



THOMAS T. NIESEN
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February 7, 2012

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
P. O. Box 3265
Harrisburg, PA 17105-3265

In re: Docket No. A-2012-2282704
Application of Aqua Pennsylvania, Inc.

Dear Secretary Chiavetta:

Enclosed for filing are the responses of Aqua Pennsylvania, Inc. to the Bureau of Technical Utility Services Data Requests Nos. A-1 through A-17 in the above matter. Please contact me at your convenience with any questions.

Very truly yours,

THOMAS, LONG, NIESEN & KENNARD

By

Thomas T. Niesen

cc: Festus Odubo (w/encl.)
Keith E. Gabage (w/encl.)

120207-Chiavetta (FUS Set 1 Data Requests) wpd

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SECRETARY'S BUREAU

Respondent's Name:
Keith E. Gabage
Director Corporate Development
Aqua Pennsylvania, Inc.
February 7, 2012

BUREAU OF TECHNICAL UTILITY SERVICES
Water/Wastewater Industry Group
Aqua Pennsylvania, Inc.
Responses to Discovery Set I
Docket No. A-2012-2282704

A-1 Provide a proof of service and publication for this filing.

Response: Proofs of service and publication are attached.

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THOMAS, LONG,
NIESEN & KENNARD

Attorneys and Counsellors at Law

THOMAS T. NIESEN
Direct Dial: 717.255.7641
tniesen@thomaslonglaw.com

February 2, 2012

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
P. O. Box 3265
Harrisburg, PA 17105-3265

In re: Docket No. A-2012-2282704
Application of Aqua Pennsylvania, Inc. for approval of the acquisition of the water system assets of Bristol Township situated in a portion of Bristol Township, Bucks County, PA, and 2) the right of Aqua Pa to begin to offer, render, furnish or supply water service to the public in an additional portion of Bristol Township, Bucks County, PA

Dear Secretary Chiavetta:

Enclosed for filing in the above matter are an original and three (3) copies of:

1. A Certificate of Service verifying service of the above referenced Application in accordance with your letter of January 12, 2012; and
2. The proof of publication in the *Bucks County Courier Times*.

Please contact the undersigned if you have any questions.

Very truly yours,

THOMAS, LONG, NIESEN & KENNARD

By

Thomas T. Niesen

cc: Keith E. Gabage (w/encls.)
Russ P. Sacco, Esq. (w/encls.)
Richard Pluta, Chairman (w/encls.)

120202-Chiavetta (Proof of Publication).wpd

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Bucks County, SS.

THOMAS THOMAS ARMSTR
ATTN: THOMAS T. NIESEN, ESQUIRE
HARRISBURG, PA 171089500

Ad Content Proof

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NOTICE
PENNSYLVANIA
PUBLIC UTILITY
COMMISSION

Application of Aqua Pennsylvania Inc. for approval of the acquisition of the water system assets of Bristol Township situated in a portion of Bristol Township, Bucks County, PA, and 2) the right of Aqua Pa to begin to offer, render, furnish or supply water service to the public in an additional portion of Bristol Township, Bucks County, PA. Docket Number: A-2012-228270.

Formal protests and petitions to intervene must be filed in accordance with Title 52 of the Pennsylvania Code, on or before February 13, 2012. All filings must be made with the Secretary of the Pennsylvania Public Utility Commission, P. O. Box 3265, Harrisburg, PA 17105-3265, with a copy served on the Applicant. The documents filed in support of the Application are available for inspection and copying at the Office of the Secretary between the hours of 8:00 a.m. and 4:30 p.m., Monday through Friday, on the Commission's website at www.puc.state.pa.us, and at the Applicant's business address.

Applicant:
Aqua Pennsylvania, Inc.
Through and By Counsel:
Thomas T. Niesen,
Esquire, Thomas Long,
Niesen and Kennard, 212
Locust Street, Suite 500,
P. O. Box 9500,
Harrisburg, PA 17108
BY THE COMMISSION
Rosemary Chiavetta,
Secretary
21 J 20, 27

Laurie Clark being duly affirmed according to law, deposes and says that he/she is the Legal Billing Co-ordinator of the COURIER TIMES INCORPORATED, Publisher of The Bucks County Courier Times, a newspaper of general circulation, published and having its place of business at Levittown, Bucks County, Pa; that said newspaper was established in 1910; that securely attached hereto is a facsimile of the printed notice which is exactly as printed and published in said newspaper on

January 20, 2012

January 27, 2012

and is a true copy thereof; and that this affiant is not interested in said subject matter of advertising; and all of the allegations in this statement as to the time, place and character of publication are true.

Laurie Clark

LEGAL BILLING CO-ORDINATOR

Affirmed and subscribed to me before me this 27th day of January 2012 A.D.

Virginia S. Huffstodt

COMMONWEALTH OF PENNSYLVANIA
Notary Seal
Virginia S. Huffstodt, Notary Public
Tulycown Boro, Bucks County
My Commission Expires April 15, 2013
Member, Pennsylvania Association of Notaries

SECRETARY'S BUREAU

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Respondent's Name:
Keith E. Gabage
Director Corporate Development
Aqua Pennsylvania, Inc.
February 7, 2012

BUREAU OF TECHNICAL UTILITY SERVICES
Water/Wastewater Industry Group
Aqua Pennsylvania, Inc.
Responses to Discovery Set I
Docket No. A-2012-2282704

A-2 **State if Aqua plans to conduct an original cost study for the acquired assets of Bristol Township.**

Response: **Yes. Aqua plans to conduct an original cost study for the assets acquired from Bristol Township. Plant in service may be understated on the Bristol Township books.**

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SECRETARY'S BUREAU

Respondent's Name:

Keith E. Gabage

Director Corporate Development

Aqua Pennsylvania, Inc.

February 7, 2012

BUREAU OF TECHNICAL UTILITY SERVICES

Water/Wastewater Industry Group

Aqua Pennsylvania, Inc.

Responses to Discovery Set I

Docket No. A-2012-2282704

A-3 Provide the tentative journal entries for booking this acquisition.

Response: The tentative journal entries for the acquisition, assuming that the original cost study determines a depreciated original cost equal to the purchase price, would be a debit of \$5.310M to plant and credits of \$1.882M to accumulated depreciation and \$3.428M to cash.

RECEIVED
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PA P.U.C
SECRETARY'S BUREAU

Respondent's Name:
Keith E. Gabage
Director Corporate Development
Aqua Pennsylvania, Inc.
February 7, 2012

BUREAU OF TECHNICAL UTILITY SERVICES
Water/Wastewater Industry Group
Aqua Pennsylvania, Inc.
Responses to Discovery Set I
Docket No. A-2012-2282704

A-4 Provide financial statements of the Bristol Township water assets for the past two years that shows plant value including depreciation.

Response: As noted in the response to A-2, the plant in service on the books of Bristol Township may be understated. Additionally, as noted in the response to A-2, Aqua plans to conduct an original cost study for the assets acquired from Bristol Township. Bristol Township Financial Statements (for the periods ending 12/31/09 and 12/31/10) requested and received by Aqua in the bidding process with Bristol Township are included with this response.

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SECRETARY'S BUREAU

TOWNSHIP OF BRISTOL
BUCKS COUNTY, PENNSYLVANIA
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009

TOWNSHIP OF BRISTOL
YEAR ENDED DECEMBER 31, 2009

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INDEPENDENT AUDITORS' REPORT

Township Council
Bristol Township
Bristol, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Bristol as of and for the year ended December 31, 2009, which collectively comprise the Township of Bristol's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Bristol's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Bristol as of December 31, 2009, 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. 52, "*Land and Other Real Estate Held as Investments by Endowments*".

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2010, 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.

Township Council
Bristol Township
July 31, 2010
Page 2

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 14 and pages 54 through 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

ZELENKOFKSKE AXELROD LLC

Harrisburg, Pennsylvania
July 31, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2009.

FINANCIAL HIGHLIGHTS

- The Township total net assets decreased by \$1,318,925 in 2009.
- The General Fund Unreserved Fund Balance at the end of 2009 was \$3,687,613.

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.

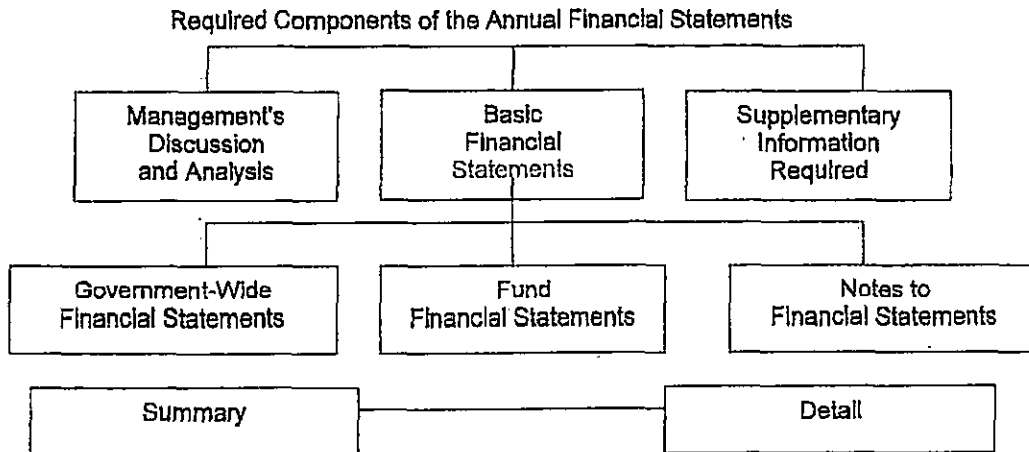
The basic financial statements present two different views of the Township.

- *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:
 - o *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.
 - o *Proprietary fund statements* offer short-term and long-term financial information about the activities the Township operates like a business, such as the sewer fund.
 - o *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 and sewer funds charge a fee to customers to cover the costs of services.

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

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

- Capitalize current outlays for capital assets
- Report long-term debt as a liability
- Depreciate capital assets and allocate the depreciation to the proper program/activities

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Statements (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 \$55,009,359 at December 31, 2009. Of this amount, \$27,836,827 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 |
|-------------------------------------------------------|----------------------------|-------------------|-----------------------------|------------------|---------------------|-------------------|-------------------------------|
| | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | |
| Capital Assets | \$24,844,134 | \$24,000,040 | \$1,025,433 | \$3,836,787 | \$25,869,567 | \$27,836,827 | 8% |
| Other Assets | 25,880,276 | 24,717,639 | 1,176,184 | \$2,454,893 | 27,056,460 | 27,172,532 | 0% |
| Total Assets | 50,724,410 | 48,717,679 | 2,201,617 | 6,291,680 | 52,926,027 | 55,009,359 | 4% |
| Other Liabilities | 3,461,088 | 2,719,047 | 356,717 | 1,309,655 | 3,817,805 | 4,028,702 | 6% |
| Long-Term Liabilities | 26,733,722 | 29,768,014 | - | 157,068 | 26,733,722 | 29,925,082 | 12% |
| Total Liabilities | 30,194,810 | 32,487,061 | 356,717 | 1,466,723 | 30,551,527 | 33,953,784 | 11% |
| Net Assets: | | | | | | | |
| Invested in Capital Assets, net of related debt | 18,529,773 | 18,299,389 | 1,025,433 | 3,889,787 | 17,555,206 | 19,989,176 | 14% |
| Restricted Net Assets | 17,114,189 | 6,157,500 | - | - | 17,114,189 | 6,157,500 | (84)% |
| Unrestricted Net Assets (Deficit) | (13,114,362) | (6,226,271) | 819,467 | 1,135,170 | (12,294,895) | (5,091,101) | (59)% |
| Total Net Assets | \$20,529,600 | 16,230,618 | \$1,844,900 | 4,824,957 | \$22,374,500 | 21,055,575 | (6)% |

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The following statement of activities represents changes in net assets for the year ended December 31, 2009. 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 | | Percentage Change |
|------------------------------------|-------------------------|---------------------|--------------------------|--------------------|--------------------------|---------------------|-------------------|
| | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | |
| Program Revenues: | | | | | | | |
| Charges for Services | \$4,627,667 | \$3,972,797 | \$443,672 | \$4,930,265 | \$5,071,359 | \$6,903,082 | (76)% |
| Operating Grants and Contributions | 4,430,108 | 4,054,029 | - | - | 4,430,108 | 4,054,029 | (8)% |
| Capital Grants and Contributions | - | 196,908 | - | - | - | 196,908 | 100% |
| General Revenues: | | | | | | | |
| Real Estate Taxes | 16,110,717 | 15,450,420 | - | - | 16,110,717 | 15,450,420 | (4)% |
| Earned Income Taxes | 5,146,237 | 5,286,331 | - | - | 5,146,237 | 5,286,331 | 3% |
| Per Capita Taxes | 196,983 | 139,781 | - | - | 196,983 | 139,781 | (28)% |
| Mercantile Taxes | 722,479 | 616,930 | - | - | 722,479 | 616,930 | (16)% |
| Mechanical Devices Taxes | 80,876 | 117,932 | - | - | 80,876 | 117,932 | 46% |
| Occupational / EMS Taxes | 760,497 | 846,936 | - | - | 760,497 | 846,936 | 11% |
| Amusement Taxes | 5,897 | 5,229 | - | - | 5,897 | 5,229 | (11)% |
| In Lieu of Taxes | 40,049 | 43,222 | - | - | 40,049 | 43,222 | 8% |
| Unrestricted Investment Earnings | 288,100 | 44,394 | 22,315 | 8,247 | 310,415 | 52,641 | (83)% |
| Transfers | 35,000 | 35,000 | (35,000) | (35,000) | - | - | 0% |
| Loss on Disposal of Fixed Asset | (9,866) | - | - | - | (9,866) | - | 100% |
| Miscellaneous | 167,584 | 511,345 | - | 72,251 | 167,584 | 583,596 | 248% |
| Total Revenues | 32,692,348 | 31,546,264 | 430,987 | 4,975,783 | 33,033,335 | 36,522,037 | 11% |
| Expenses: | | | | | | | |
| General Government | 3,401,337 | 3,137,900 | - | - | 3,401,337 | 3,137,900 | (8)% |
| Public Safety | 18,591,370 | 18,692,323 | - | - | 18,591,370 | 18,692,323 | 1% |
| Public Works Highways and Streets | 5,672,819 | 5,305,943 | - | - | 5,672,819 | 5,305,943 | (6)% |
| Community Development | 958,606 | 1,058,170 | - | - | 958,606 | 1,058,170 | 10% |
| Culture and Recreation | 670,886 | 666,598 | - | - | 670,886 | 666,598 | (1)% |
| Health and Welfare | 6,077,140 | 5,611,673 | - | - | 6,077,140 | 5,611,673 | (8)% |
| Interest on Long Term Debt | 543,137 | 1,265,270 | - | - | 543,137 | 1,265,270 | 133% |
| Sewer Fund | - | - | - | 4,594,718 | - | 4,594,718 | 100% |
| Water Fund | - | - | 502,484 | 528,617 | 502,484 | 528,617 | 5% |
| Total Expenses | 35,916,184 | 35,737,877 | 502,484 | 5,123,335 | 36,417,678 | 40,861,212 | 12% |
| Change in Net Assets | (3,312,846) | (4,416,623) | (71,497) | (147,552) | (3,384,343) | (4,564,175) | 35% |
| Net Assets - January 1 | 23,842,446 | 20,529,600 | 1,916,397 | 1,844,900 | 25,758,843 | 22,374,500 | (13)% |
| Equity Transfer (See Note 17) | - | 117,641 | - | 3,127,609 | - | 3,245,250 | 100% |
| Net Assets - December 31 | \$20,529,600 | \$18,230,618 | \$1,844,900 | \$4,824,957 | \$22,374,500 | \$21,055,575 | (8)% |

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 2009, real estate taxes brought in \$15,450,420 and earned income taxes brought in \$5,286,331.

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 | \$ 3,137,900 | \$ 1,277,779 |
| Public Safety | 18,692,323 | 16,745,916 |
| Public Works Highways and Streets | 5,305,943 | 3,881,325 |
| Community Development | 1,058,170 | (1,169,137) |
| Culture and Recreation | 666,598 | 574,171 |
| Health and Welfare | 5,611,673 | 4,938,819 |
| Interest on Long Term Debt | 1,265,270 | 1,265,270 |
| Sewer Fund | 3,842,640 | (573,802) |
| Water Fund | 528,617 | 14,774 |
| Total | \$ 40,109,134 | \$ 26,955,116 |

The Township relied on real estate taxes, earned income taxes and other general revenues to fund 67% of its governmental and business-type activities in 2009.

Capital Assets

The Township's investment in capital assets at December 31, 2009, net of accumulated depreciation, was \$27,869,827. Capital assets consist primarily of land, buildings and equipment. The following is a summary of capital assets at December 31, 2009:

Table A-6: Township of Bristol
Capital Assets

| | Governmental Activities | | Business-Type Activities | | Total | | Percent- age Change |
|-------------------------------------|-------------------------|---------------------|--------------------------|------------------|---------------------|-------------------|---------------------------|
| | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | |
| Land | \$ 1,463,980 | \$ 1,508,980 | \$ - | \$ 140,000 | \$ 1,463,980 | \$1,648,980 | 13% |
| Construction in Progress | 129,645 | 119,197 | - | 546,688 | 129,645 | 665,765 | 414% |
| Agricultural Easements | 431,125 | 431,125 | - | - | 431,125 | 431,125 | 0% |
| Buildings | 2,713,300 | 3,881,639 | - | 1,288,943 | 2,713,300 | 6,170,582 | 91% |
| Improvements | 791,060 | 791,060 | - | 5,870 | 791,060 | 787,030 | 1% |
| Equipment | 3,638,043 | 3,972,901 | 3,417 | 3,734,228 | 3,641,460 | 7,707,128 | 112% |
| Infrastructure | 53,338,918 | 53,702,368 | - | - | 53,338,918 | 53,702,368 | 1% |
| Water Lines | - | - | 2,601,518 | 2,601,519 | 2,601,519 | 2,601,519 | 0% |
| Tanks | - | - | - | 1,864,174 | - | 1,864,174 | 100% |
| Pump Stations | - | - | - | 1,056,207 | - | 1,056,207 | 100% |
| Collection System | - | - | - | 5,362,716 | - | 5,362,716 | 100% |
| Accumulated Depreciation | (37,661,937) | (40,462,230) | (1,579,503) | (12,863,538) | (39,241,440) | (53,325,768) | 36% |
| Total Net Capital Assets | \$24,844,134 | \$24,000,040 | \$1,025,433 | 3,836,787 | \$25,869,567 | 27,836,827 | 8% |

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, 2009, the TOWNSHIP had \$29,768,014 of debt outstanding, including general obligation bonds, compensated absences, capital leases and a liability for other postemployment benefits. Debt and other liabilities increased due to the Township's adoption of GASB 45 (Liability for Other Postemployment Benefits) and an increase in the liability for Compensated Absences. Detailed information 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, 2009.

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 | \$ 19,345,000 | \$ - | \$ 365,000 | \$ 18,980,000 |
| Compensated Absences | 1,903,095 | 302,475 | - | 2,205,570 |
| Capital Leases | 684,689 | - | 412,840 | 271,849 |
| Liability for Other Postemployment Benefits | 4,620,063 | 5,680,999 | 1,990,467 | 8,310,595 |
| Estimated Workers Compensation Claims | 180,875 | - | 180,875 | - |
| Total Long Term Debt | <u>\$26,733,722</u> | <u>\$5,983,474</u> | <u>\$2,949,182</u> | <u>\$29,768,014</u> |

The Township's long-term debt level is low. In 2009, due to the passage of time, the liability for Estimated Workers Compensation Claims is no longer required.

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 and mileage dedicated to Capital Projects. 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, 2008, and December 31, 2009, were as follows.

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

| | <u>2008</u> | <u>2009</u> | <u>Changes from 2008 to 2009</u> |
|---------------------------------------|---------------------|---------------------|--------------------------------------|
| <i>Revenues:</i> | | | |
| Taxes | \$22,309,458 | \$22,458,137 | \$ 148,679 |
| Licenses, fees and permits | 2,278,370 | 2,415,301 | 136,931 |
| Charges for services | 2,193,438 | 1,250,577 | (942,861) |
| Court costs, fines and forfeits | 285,871 | 286,656 | 785 |
| Intergovernmental | 4,332,787 | 4,258,428 | (74,359) |
| Interest | 288,100 | 44,394 | (243,706) |
| Other and Reimbursed Expenditures | 174,962 | 386,464 | 211,502 |
| <i>Other Financing Sources (Uses)</i> | | | |
| Operating transfers in | 144,528 | 270,076 | 125,548 |
| Bond proceeds | 11,430,000 | - | (11,430,000) |
| Proceeds from Capital Lease | 255,487 | - | (255,487) |
| | <u>\$43,693,001</u> | <u>\$31,370,033</u> | <u>\$ 12,322,968</u> |

Tax revenues increased from 2008 due to a slight millage increase. Licenses, Fees and Permits increased due to concentrated collection efforts. Charges for services decreases due to the Software conversion of the Sewer Fund and Sewer expenses are not directly allocated versus billed. Interest revenue is down due to the drastic decrease in bank interest rates.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

GOVERNMENTAL FUND EXPENDITURES

Governmental fund expenditures by function at December 31, 2008 and December 31, 2009 were as follows:

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

| | 2008 | 2009 | Changes from 2008 to 2009 |
|---------------------------------------|---------------------|---------------------|------------------------------|
| Expenditures: | | | |
| General government | \$ 3,383,910 | \$ 3,090,735 | \$ (293,175) |
| Public safety | 14,119,216 | 14,395,769 | 276,553 |
| Public works highways and safety | 4,338,323 | 3,986,704 | (351,619) |
| Community development | 958,606 | 1,058,170 | 99,664 |
| Health and welfare | 6,077,140 | 5,611,673 | (465,467) |
| Culture and recreation | 828,116 | 605,628 | (222,488) |
| Debt Service | | | |
| Principal | 974,892 | 777,840 | (197,052) |
| Interest | 445,580 | 1,133,390 | 687,810 |
| Capital Outlay | 391,196 | 373,603 | (17,593) |
| Other Financing Sources (Uses) | | | |
| Operating transfers out | 109,528 | 235,076 | 125,548 |
| Contribution to Pension Trust Fund | 11,180,029 | - | (11,180,029) |
| | <u>\$42,806,436</u> | <u>\$31,268,588</u> | <u>\$ (11,537,848)</u> |

Decreases in total expenditures in 2009 was mostly associated in a with the \$11,180,029 payment to the Police Pension fund. Other expenses decreased due to the Township's concentrated effort to reduce all expenses and implement a hiring freeze on all employee replacements.

