DCED-CLGS-30 (9-09)
Received by DCED: 03/24/2015

Department of Community & Economic Development
Governor's Center for Local Government Services
Commonwealth Keystone Building
400 North Street, 4th Floor
Harrisburg, PA 17120-0225
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2014 MUNICIPAL ANNUAL AUDIT AND FINANCIAL REPORT

480545 LOWER NAZARETH TWP, NORTHAMPTON COUNTY

DCED-CLGS-30 (9-09)

BALANCE SHEET

DCED-CLGS-30 (09-09)

LOWER NAZARETH TWP, NORTHAMPTON County

BALANCE SHEET

December 31, 2014

		Governmental Funds				Proprietary Funds		Fid. Fund	Account Groups		Total
		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long Term Debt	Memorandum Only
Assets and Other Debits											
100-120	Cash and Investments	913,290	2,073,678	3,364,852		28,848		2,727,907			9,108,575
140-144	Tax Receivable										
121-129, 145-149	Accounts Receivable (excluding taxes)										
130.00	Due From Other Funds	2,250		81							2,331
131-139, 150-159	Other Current Assets										
160-169	Fixed Assets					94,635			8,821,881		8,916,516
180-189	Other Debits									157,801	157,801
Total Assets and Other Debits		915,540	2,073,678	3,364,933		123,483		2,727,907	8,821,881	157,801	18,185,223
Liabilities and Other Credits											
210-229	Payroll Taxes and Other Payroll Withholdings										
200-209, 231-239	All Other Current Liabilities										
230.00	Due To Other Funds							2,331			2,331

LOWER NAZARETH TWP, NORTHAMPTON County

BALANCE SHEET

December 31, 2014

		Governmental Funds				Proprietary Funds		Fid. Fund	Account Groups		Total
		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long Term Debt	Memorandum Only
Liabilities and Other Credits											
260-269	Long-Term-Liabilities									157,801	157,801
240-259	Current Portion of Long-Term Debt and Other Credits	77,440						924,357			1,001,797
Total Liabilities and Other Credits		77,440						926,688		157,801	1,161,929
Fund and Account Group Equity											
281-284	Contributed Capital										
290.00	Investment in General Fixed Assets								8,821,881		8,821,881
270-289	Fund Balance / Retained Earnings on 12/31	838,100	2,073,678	3,364,933		123,483		1,801,219			8,201,413
291-299	Other Equity										
Total Fund and Account Group Equity		838,100	2,073,678	3,364,933		123,483		1,801,219	8,821,881		17,023,294
TOTAL LIABILITIES AND FUND AND ACCOUNT GROUP EQUITY											18,185,223

LOWER NAZARETH TWP, NORTHAMPTON County

STATEMENT OF REVENUES AND EXPENDITURES

December 31, 2014

REVENUES

		Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only
Taxes									
301.00	Real Estate Taxes	1,545,998							1,545,998
305.00	Occupation Taxes (levied under municipal code)								
308.00	Residence Taxes (levied by cities of the 3rd Class)								
309.00	Regional Asset District Sales Tax (Allegheny County municipalities only)								
310.00	Per Capita Taxes								
310.10	Real Estate Transfer Taxes	225,275							225,275
310.20	Earned Income Taxes / Wage Taxes	1,268,911							1,268,911
310.30	Business Gross Receipts Taxes								
310.40	Occupation Taxes (levied under Act 511)								
310.50	Local Services Tax **	357,298							357,298
310.60	Amusement / Admission Taxes								
310.70	Mechanical Device Taxes								
310.90	Other Local Tax Enabling Act / Act 511 / Taxes								
	Other: _____								
	Total Taxes	3,397,482							3,397,482
Licenses and Permits									
320-322	All Other Licenses and Permits								
321.80	Cable Television Franchise Fees	69,334							69,334
	Total Licenses and Permits	69,334							69,334
Fines and Forfeits									
330-332	Fines and Forfeits	34,212							34,212
	Total Fines and Forfeits	34,212							34,212

LOWER NAZARETH TWP, NORTHAMPTON County

STATEMENT OF REVENUES AND EXPENDITURES

December 31, 2014

REVENUES

		Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only
Interest, Rents and Royalties									
341.00	Interest Earnings	963	820	1,527	5	36		115,491	118,842
342.00	Rents and Royalties	91,594							91,594
Total Interest, Rents and Royalties		92,557	820	1,527	5	36		115,491	210,436
Federal									
351.03	Highways and Streets								
351.09	Community Development								
351.00	All Other Federal Capital and Operating Grants								
352.01	National Forest								
352.00	All Other Federal Shared Revenue and Entitlements								
353.00	Federal Payments in Lieu of Taxes								
Total Federal									
State									
354.03	Highways and Streets								
354.09	Community Development								
354.15	Recycling / Act 101								
354.00	All Other State Capital and Operating Grants								
355.01	Public Utility Realty Tax (PURTA)	4,187							4,187
355.02-355.03	Motor Vehicle Fuel Tax (Liquid Fuels Tax) and State Road Turnback		187,808						187,808
355.04	Alcoholic Beverage Licenses	2,000							2,000
355.05	General Municipal Pension System State Aid	50,345							50,345
355.07	Foreign Fire Insurance Tax Distribution	84,853							84,853
355.08	Local Share Assessment/Gaming Proceeds								

