

**BRISTOL TOWNSHIP SEWER DEPARTMENT
(Component Unit of Bristol Township)
BUCKS COUNTY, PENNSYLVANIA**

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2008

BRISTOL TOWNSHIP SEWER DEPARTMENT
(Component Unit of Bristol Township)
YEAR ENDED MARCH 31, 2008

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Zelenkofske Axelrod LLC

INDEPENDENT AUDITORS' REPORT

Township Council
Township of Bristol
Bucks County, Pennsylvania

We have audited the accompanying financial statements of the business-type activities of the BRISTOL TOWNSHIP SEWER DEPARTMENT, a component unit of Bristol Township, as of and for the year ended March 31, 2008, as listed in the table of contents. These financial statements are the responsibility of the BRISTOL TOWNSHIP SEWER DEPARTMENT's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the BRISTOL TOWNSHIP SEWER DEPARTMENT, as of March 31, 2008, and the respective changes in financial position and cash flows 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 BRISTOL TOWNSHIP SEWER DEPARTMENT 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*".

The management's discussion and analysis on pages 2 through 5 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the BRISTOL TOWNSHIP SEWER DEPARTMENT. The Other Supplementary Information on pages 17 and 18 is presented for the purpose of additional analysis and is not a required part of the financial statements. This Other Supplementary Information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Zelenkofske Axelrod LLC

ZELENKOFOSKE AXELROD LLC

Harrisburg, Pennsylvania
January 14, 2009

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MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2008

The Bristol Township Sewer Department, hereafter referred to as the "Sewer Department", is pleased to present its financial statements developed in compliance with Statement of Governmental Accounting Standard No. 34, entitled "Basic Financial Statements – Management's Discussion and Analysis – For State and Local Governments (hereafter "GASB 34"), and related standards. GASB 34 enhances information provided to the users of its financial statements. This section of the financial reporting package presents our discussion and analysis of the Sewer Department's financial performance during the fiscal year that ended on March 31, 2008. Please read it in conjunction with the Sewer Department's financial statements that follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis (MD&A) serves an introduction to, and should be read in conjunction with, the basic audited financial statements and other supplementary information. The MD&A represents management's examination and analysis of the Sewer Department's financial condition and performance. Summary financial statement data and other management tools were used for this analysis.

The financial statements report information about the Sewer Department using the full accrual method of accounting, as utilized by similar business activities in the private sector. The financial statements include a statement of net assets; a statement of revenues, expenses, and changes in fund net assets; a statement of cash flows; and notes to the financial statements and other supplementary information.

The **statement of net assets** presents the financial position of the Sewer Department on a full accrual historical cost basis. The statement of net assets presents information on all of the Sewer Department's assets and liabilities, with the difference reported as net assets. Over time, increases and decreases in net assets are one indicator of whether the financial position of the Sewer Department is improving or deteriorating.

While the statement of net assets provides information about the nature and amount of resources and obligations at year-end, the **statement of revenues, expenses, and changes in fund net assets** presents the results of the business type activities over the course of the fiscal year and information as to how the net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement also provides certain information about the Sewer Department's recovery of its costs.

The **statement of cash flows** presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

The **notes to the financial statements** provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Sewer Department's accounting policies, significant account balances and activities, obligations, commitments, contingencies and subsequent events, if any.

The **other supplementary information** includes a summary schedule of operating revenues and expenses, budget and actual, and a separate detailed schedule of operating expenses, budget and actual. These schedules present the Sewer Department's actual performance results compared to the corresponding budgetary line items.

FINANCIAL ANALYSIS

The following comparative condensed financial statements and other selected information serve as the key financial data and indicators for management, monitoring and planning. Comments regarding year-to-year variances are included in each section by the name of the statement or account.

