722,388</b>	<b>\$ 3,768,482</b>	<b>\$ 712,776</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

**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.*

<u>Net (Expense) Revenue and Changes in Net Position</u>		
<u>Governmental</u>	<u>Business-Type</u>	
<u>Activities</u>	<u>Activities</u>	<u>Totals</u>
\$ 1,883,500	\$ -	\$ 1,883,500
(17,604,322)	-	(17,604,322)
(1,974,381)	-	(1,974,381)
(3,901,695)	-	(3,901,695)
(356,866)	-	(356,866)
743,176	-	743,176
<u>(1,212,398)</u>	<u>-</u>	<u>(1,212,398)</u>
<u>(22,422,986)</u>	<u>-</u>	<u>(22,422,986)</u>
<u>-</u>	<u>850,637</u>	<u>850,637</u>
<u>(22,422,986)</u>	<u>850,637</u>	<u>(21,572,349)</u>
15,622,752	-	15,622,752
6,098,741	-	6,098,741
784,267	-	784,267
856,361	-	856,361
93,039	-	93,039
557,186	-	557,186
65,650	-	65,650
5,189	-	5,189
58,328	-	58,328
30,176	6,208	36,384
610,707	-	610,707
35,000	(35,000)	-
<u>24,817,396</u>	<u>(28,792)</u>	<u>24,788,604</u>
2,394,410	821,845	3,216,255
<u>7,363,966</u>	<u>9,983,809</u>	<u>17,347,775</u>
<u>\$ 9,758,376</u>	<u>\$ 10,805,654</u>	<u>\$ 20,564,030</u>

**BRISTOL TOWNSHIP**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2014**

	<u>General Fund</u>	<u>Capital Reserve Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 10,142,877	\$ 6,894,940
Cash, restricted	128,051	-
Accounts receivable	435,483	-
Taxes receivable, net	2,019,974	-
Due from other funds	83,125	-
Due from other governments	-	-
Prepaid expenses	<u>69,233</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 12,878,743</u>	<u>\$ 6,894,940</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 398,254	\$ 53,505
Due to other funds	7,499	-
Due to Agency Fund	453	-
Unearned revenue	135,309	-
Accrued expenses	118,801	-
Escheat liability	<u>128,051</u>	<u>-</u>
TOTAL LIABILITIES	<u>788,367</u>	<u>53,505</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenues, property taxes	<u>577,097</u>	<u>-</u>
<b>FUND BALANCES</b>		
Nonspendable, prepaid expenses	69,233	-
Restricted		
Communications	-	-
Law enforcement	-	-
Road repairs	-	-
Community development	-	-
Public safety	-	-
Committed		
Capital projects	-	957,801
Sanitation	-	-
Parks and recreation	-	-
Street lights	-	-
Public safety	-	-
Debt service	-	-
Blighted properties	-	-
Assigned		
Sanitation	-	-
Capital projects	-	5,883,634
Unassigned	<u>11,444,046</u>	<u>-</u>
TOTAL FUND BALANCES	<u>11,513,279</u>	<u>6,841,435</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 12,878,743</u>	<u>\$ 6,894,940</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>
\$ 2,708,059	\$ 4,654,257	\$ 2,176,358	\$ 26,576,491
-	-	-	128,051
37,167	-	38,650	511,300
323,912	79,559	157,225	2,580,670
-	-	12,849	95,974
-	-	932,487	932,487
-	-	-	69,233
<u>\$ 3,069,138</u>	<u>\$ 4,733,816</u>	<u>\$ 3,317,569</u>	<u>\$ 30,894,206</u>
\$ 8,451	\$ 396	\$ 131,630	\$ 592,236
-	-	88,475	95,974
317	-	28	798
26,840	-	30,738	192,887
-	-	-	118,801
-	-	4,600	132,651
<u>35,608</u>	<u>396</u>	<u>255,471</u>	<u>1,133,347</u>
<u>326,302</u>	<u>78,441</u>	<u>154,944</u>	<u>1,136,784</u>
-	-	-	69,233
-	-	47,343	47,343
-	-	111,528	111,528
-	-	1,439,761	1,439,761
-	-	31,096	31,096
-	-	2,338	2,338
-	-	44,260	1,002,061
2,136,116	-	-	2,136,116
-	-	525,475	525,475
-	-	557,415	557,415
-	-	79,874	79,874
-	4,654,979	-	4,654,979
-	-	68,064	68,064
571,112	-	-	571,112
-	-	-	5,883,634
-	-	-	11,444,046
<u>2,707,228</u>	<u>4,654,979</u>	<u>2,907,154</u>	<u>28,624,075</u>
<u>\$ 3,069,138</u>	<u>\$ 4,733,816</u>	<u>\$ 3,317,569</u>	<u>\$ 30,894,206</u>

# BRISTOL TOWNSHIP

## RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES DECEMBER 31, 2014

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TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 28,624,075
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. These assets consist of:</p>	
Land	1,580,081
Intangibles	431,125
Construction in progress	4,538,365
Buildings	3,881,639
Improvements	1,973,220
Equipment	6,873,137
Infrastructure	63,229,464
Accumulated depreciation	(49,187,564)
<p>Deferred charges used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:</p>	
Deferred loss on defeasance of debt	2,963,631
<p>The net pension asset is not an available resource and, therefore, is not reported in the funds.</p>	
	9,749,873
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:</p>	
Accrued interest	(190,993)
Bonds payable	(32,127,513)
Capital leases	(667,245)
Bond premiums	(22,055)
Compensated absences	(3,078,655)
Net OPEB obligation	(29,948,993)
<p>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.</p>	
	<u>1,136,784</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 9,758,376</u>