LOWER NAZARETH TWP, NORTHAMPTON County

STATEMENT OF REVENUES AND EXPENDITURES

December 31, 2014

		Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only
REVENUES									
State									
355.09	Marcellus Shale Impact Fee Distribution								
355.00	All Other State Shared Revenues and Entitlements	68,488							68,488
356.00	State Payments in Lieu of Taxes								
Total State		209,873	187,808						397,681
Local Government Units									
357.03	Highways and Streets								
357.00	All Other Local Governmental Units Capital and Operating Grants								
358.00	Local Government Unit Shared Payments for Contracted Intergovernmental Services								
359.00	Local Governmental Units and Authorities Payments in Lieu of Taxes								
Total Local Government Units									
Charges for Service									
361.00	General Government	51,024							51,024
362.00	Public Safety	38,724							38,724
363.20	Parking								
363.00	All Other Charges for Highway & Street Services	5,021							5,021
364.10	Wastewater / Sewage (including connection / tapping fees, sewer usage charges, reserve capacity fee, etc.)			115					115
364.30	Solid Waste Collection and Disposal Charge (trash)								
364.60	Host Municipality Benefit Fee for Solid Waste Facility		25,153						25,153
364.00	All Other Charges for Sanitation Services			5,369		1,534			6,903
365.00	Health								
366.00	Human Services								
367.00	Culture and Recreation	12,715		201,459					214,174

LOWER NAZARETH TWP, NORTHAMPTON County

STATEMENT OF REVENUES AND EXPENDITURES

December 31, 2014

		Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only
REVENUES									
Charges for Service									
368.00	Airports								
369.00	Bars								
370.00	Cemeteries								
372.00	Electric System								
373.00	Gas System								
374.00	Housing System								
375.00	Markets								
377.00	Transit Systems								
378.00	Water System								
379.00	All Other Charges for Service								
	Total Charges for Service	107,484	25,153	206,943		1,534			341,114
Unclassified Operating Revenues									
383.00	Special Assessments		203,999						203,999
386.00	Escheats (sale of personal property)								
387.00	Contributions and Donations from Private Sectors			25,730					25,730
388.00	Fiduciary Fund Pension Contributions							115,000	115,000
389.00	All Other Unclassified Operating Revenues	9,628	2	69					9,699
	Total Unclassified Operating Revenues	9,628	204,001	25,799				115,000	354,428
Other Financing Sources									
391.00	Proceeds of General Fixed Asset Disposition	7,500							7,500
392.00	Interfund Operating Transfers	2		861,865	97,421				959,288
393.00	Proceeds of General Long-Term Debt								
394.00	Proceeds of Short Term-Debt								

LOWER NAZARETH TWP, NORTHAMPTON County

STATEMENT OF REVENUES AND EXPENDITURES

December 31, 2014

		Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only
REVENUES									
Other Financing Sources									
395.00	Refunds of Prior Year Expenditures	108,894							108,894
Total Other Financing Sources		116,396		861,865	97,421				1,075,682
TOTAL REVENUES		4,036,966	417,782	1,096,134	97,426	1,570		230,491	5,880,369
EXPENDITURES									
General Government									
400.00	Legislative (Governing) Body	12,500							12,500
401.00	Executive (Manager or Mayor)								
402.00	Auditing Services / Financial Administration	7,340							7,340
403.00	Tax Collection	7,536							7,536
404.00	Solicitor / Legal Services	29,933							29,933
405.00	Secretary / Clerk	310,849							310,849
406.00	Other General Government Administration	47,704							47,704
407.00	IT-Networking Services-Data Processing	6,938							6,938
408.00	Engineering Services	26,261		4,685					30,946
409.00	General Government Buildings and Plant	46,506		98,523					145,029
Total General Government		495,567		103,208					598,775
Public Safety									
410.00	Police	1,196,203							1,196,203
411.00	Fire	378,051							378,051
412.00	Ambulance / Rescue	30,000							30,000
413.00	UCC and Code Enforcement	64,559							64,559
414.00	Planning and Zoning	28,436							28,436
415.00	Emergency Management and Communications								

