

TOWNSHIP OF BRISTOL
BUCKS COUNTY, PENNSYLVANIA
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011

TOWNSHIP OF BRISTOL
YEAR ENDED DECEMBER 31, 2011

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Zelenkofske Axelrod LLC

INDEPENDENT AUDITORS' REPORT

Township Council
Bristol Township
Bristol, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Bristol as of and for the year ended December 31, 2011, which collectively comprise the Township of Bristol's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Bristol's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 the Township of Bristol as of December 31, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the Township of Bristol adopted the provisions of Governmental Accounting Standards Board's Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*," and Statement No. 59, "*Financial Instruments Omnibus*."

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2012, on our consideration of the Township of Bristol's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Harrisburg	Lehigh Valley	Philadelphia	Pittsburgh
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Township Council
Township of Bristol
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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 14, budgetary comparison information on pages 56 through 58, and the schedule of funding progress for postemployment benefits other than pensions on page 59 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.

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

Zelenkofske Axelrod LLC

ZELENKOFKSKE AXELROD LLC

Jamison, Pennsylvania
July 23, 2012

This section of the financial statements for Township of Bristol ("Township") presents a narrative overview and narrative of the Township's financial performance for the fiscal year ended December 31, 2011.

FINANCIAL HIGHLIGHTS

- The Township total net assets decreased by \$1,898,530 in 2011.
- The General Fund Unassigned Fund Balance at the end of 2011 was \$4,275,008.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of the following three parts:

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

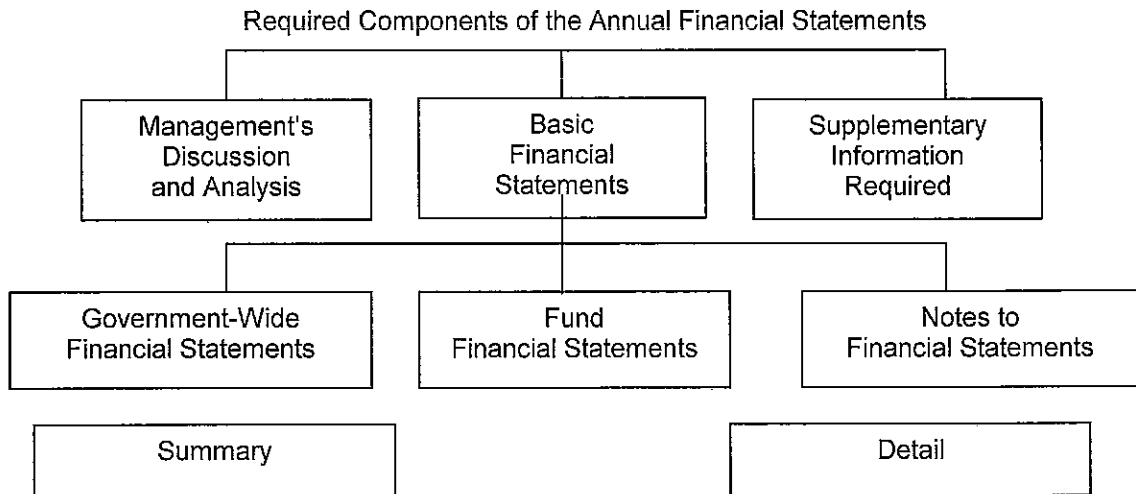
Management's discussion and analysis is a guide to reading the financial statements and provides related information to help the reader to better understand the Township's government. The basic financial statements include notes that provide additional information essential to a full understanding of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

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

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

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

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



TOWNSHIP OF BRISTOL
 MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
 DECEMBER 31, 2011

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.

Table A-2: Major Features of the Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Financial Statements		
		Governmental	Proprietary	Fiduciary
Scope	Entire entity (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	-Statement of net assets -Statement of activities	-Balance Sheet -Statement of revenues, expenditures and changes in fund balance	-Statement of net assets -Statement of revenues, expenses and changes in net assets -Statement of cash flows	-Statement of fiduciary net assets -Statement of changes in fiduciary net assets
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 and 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, 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 and outflow information	All revenues and expenses during 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 and 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.

Government-wide financial statements

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

- The statement of net assets includes all the Township's assets and liabilities, except fiduciary funds, with the difference between the two reported as net assets. 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 assets 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 assets 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 assets are one way to measure the Township's financial position. Over time, increases or decreases in the Township's net assets are one indicator of whether the Township's financial position is improving or deteriorating. However, other non-financial 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 assets of the governmental activities differ from the governmental fund 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 assets:

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

Government-wide financial statements (continued)

- 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 asset balances as follows:
 - Net assets invested in capital assets, net of related debt
 - Restricted net assets are those with constraints placed on the 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 assets are net assets that do 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 Government 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 assets and the statement of activities) and governmental funds is described in a reconciliation that follows the governmental fund 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.
- *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 assets and a statement of changes in fiduciary net assets. 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 Assets

The Township's total assets were \$63,600,939 at December 31, 2011. Of this amount, \$33,883,676 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: Township of Bristol
Condensed Statement of Net Assets**

	Governmental Activities		Business-Type Activities		Total Primary Government		Total Percentage Change
	2011	2010	2011	2010	2011	2010	
Capital Assets	\$ 24,420,399	\$ 24,498,853	\$ 9,463,277	\$ 4,218,313	\$ 33,883,676	\$ 28,717,166	18%
Other Assets	23,957,675	24,417,158	5,759,588	4,506,833	29,717,263	28,923,991	3%
Total Assets	48,378,074	48,916,011	15,222,865	8,725,146	63,600,939	57,641,157	10%
Other Liabilities	2,906,666	3,065,976	2,384,670	1,261,630	5,291,336	4,327,606	22%
Long-Term Liabilities	38,257,471	33,825,984	4,325,717	1,995,267	42,583,188	35,821,251	19%
Total Liabilities	41,164,137	36,891,960	6,710,387	3,256,897	47,874,524	40,148,857	19%
Net Assets:							
Invested in Capital Assets, Net of Related Debt	18,437,418	18,564,211	6,804,493	3,951,461	25,241,911	22,515,672	12%
Restricted Net Assets	256,687	245,194	-	-	256,687	245,194	5%
Unrestricted Net Assets (Deficit)	(11,480,168)	(6,785,354)	1,707,985	1,516,788	(9,772,183)	(5,268,566)	85%
Total Net Assets	\$ 7,213,937	\$ 12,024,051	\$ 8,512,478	\$ 5,468,249	\$ 15,726,415	\$ 17,492,300	-10%

TOWNSHIP OF BRISTOL
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2011

The following statement of activities represents changes in net assets for the year ended December 31, 2011. It shows revenues by source and expenses by function for governmental activities, business-type activities and the government as a whole.

**Table A-4: Township of Bristol
Condensed Statement of Activities**

	Governmental Activities		Business-Type Activities		Total Primary Government		Total Percentage Change
	2011	2010	2011	2010	2011	2010	
Program Revenues:							
Charges for Services	\$ 4,338,675	\$ 3,964,526	\$ 5,136,078	\$ 5,217,442	\$ 9,474,753	\$ 9,181,968	3%
Operating Grants and Contributions	5,716,301	5,224,834	-	-	5,716,301	5,224,834	9%
Capital Grants and Contributions	715,757	775,287	2,270,130	-	2,985,887	775,287	285%
General Revenues:							
Real Estate Taxes	16,441,154	16,498,882	-	-	16,441,154	16,498,882	0%
Earned Income Taxes	5,357,935	5,205,907	-	-	5,357,935	5,205,907	3%
Per Capita Taxes	109,300	123,097	-	-	109,300	123,097	-11%
Mercantile Taxes	455,197	454,374	-	-	455,197	454,374	0%
Mechanical Devices Taxes	57,516	70,327	-	-	57,516	70,327	-18%
Occupational/EMS Taxes	697,206	745,454	-	-	697,206	745,454	-6%
Amusement Taxes	4,603	4,050	-	-	4,603	4,050	14%
In Lieu of Taxes	43,555	43,403	-	-	43,555	43,403	0%
Unrestricted							
Investment Earnings	18,665	30,052	(108,054)	(59,828)	(89,389)	(29,776)	200%
Transfers	70,000	70,000	(70,000)	(70,000)	-	-	100%
Miscellaneous	357,168	306,042	190,742	52,035	547,910	358,077	53%
Total Revenues	34,383,032	33,516,235	7,418,896	5,139,649	41,801,928	38,655,884	8%
Expenses:							
General Government	3,141,964	2,596,606	-	-	3,141,964	2,596,606	21%
Public Safety	21,810,105	20,420,188	-	-	21,810,105	20,420,188	7%
Public Works Highways and Streets	5,361,978	5,862,533	-	-	5,361,978	5,862,533	-9%
Community Development	2,042,922	2,129,134	-	-	2,042,922	2,129,134	-4%
Culture and Recreation	606,716	637,467	-	-	606,716	637,467	-5%
Health and Welfare	5,339,554	5,237,904	-	-	5,339,554	5,237,904	2%
Interest on Long Term Debt	1,022,552	892,860	-	-	1,022,552	892,860	15%
Sewer Fund	-	-	3,653,449	3,850,721	3,653,449	3,850,721	-5%
Water Fund	-	-	721,218	645,636	721,218	645,636	12%
Total Expenses	39,325,791	37,776,692	4,374,667	4,496,357	43,700,458	42,273,049	3%
Change in Net Assets	(4,942,759)	(4,260,457)	3,044,229	643,292	(1,898,530)	(3,617,165)	-48%
Net Assets - January 1 (Restated)	12,156,696	16,284,508	5,468,249	4,824,957	17,624,945	21,109,465	-17%
Net Assets - December 31	\$ 7,213,937	\$ 12,024,051	\$ 8,512,478	\$ 5,468,249	\$ 15,726,415	\$ 17,492,300	-10%

Net Program Expenses

Net program expenses indicate the amount of support required from taxes and other general revenues for a program of the government. In 2011, real estate taxes brought in \$16,441,154 and earned income taxes brought in \$5,357,935.

**Table A-5: Township of Bristol
 Net Cost of Governmental and Business-type Activities**

<u>Program</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General Government	\$ 3,141,964	\$ (944,593)
Public Safety	21,810,105	(18,486,439)
Public Works Highways and Streets	5,361,978	(4,256,697)
Community Development	2,042,922	1,696,864
Culture and Recreation	606,716	(525,743)
Health and Welfare	5,339,554	(5,015,898)
Interest on Long Term Debt	1,022,552	(1,022,552)
Sewer Fund	3,653,449	3,226,044
Water Fund	<u>721,218</u>	<u>(194,503)</u>
Total	<u>\$ 43,700,458</u>	<u>\$ (25,523,517)</u>

The Township relied on real estate taxes, earned income taxes and other general revenues to fund 61% of its governmental and business-type activities in 2011.