*See accompanying notes to the basic financial statements.*

**BRISTOL TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2014**

	General Fund	Capital Reserve Fund
REVENUES		
Taxes		
Property	\$ 7,481,941	\$ -
Transfer	856,361	-
Earned income	6,098,741	-
Other	1,505,331	-
Fees and fines	207,668	-
Licenses and permits	3,566,833	-
Intergovernmental	931,372	-
Charges for services	336,243	-
Investment income and rent	11,147	7,090
Miscellaneous	424,547	140,335
TOTAL REVENUES	<u>21,420,184</u>	<u>147,425</u>
EXPENDITURES		
Current		
General government	2,482,448	55,327
Public safety	12,832,127	112,050
Public works	1,542,473	3,961,016
Community development	-	-
Sanitation	-	-
Culture and recreation	-	-
Debt service		
Principal	180,000	-
Interest and other charges	401,322	-
TOTAL EXPENDITURES	<u>17,438,370</u>	<u>4,128,393</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>3,981,814</u>	<u>(3,980,968)</u>
OTHER FINANCING SOURCES (USES)		
Proceeds from long-term debt	-	3,000,000
Refunding bonds issued	-	-
Premiums on bonds issued	-	-
Payment to refunded bond escrow agent	-	-
Transfers in	300,000	808,000
Transfers out	(890,816)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(590,816)</u>	<u>3,808,000</u>
NET CHANGE IN FUND BALANCES	3,390,998	(172,968)
FUND BALANCES AT BEGINNING OF YEAR	<u>8,122,281</u>	<u>7,014,403</u>
FUND BALANCES AT END OF YEAR	<u>\$ 11,513,279</u>	<u>\$ 6,841,435</u>

*See accompanying notes to the basic financial statements.*

Refuse Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ 5,254,573	\$ 1,019,898	\$ 1,934,643	\$ 15,691,055
-	-	-	856,361
-	-	-	6,098,741
-	-	-	1,505,331
-	-	-	207,668
-	-	-	3,566,833
169,922	-	3,527,837	4,629,131
2,945	-	267,025	606,213
3,013	5,104	3,822	30,176
-	-	45,825	610,707
<u>5,430,453</u>	<u>1,025,002</u>	<u>5,779,152</u>	<u>33,802,216</u>
-	19,300	-	2,557,075
-	-	1,996,519	14,940,696
-	-	1,498,332	7,001,821
-	-	1,116,782	1,116,782
4,074,562	-	-	4,074,562
-	-	360,626	360,626
-	466,000	854,601	1,500,601
-	742,907	44,745	1,188,974
<u>4,074,562</u>	<u>1,228,207</u>	<u>5,871,605</u>	<u>32,741,137</u>
<u>1,355,891</u>	<u>(203,205)</u>	<u>(92,453)</u>	<u>1,061,079</u>
-	-	-	3,000,000
-	18,678,513	-	18,678,513
-	23,014	-	23,014
-	(18,498,975)	-	(18,498,975)
-	-	162,816	1,270,816
(200,000)	-	(145,000)	(1,235,816)
<u>(200,000)</u>	<u>202,552</u>	<u>17,816</u>	<u>3,237,552</u>
1,155,891	(653)	(74,637)	4,298,631
<u>1,551,337</u>	<u>4,655,632</u>	<u>2,981,791</u>	<u>24,325,444</u>
<u>\$ 2,707,228</u>	<u>\$ 4,654,979</u>	<u>\$ 2,907,154</u>	<u>\$ 28,624,075</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, 2014

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NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 4,298,631
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 (\$5,567,501) exceed depreciation (\$1,790,094) in the current period.	3,777,407
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.	2,554,901
Because some property taxes will not be collected for several months after the Township's fiscal year ends, they are not considered as "available" revenues in the Governmental Funds. Deferred tax revenues decreased by this amount this year.	(68,303)
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.	(4,374,399)
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	94,123
Decrease in the net pension asset	(207,407)
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).	(149,765)
Net change in the liability for the net OPEB obligation is reported in the government-wide statements but not in the Governmental Funds statements.	<u>(3,530,778)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 2,394,410</u>

*See accompanying notes to the basic financial statements.*

**BRISTOL TOWNSHIP**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**DECEMBER 31, 2014**

Sewer Fund

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 5,654,037
Restricted cash	75,659
Accounts receivable, net	943,176
Due from other governments	48,500
Prepaid expenses and other assets	<u>191,311</u>

TOTAL CURRENT ASSETS	<u>6,912,683</u>
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CAPITAL ASSETS

Not being depreciated	140,000
Being depreciated, net	<u>13,547,438</u>
TOTAL CAPITAL ASSETS	<u>13,687,438</u>

TOTAL ASSETS	<u>20,600,121</u>
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LIABILITIES

CURRENT LIABILITIES

Accounts payable	701,289
Accrued interest payable	21,244
Escheat liability	5,652
Escrow deposits	70,007
Notes payable	<u>382,908</u>

TOTAL CURRENT LIABILITIES	<u>1,181,100</u>
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NONCURRENT LIABILITIES

Compensated absences	11,937
Notes payable	6,766,876
Bonds payable	1,826,487
Bond premiums	8,067
TOTAL NONCURRENT LIABILITIES	<u>8,613,367</u>

TOTAL LIABILITIES	<u>9,794,467</u>
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NET POSITION

Net investment in capital assets	4,703,100
Unrestricted	<u>6,102,554</u>

TOTAL NET POSITION	<u>\$ 10,805,654</u>
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*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, 2014**

	<u>Sewer Fund</u>
OPERATING REVENUES	
Charges for services	\$ 4,807,200
Penalties and interest	341,570
Other revenues	<u>103,359</u>
TOTAL OPERATING REVENUES	<u>5,252,129</u>
OPERATING EXPENSES	
Administrative	462,531
Operating	3,434,043
Depreciation	<u>353,732</u>
TOTAL OPERATING EXPENSES	<u>4,250,306</u>
OPERATING INCOME	<u>1,001,823</u>
NONOPERATING REVENUES (EXPENSES)	
Interest and investment revenue	6,208
Interest expense	<u>(151,186)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(144,978)</u>
INCOME BEFORE TRANSFERS	856,845
TRANSFERS OUT	<u>(35,000)</u>
CHANGE IN NET POSITION	821,845
NET POSITION AT BEGINNING OF YEAR	<u>9,983,809</u>
NET POSITION AT END OF YEAR	<u>\$ 10,805,654</u>