LOWER NAZARETH TWP, NORTHAMPTON County

STATEMENT OF REVENUES AND EXPENDITURES

December 31, 2014

EXPENDITURES

		Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only
Public Safety									
416.00	Militia and Armories								
417.00	Examination of Licensed Occupations								
418.00	Public Scales (weights and measures)								
419.00	Other Public Safety	240							240
Total Public Safety		1,697,489							1,697,489
Health and Human Services									
420.00-425.00	Health and Human Services					1,317			1,317
Total Health and Human Services						1,317			1,317
Public Works - Sanitation									
426.00	Recycling Collection and Disposal					47,263			47,263
427.00	Solid Waste Collection and Disposal (garbage)								
428.00	Weed Control								
429.00	Wastewater / Sewage Treatment and Collection	7,938							7,938
Total Public Works - Sanitation		7,938				47,263			55,201
Public Works - Highways and Streets									
430.00	General Services - Administration	476,924		155,845					632,769
431.00	Cleaning of Streets and Gutters								
432.00	Winter Maintenance – Snow Removal	51,538							51,538
433.00	Traffic Control Devices	10,020		6,424					16,444
434.00	Street Lighting	3,186							3,186
435.00	Sidewalks and Crosswalks								
436.00	Storm Sewers and Drains								

LOWER NAZARETH TWP, NORTHAMPTON County

STATEMENT OF REVENUES AND EXPENDITURES

December 31, 2014

		Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only
EXPENDITURES									
Public Works - Highways and Streets									
437.00	Repairs of Tools and Machinery	72,724							72,724
438.00	Maintenance and Repairs of Roads and Bridges	10,872	16,620	1,193					28,685
439.00	Highway Construction and Rebuilding Projects	34,450	71,535	139,819					245,804
Total Public Works - Highways and Streets		659,714	88,155	303,281					1,051,150
Other Public Works Enterprises									
440.00	Airports								
441.00	Cemeteries								
442.00	Electric System								
443.00	Gas System								
444.00	Markets								
445.00	Parking								
446.00	Storm Water and Flood Control								
447.00	Transit System								
448.00	Water System								
449.00	Water Transport and Terminals								
Total Other Public Works Enterprises									
Culture and Recreation									
451.00	Culture-Recreation Administration								
452.00	Participant Recreation	34,566							34,566
453.00	Spectator Recreation								
454.00	Parks	21,453				8,098			29,551
455.00	Shade Trees								
456.00	Libraries	86,700							86,700

LOWER NAZARETH TWP, NORTHAMPTON County

STATEMENT OF REVENUES AND EXPENDITURES

December 31, 2014

		Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only
EXPENDITURES									
Culture and Recreation									
457.00	Civil and Military Celebrations								
458.00	Senior Citizens' Centers								
459.00	All Other Culture and Recreation								
Total Culture and Recreation		142,719				8,098			150,817
Community Development									
461.00	Conservation of Natural Resources								
462.00	Community Development and Housing								
463.00	Economic Development								
464.00	Economic Opportunity								
465-469	All Other Community Development								
Total Community Development									
Debt Service									
471.00	Debt Principal (short-term and long-term)				90,029				90,029
472.00	Debt Interest (short-term and long-term)				7,392				7,392
475.00	Fiscal Agent Fees								
Total Debt Service					97,421				97,421
Employer Paid Benefits and Withholding Items									
481.00	Employer Paid Withholding Taxes and Unemployment Compensation	61,893							61,893
482.00	Judgments and Losses								
483.00	Pension / Retirement Fund Contributions	115,000							115,000
484.00	Worker Compensation Insurance	35,350							35,350

LOWER NAZARETH TWP, NORTHAMPTON County

STATEMENT OF REVENUES AND EXPENDITURES

December 31, 2014

		Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only
EXPENDITURES									
Employer Paid Benefits and Withholding Items									
487.00	Other Group Insurance Benefits	221,950							221,950
Total Employer Paid Benefits and Withholding Items		434,193							434,193
Insurance									
486.00	Insurance, Casualty, and Surety	58,293							58,293
Total Insurance		58,293							58,293
Unclassified Operating Expenditures									
488.00	Fiduciary Fund Benefits and Refunds Paid							9,402	9,402
489.00	All Other Unclassified Expenditures	2,075						12,621	14,696
Total Unclassified Operating Expenditures		2,075						22,023	24,098
Other Financing Uses									
491.00	Refund of Prior Year Revenues								
492.00	Interfund Operating Transfers	517,968		432,122	9,198				959,288
493.00	All Other Financing Uses								
Total Other Financing Uses		517,968		432,122	9,198				959,288
TOTAL EXPENDITURES		4,015,956	88,155	838,611	106,619	56,678		22,023	5,128,042
EXCESS/DEFICIT OF REVENUES OVER EXPENDITURES		21,010	329,627	257,523	-9,193	-55,108		208,468	752,327

LOWER NAZARETH TWP

December 31, 2014

DEBT STATEMENT

OUTSTANDING BONDS AND NOTES
Listed below are all currently outstanding bond and note issues according to our files, excluding bond issues redeemed or refunded and defeased. Please show the principal payments and make any other necessary corrections and additions.