Capital Assets

The Township's investment in capital assets at December 31, 2011, net of accumulated depreciation, was \$33,883,676. Capital assets consist primarily of land, buildings and equipment. The following is a summary of capital assets at December 31, 2011:

**Table A-6: Township of Bristol
 Capital Assets**

	Governmental Activities		Business-Type Activities		Total Primary Government		Total Percentage Change
	2011	2010	2011	2010	2011	2010	
Land	\$ 1,580,081	\$ 1,580,081	\$ 140,000	\$ 140,000	\$ 1,720,081	\$ 1,720,081	0%
Construction in Progress	1,272,687	323,316	6,458,290	1,195,897	7,730,977	1,519,213	409%
Agricultural Easements/Intangibles	431,125	431,125	-	-	431,125	431,125	0%
Buildings	3,881,639	3,881,639	1,288,943	1,288,943	5,170,582	5,170,582	0%
Improvements	1,428,277	1,174,958	5,970	5,970	1,434,247	1,180,928	21%
Equipment	5,371,041	4,833,671	4,017,303	3,753,223	9,388,344	8,586,894	9%
Infrastructure	54,461,547	54,420,667	-	-	54,461,547	54,420,667	0%
Water Lines	-	-	2,601,519	2,601,519	2,601,519	2,601,519	0%
Tanks	-	-	1,964,174	1,964,174	1,964,174	1,964,174	0%
Pump Stations	-	-	1,056,207	1,056,207	1,056,207	1,056,207	0%
Collection System	-	-	5,372,537	5,369,211	5,372,537	5,369,211	0%
Accumulated Depreciation	<u>(44,005,998)</u>	<u>(42,146,604)</u>	<u>(13,441,666)</u>	<u>(13,156,831)</u>	<u>(57,447,664)</u>	<u>(55,303,435)</u>	4%
Total Net Capital Assets	<u>\$ 24,420,399</u>	<u>\$ 24,498,853</u>	<u>\$ 9,463,277</u>	<u>\$ 4,218,313</u>	<u>\$ 33,883,676</u>	<u>\$ 28,717,166</u>	18%

Detailed information about the TOWNSHIP's capital assets can be found in Note 4, Notes to the Financial Statements.

Debt Administration

At December 31, 2011, the Township had \$43,627,914 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 8, Notes to the Financial Statements. The following is a summary of changes in long-term debt at December 31, 2011.

**Table A-7: Township of Bristol
 Statement of Long Term Debt**

Type	Beginning Balance	Additions	Deletions	Ending Balance
Bonds	\$ 20,665,000	\$ -	\$ (655,000)	\$ 20,010,000
Notes Payable	-	2,409,079	-	2,409,079
Compensated Absences	3,076,624	515,775	(590,946)	3,001,453
Capital Leases	444,552	614,387	(437,683)	621,256
Liability for Other Postemployment Benefits	<u>12,539,886</u>	<u>6,624,214</u>	<u>(1,577,974)</u>	<u>17,586,126</u>
Total Long-Term Debt	<u>\$ 36,726,062</u>	<u>\$ 10,163,455</u>	<u>\$ (3,261,603)</u>	<u>\$ 43,627,914</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 statement of revenues, expenditures and changes in fund balances in the financial statements.

GOVERNMENTAL FUND REVENUES

Governmental fund revenues by source at December 31, 2011, and December 31, 2010, were as follows.

**Table A-8: Township of Bristol
 Revenues by Source, Governmental Funds**

	2011	2010	Changes
Revenues:			
Taxes	\$ 23,177,275	\$ 23,002,430	\$ 174,845
Licenses, fee and permits	2,923,386	2,518,137	405,249
Charges for services	1,156,456	1,193,887	(37,431)
Court costs, fines and forfeits	271,538	301,223	(29,685)
Intergovernmental	6,441,228	5,983,899	457,329
Interest	18,665	30,052	(11,387)
Other and reimbursed expenditures	378,848	316,946	61,902
Other Financing Sources			
Issuance of debt	-	7,868,544	(7,868,544)
Capital lease proceeds	614,387	-	614,387
Operating transfers in	190,844	290,512	(99,668)
Total	\$ 35,172,627	\$ 41,505,630	\$ (6,333,003)

Tax revenues increased in 2011 due to an increase in EIT (Earned Income Tax) revenue. Revenue from licenses, fees and permits increased due to a slight increase in building permits. Charges for services experienced a decrease due to a decrease in Tax certification fees reflected by the decline of the housing industry. Intergovernmental Revenue increased due to additional Grant revenues. Interest income decreased due to a drastic decrease in bank interest rates. Other revenue increased due to the Township self funding the employee prescription plan.

GOVERNMENTAL FUND EXPENDITURES

Governmental fund expenditures by function at December 31, 2011 and December 31, 2010, were as follows:

**Table A-9: Township of Bristol
Expenditures by Function, Governmental Funds**

	2011	2010	Changes
Expenditures:			
General government	\$ 2,917,431	\$ 3,456,695	\$ (539,264)
Public safety	16,173,418	15,158,257	1,015,161
Public works highways and safety	4,000,330	4,572,361	(572,031)
Community development	2,041,007	2,129,134	(88,127)
Health and welfare	5,339,554	5,237,904	101,650
Culture and recreation	549,926	582,859	(32,933)
Debt service			
Principal	1,017,354	1,091,889	(74,535)
Interest	1,028,313	1,077,750	(49,437)
Capital Outlay	1,780,940	859,711	921,229
Other Financing Uses			
Operating transfers out	120,844	220,512	(99,668)
Payment to redeem bonds	-	7,550,000	(7,550,000)
Total	\$ 34,969,117	\$ 41,937,072	\$ (6,967,955)

Decrease in total expenditures in 2011 was mostly associated with the elimination of the payment to redeem bonds in 2010. Other charges were associated mostly with increases or decreases in capital and operating grants.

GOVERNMENTAL FUND BALANCES

Ending Fund Balances for Governmental Fund and Net Assets for Proprietary Funds at December 31, 2011:

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

Fund	Governmental Funds	Proprietary Funds
General Fund	\$ 4,457,176	\$ -
Refuse Fund	1,191,730	-
Street Lights Funds	797,013	-
Capital Reserve	1,425,216	-
Other Governmental Funds	2,339,828	-
Sewer Fund	-	7,060,862
Water Fund	-	1,451,616
Total	\$ 10,210,963	\$ 8,512,478

Budgetary Highlights

Total general fund revenues came in \$1,584,420 over projections due mainly to a one time additional revenue from the state for State aid for the Pension and permit fees for a few major un-budget commercial projects. This eliminated the need to balance the budget with reserves. General fund expenditures came in \$343,605 under budget due a negotiated reduction in health insurance costs for Non- Uniform employees, reduced highway costs funded by Grant funds and the reduction of one Lieutenant in the Police department.

Economic Conditions

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

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

Next Year's Budget

Due to the current state of the economy, council did not increase taxes in 2011; they chose to meet the increases in current operating expenses with use of the townships reserves. Operating expenses are expected to continue to increase impacting next year's budget.

Township employees are represented by three labor unions and a total of six collective bargaining agreements that establish labor costs for all but 9 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

TOWNSHIP OF BRISTOL
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

Assets	Governmental Activities	Business-Type Activities	Total
Cash and Cash Equivalents	\$ 8,925,822	\$ 3,065,271	\$ 11,991,093
Receivables			
Accounts, net	589,931	771,894	1,361,825
Taxes	2,671,754	-	2,671,754
Due From External Parties	26,756	-	26,756
Due from Other Governments	451,262	29,914	481,176
Other Assets	1,030,884	79,006	1,109,890
Pension Asset	10,133,215	-	10,133,215
Restricted Assets			
Cash and Cash Equivalents	128,051	1,813,503	1,941,554
Capital Assets, Not Being Depreciated	3,283,893	6,598,290	9,882,183
Capital Assets, Being Depreciated (Net of Accumulated Depreciation)	21,136,506	2,864,987	24,001,493
Total Assets	<u>\$ 48,378,074</u>	<u>\$ 15,222,865</u>	<u>\$ 63,600,939</u>
Liabilities			
Accounts Payable	\$ 882,118	\$ 2,163,613	\$ 3,045,731
Accrued Liabilities	239,495	8,920	248,415
Accrued Interest Payable	301,596	51,268	352,864
Unearned Revenues	368,693	-	368,693
Escheat Liability	128,051	5,652	133,703
Escrow Deposits	-	81,429	81,429
Long Term Liabilities			
Due within one year			
General Obligation Debt	596,212	73,788	670,000
Capital Lease	390,501	-	390,501
Due in more than one year			
General Obligation Debt	17,437,661	1,902,339	19,340,000
Premium on General Obligation Debt	12,395	3,380	15,775
Notes Payable	-	2,409,079	2,409,079
Capital Lease	230,755	-	230,755
Compensated Absences	2,990,534	10,919	3,001,453
Liability for other postemployment benefits	17,586,126	-	17,586,126
Total Liabilities	<u>41,164,137</u>	<u>6,710,387</u>	<u>47,874,524</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	18,437,418	6,804,493	25,241,911
Restricted for:			
Program Purposes	256,687	-	256,687
Unrestricted (Deficit)	<u>(11,480,168)</u>	<u>1,707,985</u>	<u>(9,772,183)</u>
Total Net Assets	<u>\$ 7,213,937</u>	<u>\$ 8,512,478</u>	<u>\$ 15,726,415</u>

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF BRISTOL
STATEMENT OF ACTIVITIES
DECEMBER 31, 2011

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General Government	\$ 3,141,964	\$ 1,991,967	\$ 205,404	\$ -	\$ (944,593)	\$ -	\$ (944,593)
Public Safety	21,810,105	601,206	2,258,039	464,421	(18,486,439)	-	(18,486,439)
Public Works Highways and Streets	5,361,978	-	1,089,231	16,050	(4,256,697)	-	(4,256,697)
Community Development	2,042,922	1,519,608	1,984,892	235,286	1,696,864	-	1,696,864
Culture and Recreation	606,716	80,973	-	-	(525,743)	-	(525,743)
Health and Welfare	5,339,554	144,921	178,735	-	(5,015,898)	-	(5,015,898)
Interest on long-term debt	1,022,552	-	-	-	(1,022,552)	-	(1,022,552)
Total governmental activities	39,325,791	4,338,675	5,716,301	715,757	(28,555,058)	-	(28,555,058)
Business-type activities:							
Sewer Fund	3,653,449	4,609,363	-	2,270,130	-	3,226,044	3,226,044
Water Fund	721,218	526,715	-	-	-	(194,503)	(194,503)
Total business-type activities	4,374,667	5,136,078	-	2,270,130	-	3,031,541	3,031,541
Total primary government	\$ 43,700,458	\$ 9,474,753	\$ 5,716,301	\$ 2,985,887	\$ (28,555,058)	\$ 3,031,541	\$ (25,523,517)