*See accompanying notes to the basic financial statements.*

**BRISTOL TOWNSHIP**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**YEAR ENDED DECEMBER 31, 2014**

	<u>Sewer Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 4,814,002
Payments to employees	(340,060)
Payments to suppliers	<u>(4,035,149)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>438,793</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers to other funds	<u>(33,039)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition, construction and improvements of capital assets	(305,208)
Bond principal repayment	(192,887)
Interest paid on bonds	(147,692)
Grants and contributions	<u>139,682</u>
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING</b>	
<b>ACTIVITIES</b>	<u>(506,105)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Earnings on investments	<u>6,208</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(94,143)</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>5,823,839</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>\$ 5,729,696</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED</b>	
<b>BY OPERATING ACTIVITIES</b>	
Operating Income	\$ 1,001,823
Adjustments to reconcile operating income to net cash provided by	
operating activities	353,732
Depreciation	
Increase (decrease) in	
Accounts receivable	(438,132)
Prepaid expenses and other assets	3,776
Increase (decrease) in	
Accounts payable	(484,982)
Accrued salaries and benefits	2,571
Escrow deposits	<u>5</u>
	<u><u>\$ 438,793</u></u>

*See accompanying notes to the basic financial statements.*

**BRISTOL TOWNSHIP**

## STATEMENT OF FIDUCIARY NET POSITION

## FIDUCIARY FUNDS

DECEMBER 31, 2014

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	<u>Pension Trust Fund</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 772,302	\$ 2,092,559
Investments	45,699,228	-
Receivables	24,755	-
Due from Township	-	798
	<u>46,496,285</u>	<u>2,093,357</u>
TOTAL ASSETS		
LIABILITIES		
Accounts payable	-	\$ <u>2,093,357</u>
NET POSITION		
Held in trust for benefits and other purposes	\$ <u>46,496,285</u>	

See accompanying notes to the basic financial statements.

**BRISTOL TOWNSHIP**

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

## FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2014

	<u>Pension Trust Fund</u>
ADDITIONS	
Contributions	
Employer	\$ 1,112,391
Plan members	297,595
State	627,271
TOTAL CONTRIBUTIONS	<u>2,037,257</u>
Investment income	
Net increase in fair value of investments	1,609,474
Dividends	1,206,999
Investment activity expense	(138,789)
INVESTMENT INCOME, net	<u>2,677,684</u>
TOTAL ADDITIONS	<u>4,714,941</u>
DEDUCTIONS	
Benefits paid	2,903,749
Members' contributions refunded	59,781
Administrative expenses	5,000
TOTAL DEDUCTIONS	<u>2,968,530</u>
CHANGE IN NET POSITION	1,746,411
NET POSITION AT BEGINNING OF YEAR	<u>44,749,874</u>
NET POSITION AT END OF YEAR	<u>\$ 46,496,285</u>

See accompanying notes to the basic financial statements.

**BRISTOL TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2014

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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 January 2, 2012, and consists of seven council members and a township manager.

The Township provides the following services: general administrative services, tax collection, public improvements, public safety, water and sewer for certain areas of the Township, conservation and development, culture and recreation and maintenance and repairs of highways and streets programs. The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units, as prescribed by the Governmental Accounting Standards Board (GASB).

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

**Government-Wide and Fund Financial Statements**

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

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

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

**Measurement Focus, Basis of Accounting and Basis of Presentation**

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

**BRISTOL TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2014

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**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 an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability rather than an expenditure.

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

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

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

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



**BRISTOL TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2014

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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, 2014

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

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

**Restricted Cash** - Restricted cash represents cash set aside for liquidation of specific obligations. At December 31, 2014, the General Fund restricted cash balance of \$128,051 represents funds to be escheated to the state. The Sewer Fund restricted cash balance of \$75,659 represents \$70,007 paid by property owners that are held in escrow accounts for the purpose of sewer hookup and unclaimed monies of \$5,652 to be remitted to the state in accordance with escheat law.

**BRISTOL TOWNSHIP**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2014

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

**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 \$447,027 and \$52,091, respectively. Accounts receivable for business-type activities have been reported net of an allowance for doubtful accounts of \$1,745,431. 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.

**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, 2014

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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 only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

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

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

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

**BRISTOL TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2014

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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, 2014

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**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 2014 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, 2014

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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, 2014

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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, 2014**

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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, 2014, were as follows:

	<u>Book Balance</u>	<u>Bank Balance</u>
Governmental Funds	\$ 26,704,542	\$ 28,903,214
Proprietary Funds	5,729,696	5,729,396
Agency Funds	<u>2,092,559</u>	<u>2,135,567</u>
	<u>\$ 34,526,797</u>	<u>\$ 36,768,177</u>

**Investments**

The Township's investments at December 31, 2014, were as follows:

***Pension Trust Fund***

	<u>Cost</u>	<u>Market Value</u>
Fixed income mutual funds	\$ 12,497,126	\$ 12,874,383
Equity mutual funds	26,217,867	31,598,390
Real estate	<u>1,203,904</u>	<u>1,226,455</u>
	<u>\$ 39,918,897</u>	<u>\$ 45,699,228</u>

As of December 31, 2014, the Township had the following debt investments and maturities in its Police Pension Plan Accounts.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Average Investment Maturities (in Years)</u>		
		<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>
Fixed income mutual funds	\$ <u>12,874,383</u>	\$ <u>1,268,863</u>	\$ <u>-</u>	\$ <u>11,605,520</u>

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

***Credit Risk*** - At December 31, 2014, \$957,977 (7.4%), \$1,657,403 (12.9%), \$6,716,837 (52.2%), \$959,839 (7.4%) and \$2,582,327 (20.1%) of the Police Pension Plan fixed income mutual funds were rated AA, A, BBB, BB and B, respectively, by Morningstar. The Police Pension Plan money market funds in the amount of \$772,302, recorded as cash and cash equivalents, were unrated. The Township does not have a formal policy that limits investments to ratings issued by nationally recognized statistical rating organizations for the Police Pension Plan.

**BRISTOL TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2014

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

**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, 2014, 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, 2014, \$36,518,177 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, 2014, \$1,226,455 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 2014 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during 2014 and expected to be collected within the first 60 days of 2013 are recognized as revenue in 2014. 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 2014 was 18.08 mills for general purposes, .9 mills for recreation purposes, 2 mills for fire purposes, 2.4575 mills for debt purposes and .55 mills for rescue purposes on a total Township assessed valuation of \$416,837,500.

