

TOWNSHIP OF BRISTOL
BUCKS COUNTY, PENNSYLVANIA
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2007

TOWNSHIP OF BRISTOL
YEAR ENDED DECEMBER 31, 2007

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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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the TOWNSHIP OF BRISTOL as of and for the year ended December 31, 2007, 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. The financial statements of the Bristol Township Sewer Department and the Bristol Township Sewer Authority were not audited in accordance with *Government Auditing Standards*. 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the TOWNSHIP OF BRISTOL as of December 31, 2007, 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. 48, "*Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*".

In accordance with Government Auditing Standards, we have also issued our report dated January 22, 2009, 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.

<i>Harrisburg</i>	<i>Lehigh Valley</i>	<i>Philadelphia</i>
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Zelenkofske Axelrod LLC

The management's discussion and analysis and budgetary comparison information on pages 3 through 14 and pages 67 through 68 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Zelenkofske Axelrod LLC

ZELENKOFKSKE AXELROD LLC

Harrisburg, Pennsylvania
January 22, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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, 2007.

FINANCIAL HIGHLIGHTS

- The Township total net assets increased by \$555,810 in 2007.
- The General Fund Unreserved Fund Balance at the end of 2007 was \$3,092,932.

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

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.

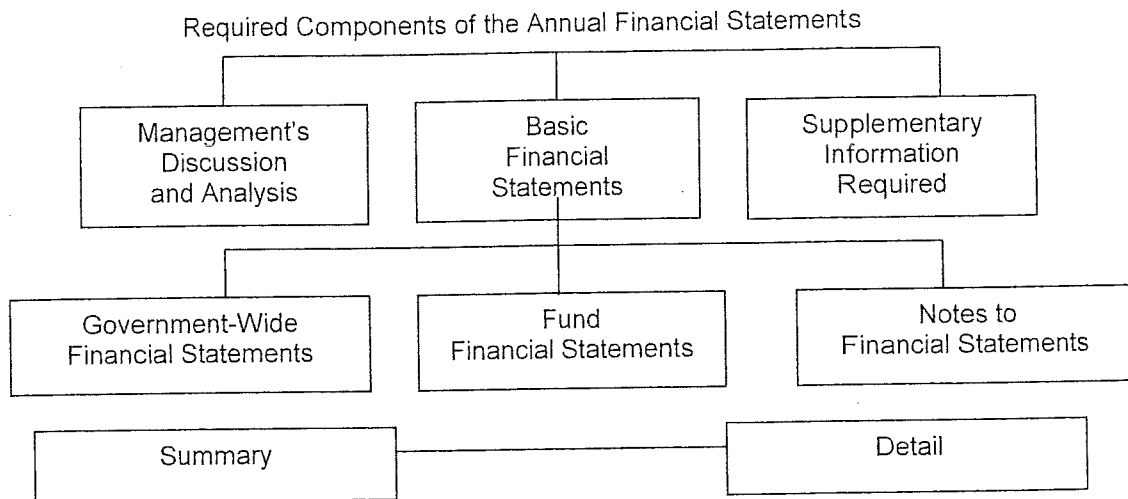
The basic financial statements present two different views of the TOWNSHIP.

- *Government-wide financial statements*, the first two statements, provide information about the TOWNSHIP's overall financial status as well as the financial status of the TOWNSHIP's component units.
- *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 fund.
 - *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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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 and component units (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 Fund	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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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.

The primary government and its component units are included in the government-wide financial statements. Component units reflect the activities of legally separate government entities over which the TOWNSHIP can exercise influence and/or be obligated to provide financial support. The TOWNSHIP has two discretely presented component units: Bristol Township Authority; and the Bristol Township Sewer Department. Complete and detailed financial statements for the individual component units can be obtained from their administrative offices (See Note 1, Notes to the Financial Statements for addresses).

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 help 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
- Depreciate capital assets and allocate the depreciation to the proper program/activities

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

- 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

GOVERNMENT-WIDE FINANCIAL STATEMENTS**Net Assets**

The TOWNSHIP's total assets were \$42,709,592 at December 31, 2007. Of this amount, \$26,683,650 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		Total Percentage Change
	2006	2007	2006	2007	2006	2007	
Capital Assets	\$24,235,425	\$25,602,098	\$1,142,946	\$1,081,552	\$25,378,371	\$26,683,650	5%
Other Assets	14,832,000	14,841,148	1,176,860	1,184,794	16,008,860	16,025,942	8%
Total Assets	39,067,425	40,443,246	2,319,806	2,266,346	41,387,231	42,709,592	0%
Other Liabilities	\$5,274,741	5,461,090	526,148	349,949	5,800,889	5,811,039	0%
Long-Term Liabilities	10,506,048	11,139,710	-	-	10,506,048	11,139,710	6%
Total Liabilities	15,780,789	16,600,800	526,148	349,949	16,306,937	16,950,749	4%
Net Assets:							
Invested in Capital Assets, net of related debt	17,125,177	17,220,947	1,142,946	1,081,552	18,268,123	18,302,499	0%
Restricted Net Assets	6,049,273	5,676,609	-	-	6,049,273	5,676,609	6%
Unrestricted Net Assets (Deficit)	112,186	944,890	650,712	834,845	762,898	1,779,735	133%
Total Net Assets	\$23,286,636	\$23,842,446	\$1,793,658	\$1,916,397	\$25,080,294	\$25,758,843	3%

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The following statement of activities represents changes in net assets for the year ended December 31, 2007. 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		Percent- age Change
	2006	2007	2006	2007	2006	2007	
Program Revenues:							
Charges for Services	\$4,870,116	\$4,413,979	\$320,235	\$424,611	\$5,190,351	\$4,838,590	(7)%
Operating Grants and Contributions	3,125,508	3,875,182	-	-	3,125,508	3,875,182	24%
Capital Grants and Contributions	218,334	70,937	-	-	218,334	70,937	(68)%
General Revenues:							
Real Estate Taxes	15,118,082	14,850,809	-	-	15,118,082	14,850,809	(2)%
Earned Income Taxes	5,236,011	5,190,262	-	-	5,236,011	5,190,262	(1)%
Per Capita Taxes	39,392	88,435	-	-	39,392	88,435	124%
Mercantile Taxes	702,542	600,514	-	-	702,542	600,514	(15)%
Mechanical Devices Taxes	166,486	88,719	-	-	166,486	88,719	(47)%
Occupational / EMS Taxes	897,568	1,222,413	-	-	897,568	1,222,413	36%
Amusement Taxes	6,765	8,572	-	-	6,765	8,572	27%
In Lieu of Taxes	39,206	41,804	-	-	39,206	41,804	7%
Special Item – Sale of Property	41,785	125,000	-	-	41,785	125,000	199%
Unrestricted Investment Earnings	717,592	536,782	63,495	95,343	781,087	632,125	(19)%
Transfers	35,000	35,000	(35,000)	(35,000)	-	-	0%
Miscellaneous	380,882	786,908	-	-	380,882	786,908	107%
Total Revenues	31,595,269	31,935,316	348,730	484,954	\$31,943,999	32,420,270	1%
Expenses:							
General Government	3,368,982	3,148,314	-	-	3,368,982	3,148,314	(7)%
Public Safety	14,432,595	15,110,013	-	-	14,432,595	15,110,013	5%
Public Works Highways And Streets	5,217,880	5,395,191	-	-	5,217,880	5,395,191	3%
Community Development	1,144,464	1,203,167	-	-	1,144,464	1,203,167	5%
Culture and Recreation	655,436	773,348	-	-	655,436	773,348	18%
Health and Welfare	5,137,838	5,386,300	-	-	5,137,838	5,386,300	5%
Interest on Long Term Debt	404,180	363,173	-	-	404,180	363,173	(10)%
Water Fund	-	-	437,449	362,215	437,449	362,215	(17)%
Total Expenses	30,361,375	31,379,506	437,449	362,215	30,798,824	31,741,721	3%
Change in Net Assets	1,233,894	555,810	(88,719)	122,739	1,145,175	678,549	(41)%
Net Assets – January 1	22,052,742	23,286,636	1,882,377	1,793,658	23,935,119	25,080,294	5%
Net Assets – December 31	\$23,286,636	\$23,842,446	\$1,793,658	\$1,916,397	\$25,080,294	\$25,758,843	3%

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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 2007, real estate taxes brought in \$14,850,809 and earned income taxes brought in \$5,190,262.

**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	\$ 3,148,314	\$ 493,818
Public Safety	15,110,013	(12,743,069)
Public Works Highways and Streets	5,395,191	(4,268,683)
Community Development	1,203,167	(194,059)
Culture and Recreation	773,348	(557,942)
Health and Welfare	5,386,300	(5,386,300)
Interest on Long Term Debt	363,173	(363,173)
Water Fund	362,215	62,396
Total	<u>\$ 31,741,721</u>	<u>\$ (22,957,012)</u>

The TOWNSHIP relied on real estate taxes, earned income taxes and other general revenues to fund 72% of its governmental and business-type activities in 2007.

Capital Assets

The TOWNSHIP's investment in capital assets at December 31, 2007, net of accumulated depreciation, was \$26,683,650. Capital assets consist primarily of land, buildings and equipment. The following is a summary of capital assets at December 31, 2007:

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

	Governmental Activities		Business-Type Activities		Total		Percent- age Change
	2006	2007	2006	2007	2006	2007	
Land	\$1,283,079	\$ 1,463,980	\$ -	\$ -	\$1,283,079	\$ 1,463,980	14%
Construction in Progress	3,199,583	-	-	-	3,199,583	-	100%
Agricultural Easements	431,125	431,125	-	-	431,125	431,125	0%
Buildings	2,588,300	2,713,300	-	-	2,588,300	2,713,300	5%
Improvements	643,964	652,554	-	-	643,964	652,554	1%
Equipment	1,760,490	3,102,900	3,417	3,417	1,763,907	3,106,317	76%
Infrastructure	48,777,754	53,256,953	-	-	48,777,754	53,256,953	9%
Water Lines	-	-	2,596,134	2,596,134	2,596,134	2,596,134	0%
Accumulated Depreciation	(34,448,870)	(36,018,714)	(1,456,605)	(1,517,999)	(35,905,475)	(37,536,713)	5%
Total Net Capital Assets	<u>\$24,235,425</u>	<u>\$25,602,098</u>	<u>\$1,142,946</u>	<u>\$1,081,552</u>	<u>\$25,378,371</u>	<u>\$26,683,650</u>	5%

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Debt Administration

At December 31, 2007, the TOWNSHIP had \$8,425,090 of debt outstanding, including general obligation bonds and notes, and excluding compensated absences and estimated workers compensation claims. Debt remained approximately the same when compared to the previous year. Detailed information about the Township's debt can be found in Note 9, Notes to the Financial Statements. The following is a summary of changes in long-term debt at December 31, 2007.