General revenues:

Taxes:

Real Estate Taxes	16,441,154	-	16,441,154
Earned Income Taxes	5,357,935	-	5,357,935
Per Capita Taxes	109,300	-	109,300
Mercantile Taxes	455,197	-	455,197
Mechanical Devices Taxes	57,516	-	57,516
EMS Taxes	697,206	-	697,206
Amusement Taxes	4,603	-	4,603
In Lieu of Taxes	43,555	-	43,555
Unrestricted Investment Earnings	18,665	(108,054)	(89,389)
Transfers	70,000	(70,000)	-
Miscellaneous	357,168	190,742	547,910
Total general revenues and transfers	23,612,299	12,688	23,624,987
Change in net assets	(4,942,759)	3,044,229	(1,898,530)
Net assets - beginning, restated (Note 17)	12,156,696	5,468,249	17,624,945
Net assets - ending	\$ 7,213,937	\$ 8,512,478	\$ 15,726,415

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF BRISTOL
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	General	Street Lights Fund	Capital Reserve Fund	Refuse Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and Cash Equivalents	\$ 2,975,008	\$ 868,273	\$ 1,544,483	\$ 1,184,106	\$ 2,353,952	\$ 8,925,822
Restricted Cash	128,051	-	-	-	-	128,051
Receivables						
Accounts	460,919	-	-	14,294	114,718	589,931
Taxes	2,036,194	41,966	-	426,672	166,922	2,671,754
Due From External Parties	11,277	1,045	-	10,750	3,684	26,756
Due From Other Governments	45,430	-	-	-	405,832	451,262
Due from Other Funds	169,161	-	-	-	12,771	181,932
Other Assets	182,168	-	-	-	-	182,168
Total Assets	\$ 6,008,208	\$ 911,284	\$ 1,544,483	\$ 1,635,822	\$ 3,057,879	\$ 13,157,676
Liabilities and Fund Balances						
Liabilities:						
Accounts Payable	\$ 429,948	\$ 72,305	\$ 119,267	\$ -	\$ 260,598	\$ 882,118
Accrued Liabilities	239,495	-	-	-	-	239,495
Deferred Revenues	753,538	41,966	-	444,092	275,521	1,515,117
Escheat Liability	128,051	-	-	-	-	128,051
Due to Other Funds	-	-	-	-	181,932	181,932
Total Liabilities	1,551,032	114,271	119,267	444,092	718,051	2,946,713
Fund Balances:						
Nonspendable	182,168	-	-	-	-	182,168
Spendable:						
Restricted for:						
Communications	-	-	-	-	35,703	35,703
Law Enforcement	-	-	-	-	52,648	52,648
Road Repairs	-	-	-	-	140,669	140,669
Community Development	-	-	-	-	27,667	27,667
Capital Projects	-	-	1,137,818	-	126,932	1,264,750
Unrestricted:						
Committed to:						
Parks and Recreation	-	-	-	-	572,907	572,907
Sanitation	-	-	-	662,997	-	662,997
Street Lights	-	797,013	-	-	-	797,013
Debt Service	-	-	-	-	694,829	694,829
Assigned to:						
Grant Match	-	-	-	-	230,523	230,523
Economic Development	-	-	-	-	390,088	390,088
Blighted Properties	-	-	-	-	67,862	67,862
Sanitation	-	-	-	528,733	-	528,733
Capital Projects	-	-	287,398	-	-	287,398
Unassigned	4,275,008	-	-	-	-	4,275,008
Total Fund Balances	4,457,176	797,013	1,425,216	1,191,730	2,339,828	10,210,963
Total Liabilities and Fund Balances	\$ 6,008,208	\$ 911,284	\$ 1,544,483	\$ 1,635,822	\$ 3,057,879	\$ 13,157,676

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF BRISTOL
 RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS TO THE
 STATEMENT OF NET ASSETS
 DECEMBER 31, 2011

Total fund balances for governmental funds \$ 10,210,963

Total net assets reported for governmental activities in the statement of net assets is different because:

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

Land	1,580,081	
Intangibles	431,125	
Construction in Progress	1,272,687	
Buildings and improvements, net of \$3,595,579 accumulated depreciation	1,714,337	
Equipment, net of \$1,627,275 accumulated depreciation	943,115	
Leasehold Assets, net of \$1,543,254 accumulated depreciation	1,257,397	
Infrastructure, net of \$37,239,890 accumulated depreciation	<u>17,221,657</u>	
Total capital assets		24,420,399

The pension asset resulting from contributions in excess of the annual required contribution are not financial resources and therefore are not reported in the funds. 10,133,215

Revenue not available to pay for the current period's expenditures and therefore reported as deferred revenue in the funds:

Property taxes 1,146,424

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

Accrued interest on bonds	(301,596)	
Bonds payable	(18,033,873)	
Less Deferred interest from refunding	71,828	
Capital Leases	(621,256)	
Compensated absences	(2,990,534)	
Liability for other postemployment benefits	(17,586,126)	
Deferred refunding loss	402,394	
Unamortized bond issuance costs	374,494	
Unamortized bond premium	<u>(12,395)</u>	
Combined adjustment		<u>(38,697,064)</u>

Total net assets of governmental activities \$ 7,213,937

TOWNSHIP OF BRISTOL
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 GOVERNMENTAL FUNDS
 DECEMBER 31, 2011

	General	Street Lights Fund	Capital Reserve Fund	Refuse Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 14,658,335	\$ 508,471	\$ 28,113	\$ 5,537,881	\$ 2,444,475	\$ 23,177,275
Licenses, Fees and Permits	2,923,386	-	-	-	-	2,923,386
Charges for Service	972,679	-	-	73,552	110,225	1,156,456
Court Costs, Fines and Forfeits	271,538	-	-	-	-	271,538
Intergovernmental	1,537,068	-	-	178,735	4,725,425	6,441,228
Interest	7,310	1,651	2,351	2,671	4,682	18,665
Other and Reimbursed Expenditures	357,168	-	-	-	21,680	378,848
Total Revenues	20,727,484	510,122	30,464	5,792,839	7,306,487	34,367,396
Expenditures						
Current:						
General Government	2,872,966	-	4,955	-	39,510	2,917,431
Public Safety	14,152,434	-	-	-	2,020,984	16,173,418
Public Works Highways and Streets	2,241,485	803,055	-	-	955,790	4,000,330
Community Development	-	-	-	-	2,041,007	2,041,007
Health and Welfare	-	-	-	5,339,554	-	5,339,554
Culture and Recreation	-	-	-	-	549,926	549,926
Capital Outlay	31,076	-	333,012	-	1,416,852	1,780,940
Debt Service						
Principal	160,000	-	-	-	857,354	1,017,354
Interest	769,243	-	-	-	259,070	1,028,313
Total Expenditures	20,227,204	803,055	337,967	5,339,554	8,140,493	34,848,273
Excess of Revenues Over (Under) Expenditures	500,280	(292,933)	(307,503)	453,285	(834,006)	(480,877)
Other Financing Sources (Uses):						
Capital Lease Proceeds	-	-	-	-	614,387	614,387
Transfer In	190,000	-	-	-	844	190,844
Transfer Out	(844)	(40,000)	-	(55,000)	(25,000)	(120,844)
Total Other Financing Sources (Uses)	189,156	(40,000)	-	(55,000)	590,231	684,387
Net Change in Fund Balances	689,436	(332,933)	(307,503)	398,285	(243,775)	203,510
Fund Balances - beginning of year	3,767,740	1,129,946	1,732,719	793,445	2,583,603	10,007,453
Fund Balances - end of year	\$ 4,457,176	\$ 797,013	\$ 1,425,216	\$ 1,191,730	\$ 2,339,828	\$ 10,210,963

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF BRISTOL
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 DECEMBER 31, 2011

Net change in fund balances - total governmental funds \$ 203,510

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period these amounts are:

Expenditures for capital assets	1,780,940	
Depreciation expense	<u>(1,859,394)</u>	
Net adjustment		(78,454)

Contributions in excess of the annual required contribution are reported as an expenditure in the governmental funds. However, as excess contributions are recorded as a "Pension Asset" in the Statement of Net Assets, only the amortization cost of those assets are recorded on the Statement of Activities. In the current period, the net effect of these differences is: (387,472)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt uses current financial resources. Neither transaction has any effect on net assets. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities. The net effects of these differences in the current period are:

Principal repayments	579,671	
Proceeds from capital leases	(614,387)	
Capital lease payments	437,683	
Amortization of deferred refunding loss	(33,074)	
Amortization of bond issuance costs	(20,839)	
Amortization of bond premium	1,023	
Amortization of Deferred Interest from Refunding	<u>(5,525)</u>	
Net adjustment		344,552

Interest is expensed when paid in the governmental funds. However, in the government-wide statements interest is matched to the period in which it was incurred. In the current period the net effect of matching interest expense to the proper period is: 4,738

Revenues in the statement of activities that are not available to provide current financial resources are not reported as revenues in the funds. At the government-wide level revenue recognition is not limited by availability. The effects of these adjustments in the current year are:

Taxes		(54,364)
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Some expenses reported in the statement of activities do not require the use of current financial resources; and therefore, are not reported as expenditures in governmental funds:

Compensated absences	70,971	
Other postemployment benefit expense	<u>(5,046,240)</u>	
Net adjustment		<u>(4,975,269)</u>

Change in net assets of governmental activities \$ (4,942,759)

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF BRISTOL
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2011