**BRISTOL TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**NOTE D - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2014, was as follows:

**Governmental Activities**

	Balance January 1, 2014	Increases	Decreases	Balance December 31, 2014
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 1,580,081	\$ -	\$ -	\$ 1,580,081
Intangibles	431,125	-	-	431,125
Construction in progress	3,974,718	1,257,800	(694,153)	4,538,365
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>5,985,924</u>	<u>1,257,800</u>	<u>(694,153)</u>	<u>6,549,571</u>
Capital assets being depreciated				
Buildings	3,881,639	-	-	3,881,639
Improvements	1,846,684	126,536	-	1,973,220
Equipment	6,059,955	813,182	-	6,873,137
Infrastructure	59,165,328	4,064,136	-	63,229,464
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>70,953,606</u>	<u>5,003,854</u>	<u>-</u>	<u>75,957,460</u>
Accumulated depreciation				
Buildings	(3,136,880)	(52,421)	-	(3,189,301)
Improvements	(689,026)	(71,158)	-	(760,184)
Equipment	(3,924,024)	(562,698)	-	(4,486,722)
Infrastructure	(39,647,540)	(1,103,817)	-	(40,751,357)
TOTAL ACCUMULATED DEPRECIATION	<u>(47,397,470)</u>	<u>(1,790,094)</u>	<u>-</u>	<u>(49,187,564)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>23,556,136</u>	<u>3,213,760</u>	<u>-</u>	<u>26,769,896</u>
 GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	 <u>\$ 29,542,060</u>	 <u>\$ 4,471,560</u>	 <u>\$ (694,153)</u>	 <u>\$ 33,319,467</u>

**BRISTOL TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

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

**Business-Type Activities**

	Balance January 1, 2014	Increases	Decreases	Balance December 31, 2014
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 140,000	\$ -	\$ -	\$ 140,000
Construction in progress	11,824,210	255,921	(12,080,131)	-
<b>TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED</b>	<b>11,964,210</b>	<b>255,921</b>	<b>(12,080,131)</b>	<b>140,000</b>
Capital assets being depreciated				
Building	1,288,943	9,554,738	-	10,843,681
Tanks	1,964,174	-	-	1,964,174
Pump stations	1,056,207	2,525,392	-	3,581,599
Land improvements	10,570	-	-	10,570
Office equipment	101,439	-	-	101,439
Vehicles	297,772	40,608	-	338,380
Equipment	3,701,111	-	-	3,701,111
Collection system	5,534,083	8,680	-	5,542,763
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED</b>	<b>13,954,299</b>	<b>12,129,418</b>	<b>-</b>	<b>26,083,717</b>
Accumulated depreciation				
Building	(1,288,943)	(59,717)	-	(1,348,660)
Tanks	(1,517,306)	(33,735)	-	(1,551,041)
Pump stations	(828,433)	(27,034)	-	(855,467)
Land improvements	(6,316)	(230)	-	(6,546)
Office equipment	(96,918)	(1,280)	-	(98,198)
Vehicles	(147,812)	(26,086)	-	(173,898)
Equipment	(3,369,768)	(62,659)	10,619	(3,421,808)
Collection system	(4,927,051)	(142,991)	(10,619)	(5,080,661)
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<b>(12,182,547)</b>	<b>(353,732)</b>	<b>-</b>	<b>(12,536,279)</b>
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED, net</b>	<b>1,771,752</b>	<b>11,775,686</b>	<b>-</b>	<b>13,547,438</b>
<b>BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net</b>	<b>\$ 13,735,962</b>	<b>\$ 12,031,607</b>	<b>\$ (12,080,131)</b>	<b>\$ 13,687,438</b>

**BRISTOL TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

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

Depreciation expense was charged to functions/programs as follows:

<b>GOVERNMENTAL ACTIVITIES</b>	
General government	\$ 224,541
Public safety	212,345
Public works	1,291,510
Culture and recreation	<u>61,698</u>
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ <u>1,790,094</u></b>
<b>BUSINESS-TYPE ACTIVITIES</b>	
Sewer Fund	<b>\$ <u>353,732</u></b>

**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>
<b>GOVERNMENTAL ACTIVITIES</b>	
Bonds payable, General Obligation Bonds	\$ <u>26,898,513</u>
Other liabilities	
Compensated absences	2,928,890
Capital leases	1,521,846
Bond premiums	-
Other postemployment benefits	<u>26,418,215</u>
<b>TOTAL OTHER LIABILITIES</b>	<b><u>30,868,951</u></b>
<b>TOTAL GOVERNMENTAL ACTIVITIES LONG-TERM LIABILITIES</b>	<b>\$ <u>57,767,464</u></b>
<b>BUSINESS-TYPE ACTIVITIES</b>	
Bonds payable, General Obligation Bonds	\$ <u>1,826,487</u>
Other liabilities	
Notes payable	7,342,671
Bond premiums	8,067
Compensated absences	<u>9,366</u>
<b>TOTAL OTHER LIABILITIES</b>	<b><u>7,360,104</u></b>
<b>TOTAL BUSINESS-TYPE ACTIVITIES LONG-TERM LIABILITIES</b>	<b>\$ <u>9,186,591</u></b>

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<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
\$ <u>21,678,513</u>	\$ <u>(16,449,513)</u>	\$ <u>32,127,513</u>	\$ <u>1,288,000</u>
645,758	(495,993)	3,078,655	-
-	(854,601)	667,245	162,407
22,055	-	22,055	-
<u>5,383,366</u>	<u>(1,852,588)</u>	<u>29,948,993</u>	<u>-</u>
<u>6,051,179</u>	<u>(3,203,182)</u>	<u>33,716,948</u>	<u>162,407</u>
\$ <u>27,729,692</u>	\$ <u>(19,652,695)</u>	\$ <u>65,844,461</u>	\$ <u>1,450,407</u>
\$ <u>1,826,487</u>	\$ <u>(1,826,487)</u>	\$ <u>1,826,487</u>	\$ <u>-</u>
-	(192,887)	7,149,784	382,908
-	-	8,067	-
<u>4,086</u>	<u>(1,515)</u>	<u>11,937</u>	<u>-</u>
<u>4,086</u>	<u>(194,402)</u>	<u>7,169,788</u>	<u>382,908</u>
\$ <u>1,830,573</u>	\$ <u>(2,020,889)</u>	\$ <u>8,996,275</u>	\$ <u>382,908</u>

**BRISTOL TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

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

In June 2014, the Township issued General Obligation Bonds, Series of 2014 A and B, in the amount of \$20,505,000, for the purpose of advance refunding the outstanding General Obligation Bonds, Series of 2008 and advance refunding the outstanding General Obligation Bonds, Series of 2010. The new issues will decrease debt service payments for the Township by \$1,185,468, and the refunding of the old issues will have an overall economic gain of \$1,203,276.