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

<u>Type</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bonds	\$8,615,000	\$ -	\$345,000	\$ 8,270,000
Loans	36,180	-	18,090	18,090
Note Payable	274,000	-	137,000	137,000
Compensated Absences	1,576,655	63,086	-	1,639,741
Estimated Workers Compensation Claims	180,875	-	-	180,875
Total Long Term Debt	\$10,682,710	\$63,086	\$500,090	\$10,245,706

The Township's long-term debt level is low. In 2007 debt payments were made on two loans from the county for parkland acquisition and police radios and for the 2004 bond issue.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

GOVERNMENTAL FUND REVENUES

Governmental fund revenues by source at December 31, 2006, and December 31, 2007, were as follows.

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

	<u>2006</u>	<u>2007</u>	<u>Changes from 2006 to 2007</u>
Revenues:			
Taxes	\$ 22,109,166	\$21,991,364	\$ (117,802)
Licenses, fees and permits	3,234,642	2,354,886	(879,756)
Charges for services	920,495	1,073,350	152,855
Court costs, fines and forfeits	265,946	310,619	44,673
Intergovernmental	3,121,340	3,795,316	673,976
Interest	816,136	605,921	(210,215)
Other and Reimbursed Expenditures	1,034,864	1,710,500	675,636
Other Financing Sources (Uses)			
Operating transfers in	439,720	324,054	(115,666)
Loan proceeds	411,000	-	(411,000)
Proceeds from Capital Lease	739,525	988,370	248,845
	<u>\$ 33,092,834</u>	<u>\$33,154,380</u>	<u>\$ 61,546</u>

In 2004 a general obligation bond was issued, thus providing proceeds. No bonds were issued in 2007. Tax revenues decreased due to the current economic state and the decline in the housing industry. Revenue from licenses, fees and permits decreased for the same reason. Charges for services experienced an increase due to increased enforcement activity to ensure that the Township received all revenue it was entitled to. The township should continue to monitor these revenues to ensure that they are keeping up with the costs of operating these programs. Intergovernmental Revenue increased due to additional Grant revenues. Interest income decreased due to a decrease in cash available for investment and a decline in bank interest rates. Other revenue increased due to return of the Township's debt service reserve held by the Sewer Authority.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

GOVERNMENTAL FUND EXPENDITURES

Governmental fund expenditures by function at December 31, 2006 and December 31, 2007 were as follows:

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

	2006	2007	Changes from 2006 to 2007
Expenditures:			
General government	\$ 3,343,537	\$ 3,039,812	\$ (303,725)
Public safety	14,488,154	14,948,153	459,999
Public works highways and safety	4,261,270	4,131,456	(129,814)
Community development	1,144,464	1,203,167	58,703
Health and welfare	5,137,838	5,386,300	248,462
Culture and recreation	627,872	717,245	89,373
Debt Service			
Principal	855,090	916,262	61,172
Interest	393,374	349,389	(43,985)
Capital Outlay	3,818,624	3,083,573	(735,051)
Other Financing Sources (Uses)			
Operating transfers out	404,720	289,054	(115,666)
	<u>\$34,474,943</u>	<u>\$34,064,411</u>	<u>\$ 410,532</u>

Decreases in total expenditures in 2007 was mostly associated in a decrease in capital outlay. Decrease in general government expenditures was mostly associated with a decrease in contracted services related to building permits. Public safety and Health and Welfare increased due to contractual salary and increases in Pension and Insurance costs.

GOVERNMENTAL FUND BALANCES

Ending Fund Balances for Governmental Fund and Net Assets for Proprietary Funds at December 31, 2007:

**Table A-10¹
Ending Fund Balances, Governmental Funds
Net Assets, Proprietary Funds**

<u>Fund</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
General Fund	\$3,180,494	\$ -
Refuse Fund	(87,562)	-
Other Governmental Funds	5,764,171	-
Water Fund	-	1,916,397
	<u>\$8,857,103</u>	<u>\$1,916,397</u>
Total		

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**Budgetary Highlights**

Total Revenues came in \$164,506 under projections due mostly to a decrease in Tax and Delinquent Tax collections and a decrease in Real Estate Transfer Tax. Expenditures came in \$334,034 over budget due to an unbudgeted payout of retro pay for 2006 in settlement of the TWU contract and the unbudgeted cost of the Forensic Audit.

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

The Township did not increase taxes in 2008. Operating costs 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. The township received an Act 111 Binding Arbitration Award and settled the TWU contract which significantly impacted operating costs in 2007. The other collective bargaining agreement expires in the 2008. The Township should attempt to negotiate wage and benefit levels that are financially sustainable. In particular, post retirement healthcare and pension costs have become burdensome to maintain.

A history of the General Fund Balance indicates relatively stagnant tax revenues with steadily increasing expenditures. In 2007 Expenditures exceeded revenues by \$615,349. These trends must be recognized and addressed immediately or the township may be able to meet financial obligations going forward.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

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

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

BRISTOL TOWNSHIP
STATEMENT OF NET ASSETS
DECEMBER 31, 2007

	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Cash and Cash Equivalents	\$ 10,391,042	\$ 1,151,792	\$ 11,542,834	\$ 977,525
Receivables				33,522
Accounts, net	2,448,588	28,713	2,477,301	
Loan	411,000	-	411,000	-
Taxes	571,128	-	571,128	-
Prepaid Assets	-	4,289	4,289	533,452
Due From External Parties	166,470	-	166,470	-
Due from Other Governments	232,222	-	232,222	-
Due From Bristol Authority	-	-	-	50,079
Due From Bristol Township Sewer Department	-	-	-	69,321
Other Assets	386,080	-	386,080	-
Deferred Interest from Refunding	93,928	-	93,928	-
Restricted Assets				1,548,876
Cash and Cash Equivalents	140,690	-	140,690	348
Interest Receivable	-	-	-	193,400
Capital Assets, Not Being Depreciated	1,463,980	-	1,463,980	-
Capital Assets, Being Depreciated (Net)	24,138,118	1,081,552	25,219,670	2,523,661
Total Assets	<u>\$ 40,443,246</u>	<u>\$ 2,266,346</u>	<u>\$ 42,709,592</u>	<u>\$ 5,930,184</u>
Liabilities				
Accounts Payable	\$ 3,603,815	\$ 349,949	\$ 3,953,764	\$ 392,264
Accrued Liabilities	403,693	-	403,693	-
Lease Payment Received in Advance	-	-	-	533,452
Accrued Interest Payable	119,165	-	119,165	29,452
Unearned Revenues	1,183,727	-	1,183,727	-
Escheat Liability	140,690	-	140,690	-
Due to External Parties	10,000	-	10,000	-
Long Term Liabilities				
Due within one year				
General Obligation Debt	355,000	-	355,000	-
Loans Payable	18,090	-	18,090	-
Notes Payable	137,000	-	137,000	651,000
Capital Lease	375,083	-	375,083	-
Due to Bristol Township Authority	-	-	-	69,321
Compensated Absences	-	-	-	27,102
Escrow Deposit	-	-	-	93,545
Due in more than one year				
General Obligation Debt	7,915,000	-	7,915,000	-
Loans Payable	-	-	-	-
Notes Payable	-	-	-	1,062,200
Capital Lease	518,921	-	518,921	-
Due to Bristol Township Sewer Department	-	-	-	50,079
Compensated Absences	1,639,741	-	1,639,741	106,152
Estimated Workers' Compensation Claims	180,875	-	180,875	-
Total Liabilities	<u>\$ 16,600,800</u>	<u>\$ 349,949</u>	<u>\$ 16,950,749</u>	<u>\$ 3,014,567</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	\$ 17,220,947	\$ 1,081,552	\$ 18,302,499	\$ 1,003,861
Restricted for:				
Capital Projects	1,210,860	-	1,210,860	-
Debt Service	720,526	-	720,526	912,017
Program Purposes	3,832,785	-	3,832,785	-
Unrestricted	857,328	834,845	1,692,173	999,739
Total Net Assets	<u>\$ 23,842,446</u>	<u>\$ 1,916,397</u>	<u>\$ 25,758,843</u>	<u>\$ 2,915,617</u>

BRISTOL TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities		
						Total	Total	
Primary government:								
Governmental activities:								
General Government	\$ 3,148,314	\$ 3,459,068	\$ 114,180	\$ 68,884	\$ 493,818	\$ -	\$ 493,818	
Public Safety	15,110,013	741,558	1,625,386	-	(12,743,069)	-	(12,743,069)	
Public Works Highways and Streets	5,395,191	-	1,126,508	-	(4,268,683)	-	(4,268,683)	
Community Development	1,203,167	-	1,009,108	-	(194,059)	-	(194,059)	
Culture and Recreation	773,348	213,353	-	2,053	(557,942)	-	(557,942)	
Health and Welfare	5,386,300	-	-	-	(5,386,300)	-	(5,386,300)	
Interest on long-term debt	363,173	-	-	-	(363,173)	-	(363,173)	
Total governmental activities	31,379,506	4,413,979	3,875,182	70,937	(23,019,408)	-	(23,019,408)	
Business-type activities:								
Water Fund	362,215	424,611	-	-	-	62,396	62,396	
Total business-type activities	362,215	424,611	-	-	-	62,396	62,396	
Total primary government	\$ 31,741,721	\$ 4,838,590	\$ 3,875,182	\$ 70,937	\$ (23,019,408)	\$ 62,396	\$ (22,957,012)	
Component Units								
Bristol Township Authority	\$ 367,483	\$ 551,858	-	-	-	-	-	\$ 184,375
Bristol Township Sewer Dept.	2,954,822	3,440,352	-	-	-	-	-	485,530
Total component unit activities	\$ 3,322,305	\$ 3,992,210	-	-	-	-	-	\$ 669,905
General revenues:								
Taxes:								
Real Estate Taxes					14,850,809		14,850,809	
Earned Income Taxes					5,190,262		5,190,262	
Per Capita Taxes					88,435		88,435	
Mercantile Taxes					600,514		600,514	
Mechanical Devices Taxes					88,719		88,719	
EMS Taxes					1,222,413		1,222,413	
Amusement Taxes					8,572		8,572	
In Lieu of Taxes					41,804		41,804	
Special Item - Sale of Property					125,000		125,000	
Unrestricted Investment Earnings					536,782	95,343	632,125	
Transfers					35,000	(35,000)	-	
Miscellaneous					786,908		786,908	
Total general revenues and transfers					23,575,218	60,343	23,635,561	
Change in net assets					555,810	122,739	678,549	
Net assets - beginning					23,286,636	1,793,658	25,080,294	
Net assets - ending					\$ 23,842,446	\$ 1,916,397	\$ 25,758,843	