	Business-Type Activities - Proprietary Funds		
	Water Fund	Sewer Fund	Total
<u>Assets</u>			
Current Assets:			
Cash	\$ 685,040	\$ 2,380,231	\$ 3,065,271
Accounts Receivables, Net	48,551	723,343	771,894
Due from Other Governments	-	29,914	29,914
Prepaid and Other Assets	4,289	74,717	79,006
Total Current Assets	737,880	3,208,205	3,946,085
Non-Current Assets:			
Restricted Cash	-	1,813,503	1,813,503
Capital Assets, Not Being Depreciated	-	6,598,290	6,598,290
Capital Assets, Being Depreciated (Net of Accumulated Depreciation)	840,174	2,024,813	2,864,987
Total Non-Current Assets	840,174	10,436,606	11,276,780
Total Assets	\$ 1,578,054	\$ 13,644,811	\$ 15,222,865
<u>Liabilities</u>			
Current Liabilities:			
Accounts Payable	\$ 126,438	\$ 2,037,175	\$ 2,163,613
Accrued Liabilities	-	8,920	8,920
Accrued Interest Payable	-	51,268	51,268
Escheat Liability	-	5,652	5,652
Esrow Deposits	-	81,429	81,429
General Obligation Bonds Payable	-	73,788	73,788
Total Current Liabilities	126,438	2,258,232	2,384,670
Non-Current Liabilities:			
General Obligations Bonds Payable	-	1,902,339	1,902,339
Premium on General Obligations Bonds Payable	-	3,380	3,380
Note Payable	-	2,409,079	2,409,079
Compensated Absences	-	10,919	10,919
Total NonCurrent Liabilities	-	4,325,717	4,325,717
Total Liabilities	126,438	6,583,949	6,710,387
<u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt	840,174	5,964,319	6,804,493
Unrestricted	611,442	1,096,543	1,707,985
Total Net Assets	\$ 1,451,616	\$ 7,060,862	\$ 8,512,478

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF BRISTOL
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2011

	Business-Type Activities - Proprietary Funds		
	Water Fund	Sewer Fund	Total
Operating Revenues			
Charges for Services	\$ 526,715	\$ 4,310,725	\$ 4,837,440
Penalties and Interest	-	298,638	298,638
Intergovernmental	-	2,270,130	2,270,130
Other	-	190,742	190,742
Total Operating Revenues	526,715	7,070,235	7,596,950
Operating Expenses			
Administration	662,974	408,602	1,071,576
Operating	-	3,014,839	3,014,839
Depreciation	58,244	230,008	288,252
Total Operating Expenses	721,218	3,653,449	4,374,667
Operating Income/(Loss)	(194,503)	3,416,786	3,222,283
Nonoperating Revenues (Expenses):			
Interest Expense	-	(115,805)	(115,805)
Interest Income	1,149	6,602	7,751
Total Nonoperating Revenues (Expenses)	1,149	(109,203)	(108,054)
Income/(Loss) Before Operating Transfers	(193,354)	3,307,583	3,114,229
Operating Transfer Out	(35,000)	(35,000)	(70,000)
Change in Net Assets	(228,354)	3,272,583	3,044,229
Total Net Assets - Beginning of Year	1,679,970	3,788,279	5,468,249
Total Net Assets - End of Year	\$ 1,451,616	\$ 7,060,862	\$ 8,512,478

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF BRISTOL
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
DECEMBER 31, 2011

	Business-Type Activities - Proprietary Funds		
	Water Fund	Sewer Fund	Total
Cash Flows From Operating Activities			
Receipts from Customers and Users	\$ 526,714	\$ 4,391,848	\$ 4,918,562
Receipts from Grants	-	2,240,216	2,240,216
Other Receipts	(2,000)	190,742	188,742
Payments to Suppliers for Operations	(615,759)	(1,637,232)	(2,252,991)
Payments to Employees for Salaries and Benefits	(45,219)	(653,951)	(699,170)
Net Cash Provided by/(Used In) Operating Activities	<u>(136,264)</u>	<u>4,531,623</u>	<u>4,395,359</u>
Cash Flow from Noncapital Financing Activities			
Operating Transfers (Out)	(35,000)	(35,000)	(70,000)
Net Cash Used in Noncapital Financing Activities	<u>(35,000)</u>	<u>(35,000)</u>	<u>(70,000)</u>
Cash Flow from Capital and Related Financing Activities			
Purchase of Capital Assets	-	(5,541,100)	(5,541,100)
Principal Payment on Bond Payable	-	(75,329)	(75,329)
Cash Paid for Interest on Bonds	-	(115,805)	(115,805)
Loan Proceeds	-	2,409,079	2,409,079
Net Cash Used In Capital and Related Financing Activities	<u>-</u>	<u>(3,323,155)</u>	<u>(3,323,155)</u>
Cash Flows from Investing Activities			
Interest	1,149	6,602	7,751
Net Cash Provided by Investing Activities	<u>1,149</u>	<u>6,602</u>	<u>7,751</u>
Net Change in Cash and Cash Equivalents	(170,115)	1,180,070	1,009,955
Cash and Cash Equivalents, Beginning of Year	855,155	3,013,664	3,868,819
Cash and Cash Equivalents, End of Year	685,040	2,380,231	3,065,271
Restricted Cash and Cash Equivalents, End of Year	-	1,813,503	1,813,503
Total Cash and Cash Equivalents, End of Year	<u>\$ 685,040</u>	<u>\$ 4,193,734</u>	<u>\$ 4,878,774</u>
Reconciliation of Operating Income/(Loss) to Net Cash Provided by/(Used In) Operating Activities			
Operating Income/(Loss)	\$ (194,503)	\$ 3,416,786	\$ 3,222,283
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by Operating Activities			
Depreciation	58,244	230,008	288,252
Amortization of Bond Issuance Costs and Premium	-	2,909	2,909
Interest Income	-	6,602	6,602
Change in Assets and Liabilities			
Accounts Receivable	(1)	(217,582)	(217,583)
Grants Receivable	-	(29,914)	(29,914)
Prepaid expenses	(2,000)	4,429	2,429
Accounts Payable	1,996	1,090,355	1,092,351
Accrued Liabilities	-	24,808	24,808
Escrow Deposits	-	7,422	7,422
Compensated Absences	-	(4,200)	(4,200)
Net Cash Provided by/(Used In) Operating Activities	<u>\$ (136,264)</u>	<u>\$ 4,531,623</u>	<u>\$ 4,395,359</u>

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF BRISTOL
STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUND
DECEMBER 31, 2011

	Pension Trust Fund	Agency Funds	Total
<hr/>			
Assets			
Cash and Cash Equivalents	\$ 1,778,939	\$ 1,558,853	\$ 3,337,792
Investments - Fixed Income Mutual Funds	11,792,490	-	11,792,490
Investments - Equities	3,357,754	-	3,357,754
Investments - Equity Mutual Funds	19,325,976	-	19,325,976
Accounts Receivable	12,480	-	12,480
Interest Receivable	131,803	-	131,803
<hr/>			
Total Assets	\$ 36,399,442	\$ 1,558,853	\$ 37,958,295
<hr/>			
Liabilities			
Accrued Liabilities	\$ 13,804	\$ 1,532,097	\$ 1,545,901
Due to External Parties	-	26,756	26,756
<hr/>			
Total Liabilities	13,804	\$ 1,558,853	1,572,657
<hr/>			
Net Assets			
Held In Trust for Employee Pension Benefits	\$ 36,385,638		\$ 36,385,638
<hr/>			

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF BRISTOL
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUND
DECEMBER 31, 2011

	Pension Trust Fund
Additions:	
Employee	\$ 336,843
Commonwealth	1,212,176
Total Contributions	1,549,019
Investment Income	
Interest and Dividends	1,429,839
Net Depreciation in Fair Value of Investments	(1,826,690)
Total Investment Loss	(396,851)
Less: Investment Expense	(145,741)
Net Investment Loss	(542,592)
Total Additions	1,006,427
Deductions:	
Employee Benefits Paid	2,615,376
Members' Contributions Refunded	1,256
Administrative Expenses	11,900
Total Deductions	2,628,532
Net Decrease	(1,622,105)
Net Assets Beginning of Year	38,007,743
Net Assets End of Year	\$ 36,385,638

The accompanying notes are an integral part of the financial statements

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A summary of the Township's significant accounting policies is as follows:

A) Reporting Entity

The Township has adopted the provisions of GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units." The management of the Township has determined that no entities should be included in the financial statements of the Township.

B) Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., statement of net assets 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 affected 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, the 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.

C) Measurement Focus, Basis of Accounting and Financial Statement 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.

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the 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 fund 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 365 days of the end of the current fiscal period with the exception of property taxes which must 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 non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

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

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

The Township reports the following major governmental funds:

- The General Fund is the primary government'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 Street Lights Fund accounts for expenditures related to the operation and maintenance of street lights.
- The Capital Reserve Fund is used to account for capital expenditures of the Township.
- The Refuse Fund accounts for expenditures related to the collection and disposal of refuse.

The Township reports the following major proprietary funds:

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

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 Statement of Net Assets. The proprietary funds type operating statements present increases (revenues) and decreases (expenses) in total net assets.

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. Non-operating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

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

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

Private-sector standards of accounting and financial reporting issued prior to December 31, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Based on the accounting and reporting standards set forth in GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the Township has opted to apply only the accounting and reporting pronouncements issued by the Financial Accounting Standards Board (FASB) on or before November 30, 1989 for business-type activities and enterprise funds.

Additionally, the Township reports the following fiduciary fund types:

- The Pension Trust Fund accounts for the revenue (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.

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 refunds 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.

D) Assets, Liabilities, and Net Assets or Fund Balances

1. 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.

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

D) Assets, Liabilities, and Net Assets or Fund Balances (continued)

2. 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.

3. Investments

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

4. 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.

5. Restricted Cash

Restricted cash represents cash set aside for liquidation of specific obligations. At December 31, 2011, the General Fund restricted cash balance of \$128,051 represents funds to be escheated to the state. The Sewer Fund restricted cash balance of \$1,813,503 represents amounts of \$81,429 paid by property owners that are held in escrow accounts for the purpose of sewer hookup, unclaimed monies to be remitted to the state in accordance with escheat law in an amount of \$5,652 and \$1,726,422 which is restricted for capital acquisitions.

6. 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 columns in the government-wide financial statements. Property, plant and equipment, and infrastructure with initial, individual costs that equal or exceed \$5,000 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.

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
 (CONTINUED)

D) Assets, Liabilities, and Net Assets or Fund Balances (continued)

6. Capital Assets (continued)

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

<u>Asset</u>	<u>Years</u>
Buildings and Improvements	5-40
Equipment	3-20
Infrastructure	40
Water Lines	40
Sewer Collection Lines	10-50

7. Allowance for Doubtful Accounts

Accounts receivable and taxes receivable for the governmental activities have been reported net of an allowance for doubtful accounts in the amount of \$400,000 and \$71,552 respectively. Accounts receivable for business-type activities has been reported net of an allowance for doubtful accounts in the amount of \$1,422,618. The Water and Sewer Funds evaluate 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 service to these customers.