CONDENSED STATEMENT OF NET ASSETS

	March 31		Variance	
	2008	2007	Dollars	%
Current Assets	\$ 1,236,394	\$ 1,544,499	\$ (308,105)	(20)%
Capital Assets	505,252	245,034	260,218	106%
Other Assets	147,371	143,624	3,747	3%
Total Assets	1,889,017	1,933,157	(44,140)	(2)%
Current Liabilities	759,203	729,232	29,971	4%
Long-Term Liabilities	106,152	106,152	-	-
Total Liabilities	865,355	835,384	29,971	4%
Net Assets:				
Invested in Capital Assets, Net of Related Debt	358,252	98,034	260,218	265%
Unrestricted	665,410	999,739	(334,329)	(33)%
Total Net Assets	\$1,023,662	\$ 1,097,773	\$ (74,111)	(7)%

The decrease in assets of \$44,140 and net assets of \$74,111 was the result of an increase in inter authority charges. In addition, capital assets increased as a result of a truck purchase of \$96,000 and collection system upgrades.

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

	March 31		Variance	
	2008	2007	Dollars	%
OPERATING REVENUES:				
Sewer Revenues	\$3,199,227	\$3,228,869	\$ (29,642)	(1)%
Other Revenues	426,727	211,483	215,244	102%
Total Operating Revenues	3,625,954	3,440,352	185,602	5%
OPERATING EXPENSES				
Plant	2,944,438	2,074,175	870,263	42%
Administrative	230,786	305,135	(74,349)	(24)%
Depreciation	35,133	23,654	11,479	49%
Total Operating Expenses	3,210,357	2,402,964	807,393	34%
OPERATING INCOME	415,597	1,037,388	(621,791)	(60)%
NON-OPERATING EXPENSES	(553,580)	(551,858)	(1,722)	-
NON-OPERATING REVENUE	63,872	61,529	2,343	4%
INCREASE (DECREASE) IN NET ASSETS	\$ (74,111)	\$ 547,059	\$ (621,170)	(114)%

OPERATING REVENUES:

Operating revenues increased \$185,602 in 2008 was due to an increase in permit fees and investment interest.

OPERATING EXPENSES:

Operating expenses increased \$807,393 due primarily to an increase in inter authority treatment services.

NON OPERATING EXPENSES:

Non operating expenses increased by \$1,722 due to an increase in bond interest.

CAPITAL ASSETS

The Sewer Department's investment in capital assets at March 31, 2008, net of accumulated depreciation, was \$505,252. Capital assets consist primarily of office and other equipment, vehicles, and a collection system. The following is a summary of capital assets at March 31, 2008 and March 31, 2007.

Capital Assets at March 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Construction in Progress	\$ -	\$ 8,400
Land Improvements	5,970	5,970
Office Equipment	100,063	90,013
Vehicles	97,825	97,825
Equipment	217,424	101,433
Collection System	397,276	219,566
Accumulated Depreciation	<u>(313,306)</u>	<u>(278,173)</u>
Total	<u>\$ 505,252</u>	<u>\$ 245,034</u>

Other detailed information about the Sewer Department's capital assets can be found in Note 7.

LONG TERM DEBT:

At March 31, 2008, the Sewer Department had \$147,000, and \$106,152 of long-term debt outstanding related to notes payable and compensated absences, respectively. The following table details activity related to the long-term debt:

<u>Type</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Note Payable	\$ 147,000	\$ -	\$ -	\$ 147,000
Compensated Absences	106,152	-	-	106,152
Total Long Term Debt	<u>\$ 253,152</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 253,152</u>

Other detailed information about the Sewer Department's long term debt can be found in Note 8.

CONTACTING THE TOWNSHIP SEWER DEPARTMENT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, and investors and creditors with a general overview of the Township Sewer Department's finances and to demonstrate the Township Sewer Department's accountability for the money it receives. If you have questions about this report or need additional information, contact the Bristol Township Manager, 2501 Bath Road, Bristol, PA 19007.