Purpose	Bond (B) Capital Lease (C) Lease Rental (L) Note (N)	Issue Year (yyyy)	Maturity Year (yyyy)	Original Amount of Issue	Outstanding Beginning of Year (1)	Principal Incurred This Year	Principal Paid This Year	Current Year Accretion on Compound Interest Bonds	Outstanding at Year End (1)	Plus (less) Unamortized Premium (Discount)	Total Balance
General Obligation Bonds and Notes											
Revenue Bonds and Notes											
Lease Rental Debt											
Equipment Lease	Lease Rentals	2013	2017	59,897	47,259		11,338		35,921		35,921
Truck Lease	Lease Rentals	2012	2016	59,877	35,906		11,623		24,283		24,283
Truck Lease	Lease Rentals	2012	2016	138,472	83,042		26,933		56,109		56,109
Truck Lease	Lease Rentals	2011	2017	200,894	81,623		40,135		41,488		41,488
Other											

(1) - excludes unamortized premium/discount

Total bonds and notes outstanding	157,801
Capitalized lease obligations	
Net debt	157,801

LOWER NAZARETH TWP, NORTHAMPTON County

STATEMENT OF CAPITAL EXPENDITURES

December 31, 2014

Category	Capital Purchases	Capital Construction	Total
Electric			
Fire			
Gas System			
General Government	26,631		26,631
Health			
Housing			
Libraries			
Mass Transit			
Parks			
Police			
Recreation			
Sewer			
Solid Waste			
Streets / Highways	185,845		185,845
Water			
Other: _____			
Community Development			
TOTAL CAPITAL EXPENDITURES	212,476		212,476

EMPLOYEE COMPENSATION

Total salaries, wages, commissions, etc. paid this year (including all employees and elected officials) 803,369

Independent Public Accountant/Certified Public Accountant Submission Page
Opinion page was provided in lieu of signature page.

SIGNATURE AND VERIFICATION

Signed: ALAN C. FRANCE Appointed Auditor/CPA

DCED-CLGS-30 (9-09)

LOWER NAZARETH TWP, NORTHAMPTON County
December 31, 2014

NOTES / COMMENTS

FRANCE, ANDERSON, BASILE and COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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Emmaus, Pennsylvania 18049

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INDEPENDENT AUDITORS' REPORT

Governing Body of the Municipality
President Judge of the Court of Common Pleas
Secretary of the Department of Community and Economic Development

We have audited the accompanying 2014 Municipal Audit Report and Financial Report (DCED-GLGS-30) of Lower Nazareth Township, Northampton County, Pennsylvania, which comprises the Balance Sheet, Statement of Revenues and Expenditures, Debt Statement, and Statement of Capital Expenditures and Employee Compensation as of and for the year ended December 31, 2014.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Commonwealth of Pennsylvania, Department of Community & Economic Development (DCED). 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 error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Township's preparation and fair presentation of the financial statements 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 the Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash and unencumbered cash balances of Lower Nazareth Township, Northampton County, Pennsylvania, as of December 31, 2014, and their respective cash receipts and disbursements for the year then ended, on the basis of the financial reporting provisions of the DCED.

Basis of Accounting

The financial statements are prepared on the basis of the financial reporting provisions of the Commonwealth of Pennsylvania, Department of Community & Economic Development, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the DCED. Our opinion is not modified with respect to that matter.

Restriction of Use

This report is intended solely for the information and use of management, Board of Supervisors, others within Lower Nazareth Township, Northampton County, Pennsylvania, and the Commonwealth of Pennsylvania, Department of Community and Economic Development and is not intended to be and should not be used by anyone other than these specified parties.

France, Anderson, Basile and Clapp, P.C.

Emmaus, PA
March 23, 2015

FINANCIAL STATEMENTS

LOWER NAZARETH TOWNSHIP

DECEMBER 31, 2014

LOWER NAZARETH TOWNSHIP
FINANCIAL STATEMENTS
DECEMBER 31, 2014

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LOWER NAZARETH TOWNSHIP
FINANCIAL STATEMENTS
DECEMBER 31, 2014

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FRANCE, ANDERSON, BASILE and COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Township Supervisors
Lower Nazareth Township, Pennsylvania

We have audited the accompanying 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, Pennsylvania, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Township's preparation and fair presentation of the financial statements 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 the Township's internal control. Accordingly, we express no such

opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on Governmental Activities