8. Compensated Absences

Township policy permits all employees to accumulate a limited amount of earned, but unused sick time and Sewer Department employees to accumulate vacation time not taken at year end for a period of up to nine months. These benefits are payable to employees upon separation of services. 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*.

9. 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, as well as issuance costs, 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 reported as deferred charges and amortized over the term of the related debt.

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.

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

D) Assets, Liabilities, and Net Assets or Fund Balances (continued)

10. Deferred/Unearned Revenues

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 fund financial statements represent revenues which are measurable but not available and, in accordance with the modified accrual basis of accounting, are reported as deferred revenues. The Township deems revenues received within 365 days of year end to be available with the exception of property taxes, which must be received within 60 days of year end to be deemed available.

11. Net Assets/Fund Balances

The government-wide and business-type activities fund financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

- *Invested In Capital Assets, Net of Related Debt* – This category groups all capital assets into one component of net assets. 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 Assets* – This 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 Assets* – This category represents net assets of the Township, not restricted for any project or other purpose.

Beginning with calendar year 2011, the Township 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 balances 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.

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

D) Assets, Liabilities, and Net Assets or Fund Balances (continued)

11. Net Assets/Fund Balances (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.

12. 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.

13. 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.

E) 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 2011 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:

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

E) Budgets and Budgetary Accounting (continued)

Township Budget Process

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

Level of Control

The Township maintains budgetary control at the individual fund level.

Lapsing of Appropriations

Unexpended appropriations lapse at year-end.

Management Amendment Authority

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

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

F) Adoption of Governmental Accounting Standards Board Statement

The Township adopted the requirements of GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*". The adoption of this statement resulted in certain governmental funds fund balances being reclassified.

The Township adopted the requirements of GASB Statement No. 59, "*Financial Instruments Omnibus*". The adoption of this statement had no effect on previously reported amounts.

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

G) Pending Changes in Accounting Principles

In December 2009, the GASB issued Statement No. 57 "*OPEB Measurement by Agent Employers and Agent Multi-Employer Plans*". The Township is required to adopt the remaining provisions of statement No. 57 for its calendar year 2012 financial statements.

In November 2010, the GASB issued Statement No. 60 "*Accounting and Financial Reporting for Service Concession Arrangements*". The Township is required to adopt statement No. 60 for its calendar year 2012 financial statements.

In November 2010, the GASB issued Statement No. 61 "*The Financial Reporting Entity Omnibus*". The Township is required to adopt statement No. 61 for its calendar year 2013 financial statements.

In December 2010, the GASB issued Statement No. 62 "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*". The Township is required to adopt statement No. 62 for its calendar year 2012 financial statements.

In June 2011, the GASB issued Statement No. 63 "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*". The Township is required to adopt statement No. 63 for its calendar year 2012 financial statements.

In June 2011, the GASB issued Statement No. 64 "*Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53*". The Township is required to adopt statement No. 64 for its calendar year 2012 financial statements.

In March 2012, the GASB issued Statement No. 65 "*Items Previously Reported as Assets and Liabilities*". The Township is required to adopt statement No. 65 for its calendar year 2013 financial statements.

In March 2012, the GASB issued Statement No. 66 "*Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*". The Township is required to adopt statement No. 66 for its calendar year 2013 financial statements.

The Township has not yet completed the various analysis required to estimate the financial statement impact of these new pronouncements.

NOTE 2: 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.

NOTE 2: 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 above the insured maximum, assets are pledged as collateral under Subsection (c) (3), to be pooled in accordance with the Act of August 6, 1971 (P.L. 281, No. 72).

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

Deposits

The Township's deposits including both restricted and unrestricted cash excluding the Pension Trust Fund at December 31, 2011 were as follows:

	<u>Book Balance</u>	<u>Bank Balance</u>
Governmental Funds	\$ 9,053,873	\$ 9,296,295
Proprietary Funds	4,878,774	4,952,738
Agency Funds	1,558,853	1,572,174
	<u>\$ 15,491,500</u>	<u>\$ 15,821,207</u>

TOWNSHIP OF BRISTOL
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2011

NOTE 2: DEPOSIT AND INVESTMENT RISK (CONTINUED)

Investments

The Township's investments at December 31, 2011 were as follows:

Pension Trust Fund

	Cost	Market Value
Money Market - Cash Equivalents	\$ 1,778,939	\$ 1,778,939
Fixed Income Mutual Funds	11,427,123	11,792,490
Equities	3,295,848	3,357,754
Equity Mutual Funds	19,568,317	19,325,976
	\$ 36,070,227	\$ 36,255,159

As of December 31, 2011, the Township had the following debt investments and maturities within its Police Pension Plan accounts:

Average Investment Maturities (In Years)				
Investment Type	Fair Value	Less Than 1 Year	1 - 5 Years	6 - 10 Years
Fixed Income Mutual Funds	\$ 11,792,490	\$ -	\$ 2,378,303	\$ 9,414,187
	\$ 11,792,490	\$ -	\$ 2,378,303	\$ 9,414,187

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, 2011, \$2,378,303 (20%), \$4,199,244 (36%), and \$914,573 (8%) of the Police Pension Plan fixed income mutual funds were rated AA, BB and B, respectively by Moody's and \$4,300,370 (36%) of the fixed income mutual funds were unrated. The Police Pension Plan money market funds recorded as cash and cash equivalents were unrated. The Township does not have a formal policy that limits investments to ratings issued by nationally recognized statistical rating organizations for the Police Pension Plan.

Concentration of Credit Risk. The Township does not have a formal policy that places a limit on the amount or percent that may be invested in any one issuer for the Pension Police Plan. At December 31, 2011, no investment of the Police Pension Plan represented 5% or more of total net assets.

NOTE 2: DEPOSIT AND INVESTMENT RISK (CONTINUED)

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, 2011, \$15,571,207 of the Township's deposits were exposed to custodial credit risk, as they were collateralized with securities held by the pledging financial institution and uninsured. At December 31, 2011, none of the Township Police Pension Plan investments were exposed to custodial credit risk. The Township does not have a formal policy related to custodial credit risk for the Governmental Activities or the Pension Trust Fund.

NOTE 3: REAL ESTATE TAXES

Real estate taxes attach as an enforceable lien on property on May 1. Taxes are billed on March 1, payable under the following terms: 2% discount, March 1 based on the assessed value listed as of the prior December 31 for the real property located in the Township through May 1; face amount, May 2 through July 1, and 10% penalty after July 2. The Township bills these taxes which are collected by 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 2011 are recorded as receivables, net of estimated uncollectables. The net receivables collected during 2011 and expected to be collected within the first sixty (60) days of 2012 are recognized as revenue in 2011. 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 collectability.

The rate of real estate taxation in 2011 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 \$417,440,720.

TOWNSHIP OF BRISTOL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011, was as follows:

Governmental Activities

	December 31, 2010 Ending Balance	Increases	Transfers	December 31, 2011 Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,580,081	\$ -	\$ -	\$ 1,580,081
Intangibles	431,125	-	-	431,125
Construction in progress	323,316	973,762	(24,391)	1,272,687
Total capital assets, not being depreciated	<u>2,334,522</u>	<u>973,762</u>	<u>(24,391)</u>	<u>3,283,893</u>
Capital assets, being depreciated:				
Building	3,881,639	-	-	3,881,639
Improvements	1,174,958	228,928	24,391	1,428,277
Equipment	2,297,407	272,983	-	2,570,390
Leases	2,536,264	264,387	-	2,800,651
Infrastructure	54,420,667	40,880	-	54,461,547
Total capital assets, being depreciated	<u>64,310,935</u>	<u>807,178</u>	<u>24,391</u>	<u>65,142,504</u>
Less accumulated depreciation for:				
Building	(2,979,616)	(52,422)	-	(3,032,038)
Improvements	(522,288)	(41,253)	-	(563,541)
Equipment	(1,413,642)	(213,633)	-	(1,627,275)
Leases	(1,205,891)	(337,363)	-	(1,543,254)
Infrastructure	(36,025,167)	(1,214,723)	-	(37,239,890)
Total accumulated depreciation	<u>(42,146,604)</u>	<u>(1,859,394)</u>	<u>-</u>	<u>(44,005,998)</u>
Total capital assets being depreciated, net	<u>22,164,331</u>	<u>(1,052,216)</u>	<u>24,391</u>	<u>21,136,506</u>
Governmental activities capital assets, net	<u>\$ 24,498,853</u>	<u>\$ (78,454)</u>	<u>\$ -</u>	<u>\$ 24,420,399</u>

TOWNSHIP OF BRISTOL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 4: CAPITAL ASSETS (CONTINUED)

Business-Type Activities

	December 31, 2010 Ending Balance	Increases	Decreases	December 31, 2011 Ending Balance
Capital assets, not being depreciated:				
Land	\$ 140,000	\$ -	\$ -	\$ 140,000
Construction in progress	1,195,897	5,262,393	-	6,458,290
Total capital assets, not being depreciated	1,335,897	5,262,393	-	6,598,290
Capital assets, being depreciated:				
Building	1,288,943	-	-	1,288,943
Tanks	1,964,174	-	-	1,964,174
Pump Stations	1,056,207	-	-	1,056,207
Land Improvements	5,970	-	-	5,970
Office Equipment	103,480	-	(3,417)	100,063
Vehicles	97,825	199,947	-	297,772
Equipment	3,551,918	67,550	-	3,619,468
Collection System	5,369,211	3,326	-	5,372,537
Water Lines	2,601,519	-	-	2,601,519
Total capital assets, being depreciated	16,039,247	270,823	(3,417)	16,306,653
Total Capital Assets	17,375,144	5,533,216	(3,417)	22,904,943
Less accumulated depreciation for:				
Buildings	(1,288,943)	-	-	(1,288,943)
Tanks	(1,416,102)	(33,735)	-	(1,449,837)
Pump Stations	(794,683)	(11,250)	-	(805,933)
Land Improvements	(5,175)	(796)	-	(5,971)
Office Equipment	(100,610)	(1,005)	3,417	(98,198)
Vehicles	(97,825)	(9,997)	-	(107,822)
Equipment	(3,156,247)	(62,786)	-	(3,219,033)
Collection System	(4,594,145)	(110,439)	-	(4,704,584)
Water Lines	(1,703,101)	(58,244)	-	(1,761,345)
Total accumulated depreciation	(13,156,831)	(288,252)	3,417	(13,441,666)
Total capital assets, net	\$ 4,218,313	\$ 5,244,964	\$ -	\$ 9,463,277