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>
2015	\$ 1,288,000	\$ 984,213	\$ 2,272,213
2016	1,667,661	958,332	2,625,993
2017	1,710,661	920,908	2,631,569
2018	1,747,661	877,873	2,625,534
2019	1,801,661	829,925	2,631,586
2020 to 2024	9,727,305	3,380,383	13,107,688
2025 to 2029	7,492,305	1,958,927	9,451,232
2030 to 2034	4,221,130	885,709	5,106,839
2035 to 2038	2,471,129	252,020	2,723,149
	<u>\$ 32,127,513</u>	<u>\$ 11,048,290</u>	<u>\$ 43,175,803</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>
2015	\$ 382,908	\$ 161,734	\$ 544,642
2016	389,154	156,827	545,981
2017	394,124	151,849	545,973
2018	382,854	189,421	572,275
2019	379,818	211,236	591,054
2020 to 2024	2,050,510	904,257	2,954,767
2025 to 2029	2,327,777	625,853	2,953,630
2030 to 2034	1,765,255	315,305	2,080,560
2035 to 2038	903,871	92,181	996,052
	<u>\$ 8,976,271</u>	<u>\$ 2,808,663</u>	<u>\$ 11,784,934</u>

**BRISTOL TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**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, 2014
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	\$ 3,000,000
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	6,820,000
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	13,685,000
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	5,763,000
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	69,000
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	3,782,000
2010	\$ 9,000,000	General Revenue Note, up to a maximum principal amount of \$9,000,000 with interest monthly through May 1, 2033, interest rates range from 1.274% to 2.547%, principal payments due monthly beginning June 1, 2013 through May 1, 2033, for the purpose of making improvements and repairs to the Sewer Plant Facility; funded through the Pennsylvania Infrastructure Investment Authority and drawn down as needed	7,149,784
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	835,000
			<u>\$ 41,103,784</u>



**BRISTOL TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

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**NOTE F - OBLIGATION UNDER CAPITAL LEASES**

Obligation under capital leases consists of the following leases payable:

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

The assets acquired through capital leases are as follows:

Equipment	\$ <u>2,107,879</u>
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Future minimum lease payments under the capital lease agreements together with the present value of the net minimum lease payments as of December 31, 2014, are as follows:

TOTAL MINIMUM LEASE PAYMENTS	\$ 711,376
Amount representing interest	<u>(44,131)</u>
TOTAL PRESENT VALUE OF NET MINIMUM LEASE PAYMENTS	667,245
Principal due within one year	<u>(162,407)</u>
 LONG-TERM CAPITAL LEASE PAYABLE	 \$ <u>504,838</u>

Future minimum capital lease payments are as follows:

<u>Year Ending</u> <u>December 31,</u>	
2015	\$ 181,628
2016	181,628
2017	181,628
2018	<u>166,492</u>
	<u>\$ 711,376</u>

**BRISTOL TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

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**NOTE G - COMPENSATED ABSENCES**

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

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

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

**NOTE H - INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivable and payable balances are as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
GOVERNMENTAL FUNDS		
General Fund	\$ 83,125	\$ 7,499
Other Governmental Funds	<u>12,849</u>	<u>88,475</u>
	<u>\$ 95,974</u>	<u>\$ 95,974</u>

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

**BRISTOL TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

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**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:

	Transfers In	Transfers Out
	<u>                    </u>	<u>                    </u>
<b>GOVERNMENTAL FUNDS</b>		
General Fund	\$ 300,000	\$ 890,816
Capital Reserve Fund	808,000	-
Refuse Fund	-	200,000
Other Governmental Funds	162,816	145,000
<b>PROPRIETARY FUND</b>		
Sewer Fund	<u>                    -</u>	<u>                    35,000</u>
	<u><u>\$ 1,270,816</u></u>	<u><u>\$ 1,270,816</u></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, 2014, the Township's expense for treatment services under these agreements was \$1,821,420.

**NOTE K - EMPLOYEES' RETIREMENT PLANS**

**Police Pension Trust Fund**

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

**BRISTOL TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE K - EMPLOYEES' RETIREMENT PLANS (Continued)**

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

Active employees	57
Retirees and beneficiaries currently receiving benefits	68
Terminated employees entitled to benefits but not yet receiving them	3

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.

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

**BRISTOL TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE K - EMPLOYEES' RETIREMENT PLANS (Continued)**

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

***Schedule of Funding Progress for the Bristol Township Police Pension Plan***

Actuarial Value of Assets January 1,	(a) Actuarial Value of Assets	(b) Actuarial Liability (AAL) - Entry Age	(c) Unfunded AAL (UAAL) (b)-(a)	(d) Funded Ratio (a)/(b)	(e) Covered Payroll	(f) UAAL as a Percentage of Covered Payroll (c)/(e)
2009	\$ 38,121,448	\$ 42,174,232	\$ 4,052,784	90.4%	\$ 5,797,453	69.9%
2011	40,282,763	45,806,594	5,523,831	87.9%	6,396,587	86.4%
2013	43,737,226	51,565,991	7,828,765	84.8%	5,790,004	135.2%

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

**Annual Pension Cost** - The annual required contribution was determined based on the most recent annual actuarial valuation dated as of January 1, 2013. The entry age normal method of funding was used in the valuation. Significant actuarial assumptions include (a) a rate of return on the investment of present and future assets at 8% per year, net of investment expenses and (b) projected salary increases of 6% per year.

