LOWER NAZARETH TOWNSHIP

Financial Statements,
Independent Auditor's Report
and Supplementary Information

December 31, 2025

CAMPBELL, RAPPOLD & YURASITS LLP
Certified Public Accountants
1033 South Cedar Crest Boulevard Allentown, PA 18103

LOWER NAZARETH TOWNSHIP
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C·R&Y CERTIFIED PUBLIC ACCOUNTANTS
CAMPBELL, RAPPOLD & YURASITS LLP

TARA L. BENDER, CPA, CSEP
JAMES F. BOVA, CPA
MARC A. BRINKER, CPA
MELISSA A. GRUBE, CPA, CSEP
PAUL G. MACK, CPA, CFE
GREGORY R. MOSER, JR., CPA
JASON L. SERFASS, CPA
JOHN R. ZAYAITZ, CPA

MICHELLE R. BITNER, CPA
ROXANNA M. BRANDLE, CPA
KYLE ELSENBAUMER, CPA
MICHAEL T. GILL, CPA
MICHAEL A. METZ, CPA
DEBORAH A. MILLER, CPA
NICHOLAS A. OTTOLINI, CPA
BRIAN D. PALMER, CPA
TARA M. SHELLHAMER, CPA
MICHAEL R. SMITH, CPA
HEIDI D. WOJCIECHOWSKI, CPA

INDEPENDENT AUDITOR'S REPORT

To the Members of the Township Supervisors
Lower Nazareth Township
Nazareth, PA

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lower Nazareth Township, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise Lower Nazareth Township's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lower Nazareth Township as of December 31, 2025, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 2.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lower Nazareth Township and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

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Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 2, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Lower Nazareth Township's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lower Nazareth Township's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lower Nazareth Township's basic financial statements. Management's budgetary comparison, pension schedules, and combining schedules on pages 41-48 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison, pension schedules, and combining schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 2026, on our consideration of Lower Nazareth Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of Lower Nazareth Township's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lower Nazareth Township's internal control over financial reporting and compliance.

Campbell, Rappold & Yurasits LLP

September 1, 2026

LOWER NAZARETH TOWNSHIP
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2025

ASSETS	Governmental Activities	Business-Type Activities	Total
Current Assets:			
Cash and Cash Equivalents	$ 9,544,613	$ 780,419	$ 10,325,032
Investments	3,300,127	-	3,300,127
Internal Balances	2,331	-	2,331
Total Current Assets	12,847,071	780,419	13,627,490
Noncurrent Assets:			
Land, Building and Improvements	10,920,253	-	10,920,253
Vehicles	4,090,368	-	4,090,368
Machinery and Equipment	1,915,437	455,106	2,370,543
Accumulated Depreciation	-	(309,864)	(309,864)
Total Noncurrent Assets	16,926,058	145,242	17,071,300
TOTAL ASSETS	29,773,129	925,661	30,698,790
LIABILITIES			
Current Liabilities:			
Current Portion of Long-Term Debt	250,000	-	250,000
Total Current Liabilities	250,000	-	250,000
Noncurrent Liabilities:			
Long-Term Debt	2,250,000	-	2,250,000
Total Noncurrent Liabilities	2,250,000	-	2,250,000
TOTAL LIABILITIES	2,500,000	-	2,500,000
NET POSITION			
Invested in Capital Assets, Net of Related Debt	14,426,058	145,242	14,571,300
Restricted for:			
Capital Projects	6,409,744	-	6,409,744
Special Revenue	150,391	-	150,391
Unrestricted	6,286,936	780,419	7,067,355
TOTAL NET POSITION	$ 27,273,129	$ 925,661	$ 28,198,790

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

LOWER NAZARETH TOWNSHIP
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	$ 954,800	$ -	$ 99,082	$ -	$ (855,718)	$ -	$ (855,718)
Public Safety	3,469,332	317,307	99,554	770,652	(2,281,819)	-	(2,281,819)
Public Works	1,634,391	10,505	290,219	946,097	(387,570)	-	(387,570)
Cultural and Recreation	238,632	27,590	1,182	28,560	(181,300)	-	(181,300)
Insurance and Employee Benefits	642,783	-	-	-	(642,783)	-	(642,783)
Interest on Long-Term Debt	81,189	-	-	-	(81,189)	-	(81,189)
Total Governmental Activities	7,021,127	355,402	490,037	1,745,309	(4,430,379)	-	(4,430,379)
Business-Type Activities:							
Refuse and Recycling	98,713	5,513	-	28,465	-	(64,735)	(64,735)
Sewer	13,948	51,446	-	-	-	37,498	37,498
Total Business-Type Activities	112,661	56,959	-	28,465	-	(27,237)	(27,237)
Total Primary Government	$ 7,133,788	$ 412,361	$ 490,037	$ 1,773,774	$ (4,430,379)	$ (27,237)	$ (4,457,616)

	Governmental Activities	Business-Type Activities	Total
General Revenues:			
Taxes:			
Property Taxes, levied for general purposes, net	$ 2,673,895	$ -	$ 2,673,895
Property Taxes, levied for open space, net	1,023,952	-	1,023,952
Earned Income Taxes	2,150,334	-	2,150,334
Local Services Taxes	490,602	-	490,602
Other Taxes, levied for general purposes, net	359,950	-	359,950
Licenses and Permits	144,152	-	144,152
Fines and Forfeitures	67,702	-	67,702
Miscellaneous Income	85,428	-	85,428
Interest and Rents	516,231	23,641	539,872
Transfers In/(Out)	10,015	-	10,015
Total General Revenues, Special Items, Extraordinary Items, and Transfers	7,522,261	23,641	7,545,902
Change in Net Position	3,091,882	(3,596)	3,088,286
Net Position - Beginning	24,181,247	929,257	25,110,504
Net Position - Ending	$ 27,273,129	$ 925,661	$ 28,198,790

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

LOWER NAZARETH TOWNSHIP
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES – MODIFIED CASH BASIS – GOVERNMENTAL FUNDS
DECEMBER 31, 2025

	Major Funds			Non-Major Funds		
	General	Traffic Impact	Open Space	Special Revenue	Capital Projects	Total
ASSETS						
Cash and Cash Equivalents	$ 1,618,379	$ 698,821	$ 6,406,118	$ 15,624	$ 805,671	$ 9,544,613
Investments	141,768	593,034	3,626	304,915	2,256,784	3,300,127
Due from Other Funds	2,250	-	-	-	81	2,331
TOTAL ASSETS	$ 1,762,397	$ 1,291,855	$ 6,409,744	$ 320,539	$ 3,062,536	$ 12,847,071
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Due to Other Funds	$ -	$ -	$ -	$ -	$ -	$ -
Accrued Liabilities	-	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	-	-	-
FUND BALANCES						
Restricted	-	-	6,409,744	150,391	-	6,560,135
Committed	-	1,291,855	-	170,148	3,062,536	4,524,539
Unassigned	1,762,397	-	-	-	-	1,762,397
TOTAL FUND BALANCES	1,762,397	1,291,855	6,409,744	320,539	3,062,536	12,847,071
TOTAL LIABILITIES AND FUND BALANCES	$ 1,762,397	$ 1,291,855	$ 6,409,744	$ 320,539	$ 3,062,536	$ 12,847,071

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

LOWER NAZARETH TOWNSHIP
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES TO THE STATEMENT OF NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2025

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS		$ 12,847,071
Amounts Reported for Governmental Activities in the Statement of Net Position - Modified Cash Basis are Different Because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in the governmental funds. The cost of the assets is $16,926,058.		16,926,058
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:		
Note Payable	$ (2,500,000)	(2,500,000)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		$ 27,273,129

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

LOWER NAZARETH TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – MODIFIED CASH BASIS – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Major Funds			Non-Major Funds		
	General	Traffic Impact	Open Space	Special Revenue	Capital Projects	Total
REVENUES						
Taxes	$ 5,674,781	$ -	$ 1,023,952	$ -	$ -	$ 6,698,733
Licenses and Permits	144,152	-	-	-	-	144,152
Fines and Forfeitures	67,702	-	-	-	-	67,702
Interest and Rents	151,437	53,438	188,840	17,626	104,890	516,231
Intergovernmental Revenues	199,818	652,500	19,500	299,279	1,064,249	2,235,346
Charges for Services	55,461	268,302	-	21,134	10,505	355,402
Other Revenues	47,990	-	-	-	37,438	85,428
TOTAL REVENUES	6,341,341	974,240	1,232,292	338,039	1,217,082	10,102,994
EXPENDITURES						
General Government	880,870	1,010,677	609,834	-	62,597	2,563,978
Public Safety	2,739,040	-	-	-	730,292	3,469,332
Public Works - Highways and Streets	1,086,129	-	-	251,295	623,884	1,961,308
Cultural and Recreation	155,447	-	75,262	6,523	1,400	238,632
Insurance and Employee Benefits	642,783	-	-	-	-	642,783
Debt Service - Principal Retirement	-	-	-	-	22,552	22,552
Debt Service - Interest	-	-	80,479	-	710	81,189
TOTAL EXPENDITURES	5,504,269	1,010,677	765,575	257,818	1,441,435	8,979,774
EXCESS (DEFICIT) OF REVENUES RECEIVED OVER (UNDER) EXPENDITURES PAID	837,072	(36,437)	466,717	80,221	(224,353)	1,123,220
OTHER FINANCING SOURCES (USES)						
Proceeds from Debt Issuance	-	-	2,500,000	-	-	2,500,000
Operating Transfers In	-	-	-	-	1,221,791	1,221,791
Operating Transfers Out	(119,108)	-	-	-	(1,092,668)	(1,211,776)
Total Other Financing Sources (Uses)	(119,108)	-	2,500,000	-	129,123	2,510,015
Net Change in Fund Balances	717,964	(36,437)	2,966,717	80,221	(95,230)	3,633,235
Fund Balances, January 1	1,044,433	1,328,292	3,443,027	240,318	3,157,766	9,213,836
FUND BALANCES, DECEMBER 31	$ 1,762,397	$ 1,291,855	$ 6,409,744	$ 320,539	$ 3,062,536	$ 12,847,071