NOTE 4: CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs as follows:

Governmental Activities

General Government	\$ 154,672
Public Safety	282,670
Public Works, Highways and Streets	1,365,262
Culture and Recreation	<u>56,790</u>
	<u>\$ 1,859,394</u>

Business-Type Activities

Water Fund	\$ 58,244
Sewer Fund	<u>230,008</u>
	<u>\$ 288,252</u>

NOTE 5: EMPLOYEES RETIREMENT PLANS

A. Police Pension Trust Fund

Plan Description

The Township maintains a single-employer defined benefit pension plan for all of the 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 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. Current memberships in the plan are composed of the following based on the actuarial valuation dated January 1, 2011, the date of the latest actuarial valuation:

Active Employees	76
Retirees and Beneficiaries Currently Receiving Benefits	61
Terminated Employees Entitled to Benefits But Not Yet Receiving Them	1

All full-time police officers are required to participate in the plan. The plan provides for normal retirement at age 50 after 25 or more years of service or age 60 with 20 or more years of service. The amount of the pension benefit is 50% of the monthly average salary during the last thirty-six months of employment plus \$20 per month for every year's service in excess of 25 years up to a maximum additional benefit of \$100 per month. Benefits vest after 12 years of service. The plan provides survivor benefits of 50%. Benefits provided under Act 30 (officers killed in the line of duty) are paid by the Commonwealth. Disability is provided for service injuries at 100% of annual rate of pay offset by workers' compensation. Cost of living adjustments shall be provided for all members retiring on or after January 1, 1991, based on the increase in 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.

NOTE 5: EMPLOYEES RETIREMENT PLANS (CONTINUED)

A. Police Pension Trust Fund (Continued)

Funding Policy

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

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 Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/07	\$ 25,329,086	\$ 34,870,323	\$ 9,541,237	72.6%	\$ 5,062,559	188.5%
1/1/09	\$ 38,121,448	\$ 42,174,232	\$ 4,052,784	90.4%	\$ 5,797,453	69.9%
1/1/11	\$ 40,282,763	\$ 45,806,594	\$ 5,523,831	87.9%	\$ 6,396,587	86.4%

Investments

The pension trust fund investments are stated at fair value. Investments that do not have an established market are reported at estimated fair value.

Annual Pension Cost

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

NOTE 5: EMPLOYEES RETIREMENT PLANS (CONTINUED)

A. Police Pension Trust Fund (Continued)

Annual Pension Cost (Continued)

Annual Pension Costs - Three-year Trend Information

<u>Year Ended</u>	<u>Annual Pension Costs</u>	<u>Percentage of Amount of Pension Costs Contributed</u>	<u>Net Pension Assets</u>
December 31, 2009	\$ 959,642	61%	\$ 10,992,975
December 31, 2010	\$ 564,367	100%	\$ 10,520,687
December 31, 2011	\$ 1,212,176	100%	\$ 10,133,215

Actuarial Valuation Information

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

Actuarial Valuation Date:	January 1, 2011
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	120% of Market Value
Amortization Method	Level Dollar
Remaining Amortization Period	16 Years
Actuarial Assumptions:	
Investment Rate of Return	8%
Projected Salary Increases	6%

For the most recent actuarial valuation, the Asset Valuation Method used was 120% of Market Value. The Asset Valuation Method used in prior actuarial valuations was 130% of Market Value.

During 2008, the Township issued federally taxable general obligation bonds to fully fund the unfunded actuarial accrued pension liability in the police pension plan. The Township's contribution resulted in a net pension asset in the police pension plan. At December 31, 2011, the Township's net pension asset was:

Annual Required Contribution (ARC)	\$ 1,212,176
Interest on Net Pension Asset	(841,655)
Adjustment to ARC	<u>1,229,127</u>
Annual Pension Cost (Expense)	1,599,648
Contributions Made	<u>(1,212,176)</u>
Decrease in Net Pension Asset	387,472
Net Pension Asset - Beginning of Year	<u>(10,520,687)</u>
Net Pension Asset - End of Year	<u>\$ (10,133,215)</u>

NOTE 5: EMPLOYEES RETIREMENT PLANS (CONTINUED)

A. Police Pension Trust Fund (Continued)

Contributions Required and Contributions Made

Act 205 of 1984, the Municipal Pension Plan Funding Standard and 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 \$1,212,176 for the year ended December 31, 2011, which was funded by the Township through a State Aid amount of \$1,275,986. The remaining \$63,810 of State Aid was used for the payment of bond principal and interest. The contribution represented 19% of covered payroll. Employee contributions in 2011 totaled \$336,843 or 5% of covered payroll.

Schedule of Contributions From Employer - Six-Year Trend Information

<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage of Annual Required Contribution Contributed</u>
December 31, 2011	\$ 1,212,176	100%
December 31, 2010	\$ 564,367	100%
December 31, 2009	\$ 543,501	107%
December 31, 2008	\$ 499,322	124%
December 31, 2007	\$ 1,984,931	100%
December 31, 2006	\$ 1,951,148	100%

B. 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 \$168,552 and \$183,841, respectively, during the year ended December 31, 2011.

TOWNSHIP OF BRISTOL
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2011

NOTE 6: DEFERRED COMPENSATION PLAN

The Township has established and administers a deferred compensation program (the "Program") in accordance with Internal Revenue Code Section 401(k) available to all full-time Township employees. Contributions to the Program are made from employee payroll deductions based on an election by the participant. Assets of the Program amounting to \$6,951,188 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 7: 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. The remaining Township employees accrue sick leave benefits and at time of retirement or resignation are paid for 50% of unused sick leave as determined in the employee's contractual agreement.

For employee's of the Sewer Department, vacation time not taken at year end accrues and must be taken within the next nine months. 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 time of termination up to a maximum of \$5,000 if the employee has 10 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 meet certain specific conditions. The Township has determined that such conditions apply to accumulated sick pay of Governmental Funds and the 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 8: LONG-TERM LIABILITIES

Other liabilities are generally liquidated by the General Fund and the Debt Service Fund. A summary of changes in long-term debt obligations at December 31, 2011:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Bonds Payable:					
General Obligation Bonded Debt	\$ 18,613,544	\$ -	\$ (579,671)	\$ 18,033,873	\$ 596,212
Premium on General Obligation Bonded Debt	<u>14,190</u>	<u>-</u>	<u>(1,795)</u>	<u>12,395</u>	<u>-</u>
Total Bonds Payable	<u>18,627,734</u>	<u>-</u>	<u>(581,466)</u>	<u>18,046,268</u>	<u>596,212</u>
Other Liabilities:					
Capital Leases	444,552	614,387	(437,683)	621,256	390,501
Compensated Absences	3,061,505	515,775	(586,746)	2,990,534	-
Liability for Other Postemployment Benefits	<u>12,539,886</u>	<u>6,624,214</u>	<u>(1,577,974)</u>	<u>17,586,126</u>	<u>-</u>
Total Other Liabilities	<u>16,045,943</u>	<u>7,754,376</u>	<u>(2,602,403)</u>	<u>21,197,916</u>	<u>390,501</u>
Governmental Activities Long-Term Liabilities	<u>\$ 34,673,677</u>	<u>\$ 7,754,376</u>	<u>\$ (3,183,869)</u>	<u>\$ 39,244,184</u>	<u>\$ 986,713</u>

TOWNSHIP OF BRISTOL
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2011

NOTE 8: LONG-TERM LIABILITIES (CONTINUED)

<u>Business-Type Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Bonds Payable					
General Obligation Bonded Debt	\$ 2,051,456	\$ -	\$ (75,329)	\$ 1,976,127	\$ 73,788
Premium on General Obligation Bonded Debt	<u>4,021</u>	<u>-</u>	<u>(641)</u>	<u>3,380</u>	<u>-</u>
Total Bonds Payable	<u>2,055,477</u>	<u>-</u>	<u>(75,970)</u>	<u>1,979,507</u>	<u>73,788</u>
Other Liabilities:					
Notes Payable	-	2,409,079	-	2,409,079	-
Compensated Absences	<u>15,119</u>	<u>-</u>	<u>(4,200)</u>	<u>10,919</u>	<u>-</u>
Total Other Liabilities	<u>15,119</u>	<u>2,409,079</u>	<u>(4,200)</u>	<u>2,419,998</u>	<u>-</u>
Business Type Activities Long-Term Liabilities	<u>\$ 2,070,596</u>	<u>\$ 2,409,079</u>	<u>\$ (80,170)</u>	<u>\$ 4,399,505</u>	<u>\$ 73,788</u>

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

Years Ended December 31	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Debt Service Requirements</u>
2012	596,212	999,976	1,596,188
2013	619,148	974,725	1,593,873
2014	639,693	948,471	1,588,164
2015	665,783	919,860	1,585,643
2016	697,435	897,768	1,595,203
2017-2021	3,931,055	4,061,031	7,992,086
2022-2026	3,569,547	3,102,871	6,672,418
2027-2031	2,340,000	2,299,523	4,639,523
2032-2036	3,300,000	1,339,553	4,639,553
2037-2038	<u>1,675,000</u>	<u>181,610</u>	<u>1,856,610</u>
	<u>18,033,873</u>	<u>15,725,388</u>	<u>33,759,261</u>

An analysis of debt service requirements to maturity on these business-type activities obligations follows (with the exception of compensated absences):

Years Ended December 31	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Debt Service Requirements</u>
2012	73,788	105,118	178,906
2013	137,779	101,969	239,748
2014	197,543	97,718	295,261
2015	202,828	92,732	295,560
2016	197,567	89,102	286,669
2017-2021	994,902	461,420	1,456,322
2022-2026	1,136,265	340,164	1,476,429
2027-2031	1,236,641	132,179	1,368,820
2032-2033	<u>207,893</u>	<u>3,994</u>	<u>211,887</u>
	<u>4,385,206</u>	<u>1,424,396</u>	<u>5,809,602</u>

TOWNSHIP OF BRISTOL
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2011

NOTE 8: LONG-TERM LIABILITIES (CONTINUED)

The following is a summary of general obligation debt outstanding:

<u>Year</u>	<u>Amount of Original Issue</u>	<u>Purpose</u>	<u>Balance Outstanding December 31, 2011</u>
2011	\$ 9,000,000	General Revenue Note - 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. This note was funded through the Pennsylvania Infrastructure Investment Authority and is drawn down as needed.	\$ 2,409,079
2010	\$ 9,920,000	General Obligation Bonds, Series 2010 - General obligation bonds with interest semiannually through September 1, 2030; interest rates range from 2.0% to 4.25%; principal payments due annually through September 1, 2030, for the refunding of the General Obligation Bonds, Series of 2004 and for the funding of various capital projects.	\$ 8,890,000
2008	\$ 11,430,000	Federally Taxable General Obligation Bonds, Series 2008 - General obligation bonds with 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.	\$ 11,120,000
Total			\$ 22,419,079

NOTE 9: OBLIGATION UNDER CAPITAL LEASE

Obligation under capital lease consists of the following leases payable:

2 2010 Ford F 550 in the amount of \$126,212 for the Public Works Department bearing an interest rate of 4.7% expiring in May of 2012.