**Three-Year Trend Information**

Year Ended December 31,	Annual Pension Costs	Percentage of Pension Costs Contributed	Net Pension Assets
2012	1,516,596	88%	9,949,771
2013	1,279,979	101%	9,957,280
2014	1,947,069	89%	9,749,873

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

Actuarial cost method	Entry age normal
Asset valuation method	120% of market value
Amortization method	Level dollar
Actuarial valuation date	January 1, 2013
Remaining amortization period	12 years
Actuarial assumptions	
Investment rate of return	8%
Projected salary increases	6%

**BRISTOL TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

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

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

During 2008, the Township issued federally taxable general obligation bonds to fully fund the unfunded actuarial accrued pension liability in the Police Pension Plan. The Township's contribution resulted in a net pension asset in the Police Pension Plan. At December 31, 2014, the Township's net pension asset was as follows:

Annual required contribution (ARC)	\$ 1,739,662
Interest on net pension asset	(796,582)
Adjustment to ARC	1,003,989
ANNUAL PENSION COST	<u>1,947,069</u>
Contributions made	<u>(1,739,662)</u>
DECREASE IN NET PENSION ASSET	207,407
Net pension asset at beginning of year	<u>(9,957,280)</u>
NET PENSION ASSET AT END OF YEAR	<u>\$ (9,749,873)</u>

**Contributions Required and Contributions Made** - Act 205 of 1984, the Municipal Pension Plan Funding Standard Recovery Act, initiated actuarial funding requirements for municipal pension plans. Under Act 205 provisions, a municipal budget must provide for the full payment of the minimum municipal obligation (MMO) to each employee pension fund of the municipality. Act 189 of 1990 amended Act 205 and redefined the calculation used to determine the MMO to employee pension funds. The MMO is now defined as the total financial requirements to the pension fund, less funding adjustments and estimated contributions. The annual required contribution for the MMO to the Pension Trust Fund was \$1,739,662 for the year ended December 31, 2014, which was funded by the Township through a state aid amount of \$627,271 and Township contributions of \$1,112,391. The contributions represented 28% of covered payroll. Employee contributions in 2014 totaled \$297,595 or 5% of covered payroll.

**Schedule of Contributions from Employer - Six-Year Trend Information**

<u>Year Ended</u> <u>December 31,</u>	<u>Annual</u> <u>Required</u> <u>Contribution</u>	<u>Percentage</u> <u>of Annual</u> <u>Required</u> <u>Contribution</u> <u>Contributed</u>
2009	\$ 543,501	124%
2010	564,367	107%
2011	1,212,176	100%
2012	1,333,152	100%
2013	1,287,488	100%
2014	1,739,662	100%

**BRISTOL TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2014

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

**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 \$125,771 and \$128,936, respectively, during the year ended December 31, 2014.

**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 \$7,528,833 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 2014, the Township contributed \$1,852,588 to the plan for current premiums.

**BRISTOL TOWNSHIP**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2014

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

**Annual OPEB Cost and Net OPEB Obligation**

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

The Township's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2014 were as follows:

<u>Fiscal Year Ended December 31,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012	6,824,109	24.48%	22,739,672
2013	5,236,637	29.75%	26,418,215
2014	5,383,367	21.25%	29,948,993

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

	<u>Governmental Activities</u>
Annual required contribution (ARC)	\$ 6,059,325
Estimated interest on net OPEB obligation	1,056,728
Estimated adjustment to ARC	<u>(1,732,687)</u>
ESTIMATED ANNUAL OPEB COSTS	5,383,366
Contributions made	<u>(1,852,588)</u>
ESTIMATED INCREASE IN NET OPEB OBLIGATION	3,530,778
Estimated net OPEB obligation at beginning of year	<u>26,418,215</u>
ESTIMATED NET OPEB OBLIGATION AT END OF YEAR	<u>\$ 29,948,993</u>



**BRISTOL TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2014

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

**Funded Status and Funding Progress**

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

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

**Actuarial Methods and Assumptions**

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

In the January 1, 2013 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return, which is the expected short-term investment yield on the investments that are expected to be used to finance the payments of benefits, a salary increase of 6% per year, a health care cost trend rate of 10% through 2015, decreasing by 0.5% per year to an ultimate rate of 5%. The actuarial assumptions also include a vision cost trend rate of 9.9% for 2014 and 3.5% per year thereafter, and a dental trend rate of 2.8% for 2014 and 4% per year thereafter. The actuarial valuation assumes 100% participant election and 85% of retiring members' spouses will elect coverage under the plan. The UAAL is being amortized using the level dollar method over a period of 30 years on a closed basis.

**BRISTOL TOWNSHIP**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2014

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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 \$ 69,233

Unassigned

Amounts available for any purpose 11,444,046

**Capital Reserve Fund**

Committed

Amounts committed for capital projects 957,801

Assigned

Amounts assigned for capital projects 5,883,634

**Refuse Fund**

Committed

Amounts committed for refuse collection 2,136,116

Assigned

Amounts assigned for refuse collection 571,112

**Debt Service Fund**

Committed

Amounts committed for debt service 4,654,979

**Other Governmental Funds**

Restricted

Restriction of funds for communications 47,343

Restriction of funds for law enforcement 111,528

Restriction of funds for road repairs 1,439,761

Restriction of funds for community development 31,096

Restriction of funds for public safety 2,338

Committed

Amounts committed for parks and recreation 525,475

Amounts committed for street light repairs 557,415

Amounts committed for public safety 79,874

Amounts committed for capital projects 44,260

Amounts committed for blighted properties 68,064

\$ 28,624,075

**BRISTOL TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2014

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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	\$ 4,703,100
Amounts available for any purpose	<u>6,102,554</u>
	<u>\$ 10,805,654</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>46,496,285</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, 2014, the Township paid insurance premiums of \$629,995.