GOVERNMENTAL FUND BALANCES

Ending Fund Balances for Governmental Fund and Net Assets for Proprietary Funds at December 31, 2009:

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

| <u>Fund</u> | <u>Governmental Funds</u> | <u>Proprietary Funds</u> |
|--------------------------|-------------------------------|------------------------------|
| General Fund | \$ 3,687,613 | \$ - |
| Refuse Fund | 562,013 | - |
| Street Lights Funds | 1,519,102 | - |
| Capital Reserve | 1,168,932 | - |
| Other Governmental Funds | 2,907,453 | - |
| Sewer Fund | - | 3,024,562 |
| Water Fund | - | 1,800,395 |
| | <u>\$ 9,845,113</u> | <u>\$4,824,957</u> |
| Total | | |

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

Total Revenues came in \$846,079 under projections due mostly to a decrease in Bank Interest, Local Services Taxes, Real Estate Transfer tax and the reduction of charges to the Sewer Fund as with the consolidation of the computer software programs Sewer expenses are now allocated instead of billed. Total Expenses came in \$1,914,041 under budget the Township's concentrated effort to reduce expenditures and a hiring freeze on all employee replacements.

Economic Conditions

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

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

Next Year's Budget

Due to the steady increase in operating costs, the Township was forced to increase Real Estate Taxes along with a use of reserves to balance the 2009 budget.

Township employees are represented by three labor unions and a total of six collective bargaining agreements that establish labor costs for all but 8 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 expired at the end of 2009. 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. These trends have been recognized and the Township is working diligently to make any changes necessary to meet its 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, 2009

| Assets | Governmental Activities | Business-Type Activities | Total |
|-------------------------------------------------|----------------------------|-----------------------------|----------------------|
| Cash and Cash Equivalents | \$ 9,351,010 | \$ 1,951,878 | \$ 11,302,888 |
| Receivables | | | |
| Accounts, net | 918,115 | 387,870 | 1,305,984 |
| Taxes | 2,394,951 | - | 2,394,951 |
| Due From External Parties | 45,888 | - | 45,888 |
| Due from Other Governments | 309,929 | - | 309,929 |
| Other Assets | 564,084 | 28,439 | 592,503 |
| Deferred Interest from Refunding | 82,878 | - | 82,878 |
| Pension Asset | 10,922,976 | - | 10,922,976 |
| Restricted Assets | | | |
| Cash and Cash Equivalents | 128,051 | 86,697 | 214,748 |
| Capital Assets, Not Being Depreciated | 1,628,177 | 686,688 | 2,314,745 |
| Capital Assets, Being Depreciated (Net) | 22,371,863 | 3,150,219 | 25,522,082 |
| Total Assets | \$ 48,717,679 | \$ 6,291,680 | \$ 55,009,359 |
| Liabilities | | | |
| Accounts Payable | \$ 1,090,383 | \$ 1,222,958 | \$ 2,313,341 |
| Accrued Liabilities | 68,097 | - | 68,097 |
| Accrued Interest Payable | 337,552 | - | 337,552 |
| Unearned Revenues | 1,096,984 | - | 1,096,984 |
| Escheat Liability | 128,051 | 6,852 | 133,703 |
| Escrow Deposits | - | 81,045 | 81,045 |
| Long Term Liabilities | | | |
| Due within one year | | | |
| General Obligation Debt | 525,000 | - | 525,000 |
| Notes Payable | - | 147,000 | 147,000 |
| Capital Lease | 200,726 | - | 200,726 |
| Due in more than one year | | | |
| General Obligation Debt | 18,455,000 | - | 18,455,000 |
| Capital Lease | 71,124 | - | 71,124 |
| Due to Bristol Township Sewer Department | - | - | - |
| Compensated Absences | 2,205,670 | 10,068 | 2,215,838 |
| Liability for other postemployment benefits | 8,310,595 | - | 8,310,595 |
| Total Liabilities | \$ 32,487,081 | \$ 1,466,723 | \$ 33,953,784 |
| Net Assets | | | |
| Invested in Capital Assets, Net of Related Debt | \$ 16,289,389 | \$ 3,689,787 | \$ 19,989,176 |
| Restricted for: | | | |
| Capital Projects | 1,400,808 | - | 1,400,808 |
| Debt Service | 648,273 | - | 648,273 |
| Program Purposes | 4,108,621 | - | 4,108,621 |
| Unrestricted (Deficit) | (8,226,271) | 1,135,170 | (5,091,101) |
| Total Net Assets | \$ 16,230,618 | \$ 4,824,957 | \$ 21,055,575 |

The accompanying notes are an integral part of the financial statements

BRISTOL TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | |
|--------------------------------------|----------------------|-------------------------|------------------------------------------|----------------------------------------|----------------------------------------------------|-----------------------------|------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | Total |
| | | | | | Governmental Activities | Business-type Activities | |
| Primary government | | | | | | | |
| Governmental activities: | | | | | | | |
| General Government | \$ 3,137,900 | \$ 1,652,414 | \$ 207,707 | \$ - | \$ (1,277,779) | \$ - | \$ (1,277,779) |
| Public Safety | 18,692,323 | 540,212 | 1,406,195 | - | (16,745,918) | - | (16,745,918) |
| Public Works Highways and Streets | 5,305,943 | 500 | 1,227,210 | 196,908 | (3,881,325) | - | (3,881,325) |
| Community Development | 1,058,170 | 1,222,912 | 1,004,395 | - | 1,169,137 | - | 1,169,137 |
| Culture and Recreation | 666,598 | 92,427 | - | - | (574,171) | - | (574,171) |
| Health and Welfare | 5,611,673 | 464,332 | 208,522 | - | (4,938,819) | - | (4,938,819) |
| Interest on long-term debt | 1,265,270 | - | - | - | (1,265,270) | - | (1,265,270) |
| Total governmental activities | 35,737,877 | 3,972,797 | 4,054,029 | 196,908 | (27,514,143) | - | (27,514,143) |
| Business-type activities: | | | | | | | |
| Sewer Fund | 3,842,640 | 4,251,972 | - | 164,470 | - | 573,802 | 573,802 |
| Water Fund | 528,517 | 513,643 | - | - | - | (14,774) | (14,774) |
| Total business-type activities | 4,371,257 | 4,765,615 | - | 164,470 | - | 559,028 | 559,028 |
| Total primary government | \$ 40,109,134 | \$ 8,738,612 | \$ 4,054,029 | \$ 361,378 | \$ (27,514,143) | \$ 559,028 | \$ (28,955,115) |
| General revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Real Estate Taxes | | | | 15,450,420 | - | - | 15,450,420 |
| Earned Income Taxes | | | | 5,286,331 | - | - | 5,286,331 |
| Per Capita Taxes | | | | 139,781 | - | - | 139,781 |
| Mercantile Taxes | | | | 616,930 | - | - | 616,930 |
| Mechanical Devices Taxes | | | | 117,932 | - | - | 117,932 |
| EMS Taxes | | | | 846,936 | - | - | 846,936 |
| Amusement Taxes | | | | 5,229 | - | - | 5,229 |
| In Lieu of Taxes | | | | 43,222 | - | - | 43,222 |
| Unrestricted Investment Earnings | | | | 44,394 | 8,247 | - | 52,641 |
| Transfers | | | | 35,000 | (35,000) | - | - |
| Lease Payment | | | | - | (527,078) | - | (527,078) |
| EPA Fine | | | | - | (225,000) | - | (225,000) |
| Miscellaneous | | | | 511,345 | 72,251 | - | 583,596 |
| Total general revenues and transfers | | | | 23,097,520 | (706,580) | - | 22,390,940 |
| Change in net assets | | | | (4,416,623) | (147,552) | - | (4,564,175) |
| Net assets - beginning | | | | 20,529,600 | 1,844,900 | - | 22,374,500 |
| Asset Transfer (See Note 17) | | | | 117,841 | - | - | 117,841 |
| Net assets - ending | | | | \$ 16,230,618 | \$ 4,824,957 | - | \$ 21,055,575 |

The accompanying notes are an integral part of the financial statements

BRISTOL TOWNSHIP
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2008

| | General | Street Light Fund | Capital Reserve Fund | Refuse Fund | Other Governmental Funds | Total Governmental Funds |
|--------------------------------------------|---------------------|-------------------------|----------------------------|---------------------|--------------------------------|--------------------------------|
| Assets | | | | | | |
| Cash and Cash Equivalents | \$ 2,407,123 | \$ 1,691,078 | \$ 1,222,116 | \$ 972,961 | \$ 3,157,743 | \$ 9,361,010 |
| Restricted Cash | 128,051 | - | - | - | - | 128,051 |
| Receivables | | | | | | |
| Accounts | 793,236 | - | - | 8,662 | 116,218 | 918,116 |
| Taxes | 1,676,411 | 43,813 | 43,346 | 460,833 | 181,648 | 2,394,951 |
| Due From Other Governments | 2,580 | - | - | - | 307,368 | 309,929 |
| Due from Other Funds | 163,380 | 1,819 | 1,823 | 18,347 | 42,689 | 217,938 |
| Other Assets | 180,013 | - | - | - | - | 180,013 |
| Total Assets | \$ 5,339,763 | \$ 1,636,710 | \$ 1,267,284 | \$ 1,450,793 | \$ 3,605,467 | \$ 13,500,007 |
| Liabilities and Fund Balances | | | | | | |
| Liabilities: | | | | | | |
| Accounts Payable | \$ 365,881 | \$ 73,785 | \$ 55,008 | \$ 428,386 | \$ 137,218 | \$ 1,080,383 |
| Accrued Liabilities | 68,087 | - | - | - | - | 68,087 |
| Deferred Revenues | 1,082,011 | 43,813 | 43,346 | 460,385 | 688,626 | 2,198,091 |
| Escrow Liability | 128,051 | - | - | - | - | 128,051 |
| Due to Other Funds | - | - | - | - | 172,272 | 172,272 |
| Total Liabilities | 1,652,140 | 117,608 | 98,352 | 888,780 | 898,014 | 3,054,894 |
| Fund Balances: | | | | | | |
| Reserved for: | | | | | | |
| Capital Projects | - | - | 1,168,932 | - | 231,874 | 1,400,808 |
| Debt Service | - | - | - | - | 645,273 | 645,273 |
| Program Purposes | - | 1,619,102 | - | 582,013 | 2,027,508 | 4,108,621 |
| Unreserved, reported in: | | | | | | |
| General Fund | 3,687,813 | - | - | - | - | 3,687,813 |
| Total Fund Balances (Deficit) | 3,687,813 | 1,619,102 | 1,168,932 | 582,013 | 2,907,453 | 9,845,113 |
| Total Liabilities and Fund Balances | \$ 5,339,763 | \$ 1,636,710 | \$ 1,267,284 | \$ 1,450,793 | \$ 3,605,467 | \$ 13,500,007 |

Bristol Township
 Reconciliation of Balance Sheet of the Governmental Funds
 to the Statements of Net Assets
 December 31, 2009

Total fund balances for governmental funds \$ 9,845,113

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 | 1,508,980 | |
| Construction in Progress | 119,197 | |
| Agricultural Basement, net of \$53,890 accumulated depreciation | 377,235 | |
| Buildings and improvements, net of \$3,434,003 accumulated depreciation | 1,238,696 | |
| Equipment, net of \$1,224,573 accumulated depreciation | 791,656 | |
| Leasehold Assets, net of \$930,834 accumulated depreciation | 1,025,838 | |
| Infrastructure, net of \$34,818,930 accumulated depreciation | 18,938,438 | |
| Total capital assets | | 24,000,040 |

The pension asset resulting from contributions in excess of the annual required contribution are not financial resources and therefore are not reported in the funds. 10,922,975

Revenue not available to pay for the current period's expenditures and therefore reported as deferred revenue in the funds: 1,101,127

Property taxes

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 | (337,552) | |
| Bonds payable | (18,980,000) | |
| Less Deferred interest from refunding | 82,878 | |
| Capital Leases | (271,849) | |
| Compensated absences | (2,205,570) | |
| Liability for other postemployment benefits | (8,310,595) | |
| Unamortized bond issuance costs and bond discounts | 384,051 | |
| Combined adjustment | | (29,638,637) |

Total net assets of governmental activities \$ 16,230,618

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

BRISTOL TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

| | General | Street Light Fund | Capital Reserve Fund | Refuse Fund | Other Governmental Funds | Total Governmental Funds |
|-----------------------------------------------------|---------------------|-------------------------|----------------------------|-------------------|--------------------------------|--------------------------------|
| Revenues | | | | | | |
| Taxes | \$ 13,088,918 | \$ 635,887 | \$ 698,493 | \$ 6,512,379 | \$ 2,724,860 | \$ 22,458,137 |
| Licenses, Fees and Permits | 2,410,730 | - | - | - | 4,571 | 2,415,301 |
| Charges for Service | 1,164,002 | 500 | - | 2,189 | 83,918 | 1,250,677 |
| Court Costs, Fines and Forfeits | 288,856 | - | - | - | - | 288,856 |
| Intergovernmental | 1,028,945 | - | - | 208,622 | 3,022,981 | 4,258,428 |
| Interest | 16,781 | 6,187 | 3,725 | 5,800 | 11,921 | 44,384 |
| Other and Reimbursed Expenditures | 318,470 | - | 12,000 | - | 55,884 | 386,464 |
| Total Revenues | 18,312,482 | 642,374 | 812,218 | 6,728,880 | 5,904,023 | 31,009,867 |
| Expenditures | | | | | | |
| Current: | | | | | | |
| General Government | 2,878,084 | - | - | - | 214,851 | 3,090,735 |
| Public Safety | 12,489,850 | - | - | - | 1,885,818 | 14,385,769 |
| Public Works Highways and Streets | 2,030,812 | 765,484 | - | - | 1,200,828 | 3,886,704 |
| Community Development | - | - | - | - | 1,058,170 | 1,058,170 |
| Health and Welfare | 365,636 | - | - | 6,258,137 | - | 6,611,673 |
| Culture and Recreation | - | - | - | - | 605,828 | 605,828 |
| Capital Outlay | - | - | 208,330 | - | 185,273 | 373,603 |
| Debt Service | | | | | | |
| Principal | 24,108 | - | - | - | 753,734 | 777,840 |
| Interest | 767,105 | - | - | - | 376,285 | 1,133,390 |
| Total Expenditures | 18,543,393 | 765,484 | 208,330 | 6,258,137 | 6,270,188 | 31,033,612 |
| Excess of Revenues Over (Under) Expenditures | (230,911) | (213,080) | 403,888 | 472,723 | (366,165) | 68,445 |
| Other Financing Sources (Uses): | | | | | | |
| Transfer In | 130,000 | - | - | - | 140,076 | 270,076 |
| Transfer Out | (140,076) | (40,000) | - | (55,000) | - | (235,076) |
| Total Other Financing Sources (Uses) | (10,076) | (40,000) | - | (55,000) | 140,076 | 35,000 |
| Net Change in Fund Balances | (240,987) | (253,080) | 403,888 | 417,723 | (226,089) | 101,445 |
| Fund Balances - beginning of year | 3,028,000 | 1,772,102 | 785,044 | 144,280 | 3,133,642 | 8,743,668 |
| Fund Balances - end of year | \$ 2,787,013 | \$ 1,519,022 | \$ 1,188,932 | \$ 562,003 | \$ 2,907,553 | \$ 8,845,113 |

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

Bristol Township
 Reconciliation of Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds to Statement of Activities
 For the Year Ended December 31, 2009

Net change in fund balances - total governmental funds \$ 101,445

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 | 750,510 | |
| Depreciation expense | (1,712,245) | |
| Net adjustment | | (961,735) |

Contributions in excess of the annual required contribution are reported as an other financing use in the governmental funds. However, in the statement of activities the expense is recorded and amortized as an asset. (376,146)

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

| | | |
|--------------------------------------------------|----------|---------|
| Principal repayments | 365,000 | |
| Capital lease payments | 412,840 | |
| Amortization of discount of bond issue | (2,025) | |
| Amortization of bond issuance costs | (17,412) | |
| Amortization of Deferred Interest from Refunding | (5,525) | |
| Net adjustment | | 752,878 |

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: (126,355)

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

| | | |
|-------|--|-------|
| Taxes | | 5,422 |
|-------|--|-------|

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:

| | | |
|--------------------------------------|-------------|-------------|
| Worker's compensation liability | 180,875 | |
| Compensated absences | (302,475) | |
| Other postemployment benefit expense | (3,690,532) | |
| Net adjustment | | (3,812,132) |

| | | |
|-------------------------------------------------|--|-----------------------|
| Change in net assets of governmental activities | | <u>\$ (4,416,623)</u> |
|-------------------------------------------------|--|-----------------------|

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

BRISTOL TOWNSHIP
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2009

| | <u>Business-type Activities - Proprietary Funds</u> | | |
|------------------------------------------|-----------------------------------------------------|-------------------|--------------|
| <u>Assets</u> | <u>Water Fund</u> | <u>Sewer Fund</u> | <u>Total</u> |
| Current Assets: | | | |
| Cash | \$ 1,144,075 | \$ 807,803 | \$ 1,951,878 |
| Accounts Receivables, Net | 48,551 | 339,328 | 387,879 |
| Prepaid and Other Assets | 2,289 | 28,150 | 28,439 |
| Total Current Assets | 1,194,915 | 1,173,281 | 2,368,196 |
| Non-Current Assets: | | | |
| Restricted Cash | - | 86,897 | 86,897 |
| Capital Assets, Not Being Depreciated | - | 686,588 | 686,588 |
| Capital Assets, Being Depreciated (Net) | 983,680 | 2,186,539 | 3,150,219 |
| Total Non-Current Assets | 983,680 | 2,959,804 | 3,923,484 |
| Total Assets | \$ 2,168,595 | \$ 4,133,085 | \$ 6,291,680 |
| <u>Liabilities</u> | | | |
| Current Liabilities: | | | |
| Accounts Payable | \$ 358,200 | \$ 864,758 | \$ 1,222,958 |
| Accrued Liabilities | - | 10,088 | 10,088 |
| Due to Other Funds | - | - | - |
| Note Payable - Current | - | 147,000 | 147,000 |
| Escheat Liability | - | 5,652 | 5,652 |
| Escrow Deposits | - | 81,045 | 81,045 |
| Total Liabilities | 358,200 | 1,108,523 | 1,466,723 |
| <u>Net Assets</u> | | | |
| Invested in Capital, Net of Related Debt | 983,680 | 2,726,107 | 3,689,787 |
| Unrestricted | 836,715 | 298,455 | 1,135,170 |
| Total Net Assets | \$ 1,800,395 | \$ 3,024,562 | \$ 4,824,957 |

The accompanying notes are an integral part of the financial statements

BRISTOL TOWNSHIP
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

| | <u>Business-type Activities Proprietary Funds</u> | | |
|--------------------------------------|---------------------------------------------------|---------------------|---------------------|
| | <u>Water Fund</u> | <u>Sewer Fund</u> | <u>Total</u> |
| Operating Revenues | | | |
| Charges for Services | \$ 513,843 | \$ 4,047,281 | \$ 4,561,124 |
| Penalties and Interest | - | 204,691 | 204,691 |
| Intergovernmental | - | 164,470 | 164,470 |
| Other | 1,160 | 71,101 | 72,251 |
| Total Operating Revenues | <u>514,893</u> | <u>4,487,643</u> | <u>5,002,536</u> |
| Operating Expenses | | | |
| Administration | 466,854 | 623,646 | 890,509 |
| Operating | - | 3,190,435 | 3,190,435 |
| Depreciation | 61,753 | 128,580 | 190,313 |
| Total Operating Expenses | <u>528,617</u> | <u>3,842,640</u> | <u>4,371,257</u> |
| Operating Gain / (Loss) | <u>(13,624)</u> | <u>644,903</u> | <u>631,279</u> |
| Nonoperating Revenues/Expenses: | | | |
| Interest | 4,119 | 4,128 | 8,247 |
| Lease Payment | - | (527,078) | (527,078) |
| EPA Fine Expense | - | (225,000) | (225,000) |
| Total Nonoperating Revenues/Expenses | <u>4,119</u> | <u>(747,950)</u> | <u>(743,831)</u> |
| Loss Before Operating Transfers | (9,505) | (103,047) | (112,552) |
| Operating Transfer Out | <u>(35,000)</u> | <u>-</u> | <u>(35,000)</u> |
| Change in Net Assets | (44,505) | (103,047) | (147,552) |
| Total Net Assets - Beginning of Year | 1,844,900 | - | 1,844,900 |
| Asset Transfer (See Note 17) | - | 3,127,609 | 3,127,609 |
| Total Net Assets - End of Year | <u>\$ 1,800,395</u> | <u>\$ 3,024,582</u> | <u>\$ 4,624,957</u> |

The accompanying notes are an integral part of the financial statements

BRISTOL TOWNSHIP
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2008

Page 23

| | <u>Business-type Activities - Proprietary Funds</u> | | |
|---------------------------------------------------------------------------------------------------------|-----------------------------------------------------|-------------------|---------------------|
| | <u>Water Fund</u> | <u>Sewer Fund</u> | <u>Total</u> |
| Cash Flows From Operating Activities | | | |
| Receipts from Customers and Users | \$ 498,081 | \$ 4,046,311 | \$ 4,544,392 |
| Receipts from Other Governments | - | 176,008 | 176,008 |
| Other Receipts | 3,160 | 71,101 | 74,261 |
| Payments to Suppliers and Operations | (398,020) | (3,286,381) | (3,684,381) |
| Payments to Employees for Salaries and Benefits | (67,381) | (618,883) | (686,264) |
| Internal Activity - Payments to (from) other funds | (124) | - | (124) |
| Net Cash Provided by Operating Activities | <u>33,728</u> | <u>487,084</u> | <u>520,780</u> |
| Cash Flow from Noncapital Financing Activities | | | |
| Lease Payment | - | (527,078) | (527,078) |
| Operating Transfers (Out) | (35,000) | - | (35,000) |
| Net Cash Used in Noncapital Financing Activities | <u>(35,000)</u> | <u>(527,078)</u> | <u>(562,078)</u> |
| Cash Flow from Capital and Related Financing Activities | | | |
| Purchase of Capital Assets | - | (588,102) | (588,102) |
| Net Cash Used in Capital and Related Financing Activities | <u>-</u> | <u>(588,102)</u> | <u>(588,102)</u> |
| Cash Flows from Investing Activities | | | |
| Interest | 4,118 | 4,128 | 8,247 |
| Net Cash Provided by Investing Activities | <u>4,118</u> | <u>4,128</u> | <u>8,247</u> |
| Net Change in Cash and Cash Equivalents | 2,845 | (624,888) | (622,043) |
| Cash and Cash Equivalents, Beginning of Year | 1,141,230 | 698,288 | 1,740,628 |
| Cash from Equity Transfer (See Note 1B) | - | 840,303 | 840,303 |
| Cash and Cash Equivalents, End of Year | <u>\$ 1,144,075</u> | <u>\$ 814,514</u> | <u>\$ 1,958,589</u> |
| Reconciliation of Operating Income/(Loss) to Net Cash Provided by/(Used in) Operating Activities | | | |
| Operating Income/(Loss) | \$ (13,624) | \$ 844,803 | \$ 631,278 |
| Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by Operating Activities | | | |
| Depreciation | 61,753 | 128,560 | 190,313 |
| Change in Assets and Liabilities | | | |
| Accounts Receivable | (17,762) | (266,740) | (273,602) |
| Due From Other Governments | - | 10,538 | 10,538 |
| Due From Bristol Township Authority | - | 50,078 | 50,078 |
| Prepaid and Other Assets | 2,000 | (28,160) | (24,160) |
| Accounts Payable | 1,483 | (81,068) | (79,585) |
| Escrow Deposits | - | 11,282 | 11,282 |
| Compensated Absences | - | 4,652 | 4,652 |
| Due To Other Funds | (124) | - | (124) |
| Net Cash Provided by Operating Activities | <u>\$ 33,728</u> | <u>\$ 487,084</u> | <u>\$ 520,780</u> |