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

LOWER NAZARETH TOWNSHIP
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025

Net Change in Fund Balances - Governmental Funds		$ 3,633,235
Amounts Reported for Governmental Activities in the Statement of Activities - Modified Cash Basis are Different Because:		
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities - Modified Cash Basis, the cost of those expenditures is not reported but treated as a capital asset on the Statement of Net Position - Modified Cash Basis		
Capital Outlay	$ 1,936,095	1,936,095
Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position - Modified Cash Basis		22,552
Proceeds from issuance of debt is a current resource as a financing source in the governmental funds, but an increase in a liability in the Statement of Net Position - Modified Cash Basis.		(2,500,000)
Change in Net Position of Governmental Activities		$ 3,091,882

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

LOWER NAZARETH TOWNSHIP
STATEMENT OF NET POSITION – MODIFIED CASH BASIS – ALL PROPRIETARY FUNDS
DECEMBER 31, 2025

	Refuse and Recycling Fund	Sewer Fund	Total Proprietary Funds
ASSETS			
Current Assets:			
Cash and Cash Equivalents - Unrestricted	$ 144,394	$ 636,025	$ 780,419
Total Current Assets	144,394	636,025	780,419
Noncurrent Assets:			
Fixed Assets, Less Accumulated Depreciation	145,242	-	145,242
Total Noncurrent Assets	145,242	-	145,242
TOTAL ASSETS	$ 289,636	$ 636,025	$ 925,661
LIABILITIES			
Current Liabilities:			
Due to Other Funds	$ -	$ -	$ -
Total Current Liabilities	-	-	-
TOTAL LIABILITIES	-	-	-
NET POSITION			
Invested in Capital Assets	145,242	-	145,242
Unrestricted	144,394	636,025	780,419
Total Net Position	289,636	636,025	925,661
TOTAL LIABILITIES AND NET POSITION	$ 289,636	$ 636,025	$ 925,661

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

LOWER NAZARETH TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION – MODIFIED CASH BASIS – ALL PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Refuse and Recycling Fund	Sewer Fund	Total Proprietary Funds
OPERATING REVENUES:			
Charges for Services	$ 5,513	$ 51,446	$ 56,959
Intergovernmental Revenues	28,465	-	28,465
Total Operating Revenues	33,978	51,446	85,424
OPERATING EXPENSES:			
Repairs and Maintenance	-	4,348	4,348
Disposal System	12,661	-	12,661
Contractual Services	30,106	9,600	39,706
Depreciation and Amortization	55,946	-	55,946
Total Operating Expenses	98,713	13,948	112,661
OPERATING INCOME (LOSS)	(64,735)	37,498	(27,237)
NON-OPERATING REVENUES:			
Interest Revenue	4,421	19,220	23,641
Total Non-operating Revenues	4,421	19,220	23,641
Income (Loss) Before Transfers	(60,314)	56,718	(3,596)
Transfers Out	-	-	-
Change in Net Position	(60,314)	56,718	(3,596)
Total Net Position - January 1	349,950	579,307	929,257
TOTAL NET POSITION - December 31	$ 289,636	$ 636,025	$ 925,661

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

LOWER NAZARETH TOWNSHIP
STATEMENT OF CASH FLOWS – MODIFIED CASH BASIS – ALL PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Refuse and Recycling Fund	Sewer Fund	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	$ 5,513	$ 51,446	$ 56,959
Cash Received from Grants	28,465	-	28,465
Cash Payments to Suppliers for Goods and Services	(42,767)	(13,948)	(56,715)
Cash Payments to Employees for Services	-	-	-
Net Cash Provided by (Used in) Operating Activities	(8,789)	37,498	28,709
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest Received	4,421	19,220	23,641
Net Cash Provided by Investing Activities	4,421	19,220	23,641
Net Increase (Decrease) in Cash and Cash Equivalents	(4,368)	56,718	52,350
Cash and Cash Equivalents, January 1	148,762	579,307	728,069
CASH AND CASH EQUIVALENTS, DECEMBER 31	$ 144,394	$ 636,025	$ 780,419
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating Income (Loss)	$ (64,735)	$ 37,498	$ (27,237)
Adjustment to Reconcile Operating Income to Net Cash Provided by (Used in) Operating Activities:			
Depreciation	55,946	-	55,946
Total Adjustments	55,946	-	55,946
Net Cash Provided by (Used in) Operating Activities	$ (8,789)	$ 37,498	$ 28,709

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

LOWER NAZARETH TOWNSHIP
STATEMENT OF NET POSITION – MODIFIED CASH BASIS –
ALL FIDUCIARY FUNDS
DECEMBER 31, 2025

	Pension Funds	Custodial Funds
ASSETS:		
Cash and Cash Equivalents - Restricted	$ -	$ 2,282,572
Investments - at Fair Value		
Cash and Sweep Balances	134,677	-
Mutual Funds	4,336,613	-
Total Assets	$ 4,471,290	$ 2,282,572
LIABILITIES:		
Due to Other Funds	$ -	$ 2,331
Total Liabilities	-	2,331
NET POSITION:		
Restricted	4,471,290	2,280,241
Total Liabilities and Net Position	$ 4,471,290	$ 2,282,572

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

LOWER NAZARETH TOWNSHIP
STATEMENT OF CHANGES IN NET POSITION – MODIFIED CASH BASIS –
ALL FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Pension Fund	Custodial Funds
ADDITIONS:		
Contributions:		
Employer	$ 110,000	$ -
Total Contributions	110,000	-
Investment Earnings:		
Net Realized and Unrealized Gains	436,126	-
Interest and Dividends	103,343	4,950
Less: Investment Expenses	(31,874)	-
Total Investment Earnings	507,595	4,950
Collections from Other Entities	-	2,914,480
Total Additions	617,595	2,919,430
DEDUCTIONS:		
Benefit Payments	124,082	-
Payments to Other Entities	-	1,522,097
Transfers Out	-	10,015
Total Deductions	124,082	1,532,112
NET INCREASE	493,513	1,387,318
NET POSITION:		
Net Position, January 1,	3,977,777	892,923
Net Position, December 31	$ 4,471,290	$ 2,280,241

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

1. Entity

Lower Nazareth Township (the "Township") was incorporated in 1807 under the provisions of the constitution and general statutes of the Commonwealth of Pennsylvania ("Commonwealth").

The Township Supervisors, a five-member group is the level of government responsible for providing a full range of municipal services including those mandated by statute or ordinance. These include public safety, highways and streets, culture and recreation, public improvements, planning and zoning, and general administrative services. The Township receives funding from local and state government sources and must comply with the concomitant requirements of these funding source entities.

In evaluating the Township as a reporting entity, management has addressed all potential component units for which the Township may or may not be financially accountable, and as such, be includable within the Township's financial statements. In accordance with Statement of Governmental Accounting Standards Board (GASB) No. 14 and No. 39, the Township is financially accountable if it appoints a voting majority of the organization governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burden on the Township. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based upon the application of these criteria, there are no component units to be included in the financial reporting entity of the Township.

2. Summary of Significant Accounting Policies

The financial statements of Lower Nazareth Township have been prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) and is described more fully under Basis of Accounting and Measurement Focus. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Fund Accounting

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, fund equity, revenues, expenditures, or expenses, and other financing sources and uses. These various funds are summarized by type in the financial statements. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

2. Summary of Significant Accounting Policies (Continued)

Basis of Presentation

The Township's basic financial statements consist of government-wide statements, including a Statement of Net Position – Modified Cash Basis and a Statement of Activities – Modified Cash Basis, and fund financial statements which provide a more detailed level of financial information.