**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, 2014.

**NOTE Q - SUBSEQUENT EVENT**

In June 2015, the Township issued General Obligation Bond Series 2015 in the amount of \$10,000,000 in order to continue funding its road program and to fund improvements on its waste water treatment plant.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**BRISTOL TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2014**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes				
Property	\$ 7,317,000	\$ 7,317,000	\$ 7,481,941	\$ 164,941
Transfer	600,000	600,000	856,361	256,361
Earned income	5,500,000	5,500,000	6,098,741	598,741
Other	1,439,500	1,439,500	1,505,331	65,831
Fees and fines	243,200	243,200	207,668	(35,532)
Licenses and permits	2,556,500	2,556,500	3,566,833	1,010,333
Intergovernmental	957,000	957,000	931,372	(25,628)
Charges for services	781,000	781,000	336,243	(444,757)
Investment income and rent	7,000	7,000	11,147	4,147
Miscellaneous	157,400	157,400	424,547	267,147
<b>TOTAL REVENUES</b>	<u>19,558,600</u>	<u>19,558,600</u>	<u>21,420,184</u>	<u>1,861,584</u>
<b>EXPENDITURES</b>				
Current				
General government	3,313,530	3,313,530	2,482,448	831,082
Public safety	13,539,802	13,539,802	12,832,127	707,675
Public works	1,768,744	1,768,744	1,542,473	226,271
Debt service				
Principal	180,000	180,000	180,000	-
Interest and other charges	744,993	744,993	401,322	343,671
<b>TOTAL EXPENDITURES</b>	<u>19,547,069</u>	<u>19,547,069</u>	<u>17,438,370</u>	<u>2,108,699</u>
<b>EXCESS OF REVENUES OVER     EXPENDITURES</b>	<u>11,531</u>	<u>11,531</u>	<u>3,981,814</u>	<u>3,970,283</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,014,397	1,014,397	300,000	(714,397)
Transfers out	(925,928)	(925,928)	(890,816)	35,112
<b>TOTAL OTHER FINANCING     SOURCES (USES)</b>	<u>88,469</u>	<u>88,469</u>	<u>(590,816)</u>	<u>(679,285)</u>
<b>NET CHANGE IN FUND     BALANCE</b>	<u>100,000</u>	<u>100,000</u>	<u>3,390,998</u>	<u>3,290,998</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>8,122,281</u>	<u>8,122,281</u>	<u>8,122,281</u>	<u>-</u>
<b>FUND BALANCE AT END     OF YEAR</b>	<u>\$ 8,222,281</u>	<u>\$ 8,222,281</u>	<u>\$ 11,513,279</u>	<u>\$ 3,290,998</u>

**BRISTOL TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE**  
**REFUSE FUND**  
**YEAR ENDED DECEMBER 31, 2014**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 5,074,000	\$ 5,074,000	\$ 5,254,573	\$ 180,573
Intergovernmental	140,585	140,585	169,922	29,337
Charges for services	500	500	2,945	2,445
Investment income and rent	-	-	3,013	3,013
<b>TOTAL REVENUES</b>	<b>5,215,085</b>	<b>5,215,085</b>	<b>5,430,453</b>	<b>215,368</b>
<b>EXPENDITURES</b>				
Current, sanitation	5,015,085	5,015,085	4,074,562	940,523
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>200,000</b>	<b>200,000</b>	<b>1,355,891</b>	<b>1,155,891</b>
<b>OTHER FINANCING USES</b>				
Transfers out	(200,000)	(200,000)	(200,000)	-
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>1,155,891</b>	<b>1,155,891</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b>1,551,337</b>	<b>1,551,337</b>	<b>1,551,337</b>	<b>-</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 1,551,337</b>	<b>\$ 1,551,337</b>	<b>\$ 2,707,228</b>	<b>\$ 1,155,891</b>

**BRISTOL TOWNSHIP**  
**POSTEMPLOYMENT BENEFITS OTHER THAN**  
**PENSION FUNDING PROGRESS**  
**YEAR ENDED DECEMBER 31, 2014**

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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)
2010	\$ -	\$ 66,917,267	\$ 66,917,267	0%	\$ 4,838,138	1383.1%
2011	-	77,074,400	77,074,400	0%	6,396,587	1204.9%
2013	-	70,420,090	70,420,090	0%	5,790,004	1216.2%

***Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards***

To the Township Council  
Bristol Township  
Bristol, Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Bristol Township as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise Bristol Township's basic financial statements, and have issued our report thereon dated September 23, 2015.

***Internal Control Over Financial Reporting***

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

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

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

*Mailie LLP*

Oaks, Pennsylvania  
September 23, 2015

***Independent Auditors' Report on Compliance for Each Major Federal Program and  
Report on Internal Control Over Compliance in Accordance With OMB Circular A-133***

To the Township Council  
Bristol Township  
Bristol, Pennsylvania

***Report on Compliance for Each Major Federal Program***

We have audited Bristol Township's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Bristol Township's major federal programs for the year ended December 31, 2014. Bristol Township's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Bristol Township's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bristol Township's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

To the Township Council  
Bristol Township  
Bristol, Pennsylvania

***Basis for Qualified Opinion on the Community Development Block Grant***

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 2014-001 for Allowable Costs, finding 2014-002 for Reporting and finding 2014-004 for Subrecipient Monitoring. Compliance with such requirements is necessary, in our opinion, for Bristol Township to comply with the requirements applicable to that program. We were unable to obtain sufficient documentation supporting the compliance of Bristol Township with CFDA 14.218 Community Development Block Grants as described in finding 2014-003 for Matching, Level of Effort, Earmarking, nor were we able to satisfy ourselves as to Bristol Township's compliance with those requirements by other auditing procedures.

***Qualified Opinion on the Community Development Block Grant***

In our opinion, except for the noncompliance and possible effects of the matter 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 ad material effect on the Community Development Block Grant program for the year ended December 31, 2014.

***Unmodified Opinion on Other Major Federal Program***

In our opinion, Bristol Township complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs for the year ended December 31, 2014.

***Other Matters***

Bristol Township's response to the noncompliance findings identifies in our audit is 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.

***Report on Internal Control Over Compliance***

Management of Bristol Township is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Bristol Township's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Bristol Township's internal control over compliance.

To the Township Council  
Bristol Township  
Bristol, Pennsylvania

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-001, 2014-002, 2014-003 and 2014-004 to be a material weaknesses.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

***Purpose of this Report***

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Maillie LLP*

Oaks, Pennsylvania  
September 23, 2015

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

**BRISTOL TOWNSHIP****SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS****YEAR ENDED DECEMBER 31, 2014**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Community Development Block Grant	14.218	N/A	\$ 439,891
<b>U.S. DEPARTMENT OF JUSTICE</b>			
Edward J. Byrne Memorial Justice Assistance Grant	16.738	2012-DJ-BX-3351	24,018
Edward J. Byrne Memorial Justice Assistance Grant	16.738	2013-DJ-BX-0730	11,866
Edward J. Byrne Memorial Justice Assistance Grant-Bullet Proof Vest	16.738	2009-CK-WX-0070	8,020
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
<b>Passed through the North Central Highway Safety Network</b>			
State and Community Highway Safety - Aggressive Driving Enforcement and Education	20.600	N/A	2,074
State and Community Highway Safety - Buckle Up PA	20.600	N/A	2,800
State and Community Highway Safety - BUPA Teen Mobilization Enforcement	20.600	N/A	563
State and Community Highway Safety - AD Wave 1 Enforcement	20.600	N/A	990
State and Community Highway Safety - Buckle Up Grant	20.600	N/A	1,100
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
<b>Passed through the Pennsylvania Department of Transportation</b>			
Highway Planning and Construction	20.205	N/A	<u>411,433</u>
TOTAL FEDERAL AWARDS			\$ <u><u>902,755</u></u>