The accompanying notes are an integral part of the financial statements

BRISTOL TOWNSHIP
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2009

| | Pension Trust <u>Fund</u> | Agency <u>Funds</u> | <u>Total</u> |
|---------------------------------------------|---------------------------------|------------------------|----------------------|
| Assets | | | |
| Cash and Cash Equivalents | \$ 635,628 | \$ 1,447,849 | \$ 2,083,477 |
| Investments | 34,394,088 | - | 34,394,088 |
| Accounts Receivable | 22,536 | - | 22,536 |
| Interest Receivable | 122,863 | - | 122,863 |
| Due from External Parties | - | - | - |
| Total Assets | \$ 35,174,993 | \$ 1,447,849 | \$ 36,622,842 |
| Liabilities | | | |
| Accrued Liabilities | \$ 20,020 | \$ 1,401,983 | \$ 1,422,003 |
| Due to External Parties | - | 45,866 | 45,866 |
| Total Liabilities | 20,020 | 1,447,849 | 1,467,869 |
| Net Assets | | | |
| Held In Trust for Employee Pension Benefits | \$ 35,164,973 | \$ - | \$ 35,164,973 |

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, 2009

| | <u>Pension Trust Fund</u> |
|-----------------------------------------------|-----------------------------------|
| Additions: | |
| Employer | \$ - |
| Employee | 307,778 |
| Commonwealth | 583,486 |
| Total Contributions | <u>891,274</u> |
| Investment Income | |
| Interest and Dividends | 1,097,931 |
| Net Appreciation in Fair Value of Investments | 6,379,716 |
| Total Investment Gain | 7,477,647 |
| Less: Investment Expense | <u>(83,516)</u> |
| Net Investment Gain | <u>7,394,131</u> |
| Total Additions | <u>8,285,405</u> |
| Deductions: | |
| Employee Benefits Paid | 2,454,623 |
| Members' Contributions Refunded | - |
| Administrative Expenses | - |
| Total Deductions | <u>2,454,623</u> |
| Net Increase | 5,830,782 |
| Net Assets Beginning of Year | <u>29,324,191</u> |
| Net Assets End of Year | <u>\$ 35,154,973</u> |

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF BRISTOL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

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

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

B) Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which direct expenses of a given function or segment are 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.

TOWNSHIP OF BRISTOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009

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

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.

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 90 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.

TOWNSHIP OF BRISTOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009

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

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

The Township reports the following major governmental funds:

- The General Fund is the primary government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Refuse Fund accounts for expenditures related to the collection and disposal of refuse.
- The Street Lights Fund accounts for expenditures related to the operation and maintenance of street lights.
- The Capital Reserve Fund is used to account for capital expenditures of the Township.

The Township reports the following major proprietary funds:

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

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 funds are proprietary funds. In the fund financial statements, the proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, the proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheet. The proprietary funds type operating statements present increases (revenues) and decreases (expenses) in total net assets.

TOWNSHIP OF BRISTOL
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2008

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

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

Proprietary funds operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

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

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 accounting guidance. 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.

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.

TOWNSHIP OF BRISTOL
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2009

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

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

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, 2009, the General Fund restricted cash balance of \$128,051 represents funds to be escheated to the state and the Sewer Fund restricted cash balance of \$86,697 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.

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.

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 | 5-40 |
| Equipment | 3-20 |
| Infrastructure | 40 |
| Water Lines | 40 |
| Sewer Collection Lines | 10-50 |

TOWNSHIP OF BRISTOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009

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

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

7. Allowance for Doubtful Accounts

Accounts receivable and taxes receivable for the governmental activities have been reported net of an allowance for doubtful accounts in the amount of \$344,421 and \$70,286 respectively. The Sewer Fund evaluates the collectability of individual receivables and, if necessary, records an allowance for doubtful accounts. At December 31, 2009, \$763,431 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.

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 and the Proprietary Funds statements. The computed liability is in compliance with GASB 16, *Accounting for Compensated Absences*.

9. Long-Term Obligations

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

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

10. Deferred/Unearned Revenues

Unearned revenues reported in government-wide financial statements will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Unearned revenues reported in governmental fund financial statements represent revenues which are measurable but not available and, in accordance with the modified accrual basis of accounting, are reported as deferred revenues. The Township deems revenues received within 90 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.

TOWNSHIP OF BRISTOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009

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

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

11. Net Assets/Fund Balances

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.

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.

TOWNSHIP OF BRISTOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009

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 2009 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, 2009

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. 52 "*Land and Other Real Estate Held as Investments by Endowments*". The adoption of this statement had no effect on previously reported amounts.

G) Pending Changes in Accounting Principles

In 2007, 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 June 2008, 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.

In March 2009, GASB issued Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*". The Township is required to adopt Statement No. 54 for its calendar year 2011 financial statements.

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

In December 2009, the GASB issued Statement No. 58 "*Accounting and Financial Reporting for Chapter 9 Bankruptcies*". The Township is required to adopt statement No. 58 for its calendar year 2010 financial statements.

The Township does not expect these new pronouncements to have an effect on the financial statements.

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.
- 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.

TOWNSHIP OF BRISTOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009

NOTE 2: DEPOSIT AND INVESTMENT RISK (CONTINUED)

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

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

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

Deposits

The Township's deposits including both restricted and unrestricted cash excluding the Pension Trust Fund at December 31, 2009 were as follows:

| | <u>Book Balance</u> | <u>Bank Balance</u> |
|--------------------|---------------------|---------------------|
| Governmental Funds | \$9,479,061 | \$10,323,703 |
| Proprietary Fund | 2,038,575 | 2,038,575 |
| Fiduciary Fund | 1,447,649 | 1,447,649 |
| | <u>\$12,965,285</u> | <u>\$13,809,927</u> |

Investments

The Township's investments at December 31, 2009 were as follows:

Pension Trust Fund

| | <u>Cost</u> | <u>Market Value</u> |
|---------------------------|----------------------|----------------------|
| Fixed Income Mutual Funds | \$ 10,498,988 | \$ 11,019,377 |
| Equities | 4,658,666 | 5,100,937 |
| Equity Mutual Funds | 13,869,231 | 18,273,754 |
| | <u>\$ 29,026,885</u> | <u>\$ 34,394,068</u> |

TOWNSHIP OF BRISTOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009

NOTE 2: DEPOSIT AND INVESTMENT RISK (CONTINUED)

As of December 31, 2009, 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 | \$11,019,377 | \$ - | \$ 9,096,898 | \$ 1,922,479 |
| | <u>\$11,019,377</u> | <u>\$ -</u> | <u>\$ 9,096,898</u> | <u>\$ 1,922,479</u> |

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

Credit Risk. At December 31, 2009, \$1,061,49 (10%), \$9,096,898 (83%), and \$861,010 (7%) of the Police Pension Plan fixed income mutual funds were rated AAA, AA and B, respectively by Standard & Poors and the Police Pension Plan money market funds recorded as cash and cash equivalents were unrated. The Township does not have a formal policy that limits investments to ratings issued by nationally recognized statistical rating organizations for the Police Pension Plan.

Concentration of Credit Risk. The Township does not have a formal policy that places a limit on the amount or percent that may be invested in any one issuer for the Pension Plan. At December 31, 2009, no investment of the Police Pension Plan represented 5% or more of total net assets.

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, 2009, \$13,559,927 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, 2009, none of the Township Police Pension Plan investments were exposed to custodial credit risk. The Township does not have a formal policy related to custodial credit risk for the Governmental Activities or the Pension Trust Fund.

TOWNSHIP OF BRISTOL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009

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 10.31% of the market value as determined by the Bucks County Board of Assessment. Real estate taxes levied for 2009 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during 2009 and expected to be collected within the first sixty (60) days of 2010 are recognized as revenue in 2008. 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 2009 was 13.205 mills for general purposes, 1.15 mills for recreation purposes, 2 mills for fire purposes, 2.4575 mills for debt purposes, .55 mills for rescue purposes, .125 mills for pension purposes, and 1.5 mills for capital projects on a total Township assessed valuation of \$420,668,490.

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009, was as follows:

Governmental Activities

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Asset Transfer (See note 17)</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|-----------------------------------------------------|------------------------------|---------------------|-------------------------------------------------|-------------------|---------------------------|
| Capital assets, not being depreciated | | | | | |
| Land | \$ 1,463,980 | \$ - | \$ 45,000 | \$ - | \$ 1,508,980 |
| Construction In Progress | 129,645 | 17,651 | - | (28,099) | 119,197 |
| Total Capital Assets, not being depreciated | 1,593,625 | 17,651 | 45,000 | (28,099) | 1,628,177 |
| Capital assets, being depreciated | | | | | |
| Agricultural Easements | 431,125 | - | - | - | 431,125 |
| Improvements | 791,060 | - | - | - | 791,060 |
| Buildings | 2,713,300 | 7,650 | 1,160,689 | - | 3,881,639 |
| Equipment | 1,681,371 | 334,858 | - | - | 2,016,229 |
| Leasehold Assets | 1,956,672 | - | - | - | 1,956,672 |
| Infrastructure | 53,338,918 | 418,450 | - | - | 53,702,368 |
| Total capital assets, being depreciated | 60,912,446 | 760,958 | 1,160,689 | - | 62,834,093 |
| Less accumulated depreciation for: | | | | | |
| Agricultural Easements | (43,112) | (10,778) | - | - | (53,890) |
| Improvements | (473,494) | (21,314) | - | - | (494,808) |
| Buildings | (1,800,698) | (50,449) | (1,088,048) | - | (2,939,195) |
| Equipment | (1,063,248) | (161,325) | - | - | (1,224,573) |
| Leasehold Assets | (653,118) | (277,716) | - | - | (930,834) |
| Infrastructure | (33,628,267) | (1,190,663) | - | - | (34,818,930) |
| Total accumulated depreciation | (37,661,937) | (1,712,245) | (1,088,048) | - | (40,462,230) |
| Total Capital Assets, being depreciated, net | 23,250,509 | (951,287) | 72,641 | - | 22,371,863 |
| Governmental Activities Capital Assets, net | \$24,844,134 | \$ (933,636) | \$ 117,641 | \$(28,099) | \$24,000,040 |

TOWNSHIP OF BRISTOL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009

NOTE 4: CAPITAL ASSETS (CONTINUED)

Business-Type Activities

| | Beginning Balance | Increases | Asset Transfer (See Note 17) | Decreases | Ending Balance |
|-----------------------------------------------------|----------------------|-------------------|------------------------------------|-------------|---------------------|
| Capital Assets, Not Being Depreciated: | | | | | |
| Land | \$ - | \$ - | \$ 140,000 | \$ - | \$ 140,000 |
| Construction in Progress | - | 546,568 | - | - | 546,568 |
| Total Capital Assets, Not being Depreciated | - | 546,568 | 140,000 | - | 686,568 |
| Capital Assets, Being Depreciated: | | | | | |
| Buildings | - | - | 1,288,943 | - | 1,288,943 |
| Tanks | - | - | 1,964,174 | - | 1,964,174 |
| Pump Stations | - | - | 1,056,207 | - | 1,056,207 |
| Land Improvements | 5,970 | - | - | - | 5,970 |
| Office Equipment | 103,480 | - | - | - | 103,480 |
| Vehicles | 97,825 | - | - | - | 97,825 |
| Equipment | 257,062 | 42,534 | 3,233,327 | - | 3,532,923 |
| Collection System | 397,276 | - | 4,965,440 | - | 5,362,716 |
| Water Lines | 2,601,519 | - | - | - | 2,601,519 |
| Total Capital Assets Being Depreciated | 3,463,132 | 42,534 | 12,508,091 | - | 16,013,757 |
| Less Accumulated Depreciation for: | | | | | |
| Buildings | - | - | (1,288,943) | - | (1,288,943) |
| Tanks | - | (15,158) | (1,367,209) | - | (1,382,367) |
| Pump Stations | - | (5,055) | (778,378) | - | (783,433) |
| Land Improvements | (2,787) | (1,194) | - | - | (3,981) |
| Office Equipment | (94,896) | (1,005) | - | - | (95,901) |
| Vehicles | (92,481) | (4,276) | - | - | (96,757) |
| Equipment | (88,353) | (46,611) | (2,955,318) | - | (3,090,282) |
| Collection System | (67,643) | (55,261) | (4,361,131) | - | (4,484,035) |
| Water Lines | (1,576,086) | (61,753) | - | - | (1,637,839) |
| Total Accumulated Depreciation | (1,922,246) | (190,313) | (10,750,979) | - | (12,863,538) |
| Total Capital Assets, Being Depreciated, Net | 1,540,886 | (147,779) | 1,757,112 | - | 3,150,219 |
| Total Capital Assets, Net | \$1,540,886 | \$ 398,789 | \$ 1,897,112 | \$ - | \$ 3,836,787 |

TOWNSHIP OF BRISTOL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009

NOTE 4: CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs as follows:

Governmental Activities

| | |
|-----------------------------------------------------|---------------------|
| General government | \$ 49,156 |
| Public safety | 243,740 |
| Public works highways and streets | 1,358,860 |
| Culture and recreation | <u>60,489</u> |
| Total Depreciation Expense, Governmental Activities | <u>\$ 1,712,245</u> |

Business-Type Activities

| | |
|------------------------------------------------------|-------------------|
| Water Fund | \$ 61,753 |
| Sewer Fund | <u>128,560</u> |
| Total Depreciation Expense, Business-Type Activities | <u>\$ 190,313</u> |

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, 2009, the date of the latest actuarial valuation:

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

All full-time police officers are required to participate in the plan. The plan provides for normal retirement at age 50 after 25 or more years of service or age 60 with 20 or more years of service. The amount of the pension benefit is 50% of the monthly average salary during the last thirty-six months of employment plus \$20 per month for every year's service in excess of 25 years up to a maximum additional benefit of \$100 per month. Benefits vest after 12 years of service. The plan provides survivor benefits of 50% or 100% if killed in service. Disability is provided for service injuries at 100% of annual rate of pay offset by workers'

TOWNSHIP OF BRISTOL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009

NOTE 6: EMPLOYEES RETIREMENT PLANS (CONTINUED)

A. Police Pension Trust Fund (Continued)

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.

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

Schedule of Funding Progress for the Bristol Township Police Pension Plan

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) - Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll (b-a)/c |
|--------------------------------|----------------------------------------|------------------------------------------------------------------|------------------------------------|--------------------------|---------------------------|----------------------------------------------------------|
| 1/1/05 | \$21,701,499 | \$31,809,345 | \$10,107,846 | 68.2% | \$4,704,883 | 214.9% |
| 1/1/07 | \$25,329,086 | \$34,870,323 | \$ 9,541,237 | 72.6% | \$5,062,559 | 188.5% |
| 1/1/09 | \$38,121,448 | \$42,174,232 | \$4,052,784 | 90.4% | 5,797,453 | 69.9% |

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, 2009. 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%

TOWNSHIP OF BRISTOL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009

NOTE 5: EMPLOYEES RETIREMENT PLANS (CONTINUED)

A. Police Pension Trust Fund (Continued)

per year net of investment expenses and (b) projected salary increases of 6% per year.

| Annual Pension Costs – Three-year Trend Information | | | |
|-----------------------------------------------------|-----------------------------|----------------------------------------------------------|---------------------------|
| <u>Year Ended</u> | <u>Annual Pension Costs</u> | <u>Percentage of Amount Of Pension Costs Contributed</u> | <u>Net Pension Assets</u> |
| December 31, 2009 | \$ 959,642 | 61% | \$ 10,992,975 |
| December 31, 2008 | \$ 499,322 | 124% | \$ 11,299,121 |
| December 31, 2007 | \$1,984,931 | 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, 2009 |
| Actuarial Cost Method: | Entry Age Normal |
| Asset Valuation Method: | 130% of Market Value |
| Amortization Method | Level Dollar |
| Remaining Amortization Period | 16 Years |
| Actuarial Assumptions: | |
| Investment Rate of Return | 8% |
| Projected Salary Increases | 6% |

During 2008, the Township issued federally taxable general obligation bonds to fully fund the unfunded actuarial accrued pension liability in the police pension plan. The Township's contribution resulted in a net pension asset in the police pension plan. At December 31, 2009, the Township's net pension asset was:

| | |
|---------------------------------------|-------------------------------|
| Annual required contribution (ARC) | \$ 543,501 |
| Interest on net pension asset | (903,930) |
| Adjustment to ARC | <u>1,320,071</u> |
| Annual pension cost (expense) | 959,642 |
| Contributions made | <u>(583,496)</u> |
| Decrease in net pension asset | 376,146 |
| Net pension asset - beginning of year | <u>(11,299,121)</u> |
| Net pension asset - end of year | <u><u>\$ (10,922,975)</u></u> |

TOWNSHIP OF BRISTOL
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2009

NOTE 5: EMPLOYEES RETIREMENT PLANS (CONTINUED)

A. Police Pension Trust Fund (Continued)

Contributions Required and Contributions Made

Act 205 of 1984, the Municipal Pension Plan Funding Standard and Recovery Act, initiated actuarial funding requirements for municipal pension plans. Under Act 205 provisions, a municipal budget must provide for the full payment of the minimum municipal obligation ("MMO") to each employee pension fund of the municipality. Act 189 of 1990 amended Act 205 and redefined the calculation used to determine the MMO to employee pension funds. The MMO is now defined as the total financial requirements to the pension fund, less funding adjustments and estimated contributions. The annual required contribution for the MMO to the Pension Trust Fund was \$543,501, which was funded by the Township through a State Aid amount of \$583,496. The contribution represented 10% of covered payroll. Employee contributions in 2009 totaled \$307,778 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, 2009 | \$ 543,501 | 107% |
| December 31, 2008 | \$ 499,322 | 124% |
| 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% |

B. Nonuniform Employees

The Township provides a defined contribution pension plan for eligible full-time nonuniformed employees of the Township. Members are permitted to contribute an amount up to 10% of their compensation to the Plan. The Township contributes on behalf of each member who was a participant on the last day of the plan year an amount equal to 1% above the member's contribution up to a maximum of 5%. Township and employee contributions to the plan were \$139,075 and \$143,201, respectively, during the year ended December 31, 2009.

C. 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 \$24,318 and \$32,872, respectively, during the year ended December 31, 2009.

TOWNSHIP OF BRISTOL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009

NOTE 6: DEFERRED COMPENSATION PLAN

The Township has established and administers a deferred compensation program (the "Program") in accordance with Internal Revenue Code Section 401(k) available to all full-time Township employees. Contributions to the Program are made from employee payroll deductions based on an election by the participant. Assets of the Program amounting to \$6,276,081 are not available to employees until termination, retirement, death or unforeseeable emergency. Investments are managed by the Program trustees under various investment options. The choice of the investment option is made by the participants. The Township is not responsible for any investment loss incurred in the Program or for the failure of any investment to earn a specific or expected return.

NOTE 7: COMPENSATED ABSENCES

Full-time employees earn vacation to be used by the end of the year or it is forfeited. Township police officers are entitled to accrue unlimited days of sick leave benefits and at termination or retirement, are entitled to payment for all unused sick time in an amount equal to the existing hourly rate. 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.

For employees of the Sewer Department, vacation time not taken at year end accrues and must be taken within the next nine months. If the employee terminates within the nine month period, accrued vacation is due to the employee. Employees may accrue up to 150 days of sick leave and will be paid 50% of the accrued sick leave at time of termination up to a maximum of \$5,000 if the employee has 10 years of service and a maximum of \$7,500 if the employee has 20 years of service.