The accompanying notes are an integral part of the financial statements

BRISTOL TOWNSHIP
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2007

	<u>General</u>	<u>Refuse Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and Cash Equivalents	\$ 2,257,201	\$ 1,161,453	\$ 6,972,388	\$ 10,391,042
Restricted Cash	140,690	-	-	140,690
Receivables				
Accounts	2,149,323	10,022	289,243	2,448,588
Loan	-	-	411,000	411,000
Taxes	224,421	150,544	196,163	571,128
Due From Other Governments	21,120		211,102	232,222
Due from Other Funds	2,009,704	25,028	586,868	2,621,600
Other Assets	164,518	-	54,847	219,365
Total Assets	\$ 6,966,977	\$ 1,347,047	\$ 8,721,611	\$ 17,035,635
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$ 2,392,321	\$ 381,975	\$ 829,519	\$ 3,603,815
Accrued Liabilities	403,693	-	-	403,693
Unearned Revenues	432,515	150,544	982,145	1,565,204
Escheat Liability	140,690	-	-	140,690
Due to Other Funds	417,264	902,090	1,145,776	2,465,130
Total Liabilities	3,786,483	1,434,609	2,957,440	8,178,532
Fund Balances:				
Reserved for:				
Capital Projects	-	-	1,210,860	1,210,860
Debt Service	-	-	720,526	720,526
Program Purposes	-	-	3,832,785	3,832,785
Refuse Fund	87,562	(87,562)	-	-
Unreserved, reported in:				
General Fund	3,092,932	-	-	3,092,932
Total Fund Balances (Deficit)	3,180,494	(87,562)	5,764,171	8,857,103
Total Liabilities and Fund Balances	\$ 6,966,977	\$ 1,347,047	\$ 8,721,611	\$ 17,035,635

Bristol Township
 Reconciliation of Balance Sheet of the Governmental Funds
 to the Statements of Net Assets
 December 31, 2007

Total fund balances for governmental funds		\$ 8,857,103
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	1,463,980	
Agricultural Easement, net of \$32,334 accumulated depreciation	398,791	
Buildings and improvements, net of \$2,209,983 accumulated depreciation	1,155,871	
Equipment, net of \$1,104,046 accumulated depreciation	270,559	
Leasehold Assets, net of \$221,385 accumulated depreciation	1,506,910	
Infrastructure, net of \$32,450,966 accumulated depreciation	20,805,987	
Total capital assets		25,602,098
Revenue not available to pay for the current period's expenditures and therefore reported as deferred revenue in the funds:		
Property taxes		381,477
The Township maintains a irrevocable line of credit for two workers compensation claims under a different carrier that dates back to 1981. The liability for workers' compensation is included in the statement of net assets in the following amount:		
		(180,875)
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	(119,165)	
Bonds, notes, and loans payable	(8,425,090)	
Less Deferred interest from refunding	93,928	
Capital Leases	(894,004)	
Compensated absences	(1,639,741)	
Unamortized bond issuance costs and bond discounts	166,715	
Combined adjustment		(10,817,357)
Total net assets of governmental activities		\$ 23,842,446

The accompanying notes are an integral part of the financial statements.

BRISTOL TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>General</u>	<u>Refuse Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$ 13,459,351	\$ 4,481,645	\$ 4,050,368	\$ 21,991,364
Licenses, Fees and Permits	2,141,533	-	213,353	2,354,886
Charges for Service	908,901	84,976	79,473	1,073,350
Court Costs, Fines and Forfeits	310,619	-	-	310,619
Intergovernmental	944,356	-	2,850,960	3,795,316
Interest	228,403	85,239	292,279	605,921
Other and Reimbursed Expenditures	1,471,771	-	238,729	1,710,500
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	19,464,934	4,651,860	7,725,162	31,841,956
Expenditures				
Current:				
General Government	2,966,028	-	73,784	3,039,812
Public Safety	13,201,267	-	1,746,886	14,948,153
Public Works Highways and Streets	2,495,648	-	1,635,808	4,131,456
Community Development	-	-	1,203,167	1,203,167
Health and Welfare	646,878	4,739,422	-	5,386,300
Culture and Recreation	-	-	717,245	717,245
Capital Outlay	813,653	-	2,269,920	3,083,573
Debt Service				
Principal	-	-	916,262	916,262
Interest	-	-	349,389	349,389
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	20,123,474	4,739,422	8,912,461	33,775,357
Excess of Revenues Over (Under) Expenditures	(658,540)	(87,562)	(1,187,299)	(1,933,401)
Other Financing Sources (Uses):				
Transfer In	60,000	-	264,054	324,054
Transfer Out	(126,795)	-	(162,259)	(289,054)
Proceeds from Capital Lease	109,986	-	878,384	988,370
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	43,191	-	980,179	1,023,370
Net Change in Fund Balances	(615,349)	(87,562)	(207,120)	(910,031)
Fund Balances- beginning of year	3,795,843	-	5,971,291	9,767,134
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balances (Deficit) - end of year	\$ 3,180,494	\$ (87,562)	\$ 5,764,171	\$ 8,857,103

Bristol Township
 Reconciliation of Statement of Revenues, Expenditures
 and Changes in Fund Balances (Deficit) of Governmental Funds to Statement of Activities
 For the Year Ended December 31, 2007

Net change in fund balances (deficit) - total governmental funds \$ (910.031)

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	2,936,517	
Depreciation expense	<u>(1,569,844)</u>	
Net adjustment		1,366,673

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:

Proceeds from capital lease	(988,370)	
Principal repayments	500,090	
Capital lease payments	605,958	
Amortization of discount of bond issue	(11,115)	
Amortization of Deferred Interest from Refunding	<u>(5,525)</u>	
Net adjustment		101,038

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:

2,856

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:

58,360

Taxes

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

(63,086)

Change in net assets of governmental activities

\$ 555,810

The accompanying notes are an integral part of the financial statements.

BRISTOL TOWNSHIP
STATEMENT OF NET ASSETS
PROPRIETARY FUND
DECEMBER 31, 2007

	<u>Business-type Activities - Enterprise Fund</u>	<u>Water Fund</u>
<u>Assets</u>		
Current Assets:		
Cash	\$ 1,151,792	
Accounts Receivables, Net	28,713	
Prepaid and Other Assets	4,289	
Total Current Assets	1,184,794	
Non-Current Assets:		
Capital Assets, Being Depreciated (Net)	1,081,552	
Total Non-Current Assets	1,081,552	
Total Assets	\$ 2,266,346	
<u>Liabilities</u>		
Current Liabilities:		
Accounts Payable	\$ 349,949	
Total Liabilities	349,949	
<u>Net Assets</u>		
Invested in Capital, Net of Related Debt	1,081,552	
Unrestricted	834,845	
Total Net Assets	\$ 1,916,397	

The accompanying notes are an integral part of the financial statements

BRISTOL TOWNSHIP
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Business-type Activities - Enterprise Fund</u>
	<u>Water Fund</u>
Operating Revenues	
Charges for Services	\$ 381,000
Other	43,611
Total Operating Revenues	<u>424,611</u>
Operating Expenses	
Administration	300,821
Depreciation	61,394
Total Operating Expenses	<u>362,215</u>
Operating Income	<u>62,396</u>
Nonoperating Revenues:	
Interest	95,343
Total Nonoperating Revenues	<u>95,343</u>
Income Before Operating Transfers	157,739
Operating Transfer Out	<u>(35,000)</u>
Change in Net Assets	122,739
Total Net Assets - Beginning of Year	<u>1,793,658</u>
Total Net Assets - End of Year	<u>\$ 1,916,397</u>

BRISTOL TOWNSHIP
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDING DECEMBER 31, 2007

	<u>Business-type Activities - Enterprise Fund</u>
	<u>Water Fund</u>
Cash Flows From Operating Activities	
Receipts from Customers and Users	\$ 353,585
Other Receipts	44,511
Payments to Suppliers and Operations	(446,574)
Payments to Employees Benefits	(30,445)
Internal Activity - Payments to (from) other funds	1,170,372
Net Cash Provided by Operating Activities	<u>1,091,449</u>
Cash Flow from Noncapital Financing Activities	
Operating Transfers (Out)	<u>(35,000)</u>
Net Cash Used in Noncapital Financing Activities	<u>(35,000)</u>
Cash Flows from Investing Activities	
Interest	95,343
Net Cash Provided by Investing Activities	<u>95,343</u>
Net Change in Cash and Cash Equivalents	1,151,792
Cash and Cash Equivalents, Beginning of Year	<u>-</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,151,792</u>
Reconciliation of Operating Income to	
Net Cash Provided by Operating Activities	\$ 62,396
Operating Income	
Adjustments to Reconcile Operating Loss	
to Net Cash Used in Operating	
Activities	
Depreciation	61,394
Change in Assets and Liabilities	
Accounts Receivable	(27,415)
Due From Other Funds	1,205,372
Prepaid and Other Assets	900
Accounts Payable	(176,198)
Due To Other Funds	<u>(35,000)</u>
Net Cash Provided by Operating Activities	<u>\$ 1,091,449</u>

BRISTOL TOWNSHIP
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2007

	Pension Trust Fund	Agency Funds	<u>Total</u>
Assets			
Cash and Cash Equivalents	\$ 694,436	\$ 1,541,145	\$ 2,235,581
Investments	23,345,470	-	23,345,470
Accounts Receivable	1,996,123	98	1,996,221
Interest Receivable	64,264	-	64,264
Due from External Parties	-	10,000	10,000
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 26,100,293	\$ 1,551,243	\$ 27,651,536
	<hr/>	<hr/>	<hr/>
Liabilities			
Accrued Liabilities	\$ 10,405	\$ 1,384,773	\$ 1,395,178
Due to External Parties	-	166,470	166,470
	<hr/>	<hr/>	<hr/>
Total Liabilities	10,405	1,551,243	1,561,648
	<hr/>	<hr/>	<hr/>
Net Assets			
Held In Trust for Employee Pension Benefits	\$ 26,089,888	\$ -	\$ 26,089,888
	<hr/>	<hr/>	<hr/>

The accompanying notes are an integral part of the financial statements

BRISTOL TOWNSHIP
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Pension Trust Fund</u>
Additions:	
Employer	\$ 1,308,382
Employee	283,448
Commonwealth	<u>676,549</u>
Total Contributions	<u>2,268,379</u>
Investment Income	
Interest and Dividends	879,329
Net Appreciation in Fair Value of Investments	<u>185,157</u>
Total Investment Income	1,064,486
Less: Investment Expense	<u>(78,870)</u>
Net Investment Income	<u>985,616</u>
Total Additions	<u>3,253,995</u>
Deductions:	
Employee Benefits Paid	2,431,251
Members' Contributions Refunded	57,243
Administrative Expenses	<u>4,700</u>
Total Deductions	<u>2,493,194</u>
Net Increase	760,801
Net Assets Beginning of Year	<u>25,329,087</u>
Net Assets End of Year	<u><u>\$ 26,089,888</u></u>