BRISTOL TOWNSHIP SEWER DEPARTMENT
(COMPONENT UNIT OF BRISTOL TOWNSHIP)
STATEMENT OF NET ASSETS
MARCH 31, 2008

Assets

Current Assets:		
Cash	\$	618,788
Accounts Receivable, Net		68,478
Prepaid Lease Expense		<u>549,128</u>
Total Current Assets		<u>1,236,394</u>
Noncurrent Assets:		
Restricted Cash		97,292
Due from Bristol Township Authority		50,079
Capital Assets, Being Depreciated, Net		<u>505,252</u>
Total Noncurrent Assets		<u>652,623</u>
Total Assets	\$	<u><u>1,889,017</u></u>

Liabilities

Current Liabilities		
Accounts Payable	\$	486,194
Note Payable - Current		147,000
Compensated Absences		28,717
Escheat Liability		5,652
Escrow Deposit		<u>91,640</u>
Total Current Liabilities		<u>759,203</u>
Noncurrent Liabilities		
Compensated Absences		<u>106,152</u>
Total Noncurrent Liabilities		<u>106,152</u>
Total Liabilities	\$	<u>865,355</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	\$	358,252
Unrestricted		<u>665,410</u>
Total Net Assets	\$	<u><u>1,023,662</u></u>

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

BRISTOL TOWNSHIP SEWER DEPARTMENT
 (COMPONENT UNIT OF BRISTOL TOWNSHIP)
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 YEAR ENDED MARCH 31, 2008

Operating Revenues:

Sewer Revenue	\$ 1,626,459
Residential	646,912
Commercial	571,417
Apartments	354,439
Institutions	152,137
Penalties and Interest	173,126
Permits and Certifications	101,464
Reimbursements	<u>101,464</u>
Total Operating Revenues	<u>3,625,954</u>

Operating Expenses:

Plant	2,944,438
Administrative	230,786
Depreciation	<u>35,133</u>
Total Operating Expenses	<u>3,210,357</u>

Operating Income

415,597

Non-Operating Revenues (Expenses)

Interest Income	63,872
Lease Payments	<u>(553,580)</u>
Total Non-Operating Expenses	<u>(489,708)</u>

Change in Net Assets

(74,111)

Total Net Assets - Beginning

1,097,773

Total Net Assets - Ending

\$ 1,023,662

BRISTOL TOWNSHIP SEWER DEPARTMENT
(COMPONENT UNIT OF BRISTOL TOWNSHIP)
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2008

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 3,316,408
Receipts from Permits and Fees	274,590
Payments for materials and supplies	(2,481,307)
Payments for Salaries and Employee Benefits	(669,598)
Payments to other governments	<u>(10,024)</u>
Net Cash Provided by Operating Activities	<u>430,069</u>
Cash Flows from Non-capital Financing Activities	
Lease Payments	<u>(553,580)</u>
Net Cash Used In Non-capital Financing Activities	<u>(553,580)</u>
Cash Flows from Capital and Related Financing Activities:	
Purchase of Capital Assets	<u>(295,351)</u>
Net Cash Used By Capital and Related Financing Activities	<u>(295,351)</u>
Cash Flows from Investing Activities:	
Interest Income	<u>63,872</u>
Net Cash Provided by Investing Activities	<u>63,872</u>
Net Decrease in Cash	(354,990)
Balance - Beginning of Year	<u>1,071,070</u>
Balance- End of Year	<u><u>\$ 716,080</u></u>
Displayed as:	
Cash	\$ 618,788
Restricted Cash	<u>97,292</u>
	<u><u>\$ 716,080</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 415,597
Adjustments to reconcile oprating income to net cash provided by operating activities:	
Depreciation Expense	35,133
Change in Assets and Liabilities	
Accounts Receivable, Net	(34,956)
Prepaid Lease Expense	(15,676)
Accounts Payable	93,982
Accrued Liabilities	(52)
Compensated Absences	1,615
Due to Bristol Township	(69,321)
Escheats	5,652
Escrow Deposits	<u>(1,905)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 430,069</u></u>

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

BRISTOL TOWNSHIP SEWER DEPARTMENT
(COMPONENT UNIT OF BRISTOL TOWNSHIP)
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2008

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

The Bristol Township Sewer Department (the Sewer Department) maintains and operates a Sewage Treatment Plant and Collection System (the Sewer System) that serves the Township of Bristol (Township), under a lease dated November 1, 1984. The Sewer System is owned by the Bristol Township Authority (the Authority). The 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).