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

TOWNSHIP OF BRISTOL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009

NOTE 8: LONG-TERM DEBT

Other liabilities are generally liquidated by the General Fund and the Debt Service Fund.
A summary of changes in long-term debt obligations at December 31, 2009:

| | <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 | \$19,345,000 | \$ - | \$ (365,000) | \$18,980,000 | \$ 525,000 |
| Total bonds payable | 19,345,000 | - | (365,000) | 18,980,000 | 525,000 |
| <u>Other Liabilities:</u> | | | | | |
| Compensated absences | 1,903,095 | 302,475 | - | 2,205,570 | - |
| Capital leases | 684,689 | - | (412,840) | 271,849 | 200,725 |
| Liability for other postemployment benefits | 4,620,063 | 5,680,999 | (1,990,467) | 8,310,595 | - |
| Estimated workers compensation claims | 180,875 | - | (180,875) | - | - |
| Total Other liabilities | 7,388,722 | 5,983,474 | (2,584,182) | 10,788,014 | 200,725 |
| Governmental Activities Long-Term Liabilities | \$26,733,722 | \$ 5,983,474 | \$ (2,949,182) | \$29,768,014 | \$ 725,725 |
| <u>Business-Type Activities:</u> | | | | | |
| Note payable | \$147,000 | \$ - | \$ - | \$ 147,000 | \$ 147,000 |
| Total note payable | 147,000 | - | - | 147,000 | 147,000 |
| <u>Other Liabilities:</u> | | | | | |
| Compensated absences | 14,720 | - | (4,652) | 10,068 | - |
| Total Other liabilities | 14,720 | - | (4,652) | 10,068 | - |
| Business-Type Activities Long-Term Liabilities | \$161,720 | \$ - | \$ (4,652) | \$ 157,068 | \$ 147,000 |

TOWNSHIP OF BRISTOL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009

NOTE 8: LONG-TERM DEBT (CONTINUED)

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

| Years Ended December 31: | Principal Requirements | Interest Requirements | Total Debt Service Requirements |
|--------------------------|---------------------------|--------------------------|---------------------------------------|
| 2010 | \$ 625,000 | \$ 1,109,720 | \$ 1,634,720 |
| 2011 | 550,000 | 1,089,695 | 1,639,695 |
| 2012 | 585,000 | 1,067,895 | 1,632,895 |
| 2013 | 590,000 | 1,044,893 | 1,634,893 |
| 2014 | 615,000 | 1,019,805 | 1,634,805 |
| 2015-2019 | 3,530,000 | 4,642,586 | 8,172,586 |
| 2020-2024 | 4,555,000 | 3,631,900 | 8,186,900 |
| 2025-2029 | 2,040,000 | 2,592,387 | 4,632,387 |
| 2030-2034 | 2,875,000 | 1,765,335 | 4,640,335 |
| 2035-2038 | 3,135,000 | 579,507 | 3,714,507 |
| | <u>\$ 18,980,000</u> | <u>\$ 18,543,723</u> | <u>\$ 37,523,723</u> |

The following is a summary of general obligation debt outstanding:

| Year | Amount of Original Issue | Purpose | Balance Outstanding December 31, 2008 |
|------|--------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|
| 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. | \$ 7,550,000 |
| 2008 | \$ 11,430,000 | Federally Taxable General Obligation Bonds, Series 2008 – General obligation bonds with interest semiannually through September 15, 2038; interest rates range from 4.85% to 7.15%; principal payments due annually through September 15, 2038, for the funding of the Township's unfunded actuarial accrued liability in its Uniformed Pension Plan. | \$ 11,430,000 |
| | Total | | <u>\$ 18,980,000</u> |

TOWNSHIP OF BRISTOL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009

NOTE 9: OBLIGATION UNDER CAPITAL LEASE

Obligation under capital lease consists of the following leases payable:

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

5 2008 Chevy Impalas in the amount of \$265,487 for the Police Department bearing an interest rate of 5.45% expiring in July of 2010.

The assets acquired through capital leases are as follows:

| | |
|--------------------------------|--------------------|
| Asset: | |
| Equipment | \$1,956,672 |
| Less: Accumulated Depreciation | <u>(930,834)</u> |
| Total | <u>\$1,025,838</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, 2009:

| | |
|---------------------------------------------------|------------------|
| Total Minimum Lease Payments | \$286,062 |
| Less: Amount Representing Interest | <u>(14,213)</u> |
| Total Present Value of Net Minimum Lease Payments | 271,849 |
| Less: Amounts Due within One Year | <u>(200,725)</u> |
| Long Term Capital Lease Payable | <u>\$ 71,124</u> |

Future minimum capital lease payments as of December 31, 2009:

| | |
|-------------------------------------|-------------------|
| 2010 | \$ 200,725 |
| 2011 | <u>71,124</u> |
| Total Future Minimum Lease Payments | <u>\$ 271,849</u> |

TOWNSHIP OF BRISTOL
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2009

NOTE 10: INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances consist of the following at December 31, 2009:

| Governmental Funds: | <u>Due From Other Funds</u> | <u>Due to Other Funds</u> |
|------------------------------------------|---------------------------------|-------------------------------|
| General Fund | \$ 153,360 | \$ - |
| Street Lights Fund | 1,819 | - |
| Capital Reserve Fund | 1,823 | - |
| Refuse Fund | 18,347 | - |
| Other Governmental Funds | <u>42,589</u> | <u>172,272</u> |
| Total Governmental Funds | <u>217,938</u> | <u>172,272</u> |
| Fiduciary Funds | | |
| Agency Funds | <u>-</u> | <u>45,666</u> |
| Total Fiduciary Funds | <u>-</u> | <u>45,666</u> |
| Total Interfund Receivables and Payables | <u>\$ 217,938</u> | <u>\$ 217,938</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 11: INTERFUND OPERATING TRANSFERS

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

| Governmental Funds: | <u>Transfers In</u> | <u>Transfers Out</u> |
|-------------------------------------|---------------------|----------------------|
| General Fund | \$ 130,000 | \$ 140,076 |
| Street Lights Fund | - | 40,000 |
| Refuse Fund | - | 55,000 |
| Other Governmental Funds | <u>140,076</u> | <u>-</u> |
| Total Governmental Funds | <u>270,076</u> | <u>235,076</u> |
| Proprietary Fund | | |
| Water Fund | <u>-</u> | <u>35,000</u> |
| Total Proprietary Funds | <u>-</u> | <u>35,000</u> |
| Total Interfund Operating Transfers | <u>\$ 270,076</u> | <u>\$ 270,076</u> |

TOWNSHIP OF BRISTOL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009

NOTE 12: INTERAUTHORITY TREATMENT SERVICES

The Township has separate agreements with four other municipal authorities which provide for the treatment by these authorities of a portion of the wastewater collected by the Township. These agreements expire between 2004 and 2012. For the year ended December 31, 2009, the Township's expense for treatment services under these agreements was \$1,661,322.

NOTE 13: RISK MANAGEMENT

The Township maintains an insurance policy ("Policy") for workers' compensation insurance. Insurance premiums are developed based on employee job descriptions, rate factors, and payroll costs for the year. The Policy has an audit performed each year and the Township may be required to pay any additional premium as a result of the audit, or the Township may be entitled to a refund as a result of the audit. For the year ended December 31, 2009, the Township paid insurance premiums of \$723,683. The Township was required to pay an additional premium of \$33,019 as a result of an audit in 2009.

NOTE 14: RESERVED/RESTRICTED FUND BALANCES/NET ASSETS

The reservations/restrictions of fund balance/net assets included in the government-wide and 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/restrictions are included in the government-wide and fund financial statements:

Governmental Activities/Governmental FundsStreet Lights Fund

| | |
|------------------------------------------------------------|---------------------|
| <u>Program Purposes</u> | <u>\$ 1,519,102</u> |
| Reserved for future payments of the street lights program. | |

Refuse Fund

| | |
|-----------------------------------------------------|-------------------|
| <u>Program Purposes</u> | <u>\$ 562,013</u> |
| Reserved for future payments of the refuse program. | |

Capital Reserve Fund

| | |
|-------------------------------------------------------|---------------------|
| <i>Reserved for construction on capital projects.</i> | <u>\$ 1,168,932</u> |
|-------------------------------------------------------|---------------------|

Other Governmental FundsCapital Project Funds

| | |
|-------------------------------------------------------|-------------------|
| <i>Reserved for construction on capital projects.</i> | <u>\$ 231,674</u> |
|-------------------------------------------------------|-------------------|

Debt Service Funds

| | |
|---------------------------------------------------------------|-------------------|
| <i>Reserved for payment of principle and interest on debt</i> | <u>\$ 648,273</u> |
|---------------------------------------------------------------|-------------------|

Program Purposes

| | |
|-------------------------------------------------------------------------------------|---------------------|
| <i>Reserved for future payments of the programs these funds are restricted for.</i> | <u>\$ 2,027,506</u> |
|-------------------------------------------------------------------------------------|---------------------|

Fiduciary FundsPolice Retirement Trust Fund

| | |
|----------------------------------------------------------------------------------------|---------------------|
| <i>This reserve represents amounts restricted for the payment of pension benefits.</i> | <u>\$35,154,973</u> |
|----------------------------------------------------------------------------------------|---------------------|

TOWNSHIP OF BRISTOL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009

NOTE 15: POST-EMPLOYMENT BENEFIT PLAN

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

Funding Policy. The contribution requirements of the Township are established and may be amended by the establishment of a new Agreement between Bristol Township and the Bristol Township Police Benevolent Association. The Plan does not require any contributions from Plan members. The Township funds the Plan on a pay-as-you-go basis. For 2009, the Township contributed \$1,990,467 to the plan for current premiums.

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

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

| <u>Fiscal Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|----------------------------------|-----------------------------|-----------------------------------------------------------|------------------------------------|
| 12/31/08 | \$ 5,612,779 | 16.19% | \$ 4,620,063 |
| 12/31/09 | \$ 6,680,999 | 35.04% | \$ 8,310,595 |

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

TOWNSHIP OF BRISTOL
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2009

NOTE 15 POST-EMPLOYMENT BENEFIT PLAN (CONTINUED)

The following table shows the components of the Township's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Township's net OPEB obligation to the Plan:

| | Governmental Activities | Total Primary Government |
|-----------------------------------------|----------------------------|-----------------------------|
| Annual required contribution (ARC) | \$ 5,759,134 | \$ 5,759,134 |
| Interest on net OPEB obligation | 165,542 | 165,542 |
| Adjustment to ARC | <u>(243,677)</u> | <u>(243,677)</u> |
| Annual OPEB costs (expense) | 5,680,999 | 5,680,999 |
| Contributions made | <u>(1,990,467)</u> | <u>(1,990,467)</u> |
| Increase in net OPEB obligation | 3,690,532 | 3,690,532 |
| Net OPEB obligation - beginning of year | <u>4,620,063</u> | <u>4,620,063</u> |
| Net OPEB obligation - end of year | <u>\$ 8,310,595</u> | <u>\$ 8,310,595</u> |

Funded Status and Funding Progress. As of January 1, 2008, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$60,470,991 and there were no assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$60,470,991. The covered payroll (annual payroll of active employees covered by the plan) was \$4.8 million, and the ratio of the UAAL to the covered payroll was 1249.9%.

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

TOWNSHIP OF BRISTOL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009

NOTE 15 POST-EMPLOYMENT BENEFIT PLAN (CONTINUED)

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

In the January 1, 2008 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return, which is the expected long-term investment yield on the investments that are expected to be used to finance the payments of benefits, a salary increase of 6% per year, a health care cost trend rate of 12% initially, reduced by 0.5% per year to an ultimate rate of 5% in 2022 and later years. The actuarial assumptions also include a vision cost trend rate increase of 5.0% per year. The actuarial valuation assumes 100% participant election and 80% of retiring member's spouses will elect coverage under the plan. The UAAL is being amortized using the level dollar method over a period of 30 years on a closed basis.

NOTE 16: 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, 2009.

The Department has received a Consent Decree from the Environmental Protection Agency ("EPA") pertaining to the operations and record keeping at the Sewage Plant regarding alleged violations of State and Federal regulations. At December 31, 2009, the Township recorded a liability of \$225,000 in accounts payable in the Sewer Fund for the violation.

TOWNSHIP OF BRISTOL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009

NOTE 17: ASSET TRANSFERS

The following asset transfers occurred between the Township and its Component Units (Bristol Township Sewer Authority and Bristol Township Sewer Department) during 2009. The Bristol Township Authority was officially dissolved as of July 20, 2009 and its remaining assets were transferred to the Township. The net book value of the Township Building of \$117,641 was transferred to the Governmental Activities. The net book value of the sewer plant, collection systems, etc. of \$1,846,750 and \$840,303 of unspent cash was transferred to the Township's Sewer Fund. As of January 1, 2009, the Sewer Department was established as a separate enterprise fund in the Township's Financial Statements. This resulted in a net asset transfer of \$440,556.

| | <u>Governmental Activities</u> | <u>Business Type Activities</u> | <u>Component Units</u> |
|---------------------------------------------------------------|------------------------------------|-------------------------------------|------------------------|
| Net Assets beginning of year as as previously stated | \$ 20,529,600 | \$ 1,844,900 | \$ 3,011,226 |
| Authority activity for the period 4/1/08 thru 7/20/09 | - | - | 817,130 |
| Sewer Department activity for the period 4/1/08 - 12/31/08 | - | - | (583,106) |
| Asset Transfer | <u>117,641</u> | <u>3,127,609</u> | <u>(3,245,250)</u> |
| Net Assets beginning of year | <u>\$ 20,647,241</u> | <u>\$ 4,972,509</u> | <u>\$ -</u> |

NOTE 18: SUBSEQUENT EVENTS

In February 2010, the Township issued General Obligation Bonds, Series of 2010 for \$9,920,000. The proceeds will be used to currently refund the Township's General Obligation Bonds, Series of 2004, to fund certain capital projects including without limitation improvements and repairs to the pump stations and sewer system, and to pay the costs of issuing and insuring the bonds.

In February 2010, the Township passed ordinance 2010-04 approving and securing \$9,000,000 in funding for the purpose of funding capital projects and improvements to the Sewer Treatment Plant with the Pennsylvania Infrastructure Investment Authority.

REQUIRED
SUPPLEMENTAL

BRISTOL TOWNSHIP
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT) - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2009

| | Budget Amounts | | Actual Amounts | Variance with Final Budget |
|----------------------------------------------|---------------------|---------------------|---------------------|-------------------------------|
| | Original | Final | | Positive (Negative) |
| Revenues | | | | |
| Taxes | \$ 13,694,389 | \$ 13,694,389 | \$ 13,088,918 | \$ (605,471) |
| Licenses, Fees and Permits | 2,241,300 | 2,241,300 | 2,410,730 | 169,430 |
| Charges for Service | 1,780,568 | 1,780,568 | 1,184,002 | (616,554) |
| Court Costs, Fines and Forfeits | 300,000 | 300,000 | 286,656 | (13,344) |
| Intergovernmental | 907,316 | 907,316 | 1,026,945 | 119,629 |
| Interest | 225,000 | 225,000 | 18,781 | (206,239) |
| Miscellaneous | 110,000 | 110,000 | 318,470 | 208,470 |
| Total Revenues | 19,168,561 | 19,168,561 | 18,312,482 | (848,079) |
| Expenditures | | | | |
| Current: | | | | |
| General Government | 3,405,576 | 3,405,576 | 2,876,084 | 529,492 |
| Public Safety | 13,803,730 | 13,803,730 | 12,499,950 | 1,303,780 |
| Public Works Highways and Streets | 2,422,678 | 2,422,678 | 2,030,612 | 392,066 |
| Health and Welfare | 825,450 | 825,450 | 355,538 | 469,914 |
| Debt Service | | | | |
| Principal | - | - | 24,108 | (24,108) |
| Interest | - | - | 767,105 | (767,105) |
| Total Expenditures | 20,467,434 | 20,457,434 | 18,543,383 | 1,914,041 |
| Excess of Revenues Under Expenditures | (1,298,873) | (1,298,873) | (230,911) | 1,067,962 |
| Other Financing Sources (Uses): | | | | |
| Operating Transfers In | 130,000 | 130,000 | 130,000 | - |
| Operating Transfers Out | (140,000) | (140,000) | (140,076) | (76) |
| Total Other Financing (Uses) | (10,000) | (10,000) | (10,076) | (76) |
| Net Change in Fund Balances | (1,308,873) | (1,308,873) | (240,987) | 1,067,885 |
| Fund Balances Beginning of Year | 1,173,124 | 1,173,124 | 3,928,600 | 2,755,476 |
| Fund Balances (Deficit) End of Year | \$ (135,749) | \$ (135,749) | \$ 3,887,613 | \$ 3,823,362 |

BRISTOL TOWNSHIP
REFUSE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2009

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---------------------------------------------|------------------|------------------|-------------------|---------------------------------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 5,128,487 | \$ 5,128,487 | \$ 5,512,379 | \$ 385,892 |
| Charges for Service | 84,000 | 84,000 | 2,159 | (81,841) |
| Intergovernmental | 120,000 | 120,000 | 208,522 | 88,522 |
| Interest | 5,000 | 5,000 | 6,800 | 800 |
| Total Revenues | 5,335,487 | 5,335,487 | 5,728,660 | 393,373 |
| Expenditures | | | | |
| Current: | | | | |
| Health and Welfare | 5,280,487 | 5,280,487 | 5,266,137 | 24,350 |
| Total Expenditures | 5,280,487 | 5,280,487 | 5,266,137 | 24,350 |
| Excess of Revenues Over Expenditures | 55,000 | 55,000 | 472,723 | 417,723 |
| Other Financing (Uses): | | | | |
| Operating Transfers Out | (55,000) | (55,000) | (55,000) | - |
| Total Other Financing (Uses) | (55,000) | (55,000) | (55,000) | - |
| Net Change in Fund Balances | - | - | 417,723 | 417,723 |
| Fund Balances Beginning of Year | - | - | 144,290 | 144,290 |
| Fund Balances End of Year | \$ - | \$ - | \$ 562,013 | \$ 562,013 |

BRISTOL TOWNSHIP
STREET LIGHTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2009

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|----------------------------------------------|------------------|------------------|---------------------|---------------------------------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 503,842 | \$ 503,842 | \$ 535,887 | \$ 31,845 |
| Charges for Service | 3,000 | 3,000 | 500 | (2,500) |
| Intergovernmental | - | - | - | - |
| Interest | 30,000 | 30,000 | 6,187 | (23,813) |
| Miscellaneous | - | - | - | - |
| Total Revenues | 538,842 | 538,842 | 542,374 | 5,532 |
| Expenditures | | | | |
| Current: | | | | |
| Public Works Highways and Streets | 828,000 | 828,000 | 755,484 | 73,538 |
| Total Expenditures | 828,000 | 828,000 | 755,484 | 73,538 |
| Excess of Revenues Under Expenditures | (282,158) | (282,158) | (213,090) | 79,068 |
| Other Financing Sources (Uses): | | | | |
| Operating Transfers In | 332,158 | 332,158 | - | (332,158) |
| Operating Transfers Out | (40,000) | (40,000) | (40,000) | - |
| Total Other Financing (Uses) | 292,158 | 292,158 | (40,000) | (332,158) |
| Net Change in Fund Balances | - | - | (253,090) | (253,090) |
| Fund Balances Beginning of Year | - | - | 1,772,192 | 1,772,192 |
| Fund Balances End of Year | \$ - | \$ - | \$ 1,519,102 | \$ 1,519,102 |

TOWNSHIP OF BRISTOL
BUCKS COUNTY, PENNSYLVANIA
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010

TOWNSHIP OF BRISTOL
YEAR ENDED DECEMBER 31, 2010

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Zelenkofske Axelrod LLC

INDEPENDENT AUDITORS' REPORT

Township Council
Bristol Township
Bristol, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Bristol as of and for the year ended December 31, 2010, which collectively comprise the Township of Bristol's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Bristol's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Bristol as of December 31, 2010, 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. 51, "*Accounting and Financial Reporting for Intangible Assets*," Statement No. 53, "*Accounting and Financial Reporting for Derivative Instruments*," and Statement No. 58, "*Accounting and Financial Reporting for Chapter 9 Bankruptcies*."

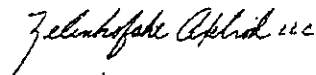
In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2011, on our consideration of the Township of Bristol's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements 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.

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

Zelenkofske Axelrod LLC

Township Council
Bristol Township
Page 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bristol Township's basic financial statements as a whole. The management's discussion and analysis on pages 3 through 14, budgetary comparison information on pages 53 through 55, and the schedule of funding progress for postemployment benefits other than pensions on page 56 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The management's discussion and analysis, budgetary comparison and schedule of funding progress for postemployment benefits are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The management's discussion and analysis, budgetary comparison and schedule of funding progress for postemployment benefits have not been subjected to auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



ZELENKOFSCHE AXELROD LLC

Jamison, Pennsylvania
May 5, 2011

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, 2010.

FINANCIAL HIGHLIGHTS

- The Township total net assets decreased by \$3,563,275 in 2010.
- The General Fund Unreserved Fund Balance at the end of 2010 was \$3,767,740.

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.

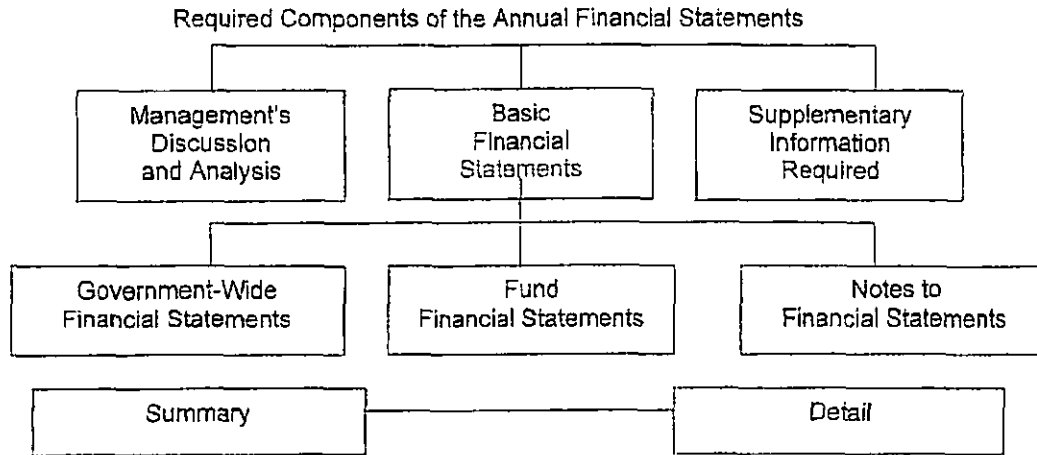
The basic financial statements present two different views of the TOWNSHIP.