The accompanying notes are an integral part of the financial statements

BRISTOL TOWNSHIP
 COMBINING STATEMENT OF NET ASSETS - COMPONENT UNITS
 DECEMBER 31, 2007

	Bristol Township Authority	Bristol Township Sewer Department	Total Component Units
Assets			
Cash and Cash Equivalents	\$ -	\$ 977,525	\$ 977,525
Restricted Cash	1,455,331	93,545	1,548,876
Accounts Receivable, Net	-	33,522	33,522
Restricted Interest Receivable	348	-	348
Prepaid Lease Interest	-	533,452	533,452
Due From Bristol Authority	-	50,079	50,079
Due From Bristol Township Sewer Department	69,321	-	69,321
Capital Assets, Not Being Depreciated	185,000	8,400	193,400
Capital Assets, Being Depreciated (Net)	2,287,027	236,634	2,523,661
Total Assets	\$ 3,997,027	\$ 1,933,157	\$ 5,930,184
Liabilities			
Accounts Payable and Accrued Liabilities	\$ -	\$ 392,264	\$ 392,264
Lease Payment Received in Advance	533,452	-	533,452
Accrued Interest Payable	29,452	-	29,452
Long Term Liabilities			
Due Within one Year:			
Note Payable	504,000	147,000	651,000
Due to Bristol Township Authority	-	69,321	69,321
Compensated Absences	-	27,102	27,102
Escrow Deposit	-	93,545	93,545
Due After One Year:			
Note Payable	1,062,200	-	1,062,200
Due to Bristol Township Sewer Department	50,079	-	50,079
Compensated Absences	-	106,152	106,152
Total Liabilities	2,179,183	835,384	3,014,567
Net Assets			
Invested In Capital Assets, Net of Related Debt	905,827	98,034	1,003,861
Restricted for Debt Service	912,017	-	912,017
Unrestricted	-	999,739	999,739
Total Net Assets	\$ 1,817,844	\$ 1,097,773	\$ 2,915,617

The accompanying notes are an integral part of the financial statements

BRISTOL TOWNSHIP
 COMBINING STATEMENT OF ACTIVITIES - COMPONENT UNITS
 FOR THE YEAR ENDED DECEMBER 31, 2007

	Bristol Township Authority	Bristol Township Sewer Department	Total Component Units
Operating Revenues:			
Charges for Services	\$ 551,858	\$ 3,440,352	\$ 3,992,210
Income from Investment	40,693	-	40,693
Total Operating Revenues	<u>592,551</u>	<u>3,440,352</u>	<u>4,032,903</u>
Operating Expenses:			
Public Works Sanitation	-	2,074,175	2,074,175
Administrative Expense	334	305,135	305,469
Interest Expense	58,904	-	58,904
Amortization of Deferred Financing Costs	8,600	-	8,600
Depreciation	299,645	23,654	323,299
Total Operating Expenses	<u>367,483</u>	<u>2,402,964</u>	<u>2,770,447</u>
Operating Income	225,068	1,037,388	1,262,456
Nonoperating Revenues (Expenses):			
Interest Income	-	61,529	61,529
Lease Payments	-	(551,858)	(551,858)
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>(490,329)</u>	<u>(490,329)</u>
Changes In Net Assets	<u>225,068</u>	<u>547,059</u>	<u>772,127</u>
Net Assets - Beginning of Year	<u>1,592,776</u>	<u>550,714</u>	<u>2,143,490</u>
Net Assets - End of Year	<u>\$ 1,817,844</u>	<u>\$ 1,097,773</u>	<u>\$ 2,915,617</u>

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF BRISTOL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

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, 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

In conformity with GAAP, the financial statements include those of the Township of Bristol (the "Primary Government") and its Component Units. The Component Units discussed below are included in the Township's Reporting Entity because of their operational or financial relationship with the Township and the Township's ability to exercise oversight responsibility.

1. Discretely Presented Component Units

In conformity with GAAP, the following Component Units have been included in the financial Reporting Entity as Discretely Presented Component Units.

• Bristol Township Authority ("Authority")

The members of the governing board of the Authority are appointed by the Township. In addition, the Township approves the rates charged by the Authority and the Township guarantees the Authority debt. The Authority reports on the accrual basis of accounting. Under this basis of accounting, revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. The Authority operates on a fiscal year ending March 31. More detailed information is available from the Bristol Township Authority, 2501 Bath Road, Bristol, Pennsylvania, 19007.

• Bristol Township Sewer Department ("Department")

The Department maintains and operates a Sewage Treatment Plant and Collection System that services part of the Township under a lease dated November 1, 1984 that runs through September, 2009. The rate charges are approved by the Township and the Township appoints, hires, and has the right to reassign or dismiss the employees of the Department. The Department reports on the accrual basis of accounting. Under this basis, revenues are recognized in the period in which they are earned, and expenses are recognized in the period incurred. The Department operates on a fiscal year ending March 31. More detailed information is available from the Bristol Township Sewer Department, 2501 Bath Road Bristol, Pennsylvania, 19007.

TOWNSHIP OF BRISTOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

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

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 and its component units. 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment are effected 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 fund 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 agency fund financial statements. 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.

TOWNSHIP OF BRISTOL
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2007

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

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

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.

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 Refuse Fund accounts for expenditures related to the collection and disposal of refuse.

The Township reports the following major proprietary fund:

- The Water Fund is used to account for the fiscal activities of the Water Distribution System.

TOWNSHIP OF BRISTOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

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

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

Additionally, the Township reports the following 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

The Township's enterprise fund is a proprietary fund. In the fund financial statements, the proprietary fund is 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 fund is presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheet. The proprietary fund type operating statement presents increases (revenues) and decreases (expenses) in total net assets.

Proprietary fund 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 fund are capitalized as assets in the fund financial statements, rather than reported as an expenditure.

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.

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.

TOWNSHIP OF BRISTOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

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

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.

2. Receivables and Payables

• Interfund Receivables and Payables

Activity 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 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, 2007, the restricted cash balance of \$140,690 represents funds to be escheated to the state.

6. Capital Assets

Capital assets, which include property, plant and equipment, 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. 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.

TOWNSHIP OF BRISTOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

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)

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

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

<u>Asset</u>	<u>Years</u>
Ag Easements	40
Buildings and Improvements	40
Equipment	7
Infrastructure	40
Water Lines	40

7. Allowance for Doubtful Accounts

Accounts receivable and taxes receivable have been reported net of an allowance for doubtful accounts in the amount of \$1,120,791 and \$441,547 respectively.

8. Compensated Absences

Township policy permits employees to accumulate a limited amount of earned, but unused sick time. These benefits are payable to employees upon separation of services. All leave pay is accrued when incurred in the government-wide financial statements. There is no accrual related to the Proprietary Fund. A liability for these amounts is reported. 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.

TOWNSHIP OF BRISTOL
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2007

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

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

10. 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.

In the fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the Township Council and management and can be increased, reduced, or eliminated by similar actions.

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.

TOWNSHIP OF BRISTOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

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

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

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.

Component Units – Summary of Significant Accounting Policies

Bristol Township Authority

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Authority's financial statements are presented on the full accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this basis of accounting, revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. The Authority applies Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, and the Accounting Principles Board (APB) of the Committee of Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

All activities of the Authority are accounted for within two proprietary (enterprise) funds. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered, primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. Net assets (i.e., total assets net of total liabilities) are segregated into "invested in capital assets, net of related debt"; "restricted for debt service"; and "unrestricted" components.

TOWNSHIP OF BRISTOL
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2007

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

Component Units – Summary of Significant Accounting Policies (Continued)

Bristol Township Authority (Continued)

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

Cash and Cash Equivalents

Cash and cash equivalents, for the purposes of the statement of cash flows, include restricted cash on hand or on deposit with a maturity of three months or less.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the financial statements at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Property, plant, and equipment of the Authority are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Collection System Lines	50
Buildings	40
Tanks	40
Equipment	5-20

Debt Issuance Costs

Debt issuance costs have been capitalized and are amortized to interest expense using the straight-line method over the term of the associated debt. Amortization expense for the year ended March 31, 2007 amounted to \$8,600.

TOWNSHIP OF BRISTOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

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

Component Units – Summary of Significant Accounting Policies (Continued)

Bristol Township Authority (Continued)

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

Interfund Transactions

All interfund transactions except reimbursements are accounted for as transfers. Nonrecurring or nonroutine transfers of equity between funds are considered equity transfers. All other interfund transactions are treated as operating transfers.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Bristol Township Sewer Department

Measurement Focus, Basis of Accounting and Financial Statement
Presentation

The Sewer Department's financial statements are presented on the full accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Sewer Department applies Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, and the Accounting Principles Board (APB) of the Committee of Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

All activity of the Sewer Department is accounted for within one proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

TOWNSHIP OF BRISTOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

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

Component Units – Summary of Significant Accounting Policies (Continued)

Bristol Township Sewer Department (Continued)

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing and producing and delivering goods in connection with a proprietary's funds, principle ongoing operations. The principle operating revenues of the Sewer Department are charges to customers for sales and services. Operating expenses of the Sewer Department include plant operations, administration expenses and depreciation on capital assets. All revenues and expenses not meeting the definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Sewer Department's policy to use restricted resources first, then unrestricted resources as they are needed.

The accounting and financial reporting treatment applied to the Sewer Department is determined by its measurement focus. The transactions of the Sewer Department are accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. With this measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. Net assets (i.e., total assets net of total liabilities) are segregated into "invested in capital assets" and "unrestricted" components.

Cash and Cash Equivalents

Cash and cash equivalents, for purposes of the statement of cash flows, include restricted cash on hand or on deposit with a maturity of three months or less

Accounts Receivable

The Sewer Department evaluates the collectibility of individual receivables and, if necessary, records an allowance for doubtful accounts. At March 31, 2007, \$512,829 is provided for such doubtful receivables at year end. 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.

TOWNSHIP OF BRISTOL
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2007

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

Component Units – Summary of Significant Accounting Policies (Continued)

Bristol Township Sewer Department (Continued)

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

Capital Assets

Capital assets of the Sewer Department include office equipment and vehicles and are reported in the financial statements at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital assets are defined by the Sewer Department as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Property, plant, and equipment of the Sewer Department are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land Improvements	5
Machinery and Equipment	5 – 20
Motor Vehicles	3 – 10
Computer Equipment	3 – 5
Collection Lines	10 - 50

Compensated Absences

Employees 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.

Use of Estimates

The preparation of 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 results could differ from those estimates.

Restricted Cash

Restricted cash represents amounts paid by a property owner that are held in an escrow account for the purpose of sewer hookup.