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

**BRISTOL TOWNSHIP**  
NOTES TO THE SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2014

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**NOTE A - REPORTING ENTITY**

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

**NOTE B - BASIS OF ACCOUNTING**

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

**NOTE C - RISK-BASED APPROACH**

The 2014 threshold for determining Type A and B programs is \$300,000. The following high risk Type A programs were audited as major:

<u>Program</u>	<u>CFDA #</u>
Community Development Block Grant	14.218
Highway Planning and Construction	20.205

The amount expended under programs tested as major federal programs for the year ended December 31, 2014, totaled \$851,324 or 94% of total federal awards.

**BRISTOL TOWNSHIP**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED DECEMBER 31, 2014**

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**A. SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unmodified opinion on the financial statements of Bristol Township.
2. No material weaknesses relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Bristol Township were disclosed during the audit.
4. Four material weaknesses relating to the audit of the Community Development Block Grant are reported in the Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With OMB Circular A-133.
5. The auditors' report on compliance for the major award programs for Bristol Township expresses a qualified opinion relating to the compliance with allowable costs requirements, reporting requirements, matching, level of effort, earmarking requirements and subrecipient monitoring requirements for the Community Development Block Grant program.
6. The programs tested as major programs include:

Program	CFDA
Community Development Block Grant	14.218
Congressionally Mandated Projects	66.202
7. The threshold used for distinguishing Types A and B programs was \$300,000.
8. Bristol Township was determined to be a high-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

None.

**C. FINDINGS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

**2014-001 Community Development Block Grant - Allowable Costs**  
**Federal CFDA #14.218**

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



**BRISTOL TOWNSHIP**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2014

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

**Condition:** Our review of payroll expenses revealed that the program coordinator and the program coordinators' assistant work solely on the Community Development Block Grant but their salaries are not supported by the required periodic certifications.

**Criteria:** Federal regulations under OMB Cost Circular A-87 dictate that where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification.

**Effect:** The wages charged to the program were not supported by periodic certifications.

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

**Recommendation:** We recommend that, if an employee is working solely on this program, a periodic certification, completed no less than semiannually and signed by the employee and a supervisory official having first-hand knowledge of the work performed by the employee, should be completed.

**Management's Response:** The Township will make better use of technology to remind appropriate personnel as to the upcoming due dates for these types of compliance reports. In pursuance of alleviating this condition, such was used to certify the first six months of 2015. The next being due in January 2016 for the last six months of 2015.

**2014-002 Community Development Block Grant - Reporting  
Federal CFDA #14.218**

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

**Condition:** The Township did not submit an acceptable 2013 Consolidated Annual Performance and Evaluation Report (CAPER), and still has not received its 2014 CDBG funding allocation. Additionally, the Township has not submitted an acceptable 2014 Action Plan and has not submitted an acceptable 2015 Five-Year Consolidated Action Plan. As a result of having not submitted an acceptable 2013 CAPER and not receiving its 2014 CDBG funding allocation, a 2014 CAPER report has also not been completed.

**Criteria:** Federal regulations dictate that reports should be completed accurately and on a timely basis.

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

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

**BRISTOL TOWNSHIP**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2014

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

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

**Management's Response:** The Township now has an approved 2014 Action Plan. As of August 4, 2015, the Township has submitted to HUD the 2015-2019 Five Year Consolidated Plan as well as the 2015 Annual Action Plan. Both documents are still under review by the HUD field office, however, approval should be made by the end of September 2015. The Township is working with a consultant to complete the 2013 CAPER and it should be resubmitted to HUD by the end of September 2015. Additionally, the Township is working to update its Policies & Procedures for the CDBG program management.

**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**

**Condition:** The Township has not received its 2014 CDBG funding allocation, and as a result, compliance with earmarking requirements for 2014 could not be determined.

**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:** A determination as to whether or not the Township complied with the earmarking requirements could not be determined.

**Cause:** Each year, the Township reports its expenditures in compliance with the earmarking requirements on the PR26 report, which is part of the annual Consolidated Annual Performance and Evaluation Report (CAPER). Further, each year the current year funding allocation is part of the earmarking calculation. A CAPER has not been completed for 2014 (see finding 2014-002), and the Township has not yet received their 2014 funding allocation, and as a result, compliance with the earmarking requirements could not be determined.

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

**Management's Response:** As part of the 2014 and 2015 Annual Action Plans, the Township has certified that 80% of the CDBG funds will be utilized to serve low and moderate income persons and that no more than 20% of the CDBG funds will be utilized for the Administration of the program, as well as no more than 15% of the annual allocation will be utilized for Public Services activities. These certifications are published as part of the Annual Action Plan and are available for public review and comment.

**BRISTOL TOWNSHIP**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2014

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

**2014-004 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 subrecipient monitoring procedures during 2014.

**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.

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

**Cause:** The Township did not perform any subrecipient monitoring activities during 2014.

**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:** Township staff, along with its consultant, conducted monitoring for all subrecipients during the week of September 7, 2015. Staff will be preparing written notifications of any findings or concerns for each organization. These notifications will be sent to each organization by the end of September 2015 and a copy of all correspondence will be maintained in the activity files.

**BRISTOL TOWNSHIP**  
SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED DECEMBER 31, 2014

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**13-01 Community Development Block Grant - Allowable Costs**  
**Federal CFDA #14.218**

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

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

**Current Status:** This finding is still applicable. See the schedule of findings and questioned costs item 2014-001.

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

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

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

**Current Status:** This finding is still applicable. See the schedule of findings and questioned costs item 2014-002.

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

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

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

**Current Status:** No funds for this program were received by the Township in the current year; therefore, this program was not tested as a major program.