- *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 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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

- Depreciate capital assets and allocate the depreciation to the proper program/activities
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting
- Allocate net asset balances as follows:
 - o Net assets invested in capital assets, net of related debt
 - o 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
 - o 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 \$57,641,157 at December 31, 2010. Of this amount, \$28,717,166 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 |
|----------------------------------------------------|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|-------------------------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | |
| Capital Assets | \$ 24,498,853 | \$ 24,000,040 | \$ 4,218,313 | \$ 3,836,787 | \$ 28,717,166 | \$ 27,836,827 | 3% |
| Other Assets | 24,417,158 | 24,717,639 | 4,506,833 | 2,454,893 | 28,923,991 | 27,172,532 | 6% |
| Total Assets | 48,916,011 | 48,717,679 | 8,725,146 | 6,291,680 | 57,641,157 | 55,009,359 | 5% |
| Other Liabilities | 3,065,976 | 2,719,047 | 1,261,630 | 1,309,655 | 4,327,606 | 4,028,702 | 7% |
| Long-Term Liabilities | 33,825,984 | 29,768,014 | 1,995,267 | 157,068 | 35,821,251 | 29,925,082 | 20% |
| Total Liabilities | 36,891,960 | 32,487,061 | 3,256,897 | 1,466,723 | 40,148,857 | 33,953,784 | 18% |
| Net Assets: | | | | | | | |
| Invested in Capital Assets, Net of Related Debt | 24,054,302 | 16,299,389 | 4,218,313 | 3,689,787 | 28,272,615 | 19,989,176 | 41% |
| Restricted Net Assets | 13,573,257 | 6,157,500 | 2,055,477 | - | 15,628,734 | 6,157,500 | 154% |
| Unrestricted Net Assets (Deficit) | (25,603,508) | (6,226,271) | (805,541) | 1,135,170 | (26,409,049) | (5,091,101) | 419% |
| Total Net Assets | \$ 12,024,051 | \$ 16,230,618 | \$ 5,468,249 | \$ 4,824,957 | \$ 17,492,300 | \$ 21,055,575 | -17% |

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The following statement of activities represents changes in net assets for the year ended December 31, 2010. 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 | | Percentage Change |
|------------------------------------|-------------------------|----------------------|--------------------------|---------------------|--------------------------|----------------------|----------------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | |
| Program Revenues: | | | | | | | |
| Charges for Services | \$ 3,964,526 | \$ 3,972,797 | \$ 5,217,442 | \$ 4,930,285 | \$ 9,181,968 | \$ 8,903,082 | 3% |
| Operating Grants and Contributions | 5,224,834 | 4,054,029 | - | - | 5,224,834 | 4,054,029 | 29% |
| Capital Grants and Contributions | 775,287 | 196,908 | - | - | 775,287 | 196,908 | 294% |
| General Revenues: | | | | | | | |
| Real Estate Taxes | 16,498,882 | 15,450,420 | - | - | 16,498,882 | 15,450,420 | 7% |
| Earned Income Taxes | 5,205,907 | 5,286,331 | - | - | 5,205,907 | 5,286,331 | -2% |
| Per Capita Taxes | 123,097 | 139,781 | - | - | 123,097 | 139,781 | -12% |
| Mercantile Taxes | 454,374 | 616,930 | - | - | 454,374 | 616,930 | -26% |
| Mechanical Devices Taxes | 70,327 | 117,932 | - | - | 70,327 | 117,932 | -40% |
| Occupational/EMS Taxes | 745,454 | 846,936 | - | - | 745,454 | 846,936 | -12% |
| Amusement Taxes | 4,050 | 5,229 | - | - | 4,050 | 5,229 | -23% |
| In Lieu of Taxes | 43,403 | 43,222 | - | - | 43,403 | 43,222 | 0% |
| Unrestricted | | | | | | | |
| Investment Earnings | 30,052 | 44,394 | (59,828) | 8,247 | (29,776) | 52,641 | -157% |
| Transfers | 70,000 | 35,000 | (70,000) | (35,000) | - | - | 100% |
| Loss on Disposal of Fixed Assets | - | - | - | - | - | - | 100% |
| Miscellaneous | 306,042 | 511,345 | 52,035 | 72,251 | 358,077 | 583,596 | -39% |
| Total Revenues | 33,516,235 | 31,321,254 | 5,139,649 | 4,975,783 | 38,655,884 | 36,297,037 | 6% |
| Expenses: | | | | | | | |
| General Government | 2,596,606 | 3,137,900 | - | - | 2,596,606 | 3,137,900 | -17% |
| Public Safety | 20,420,188 | 18,692,323 | - | - | 20,420,188 | 18,692,323 | 9% |
| Public Works Highways and Streets | 5,862,533 | 5,305,943 | - | - | 5,862,533 | 5,305,943 | 10% |
| Community Development | 2,129,134 | 1,058,170 | - | - | 2,129,134 | 1,058,170 | 101% |
| Culture and Recreation | 637,467 | 666,598 | - | - | 637,467 | 666,598 | -4% |
| Health and Welfare | 5,237,904 | 5,611,673 | - | - | 5,237,904 | 5,611,673 | -7% |
| Interest on Long Term Debt | 892,860 | 1,265,270 | - | - | 892,860 | 1,265,270 | -29% |
| Sewer Fund | - | - | 3,850,721 | 4,594,718 | 3,850,721 | 4,594,718 | -15% |
| Water Fund | - | - | 645,636 | 528,617 | 645,636 | 528,617 | 22% |
| Total Expenses | 37,776,692 | 35,737,877 | 4,496,357 | 5,123,335 | 42,273,049 | 40,861,212 | 3% |
| Change in Net Assets | (4,260,457) | (4,416,623) | 643,292 | (147,552) | (3,617,165) | (4,564,175) | -21% |
| Net Assets - January 1 | 16,230,618 | 20,529,600 | 4,824,957 | 1,844,900 | 21,055,575 | 22,374,500 | -6% |
| Equity Transfer | - | 117,641 | - | 3,127,609 | - | 3,245,250 | -100% |
| Net Assets - December 31 | \$ 11,970,161 | \$ 16,230,618 | \$ 5,468,249 | \$ 4,824,957 | \$ 17,438,410 | \$ 21,055,575 | -17% |

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 2010, real estate taxes brought in \$16,498,882 and earned income taxes brought in \$5,205,907.

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 | \$ 2,596,606 | \$ (436,874) |
| Public Safety | 20,420,188 | (17,988,540) |
| Public Works Highways and Streets | 5,862,533 | (4,140,437) |
| Community Development | 2,129,134 | 1,304,512 |
| Culture and Recreation | 637,467 | (502,751) |
| Health and Welfare | 5,237,904 | (5,155,095) |
| Interest on Long Term Debt | 892,860 | (892,860) |
| Sewer Fund | 809,262 | 809,262 |
| Water Fund | (88,177) | (88,177) |
| Total | <u>\$ 38,497,777</u> | <u>\$ (27,090,960)</u> |

The TOWNSHIP relied on real estate taxes, earned income taxes and other general revenues to fund 66% of its governmental and business-type activities in 2010.

Capital Assets

The TOWNSHIP's investment in capital assets at December 31, 2010, net of accumulated depreciation, was \$20,939,071. Capital assets consist primarily of land, buildings and equipment. The following is a summary of capital assets at December 31, 2010:

Table A-6: Township of Bristol
Capital Assets

| | Governmental Activities | | Business-Type Activities | | Total | | Percentage Change |
|------------------------------------|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|----------------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | |
| Land | \$ 1,580,081 | \$ 1,508,980 | \$ 140,000 | \$ 140,000 | \$ 1,720,081 | \$ 1,648,980 | 4% |
| Construction in Progress | 323,316 | 119,197 | 1,195,897 | 546,566 | 1,519,213 | 665,765 | 128% |
| Agricultural Easements/Intangibles | 431,125 | 431,125 | - | - | 431,125 | 431,125 | 0% |
| Buildings | 3,881,639 | 3,881,639 | 1,288,943 | 1,288,943 | 5,170,582 | 5,170,582 | 0% |
| Improvements | 1,174,958 | 791,060 | 5,970 | 5,970 | 1,180,928 | 797,030 | 48% |
| Equipment | 4,853,671 | 3,972,901 | 3,753,225 | 3,734,228 | 8,586,894 | 7,707,129 | 11% |
| Infrastructure | 54,420,667 | 53,757,368 | - | - | 54,420,667 | 53,757,368 | 1% |
| Water Lines | - | - | 2,601,519 | 2,601,519 | 2,601,519 | 2,601,519 | 0% |
| Tanks | - | - | 1,964,174 | 1,964,174 | 1,964,174 | 1,964,174 | 0% |
| Pump Stations | - | - | 1,056,207 | 1,056,207 | 1,056,207 | 1,056,207 | 0% |
| Collection System | - | - | 5,369,211 | 5,362,716 | 5,369,211 | 5,362,716 | 0% |
| Accumulated Depreciation | (42,146,604) | (40,408,340) | (13,156,831) | (12,863,538) | (55,303,435) | (53,271,878) | 4% |
| Total Net Capital Assets | <u>\$ 24,498,853</u> | <u>\$ 24,053,930</u> | <u>\$ 4,218,315</u> | <u>\$ 3,836,787</u> | <u>\$ 28,717,166</u> | <u>\$ 27,890,717</u> | 197% |

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, 2010, the TOWNSHIP had \$36,568,994 of debt outstanding, including general obligation bonds, compensated absences, capital leases, a liability for other postemployment benefits and estimated workers compensation claims. Debt and other liabilities increased due mostly to the increase in the Township's liability for postemployment benefits required by GASB 45. Detailed information about the Township's debt can be found in Note 9, Notes to the Financial Statements. The following is a summary of changes in long-term debt at December 31, 2010.

**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 | \$ 18,980,000 | \$ 9,920,000 | \$ (8,382,000) | \$ 20,518,000 |
| Compensated Absences | 2,205,570 | 860,986 | - | 3,066,556 |
| Capital Leases | 271,849 | 579,592 | (406,889) | 444,552 |
| Liability for Other Postemployment Benefits | <u>8,310,595</u> | <u>4,229,291</u> | <u>-</u> | <u>12,539,886</u> |
| Total Long-Term Debt | <u>\$ 29,768,014</u> | <u>\$ 15,589,869</u> | <u>\$ (8,788,889)</u> | <u>\$ 36,568,994</u> |

The Township's long-term debt level is low. In 2010 the 2004 Bond was refinanced resulting in a savings of approximately \$40,000 per year due to reduced interest rates.

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, 2010, and December 31, 2009, were as follows.

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

| | <u>2010</u> | <u>2009</u> | <u>Changes</u> |
|-----------------------------------|----------------------|----------------------|----------------------|
| Revenues: | | | |
| Taxes | \$ 23,002,430 | \$ 22,458,137 | \$ 544,293 |
| Licenses, fee and permits | 2,518,137 | 2,415,301 | 102,836 |
| Charges for services | 1,193,887 | 1,250,577 | (56,690) |
| Court costs, fines and forfeits | 301,223 | 286,656 | 14,567 |
| Intergovernmental | 5,983,899 | 4,258,428 | 1,725,471 |
| Interest | 30,052 | 44,394 | (14,342) |
| Other and reimbursed expenditures | 316,946 | 386,464 | (69,518) |
| Other Financing Sources | | | |
| Issuance of debt | 7,868,544 | - | 7,868,544 |
| Operating transfers in | <u>290,512</u> | <u>270,076</u> | <u>20,436</u> |
| Total | <u>\$ 41,505,630</u> | <u>\$ 31,370,033</u> | <u>\$ 10,135,597</u> |

Tax revenues increased in 2010 due to a 3 mil increase in tax rates. Revenue from licenses, fees and permits increased due to a slight increase in building permits. Charges for services experienced a decrease due to a decrease in Tax certification fees reflected by the decline of the housing industry. Intergovernmental Revenue increased due to additional Grant revenues. Interest income decreased due to a drastic decrease in bank interest rates. Other revenue decreased due to a decrease in General Recoveries.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

GOVERNMENTAL FUND EXPENDITURES

Governmental fund expenditures by function at December 31, 2010 and December 31, 2009, were as follows:

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

| | <u>2010</u> | <u>2009</u> | <u>Changes</u> |
|----------------------------------|----------------------|----------------------|----------------------|
| Expenditures: | | | |
| General government | \$ 3,456,695 | \$ 3,090,735 | \$ 365,960 |
| Public safety | 15,158,257 | 14,395,769 | 762,488 |
| Public works highways and safety | 4,572,361 | 3,986,704 | 585,657 |
| Community development | 2,129,134 | 1,058,170 | 1,070,964 |
| Health and welfare | 5,237,904 | 5,611,673 | (373,769) |
| Culture and recreation | 582,859 | 605,628 | (22,769) |
| Debt service | | | |
| Principal | 1,091,889 | 777,840 | 314,049 |
| Interest | 1,077,750 | 1,133,390 | (55,640) |
| Capital Outlay | 859,711 | 373,603 | 486,108 |
| Other Financing Uses | | | - |
| Operating transfers out | 220,512 | 235,076 | (14,564) |
| Payment to redeem bonds | <u>7,550,000</u> | <u>-</u> | <u>7,550,000</u> |
| Total | <u>\$ 41,937,072</u> | <u>\$ 31,268,588</u> | <u>\$ 10,668,484</u> |

Increases in total expenditures in 2010 were mostly associated with contractual increases related to employee costs. Health and Welfare decreased due to Sewer Funds financial statements no longer being separated. Community development expenses increased due to additional grant funding. The decrease in capital outlay is a result of the completion of the road reconstruction projects.

GOVERNMENTAL FUND BALANCES

Ending Fund Balances for Governmental Fund and Net Assets for Proprietary Funds at December 31, 2010:

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

| <u>Fund</u> | <u>Governmental Funds</u> | <u>Proprietary Funds</u> |
|--------------------------|-------------------------------|------------------------------|
| General Fund | \$ 3,767,740 | \$ - |
| Refuse Fund | 793,445 | - |
| Street Lights Funds | 1,129,946 | - |
| Capital Reserve | 1,732,719 | - |
| Other Governmental Funds | 2,583,603 | - |
| Sewer Fund | - | 3,788,279 |
| Water Fund | <u>-</u> | <u>1,679,970</u> |
| Total | <u>\$ 10,007,453</u> | <u>\$ 5,468,249</u> |

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

Total general fund revenues came in \$9,030 over projections. General fund expenditures came in \$72,551 under budget due to a concentrated effort to cut costs wherever possible.

Economic Conditions

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

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

Next Year's Budget

Due to the current state of the economy, council did not increase taxes in 2010, they chose to meet the increases in current operating expenses with use of the townships reserves. Operating expenses are expected to continue to increase impacting next year's budget.

Township employees are represented by three labor unions and a total of six collective bargaining agreements that establish labor costs for all but 9 full-time employees. In particular, post retirement healthcare and pension costs have become burdensome to maintain. The Township is currently negotiating with four of the six collective bargaining units to provide wage and benefit levels that are financially sustainable.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

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

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

BRISTOL TOWNSHIP
STATEMENT OF NET ASSETS
DECEMBER 31, 2010

| | Governmental <u>Activities</u> | Business-Type <u>Activities</u> | <u>Total</u> |
|-------------------------------------------------|-----------------------------------|------------------------------------|----------------------|
| Assets | | | |
| Cash and Cash Equivalents | \$ 8,993,027 | \$ 2,000,535 | \$ 10,993,562 |
| Receivables | | | |
| Accounts, net | 635,268 | 554,311 | 1,189,579 |
| Taxes | 2,669,600 | - | 2,669,600 |
| Due From External Parties | 50,672 | - | 50,672 |
| Due from Other Governments | 486,116 | - | 486,116 |
| Other Assets | 856,184 | 83,703 | 939,887 |
| Deferred Interest from Refunding | 77,353 | - | 77,353 |
| Pension Asset | 10,520,687 | - | 10,520,687 |
| Restricted Assets | | | |
| Cash and Cash Equivalents | 128,051 | 1,868,284 | 1,996,335 |
| Capital Assets, Not Being Depreciated | 2,334,522 | 1,335,897 | 3,670,419 |
| Capital Assets, Being Depreciated (Net) | 22,164,331 | 2,882,415 | 25,046,747 |
| | <hr/> | <hr/> | <hr/> |
| Total Assets | \$ 48,916,011 | \$ 8,725,146 | \$ 57,641,157 |
| Liabilities | | | |
| Accounts Payable | \$ 1,206,531 | \$ 1,071,262 | \$ 2,277,793 |
| Accrued Liabilities | 216,893 | 8,920 | 225,813 |
| Accrued Interest Payable | 306,334 | 26,480 | 332,814 |
| Unearned Revenues | 374,565 | - | 374,565 |
| Escheat Liability | 128,051 | 5,852 | 133,903 |
| Escrow Deposits | - | 74,007 | 74,007 |
| Long Term Liabilities | | | |
| Due within one year | | | |
| General Obligation Debt | 578,671 | 75,329 | 654,000 |
| Notes Payable | - | - | - |
| Capital Lease | 253,831 | - | 253,831 |
| Due in more than one year | | | |
| General Obligation Debt | 18,033,873 | 1,980,148 | 20,014,021 |
| Notes Payable | - | - | - |
| Capital Lease | 190,720 | - | 190,720 |
| Due to Bristol Township Sewer Department | - | - | - |
| Compensated Absences | 3,081,505 | 15,119 | 3,096,624 |
| Liability for other postemployment benefits | 12,539,886 | - | 12,539,886 |
| | <hr/> | <hr/> | <hr/> |
| Total Liabilities | \$ 36,891,960 | \$ 3,256,897 | \$ 40,148,857 |
| Net Assets | | | |
| Invested in Capital Assets, Net of Related Debt | \$ 24,054,302 | \$ 4,218,313 | \$ 28,272,615 |
| Restricted for: | | | |
| Capital Projects | 8,178,997 | 2,055,477 | 10,234,474 |
| Debt Service | 726,239 | - | 726,239 |
| Program Purposes | 3,670,021 | - | 3,670,021 |
| Unrestricted (Deficit) | (25,603,506) | (805,541) | (26,409,047) |
| | <hr/> | <hr/> | <hr/> |
| Total Net Assets | \$ 12,024,051 | \$ 5,468,249 | \$ 17,492,300 |

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

BRISTOL TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Assets | | |
|-----------------------------------|----------------------|-------------------------|------------------------------------------|----------------------------------------|----------------------------------------------------|-----------------------------|------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | |
| | | | | | Governmental Activities | Business-type Activities | Total |
| Primary government: | | | | | | | |
| Governmental activities: | | | | | | | |
| General Government | \$ 2,599,608 | \$ 1,598,290 | \$ 185,160 | \$ 318,282 | \$ (438,874) | \$ - | \$ (438,874) |
| Public Safety | 20,420,188 | 510,010 | 1,821,332 | - | (17,888,640) | - | (17,888,640) |
| Public Works Highways and Streets | 6,862,633 | 252,775 | 1,084,818 | 404,805 | (4,140,437) | - | (4,140,437) |
| Community Development | 2,128,134 | 1,359,420 | 2,033,228 | - | 1,304,612 | - | 1,304,612 |
| Culture and Recreation | 837,487 | 90,218 | - | 64,500 | (502,751) | - | (602,751) |
| Health and Welfare | 5,237,904 | 82,868 | - | - | (5,156,036) | - | (5,156,036) |
| Interest on long-term debt | 892,880 | - | - | - | (892,880) | - | (892,880) |
| Total governmental activities | 37,776,892 | 3,884,628 | 5,224,834 | 776,287 | (27,812,045) | - | (27,812,045) |
| Business-type activities: | | | | | | | |
| Sewer Fund | 3,850,721 | 4,859,860 | - | - | - | 809,282 | 809,282 |
| Water Fund | 846,838 | 667,458 | - | - | - | (85,177) | (85,177) |
| Total business-type activities | 4,496,357 | 5,217,447 | - | - | - | 721,085 | 721,085 |
| Total primary government | \$ 42,273,049 | \$ 9,101,088 | \$ 5,224,834 | \$ 776,287 | \$ (27,812,045) | \$ 721,086 | \$ (27,090,960) |

General revenues:

Taxes:

| | | | |
|---------------------------------------------|-------------------|-----------------|-------------------|
| Real Estate Taxes | 10,498,882 | - | 10,498,882 |
| Earned Income Taxes | 5,205,907 | - | 5,205,907 |
| Per Capita Taxes | 123,097 | - | 123,097 |
| Merchandise Taxes | 454,374 | - | 454,374 |
| Mechanical Devices Taxes | 70,327 | - | 70,327 |
| EMS Taxes | 745,454 | - | 745,454 |
| Amusement Taxes | 4,050 | - | 4,050 |
| In Lieu of Taxes | 43,403 | - | 43,403 |
| Unrealized Investment Earnings | 80,062 | (59,828) | (20,776) |
| Transfers | 70,000 | (70,000) | - |
| Miscellaneous | 305,042 | 52,035 | 358,077 |
| Total general revenues and transfers | 23,551,588 | (77,793) | 23,473,795 |
| Change in net assets | (4,280,457) | 643,202 | (3,637,255) |
| Net assets - beginning, restated (Note 17) | 18,284,508 | 4,824,957 | 21,109,465 |
| Net assets - ending | \$ 12,024,051 | \$ 5,468,740 | \$ 17,492,791 |

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

BRISTOL TOWNSHIP
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2010

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| | <u>General</u> | <u>Street Lights Fund</u> | <u>Capital Reserve Fund</u> | <u>Refuse Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--------------------------------------------|---------------------|-----------------------------------|-------------------------------------|------------------------|-----------------------------------------|-----------------------------------------|
| Assets | | | | | | |
| Cash and Cash Equivalents | \$ 2,083,160 | \$ 1,195,484 | \$ 1,741,536 | \$ 1,195,866 | \$ 2,779,002 | \$ 8,995,027 |
| Restricted Cash | 128,061 | - | - | - | - | 128,061 |
| Receivables | | | | | | |
| Accounts | 511,580 | - | - | 8,970 | 114,718 | 635,268 |
| Taxes | 1,970,732 | 42,687 | 45,409 | 432,038 | 178,834 | 2,069,600 |
| Due From Other Governments | 3,343 | - | - | - | 492,773 | 496,116 |
| Due from Other Funds | 335,227 | 1,823 | 1,788 | 20,756 | 10,045 | 399,623 |
| Other Assets | 171,447 | - | - | - | - | 171,447 |
| Total Assets | \$ 5,203,540 | \$ 1,239,674 | \$ 1,789,713 | \$ 1,855,633 | \$ 3,585,372 | \$ 13,463,132 |
| Liabilities and Fund Balances | | | | | | |
| Liabilities: | | | | | | |
| Accounts Payable | \$ 404,344 | \$ 87,341 | \$ 10,585 | \$ 421,517 | \$ 302,744 | \$ 1,206,531 |
| Accrued Liabilities | 216,993 | - | - | - | - | 216,993 |
| Deferred Revenues | 686,412 | 42,587 | 45,409 | 440,871 | 360,274 | 1,575,353 |
| Escrow Liability | 128,051 | - | - | - | - | 128,051 |
| Due to Other Funds | - | - | - | - | 316,751 | 316,751 |
| Total Liabilities | 1,435,800 | 109,928 | 55,994 | 862,188 | 661,769 | 3,445,676 |
| Fund Balances: | | | | | | |
| Reserved for: | | | | | | |
| Capital Projects | - | - | 1,732,719 | - | 110,734 | 1,843,453 |
| Debt Service | - | - | - | - | 726,239 | 726,239 |
| Program Purposes | - | 1,129,946 | - | 793,445 | 1,746,030 | 3,670,021 |
| Unreserved, reported in: | | | | | | |
| General Fund | 3,767,740 | - | - | - | - | 3,767,740 |
| Total Fund Balances (Deficit) | 3,767,740 | 1,129,946 | 1,732,719 | 793,445 | 2,583,603 | 10,017,453 |
| Total Liabilities and Fund Balances | \$ 5,203,540 | \$ 1,239,674 | \$ 1,789,713 | \$ 1,855,633 | \$ 3,585,372 | \$ 13,463,132 |