TOWNSHIP OF BRISTOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

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

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 2007 budget on the same basis of accounting as reported in the financial statements. The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

Township Budget Process

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

Level of Control

The Township maintains budgetary control at the individual fund level.

Lapsing of Appropriations

Unexpended appropriations lapse at year-end.

Management Amendment Authority

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

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

TOWNSHIP OF BRISTOL
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2007

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

F) Adoption of Governmental Accounting Standards Board Statement

The Township adopted the provisions of GASB Statement No. 48 "*Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*". The adoption of this statement had no effect on previously reported amounts.

G) Pending Changes in Accounting Principles

In 2004 the GASB issued Statement No. 45, "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*". The Township is required to adopt Statement No. 45 for its calendar year 2008 financial statements.

In November 2006, the GASB issued Statement No. 49, "*Accounting and Financial Reporting for Pollution Remediation*". The Township is required to adopt Statement No. 49 for its calendar year 2008 financial statements.

In 2007 the GASB issued Statement No. 50, "*Pension Disclosures*". The Township is required to adopt Statement No. 50 for its calendar year 2008 financial statements.

In 2007 the GASB issued Statement No. 51, "*Accounting and Financial Reporting for Intangible Assets*". The Township is required to adopt Statement No. 51 for its calendar year 2010 financial statements.

In November 2007 the GASB issued Statement No. 52, "*Land and Other Real Estate Held as Investments by Endowments*". The Township is required to adopt Statement No. 52 for its calendar year 2009 financial statements.

In June 2008 the GASB issued Statement No. 53, "*Accounting and Financial Reporting for Derivative Instruments*". The Township is required to adopt Statement No. 53 for its calendar year 2010 financial statements.

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

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.

TOWNSHIP OF BRISTOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

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, interest rate risk or foreign currency risk for deposits and investments.

Deposits

The Township's deposits at December 31, 2007 were as follows:

	<u>Book Balance</u>	<u>Bank Balance</u>
Governmental Funds	\$10,531,732	\$11,303,643
Proprietary Fund	1,151,792	1,151,792
Fiduciary Fund	1,541,145	1,541,145
	<u>\$13,224,669</u>	<u>\$13,996,580</u>

TOWNSHIP OF BRISTOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

NOTE 2: DEPOSIT AND INVESTMENT RISK (CONTINUED)

Investments

The Township's investments at December 31, 2007 were as follows:

Pension Trust Fund

	<u>Cost</u>	<u>Market Value</u>
Fixed Income Mutual Funds	\$ 7,686,363	\$ 7,789,847
Equity Mutual Funds	8,567,023	9,437,676
Corporate Stocks	6,091,781	6,117,947
	<u>\$ 22,345,167</u>	<u>\$ 23,345,470</u>

As of December 31, 2007, the Township had the following debt investments and maturities within its Police Pension Plan accounts:

Average Investment Maturities (in Years)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1 year</u>	<u>1-5</u>	<u>6-10</u>
Fixed Income Mutual Funds	\$7,789,847	\$ -	\$ 3,835,653	\$ 3,954,194
	<u>\$7,789,847</u>	<u>\$ -</u>	<u>\$ 3,835,653</u>	<u>\$ 3,954,194</u>

Credit Risk. At December 31, 2007 the Police Pension Plan fixed income mutual funds were rated AA by Morningstar and the Police Pension Plan money market funds recorded as cash and cash equivalents were unrated.

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, 2007, \$13,796,580 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, 2007, \$6,117,947 of the Township Police Pension Plan investments were exposed to custodial credit risk, as they were held by either the counterparty or the counterparty's trust department or agent but not in the pension plan's name.

Component Units – Cash and Cash Equivalents

Bristol Township Authority

In accordance with the terms of the trust indentures securing the bonded debt, monies of the Authority are accounted for by various funds, segregated for specific use and security of the bondholders. The funds of the 1965 Bond Issue are maintained by an independent trustee on a modified cash basis, which is in accordance with the trust indentures. The funds of the 2005 Note Payable are maintained by the Authority. The Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Income received on investments of several trust funds are transferred to the Revenue Fund and are available to pay operating costs.

TOWNSHIP OF BRISTOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

NOTE 2: DEPOSIT AND INVESTMENT RISK (CONTINUED)

Bristol Township Authority (Continued)

Cash and Cash Equivalents

The components of cash and cash equivalents at March 31, 2007 are as follows:

Sewer Project	\$ 1,290,293
Municipal Building Project	<u>165,038</u>
Total Cash and Cash Equivalent	<u>\$ 1,455,331</u>

As of March 31, 2007, cash and cash equivalents balances were entirely covered by FDIC or by pledged collateral held by the financial institution's trust department or custodial agents for the benefit of the Authority. Collateralized balances with securities are held by the pledging financial institution's trust department or agent in the Authority's name.

Bristol Township Sewer Fund

Cash

The Sewer Department's cash both restricted and unrestricted is shown below

<u>Book</u> <u>Balance</u>	<u>Bank</u> <u>Balance</u>
<u>\$1,071,070</u>	<u>\$1,202,698</u>

Custodial Credit Risk. For deposits, custodial credit risk is the risk that in the event of the failure of the counterparty, the Sewer Department, will not be able to recover the value of its deposits or collateral securities that are in the possession of an outside party. At March 31, 2007, \$1,002,698 of the Sewer Department's deposits was exposed to custodial credit risk. The Sewer Department does not have a formal policy to related to custodial credit risk.

TOWNSHIP OF BRISTOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

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 25% of the market value as determined by the Bucks County Board of Assessment. Real estate taxes levied for 2007 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during 2007 and expected to be collected within the first sixty (60) days of 2008 are recognized as revenue in 2007. Net receivables estimated to be collectible subsequent to March 1, are reflected in deferred revenue. Prior years levies are recorded using these same principles, and remaining receivables are annually reevaluated as to collectibility.

The rate of real estate taxation in 2007, was 12.5 mills for general purposes, 1.25 mills for recreation purposes, 2 mills for fire purposes, 3.0625 mills for debt purposes, .55 mills for rescue purposes, .125 mills for pension purposes, and .125 mills for sinking fund purposes on a total Township assessed valuation of \$420,793,560.

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2007, was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
Land	\$ 1,283,079	\$ 180,901	\$ -	\$ 1,463,980
Construction In Progress	3,199,583	1,229,212	(4,428,795)	-
Total Capital Assets, not being depreciated	4,482,662	1,410,113	(4,428,795)	1,463,980
Capital assets, being depreciated				
Agricultural Easements	431,125	-	-	431,125
Improvements	643,964	8,590	-	652,554
Buildings	2,588,300	125,000	-	2,713,300
Equipment	1,020,965	380,349	(26,709)	1,374,605
Leasehold Assets	739,525	988,770	-	1,728,295
Infrastructure	48,777,754	4,479,199	-	53,256,953
Total capital assets, being depreciated	54,201,633	5,981,908	(26,709)	60,156,832
Less accumulated depreciation for:				
Agricultural Easements	(21,556)	(10,778)	-	(32,334)
Improvements	(441,361)	(14,281)	-	(455,642)
Buildings	(1,709,546)	(44,795)	-	(1,754,341)
Equipment	(841,002)	(271,057)	8,013	(1,104,046)
Leasehold Assets	(130,042)	(91,343)	-	(221,385)
Infrastructure	(31,305,363)	(1,145,603)	-	(32,450,966)
Total accumulated depreciation	(34,448,870)	(1,577,857)	8,013	(36,018,714)
Total Capital Assets, being depreciated, net	19,752,763	4,404,051	(18,696)	24,138,118
Governmental Activities Capital Assets, net	\$24,235,425	\$ 5,814,164	\$(4,447,491)	\$25,602,098

TOWNSHIP OF BRISTOL
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2007

NOTE 4: CAPITAL ASSETS (CONTINUED)

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated				
Water lines	\$2,596,134	\$ -	\$ -	\$2,596,134
Equipment	3,417	-	-	3,417
	<hr/>			<hr/>
Total capital assets, being depreciated	2,599,551	-	-	2,599,551
	<hr/>			<hr/>
Less accumulated depreciation for:				
Water lines	(1,453,188)	(61,394)	-	(1,514,582)
Equipment	(3,417)	-	-	(3,417)
	<hr/>			<hr/>
Total accumulated depreciation	(1,456,605)	(61,394)	-	(1,517,999)
	<hr/>			<hr/>
Business-Type Activities Capital Assets, net	\$1,142,946	\$(61,394)	\$ -	\$1,081,552

Depreciation expense was charged to functions/programs as follows:

Governmental Activities

General government	\$ 96,159
Public safety	161,860
Public works highways and streets	1,263,735
Culture and recreation	56,103
	<hr/>
Total Depreciation Expense, Governmental Activities	<u>\$ 1,577,857</u>

Business-Type Activities

Water Fund	<u>\$ 61,394</u>
Total Depreciation Expense, Business-Type Activities	<u>\$ 61,394</u>

TOWNSHIP OF BRISTOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

NOTE 4: CAPITAL ASSETS (CONTINUED)

Component Units – Capital AssetsBristol Township Authority

Capital asset activity for the year ended March 31, 2007, was as follows:

<u>Sewage Treatment Plant</u>	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Capital Assets, Not Being Depreciated:				
Land	\$ 140,000	\$ -	\$ -	\$ 140,000
Total Capital Assets, Not being Depreciated	140,000	-	-	140,000
Capital Assets, Being Depreciated:				
Collection System	6,021,647	-	-	6,021,647
Buildings	1,288,943	-	-	1,288,943
Tanks	1,964,174	-	-	1,964,174
Equipment	3,233,327	-	-	3,233,327
Total Capital Assets Being Depreciated	12,508,091	-	-	12,508,091
Less Accumulated Depreciation for:				
Collection System	(4,774,210)	(110,559)	-	(4,884,769)
Buildings	(1,288,943)	-	-	(1,288,943)
Tanks	(1,255,745)	(33,735)	-	(1,289,480)
Equipment	(2,703,826)	(146,689)	-	(2,850,515)
Total Accumulated Depreciation	(10,022,724)	(290,983)	-	(10,313,707)
Total Capital Asset, Being Depreciated, Net	2,485,367	(290,983)	-	2,194,384
Total Capital Assets, Net	\$2,625,367	\$ (290,983)	\$ -	\$ 2,334,384

TOWNSHIP OF BRISTOL
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2007

NOTE 4: CAPITAL ASSETS (CONTINUED)

Component Units – Capital Assets (Continued)Bristol Township Authority (Continued)