Under a management agreement dated November 1, 1984, the Authority was engaged to manage the Sewer System for the Township. On September 15, 1995, the Township terminated the management agreement and reassumed full control of the Sewer System.

A summary of the Sewer Department's significant accounting policies are as follows:

A. Reporting Entity

The Sewer Department has adopted the provisions of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards, for the criteria used to evaluate organizations, activities and functions that should be included in the Sewer Department's financial statements. The basic criteria used are the exercise of "oversight responsibility" over such organizations, activities and functions.

The Sewer Department has not identified any entities which should be subject to evaluation for inclusion in the Sewer Department's reporting entity. Because the Sewer Department maintains and operates the Sewer System of the Township, the Sewer Department has been evaluated under the aforementioned criteria for the inclusion in the reporting entity of the Township. The Township includes the Sewer Department in the financial statements as a component unit since the Sewer Department meets the criteria satisfying inclusion in the Township's financial statements.

B. 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.

BRISTOL TOWNSHIP SEWER DEPARTMENT
(COMPONENT UNIT OF BRISTOL TOWNSHIP)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2008

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

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

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.

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.

C. Cash

Cash, 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.

D. Accounts Receivable

The Sewer Department evaluates the collectibility of individual receivables and, if necessary, records an allowance for doubtful accounts. At March 31, 2008, \$473,593 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.

BRISTOL TOWNSHIP SEWER DEPARTMENT
(COMPONENT UNIT OF BRISTOL TOWNSHIP)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2008

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

E. 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
Office and other Equipment	5 – 20
Vehicles	3 – 10
Computer Equipment	3 – 5
Collection System	10 - 50

F. Compensated Absences

Employee's 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.

G. 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.

H. Restricted Cash

Restricted cash represents amounts paid by a property owner that are held in an escrow account for the purpose of sewer hookup and unclaimed monies to be remitted to the state.

I. Adoption of Governmental Accounting Standards Board Statements

The Sewer Department 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.

BRISTOL TOWNSHIP SEWER DEPARTMENT
(COMPONENT UNIT OF BRISTOL TOWNSHIP)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2008

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

J. 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 Sewer Department is required to adopt Statement No. 45 for its 2009 financial statements.

In November 2006, the GASB issued Statement No. 49, "*Accounting and Financial Reporting for Pollution Remediation*". The Sewer Department is required to adopt Statement No. 49 for its 2009 financial statements.

In 2007 the GASB issued Statement No. 50, "*Pension Disclosures*". The Sewer Department is required to adopt Statement No. 50 for its 2009 financial statements.

In 2007 the GASB issued Statement No. 51, "*Accounting and Financial Reporting for Intangible Assets*". The Sewer Department is required to adopt Statement No. 51 for its 2011 financial statements.

In November 2007 the GASB issued Statement No. 52, "*Land and Other Real Estate Held as Investments by Endowments*". The Sewer Department 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 Sewer Department is required to adopt Statement No. 53 for its calendar year 2010 financial statements.

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

NOTE 2: CASH

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

<u>Book Balance</u>	<u>Bank Balance</u>
<u>\$716,080</u>	<u>\$927,122</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, 2008, \$727,122 of the Sewer Department's deposits was exposed to custodial credit risk. The Sewer Department does not have a formal policy related to custodial credit risk.