Government-wide financial statements (i.e. the Statement of Net Position – Modified Cash Basis and the Statement of Activities – Modified Cash Basis) report information on all of the non-fiduciary activities of the Township as a whole. As a general rule the effect of interfund activity has been eliminated from these statements. Governmental activities which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately in the government-wide financial statements from business-type activities which rely, to a significant extent on fees and charges for support.

The Statement of Net Position – Modified Cash Basis presents the financial condition of the governmental and business-type activity of the Township at fiscal year-end. The Statement of Activities – Modified Cash Basis presents a comparison between direct expenses and program revenues for the business-type activity of the Township and for each function of the Township's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the Township.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the Township's enterprise fund are service charges for sewer and refuse and recycling. Operating expenses for the Township's enterprise funds include treatment and collection costs, supplies, administrative costs, and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as non-operating revenues and expenses.

Basis of Presentation - Fund Accounting

For financial reporting purposes, the Township's funds have been grouped by fund type and are presented in this report in the following manner:

Governmental Fund Types

Governmental funds are those through which most governmental functions of the Township are financed. The acquisition, use and balances of the Township's expendable financial resources and the related liabilities are accounted for through the following governmental funds:

2. Summary of Significant Accounting Policies (Continued)

Basis of Presentation - Fund Accounting (Continued)

Governmental Fund Types (Continued)

- ***General Fund (Major Fund)*** - is used to account for all financial transactions applicable to the general operations of the Township except for those required to be accounted for in another fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other funds are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid through the General Fund.

- ***Special Revenue Funds*** - are used to account for proceeds of specific revenue sources (other than special assessments, expendable trusts or major capital projects) that are restricted or committed to expenditures for specified purposes. The following are special revenue fund types:

  State Liquid Fuels Fund (Non-Major Fund) - is utilized to account for the financial activity of the Township’s motor vehicle fuel tax allocation from the Commonwealth of Pennsylvania.

  Traffic Impact Fund (Major Fund) - is utilized to account for the financial activity of the Township’s traffic impact revenue and its related expenditures.

  Host Fee Fund (Non-Major Fund) - is utilized to account for the financial activity of the Township’s host fee revenue and its related expenditures.

  Community Events Fund (Non-Major Fund) - is utilized to account for the financial activity of the Township’s community events revenue and its related expenditures.

- ***Capital Projects Funds*** - are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

  Open Space Fund (Major Fund) - is utilized to account for the financial activity of the Township’s open space tax revenue and its related expenditures.

  The following funds are considered non-major capital project funds: Palmer Sewer, Nazareth Sewer, Capital Sewer, Capital Reserve, Capital Reserve Fire, American Rescue Plan, Highway Reconstruction, Equipment Replacement and Fiscal Stability. All of these funds are utilized to account for the financial activity related to those specific purposes.

2. Summary of Significant Accounting Policies (Continued)

Basis of Presentation - Fund Accounting (Continued)

Proprietary Fund Types

Proprietary funds are used to account for the Township's ongoing activities that are similar to those often found in the private sector. The measurement focus is based upon the determination of net income. The Township has one type of proprietary fund - the Enterprise Fund.

- ***Enterprise Funds*** - are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income are appropriate for capital maintenance, public policy, management control, accountability or other purposes. The Township has two Enterprise Funds described below.

    Sewer Fund - is used to account for the operation and maintenance of the sanitary sewage treatment plant and is operated in a manner similar to a private business enterprise and is intended to be self-supporting.

    Refuse and Recycling Fund - is used to account for the administration of the collection and disposal of municipal waste and recycling materials in the Township and is operated in a manner similar to a private business enterprise and is intended to be self-supporting.

Fiduciary Fund Types

The fiduciary fund category includes pension and other employee benefit trust funds, investment trust funds, private-purpose trust funds, and custodial funds. Fiduciary funds are used to account for assets held by the Township in a trustee or custodial capacity for the benefit of individuals, private organizations, or other governments and that are not available to support the Township's own programs. The Township reports a pension trust fund for its non-uniform pension plan, which is administered by the Township and held in trust by a third-party investment firm. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The Township maintains a custodial fund to account for escrow funds held by the Township for projects within the Township.

- ***Pension Funds*** - are used to account for pension benefits for employees. The principal revenue sources for these funds are state aid, employer and employee contributions, and investment earnings. Lower Nazareth Township has one pension fund as described below:

    Non-Uniform Pension Fund - is used to account for pension benefits for Township employees. The principal revenue source for this fund is employer contributions.

2. Summary of Significant Accounting Policies (Continued)

Basis of Presentation - Fund Accounting (Continued)

Fiduciary Fund Types (Continued)

- ***Custodial Funds*** - are used to account for funds held in escrow for other parties. The principal source of additions for these funds are collections of developer escrow deposits to be used as expense reimbursements for legal and engineering fees.

Basis of Accounting and Measurement Focus

Basis of Accounting

Basis of accounting refers to the timing of recognition of revenues and expenditures or expenses in the financial statements regardless of the measurement focus. The modified cash basis of accounting is followed for all governmental, proprietary and fiduciary funds of the Township. The modified cash basis differs from GAAP in that certain revenues and the related assets are recognized when received rather than when earned and certain expenditures or expenses are recognized when paid rather than when a liability is incurred. Modifications to the cash basis of accounting include: capital assets are capitalized; capital assets of proprietary funds are depreciated over their estimated useful lives; governmental fund capital assets are not depreciated, the recording of payroll withholdings when withheld from employees' pay, recording long-term debt proceeds and principal payments as liabilities, and the recording of investments held as assets. In addition, net unrealized gains and losses on investments are recorded as a result of changes in the fair value of investments, not when the investments are sold. The Statement of Revenues, Expenditures and Changes in Fund Balance - Modified Cash Basis - Governmental Funds presents the results of the Township's activities; it does not purport to present the net income or loss for the period as a whole.

Measurement Focus

The accounting and reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types are accounted for on a spending or "financial flow" measurement focus. This means the Township has elected to report on a modified cash basis while reporting long-term indebtedness in the General Fund. Governmental fund-type operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or non-current) associated with this activity are included on their statement of net position – modified cash basis. The reported fund equity is segregated into invested in capital assets and unrestricted net position. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in net position.

The Pension Fund uses "income determination" as its measurement focus. Plan member contributions and employer contributions (including the portion, if any, funded by State Aid) are recognized in the period in which contributions are paid. Benefits and refunds are recognized when paid in accordance with the terms of each plan.

2. Summary of Significant Accounting Policies (Continued)

Budgets and Non-GAAP Budgetary Basis of Accounting

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- In accordance with the Township Code and Township procedures, the Township Manager submits to the Township Supervisors, with whom the legal level of budgetary control resides, a proposed budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year. Departments for budgetary purposes are general government, public safety, public works, culture and recreation, insurance and employee benefits. Per the Second Class Township Code, the budget must be advertised and available for public inspection at least twenty days prior to adoption.

- Public hearings are conducted to obtain taxpayer comment.

- By December 31, the budget is legally enacted for all governmental funds through passage of an ordinance. Expenditures for the budget may not legally exceed appropriations and prior year fund balance reserves. This is done as a level of budgetary control.

- Each month the administration prepares a detailed budget report. The report cites the past month and year-to-date activity, as well as encumbrances and unencumbered balances by account.

- All modifications, transfers and amendments must be approved by Township Supervisors.

- Formal budgetary integration is employed as a management control device during the year for the General Fund.

- The legally required and adopted budgets of the Township is for the General Fund.

- Budgets for the General Fund is adopted on a modified cash basis of accounting discussed above.

- Township Supervisors may authorize supplemental appropriations during the year. No supplemental appropriations were made during fiscal 2025. Township Supervisors must approve all over expenditures of appropriations or transfers of appropriated amounts.

2. Summary of Significant Accounting Policies (Continued)

Budgets and Non-GAAP Budgetary Basis of Accounting (Continued)

The Schedule of Revenues, Expenditures and Other Financing Sources (Uses) - Modified Cash Basis - Budget Comparison presents comparisons of legally adopted budgets with actual data. The budget has been prepared on the modified cash basis, which is the same basis of accounting used to prepare the financial statements as described more fully in Note 2. The Township Supervisors approve by a motion the total appropriations in the budget. Fund Balance and any revisions to the budget also require approval by Township Supervisors. There were no amendments to the budget as presented in the current year.

Cash and Cash Equivalents

Cash and cash equivalents on the Statement of Net Position – Modified Cash Basis are comprised of cash on hand, demand deposits with financial institutions, and short-term investments with original maturities of three months or less as of the date of acquisition.

For the purpose of the proprietary funds, “Statement of Cash Flows – Modified Cash Basis”, cash and cash equivalents are considered to be cash on hand, demand deposits, cash with fiscal agent, and all highly liquid investments with an original maturity of three months or less.