As discussed in Note 1 to the financial statements, management has not recorded certain general infrastructure assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those general infrastructure assets be capitalized and depreciated, which would increase the assets, net position, and expenses of the governmental activities. The amount by which this departure would affect the cash basis assets, net position, and expenses of the governmental activities has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Governmental Activities" paragraph, the financial statements referred to above do not present fairly, in conformity with the basis of accounting described in Note 1, the cash basis financial position of the governmental activities of Lower Nazareth Township, Pennsylvania, as of December 31, 2014, or the changes in cash basis financial position thereof for the year then ended.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - cash basis of the business-type activities, each major fund, and the aggregate remaining fund information of Lower Nazareth Township as of December 31, 2014, and the respective changes in financial position - cash basis, thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the historical pension information on pages 36 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basis financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowlege obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Township has omitted the management discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 19, 2015, on our consideration of Lower Nazareth Township, Pennsylvania's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that

testing, and not to provide an opinion on the 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, Pennsylvania's internal control over financial reporting and compliance.

Frantz, Anderson, Basile and Co., P.C.

Emmaus, Pennsylvania
August 19, 2015

LOWER NAZARETH TOWNSHIP
STATEMENT OF NET POSITION - CASH BASIS
DECEMBER 31, 2014

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 6,351,820	$ 28,848	$ 6,380,668
Due from other funds	2,331	0	2,331
Total Current Assets	6,354,151	28,848	6,382,999
Capital assets:			
Buildings, land & improvements	4,679,671	0	4,679,671
Vehicles	3,049,067	0	3,049,067
Machinery & equipment	1,093,143	0	1,093,143
Collection equipment, net		94,635	94,635
Total Capital Assets	8,821,881	94,635	8,916,516
Total Assets	15,176,032	123,483	15,299,515
DEFERRED OUTFLOWS OF RESOURCES	0	0	0
LIABILITIES			
Due to other taxing districts	623	0	623
Other liabilities	76,817	0	76,817
Loans payable	157,801	0	157,801
Total Liabilities	235,241	0	235,241
DEFERRED INFLOWS OF RESOURCES	0	0	0
NET POSITION			
Invested in capital assets, net of related debt	8,664,080	94,635	8,758,715
Restricted	5,399,388	0	5,399,388
Unrestricted	877,323	28,848	906,171
Total Net Position	$14,940,791	$ 123,483	$15,064,274

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

LOWER NAZARETH TOWNSHIP

STATEMENT OF ACTIVITIES - CASH BASIS (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2014

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
$ (519,120)	$ 0	$ (519,120)
(1,505,424)	0	(1,505,424)
(645,590)	0	(645,590)
71,455	0	71,455
(444,216)	0	(444,216)
(7,392)	0	(7,392)
$ (3,050,287)	$ 0	$ (3,050,287)
$ 0	$ (55,144)	$ (55,144)
$ 0	$ (55,144)	$ (55,144)
$ (3,050,287)	$ (55,144)	$ (3,105,431)
1,545,998	0	1,545,998
1,851,484	0	1,851,484
0	0	0
69,334	0	69,334
34,212	0	34,212
94,909	36	94,945
348,322	0	348,322
(18,358)	0	(18,358)
0	0	0
$ 3,925,901	$ 36	$ 3,925,937
875,614	(55,108)	820,506
$ 14,065,177	$ 178,591	$ 14,243,768
$ 14,940,791	$ 123,483	$ 15,064,274

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

LOWER NAZARETH TOWNSHIP
STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY - CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	General	Liquid Fuels	Host Fee	Traffic Impact	Capital Projects	Debt Service	Total Governmental Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES							
Cash and cash equivalents	$ 913,290	$258,766	$ 178,100	$1,636,812	$3,364,852	$ 0	$6,351,820
Due from other funds	2,250				81		2,331
Total Assets	$ 915,540	$258,766	$ 178,100	$1,636,812	$3,364,933	$ 0	$6,354,151
Deferred Outflows of Resources	0	0	0	0	0	0	0
Total Assets and Deferred Outflows of Resources	$ 915,540	$258,766	$ 178,100	$1,636,812	$3,364,933	$ 0	$6,354,151
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Due to taxes payable	$ 623	$	$	$	$	$	$ 623
Other liabilities	76,817						76,817
Total Liabilities	77,440	0	0	0	0	0	77,440
Deferred Inflows of Resources	0	0	0	0	0	0	0
Fund Balances:							
Restricted for:							
Public works		258,766					258,766
Committed to:							
Public safety			33,435		157,094		190,529
Public works			144,665	1,636,812	309,092		2,090,569
Capital sewer projects					1,293,444		1,293,444
Capital equipment					268,606		268,606
Open space preservation					1,297,474		1,297,474
Unassigned:	838,100				39,223		877,323
Total Fund Balances	838,100	258,766	178,100	1,636,812	3,364,933	0	6,276,711
Total Liabilities, Deferred Inflows of Resources & Fund Balances	$ 915,540	$258,766	$ 178,100	$1,636,812	$3,364,933	$ 0	$6,354,151