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

TOWNSHIP OF BRISTOL
 RECONCILIATION OF THE BALANCE SHEET TO GOVERNMENTAL
 FUNDS TO STATEMENT OF NET ASSETS
 DECEMBER 31, 2010

Total fund balances for governmental funds \$ 10,007,453

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

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

| | | |
|-------------------------------------------------------------------------|-------------------|------------|
| Land | 1,580,081 | |
| Construction in Progress | 323,316 | |
| Buildings and improvements, net of \$3,501,904 accumulated depreciation | 1,554,693 | |
| Equipment, net of \$1,413,642 accumulated depreciation | 883,765 | |
| Leasehold Assets, net of \$1,205,891 accumulated depreciation | 1,330,373 | |
| Infrastructure, net of \$36,025,167 accumulated depreciation | <u>18,395,500</u> | |
| Total capital assets | | 24,067,728 |

The pension asset resulting from contributions in excess of the annual required contribution are not financial resources and therefore are not reported in the funds. 10,520,687

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

Property taxes 1,200,788

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 | (306,334) | |
| Bonds payable | (18,613,544) | |
| Less Deferred interest from refunding | 77,353 | |
| Capital Leases | (444,552) | |
| Compensated absences | (3,061,505) | |
| Liability for other postemployment benefits | (12,539,886) | |
| Deferred refunding loss | 453,493 | |
| Unamortized bond issuance costs and bond discounts | <u>231,245</u> | |
| Combined adjustment | | <u>(34,203,730)</u> |

Total net assets of governmental activities \$ 11,592,926

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

BRISTOL TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

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| | General | Street Lights Fund | Capital Reserve Fund | Refuse Fund | Other Governmental Funds | Total Governmental Funds |
|-----------------------------------------------------|---------------------|--------------------------|----------------------------|-------------------|--------------------------------|--------------------------------|
| Revenues | | | | | | |
| Taxes | \$ 13,948,476 | \$ 514,595 | \$ 813,753 | \$ 5,502,413 | \$ 2,422,180 | \$ 23,002,430 |
| Licenses, Fees and Permits | 2,518,137 | - | - | - | - | 2,518,137 |
| Charges for Service | 1,048,577 | 635 | - | 17,738 | 128,937 | 1,193,887 |
| Court Costs, Fines and Forfeits | 901,223 | - | - | - | - | 901,223 |
| Intergovernmental | 926,940 | - | 54,500 | - | 5,002,459 | 6,883,899 |
| Interest | 10,658 | 3,406 | 3,512 | 4,185 | 8,381 | 30,052 |
| Other and Reimbursed Expenditures | 255,237 | - | 50,805 | - | 10,904 | 316,946 |
| Total Revenues | 18,008,148 | 518,636 | 722,570 | 5,524,336 | 7,572,884 | 33,348,574 |
| Expenditures | | | | | | |
| <i>Current:</i> | | | | | | |
| General Government | 2,892,862 | - | - | - | 583,833 | 3,456,695 |
| Public Safety | 12,885,767 | - | - | - | 2,192,490 | 15,108,257 |
| Public Works Highways and Streets | 2,331,320 | 887,792 | - | - | 1,379,249 | 4,572,361 |
| Community Development | - | - | - | - | 2,129,134 | 2,129,134 |
| Health and Welfare | - | - | - | 5,237,804 | - | 5,237,804 |
| Culture and Recreation | - | - | - | - | 582,859 | 582,859 |
| Capital Outlay | - | - | 267,741 | - | 601,870 | 859,711 |
| <i>Debt Service:</i> | | | | | | |
| Principal | 150,000 | - | - | - | 841,889 | 1,091,889 |
| Interest | 776,618 | - | - | - | 301,232 | 1,077,750 |
| Total Expenditures | 19,116,457 | 887,792 | 267,741 | 5,237,804 | 8,685,056 | 34,199,660 |
| Excess of Revenues Over (Under) Expenditures | (1,08,319) | (369,156) | 454,829 | 286,432 | (1,113,772) | (819,989) |
| Other Financing Sources (Uses): | | | | | | |
| Issuance of Debt | - | - | - | - | 7,888,544 | 7,888,544 |
| Payment to redeem bonds | - | - | - | - | (7,590,000) | (7,590,000) |
| Cap Lease Proceeds | - | - | - | - | 579,592 | 579,592 |
| Bond Premium | - | - | - | - | 14,180 | 14,180 |
| Transfer In | 180,000 | - | 88,958 | - | 1,654 | 280,512 |
| Transfer Out | (1,954) | (40,000) | - | (55,000) | (123,958) | (220,612) |
| Total Other Financing Sources (Uses) | 188,446 | (40,000) | 88,958 | (55,000) | 780,622 | 852,326 |
| Net Change in Fund Balances | 80,127 | (389,156) | 583,787 | 231,432 | (323,850) | 162,340 |
| Fund Balances - beginning of year | 3,887,613 | 1,519,102 | 1,166,032 | 502,013 | 2,807,483 | 9,885,133 |
| Fund Balances - end of year | \$ 3,767,740 | \$ 1,129,946 | \$ 1,732,710 | \$ 733,445 | \$ 2,583,803 | \$ 10,007,453 |

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

TOWNSHIP OF BRISTOL
 RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 DECEMBER 31, 2010

Net change in fund balances - total governmental funds \$ 162,340

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 | 2,158,157 | |
| Depreciation expense | <u>(1,713,234)</u> | |
| Net adjustment | | 444,923 |

Contributions in excess of the annual required contribution are reported as an other financing use in the governmental funds. However, in the statement of activities the expense is recorded and amortized as an asset. (402,288)

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

| | | |
|--------------------------------------------------|----------------|---------|
| Principal repayments | 685,000 | |
| Payments to redeem bonds | 7,550,000 | |
| Proceeds from capital leases | (579,592) | |
| Capital lease payments | 406,889 | |
| Proceeds from refunding bonds | (7,868,544) | |
| Amortization of deferred refunding loss | 309,009 | |
| Amortization of bond issuance costs | (8,322) | |
| Amortization of Deferred Interest from Refunding | <u>(5,525)</u> | |
| Net adjustment | | 488,915 |

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: 31,218

Revenues in the statement of activities that are not available to provide current financial resources are not reported as revenues in the funds. At the government-wide level revenue recognition is not limited by availability. The effects of these adjustments in the current year are:
 Taxes 99,661

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:

| | | |
|--------------------------------------|--------------------|--------------------|
| Worker's compensation liability | | |
| Compensated absences | (855,935) | |
| Other postemployment benefit expense | <u>(4,229,291)</u> | |
| Net adjustment | | <u>(5,085,226)</u> |

Change in net assets of governmental activities \$ (4,260,457)

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

BRISTOL TOWNSHIP
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2010

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| <u>Business-Type Activities - Proprietary Funds</u> | | | |
|-----------------------------------------------------|---------------------|---------------------|----------------------|
| | <u>Water Fund</u> | <u>Sewer Fund</u> | <u>Total</u> |
| <u>Assets</u> | | | |
| <u>Current Assets:</u> | | | |
| Cash | \$ 865,166 | \$ 1,145,380 | \$ 2,000,535 |
| Restricted Cash | - | 1,888,284 | 1,888,284 |
| Accounts Receivables, Net | 48,660 | 505,761 | 554,311 |
| Due from Other Funds | - | 1,758,828 | 1,758,828 |
| Prepaid and Other Assets | 2,289 | 81,414 | 83,703 |
| Total Current Assets | <u>906,894</u> | <u>5,359,767</u> | <u>6,266,661</u> |
| <u>Non-Current Assets:</u> | | | |
| Capital Assets, Not Being Depreciated | - | 1,335,897 | 1,335,897 |
| Capital Assets, Being Depreciated (Net) | 888,418 | 1,983,896 | 2,882,416 |
| Total Non-Current Assets | <u>888,418</u> | <u>3,319,895</u> | <u>4,218,313</u> |
| Total Assets | <u>\$ 1,804,412</u> | <u>\$ 6,679,662</u> | <u>\$ 10,484,074</u> |
| <u>Liabilities</u> | | | |
| <u>Current Liabilities:</u> | | | |
| Accounts Payable | \$ 124,442 | \$ 846,820 | \$ 1,071,262 |
| Accrued Liabilities | - | 8,920 | 8,920 |
| Accrued Interest Payable | - | 28,480 | 28,480 |
| Due to Other Funds | - | 1,768,828 | 1,768,828 |
| General Obligation Bonds Payable | - | 75,329 | 75,329 |
| School Liability | - | 5,652 | 5,652 |
| Esrow Deposits | - | 74,007 | 74,007 |
| Total Current Liabilities | <u>124,442</u> | <u>2,896,118</u> | <u>3,020,568</u> |
| <u>NonCurrent Liabilities:</u> | | | |
| Compensated Absences | - | 15,119 | 15,119 |
| Note Payable | - | - | - |
| General Obligations Bonds Payable | - | 1,880,148 | 1,880,148 |
| Total NonCurrent Liabilities | <u>-</u> | <u>1,895,267</u> | <u>1,895,267</u> |
| Total Liabilities | <u>124,442</u> | <u>4,691,383</u> | <u>5,015,825</u> |
| <u>Net Assets</u> | | | |
| Invested in Capital, Net of Related Debt | 888,418 | 3,318,895 | 4,218,313 |
| Restricted for Capital Projects | - | 2,055,477 | 2,055,477 |
| Unrestricted | 781,552 | (1,587,093) | (805,541) |
| Total Net Assets | <u>\$ 1,670,070</u> | <u>\$ 3,786,279</u> | <u>\$ 5,466,249</u> |

The accompanying notes are an integral part of the financial statements

BRISTOL TOWNSHIP
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

| | <u>Business-type Activities Proprietary Funds</u> | | |
|-----------------------------------------------|---------------------------------------------------|---------------------|---------------------|
| | <u>Water Fund</u> | <u>Sewer Fund</u> | <u>Total</u> |
| Operating Revenues | | | |
| Charges for Services | \$ 557,459 | \$ 4,411,651 | \$ 4,969,110 |
| Penalties and Interest | - | 248,332 | 248,332 |
| Intergovernmental | - | - | - |
| Other | - | 52,035 | 52,035 |
| Total Operating Revenues | <u>657,459</u> | <u>4,712,018</u> | <u>6,289,477</u> |
| Operating Expenses | | | |
| Administration | 580,374 | 630,510 | 1,210,884 |
| Operating | - | 2,992,181 | 2,992,181 |
| Depreciation | 65,262 | 228,030 | 293,292 |
| Total Operating Expenses | <u>645,636</u> | <u>3,850,721</u> | <u>4,496,357</u> |
| Operating Gain / (Loss) | <u>(88,177)</u> | <u>861,297</u> | <u>773,120</u> |
| Nonoperating Revenues (Expenses): | | | |
| Interest Expense | - | (69,959) | (69,959) |
| Interest Income | 2,752 | 7,379 | 10,131 |
| Total Nonoperating Revenues (Expenses) | <u>2,752</u> | <u>(62,580)</u> | <u>(59,828)</u> |
| Income/Loss Before Operating Transfers | <u>(85,425)</u> | <u>798,717</u> | <u>713,292</u> |
| Operating Transfer Out | <u>(35,000)</u> | <u>(35,000)</u> | <u>(70,000)</u> |
| Change In Net Assets | <u>(120,425)</u> | <u>763,717</u> | <u>643,292</u> |
| Total Net Assets - Beginning of Year | <u>1,800,355</u> | <u>3,024,562</u> | <u>4,824,917</u> |
| Total Net Assets - End of Year | <u>\$ 1,679,970</u> | <u>\$ 3,788,279</u> | <u>\$ 5,468,249</u> |

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

BRISTOL TOWNSHIP
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2010

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| | <u>Business-type Activities - Proprietary Funds</u> | | |
|-----------------------------------------------------------------------------------------------|-----------------------------------------------------|---------------------|---------------------|
| | <u>Water Fund</u> | <u>Sewer Fund</u> | <u>Total</u> |
| Cash Flows From Operating Activities | | | |
| Receipts from Customers and Users | \$ 557,460 | \$ 4,483,192 | \$ 5,040,652 |
| Other Receipts | - | 62,035 | 62,035 |
| Payments to Suppliers and Operations | (732,610) | (2,782,539) | (3,515,149) |
| Payments to Employees for Salaries and Benefits | (81,522) | (751,167) | (832,679) |
| Internal Activity - Payments to (from) other funds | - | - | - |
| Net Cash Provided by/(Used in) Operating Activities | <u>(256,672)</u> | <u>1,001,531</u> | <u>744,859</u> |
| Cash Flow from Noncapital Financing Activities | | | |
| Operating Transfers (Out) | (35,000) | (35,000) | (70,000) |
| Net Cash Used in Noncapital Financing Activities | <u>(35,000)</u> | <u>(35,000)</u> | <u>(70,000)</u> |
| Cash Flow from Capital and Related Financing Activities | | | |
| Purchase of Capital Assets | - | (674,818) | (674,818) |
| Principal Payment on Note Payable | - | (147,000) | (147,000) |
| Interest Expense | - | (41,331) | (41,331) |
| Bond Proceeds | - | 2,008,403 | 2,008,403 |
| Net Cash Provided by Capital and Related Financing Activities | <u>-</u> | <u>1,145,254</u> | <u>1,145,254</u> |
| Cash Flows from Investing Activities | | | |
| Interest | 2,752 | 7,379 | 10,131 |
| Net Cash Provided by Investing Activities | <u>2,752</u> | <u>7,379</u> | <u>10,131</u> |
| Net Change in Cash and Cash Equivalents | <u>(288,920)</u> | <u>2,119,164</u> | <u>1,030,244</u> |
| Cash and Cash Equivalents, Beginning of Year | 1,144,076 | 894,500 | 2,038,576 |
| Cash and Cash Equivalents, End of Year | <u>\$ 855,156</u> | <u>\$ 3,013,664</u> | <u>\$ 3,868,819</u> |
| Reconciliation of Operating Income/(Loss) to | | | |
| Net Cash Provided by/(Used in) Operating Activities | | | |
| Operating Income/(Loss) | \$ (88,177) | \$ 861,297 | \$ 773,120 |
| Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by Operating Activities | | | |
| Depreciation | 65,262 | 226,030 | 291,292 |
| Change in Assets and Liabilities | | | |
| Accounts Receivable | 1 | (188,433) | (186,432) |
| Prepaid and Other Assets | - | (10,358) | (10,358) |
| Accounts Payable | (233,758) | 82,062 | (151,696) |
| Accrued Liabilities | - | 8,920 | 8,920 |
| Escrow Deposits | - | (7,038) | (7,038) |
| Compensated Absences | - | 5,051 | 5,051 |
| Net Cash Provided by/(Used in) Operating Activities | <u>\$ (256,672)</u> | <u>\$ 1,001,531</u> | <u>\$ 744,859</u> |

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

BRISTOL TOWNSHIP
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2010

| | Pension Trust <u>Fund</u> | Agency <u>Funds</u> | <u>Total</u> |
|---------------------------------------------|---------------------------------|------------------------|----------------------|
| Assets | | | |
| Cash and Cash Equivalents | \$ 923,569 | \$ 1,585,119 | \$ 2,508,688 |
| Investments | 37,031,250 | - | 37,031,250 |
| Accounts Receivable | - | - | - |
| Interest Receivable | 66,255 | - | 66,255 |
| Due from External Parties | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| Total Assets | <u>\$ 38,021,074</u> | <u>\$ 1,585,119</u> | <u>\$ 39,606,193</u> |
| Liabilities | | | |
| Accrued Liabilities | \$ 13,331 | \$ 1,534,247 | \$ 1,547,578 |
| Due to External Parties | - | 50,872 | 50,872 |
| | <hr/> | <hr/> | <hr/> |
| Total Liabilities | <u>13,331</u> | <u>1,585,119</u> | <u>1,598,450</u> |
| Net Assets | | | |
| Held in Trust for Employee Pension Benefits | <u>38,007,743</u> | <u>-</u> | <u>38,007,743</u> |

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, 2010

| | Pension Trust Fund |
|-----------------------------------------------|--------------------------|
| Additions: | |
| Employer | \$ 16,221 |
| Employee | 317,703 |
| Commonwealth | 584,357 |
| Total Contributions | 898,291 |
| Investment Income | |
| Interest and Dividends | 1,312,133 |
| Net Appreciation in Fair Value of Investments | 3,193,029 |
| Total Investment Gain | 4,505,162 |
| Less: Investment Expense | (92,621) |
| Net Investment Gain | 4,412,541 |
| Total Additions | 5,310,832 |
| Deductions: | |
| Employee Benefits Paid | 2,458,062 |
| Members' Contributions Refunded | - |
| Administrative Expenses | - |
| Total Deductions | 2,458,062 |
| Net Increase | 2,852,770 |
| Net Assets Beginning of Year | 35,154,973 |
| Net Assets End of Year | \$ 38,007,743 |

The accompanying notes are an integral part of the financial statements

BRISTOL TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010

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

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

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

A) Reporting Entity

The Township has adopted the provisions of GASB Statements No. 51, 53 and 58. The management of the Township has determined that the only statement affecting the current year financials is GASB No. 51. See Note 17.

B) Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which direct expenses of a given function or segment are 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.

BRISTOL TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

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

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

Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability rather than an expenditure.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 90 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.

BRISTOL TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

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

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

The Township reports the following major governmental funds:

- The General Fund is the primary government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Refuse Fund accounts for expenditures related to the collection and disposal of refuse.
- The Street Lights Fund accounts for expenditures related to the operation and maintenance of street lights.
- The Capital Reserve Fund is used to account for capital expenditures of the Township.

The Township reports the following major proprietary funds:

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

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 funds are proprietary funds. In the fund financial statements, the proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, the proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheet. The proprietary funds type operating statements present increases (revenues) and decreases (expenses) in total net assets.

TOWNSHIP OF BRISTOL
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2010

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

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

Proprietary funds operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

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

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.

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.

TOWNSHIP OF BRISTOL
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2010

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

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

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, 2010, the General Fund restricted cash balance of \$128,051 represents funds to be escheated to the state and the Sewer Fund restricted cash balance of \$1,868,284 represents amounts of \$79,659 paid by property owners that are held in escrow accounts for the purpose of sewer hookup and unclaimed monies to be remitted to the state and \$1,224,739 for bond payments.

6. Capital Assets

Capital assets, which include property, plant and equipment, intangible easements, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Property, plant and equipment, and infrastructure with initial, individual costs that equal or exceed \$5,000 and estimated useful lives of over one year are recorded as capital assets. The intangible easements have indefinite useful lives and are, therefore, not depreciated. Capital assets are recorded at historical costs or estimated historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

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

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

TOWNSHIP OF BRISTOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

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

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

7. Allowance for Doubtful Accounts

Accounts receivable and taxes receivable for the governmental activities have been reported net of an allowance for doubtful accounts in the amount of \$293,912 and \$76,646 respectively. The Water and Sewer Funds evaluate the collectibility of individual receivables and, if necessary, records an allowance for doubtful accounts. The Sewer Department's policy is to file a lien against the respective property for delinquent sewer customers; however, the Sewer Department is required to provide continuous service to these customers.

8. Compensated Absences

Township policy permits 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 and the Proprietary Funds statements. The computed liability is in compliance with GASB 16, *Accounting for Compensated Absences*.

9. Long-Term Obligations

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

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

10. Deferred/Unearned Revenues

Unearned revenues reported in government-wide financial statements will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Unearned revenues reported in governmental fund financial statements represent revenues which are measurable but not available and, in accordance with the modified accrual basis of accounting, are reported as deferred revenues. The Township deems revenues received within 90 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.

TOWNSHIP OF BRISTOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

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

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

11. Net Assets/Fund Balances

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.

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.

TOWNSHIP OF BRISTOL
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2010

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 2010 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, 2010

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. 51, "*Accounting and Financial Reporting for Intangible Assets*". The adoption of this statement restated prior year net assets. See Note 17 for more detail.

The Township adopted the provisions of GASB Statement No. 53, "*Accounting and Financial Reporting for Derivative Instruments*". The adoption of this statement had no effect on previously reported amounts.

The Township adopted the provisions of GASB Statement No. 58 "*Accounting and Financial Reporting for Chapter 9 Bankruptcies*". The adoption of this statement had no effect on previously reported amounts.

G) Pending Changes in Accounting Principles

In February 2009, GASB issued Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*". The Township is required to adopt Statement No. 54 for its calendar year 2011 financial statements.

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

In November 2010, the GASB issued Statement No. 60 "*Accounting and Financial Reporting for Service Concession Arrangements*". The Township is required to adopt statement No. 61 for its calendar year 2012 financial statements.

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

In December 2010, the GASB issued Statement No. 62 "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*". The Township is required to adopt statement No. 61 for its calendar year 2012 financial statements.

The Township does not expect these new pronouncements to have an effect on the financial statements.

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.

TOWNSHIP OF BRISTOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 2: DEPOSIT AND INVESTMENT RISK (CONTINUED)

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

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

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

Deposits

The Township's deposits including both restricted and unrestricted cash excluding the Pension Trust Fund at December 31, 2010 were as follows:

| | <u>Book Balance</u> | <u>Bank Balance</u> |
|--------------------|---------------------|---------------------|
| Governmental Funds | \$9,121,078 | \$12,998,906 |
| Proprietary Fund | 3,866,819 | 1,840,978 |
| Fiduciary Fund | 1,585,119 | 962,501 |
| | <u>\$14,575,016</u> | <u>\$15,802,385</u> |

TOWNSHIP OF BRISTOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 2: DEPOSIT AND INVESTMENT RISK (CONTINUED)
Investments

The Township's investments at December 31, 2010 were as follows:

Pension Trust Fund

| | <u>Cost</u> | <u>Market Value</u> |
|---------------------------|----------------------|----------------------|
| Fixed Income Mutual Funds | \$ 11,222,303 | \$ 11,772,524 |
| Equities | 4,923,074 | 5,506,474 |
| Equity Mutual Funds | 15,089,713 | 19,752,252 |
| | <u>\$ 31,235,090</u> | <u>\$ 37,031,250</u> |

As of December 31, 2010, 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 | \$11,772,524 | \$ - | \$ 2,471,684 | \$ 9,300,840 |
| | <u>\$11,772,524</u> | <u>\$ -</u> | <u>\$ 2,471,684</u> | <u>\$ 9,300,840</u> |

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

Credit Risk. At December 31, 2010, \$3,603,108 (31%), \$7,208,044 (61%), and \$961,372 (8%) of the Police Pension Plan fixed income mutual funds were rated AA, AA and B, respectively by Morningstar and the Police Pension Plan money market funds recorded as cash and cash equivalents were unrated. The Township does not have a formal policy that limits investments to ratings issued by nationally recognized statistical rating organizations for the Police Pension Plan.