Investments

The Township’s investments consist of the Pennsylvania Local Government Investment Trust (“PLGIT”), certificates of deposit and pension fund assets. The Township has adopted GASB Statements No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, No. 72, *Fair value Measurement and Application* and No. 79, *Certain External Investment Pools and Pool Participants*. In accordance with these Statements, investments in marketable securities with readily determinable fair value and all investments in debt securities are reported at their fair values. Investments in qualifying external investment pools are reported at amortized cost basis. Held-to-maturity certificates of deposit held at financial institutions with original maturity of greater than three months are reported at amortized cost.

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have any established market, if any, are reported at estimated fair value. Insurance holdings, if any, are valued at reported contract values.

Restricted Assets

Cash and investments have been restricted to the extent of escrows payable, pension reserves and specific uses.

2. Summary of Significant Accounting Policies (Continued)

Interfund Transactions

Certain inter-fund 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.

Other inter-fund transactions are reported as transfers. Non-recurring or non-routine permanent transfers of net position are reported as residual transfers of net position. All other inter-fund transfers are reported as operating transfers.

As of December 31, 2025, the Custodial Funds owed $2,250 to the General Fund and $81 to the Capital Reserve Fund. The Custodial Funds borrowed the funds to cover its general operating costs.

Capital Assets

The Township reports its financial statements in accordance with the modified cash basis of accounting. Under this basis of accounting, capital assets, which include property, plant, and equipment, are recorded when acquired through cash disbursements or cash-based financing transactions.

Capital assets are reported in the applicable governmental activities or business-type activities columns in the government-wide financial statements. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Sewer and Refuse and Recycling capital assets reported in the business-type activities are depreciated using the straight-line method over the estimated useful life of system components ranging from 7 to 50 years.

Leases

The Township reports its financial statements in accordance with the modified cash basis of accounting. As such, the Township does not report lease assets or related lease liabilities because the acquisition or recognition of those assets and liabilities did not involve a cash inflow or outflow at the time of acquisition or commencement.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Township or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Township's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

2. Summary of Significant Accounting Policies (Continued)

Transfers

Legally authorized payments or authorizations to make payments from a fund receiving revenue to a fund through which the resources are to be expended are reported as operating transfers. Transfers to the pension funds are quasi-external transactions.

Management Estimates

The preparation of financial statements prepared with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Government – Wide Fiduciary and Proprietary Fund Net Position

Net Position is divided into three components:

- Net investment in capital assets, net of related debt – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

- Restricted – consist of assets that are restricted by the Township's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.

- Unrestricted – all other net position is reported in this category.

Governmental Fund Balances

The fund balance of Governmental Fund Types and the Fiduciary Funds are classified in four separate categories. The categories, and their general meanings, are as follows:

- Restricted fund balance - indicates the portion of the fund balance that can only be spent for specific purposes because of constitutional provisions, legislation, or constraints that are externally imposed.

- Committed fund balance - indicates the portion of the fund balance that can only be used for specific purposes determined by formal action of the Supervisors.

- Assigned fund balance - indicates the portion of the fund balance that has been appropriated for specific purposes by authorization of the Supervisors.

- Unassigned fund balance - indicates the portion of the fund balance that is available for appropriation and expenditure, in future periods.

3. Deposits with Financial Institutions and Investments

General

Under Section 3204 of the Second Class Township Code, the Township is authorized to invest Township funds in United States Treasury bills, short-term obligations of the U.S. Government or its agencies or instrumentalities, certain insured savings accounts, time deposits and share accounts, obligations backed by the full faith and credit of the United States, the Commonwealth of Pennsylvania or any political subdivision of the Commonwealth, shares of qualifying registered investment companies whose investments are limited to authorized Township investments, and certificates of deposit purchased from insured institutions, subject to applicable insurance, collateralization and statutory limitations. Investments of pension funds are made pursuant to guidelines established by the respective pension boards and applicable statutory authority. The Township is permitted to pool governmental funds for investment purposes, provided that each fund's investment balance and related earnings are separately accounted for.

The deposit and investment policy of the Township adheres to the statutes of the Commonwealth. Deposits of the Township, except for Pension Fund deposits which are administered by trustees, are either maintained in demand deposits or are held in bank money market accounts. There were no deposit or investment transactions during the year that were in violation of either the Commonwealth's statutes or the policy of the Township.

Cash (Cash on Hand and Bank Balances)

At December 31, 2025, the carrying amount of the Township's bank deposits at one financial institution (excluding those held in the Pension Funds, but including Custodial Funds) totaled $12,607,354 and the corresponding bank balances were $12,615,298 of which $250,000 was insured by the Federal Deposit Insurance Corporation ("FDIC"); the uninsured bank balances of $12,365,298 were collateralized, as described below.

Under Act No. 72 of the 1972 Session of the Pennsylvania General Assembly (the "Act of 72"), financial institutions were granted the authority to secure the deposits of public bodies by pledging a pool of assets, as defined in the Act of 72, to cover all public funds deposited in excess of FDIC limits. The uninsured bank balances of the Township in the amount of $12,365,298 were collateralized by this pool of assets maintained by the Township's depository institutions.

In addition, the Township included in cash, amounts held on hand in petty cash. At December 31, 2025, the petty cash balance was $250.

3. Deposits with Financial Institutions and Investments (Continued)

Investments

The Township uses Pennsylvania Local Government Investment Trust ("PLGIT"), an external investment pool, that was created to meet the investment needs of local governments, school districts, municipal authorities, and other types of governments in the Commonwealth of Pennsylvania. PLGIT's investment objective is to seek high current income, consistent with preservation of capital and maintenance of liquidity.

Investments in PLGIT are similar to mutual funds. GASB Statement No. 3, Paragraph 69, provides that certain types of cash and investments, such as investments in a State Treasurer's investment pool or mutual fund, cannot be assigned a credit risk category because the government does not own specific securities. Therefore, the PLGIT investments included in these statements will not be assigned a credit risk category. These assets maintain a stable net asset value of $1 per share.

All investments in an external investment pool that is not SEC registered are subject to oversight by the Commonwealth of Pennsylvania. PLGIT issues separately audited financial statements that are available to the public. Further information regarding PLGIT and its investment strategies can be found at www.plgit.com.

The Township holds PLGIT-Class shares, which require no minimum balance, no minimum initial investment, and have a one-day minimum investment period.

Pension fund investments are held separately from those of other Township funds. Assets in the pension funds are stated at fair value. The Township maintains investment policies that summarize the investment philosophy of the Township and establish investment guidelines and performance objectives for the non-uniform pension plan.

The Township also holds certificates of deposit with financial institutions.

As of December 31, 2025, the Township had the following investments:

	Amortized Cost	Fair Value	Maturity 0-5 Years	Standard & Poor's Rating
Governmental Activities:				
Pennsylvania Local Government Investment Trust - Class	$ 1,908,061	$ -	$ 1,908,061	AAAm
Certificates of Deposit	1,392,066	-	1,392,066	N/A
	$ 3,300,127	$ -	$ 3,300,127	
Pension Fund:				
Cash and Sweep Balances	$ -	$ 134,677	$ 134,677	Not Rated
Mutual Funds	-	4,336,613	4,336,613	Not Rated
	$ -	$ 4,471,290	$ 4,471,290	

3. Deposits with Financial Institutions and Investments (Continued)

Investments (Continued)

Measurement

Investments with readily determinable fair values and all investments in debt securities are generally reported at fair value, except for investments that qualify for amortized cost reporting. The Township's investments in qualifying external investment pools and nonparticipating interest-earning investment contracts, including nonnegotiable certificates of deposit, are reported at amortized cost. The Township's investments at year-end were reported at amortized cost.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. 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.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Township does not have a formal investment policy that addresses credit risk; however, Township investments are limited to those authorized under applicable Pennsylvania statutes.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Township's investment in a single issuer. The Township does not have a formal investment policy that limits the amount it may invest in any one issuer. Investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are excluded from the concentration of credit risk disclosure.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a financial institution failure, the Township's deposits may not be returned to the Township. Under Pennsylvania Act 72 of 1971, public funds deposits may be secured through assets pledged by the depository, including assets pledged on a pooled basis. The Township's deposit policy follows applicable Pennsylvania collateralization requirements. At year-end, the Township's deposits were insured or collateralized in accordance with Pennsylvania law. Investments in external investment pools, including PLGIT, are not subject to custodial credit risk categorization.

3. Deposits with Financial Institutions and Investments (Continued)

Fair Value Measurement

In accordance with GASB Statement No. 72, investments generally are to be measured at fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Township has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement

The Township used the following valuation methodologies for measuring fair value. Cash and sweep balance funds were classified as Level 1. Mutual funds and equity ETFs valued at the net asset value ("NAV") of shares held by the Township at year end were classified as Level 1. There were no Level 2 or Level 3 investments as of December 31, 2025.