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

LOWER NAZARETH TOWNSHIP
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF ASSETS, LIABILITIES AND FUND
EQUITY TO THE STATEMENT OF NET POSITION - CASH BASIS
AS OF DECEMBER 31, 2014

Total Fund Balances - Governmental Funds	$ 6,276,711
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is $8,821,881.	8,821,881
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of loans payable of $157,801.	(157,801)
Total Net Position - Governmental Activities	$ 14,940,791

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

LOWER NAZARETH TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

CASH BASIS - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2014

	General	Liquid Fuels	Host Fee	Traffic Impact	Capital Projects	Debt Service	Total Governmental Funds
REVENUES							
Taxes	$3,397,482	$	$	$	$	$	3,397,482
Licenses and permits	69,334						69,334
Fines and forfeits	34,212						34,212
Interest and rents	92,557	53	28	739	1,527	5	94,909
Intergovernmental revenues	209,873	187,808					397,681
Charges for service	107,484		25,153		206,943		339,580
Miscellaneous revenues	126,022			204,001	25,799		355,822
Total Revenues	4,036,964	187,861	25,181	204,740	234,269	5	4,689,020
EXPENDITURES							
Current							
General government	495,567				76,577		572,144
Public safety	1,697,489						1,697,489
Public works	637,652	88,155			147,436		873,243
Culture and recreation	142,719						142,719
Insurance, benefits and misc.	494,561						494,561
Debt service - principal retirement						90,029	90,029
Debt service - interest & fiscal charges						7,392	7,392
Capital outlay	30,000				182,476		212,476
Total Expenditures	3,497,988	88,155	0	0	406,489	97,421	4,090,053
Excess (deficiency) of revenues over (under) expenditures	538,976	99,706	25,181	204,740	(172,220)	(97,416)	598,967
OTHER FINANCING SOURCES (USES)							
Operating transfers in	2				861,865	97,421	959,288
Operating transfers out	(517,968)				(432,122)	(9,198)	(959,288)
Net change in fund balances	21,010	99,706	25,181	204,740	257,523	(9,193)	598,967
Fund Balances, January 1	817,090	159,060	152,919	1,432,072	3,107,410	9,193	5,677,744
Fund Balances, December 31	$ 838,100	$258,766	$ 178,100	$1,636,812	$3,364,933	$ 0	$6,276,711

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

LOWER NAZARETH TOWNSHIP
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES TO THE STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014

Net Change in Fund Balances - Governmental Funds		$ 598,967
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those expenditures is not reported but treated as a capital asset on the statement of net position. The capital outlay for the current year is $212,476.		212,476
In the statement of activities, the gain/loss on the disposal of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. The change in net position differs from the change in fund balance by the cost of the disposed assets of $25,858, net of related accumulated depreciation of $0.		(25,858)
The repayment of the principal of long-term debts consumes the current financial resources of governmental funds. However, this transaction has no effect on net position. Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The effect of this transaction is shown below:		
Repayment of loan principal	$90,029	90,029
Change in Net Position of Governmental Activities		$ 875,614

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

LOWER NAZARETH TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - CASH BASIS
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Taxes	$ 3,035,600	$ 3,035,600	$ 3,397,482	$ 361,882
Licenses and permits	60,000	60,000	69,334	9,334
Fines and forfeits	33,010	33,010	34,212	1,202
Interest and rents	60,600	60,600	92,557	31,957
Intergovernmental revenues	191,000	191,000	209,873	18,873
Charges for service	92,675	92,675	107,484	14,809
Miscellaneous revenues	15,100	15,100	126,022	110,922
Total revenues	3,487,985	3,487,985	4,036,964	548,979
EXPENDITURES				
Current				
General government	476,700	476,700	495,567	(18,867)
Public safety	1,677,850	1,677,850	1,697,489	(19,639)
Public works	716,550	716,550	637,652	78,898
Culture and recreation	149,000	149,000	142,719	6,281
Insurance, benefits & misc.	488,300	488,300	494,561	(6,261)
Capital outlay	80,000	80,000	30,000	50,000
Total expenditures	3,588,400	3,588,400	3,497,988	90,412
Excess (deficiency) of revenues over (under) expenditures	(100,415)	(100,415)	538,976	639,391
OTHER FINANCING SOURCES (USES)				
Operating transfers in	0	0	2	2
Operating transfers out	(20,000)	(20,000)	(517,968)	(497,968)
Net change in fund balances	(120,415)	(120,415)	21,010	141,425
Fund Balances, January 1	120,415	120,415	817,090	696,675
Fund Balances, December 31	$ 0	$ 0	$ 838,100	$ 838,100