<u>Bristol Township Municipal Building</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, Not being Depreciated:				
Land	\$ 45,000	\$ -	\$ -	\$ 45,000
Total Capital Assets, Not Being Depreciated	45,000	-	-	45,000
Capital Assets, Being Depreciated:				
Buildings and Improvements	1,160,689	-	-	1,160,689
Total Capital Assets Being Depreciated	1,160,689	-	-	1,160,689
Less Accumulated Depreciation for:				
Buildings and Improvements	(1,059,384)	(8,662)	-	(1,068,046)
Total Accumulated Depreciation	(1,059,384)	(8,662)	-	(1,068,046)
Total Capital Asset, Being Depreciated, Net	101,305	(8,662)	-	92,643
Total Capital Assets, Net	\$ 146,305	\$ (8,662)	\$ -	\$ 137,643

TOWNSHIP OF BRISTOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

NOTE 4: CAPITAL ASSETS (CONTINUED)

Component Units – Capital Assets (Continued)Bristol Township Sewer Department

Capital asset activity for the year ended March 31, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ -	\$ 8,400	\$ -	\$ 8,400
Total Capital Assets, Not Being Depreciated	-	8,400	-	8,400
Capital Assets, Being Depreciated:				
Land Improvements	-	5,970	-	5,970
Office Equipment	90,013	-	-	90,013
Vehicles	97,825	-	-	97,825
Equipment	96,319	5,114	-	101,433
Collection System	197,000	22,566	-	219,566
Total Capital Assets, Being Depreciated	481,157	33,650	-	514,807
Less Accumulated Depreciation for:				
Land Improvements	-	(696)	-	(696)
Office Equipment	(90,013)	-	-	(90,013)
Vehicles	(66,423)	(11,426)	-	(77,849)
Equipment	(50,803)	(6,840)	-	(57,643)
Collection System	(47,280)	(4,692)	-	(51,972)
Total Accumulated Depreciation	(254,519)	(23,654)	-	(278,173)
Total Capital Assets Being Depreciated, Net	226,638	9,996	-	236,634
Total Capital Assets, Net	\$ 226,638	\$ 18,396	\$ -	\$ 245,034

TOWNSHIP OF BRISTOL
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2007

NOTE 5: EMPLOYEES RETIREMENT PLANS

A. Police Pension Trust FundPlan 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, 2007, the date of the latest actuarial valuation:

Active Employees	69
Retirees and Beneficiaries Currently Receiving Benefits	58
Terminated Employees Entitled to Benefits But Not Yet Receiving Them	2

All full-time police officers are required to participate in the plan. The plan provides for normal retirement at age 50 after 25 or more years of service or age 60 with 20 or more years of service. The amount of the pension benefit is 50% of the monthly average salary during the last 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% or 100% if killed in service. 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.

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 cost of the plan are financed through investment earnings.

TOWNSHIP OF BRISTOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

NOTE 5: EMPLOYEES RETIREMENT PLANS (CONTINUED)

A. Police Pension Trust Fund (Continued)

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)
1/1/03	\$19,583,940	\$30,387,981	\$10,804,041	64.4%	\$4,545,463	237.7%
1/1/05	\$21,701,499	\$31,809,345	\$10,107,846	68.2%	\$4,704,683	214.9%
1/1/07	\$25,329,086	\$34,870,323	\$ 9,541,237	72.6%	\$5,062,559	188.5%

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, 2007. 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.

Annual Pension Costs – Three-year Trend Information

Year Ended	Annual Pension Costs	Percentage of Amount Of Pension Costs Contributed	Net Pension Obligation
December 31, 2007	\$1,984,931	100%	\$ -
December 31, 2006	\$1,951,148	100%	\$ -
December 31, 2005	\$1,901,805	100%	\$ -

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, 2007
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Fair Value
Amortization Method	Level Dollar
Actuarial Assumptions:	
Investment Rate of Return	8%
Projected Salary Increases	6%
Cost-of-living Increases	3%

TOWNSHIP OF BRISTOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

NOTE 5: EMPLOYEES RETIREMENT PLANS (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 contributions for the MMO to the Pension Trust Fund was \$1,984,931 which was funded by the Township through a State Aid amount of \$676,549 and, Township contributions of \$1,308,382. The contributions represented 39% of covered payroll. Employee contributions in 2007 totaled \$266,219 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, 2007	\$1,984,931	100%
December 31, 2006	\$1,951,148	100%
December 31, 2005	\$1,901,805	100%
December 31, 2004	\$1,535,956	100%
December 31, 2003	\$1,518,882	100%
December 31, 2002	\$871,533	100%

B. Nonuniform Employees

The Township provides a defined contribution pension plan for eligible full-time nonuniformed employees of the Township. Members are required to contribute an amount equal to 3% of compensation but may elect to contribute an amount in excess of the required 3% up to a maximum of 10% of compensation. The Township contributes on behalf of each member who was a participant on the last day of the plan year an amount equal to 5% of the member's compensation. The Township's contribution rates are established by council and are 3% for non-administrative employees and 3% for administrative employees during 2007. Township and employee contributions to the plan were \$142,110 and \$ 135,542, respectively, during the year ended December 31, 2007.

Component Unit – Employees Retirement Plans

Bristol Township Sewer Department

The Sewer Department provides a defined contribution pension plan for eligible full-time employees. Members are required to contribute an amount equal to 1% of compensation but may elect to contribute an amount in excess of the required 1% up to a maximum of 10% of compensation. The Sewer Department contributes on behalf of each member, on a quarterly basis, a maximum of 5% of each member's compensation. The contribution of the Sewer Department shall be equal to the contribution of the member up to 4% of compensation plus 1%. The Sewer Department and employee contributions to the plan were \$18,559 and \$27,444, respectively, during the year ended March 31, 2007.

TOWNSHIP OF BRISTOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

NOTE 6: LEASE AGREEMENTS

Component Unit - Lease AgreementBristol Township Authority

The sewer system and municipal building are owned by the Authority and are leased to the Township of Bristol. The Authority leases the operation and maintenance of the sewer system to the Township of Bristol under the Agreement of Lease dated November 1, 1984, and the First Supplemental Agreement of Lease dated July 1, 1985 and the Second Supplemental Agreement of Lease dated April 1, 1993, and the Third Supplemental Agreement of Lease dated April 1, 2005. The lease calls for fixed rentals net of interest collected on funds held by the Trustee to be paid to the Authority until sufficient funds become available in the trust indenture accounts to meet the full debt service (principal and interest) or redemption price of the outstanding revenue bonds secured by the trust indentures. The lessee is responsible for all care, maintenance and improvements of the leased property. Upon expiration of the lease, the leased property reverts to the Authority who may then convey the property to the lessee given a formal indication of acquirement. The rental income derived from the lease agreements mentioned below is the only revenue the Authority receives except for investment income. Under the terms of the leases, the Township of Bristol agrees to pay the Authority annual rentals as follows:

Sewer Project

The sewer system is leased to the Township of Bristol, payable in two semi-annual installments on October 1, and on April 1, each year until April 2009. Interest collected on the Debt Service Reserve funds held by the trustee may be credited against the next lease rental at the request of the Township of Bristol. The future minimum rentals on the non-cancelable lease are as follows:

<u>Year Ending March 31,</u>	
2008	\$ 20,128
2009	559,470
2010	<u>569,341</u>
Total Future Minimum Rentals	<u>\$1,148,939</u>

The Authority had received, as of March 31, 2007, the April 1, 2007 lease payment in the amount of \$533,452. This balance is included in the March 31, 2007 financial statements as Lease Payment Received in Advance.

Bristol Township Sewer Department

The Authority leases the operation and maintenance of the Sewer System to the Township under a lease agreement dated November 1, 1984, and the First Supplemental Agreement of Lease dated July 1, 1985 and the Second Supplemental Agreement of Lease dated April 1, 1993, and the Third Supplemental Agreement of Lease dated April 1, 2005. The lease calls for fixed rentals, net of interest collected on funds held by the trustee for bonds issued by the Authority, to be paid to the Authority until sufficient funds become available in the Authority's segregated trust funds to meet the full debt service (principal and interest) or redemption price of the Authority's outstanding revenue bonds secured by the trust indentures. As lessee, the Township is responsible for all care, maintenance and improvements of the leased property.

TOWNSHIP OF BRISTOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

NOTE 6: LEASE AGREEMENTS (CONTINUED)

Component Unit - Lease Agreement (Continued)

Bristol Township Sewer Department (Continued)

Upon expiration of the lease, the leased property reverts to the Authority, which may then convey the property to the Township. Under the lease terms, the Township agrees to pay the Authority, from its Sewer Revenue account (the Sewer Department), annual rents, payable in semiannual installments on or before April 1 and October 1 of each lease year, through April 1, 2009. Interest collected on funds held by the Authority's bond trustee may be credited against the next lease rental at the Township's request.

Future minimum payments under the Sewer System lease are:

<u>Year Ending March 31,</u>	
2008	\$ 20,128
2009	559,470
2010	<u>569,341</u>
Total Future Minimum Rentals	<u>\$ 1,148,939</u>

The Sewer Fund has paid, as of March 31, 2007, the April 1, 2007 lease payment in the amount of \$533,452. This balance is included in the March 31, 2007 financial statements as Prepaid Lease Expense.

NOTE 7: 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 \$6,271,399 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 8: COMPENSATED ABSENCES

Full-time employees earn vacation to be used by the end of the year or it is forfeited.

Township police officers are entitled to accrue unlimited days of sick leave benefits and at termination or retirement, are entitled to payment for all unused sick time in an amount equal to the existing hourly rate. In addition, the remaining Township employees accrue sick leave benefits and at time of retirement or resignation are paid for 50% of unused sick leave as determined in the employee's contractual agreement.

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 Fund. 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.

TOWNSHIP OF BRISTOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

NOTE 9: LONG-TERM DEBT

A summary of changes in long-term debt obligations at December 31, 2007:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Governmental Activities:</u>					
<u>Bonds and notes payable:</u>					
General obligation bonded debt	\$ 8,615,000	\$ -	\$ (345,000)	\$ 8,270,000	\$ 355,000
Loans	36,180	-	(18,090)	18,090	18,090
Note Payable	274,000	-	(137,000)	137,000	137,000
Total bonds, notes, and loans payable	<u>8,925,180</u>	<u>-</u>	<u>(500,090)</u>	<u>8,425,090</u>	<u>510,090</u>
<u>Other Liabilities:</u>					
Compensated absences	1,576,655	63,086	-	1,639,741	-
Capital Leases	511,592	988,370	(605,958)	894,004	375,083
Estimated Workers Compensation Claims	180,875	-	-	180,875	-
Total Other Liabilities	<u>2,269,122</u>	<u>1,051,456</u>	<u>(605,958)</u>	<u>2,714,620</u>	<u>375,083</u>
Governmental Activities Long-Term Liabilities	<u>\$11,194,302</u>	<u>\$ 1,051,456</u>	<u>\$ (1,106,048)</u>	<u>\$11,139,710</u>	<u>\$ 885,173</u>

In addition, the Township had a short-term borrowing of \$3,500,000 from the 2007 Tax and Revenue Anticipation Note. The Township repaid the Note in December of 2007.