The Township's investments measured by the hierarchy levels as of December 31, 2025 are as follows:

	Assets at Fair Value as of December 31, 2025			
	Level 1	Level 2	Level 3	Total
Cash and Sweep Balances	$ 134,677	$ -	$ -	$ 134,677
Mutual Funds	4,336,613	-	-	4,336,613
	$ 4,471,290	$ -	$ -	$ 4,471,290

4. Real Estate Taxes

Based upon assessed valuations provided by the County ($492,376,400 in 2025), the Township bills and collects its own property taxes. The schedule for property taxes levied for 2025 is as follows:

January 1	- levy date
April 1	- billing date
April 1 - May 31	- face payment period
June 1 - July 31	- 2% discount period
August 1 - December 31	- 10% penalty period
January 1	- lien date

The Township continues to collect delinquent real estate taxes through December of the current year. At that time, all unpaid real estate taxes are turned over to the County of Northampton Tax Claim Bureau for further collection. The 2025 municipal tax rate for all purposes was 5.50 mils ($5.50 per $1,000 of assessed valuation).

5. Inter-fund Receivables and Payables

Inter-fund receivable and payable balances as of December 31, 2025 are as follows:

	Due From Other Funds	Due to Other Funds
Governmental Activities		
General Fund	$ 2,250	$ -
Capital Reserve Fund	81	-
Fiduciary Type Activities		
Custodial Funds	-	2,331
	$ 2,331	$ 2,331

6. Inter-fund Transfers

Inter-fund transfers during 2025 were as follows:

	Transfers from Other Funds	Transfers to Other Funds
Governmental Activities		
General Fund	$ -	$ 119,108
Capital Sewer Fund	319,015	-
Capital Reserve Fund	-	592,668
Capital Reserve Fire Fund	119,108	-
Highway Reconstruction Fund	783,668	500,000
Fiduciary Type Activities		
Custodial Funds	-	10,015
	$ 1,221,791	$ 1,221,791

7. Capital Assets

Capital asset activity for the fiscal year ended December 31, 2025, was as follows:

	Balance Jan. 1, 2025	Additions	Retirements	Balance Dec. 31, 2025
Governmental Activities:				
Capital Assets not Being Depreciated:				
Land, Building and Improvements	$ 8,984,158	$ 1,936,095	$ -	$ 10,920,253
Vehicles	4,090,368	-	-	4,090,368
Machinery and Equipment	1,915,437	-	-	1,915,437
Governmental Activities Capital Assets at Historical Cost	$ 14,989,963	$ 1,936,095	$ -	$ 16,926,058

No depreciation has been provided for the governmental activities' capital assets.

	Balance Jan. 1, 2025	Additions	Retirements	Balance Dec. 31, 2025
Business-Type Activities:				
Capital Assets Being Depreciated				
Machinery and Equipment	$ 455,106	$ -	$ -	$ 455,106
Total Capital Assets Being Depreciated	455,106	-	-	455,106
Less Accumulated Depreciation	(253,918)	(55,946)	-	(309,864)
Business-Type Capital Assets, Net	$ 201,188	$ (55,946)	$ -	$ 145,242

Depreciation expense for the Refuse and Recycling Fund was $55,946 in 2025.

8. Long-Term Debt

Changes in long-term obligations for the year ended December 31, 2025, are as follows:

	Balance Outstanding Jan. 1, 2025	Additions	Reductions	Balance Outstanding Dec. 31, 2025	Amounts Due Within One Year
Governmental Activities:					
5-year Term Installment Loan Payable, fixed interest annual interest rate of 3.15%. Payable in monthly installments, matures July 2025. Secured by public works equipment.	$ 22,552	$ -	$ (22,552)	$ -	$ -
$2,500,000 Open Space Note, Series of 2025, with PS Bank on January 24, 2025, as a 10-year general obligation note payable from the Township's tax and other general revenues, bearing interest at 4.70% fixed for the first five years and thereafter at a variable rate based on 79% of the Wall Street Journal Prime Rate (capped at 9.0%), secured by the Township's full faith, credit, and available taxing power.	-	2,500,000	-	2,500,000	250,000
	$ 22,552	$ 2,500,000	$ (22,552)	$ 2,500,000	$ 250,000

The annual debt service requirements to maturity for governmental-type general obligation notes and installment loans, including interest are as follows, as of December 31, 2025:

During the year ended December 31,	Principal	Interest
2026	$ 250,000	$ 108,689
2027	250,000	96,938
2028	250,000	85,189
2029	250,000	73,438
2030	250,000	61,689
2031-2035	1,250,000	130,233
Totals	$ 2,500,000	$ 556,176

9. Defined Benefit Pension Plan

The Township maintains one single-employer, defined benefit pension plan. The plan, the Lower Nazareth Township Employees' ("Non-Uniform") Pension Plan is controlled by the provisions of Resolution No. LNT-13-08.

Non-Uniform Pension Plan

Plan Description for the Non-Uniform Employees of Lower Nazareth Township

The Pension Plan for the non-uniform employees of Lower Nazareth Township is a single-employer defined benefit plan that covers all full-time non-uniform employees of the Township. The normal retirement date is age 62. Participants become 100% vested upon the completion of ten years of service in the Plan. The Plan also provides early retirement, death and disability benefits. The authority under which the benefit provisions have been established, or may be amended, remains with the Board of Supervisors of Lower Nazareth Township. The Plan does not issue a stand-alone financial report.

Funding Policy for the Non-Uniform Employees of Lower Nazareth Township

Act 205 requires that annual contributions to the Plan be based upon the Plan's Minimum Municipal Obligation (MMO), which is based on the Plan's biennial actuarial valuation. In accordance with the Plan's governing document, employees are not required to contribute to the plan. The Plan may also be eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program which must be used for pension funding. Any funding requirements established by the MMO in excess of employee contributions and state aid must be paid by the municipality in accordance with Act 205.

Investment expenses, including investment manager and custodial services, are funded through investment earnings. Administrative expenses, including actuarial and consultant services, are funded through investment earnings and/or contributions.

Eligibility

All full-time non-uniformed employees working not less than forty (40) hours per week shall become a Participant of the plan upon employment by the Township. Effective December 31, 2018, participation in the Plan is frozen.

9. Defined Benefit Pension Plan (Continued)

Non-Uniform Pension Plan (Continued)

Retirement Dates

A. Normal Retirement Date – The first day of the month following the attainment of age sixty-two (62) and the completion of ten (10) years of service.
B. Early Retirement Date – The first day of the month following the attainment of age fifty-seven (57) and completion of ten (10) years of service.
C. Postponed Retirement Date – A Participant may continue his employment beyond the Normal Retirement Date and retire as of the first day of any month thereafter.
D. Disability Retirement Date – A Participant who terminates employment as a result of a disability and who is subsequently deemed to be permanently and totally disabled in accordance with the Federal Social Security Act shall be entitled to Disability Benefits commencing at the date of disability.

Retirement Benefits

A. Normal Retirement Benefit – Two percent (2%) of average monthly compensation averaged over the highest thirty-six (36) consecutive months multiplied by the years of credited service. The maximum retirement benefit shall not exceed fifty-five (55%) percent of the average monthly compensation.
B. Early Retirement Benefit – The monthly accrued benefit reduced four (4%) percent for each year early retirement precedes the Normal Retirement Date.
C. Postponed Retirement Benefit – Shall be calculated in the same manner of the Normal Retirement Benefit.
D. Disability Retirement Benefit – A participant whose employment ceases as a result of a total disability shall be entitled to an immediate benefit equal to the vested accrued benefit earned to the date of disability.

Vested and Accrued Benefits

After completing ten (10) years of service, a Participant will be entitled to one hundred percent (100%) vesting in his accrued benefit payable at normal retirement date. The accrued benefit as of any applicable date shall be equal to the benefit calculated using Credited Service and Average Monthly Compensation to the date of determination.

Death Benefit

A. Pre-Retirement Death Benefit – Upon the death of an active Participant who is (1) eligible for retirement on the date of his/her death, but who is not retired; or (2) an active vested or terminated vested employee on the date of his/her death, the surviving spouse shall be entitled to a survivor's benefit equal to fifty percent (50%) of the participant's benefit accrued at the time of his/her death. Payments of the benefits shall terminate upon the death or remarriage of the survivor spouse. In the event that the Participant is not survived by a spouse, a minor dependent child(ren), the survivor benefit shall be paid to such child(ren), in equal shares until he, she or they shall have attained the age of eighteen (18) years or, if attending college, eligible children are entitled to the pre-retirement benefit if they have not yet attained age 23. All benefit paid hereunder shall be paid monthly.

9. Defined Benefit Pension Plan (Continued)

Non-Uniform Pension Plan (Continued)

Death Benefit (Continued)

B. Post-Retirement Death Benefit – Shall be paid in accordance with the elected option form of benefit.

Retirement Benefit Payments

A. Normal Retirement Benefit – Equal monthly installments payable over the Participant's lifetime and ceasing with the installment payable in the month of his death.
B. Life with Ten Years Certain Option – The equivalent actuarial value of the normal retirement benefit. Payable in monthly installments during the Participant's lifetime. If the Participant dies before receiving one hundred twenty (120) monthly payments, the balance of the 120 payments will be made to the Participant's beneficiary(ies).
C. Qualified Joint & Survivor Options – Equivalent actuarial value of the normal retirement benefit.
   1. 100% - Survivor spouse receives the same monthly benefit the Participant was receiving.
   2. 75% - Survivor spouse receives 75% of the month benefits the Participant was receiving.
   3. 50% - Survivor spouse receives 50% of the monthly benefit the Participant was receiving.