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

LOWER NAZARETH TOWNSHIP
STATEMENT OF NET POSITION - CASH BASIS
PROPRIETARY FUND
DECEMBER 31, 2014

	Enterprise Fund Refuse/Recycling Collection Fund
ASSETS	
Current Assets:	
Cash and cash equivalents	$ 28,848
Total Current Assets	28,848
Noncurrent Assets:	
Collection equipment, net of accumulated depreciation	94,635
Total Assets	$ 123,483
DEFERRED OUTFLOWS OF RESOURCES	0
LIABILITIES	
None	$ 0
Total Liabilities	0
DEFERRED INFLOWS OF RESOURCES	0
NET POSITION	
Net investment in capital assets	94,635
Unrestricted	28,848
Total Net Position	$ 123,483

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

LOWER NAZARETH TOWNSHIP
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - CASH BASIS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Enterprise Fund Refuse/Recycling Collection Fund
OPERATING REVENUES	
Charges for services	$ 1,534
Other income	0
Total Operating Revenues	1,534
OPERATING EXPENSES	
Personal services	8,098
Contractual services	24,702
Supplies	100
Materials	0
Depreciation	23,778
Total Operating Expenses	56,678
Operating Income (Loss)	(55,144)
NONOPERATING REVENUES	
Interest income	36
Total Nonoperating Revenue	36
Net Income (Loss) Before Operating Transfers	(55,108)
Operating transfers in	0
Operating transfers out	0
Change in Net Position	(55,108)
Net Position - Beginning of Year	178,591
Net Position - End of Year	$ 123,483

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

LOWER NAZARETH TOWNSHIP
STATEMENT OF CASH FLOWS - CASH BASIS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Enterprise Fund Refuse/Recycling Collection Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income (Loss)	$ (55,144)
Item not requiring cash	
Depreciation	23,778
Subtotal	(31,366)
Net Cash Flows From Operating Activities	(31,366)
CASH FLOWS FROM NONCAPITAL ACTIVITIES	
Operating transfers	0
Net Cash Flows From Noncapital Activities	0
CASH FLOWS FROM FINANCING ACTIVITIES	
Collection equipment capital purchases	0
Net Cash Flows From Financing Activities	0
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	36
Net Cash Flows From Investing Activities	36
Net (Decrease) in Cash and Cash Equivalents	(31,330)
Cash and Cash Equivalents, January 1	60,178
Cash and Cash Equivalents, December 31	$ 28,848

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

LOWER NAZARETH TOWNSHIP
STATEMENT OF NET POSITION - CASH BASIS
FIDUCIARY FUNDS
DECEMBER 31, 2014

	Employee Pension Trust (A)	Escrow	Total Fiduciary Funds
ASSETS			
Cash and cash equivalents	$ 31,703	$ 926,688	$ 958,391
Investments, at fair value	1,769,516		1,769,516
Total Assets	1,801,219	926,688	2,727,907
DEFERRED OUTFLOWS OF RESOURCES	0	0	0
LIABILITIES			
Due to other funds		2,331	2,331
Refundable escrow deposits		924,357	924,357
Total Liabilities	0	926,688	926,688
DEFERRED INFLOWS OF RESOURCES	0	0	0
NET POSITION			
Restricted for pension benefits	$1,801,219	$ 0	$1,801,219

(A) A schedule of funding progress for the plan is presented on page 36.

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

LOWER NAZARETH TOWNSHIP
STATEMENT OF CHANGES IN NET POSITION - CASH BASIS
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2014

	Employee Pension Trust
ADDITIONS:	
Contributions,	
Employer	$ 115,000
Other	0
Total Contributions	115,000
Investment income,	
Net appreciation in fair value of investments	80,209
Interest and dividends	35,282
	115,491
Less: investment expenses	0
Net Investment Income	115,491
Total Additions	230,491
DEDUCTIONS:	
Benefits	9,402
Administrative expenses	12,621
Total Deductions	22,023
Change in net position	208,468
Net position restricted for pension benefits, Beginning of year	1,592,751
End of year	$1,801,219

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

NOTE 1 Summary of Significant Accounting Policies

The accounting policies and accompanying financial statements of Lower Nazareth Township (the Township) do not conform to generally accepted accounting principles as applicable to governmental units since the Township utilizes the cash basis of accounting, and has omitted the general infrastructure assets and the required management discussion and analysis. The Township applies relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Principles Determining Scope of Reporting Entity

The Board of 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 how to define the Township, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the financial reporting entity was made by applying the criteria set forth by GASB Statement 14, as amended. The criteria for including a potential component unit within the financial reporting entity is the significance of the potential component unit's operational or financial relationship with the Township. Based upon the application of these criteria, there are no component units to be included in the financial reporting entity of the Township.

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the Township as a whole excluding fiduciary activities such as employee pension plans and developer escrow funds. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

NOTE 1 Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the cash basis of accounting, as defined in item b. below.