BRISTOL TOWNSHIP SEWER DEPARTMENT
(COMPONENT UNIT OF BRISTOL TOWNSHIP)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2008

NOTE 3: RELATED PARTY TRANSACTIONS

The amount due from the Bristol Township Authority at March 31, 2008, in the amount of \$50,079, represents various expenses paid by the Sewer Department for the Bristol Township Authority that are to be repaid.

NOTE 4: PENSION PLAN

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 \$21,305 and \$30,594, respectively, during the year ended March 31, 2008.

NOTE 5: SEWER SYSTEM LEASE

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.

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 two 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>	<u>Amount</u>
2009	10,342
2010	569,341
	<u>\$579,683</u>

The Sewer Fund had paid, as of March 31, 2008, the April 1, 2009 lease payment in the amount of \$549,128. This balance is included in the March 31, 2008 financial statements as Prepaid Lease Expense.

BRISTOL TOWNSHIP SEWER DEPARTMENT
(COMPONENT UNIT OF BRISTOL TOWNSHIP)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2008

NOTE 6: INTERAUTHORITY TREATMENT SERVICES

The Sewer Department, together with the Bristol 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 Bristol Authority. These agreements expire between 2004 and 2012. For the year ended March 31, 2008, the Sewer Department's expense for treatment services under these agreements was \$1,683,450.

NOTE 7: CAPITAL ASSETS

Capital assets activity for the year ended March 31, 2008 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	10,050	-	100,063
Vehicles	97,825	-	-	97,825
Equipment	101,433	115,991	-	217,424
Collection System	219,566	177,710	-	397,276
Total Capital Assets, Being Depreciated	514,807	303,751	-	818,558
<u>Less Accumulated Depreciation for:</u>				
Land Improvements	(696)	(1,195)	-	(1,891)
Office Equipment	(90,013)	(838)	-	(90,851)
Vehicles	(77,849)	(11,425)	-	(89,274)
Equipment	(57,643)	(13,984)	-	(71,627)
Collection System	(51,972)	(7,691)	-	(59,663)
Total Accumulated Depreciation	(278,173)	(35,133)	-	(313,306)
Total Capital Assets, Being Depreciated, Net	236,634	268,618	-	505,252
Total Capital Assets, Net	\$ 245,034	268,618	8,400	\$ 505,252

NOTE 8: LONG-TERM OBLIGATIONS

During 2004, the Sewer Department entered into a note payable agreement with Bristol Township in order to reimburse 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 and the outstanding payments on the note are as follows:

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

BRISTOL TOWNSHIP SEWER DEPARTMENT
 (COMPONENT UNIT OF BRISTOL TOWNSHIP)
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 MARCH 31, 2008

NOTE 8: LONG-TERM OBLIGATIONS (CONTINUED)

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	106,152	-	-	106,152	-
Total long term debt	<u>\$ 253,152</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 253,152</u>	<u>\$ 147,000</u>

NOTE 9: CONTINGENCIES

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.

OTHER
SUPPLEMENTARY
INFORMATION

BRISTOL TOWNSHIP SEWER DEPARTMENT
(COMPONENT UNIT OF BRISTOL TOWNSHIP)
SCHEDULE OF REVENUES AND EXPENSES AND CHANGES IN FUND NET ASSETS
BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2008