Average Monthly Compensation

Compensation averaged on a monthly basis over highest thirty-six (36) consecutive months of compensation.

Employee Contribution

There are no Participant contributions.

Plan Membership at December 31, 2025

Inactive Members or Beneficiaries Currently Receiving Benefits	4
Inactive Members Entitled to but not yet Receiving Benefits	1
Active Members	11
Total Members	16

Net Pension Liability (Asset)

The net pension liability (asset) was measured as of December 31, 2025, and the total pension liability (asset) was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2025.

9. Defined Benefit Pension Plan (Continued)

Non-Uniform Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that municipal contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plans investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset)

The following table shows the changes in net position liability (asset) recognized over the measurement period:

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at December 31, 2024	$ 3,847,112	$ 3,977,777	$ (130,665)
Changes for the year:			
Service Cost	117,370	-	117,370
Interest Cost	284,448	-	284,448
Changes in Benefit Terms	-	-	-
Changes for Experience	(109,802)	-	(109,802)
Changes of Assumptions	-	-	-
Contributions - Employer	-	17,065	(17,065)
Contributions - State Aid	-	92,935	(92,935)
Net Investment Income	-	507,595	(507,595)
Benefit Payments	(124,082)	(124,082)	-
Administrative Expense	-	-	-
Other Changes	-	-	-
Net Changes	167,934	493,513	(325,579)
Balance at December 31, 2025	$ 4,015,046	$ 4,471,290	$ (456,244)

9. Defined Benefit Pension Plan (Continued)

<u>Non-Uniform Pension Plan (Continued)</u>

Net Pension Liability (Asset) Sensitivity

The following is a sensitivity analysis of the net pension liability (asset) to changes in the discount rate. The table below presents the net position liability calculated using the discount rate of 7.50% as well as what the net pension (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Net Pension Liability (Asset)	$ 22,530	$ (456,244)	$ (866,763)

Pension Expense

The following table shows pension expense for the year ended December 31, 2025:

	2025
Service Cost	$ 117,370
Interest on the Total Pension Liability	284,448
Changes in Benefit Terms	-
Difference between Expected and Actual Experience	(39,871)
Changes of Assumptions	7,884
Member Contributions	-
Projected Earnings on Pension Plan Investments	(295,743)
Difference between Projected and Actual Earnings on Investments	34,617
Pension Plan Administrative Expense	-
Other Changes in Fiduciary Net Position	-
Pension Expense	$ 108,705

9. Defined Benefit Pension Plan (Continued)

Non-Uniform Pension Plan (Continued)

Valuation of Investments

The pension plan's assets are valued at fair value.

Investment Policy

The pension plan's policy in regard to the allocation of investment assets is established and may be amended by the Pension Board. The investment policy of the Plan is to maximize the total rate of return over the long term, subject to preservation of capital among various investments in domestic equity securities, international equity securities, domestic fixed income instruments and other asset classes as may be deemed prudent.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation of 2.41%) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation. The plan's investment policy establishes that the portfolio may be invested in the following asset classes with the following target asset allocation and best estimates of arithmetic real rates of return for reach major asset class included in the pension plan's target asset allocation as of December 31, 2025 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity		
Large Cap	45.00%	5.88%
Mid Cap	10.00%	6.94%
Small Cap	5.00%	6.94%
International Equity	10.00%	6.55%
Fixed Income	27.00%	3.64%
Real Estate	0.00%	5.18%
Cash	3.00%	1.20%

Rate of Return

For the year ended December 31, 2025, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 12.78 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

10. Defined Contribution Plan

The Township offers its employees a defined contribution plan for all new eligible full-time employees, hired on or after January 1, 2019, the effective date of the plan. All new full-time qualified employees shall be enrolled in the participation of the Plan on the last day of the month following the attainment of age eighteen and completion of five months of credited service. The Plan requires contributions by the Township in an amount equal to 5% of the participant's annual compensation as determined by the employer. Participants shall contribute to the Plan by payroll deduction each month an amount equal to 3% of compensation. During the year ended December 31, 2025, the Township contributed $10,439 to the Plan.

Normal retirement date shall be the date the participant attains his sixty-second birthday and completes 5 years of vesting service in the Plan.

Existing employees hired prior to the adoption of the defined contribution plan are covered under the Defined Benefit Pension Plan.

11. Fund Balances

The fund balances have been categorized based on the relative strength of the spending constraints placed on the purpose for which the resources can be used, as follows:

	Major Funds			Non-Major Funds		
	General	Traffic Impact	Open Space	Special Revenue	Capital Projects	Totals
Unassigned	$ 1,762,397	$ -	$ -	$ -	$ -	$ 1,762,397
Restricted	-	-	6,409,744	150,391	-	6,560,135
Committed	-	1,291,855	-	170,148	3,062,536	4,524,539
Assigned	-	-	-	-	-	-
Totals	$ 1,762,397	$ 1,291,855	$ 6,409,744	$ 320,539	$ 3,062,536	$ 12,847,071

No funds at the Township had a deficit fund balance or net position at December 31, 2025.

12. Risk Management and Litigation

Risk Management

The Township is exposed to various risk of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are provided for through insurance from private insurance companies. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred, and the amount of the loss can be reasonably stated. In determining claims, events that might create claims, but for which none have been reported are considered. During the year ended December 31, 2025 and the two previous fiscal years, no settlements exceeded insurance coverage.

12. Risk Management and Litigation (Continued)

Litigation

In the normal course of operations, the Township is involved in various civil disputes. Management and Township solicitor estimate that the amount of actual potential claims against the Township as of December 31, 2025, will not materially affect the financial condition of the Township.

13. Commitments and Contingencies

Federal and State Grants

The Township receives Federal and State Grants for specific purposes that are subject to review and audit by Federal and State agencies. Such audits could result in a request for reimbursement by the Federal and State agencies for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of the Township's management, such disallowances, if any, will not be significant to the Township's basic purpose financial statements.

During 2025, the Township identified certain public safety equipment expenditures totaling $673,080.98 that were initially reported under the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program and subsequently reimbursed by Commonwealth of Pennsylvania CFA grants. The Township has notified the U.S. Department of the Treasury and identified other eligible 2024 public safety costs that management believes may be used to support the SLFRF funding. The ultimate resolution of this matter is subject to Treasury review, and no determination has been made regarding whether any repayment or other corrective action will be required.

Compensated Absences

Lower Nazareth Township has not accrued compensated absences because the Township has elected to report its financial activities on the modified cash basis of accounting. However, employees of the Township are entitled to paid vacation and sick days, depending on their length of service.

Insurance

The Township is exposed to various risks of loss, including workers' compensation; property, casualty and public official liability; employee benefit administration; employment practice liability; and general liability claims. During the past four calendar years, there have not been any settlements that exceeded insurance coverage. The Township is contingently liable to the extent any potential future judgment exceeds available insurance coverage.

Leases

The Township leases office equipment under a long-term lease agreement with monthly lease payments of $504. The agreement expires December 2029. Lease payments are recognized as expenditures when paid.

14. Subsequent Events

Management has considered events subsequent to December 31, 2025 that affect the Township through September 1, 2026, the date the financial statements were available to be issued, and has determined that with the exception of the item noted below, no material subsequent events exist that require recognition or disclosure.

On July 2, 2026, the Township issued a $1,250,000 General Obligation Note. The proceeds are to be used to fund Township Line Road improvements and related road construction pending grant receipt or reimbursement under the Commonwealth Financing Authority Multimodal Transportation Fund Grant Contract. The note bears interest at the Wall Street Journal Prime floating rate, which was 6.75% at issuance, and principal plus accrued interest is due in full within eighteen months. The note issuance is a nonrecognized subsequent event and, accordingly, no amounts related to the note have been recognized in the financial statements for the year ended December 31, 2025.