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

Years Ended December 31:	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Debt Service Requirements</u>
2008	\$ 510,090	\$ 357,639	\$ 867,729
2009	365,000	345,065	710,065
2010	375,000	333,203	708,203
2011	390,000	320,453	710,453
2012	400,000	306,413	706,413
2013-2017	2,260,000	1,279,383	3,539,383
2018-2022	2,805,000	738,221	3,543,221
2023-2024	1,320,000	97,256	1,417,256
	<u>\$ 8,425,090</u>	<u>\$ 3,777,633</u>	<u>\$ 12,202,723</u>

TOWNSHIP OF BRISTOL
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2007

NOTE 9: LONG-TERM DEBT (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, 2007</u>
1998	\$ 90,840	Non-interest bearing loan payable; principal payments due annually of \$9,084 through 2008, for the acquisition of the Stoneybrook pool.	\$ 9,084
1998	\$ 90,061	Non-interest bearing loan payable; principal payments due annually of \$9,006 through 2008, for the acquisition of the Indian Creek pool.	\$ 9,006
2004	\$10,000,000	General Obligation Bonds, Series 2004 – General obligation bonds with interest semiannually through September 1, 2022; interest rates range from 2.250% to 4.875%; principal payments due annually through September 1, 2022, for the refunding of the General Obligation Bonds, Series of 1994 and the General Obligation Note, Series of 1997 and for the funding of various capital projects.	\$ 8,270,000
2006	\$ 411,000	2006 Note Payable; principal payments due annually of \$137,000 through 2008; with interest rates of 5.35% to 5.71% (LIBOR + .20%) due at the end of May, June, and July. The Note Payable is in connection with Township Section 108 Loan Guarantee for the "Restaurant Property Redevelopment Project."	\$ 137,000
Total			<u>\$ 8,425,090</u>

Component Units - Long-term Debt

Bristol Township Authority

Long-term liability activity for the year ended March 31, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable:					
Revenue bonds	\$2,041,600	\$ -	\$ 475,400	\$1,566,200	\$ 504,000

TOWNSHIP OF BRISTOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

NOTE 9: LONG-TERM DEBT (CONTINUED)

Component Units - Long-term Debt (continued)

Bristol Township Authority (continued)

Sewer Project

As a means of financing construction of alterations, additions, replacements and improvements to the treatment plant of the sewer system used by the Township of Bristol and to refund the outstanding principal amount of Sewer Revenue Bonds, Series 1963 and 1968, Sewer Revenue Bonds, Series 1984, dated November 1, 1984, were issued in the amount of \$5,100,000. In order to provide for the payment at maturity of the original bonds and to provide for the defeasance of the lien of the original indenture under which the outstanding were issued, the Authority has entered into an escrow deposit agreement with First Union Bank, dated November 1, 1984.

On August 8, 1985, the Authority issued \$5,270,000 of Sewer Revenue Refunding Bonds, Series of 1985 to refund the Sewer Revenue Bonds, Series of 1984. In order to provide for the payment of the bonds and interest at maturity, funds from the refunding were deposited into an escrow account at First Union Bank, in accordance with the escrow deposit agreement dated July 1, 1985.

On May 5, 1993, the Authority issued Sewer Refund Bonds, Series of 1993 in the principal amount of \$5,375,000 as authorized by a resolution adopted by the Authority on March 31, 1993 for the purpose of providing funds for the advance refunding of the Authority's Sewer Revenue Bonds, Series of 1985, outstanding in the principal amount of \$4,590,000.

Upon issuance of the bonds, a portion of the bonds proceeds, together with other available monies, was deposited irrevocably with First Union Bank, and used to purchase United States Treasury securities in such amounts and maturities and earning interest at such interest rates as to provide sufficient money to pay the principal and interest on the refunded bonds through the first optional redemption date of April 1, 1995 at which time all of the outstanding refunded bonds will be redeemed. As a result, the Sewer Revenue Bonds – Series of 1985 are considered to be defeased and the liability for those bonds has been removed from the trust fund.

The Authority advance refunded the 1985 Series Bond to reduce its total debt service payments over the next 16 years by \$501,651 and to obtain an economic gain (the difference between the present values of the old and new debt service payments) of \$414,017. The Sewer Revenue Refunding Bonds, Series of 1993 are guaranteed by the Township of Bristol.

In April 2005, the Authority issued Sewer Revenue Notes Payable, Series of 2005, in the principle amount of \$2,076,000 to currently refund the Sewer Revenue Refunding Bonds, Series of 1993, to fund certain capital improvements, and to pay issuance costs related to the Notes. The 2005 Sewer Revenue Current Refunding Notes are guaranteed by the Township of Bristol.

TOWNSHIP OF BRISTOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

NOTE 9: LONG-TERM DEBT (CONTINUED)

Component Units - Long-term Debt (continued)Bristol Township Authority (continued)Sewer Project (continued)

The Authority has adopted the provisions of GASB Statement Number 23 "Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities". Refundings involve the issuance of new debt whose proceeds are used to repay previously issued debt. The statement requires that the difference between the reacquisition price and the net carrying amount of the old debt be deferred and amortized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. On the combined financial statements the deferred amount is reported as a deduction from the new debt liability.

The life of the new debt and old debt is the same, and the amortized amount on the deferred portion at March 31, 2007 is \$8,600. At March 31, 2007, Sewer Revenue Refunding Note outstanding were as follows:

<u>Year Ended</u> <u>March 31</u>	<u>Interest</u> <u>Rate</u>	<u>Total</u> <u>Outstanding</u>
2008	3.70%	504,000
2009	3.70%	529,000
2010	3.70%	559,000
		<u>1,592,000</u>
Less: Current Portion (April 1, 2008)		<u>(504,000)</u>
		1,088,000
Less: unamortized deferred portion		<u>(25,800)</u>
Long-Term Debt Outstanding		<u>\$1,062,200</u>

Interest on outstanding bonds is payable semi-annually on April 1 and October 1. The annual requirements to amortize principal and interest on the bonds outstanding at March 31, 2007 are as follows:

<u>Year Ended</u> <u>March 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 504,000	\$ 49,468	\$ 553,468
2009	529,000	30,470	559,470
2010	559,000	10,342	569,342
	<u>\$ 1,592,000</u>	<u>\$ 90,280</u>	<u>\$ 1,682,280</u>

Bristol Township Sewer Department

During 2004, the Sewer Department entered into a note payable agreement with Bristol Township for expenses paid on the Palmer Avenue Project. The note is non-interest bearing and payable in installments of \$50,000 per year through 2006 and \$47,000 in April of 2007. The Sewer Department is delinquent in its payments on the note are as follows:

TOWNSHIP OF BRISTOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

NOTE 9: LONG-TERM DEBT (CONTINUED)

Component Units - Long-term Debt (continued)Bristol Township Sewer Department (continued)

<u>Year</u>	<u>Amount</u>
Current Portion	\$147,000

A summary of changes in long-term debt obligations arising from cash transactions follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Note Payable	\$ 147,000	\$ -	\$ -	\$ 147,000	\$ 147,000
Compensated Absences	103,757	2,395	-	106,152	-
Total Long Term Debt	\$ 250,757	\$ 2,395	\$ -	\$ 253,152	\$ 147,000

NOTE 10: OBLIGATION UNDER CAPITAL LEASE

Obligation under capital lease consists of seventeen leases payable. The Township has capital leases for the following fixed assets:

7 2006 Crown Victoria's in the amount of \$186,963 for the Police Department bearing an interest rate of 4.2% expiring in February 2007.

5 2007 Crown Victoria's in the amount of \$135,523 for the Police Department bearing an interest rate of 6.6% expiring in October 2008.

1 2006 Dodge Durango in the amount of \$31,717 for the Police Department bearing an interest rate of 6.6% expiring in August 2008.

1 2006 Ford E350 Cargo Van in the amount of \$14,127 for the Police Department bearing an interest rate of 6.6% expiring in November 2008.

1 Compactor in the amount of \$35,800 for the Liquid Fuels Department bearing an interest rate of 4.9% expiring in May 2011.

1 Paver in the amount of \$247,645 for the Liquid Fuels Department bearing an interest rate of 4.9% expiring in May 2011.

1 Roller in the amount of \$88,150 for the Liquid Fuels Department bearing an interest rate of 4.9% expiring in May 2011.

1 Ford Explorer in the amount of \$24,707 for the Liquid Fuels Department bearing an interest rate of 6.8% expiring in September 2009.

1 Street Sweeper in the amount of \$177,053 for the Liquid Fuels Department bearing an interest rate of 4.52% expiring in May 2011.

2 2007 Ford F150 in the amount of \$44,031 for the Liquid Fuels Department bearing an interest rate of 6.30% expiring in November 2009.

TOWNSHIP OF BRISTOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

NOTE 10: OBLIGATION UNDER CAPITAL LEASE (CONTINUED)

5 2008 Crown Victoria's in the amount of \$136,260 for the Police Department bearing an interest rate of 6.4% expiring in June 2009.

2 2008 Chevy Impala's in the amount of \$36,714 for the Police Department bearing an interest rate of 6.6% expiring in December 2009.

2 2006 GMC Dump Trucks in the amount of \$170,986 for the Liquid Fuels Department bearing an interest rate of 5.62% expiring in November 2009.

2 2006 GMC Dump Trucks in the amount of \$168,286 for the Liquid Fuels Department bearing an interest rate of 5.62% expiring in October 2009.

1 2005 Telephone System in the amount of \$109,986 for the Township expiring in 2009.

2 2005 Harley Davidsons in the amount of \$28,860 for the Police Department expiring in 2007.

Computer Equipment in the amount of \$91,487 for the Township expiring in 2007.

The assets acquired through capital leases are as follows:

Asset:	
Equipment	\$1,728,295
Less: Accumulated Depreciation	<u>(221,385)</u>
Total	<u>\$1,506,910</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, 2007:

Total Minimum Lease Payments	\$971,730
Less: Amount Representing Interest	<u>(77,726)</u>
Total Present Value of Net Minimum Lease Payments	894,004
Less: Amounts Due within One Year	<u>(375,083)</u>
Long Term Capital Lease Payable	<u>\$518,921</u>

Future minimum capital lease payments as of December 31, 2007:

2008	\$ 375,083
2009	332,155
2010	115,642
2011	<u>71,124</u>

Total Future Minimum Lease Payments	<u>\$ 894,004</u>
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TOWNSHIP OF BRISTOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

NOTE 11: INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances consist of the following at December 31, 2007:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
Governmental Funds:		
General Fund	\$ 2,009,704	\$ 417,264
Refuse Fund	25,028	902,090
Other Governmental Funds	<u>586,868</u>	<u>1,145,776</u>
Total Governmental Funds	<u>2,621,600</u>	<u>2,465,130</u>
Fiduciary Funds		
Agency Funds	<u>10,000</u>	<u>166,470</u>
Total Fiduciary Funds	<u>10,000</u>	<u>166,470</u>
Total Interfund Receivables and Payables	<u>\$ 2,631,600</u>	<u>\$ 2,631,600</u>

The Township utilizes a pooled operating fund to enhance investment return, therefore interfund receivables and payables are recorded to recognize amounts held by the General Fund in the pooled account on behalf of the other funds. In addition, the General Fund has paid expenses on behalf of other funds, therefore, a corresponding interfund receivable and payable has been recorded.