Concentration of Credit Risk. The Township does not have a formal policy that places a limit on the amount or percent that may be invested in any one issuer for the Pension Police Plan. At December 31, 2010, no investment of the Police Pension Plan represented 5% or more of total net assets.

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, 2010, \$12,696,093 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, 2010, none of the Township Police Pension Plan investments were exposed to custodial credit risk. The Township does not have a formal policy related to custodial credit risk for the Governmental Activities or the Pension Trust Fund.

TOWNSHIP OF BRISTOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

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 2010 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during 2010 and expected to be collected within the first sixty (60) days of 2011 are recognized as revenue in 2010. 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 2010 was 16.58 mills for general purposes, .9 mills for recreation purposes, 2 mills for fire purposes, 2.4575 mills for debt purposes, .55 mills for rescue purposes, .125 mills for pension purposes, and 1.5 mills for capital projects on a total Township assessed valuation of \$420,204,750.

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010, was as follows:

Governmental Activities

| | 12/31/2009 Ending Balance Restated (Note 17) | Increases | Decreases | 12/31/2010 Ending Balance |
|---------------------------------------------|----------------------------------------------------|--------------------|---------------------|------------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 1,508,980 | \$ 71,101 | \$ - | \$ 1,580,081 |
| Intangibles | - | 431,125 | - | 431,125 |
| Construction in progress | 119,197 | 219,094 | (14,975) | 323,316 |
| Total capital assets, not being depreciated | <u>1,628,177</u> | <u>721,320</u> | <u>(14,975)</u> | <u>2,334,522</u> |
| Capital assets, being depreciated: | | | | |
| Basements | 431,125 | - | (431,125) | - |
| Building | 3,881,639 | - | - | 3,881,639 |
| Improvements | 791,060 | 383,898 | - | 1,174,958 |
| Equipment | 2,016,229 | 310,038 | (28,860) | 2,297,407 |
| Leases | 1,956,672 | 579,592 | - | 2,536,264 |
| Infrastructure | 53,757,368 | 663,299 | - | 54,420,667 |
| Total capital assets, being depreciated | <u>62,834,093</u> | <u>1,936,827</u> | <u>(459,985)</u> | <u>64,310,935</u> |
| Less accumulated depreciation for: | | | | |
| Building | (2,939,195) | (40,421) | - | (2,979,616) |
| Improvements | (494,808) | (27,480) | - | (522,288) |
| Equipment | (1,224,573) | (189,069) | - | (1,413,642) |
| Leases | (930,834) | (275,057) | - | (1,205,891) |
| Infrastructure | (34,818,930) | (1,206,237) | - | (36,025,167) |
| Total accumulated depreciation | <u>(40,408,340)</u> | <u>(1,738,264)</u> | <u>-</u> | <u>(42,146,604)</u> |
| Total capital assets being depreciated, net | <u>22,425,753</u> | <u>198,563</u> | <u>(459,985)</u> | <u>22,164,331</u> |
| Governmental activities capital assets, net | <u>\$ 24,053,930</u> | <u>\$ 919,883</u> | <u>\$ (474,960)</u> | <u>\$ 24,498,853</u> |

TOWNSHIP OF BRISTOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 4: CAPITAL ASSETS (CONTINUED)

Governmental Activities (Continue)

Previously reported accumulated depreciation for easements of \$53,890 has been reversed in the prior year via a net asset restatement in accordance with GASB 51. See Note 17 for more detail of the restatement.

Business-Type Activities

| Capital assets, not being depreciated: | Ending Balance | Increases | Decreases | Ending Balance |
|---------------------------------------------|---------------------|-------------------|-------------|---------------------|
| Land | \$ 140,000 | \$ - | \$ - | \$ 140,000 |
| Construction in progress | <u>546,565</u> | <u>649,329</u> | <u>-</u> | <u>1,195,897</u> |
| Total capital assets, not being depreciated | <u>686,568</u> | <u>649,329</u> | <u>-</u> | <u>1,335,897</u> |
| | | | | |
| Capital assets, being depreciated: | | | | |
| Building | 1,288,943 | - | - | 1,288,943 |
| Tanks | 1,964,174 | - | - | 1,964,174 |
| Pump Stations | 1,056,207 | - | - | 1,056,207 |
| Land Improvements | 5,970 | - | - | 5,970 |
| Office Equipment | 103,480 | - | - | 103,480 |
| Vehicles | 97,825 | - | - | 97,825 |
| Equipment | 3,532,923 | 18,995 | - | 3,551,918 |
| Collection System | 5,362,716 | 6,495 | - | 5,369,211 |
| Water Lines | <u>2,601,519</u> | <u>-</u> | <u>-</u> | <u>2,601,519</u> |
| Total capital assets, being depreciated | <u>16,013,757</u> | <u>25,490</u> | <u>-</u> | <u>16,039,247</u> |
| Total Capital Assets | <u>16,700,325</u> | <u>674,819</u> | <u>-</u> | <u>17,375,144</u> |
| | | | | |
| Less accumulated depreciation for: | | | | |
| Buildings | (1,288,943) | - | - | (1,288,943) |
| Tanks | (1,382,367) | (33,735) | - | (1,416,102) |
| Pump Stations | (783,433) | (11,250) | - | (794,683) |
| Land Improvements | (3,981) | (1,194) | - | (5,175) |
| Office Equipment | (95,901) | (4,709) | - | (100,610) |
| Vehicles | (96,757) | (1,068) | - | (97,825) |
| Equipment | (3,090,282) | (65,965) | - | (3,156,247) |
| Collection System | (4,484,035) | (110,110) | - | (4,594,145) |
| Water Lines | <u>(1,637,839)</u> | <u>(65,262)</u> | <u>-</u> | <u>(1,703,101)</u> |
| Total accumulated depreciation | <u>(12,863,538)</u> | <u>(293,293)</u> | <u>-</u> | <u>(13,156,831)</u> |
| Total capital assets, net | <u>\$ 3,836,787</u> | <u>\$ 381,526</u> | <u>\$ -</u> | <u>\$ 4,218,313</u> |

TOWNSHIP OF BRISTOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 4: CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs as follows:

Governmental Activities

| | |
|-----------------------------------------------------|---------------------|
| General government | \$ 124,780 |
| Public safety | 247,788 |
| Public works highways and streets | 1,286,712 |
| Culture and recreation | <u>53,954</u> |
| Total Depreciation Expense, Governmental Activities | <u>\$ 1,713,234</u> |

Business-Type Activities

| | |
|------------------------------------------------------|-------------------|
| Water Fund | \$ 65,262 |
| Sewer Fund | <u>224,327</u> |
| Total Depreciation Expense, Business-Type Activities | <u>\$ 289,589</u> |

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, 2009, the date of the latest actuarial valuation:

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

All full-time police officers are required to participate in the plan. The plan provides for normal retirement at age 50 after 25 or more years of service or age 60 with 20 or more years of service. The amount of the pension benefit is 50% of the monthly average salary during the last thirty-six months of employment plus \$20 per month for every year's service in excess of 25 years up to a maximum additional benefit of \$100 per month. Benefits vest after 12 years of service. The plan provides survivor benefits of 50% 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.

TOWNSHIP OF BRISTOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 5: EMPLOYEES RETIREMENT PLANS (CONTINUED)

A. Police Pension Trust Fund (Continued)Funding Policy

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

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

Schedule of Funding Progress for the Bristol Township Police Pension Plan

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) - Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------|-------------------------------|---------------------------------------------------|---------------------------|--------------------|---------------------|---------------------------------------------------|
| 1/1/05 | \$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% |
| 1/1/09 | \$38,121,448 | \$42,174,232 | \$4,052,784 | 90.4% | 5,797,453 | 69.9% |

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, 2009. 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 Assets |
|-------------------|----------------------|---------------------------------------------------|--------------------|
| December 31, 2010 | \$ 564,367 | - % | \$ 10,520,687 |
| December 31, 2009 | \$ 959,642 | 61% | \$ 10,992,975 |
| December 31, 2008 | \$ 499,322 | 124% | \$ 11,299,121 |

TOWNSHIP OF BRISTOL
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2010

NOTE 5: EMPLOYEES RETIREMENT PLANS (CONTINUED)

A. Police Pension Trust Fund (Continued)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, 2009 |
| Actuarial Cost Method: | Entry Age Normal |
| Asset Valuation Method: | 130% of Market Value |
| Amortization Method | Level Dollar |
| Remaining Amortization Period | 16 Years |
| Actuarial Assumptions: | |
| Investment Rate of Return | 8% |
| Projected Salary Increases | 6% |

During 2008, the Township issued federally taxable general obligation bonds to fully fund the unfunded actuarial accrued pension liability in the police pension plan. The Township's contribution resulted in a net pension asset in the police pension plan. At December 31, 2010, the Township's net pension asset was:

| | |
|---------------------------------------|------------------------|
| Annual Required Contribution (ARC) | \$ 564,367 |
| Interest on Net Pension Asset | (873,838) |
| Adjustment to ARC | <u>1,276,126</u> |
| Annual Pension Cost (Expense) | 966,655 |
| Contributions Made | <u>(564,367)</u> |
| Decrease in Net Pension Asset | 402,288 |
| Net Pension Asset - Beginning of Year | <u>(10,922,975)</u> |
| Net Pension Asset - End of Year | <u>\$ (10,520,687)</u> |

Contributions Required and Contributions Made

Act 205 of 1984, the Municipal Pension Plan Funding Standard and Recovery Act, initiated actuarial funding requirements for municipal pension plans. Under Act 205 provisions, a municipal budget must provide for the full payment of the minimum municipal obligation ("MMO") to each employee pension fund of the municipality. Act 189 of 1990 amended Act 205 and redefined the calculation used to determine the MMO to employee pension funds. The MMO is now defined as the total financial requirements to the pension fund, less funding adjustments and estimated contributions. The annual required contribution for the MMO to the Pension Trust Fund was \$564,367, which was funded by the Township through a State Aid amount of \$564,367. The contribution represented 10% of covered payroll. Employee contributions in 2009 totaled \$317,703 or 5% of covered payroll.

TOWNSHIP OF BRISTOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 5: EMPLOYEES RETIREMENT PLANS (CONTINUED)

Contributions Required and Contributions Made (Continued)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, 2010 | \$ 564,367 | 100% |
| December 31, 2009 | \$ 543,501 | 107% |
| December 31, 2008 | \$ 499,322 | 124% |
| December 31, 2007 | \$1,984,931 | 100% |
| December 31, 2006 | \$1,951,148 | 100% |
| December 31, 2005 | \$1,901,805 | 100% |

B. Nonuniform Employees

The Township provides a defined contribution pension plan for eligible full-time nonuniformed employees of the Township. Members are permitted to contribute an amount up to 10% of their compensation to the Plan. The Township contributes on behalf of each member who was a participant on the last day of the plan year an amount equal to 1% above the member's contribution up to a maximum of 5%. Township and employee contributions to the plan were \$143,658 and \$150,609, respectively, during the year ended December 31, 2010.

C. 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 \$20,273 and \$28,495, respectively, during the year ended December 31, 2010.

NOTE 6: DEFERRED COMPENSATION PLAN

The Township has established and administers a deferred compensation program (the "Program") in accordance with Internal Revenue Code Section 401(k) available to all full-time Township employees. Contributions to the Program are made from employee payroll deductions based on an election by the participant. Assets of the Program amounting to \$7,175,796 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.

TOWNSHIP OF BRISTOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 7: COMPENSATED ABSENCES

Full-time employees earn vacation to be used by the end of the year or it is forfeited. Township police officers are entitled to accrue unlimited days of sick leave benefits and at termination or retirement, are entitled to payment for all unused sick time in an amount equal to the existing hourly rate. 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.

For employee's of the Sewer Department, vacation time not taken at year end accrues and must be taken within the next nine months. If the employee terminates within the nine month period, accrued vacation is due to the employee. Employees' may accrue up to 150 days of sick leave and will be paid 50% of the accrued sick leave at time of termination up to a maximum of \$5,000 if the employee has 10 years of service and a maximum of \$7,500 if the employee has 20 years of service.

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

NOTE 8: LONG-TERM DEBT

Other liabilities are generally liquidated by the General Fund and the Debt Service Fund. A summary of changes in long-term debt obligations at December 31, 2010:

| | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due Within One Year |
|-----------------------------------------------|----------------------|---------------|----------------|-------------------|-----------------------------------|
| Governmental Activities: | | | | | |
| Bonds and Notes Payable: | | | | | |
| General Obligation Bonded Debt | \$ 18,980,000 | \$ 7,868,544 | \$ (8,235,000) | \$ 18,613,544 | \$ 579,671 |
| Total Bonds Payable | 18,980,000 | 7,868,544 | (8,235,000) | 18,613,544 | 579,671 |
| Other Liabilities: | | | | | |
| Compensated Absences | 2,205,570 | 855,935 | - | 3,061,505 | 177,807 |
| Capital Leases | 271,849 | 579,592 | (406,889) | 444,552 | 253,831 |
| Liability for Other Postemployment Benefits | 8,310,695 | 4,228,291 | - | 12,538,986 | - |
| Total Other Liabilities | 10,788,014 | 5,664,218 | (406,889) | 16,045,943 | 431,438 |
| Governmental Activities Long-Term Liabilities | \$ 29,768,014 | \$ 13,533,362 | \$ (8,641,889) | \$ 34,656,457 | \$ 1,011,109 |

New Debt

In March of 2010, Bristol Township issued \$7,868,544 in General Obligation Bonds, 2010 Series, all of which is related to the Township. The Township recognized a premium of \$14,190 as a result of the issuance. The proceeds of the 2010 Bonds were used to currently refund the outstanding General Obligation Bonds of 2004 and to pay issuance costs of \$173,537. A deferred debt of \$463,000 was recognized as a result of the transaction. The bonds mature on September 1, 2030 and carry an interest rate between 2% and 4.25%.

TOWNSHIP OF BRISTOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 8: LONG-TERM DEBT (CONTINUED)

| <u>Business-Type Activities:</u> | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Amounts Due Within One Year</u> |
|------------------------------------------------|------------------------------|---------------------|---------------------|-----------------------|--------------------------------------------|
| Note Payable | \$ 147,000 | \$ 2,051,456 | \$ (147,000) | \$ 2,051,456 | \$ 75,329 |
| Total Note Payable | <u>147,000</u> | <u>2,051,456</u> | <u>(147,000)</u> | <u>2,051,456</u> | <u>75,329</u> |
| Other Liabilities: | | | | | |
| Compensated Absences | <u>10,068</u> | <u>5,051</u> | <u>-</u> | <u>15,119</u> | <u>-</u> |
| Total Other Liabilities | <u>10,068</u> | <u>5,051</u> | <u>-</u> | <u>15,119</u> | <u>-</u> |
| Business Type Activities Long-Term Liabilities | <u>\$ 157,068</u> | <u>\$ 2,056,507</u> | <u>\$ (147,000)</u> | <u>\$ 2,066,576</u> | <u>\$ 75,329</u> |

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

| Years Ended December 31 | Principal <u>Requirements</u> | Interest <u>Requirements</u> | Total Debt Service <u>Requirements</u> |
|----------------------------|----------------------------------|---------------------------------|----------------------------------------------|
| 2011 | 579,671 | 1,018,227 | 1,597,898 |
| 2012 | 596,212 | 999,974 | 1,596,186 |
| 2013 | 619,148 | 974,724 | 1,593,872 |
| 2014 | 635,693 | 948,470 | 1,588,163 |
| 2015 | 665,783 | 919,858 | 1,585,641 |
| 2016-2020 | 3,770,757 | 4,213,235 | 7,983,992 |
| 2021-2025 | 4,047,280 | 3,302,268 | 7,349,548 |
| 2026-2030 | 2,185,000 | 2,451,724 | 4,636,724 |
| 2031-2035 | 3,080,000 | 1,559,774 | 4,639,774 |
| 2036-2038 | <u>2,430,000</u> | <u>355,356</u> | <u>2,785,356</u> |
| | <u>18,613,544</u> | <u>16,743,610</u> | <u>35,357,154</u> |

An analysis of debt service requirements to maturity on these business-type activities obligations follows (with the exception of compensated absences, estimated workers' compensation liability, liability for other postemployment benefits, and capital leases):

| Years Ended December 31 | Principal <u>Requirements</u> | Interest <u>Requirements</u> | Total Debt Service <u>Requirements</u> |
|----------------------------|----------------------------------|---------------------------------|----------------------------------------------|
| 2011 | 75,329 | 76,309 | 151,638 |
| 2012 | 73,788 | 74,426 | 148,214 |
| 2013 | 75,852 | 71,474 | 147,326 |
| 2014 | 90,307 | 68,440 | 158,747 |
| 2015 | 94,217 | 64,828 | 159,045 |
| 2016-2020 | 449,243 | 286,989 | 736,232 |
| 2021-2025 | 507,720 | 207,668 | 715,388 |
| 2026-2030 | <u>685,000</u> | <u>90,100</u> | <u>775,100</u> |
| | <u>2,051,456</u> | <u>940,234</u> | <u>2,991,690</u> |

TOWNSHIP OF BRISTOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 8: 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, 2010</u> |
|-------------|-----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------|
| 2010 | \$9,920,000 | General Obligation Bonds, Series 2010 – General obligation bonds with interest semiannually through September 1, 2030; interest rates range from 2.0% to 4.25%; principal payments due annually through September 1, 2030, for the refunding of the General Obligation Bonds, Series of 2004 and for the funding of various capital projects. | \$ 9,385,000 |
| 2008 | \$ 11,430,000 | Federally Taxable General Obligation Bonds, Series 2008 – General obligation bonds with interest semiannually through September 15, 2038; interest rates range from 4.85% to 7.15%; principal payments due annually through September 15, 2038, for the funding of the Township's unfunded actuarial accrued liability in its Uniformed Pension Plan. | \$ 11,280,000 |
| Total | | | <u>\$ 20,665,000</u> |

NOTE 9: OBLIGATION UNDER CAPITAL LEASE

Obligation under capital lease consists of the following leases payable:

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

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

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

The assets acquired through capital leases are as follows:

| | |
|--------------------------------|--------------------|
| Asset: | |
| Equipment | \$2,536,264 |
| Less: Accumulated Depreciation | <u>(1,205,891)</u> |
| Total | <u>\$1,330,373</u> |

TOWNSHIP OF BRISTOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 9: OBLIGATION UNDER CAPITAL LEASE (CONTINUED)

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, 2010:

| | |
|---------------------------------------------------|------------------|
| Total Minimum Lease Payments | \$471,866 |
| Less: Amount Representing Interest | <u>(27,314)</u> |
| Total Present Value of Net Minimum Lease Payments | 444,552 |
| Less: Amounts Due within One Year | <u>(253,831)</u> |
| Long Term Capital Lease Payable | <u>\$190,721</u> |

Future minimum capital lease payments as of December 31, 2010:

| | |
|----------------------------------------|-------------------|
| 2011 | \$ 253,831 |
| 2012 | <u>190,721</u> |
| Total Future Minimum Lease Payments | <u>\$ 444,552</u> |

NOTE 10: INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances consist of the following at December 31, 2010:

| | <u>Due From Other Funds</u> | <u>Due to Other Funds</u> |
|------------------------------------------|---------------------------------|-------------------------------|
| Governmental Funds: | | |
| General Fund | \$ 335,227 | \$ - |
| Street Lights Fund | 1,823 | - |
| Capital Reserve Fund | 1,769 | - |
| Refuse Fund | 20,759 | - |
| Other Governmental Funds | <u>10,045</u> | <u>318,751</u> |
| Total Governmental Funds | <u>369,623</u> | <u>318,751</u> |
| Fiduciary Funds | | |
| Agency Funds | <u>-</u> | <u>50,872</u> |
| Total Fiduciary Funds | <u>-</u> | <u>50,872</u> |
| Proprietary Funds | | |
| Sewer Funds | \$1,759,393 | \$1,759,393 |
| Total Interfund Receivables and Payables | <u>\$ 2,129,016</u> | <u>\$ 2,129,016</u> |

TOWNSHIP OF BRISTOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 10: INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

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

NOTE 11: INTERFUND OPERATING TRANSFERS

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

| Governmental Funds: | <u>Transfers In</u> | <u>Transfers Out</u> |
|-------------------------------------|---------------------|----------------------|
| General Fund | \$ 190,000 | \$ 1,554 |
| Street Lights Fund | - | 40,000 |
| Refuse Fund | - | 55,000 |
| Capital Reserve | 98,958 | 123,958 |
| Other Governmental Funds | 1,554 | - |
| Total Governmental Funds | <u>290,512</u> | <u>220,512</u> |
| Proprietary Fund | | |
| Water Fund | - | 35,000 |
| Sewer Fund | - | 35,000 |
| Total Proprietary Funds | <u>-</u> | <u>70,000</u> |
| Total Interfund Operating Transfers | <u>\$ 290,512</u> | <u>\$ 290,512</u> |

NOTE 12: INTERAUTHORITY TREATMENT SERVICES

The Township has separate agreements with four other municipal authorities which provide for the treatment by these authorities of a portion of the wastewater collected by the Township. These agreements expire between 2004 and 2012. For the year ended December 31, 2010, the Township's expense for treatment services under these agreements was \$1,425,095.

NOTE 13: RISK MANAGEMENT

The Township maintains an insurance policy ("Policy") for workers' compensation insurance. Insurance premiums are developed based on employee job descriptions, rate factors, and payroll costs for the year. The Policy has an audit performed each year and the Township may be required to pay any additional premium as a result of the audit, or the Township may be entitled to a refund as a result of the audit. For the year ended December 31, 2010, the Township paid insurance premiums of \$751,557.