SUPPLEMENTARY INFORMATION

LOWER NAZARETH TOWNSHIP
GENERAL FUND - SCHEDULE OF REVENUES, EXPENDITURES AND OTHER FINANCING SOURCES (USES) – MODIFIED CASH BASIS - BUDGET COMPARISON
FOR THE YEAR ENDED DECEMBER 31, 2025

	Actual	Original Budget	Variance Favorable (Unfavorable)
REVENUES RECEIVED			
Taxes	$ 5,674,781	$ 5,200,000	$ 474,781
Licenses and Permits	144,152	88,000	56,152
Fines and Forfeitures	67,702	37,500	30,202
Interest and Rents	151,437	125,000	26,437
Intergovernmental Revenues	199,818	182,300	17,518
Charges for Services	55,461	53,500	1,961
Other Revenues	47,990	16,050	31,940
Total Revenues Received	6,341,341	5,702,350	638,991
EXPENDITURES PAID			
General Government	880,870	869,500	(11,370)
Public Safety	2,739,040	2,922,400	183,360
Public Works - Highways and Streets	1,086,129	1,048,950	(37,179)
Culture and Recreation	155,447	169,000	13,553
Insurance and Employee Benefits	642,783	692,500	49,717
Total Expenditures Paid	5,504,269	5,702,350	198,081
EXCESS OF REVENUES RECEIVED OVER EXPENDITURES PAID	837,072	-	837,072
Other Financing Sources (Uses)			
Transfers In	-	-	-
Transfers Out	(119,108)	-	(119,108)
Total Other Financing Sources (Uses), Net	(119,108)	-	(119,108)
EXCESS OF REVENUES RECEIVED AND OTHER FINANCING SOURCES UNDER EXPENDITURES PAID AND OTHER FINANCING USES	717,964	-	717,964
FUND BALANCE - JANUARY 1, 2025	1,044,433	1,044,433	-
FUND BALANCE - DECEMBER 31, 2025	$ 1,762,397	$ 1,044,433	$ 717,964

See independent auditor’s report on supplementary information.

LOWER NAZARETH TOWNSHIP
SCHEDULE OF TOWNSHIP CONTRIBUTIONS -
NON-UNIFORM PENSION PLAN
FOR THE LAST TEN YEARS ENDED

Year	Actuarially Determined Contributions	Contributions From Employer	Contribution Deficiency/ (Excess)	Covered Payroll	Contributions as a % of Payroll
2016	$ 97,312	$ 115,000	$ (17,688)	$ 849,660	13.53%
2017	90,950	115,000	(24,050)	795,932	14.45%
2018	92,813	115,000	(22,187)	880,730	13.06%
2019	96,114	115,000	(18,886)	914,548	12.57%
2020	120,671	120,672	(1)	1,047,198	11.52%
2021	114,066	120,000	(5,934)	934,332	12.84%
2022	88,222	130,000	(41,778)	934,332	13.91%
2023	89,561	130,000	(40,439)	945,267	13.75%
2024	90,636	130,000	(39,364)	979,270	13.28%
2025	91,690	110,000	(18,310)	987,311	11.14%

See independent auditor’s report on supplementary information.

The accompanying notes to supplementary schedules are an integral part of these schedules.

LOWER NAZARETH TOWNSHIP
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS - NON-UNIFORM PENSION PLAN
FOR THE LAST TEN YEARS ENDED

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Pension Liability										
Service Cost	$ 93,212	$ 80,647	$ 84,679	$ 110,534	$ 116,061	$ 126,680	$ 133,014	$ 119,507	$ 125,482	$ 117,370
Interest	151,264	174,905	189,052	196,082	212,855	234,298	253,096	253,606	272,732	284,448
Changes of Benefit Terms	-	-	-	-	-	-	-	-	-	-
Changes for Experience	-	112,367	-	(122,030)	-	(49,122)	-	(241,716)	-	(109,802)
Changes of Assumptions	-	7,036	-	-	-	94,366	-	-	-	-
Benefit Payments, Including Refunds of Member Contributions	(9,402)	(62,788)	(79,133)	(88,503)	(88,503)	(109,257)	(124,082)	(124,082)	(124,082)	(124,082)
Net Change in Total Pension Liability	235,074	312,167	194,598	96,083	240,413	296,965	262,028	7,315	274,132	167,934
Total Pension Liability - Beginning	1,928,337	2,163,411	2,475,578	2,670,176	2,766,259	3,006,672	3,303,637	3,565,665	3,572,980	3,847,112
Total Pension Liability - Ending	$ 2,163,411	$ 2,475,578	$ 2,670,176	$ 2,766,259	$ 3,006,672	$ 3,303,637	$ 3,565,665	$ 3,572,980	$ 3,847,112	$ 4,015,046
Plan Fiduciary Net Pension										
Contributions - Employer	$ 58,130	$ 55,353	$ 49,419	$ 33,072	$ 36,967	$ 43,243	$ 57,474	$ 48,410	$ 41,878	$ 17,065
Contributions - State Aid	56,870	59,647	65,581	81,928	83,705	76,757	72,526	81,590	88,122	92,935
Net Investment Income	105,030	291,082	(175,307)	468,339	487,294	407,670	(656,875)	447,895	433,536	507,595
Benefit Payments, Including Refunds of Member Contributions	(9,402)	(62,788)	(79,133)	(88,503)	(88,503)	(109,257)	(124,082)	(124,082)	(124,082)	(124,082)
Administrative Expense	-	-	-	-	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	210,628	343,294	(139,440)	494,836	519,463	418,413	(650,957)	453,813	439,454	493,513
Plan Net Position - Beginning	1,888,273	2,098,901	2,442,195	2,302,755	2,797,591	3,317,054	3,735,467	3,084,510	3,538,323	3,977,777
Plan Net Position - Ending	$ 2,098,901	$ 2,442,195	$ 2,302,755	$ 2,797,591	$ 3,317,054	$ 3,735,467	$ 3,084,510	$ 3,538,323	$ 3,977,777	$ 4,471,290
Municipality's Net Pension Liability (Asset)	$ 64,510	$ 33,383	$ 367,421	$ (31,332)	$ (310,382)	$ (431,830)	$ 481,155	$ 34,657	$ (130,665)	$ (456,244)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	97.0%	98.7%	86.2%	101.1%	110.3%	113.1%	86.5%	99.0%	103.4%	111.4%
Covered Employee Payroll	$ 849,660	$ 795,932	$ 880,730	$ 914,548	$ 1,047,198	$ 934,332	$ 934,332	$ 945,267	$ 979,270	$ 987,311
Municipality's Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	7.59%	4.19%	41.72%	-3.43%	-29.64%	-46.22%	51.50%	3.67%	-13.34%	-46.21%

See independent auditor’s report on supplementary information.

The accompanying notes to supplementary schedules are an integral part of these schedules.

Actuarial Methods

1. Liabilities – All plan benefits are valued using the entry age normal cost valuation method.

Actuarial Assumptions

1. Economic Assumptions

    a. Investment Return – 7.00% per annum, net of investment expenses.

    b. Salary Increases – 5.00% increase each year until retirement.

2. Demographic Assumptions

    a. Mortality –

        Pre-Retirement Morality: None assumed.

        Post-Retirement Mortality: PUBG-2010 Healthy Retiree Mortality projected 5 years past the valuation date using Scale MP-2021.

        Post-Beneficiary Mortality: PUBG-2010 Contingent Survivor Mortality projected 5 years past the valuation date using Scale MP-2021.

        Post-Disabled Mortality: PUBG-2010 Disabled Mortality projected 5 years past the valuation date using Scale MP-2021.

    b. Termination – None assumed.

    c. Disability – None assumed.

    d. Retirement Age – Normal retirement age or age on valuation date if greater

    e. Salary Increases – 5.00% increase each year until retirement.

LOWER NAZARETH TOWNSHIP
COMBINING BALANCE SHEET – MODIFIED CASH BASIS – NON-MAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2025

	Host Fee Fund	State Liquid Fuels Fund	Community Events Fund	Total
ASSETS				
Cash and Cash Equivalents	$ -	$ -	$ 15,624	$ 15,624
Investments	170,148	134,767	-	304,915
Total Assets	$ 170,148	$ 134,767	$ 15,624	$ 320,539
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Due to Other Funds	$ -	$ -	$ -	$ -
Total Liabilities	-	-	-	-
Fund Balance				
Restricted	-	134,767	15,624	150,391
Committed	170,148	-	-	170,148
Total Liabilities and Fund Balances	$ 170,148	$ 134,767	$ 15,624	$ 320,539

See independent auditor’s report on supplementary information.

LOWER NAZARETH TOWNSHIP
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – MODIFIED CASH BASIS – NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Host Fee Fund	State Liquid Fuels Fund	Community Events Fund	Total
REVENUES RECEIVED				
Intergovernmental Revenues/Grants	$ -	$ 290,219	$ 9,060	$ 299,279
Charges for Services	21,134	-	-	21,134
Interest	6,336	11,290	-	17,626
Total Revenues Received	27,470	301,509	9,060	338,039
EXPENDITURES PAID				
Public Works - Highways and Streets	1,295	250,000	-	251,295
Culture and Recreation	-	-	6,523	6,523
Total Expenditures Paid	1,295	250,000	6,523	257,818
EXCESS OF REVENUES RECEIVED OVER EXPENDITURES PAID	26,175	51,509	2,537	80,221
EXCESS OF REVENUES RECEIVED AND OTHER FINANCING SOURCES OVER EXPENDITURES PAID AND OTHER FINANCING USES	26,175	51,509	2,537	80,221
Fund Balances - January 1, 2025	143,973	83,258	13,087	240,318
Fund Balances - December 31, 2025	$ 170,148	$ 134,767	$ 15,624	$ 320,539

See independent auditor’s report on supplementary information.