1 Vacuum Sweeper in the amount of \$203,500 for the Public Works Department bearing an interest rate of 3.79% expiring in May of 2012.

6 Chevy Impalas and 1 Ford Explorer in the amount of \$249,879 for the Police Department bearing an interest rate of 4.7% expiring in May of 2012.

1 Backhoe in the amount of \$99,430 for the Public Works Department bearing an interest rate of 3.3% expiring in May of 2013.

Township Software in the amount of \$350,000 for General Government bearing an interest rate of 2.5% expiring in December of 2013.

TOWNSHIP OF BRISTOL
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2011

NOTE 9: OBLIGATION UNDER CAPITAL LEASE (CONTINUED)

4 Crown Victoria's in the amount of \$167,123 for the Police Department bearing an interest rate of 3.3% expiring in December of 2013.

The assets acquired through capital leases are as follows:

Leases	\$ 2,800,651
Less: Accumulated Depreciation	<u>(1,543,254)</u>
Total	<u>\$ 1,257,397</u>

The following is a schedule of future minimum lease payments under the capital lease agreements together with the present value of the net minimum lease payments as of December 31, 2011:

Total Minimum Lease Payments	\$ 647,001
Less: Amount Representing Interest	<u>(25,745)</u>
Total Present Value of Net Minimum Lease Payment	621,256
Less: Amounts Due Within One Year	<u>(390,501)</u>
Long Term Capital Lease Payable	<u>\$ 230,755</u>

Future minimum capital lease payments as of December 31, 2011:

2012	\$ 410,399
2013	<u>236,602</u>
Total Future Minimum Lease Payments	<u>\$ 647,001</u>

NOTE 10: INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances consist of the following at December 31, 2011:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Governmental Funds:		
General Fund	\$ 169,161	\$ -
Other Governmental Funds	<u>12,771</u>	<u>181,932</u>
Total Governmental Funds	<u>181,932</u>	<u>181,932</u>

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

NOTE 11: INTERFUND OPERATING TRANSFERS

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

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$ 190,000	\$ 844
Street Lights Fund	-	40,000
Refuse Fund	-	55,000
Other Governmental Funds	<u>844</u>	<u>25,000</u>
Total Governmental Funds	190,844	120,844
Proprietary Funds		
Water Fund	-	35,000
Sewer Fund	<u>-</u>	<u>35,000</u>
Total Proprietary Funds	<u>-</u>	<u>70,000</u>
Total Interfund Operating Transfers	<u>\$ 190,844</u>	<u>\$ 190,844</u>

NOTE 12: INTERAUTHORITY TREATMENT SERVICES

The Township has separate agreements with four other municipal authorities which provide for the treatment by these authorities of a portion of the wastewater collected by the Township. These agreements expire by 2012. For the year ended December 31, 2011, the Township's expense for treatment services under these agreements was \$1,460,147.

NOTE 13: RISK MANAGEMENT

The Township maintains an insurance policy ("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, 2011, the Township paid insurance premiums of \$764,525.

NOTE 15: POST-EMPLOYMENT BENEFIT PLAN

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

Funding Policy. The contribution requirements of the Township are established and may be amended by the establishment of a new Agreement between Bristol Township and the Bristol Township Police Benevolent Association. The Plan does not require any contributions from Plan members. The Township funds the Plan on a pay-as-you-go basis. For 2011, the Township contributed \$1,577,974 to the plan for current premiums.

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

The Township's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009, 2010, and 2011 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2009	\$ 5,680,999	35.04%	\$ 8,310,595
December 31, 2010	\$ 5,877,270	28.04%	\$ 12,539,886
December 31, 2011	\$ 6,624,214	23.82%	\$ 17,586,126

NOTE 15: POST-EMPLOYMENT BENEFIT PLAN (CONTINUED)

The following table shows 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:

	Governmental Activities	Total Primary Government
Annual Required Contribution (ARC)	\$ 6,890,543	\$ 6,890,543
Estimated Interest on Net OPEB Obligation	501,595	501,595
Estimated Adjustment to ARC	(767,924)	(767,924)
Estimated Annual OPEB Costs (Expense)	6,624,214	6,624,214
Contributions Made	(1,577,974)	(1,577,974)
Estimated Increase in Net OPEB Obligation	5,046,240	5,046,240
Estimated Net OPEB Obligation - Beginning of Year	12,539,886	12,539,886
Estimated Net OPEB Obligation - End of Year	\$ 17,586,126	\$ 17,586,126

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

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the 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.

NOTE 15: POST-EMPLOYMENT BENEFIT PLAN (CONTINUED)

In the January 1, 2011 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return, which is the expected short-term investment yield on the investments that are expected to be used to finance the payments of benefits, a salary increase of 6% per year, a health care cost trend rate of 5% during 2011, then 10% in 2012 decreasing by 0.5% per year to an ultimate rate of 5%. The actuarial assumptions also include a vision cost trend rate increase of 3.25% per year. The actuarial valuation assumes 100% participant election and 85% of retiring member's 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.

NOTE 16: FUND BALANCES / NET ASSETS CLASSIFICATIONS AND RESTRICTIONS

The governmental fund 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 fund financial statements are as follows:

Governmental Funds

General Fund

Nonspendable

Amounts that are nonspendable representing Prepaid Expenses not available in the next fiscal year.	\$ 182,168
--	------------

Unassigned

Amounts available for any purpose.	4,275,008
------------------------------------	-----------

Street Lights Fund

Committed

Amounts committed for street light repairs.	797,013
---	---------

Capital Reserve Fund

Restricted

Amounts restricted for capital projects.	1,137,818
--	-----------

Assigned

Amounts assigned for capital projects.	287,398
--	---------

Refuse Fund

Committed

Amounts committed for refuse collection.	662,997
--	---------

Assigned

Amounts assigned for refuse collection.	528,733
---	---------

NOTE 16: FUND BALANCES / NET ASSETS CLASSIFICATIONS AND RESTRICTIONS
 (CONTINUED)

Other Governmental Funds

Restricted

Restriction of funds for communications.	35,703
Restriction of funds for law enforcement.	52,648
Restriction of funds for road repairs.	140,669
Restriction of funds for community development.	27,667
Restriction of funds for capital projects.	126,932

Committed

Amounts committed for parks and recreation.	572,907
Amounts committed for debt service.	694,829

Assigned

Amounts assigned for a grant match.	230,523
Amounts assigned for economic development.	390,088
Amounts assigned for blighted properties.	67,862

Total Governmental Funds, Fund Balance \$ 10,210,963

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

Proprietary Funds

Water Fund

Amounts invested in capital assets, net of related debt.	\$ 840,174
Amounts available for any purpose.	611,442

Sewer Fund

Amounts invested in capital assets, net of related debt.	5,964,319
Amounts available for any purpose.	1,096,543

Total Proprietary Funds, Net Assets \$ 8,512,478

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

Fiduciary Funds

Pension Trust Fund

Amounts restricted for payment of pension benefits.	\$ 36,385,638
---	---------------

Total Fiduciary Funds, Net Assets \$ 36,385,638

TOWNSHIP OF BRISTOL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 17: 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, 2011.

NOTE 18: RESTATEMENT OF NET ASSETS

The following restatement of governmental activities net assets was necessary to properly reflect the bond issuance costs, deferred loss and bond premium related to the 2010 General Obligation Bond issue:

Governmental activities net assets, beginning of year, as previously stated	\$ 12,024,051
Bond Issuance Costs	175,087
Accumulated amortization of bond issuance costs	(10,999)
Accumulated amortization of deferred loss	(18,026)
Bond premium	(14,190)
Accumulated amortization of bond premium	<u>773</u>
Governmental activities net assets, beginning of year, as restated	<u>\$ 12,156,696</u>

NOTE 19: SUBSEQUENT EVENTS

The Township of Bristol operates under the Home Rule Charter and Optional Plans Law as codified at 53 Pa.C.S. §2901 et seq., the residents of Bristol Township, Bucks County, have elected to be governed pursuant to the Option Plan of Government designated as the Council-Manager Plan, commencing January 2, 2012. All powers and duties of the Township shall be exclusively vested in and exercised by Council pursuant to the First Class Township Code, except as may otherwise be provided by the Optional Plans Law. Council shall appoint a Township Manager, who shall be the chief executive and administrative official of the Township, and shall have the executive duties described in the Optional Plans Law, the First Class Township Code, the Code of the Township of Bristol, and general law.