TOWNSHIP OF BRISTOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 14: RESERVED/RESTRICTED FUND BALANCES/NET ASSETS

The reservations/restrictions of fund balance/net assets included in the government-wide and 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/restrictions are included in the government-wide and fund financial statements:

Governmental Activities/Governmental FundsStreet Lights Fund

| | |
|------------------------------------------------------------|---------------------|
| <u>Program Purposes</u> | <u>\$ 1,129,496</u> |
| Reserved for future payments of the street lights program. | |

Refuse Fund

| | |
|-----------------------------------------------------|-------------------|
| <u>Program Purposes</u> | <u>\$ 793,445</u> |
| Reserved for future payments of the refuse program. | |

Capital Reserve Fund

| | |
|------------------------------------------------|---------------------|
| Reserved for construction on capital projects. | <u>\$ 1,732,719</u> |
|------------------------------------------------|---------------------|

Other Governmental Funds

| | |
|------------------------------------------------|-------------------|
| <u>Capital Project Funds</u> | <u>\$ 110,734</u> |
| Reserved for construction on capital projects. | |

| | |
|--------------------------------------------------------|-------------------|
| <u>Debt Service Funds</u> | <u>\$ 726,239</u> |
| Reserved for payment of principle and interest on debt | |

| | |
|------------------------------------------------------------------------------|---------------------|
| <u>Program Purposes</u> | <u>\$ 1,746,630</u> |
| Reserved for future payments of the programs these funds are restricted for. | |

Fiduciary Funds

| | |
|---------------------------------------------------------------------------------|---------------------|
| <u>Police Retirement Trust Fund</u> | <u>\$38,007,743</u> |
| This reserve represents amounts restricted for the payment of pension benefits. | |

NOTE 15: POST-EMPLOYMENT BENEFIT PLAN

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

TOWNSHIP OF BRISTOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 15 POST-EMPLOYMENT BENEFIT PLAN (CONTINUED)

Funding Policy. The contribution requirements of the Township are established and may be amended by the establishment of a new Agreement between Bristol Township and the Bristol Township Police Benevolent Association. The Plan does not require any contributions from Plan members. The Township funds the Plan on a pay-as-you-go basis. For 2010, the Township contributed \$1,647,979 to the plan for current premiums.

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

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

| <u>Fiscal Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|--------------------------|-------------------------|---------------------------------------------------|----------------------------|
| 12/31/08 | \$ 5,512,779 | 16.19% | \$ 4,620,063 |
| 12/31/09 | \$ 5,680,999 | 35.04% | \$ 8,310,595 |
| 12/31/10 | \$5,877,270 | 28.04% | \$12,539,886 |

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

The following table shows the components of the Township's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Township's net OPEB obligation to the Plan:

| | <u>Governmental Activities</u> | <u>Total Primary Government</u> |
|-----------------------------------------|--------------------------------|---------------------------------|
| Annual required contribution (ARC) | \$ 6,043,590 | \$ 6,043,590 |
| Interest on net OPEB obligation | 332,424 | 332,424 |
| Adjustment to ARC | <u>(498,744)</u> | <u>(498,744)</u> |
| Annual OPEB costs (expense) | 5,877,270 | 5,877,270 |
| Contributions made | <u>(1,647,979)</u> | <u>(1,647,979)</u> |
| Increase in net OPEB obligation | 4,229,291 | 4,229,291 |
| Net OPEB obligation - beginning of year | <u>8,310,595</u> | <u>8,310,595</u> |
| Net OPEB obligation - end of year | <u>\$ 12,539,886</u> | <u>\$ 12,539,886</u> |

TOWNSHIP OF BRISTOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 15 POST-EMPLOYMENT BENEFIT PLAN (CONTINUED)

Funded Status and Funding Progress. As of January 1, 2010, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$66,917,267 and there were no assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$66,917,267. The covered payroll (annual payroll of active employees covered by the plan) was \$4.8 million, and the ratio of the UAAL to the covered payroll was 1383.1%.

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

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

In the January 1, 2010 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return, which is the expected long-term investment yield on the investments that are expected to be used to finance the payments of benefits, a salary increase of 6% per year, a health care cost trend rate of 12% initially, reduced by 0.5% per year to an ultimate rate of 5% in 2022 and later years. The actuarial assumptions also include a vision cost trend rate increase of 5.0% per year. The actuarial valuation assumes 100% participant election and 80% of retiring member's spouses will elect coverage under the plan. The UAAL is being amortized using the level dollar method over a period of 30 years on a closed basis.

NOTE 16: 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, 2010.

TOWNSHIP OF BRISTOL
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2010

NOTE 17: RESTATEMENT OF NET ASSETS

Governmental Funds:

The following restatement of net assets was necessary to properly reflect the fair value of intangible assets due to the Township adopting GASB 51, "Accounting and Financial Reporting for Intangible Assets."

| | |
|-----------------------------------------------------|----------------------|
| Net assets, beginning of year, as previously stated | \$ 16,230,618 |
| GASB 51 Implementation | |
| Accumulated amortization of intangible assets | <u>53,890</u> |
| Net assets, beginning of year, as restated | <u>\$ 16,284,508</u> |

NOTE 18: REFUNDED DEBT

In February 2010 the Township issued General Obligation Bonds Series of 2010 for \$9,920,000. The proceeds were used to refund the Township's General Obligation Bonds Series of 2004 to fund certain capital projects.

At December 31, 2010, the principal amount outstanding relative to refunded debt was \$9,385,000.

REQUIRED
SUPPLEMENTAL
INFORMATION

BRISTOL TOWNSHIP
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT) - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|----------------------------------------------|-------------------|-------------------|---------------------|---------------------------------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 14,301,741 | \$ 14,301,741 | \$ 13,948,476 | \$ (352,265) |
| Licenses, Fees and Permits | 2,603,100 | 2,503,100 | 2,518,137 | 15,037 |
| Charges for Service | 1,148,229 | 1,148,229 | 1,048,577 | (101,052) |
| Court Costs, Fines and Forfeits | 291,000 | 291,000 | 301,223 | 10,223 |
| Intergovernmental | 460,386 | 460,388 | 926,940 | 466,554 |
| Interest | 40,000 | 40,000 | 10,558 | (29,442) |
| Miscellaneous | 254,662 | 254,662 | 266,237 | 576 |
| Total Revenues | 18,999,118 | 18,999,118 | 19,008,148 | 9,030 |
| Expenditures | | | | |
| Current: | | | | |
| General Government | 3,145,957 | 3,146,857 | 2,882,882 | 253,065 |
| Public Safety | 13,742,817 | 13,742,817 | 12,985,767 | 777,160 |
| Public Works Highways and Streets | 2,300,144 | 2,300,144 | 2,331,320 | (31,176) |
| Health and Welfare | - | - | - | - |
| Debt Service | | | | |
| Principal | - | - | 150,000 | (150,000) |
| Interest | - | - | 778,518 | (778,518) |
| Total Expenditures | 19,189,018 | 19,189,018 | 19,116,487 | 72,551 |
| Excess of Revenues Under Expenditures | (189,900) | (189,900) | (108,319) | 81,581 |
| Other Financing Sources (Uses): | | | | |
| Operating Transfers In | 190,000 | 190,000 | 190,000 | - |
| Operating Transfers Out | - | - | (1,554) | (1,554) |
| Total Other Financing Sources (Uses) | 190,000 | 190,000 | 188,446 | (1,554) |
| Net Change In Fund Balances | 100 | 100 | 80,127 | 80,027 |
| Fund Balances Beginning of Year | - | - | 3,687,813 | 3,687,613 |
| Fund Balances End of Year | \$ 100 | \$ 100 | \$ 3,767,740 | \$ 3,767,640 |

BRISTOL TOWNSHIP
REFUSE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---------------------------------------------|------------------|------------------|-------------------|---------------------------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | \$ 5,288,332 | \$ 5,288,332 | \$ 5,502,413 | \$ 214,081 |
| Charges for Service | 5,000 | 5,000 | 17,738 | 12,738 |
| Intergovernmental | 100,000 | 100,000 | - | (100,000) |
| Interest | 6,000 | 6,000 | 4,185 | (1,815) |
| Total Revenues | <u>5,399,332</u> | <u>5,399,332</u> | <u>5,524,336</u> | <u>125,004</u> |
| Expenditures | | | | |
| Current: | | | | |
| Health and Welfare | 5,344,332 | 5,344,332 | 5,237,904 | 106,428 |
| Total Expenditures | <u>5,344,332</u> | <u>5,344,332</u> | <u>5,237,904</u> | <u>106,428</u> |
| Excess of Revenues Over Expenditures | <u>55,000</u> | <u>55,000</u> | <u>286,432</u> | <u>231,432</u> |
| Other Financing (Uses): | | | | |
| Operating Transfers Out | (55,000) | (55,000) | (55,000) | - |
| Total Other Financing (Uses) | <u>(55,000)</u> | <u>(55,000)</u> | <u>(55,000)</u> | <u>-</u> |
| Net Change in Fund Balances | - | - | 231,432 | 231,432 |
| Fund Balances Beginning of Year | - | - | 562,013 | 562,013 |
| Fund Balances End of Year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 793,445</u> | <u>\$ 793,445</u> |

BRISTOL TOWNSHIP
STREET LIGHTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|----------------------------------------------|------------------|------------------|---------------------|---------------------------------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 488,888 | \$ 488,888 | \$ 514,695 | \$ 27,727 |
| Charges for Service | - | - | 835 | 835 |
| Intergovernmental | 3,000 | 3,000 | - | (3,000) |
| Interest | 5,000 | 5,000 | 3,406 | (1,594) |
| Miscellaneous | - | - | - | - |
| Total Revenues | 494,888 | 494,888 | 518,636 | 23,768 |
| Expenditures | | | | |
| Current: | | | | |
| Public Works Highways and Streets | 648,000 | 648,000 | 867,792 | (21,792) |
| Total Expenditures | 648,000 | 648,000 | 867,792 | (21,792) |
| Excess of Revenues Under Expenditures | (351,132) | (351,132) | (349,156) | 1,976 |
| Other Financing Sources (Uses): | | | | |
| Operating Transfers In | 391,132 | 391,132 | - | (391,132) |
| Operating Transfers Out | (40,000) | (40,000) | (40,000) | - |
| Total Other Financing (Uses) | 351,132 | 351,132 | (40,000) | (391,132) |
| Net Change in Fund Balances | - | - | (389,168) | (389,168) |
| Fund Balances Beginning of Year | - | - | 1,519,102 | 1,519,102 |
| Fund Balances End of Year | \$ - | \$ - | \$ 1,129,946 | \$ 1,129,946 |

BRISTOL TOWNSHIP
 SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS
 DECEMBER 31, 2010

| 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-c)/c |
|--------------------------------|----------------------------------------|------------------------------------------------------------------|------------------------------------|-----------------------|---------------------------|-------------------------------------------------------------|
| 1/1/2010 | \$ - | \$ 66,917,267 | \$ 66,917,267 | 0% | \$ 4,838,136 | 1383.1% |

The Township adopted GASB 45 on a prospective basis in 2008; therefore only one year is presented in the above schedule.

Respondent's Name:
Keith E. Gabage
Director Corporate Development
Aqua Pennsylvania, Inc.
February 7, 2012

BUREAU OF TECHNICAL UTILITY SERVICES
Water/Wastewater Industry Group
Aqua Pennsylvania, Inc.
Responses to Discovery Set I
Docket No. A-2012-2282704

A-5 Provide the most current detailed depreciation schedule showing the plant-in-service, dates of installation, accrued depreciation etc., for the Bristol Township water system facilities.

Response: As noted in the response to A-2, the plant in service on the books of Bristol Township may be understated. Additionally, as noted in the response to A-2, Aqua plans to conduct an original cost study for the assets acquired from Bristol Township. A Depreciation Schedule (for some but not all) of the water system assets, requested and received by Aqua in the bidding process with Bristol Township, is included with this response.

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2010 Water Assets

| Assets | Description | Department | Cost | Date Acquired | Estimated Useful Life | Accumulated Depreciation 12/31/2009 | Net Book Value 12/13/2009 | Depreciation Expense 2010 | Accumulated Depreciation 12/31/2010 | Net Book Value 12/13/2010 |
|-----------------------------|----------------------|-----------------|------------------|---------------|-----------------------|-------------------------------------|---------------------------|---------------------------|-------------------------------------|---------------------------|
| Equipment | | | | | | | | | | |
| Total Equipment | | | 3,417 | | | 3,417 | - | | 3,417 | - |
| <u>Water Infrastructure</u> | | | | | | | | | | |
| Infrastructure | Piping Water/Ductile | Water Departmer | 655,135 | 1984 | 40 | 426,488 | 229,647 | 16,403 | 442,891 | 213,244 |
| Infrastructure | Piping Water/Ductile | Water Departmer | 514,178 | 1984 | 40 | 334,215 | 179,962 | 12,854 | 347,070 | 167,108 |
| Infrastructure | Piping Water/Ductile | Water Departmer | 635,456 | 1984 | 40 | 413,047 | 222,410 | 15,886 | 428,933 | 206,523 |
| Infrastructure | Piping Water/Ductile | Water Departmer | 146,998 | 2001 | 40 | 33,074 | 113,923 | 3,675 | 36,749 | 110,248 |
| Infrastructure | Fire Hydrant | Water Departmer | 134,538 | 1984 | 40 | 87,450 | 47,088 | 3,363 | 90,813 | 43,725 |
| Infrastructure | Canal Manmade | Water Departmer | 140,379 | 1954 | 40 | 140,379 | - | 3,509 | 143,888 | (3,509) |
| Infrastructure | Piping Water/Ductile | Water Departmer | 368,450 | 1988 | 40 | 202,648 | 165,803 | 9,211 | 211,859 | 156,591 |
| Infrastructure | hydrants | Water Departmer | 5,385 | 2008 | 15 | 539 | 4,847 | 359 | 898 | 4,488 |
| Total Infrastructure | | | 2,601,519 | | 295.00 | 1,637,839 | 963,680 | 65,262 | 1,703,101 | 898,417 |
| Total | | | 2,604,936 | | 295.00 | 1,641,256 | 963,680 | 65,262 | 1,706,518 | 898,417 |

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BUREAU OF TECHNICAL UTILITY SERVICES
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Responses to Discovery Set I
Docket No. A-2012-2282704

A-6 Provide an explanation of how you came up with the purchase price and the justification for the water system assets purchase price of \$3,428,000.

Response: The purchase price of \$3,428,000 is the price negotiated, at arms-length, by Bristol Township, a willing seller, and Aqua, a willing buyer, of the water system assets. As stated in paragraph 10 of the *Application*, Aqua and Bristol Township are not affiliated with each other.

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BUREAU OF TECHNICAL UTILITY SERVICES
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Responses to Discovery Set I
Docket No. A-2012-2282704

A-7 **Provide a detailed description of system improvements planned following closing with Bristol Township. Include a timeframe and related cost estimates.**

Response: **Aqua is not presently aware of any significant improvements needed for this system. Possible improvements may include meter replacements on customer service lines, but actual improvements would not be determined as necessary until after Closing and Aqua has been actually operating the system.**

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Respondent's Name:
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Aqua Pennsylvania, Inc.
February 7, 2012

**BUREAU OF TECHNICAL UTILITY SERVICES
Water/Wastewater Industry Group
Aqua Pennsylvania, Inc.
Responses to Discovery Set I
Docket No. A-2012-2282704**

A-8 Regarding operation of Bristol Township system:

- a) State if Aqua will use the Township's employees.
- b) Indicate if Aqua will hire additional personnel for the system operations.
- c) State which of Aqua's existing systems will provide the resources to operate the system.
- d) Provide the name and a copy of the operator's certificate for the Certified Operator that will be assigned to this system.

- Response:**
- a) Aqua will not use Township employees to operate the Bristol Township system.
 - b) Aqua is not planning to hire additional personnel for system operations.
 - c) Aqua will operate the system out of its Willow Grove Operations Center with the support of water professionals throughout its organization.
 - d) Aqua has not identified a Certified Operator that will be assigned to the Bristol Township system. Aqua has a number of licensed operators that will likely support the needs of the customers and the Bristol Township system.

Respondent's Name:
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February 7, 2012

BUREAU OF TECHNICAL UTILITY SERVICES
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Aqua Pennsylvania, Inc.
Responses to Discovery Set I
Docket No. A-2012-2282704

A-9 Provide a letter from Bucks County in support of the acquisition.

Response: Aqua has no letter from Bucks County expressing support for the acquisition. Copies of the *Application* were served upon the County Supervisors and County Planning Commission. The County has not filed a protest or objection to the *Application*. The protest period closes on February 13, 2012.

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BUREAU OF TECHNICAL UTILITY SERVICES
Water/Wastewater Industry Group
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Responses to Discovery Set I
Docket No. A-2012-2282704

A-10 Provide the estimated annual revenue and expenses for Aqua for the Bristol Township water system.

Response: It is currently estimated that annual operating revenues may be \$570,100 or less and operating expenses (excluding depreciation, interest expense and taxes) may be \$180,497.

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February 7, 2012

BUREAU OF TECHNICAL UTILITY SERVICES
Water/Wastewater Industry Group
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Responses to Discovery Set I
Docket No. A-2012-2282704

A-11 **Provide an explanation of what entity or entities provide wastewater service to the 596 customers of Bristol Township.**

Response: **It is believed that Bucks County Water and Sewer Authority provides wastewater service to the 596 customers.**

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February 7, 2012

BUREAU OF TECHNICAL UTILITY SERVICES
Water/Wastewater Industry Group
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Responses to Discovery Set I
Docket No. A-2012-2282704

A-12 **Provide reasons why Bristol Township is selling its water system to Aqua.**

Response: **Aqua is not aware of the specific reasons why Bristol Township is selling its water system. Aqua assumes that Bristol Township desires to exit the water business and that the Township believes it has negotiated an acceptable arrangement with Aqua, an established provider of public water service, for doing so.**

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Docket No. A-2012-2282704

A-13 Provide information on how Aqua intends to provide water service to the 596 customers of Bristol Township.

Response: Aqua intends to provide service through the facilities and system configuration that presently exist, the new circumstance being that Aqua will now own the Bristol Township distribution facilities.

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BUREAU OF TECHNICAL UTILITY SERVICES
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Responses to Discovery Set I
Docket No. A-2012-2282704

A-14 Provide a breakdown of the 596 customers by class.

Response: Residential Customers – 424
Commercial Customers – 128
Industrial Customers – 18
Public Customer – 26

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February 7, 2012

BUREAU OF TECHNICAL UTILITY SERVICES
Water/Wastewater Industry Group
Aqua Pennsylvania, Inc.
Responses to Discovery Set I
Docket No. A-2012-2282704

A-15 The Pennsylvania Department of Environmental Protection has identified several violations by Aqua in the southeast region of the state including in Bristol Township.

- a) Provide updates on the associated enforcement actions related to these violations.
- b) Indicate what measures Aqua has put in place or intends to put in place to prevent future reoccurrence.

Response: The question does not identify the violations to be addressed in response. However, in discussion with Staff of the Bureau of Technical Utility Services, Aqua understands that the matters of interest are: i) *Consent Assessment of Civil Penalty* ("CACP"), dated August 17, 2011, between DEP and Aqua; ii) *Consent Order and Agreement* ("CO&A"), dated August 17, 2011, between DEP and Aqua; and iii) a *Notice of Violation* letter ("NOV"), dated October 20, 2011, and authored by Mr. Thomas Caufield with DEP.

Aqua inquired of DEP about the status of each of the above matters and, on January 30, 2012, was advised by Mr. Mark Johnson of DEP that both the CACP and CO&A are final documents and are considered to be closed and that no other actions on the part of Aqua are anticipated or needed as related to those two documents. Mr. Johnson also advised that the NOV referenced an overfeed of a treatment chemical that, in the view of DEP, necessitated a one hour notification to DEP and that no other additional actions were requested by DEP as a result of the issuance of that NOV.

Respondent's Name:
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Director Corporate Development
Aqua Pennsylvania, Inc.
February 7, 2012

BUREAU OF TECHNICAL UTILITY SERVICES
Water/Wastewater Industry Group
Aqua Pennsylvania, Inc.
Responses to Discovery Set I
Docket No. A-2012-2282704

A-16 Provide a comprehensive description of the Bristol Township water system (sources, treatment, distribution, storage, etc.).

Response: Please refer to Schedule 1.1 of the *Assets Purchase Agreement* attached as Exhibit C to the *Application* filed on December 28, 2011.

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Respondent's Name:

**Keith E. Gabage
Director Corporate Development
Aqua Pennsylvania, Inc.
February 7, 2012**

**BUREAU OF TECHNICAL UTILITY SERVICES
Water/Wastewater Industry Group
Aqua Pennsylvania, Inc.
Responses to Discovery Set I
Docket No. A-2012-2282704**

A-17 Indicate if the fire hydrant rate of \$10.91/fire hydrant Aqua intends to charge the Township will be implemented in phases.

Response: The fire hydrant rate will not be implemented in phases. Paragraph 6.c of the *Assets Purchase Agreement* between Aqua and Bristol Township provides that the initial fire hydrant rate will be Aqua's Bensalem Division rate for public fire hydrants of \$10.91/fire hydrant, which will be charged after closing.

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Before The
PENNSYLVANIA PUBLIC UTILITY COMMISSION

In re: Application of Aqua Pennsylvania, Inc. :
for approval of the acquisition of the water : Application Docket
system assets of Bristol Township situated in : No. A-2012-2282704
a portion of Bristol Township, Bucks County, :
PA, and 2) the right of Aqua Pa to begin to :
offer, render, furnish or supply water service :
to the public in an additional portion of Bristol :
Township, Bucks County, PA :

CERTIFICATE OF SERVICE

I hereby certify that a true copy of the above referenced Application of Aqua Pennsylvania, Inc. was served upon the persons and in the manner listed below:

First Class Mail, Postage Prepaid, on December 28, 2011

Bureau of Investigation & Enforcement
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
P. O. Box 3265
Harrisburg, PA 17105-3265

Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923

Office of Small Business Advocate
Suite 1102, Commerce Building
300 North Second Street
Harrisburg, PA 17101

Certified Mail, Return Receipt Requested, on January 19, 2012

Bucks County Board of Commissioners
55 East Court Street
Doylestown, PA 18901

Bucks County Planning Commission
1260 Almshouse
Doylestown, PA 18901

Bristol Township Council
2501 Bath Road
Bristol, PA 19007

Bristol Township Planning Commission
2501 Bath Road
Bristol, PA 19007

Bristol Township Sewer Department
2501 Bath Road
Bristol, PA 19007

Lower Bucks County Joint Municipal
Authority
7811 New Falls Road
Levittown, PA 19055

Bucks County Water & Sewer Authority
1275 Almshouse Road
Warrington, PA 18976

Joseph Feola, Regional Director
PA Department of Environmental
Protection
Southeast Region Office
2 East Main Street
Norristown, PA 19401



Thomas T. Niesen
PA Attorney ID No. 31379

Dated this 2nd day of February, 2012