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance With Final Budget Positive (Negative)
Operating Revenues:				
Sewer Revenues				
Residential	\$ 1,622,150	\$ 1,622,150	\$ 1,626,459	\$ 4,309
Commercial	653,200	653,200	646,912	(6,288)
Apartments	593,970	593,970	571,417	(22,553)
Institutions	340,050	340,050	354,439	14,389
Interest and Penalties	55,400	55,400	152,137	96,737
Permits and Certifications	28,500	28,500	173,126	144,626
Industrial Strength Surcharges	12,500	12,500	-	(12,500)
Reimbursements	5,100	5,100	101,464	96,364
Total Operating Revenues	<u>3,310,870</u>	<u>3,310,870</u>	<u>3,625,954</u>	<u>315,084</u>
Operating Expenses:				
Plant	3,175,960	3,175,960	2,944,438	231,522
Administrative	285,575	285,575	230,786	54,789
Depreciation	24,075	24,075	35,133	(11,058)
Total Operating Expenses	<u>3,485,610</u>	<u>3,485,610</u>	<u>3,210,357</u>	<u>275,253</u>
Operating Income (Loss)	<u>(174,740)</u>	<u>(174,740)</u>	<u>415,597</u>	<u>590,337</u>
Non-Operating Revenues (Expenses)				
Interest	500	500	63,872	63,372
Lease Payments	(553,470)	(553,470)	(553,580)	(110)
Total Non-Operating Expenses	<u>(552,970)</u>	<u>(552,970)</u>	<u>(489,708)</u>	<u>63,262</u>
Change in Net Assets	<u>\$ (727,710)</u>	<u>\$ (727,710)</u>	<u>\$ (74,111)</u>	<u>\$ 653,599</u>

BRISTOL TOWNSHIP SEWER DEPARTMENT
 (COMPONENT UNIT OF BRISTOL TOWNSHIP)
 SCHEDULE OF OPERATING EXPENSES
 BUDGET AND ACTUAL
 YEAR ENDED MARCH 31, 2008

	Final Budget <u>Amounts</u>	Actual <u>Amounts</u>	Variance Positive <u>(Negative)</u>
Plant Expenses:			
Salaries	\$ 469,190	\$ 445,388	\$ 23,802
Employee benefits	158,650	110,164	48,486
Dues & Conference Expense	1,000	3,000	(2,000)
Contracted Maintenance Services	75,000	132,099	(57,099)
Laboratory Services	24,030	31,616	(7,586)
Supplies and Equipment	70,000	(37,778)	107,778
Sludge Disposal	42,130	38,844	3,286
Industrial Waste	500	-	500
Inter-Authority Treatment	1,453,300	1,683,450	(230,150)
Telephone	12,840	13,598	(758)
Water	24,510	26,930	(2,420)
Chemical Supplies	22,210	23,037	(827)
Electric	136,800	130,158	6,642
Oil	8,830	24,683	(15,853)
Uniforms	6,120	6,236	(116)
Professional Services	61,700	93,113	(31,413)
Insurances	190,000	127,038	62,962
Automobile Expense	10,800	12,414	(1,614)
Equipment Rental	2,500	105	2,395
Sewer Blockage Expense	1,750	12,194	(10,444)
Capital	398,600	64,656	333,944
Miscellaneous	5,500	3,493	2,007
	<u>3,175,960</u>	<u>2,944,438</u>	<u>231,522</u>
Total Plant Expenses			
Administrative Expenses:			
Salaries	91,310	87,736	3,574
Employee Benefits	33,640	48,175	(14,535)
Office Supplies	1,500	1,065	435
Postage	9,500	9,598	(98)
Printing	1,500	2,498	(998)
Equipment Maintenance	500	-	500
Legal	15,000	29,370	(14,370)
Accounting	26,000	34,687	(8,687)
Contracted Maintenance	3,000	2,738	262
Dues & Subscriptions	-	636	(636)
Travel	250	-	250
Advertising	1,350	1,987	(637)
Bad Debt Expense	25,000	1,036	23,964
Lien Cost	100	-	100
Board Members	1,750	1,650	100
Capital	24,425	6,245	18,180
Bank Service Charge	750	450	300
Miscellaneous	50,000	2,915	47,085
	<u>285,575</u>	<u>230,786</u>	<u>54,789</u>
Total Administrative Expenses			
Depreciation	24,075	35,133	(11,058)
Total Operating Expenses	<u>\$ 3,485,610</u>	<u>\$ 3,210,357</u>	<u>\$ 275,253</u>