LOWER NAZARETH TOWNSHIP
COMBINING BALANCE SHEET – MODIFIED CASH BASIS – NON-MAJOR CAPITAL PROJECT FUNDS
DECEMBER 31, 2025

	Palmer Sewer Fund	Nazareth Sewer Fund	Capital Sewer Fund	Capital Reserve Fund	Capital Reserve Fire Fund	American Rescue Plan Fund	Highway Reconstruction Fund	Equipment Replacement Fund	Fiscal Stability Fund	Total
ASSETS										
Cash and Cash Equivalents	$ 190,205	$ 95,380	$ -	$ -	$ -	$ 165	$ 363,082.00	$ 27,364	$ 129,475	$ 805,671
Investments	-	-	667,835	233,948	555,969	-	500,000	-	299,032	2,256,784
Due to/from Other Funds	-	-	-	81	-	-		-	-	81
Total Assets	$ 190,205	$ 95,380	$ 667,835	$ 234,029	$ 555,969	$ 165	$ 863,082	$ 27,364	$ 428,507	$ 3,062,536
LIABILITIES AND FUND BALANCES										
LIABILITIES										
Accounts Payable	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Liabilities	-	-	-	-	-	-	-	-	-	-
Fund Balance										
Committed	190,205	95,380	667,835	234,029	555,969	165	863,082	27,364	428,507	3,062,536
Total Fund Balance	190,205	95,380	667,835	234,029	555,969	165	863,082	27,364	428,507	3,062,536
Total Liabilities and Fund Balances	$ 190,205	$ 95,380	$ 667,835	$ 234,029	$ 555,969	$ 165	$ 863,082	$ 27,364	$ 428,507	$ 3,062,536

See independent auditor's report on supplementary information.

LOWER NAZARETH TOWNSHIP
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – MODIFIED CASH BASIS – NON-MAJOR CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Palmer Sewer Fund	Nazareth Sewer Fund	Capital Sewer Fund	Capital Reserve Fund	Capital Reserve Fire Fund	American Rescue Plan Fund	Highway Reconstruction Fund	Equipment Replacement Fund	Fiscal Stability Fund	Total
REVENUES RECEIVED										
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Intergovernmental	-	-	331,000	695,652	-	-	37,597	-	-	1,064,249
Charges for Services	-	10,505	-	-	-	-	-	-	-	10,505
Interest	5,913	2,723	21,572	13,754	17,727	655	24,874	1,240	16,432	104,890
Miscellaneous	-	-	-	27,748	-	-	9,690	-	-	37,438
Sale of Capital Assets	-	-	-	-	-	-	-	-	-	-
Total Revenues Received	5,913	13,228	352,572	737,154	17,727	655	72,161	1,240	16,432	1,217,082
EXPENDITURES PAID										
General Government	-	-	-	62,597	-	-	-	-	-	62,597
Public Safety	-	-	-	45,440	22,050	662,802	-	-	-	730,292
Public Works - Highways and Streets	-	-	333,017	82,825	-	-	208,042	-	-	623,884
Culture and Recreation	-	-	-	1,400	-	-	-	-	-	1,400
Debt Service - Principal Retirement	-	-	-	-	-	-	-	22,552	-	22,552
Debt Service - Interest	-	-	-	-	-	-	-	710	-	710
Total Expenditures Paid	-	-	333,017	192,262	22,050	662,802	208,042	23,262	-	1,441,435
EXCESS (DEFICIT) OF REVENUES RECEIVED OVER (UNDER) EXPENDITURES PAID	5,913	13,228	19,555	544,892	(4,323)	(662,147)	(135,881)	(22,022)	16,432	(5,590)
OTHER FINANCING SOURCES (USES)										
Transfers In	-	-	319,015	-	119,108	-	783,668	-	-	1,221,791
Transfers Out	-	-	-	(592,668)	-	-	(500,000)	-	-	(1,092,668)
Total Other Financing Uses - Net	-	-	319,015	(592,668)	119,108	-	283,668	-	-	129,123
EXCESS (DEFICIT) OF REVENUES RECEIVED AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES PAID AND OTHER FINANCING USES	5,913	13,228	338,570	(47,776)	114,785	(662,147)	147,787	(22,022)	16,432	(95,230)
Fund Balances - January 1, 2025	184,292	82,152	329,265	281,805	441,184	662,312	715,295	49,386	412,075	3,157,766
Fund Balances - December 31, 2025	$ 190,205	$ 95,380	$ 667,835	$ 234,029	$ 555,969	$ 165	$ 863,082	$ 27,364	$ 428,507	$ 3,062,536

See independent auditor’s report on supplementary information.

C·R&Y CERTIFIED PUBLIC ACCOUNTANTS
CAMPBELL, RAPPOLD & YURASITS LLP

TARA L. BENDER, CPA, CSEP
JAMES F. BOVA, CPA
MARC A. BRINKER, CPA
MELISSA A. GRUBE, CPA, CSEP
PAUL G. MACK, CPA, CFE
GREGORY R. MOSER, JR., CPA
JASON L. SERFASS, CPA
JOHN R. ZAYAITZ, CPA

MICHELLE R. BITNER, CPA
ROXANNA M. BRANDLE, CPA
KYLE ELSENBAUMER, CPA
MICHAEL T. GILL, CPA
MICHAEL A. METZ, CPA
DEBORAH A. MILLER, CPA
NICHOLAS A. OTTOLINI, CPA
BRIAN D. PALMER, CPA
TARA M. SHELLHAMER, CPA
MICHAEL R. SMITH, CPA
HEIDI D. WOJCIECHOWSKI, CPA

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

Members of the Township Supervisors
Lower Nazareth Township
Nazareth, PA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Lower Nazareth Township, which comprise the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of December 31, 2025, and the related notes to the financial statements, which collectively comprise Lower Nazareth Township's basic financial statements, and have issued our report thereon dated September 1, 2026.

Report on Internal Control Over Financial Reporting

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

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

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

610-435-7489 • www.crycpas.com • 1033 South Cedar Crest Boulevard, Allentown, PA 18103-5443
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We did identify a deficiency in internal control that we consider to be a significant deficiency:

<u>Grant Funding Reconciliation and SLFRF Reporting Matter</u>

The Township's grant reconciliation process was not sufficiently formalized to consistently reconcile grant-funded expenditures across multiple funding sources and identify costs that were later reimbursed by another grant. During audit preparation, the Township identified a potential funding overlap involving certain public safety equipment expenditures that were initially reported under the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program and later reimbursed by Commonwealth of Pennsylvania CFA grants. The funding overlap appears to have resulted from an administrative oversight during a period of evolving guidance and complex requirements regarding allowable uses and obligation of SLFRF funds. The absence of a sufficiently formalized reconciliation process increases the risk that grant revenues, expenditures, and related reporting matters may not be accurately identified, recorded, or reported in a timely manner. We recommend that the Township review, formalize, and enhance its grant reconciliation process and document funding source allocations by expenditure.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lower Nazareth Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that are required to be reported under *Government Auditing Standards*:

<u>Grant Funding Reconciliation and SLFRF Reporting Matter</u>

The Township initially reported $673,080.98 of public safety equipment expenditures under the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program, established under the American Rescue Plan Act (ARPA). These expenditures were reported under SLFRF Expenditure Category (EC) 6.1 – Public Safety. The expenditures were subsequently reimbursed by Commonwealth of Pennsylvania CFA grants, resulting in a potential SLFRF funding overlap pending Treasury's review of the proposed substitution of eligible costs.

During audit preparation, the Township identified $1,955,447.04 of 2024 inter-municipal police services costs that management believes may be eligible as substitute SLFRF costs and submitted supporting documentation to the U.S. Department of the Treasury. The Township is seeking confirmation from Treasury regarding the proposed substitution of eligible costs and will take any further corrective action as directed by Treasury.

Views of Responsible Officials and Planned Corrective Actions

Management agrees with the finding and has reviewed, or will review, its grant reconciliation process to better ensure that expenditures funded by one grant are not subsequently reimbursed or reported under another funding source without timely review and documentation. Management will formalize and enhance this process by maintaining a grant funding allocation schedule by expenditure, periodically reconciling grant reimbursements to the general ledger, and having management review grant activity prior to submission of required reports.

Management contacted the U.S. Department of the Treasury regarding the SLFRF reporting matter and submitted supporting documentation for the proposed substitution of eligible 2024 inter-municipal police services costs. Management will retain any guidance received from Treasury and will take any additional corrective action as directed by Treasury.

Lower Nazareth Township's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Lower Nazareth Township's response to the findings identified in the above paragraph. Lower Nazareth Township's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Campbell, Rappold & Yurasits LLP

September 1, 2026