REQUIRED
SUPPLEMENTARY
INFORMATION

TOWNSHIP OF BRISTOL
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 14,914,795	\$ 14,914,795	\$ 14,658,335	\$ (256,460)
Licenses, Fees and Permits	2,108,000	2,108,000	2,923,386	815,386
Charges for Service	819,595	819,595	972,679	153,084
Court Costs, Fines and Forfeits	291,152	291,152	271,538	(19,614)
Intergovernmental	887,531	887,531	1,537,068	649,537
Interest	15,000	15,000	7,310	(7,690)
Other	106,991	106,991	357,168	250,177
Total Revenues	19,143,064	19,143,064	20,727,484	1,584,420
Expenditures				
Current:				
General Government	3,130,693	3,130,693	2,872,966	257,727
Public Safety	14,079,326	14,079,326	14,152,434	(73,108)
Public Works Highways and Streets	2,431,547	2,431,547	2,241,485	190,062
Capital Outlay	-	-	31,076	(31,076)
Debt Service				
Principal	160,000	160,000	160,000	-
Interest	769,243	769,243	769,243	-
Total Expenditures	20,570,809	20,570,809	20,227,204	343,605
Excess of Revenues Over/(Under) Expenditures	(1,427,745)	(1,427,745)	500,280	1,928,025
Other Financing Sources (Uses):				
Operating Transfers In	1,541,519	1,541,519	190,000	(1,351,519)
Operating Transfers Out	-	-	(844)	(844)
Total Other Financing Sources	1,541,519	1,541,519	189,156	(1,352,363)
Net Change in Fund Balances	113,774	113,774	689,436	575,662

TOWNSHIP OF BRISTOL
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
 STREET LIGHT FUND
 FOR THE YEAR ENDED DECEMBER 31, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Taxes	\$ 493,706	\$ 493,706	\$ 508,471	\$ 14,765
Interest	5,000	5,000	1,651	(3,349)
Total Revenues	498,706	498,706	510,122	11,416
Expenditures				
Current:				
Public Works Highways and Streets	856,000	856,000	803,055	52,945
Total Expenditures	856,000	856,000	803,055	52,945
Excess of Revenues Under Expenditures	(357,294)	(357,294)	(292,933)	64,361
Other Financing Sources (Uses):				
Operating Transfers In	397,294	397,294	-	(397,294)
Operating Transfers Out	(40,000)	(40,000)	(40,000)	-
Total Other Financing Sources (Uses)	357,294	357,294	(40,000)	(397,294)
Net Change in Fund Balances	-	-	(332,933)	(332,933)

TOWNSHIP OF BRISTOL
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
 REFUSE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 5,337,798	\$ 5,337,798	\$ 5,537,881	\$ 200,083
Charges for Service	10,000	10,000	73,552	63,552
Intergovernmental	80,000	80,000	178,735	98,735
Interest	3,000	3,000	2,671	(329)
Total Revenues	5,430,798	5,430,798	5,792,839	362,041
Expenditures				
Current:				
Health and Welfare	5,360,798	5,360,798	5,339,554	21,244
Total Expenditures	5,360,798	5,360,798	5,339,554	21,244
Excess of Revenues Over Expenditures	70,000	70,000	453,285	383,285
Other Financing (Uses):				
Operating Transfers Out	(55,000)	(55,000)	(55,000)	-
Total Other Financing (Uses)	(55,000)	(55,000)	(55,000)	-
Net Change in Fund Balances	15,000	15,000	398,285	383,285

TOWNSHIP OF BRISTOL
 SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS
 DECEMBER 31, 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2008	\$ -	\$ 66,917,267	\$ 66,917,267	0%	\$ 4,838,138	1383.1%
1/1/2011	\$ -	\$ 77,074,400	\$ 77,074,400	0%	\$ 6,396,587	1204.9%

The Township adopted GASB 45 on a prospective basis in 2008; therefore only two years are presented in the above schedule.

OTHER
SUPPLEMENTARY
INFORMATION

TOWNSHIP OF BRISTOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2011

Federal Grantor/Pass Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
FEDERAL AWARDS			
<u>U.S. Department of Housing & Urban Development</u>			
Community Development Block Grant	14.218	N/A	\$ 581,168 *
Passed-through the Pennsylvania Department of Community and Economic Development:			
Community Development Block Grants - Neighborhood Stabilization Program (American Recovery and Reinvestment Act)	14.228	C000045718	362,513 *
Home Investment Partnerships Program	14.239	C000050796	<u>256,235</u>
Total U.S. Department of Housing & Urban Development			<u>1,199,916</u>
<u>U.S. Department of Justice</u>			
Weed & Seed Year 5	16.595	N/A	87,372
Bulletproof Vest Partnership Program - 2008	16.607	N/A	651
Bulletproof Vest Partnership Program - 2011	16.607	N/A	<u>4,765</u>
Total Bulletproof Vest Partnership Program			<u>5,416</u>
Public Safety Partnership and Community Policing Grants - Justice Assistance Grant	16.710	N/A	6,560
Edward Byrne Memorial Justice Assistance Grant (JAG) Program (American Recovery and Reinvestment Act)	16.804	N/A	<u>17,239</u>
Total U.S. Department of Justice			<u>116,587</u>
<u>U.S. Department of Energy</u>			
Energy Efficiency and Conservation Block Grant Program (American Recovery and Reinvestment Act)	81.128	N/A	<u>161,408 *</u>
Total U.S. Department of Energy			<u>161,408</u>
<u>U.S. Department of Homeland Security</u>			
Passed-through the Pennsylvania Emergency Management Agency Disaster Grants - Public Assistance	97.036	FEMA-4025-DR	<u>69,929</u>
Total U.S. Department of Homeland Security			<u>69,929</u>
<u>U.S. Department of Transportation</u>			
Passed-through the North Central Highway Safety Network			
State and Community Highway Safety - Aggressive Driving Enforcement and Education	20.600	N/A	4,425
State and Community Highway Safety - Buckle Up Grant	20.600	N/A	<u>912</u>
Total State and Community Highway Safety			<u>5,337</u>
Total U.S. Department of Transportation			<u>5,337</u>
Total Federal Awards			<u>\$ 1,553,177</u>

* Denotes Program Tested as Major

NOTE 1: REPORTING ENTITY

The Township of Bristol is the reporting entity for financial reporting purposes as defined in Note 1A of the Notes to the Financial Statements.

NOTE 2: 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 1 of the Notes to the Financial Statements.

NOTE 3: RISK-BASED AUDIT APPROACH

The 2011 threshold for determining Type A and Type B programs is \$300,000. The following Type A programs and Type B program were audited as major.

<u>CFDA #</u>	<u>Program</u>
14.218	Community Development Block Grant
14.228	Neighborhood Stabilization Program
81.128	Energy Efficiency and Conservation Block Grant Program

The amount expended under programs tested as major federal programs for the year ended December 31, 2011 totaled \$1,105,089 or 71% of total federal awards.

NOTE 4: PENNSYLVANIA DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT
 FEDERAL FUNDS RECEIVED

The following grants are federal funds received by Bristol Township, passed-through the Pennsylvania Department of Community and Economic Development for the year ended December 31, 2011:

Neighborhood Stabilization Program	\$ 362,513
Home Investment Partnerships Program	<u>256,235</u>
 Total PA DCED	 <u><u>\$ 618,748</u></u>

Zelenkofske Axelrod LLC

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

Township Council
Bristol Township
Bristol, Pennsylvania

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Township of Bristol as of and for the year ended December 31, 2011, which collectively comprise the Township of Bristol's basic financial statements and have issued our report thereon dated July 23, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Bristol's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township of Bristol's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township of Bristol's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2011-1 to be a material weakness.

<u>Harrisburg</u>	<u>Lehigh Valley</u>	<u>Philadelphia</u>	<u>Pittsburgh</u>
830 Sir Thomas Court, Suite 100 Harrisburg, PA 17109 717.561.9200 Fax 717.561.9202	1101 West Hamilton Street Allentown, PA 18101-1043 610.871.5077 Fax 717.561.9202	2370 York Road, Suite A-5 Jamison, PA 18929 215.918.2277 Fax 215.918.2302	3800 McKnight E. Drive, Suite 3805 Pittsburgh, PA 15237 412.367.7102 Fax 412.367.7103

Township Council
Bristol Township
Bristol, Pennsylvania
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Zelenkofske Axelrod LLC

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Bristol's financial statements are free of 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2011-1.

The Township of Bristol's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Township of Bristol's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Township Council, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Zelenkofske Axelrod LLC

ZELENKOFKSKE AXELROD LLC

Jamison, Pennsylvania
July 23, 2012

Zelenkofske Axelrod LLC

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Township Council
Bristol Township
Bristol, Pennsylvania

Compliance

We have audited the Township of Bristol'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 the Township of Bristol's major federal programs for the year ended December 31, 2011. The Township of Bristol's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs is the responsibility of the Township of Bristol's management. Our responsibility is to express an opinion on the Township of Bristol's compliance based on our audit.

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. 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 the Township of Bristol'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. Our audit does not provide a legal determination of the Township of Bristol's compliance with those requirements.

In our opinion, the Township of Bristol complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

Management of the Township of Bristol is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Township of Bristol's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 the internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Township of Bristol's internal control over compliance.

<u>Harrisburg</u>	<u>Lehigh Valley</u>	<u>Philadelphia</u>	<u>Pittsburgh</u>
830 Sir Thomas Court, Suite 100 Harrisburg, PA 17109 717.561.9200 Fax 717.561.9202	1101 West Hamilton Street Allentown, PA 18101-1043 610.871.5077 Fax 717.561.9202	2370 York Road, Suite A-5 Jamison, PA 18929 215.918.2277 Fax 215.918.2302	3800 McKnight E. Drive, Suite 3805 Pittsburgh, PA 15237 412.367.7102 Fax 412.367.7103

Township Council
Bristol Township
Bristol, Pennsylvania
Page 2

Zelenkofske Axelrod LLC

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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information of management, Township Council, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Zelenkofske Axelrod LLC

ZELENKOFSCHE AXELROD LLC

Jamison, Pennsylvania
July 23, 2012

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness (es) identified? yes no
- Significant Deficiencies identified that are not considered to be material weaknesses?
 yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness (es) identified? yes no
- Significant Deficiencies identified that are not considered to be material weaknesses?
 yes none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133. yes no

Identification of major programs:

CFDA Number(s)	Name of Federal Programs
14.218	Community Development Block Grant
14.228	Neighborhood Stabilization Program
81.128	Energy Efficiency and Conservation Block Grant Program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? yes no

Part 2: Findings - Financial Statement Audit (GAGAS)

Internal Control Over Financial Reporting

2011-1: Failure to Follow Township Procurement Regulations

Condition:

The Township of Bristol failed to properly procure contracted services and did not receive full Township Council approval for funds spent from the Township's Economic Development fund in accordance with Township Regulations.

Criteria:

All contracted services in an amount greater than \$10,000 are required to be publicly advertised and bid under the current Township rules and regulations.

Effect:

The Township of Bristol was not in compliance with local statutes over the procurement of contractors.

Auditors' Recommendation:

We recommend that the Township follow their procurement policies and monitor their compliance with these policies to ensure that all required bidding processes are being followed. In addition, we also recommend that the Township Solicitor review the State Ethics Code that addresses Surcharges to determine if a Surcharge would apply since the procurement policy was not used in the contracting process.

Management Response:

As this finding was brought to the attention of the auditors by new management, compliance with procurement policies and competitive bidding requirements should be adhered to much more stringently.

Part 3: Audit Findings and Questioned Costs (Major Program - Circular A-133, Section - 510)

None Noted

TOWNSHIP OF BRISTOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011

Finding

Description

Status

No prior year findings.