NOTE 12: 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	\$ 60,000	\$ 126,795
Other Governmental Funds	<u>264,054</u>	<u>162,259</u>
Total Governmental Funds	<u>324,054</u>	<u>289,054</u>
Proprietary Funds		
Enterprise Fund		35,000
Water Fund	-	<u>35,000</u>
Total Proprietary Funds	<u>-</u>	<u>35,000</u>
Total Interfund Receivables and Payables	<u>\$ 324,054</u>	<u>\$ 324,054</u>

TOWNSHIP OF BRISTOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

NOTE 13: RESERVED FUND BALANCES/NET ASSETS

The reservations of fund balance/net assets included in the fund financial statements represent portions of fund balances/net assets that are restricted for various purposes and are not available for payment of other subsequent expenditures. The following reservations are included in the fund financial statements:

Governmental Funds

General Fund

<u>Refuse Fund</u>	<u>\$ 87,562</u>
Reserved for Sanitation Fund fund balance deficit.	

Other Governmental Funds

<u>Capital Project Funds</u>	<u>\$ 1,210,860</u>
Reserved for construction on capital projects.	

<u>Debt Service Funds</u>	<u>\$ 720,526</u>
Reserved for payment of principle and interest on debt	

<u>Program Purposes</u>	<u>\$ 3,832,785</u>
Reserved for future payments of the programs these funds are restricted for.	

Fiduciary Funds

<u>Police Retirement Trust Fund</u>	<u>\$26,089,888</u>
This reserve represents amounts restricted for the payment of pension benefits.	

NOTE 14: RELATED PARTY TRANSACTIONS

Component Units - Related Party Transactions

Bristol Township Authority

The Authority leases the sewer system and the municipal building to the Township of Bristol. The rental income derived from the lease agreements is the only revenue the Authority receives except for investment income. As of March 31, 2007, an amount of \$69,321 is due from the Township of Bristol Sewer Department. \$67,858 is rental income per the lease agreement mentioned in Note 6 and \$1,463 are funds from the closing of an account related to the 1993 Sewer Revenue Bonds that was deposited in one of the Bristol Township Sewer Department Bank Accounts.

The Township of Bristol Sewer Department paid certain capital improvements and administrative expenses on behalf of Bristol Township Authority. As of March 31, 2007, an amount of \$50,079 is due to the Township of Bristol Sewer Department for the above payments.

TOWNSHIP OF BRISTOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

NOTE 14: RELATED PARTY TRANSACTIONS (CONTINUED)

Component Units - Related Party Transactions

Bristol Township Sewer Department

The amount due from the Bristol Township Authority at March 31, 2007, in the amount of \$50,079, represents various expenses paid by the Sewer Department for the Bristol Township Authority that are to be repaid.

The amount Due to Bristol Township Authority at March 31, 2007, in the amount of \$69,321, represents outstanding October 2005 and October 2006 lease payments of \$38,406 and \$29,452, respectively and \$1,463 of funds from the closing of an Authority's bank account with Wachovia related to the refunding of the 1993 Sewer Revenue Bonds that was deposited in the Sewer Fund's Operating Account with Commerce Bank.

NOTE 15: INTERAUTHORITY TREATMENT SERVICES

Component Unit – Interauthority Treatment Services

Bristol Township Sewer Department

The Department, together with the Authority, 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 Authority. These agreements expire between 2004 and 2012. For the year ended March 31, 2007, the Department's expense for treatment services under these agreements was \$1,028,083.

NOTE 16: 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, 2007, the Township paid insurance premiums of \$499,779.

The Township maintains an irrevocable line of credit in the amount of \$180,875 for two workers compensation claims under a different carrier that dates back to 1981. The letter of credit has not been drawn upon. At December 31, 2007, the Township has recorded a liability in the amount of \$180,875 for the estimated workers compensation claims.

NOTE 17: POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 5, the Township provides lifetime postretirement health care benefits for police officers and at retirement, a fully paid life insurance policy of \$10,000 in accordance with their collective bargaining agreements. Expenditures for health care benefits are financed on a pay-as-you-go basis. Police officers are eligible to receive these benefits from the Township on or after attaining 50 years of age and 25 years of service or 60 years of age and 20 years of service. 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. Currently, 51 retirees meet these eligibility requirements. In 2007, the Township's cost of providing postretirement health care benefits was \$914,555.

TOWNSHIP OF BRISTOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

NOTE 17: POSTEMPLOYMENT BENEFITS (CONTINUED)

Life insurance policies of \$4,000 are provided to Township employees covered by the Transport Workers Union of America (Municipal Building Employees, Roads and Public Property Departments, and Treatment Plant Employees) collective bargaining agreements. Life insurance policies of \$10,000 are provided to Township employees covered by the Bristol Township Police Benevolent Association collective bargaining agreement. Life insurance policies of \$1,000 are provided to Township employees covered by the Local 473 National Conference of Fireman & Oilers collective bargaining agreement. Covered employees are eligible after completing 12 years of service or attaining the age of 55, whichever is later.

Expenditures for life insurance benefits are financed on a pay-as-you-go basis. As of December 31, 2007, 66 retirees satisfied the appropriate eligibility requirements and expenditures of \$1,901 were recognized accordingly in 2007.

NOTE 18: 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, 2007.

NOTE 19: APPROPRIATIONS

For the year ended December 31, 2007, General Fund expenditures exceeded the appropriations in the amount of \$334,034. Prior year reserves funded the overexpenditures.

NOTE 20: CONTINGENCIES

In the normal course of business, there are various claims and suits pending against the Township. Management is of the opinion that these matters will not have a material adverse effect on the Township's financial position at December 31, 2007.

Component Units – Contingencies

Bristol Township Sewer Department

The Department has met with the Environmental Protection Agency pertaining to the operations and record keeping at the Sewage Plant regarding alleged violations of State and Federal regulations. The possible effects of the investigation can not be presently determined and accordingly, no additional adjustments that may result have been recorded in the financial statements.

NOTE 21: LOAN RECEIVABLE

The Township has entered into a Cooperative Agreement with the Redevelopment Authority of the County of Bucks ("Authority"), where the Township has obtained funds from the U.S. Department of Housing and Urban Development Section 8 Loan Guarantee Program (See Note 9) for the development of land for the construction of a restaurant ("Project"). The Township has loaned the funds to the Authority to carry out the project. The Authority is to oversee the completion of the Project and once the land is developed and sold all proceeds from the sale of the land are to be paid by the Authority to the Township to pay back the loan receivable.

TOWNSHIP OF BRISTOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

NOTE 23: SUBSEQUENT EVENTS:

In January 2008, the Township issued a Tax and Revenue Appreciation Note in the amount of \$3,500,000 with an interest rate of 3.39%.

Subsequent to December 31, 2007, the Capital Credit Market experienced significant events which negatively impacted the availability and cost of credit.

The negative events in the credit market as well as the general economic conditions in the United States and worldwide have caused a significant decline in the U.S. and worldwide equity markets resulting in a significant decrease in investment values (both pension and non-pension assets) either directly invested in or tied to the equity markets. These declines, at present, are expected to be temporary and not permanent declines, however equity market recovery, if it occurs may take some time. The major resulting impact of the equity markets' decline on the Township will be in the form of increased annual required contributions (ARC) and increased pension expense with respect to its pension plans.

In September 2008, the Township issued Federally Taxable General Obligation Bonds, Series of 2008 for \$11,430,000. The proceeds will be used to finance the Township's unfunded actuarial accrued liability in its Police Pension Plan and to pay the costs of issuing the bonds.

REQUIRED
SUPPLEMENTAL
INFORMATION

BRISTOL TOWNSHIP
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Taxes	\$ 13,525,090	\$ 13,525,090	\$ 13,459,351	\$ (65,739)
Licenses, Fees and Permits	2,653,500	2,653,500	2,141,533	(511,967)
Charges for Service	786,250	786,250	908,901	122,651
Court Costs, Fines and Forfeits	285,000	285,000	310,619	25,619
Intergovernmental	845,600	845,600	944,356	98,756
Interest	465,000	465,000	228,403	(236,597)
Miscellaneous	1,069,000	1,069,000	1,471,771	402,771
Total Revenues	19,629,440	19,629,440	19,464,934	(164,506)
Expenditures				
General Government	3,396,712	3,396,712	2,966,028	430,684
Public Safety	13,219,168	13,219,168	13,201,267	17,901
Public Works Highways and Streets	2,723,560	2,723,560	2,495,648	227,912
Health and Welfare	450,000	450,000	646,878	(196,878)
Capital Outlay	-	-	813,653	(813,653)
Total Expenditures	19,789,440	19,789,440	20,123,474	(334,034)
Excess of Revenues Over (Under) Expenditures	(160,000)	(160,000)	(658,540)	(498,540)
Other Financing Sources (Uses):				
Proceeds from Capital Lease	-	-	109,986	109,986
Operating Transfers In	160,000	160,000	60,000	(100,000)
Operating Transfers Out	-	-	(126,795)	(126,795)
Total Other Financing Sources (Uses)	160,000	160,000	43,191	(116,809)
Net Change in Fund Balances	-	-	(615,349)	(615,349)
Fund Balances Beginning of Year	-	-	3,795,843	3,795,843
Fund Balances End of Year	\$ -	\$ -	\$ 3,180,494	\$ 3,180,494

BRISTOL TOWNSHIP
REFUSE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT) - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 4,722,428	\$ 4,722,428	\$ 4,481,645	\$ (240,783)
Charges for Service	-	-	84,976	84,976
Intergovernmental	40,000	40,000	-	(40,000)
Interest	25,000	25,000	85,239	60,239
Total Revenues	4,787,428	4,787,428	4,651,860	(135,568)
Expenditures				
Health and Welfare	4,787,428	4,787,428	4,739,422	48,006
Total Expenditures	4,787,428	4,787,428	4,739,422	48,006
Excess of Revenues Over (Under) Expenditures	-	-	(87,562)	(87,562)
Other Financing Sources (Uses):				
Operating Transfers In	-	-	-	-
Operating Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	-	-	(87,562)	(87,562)
Fund Balances Beginning of Year	-	-	-	-
Fund Balances (Deficit) End of Year	\$ -	\$ -	\$ (87,562)	\$ (87,562)