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus, as applied to the cash basis of accounting is used as appropriate:

a. All governmental funds utilize a current financial resources measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

b. The proprietary fund utilizes an economic resources measurement focus. The accounting objectives of this measurement

NOTE 1 Summary of Significant Accounting Policies (Continued)

Measurement Focus (Continued)

focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the government-wide and fund financial statements, governmental and business-like activities are presented using the cash basis of accounting. This basis of accounting recognizes assets, liabilities, net position/fund equity, revenues and expenditures when they result from cash transactions. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Financial Statement Presentation

The Township reports the following governmental fund types:

The General Fund is the general operating fund of the Township. Substantially all tax revenues, federal and state aid (except revenues and aid restricted for use in the Special Revenue Fund) and other operating revenues are accounted for in the General Fund. This fund also accounts for expenditures and transfers as appropriated in the budget which provides for the Township's day-to-day operations.

The State Liquid Fuels Highway Aid Fund (Liquid Fuels Fund), Host Fee Fund, and Traffic Impact Fund are the Township's special revenue funds. Special Revenue Funds are used to account for the proceeds of specific revenue sources other than expendable trusts, or major capital projects that are legally restricted to expenditures for specific purposes.

The Capital Reserve Funds, Open Space Fund, Highway Reconstruction & Rehabilitation Fund, Fiscal Stability Fund, Palmer Sewer Fund and Capital Sewer Signals Fund are the Township's capital projects funds. Capital project funds account for resources used to construct or acquire fixed assets and capital improvements. Resources of the capital project funds are derived principally from, user fees, budget transfers and investment earnings.

NOTE 1 Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation (Continued)

The Debt Service Fund accounts for the accumulation of resources for, and payment of, interest and principal on long-term obligations.

The Township reports the following enterprise fund types:

The Refuse/Recycling Collection Fund is the Enterprise Fund. The Enterprise Fund accounts for the provisions of trash collections services to some residents of the Township. All activities necessary to provide such services are accounted for in these funds including, but not limited to, administration, operations, maintenance, financing and related debt service, and billings and collections.

The Township also reports the following fund types:

The Employee Pension Trust is used to account for fiduciary resources legally held in trust for the receipt, investment, and distribution of retirement benefits.

The Escrow Fund is established to administer resources received and held by the Township in a custodial capacity for others. This Fund accounts for the deposits of developer escrows which is custodial in nature (assets equal liabilities) and does not involve measurement or results of operation.

Net Position

Net position represents the difference between assets, deferred outflows, liabilities and deferred inflows. 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 other regulations of other governments.

Fund Balance Reporting

Fund balance is divided into five classifications based primarily on the extent to which the Township is bound to observe contraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criteria includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

NOTE 1 Summary of Significant Accounting Policies (Continued)

Fund Balance Reporting (Continued)

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

Enabling legislation authorizes the Township to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable purposes stipulated in the legislation.

Legal enforceability means that the Township can be compelled by an external party - such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by the formal action of the Township Supervisors. Those committed amounts cannot be used for any other purpose unless the Township Supervisors remove or change the specified use by taking the same type of action it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classifications may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Township Supervisors separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the Township for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Township Supervisors.

NOTE 1 Summary of Significant Accounting Policies (Continued)

Fund Balance Reporting (Continued)

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Budgets and Budgetary Accounting

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

1) In accordance with the Township Code and Township procedures, the Township Manager submits to the Board of 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.

2) Public hearings are conducted to obtain taxpayer comment.

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

NOTE 1 Summary of Significant Accounting Policies (Continued)

Budgets and Budgetary Accounting (Continued)

4) 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.

5) All modifications, transfers and amendments must be approved by the Board of Supervisors.

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

7) The legally required and adopted budgets of the Township are for the General Fund and the Liquid Fuels Fund.

8) Budgets for the General Fund and the Liquid Fuels Fund are adopted on a cash basis of accounting discussed above. (The basis of accounting for budget purposes is the same as for financial statement reporting purposes.

9) The Board of Supervisors may authorize supplemental appropriations during the year. No supplemental appropriations were made during fiscal 2014. The Board of Supervisor must approve all over expenditures of appropriations or transfers of appropriated amounts.

Cash and Investments

Statutes allow the Township to invest in obligations of the U.S. Treasury, U.S. Agencies, obligations of the Commonwealth of Pennsylvania, savings accounts or time deposits of institutions insured by the Federal Deposit Insurance Corporation (FDIC) and deposits in excess of FDIC amounts if collateralized by the depository.

Investments are stated at market. See Note 2 for additional disclosures about investments.

NOTE 1 Summary of Significant Accounting Policies (Continued)

Property Taxes Receivable

As a result of using the cash basis method of accounting, $31,104 of property taxes receivable as of December 31, 2014, have not been included as revenues.

The property tax calendar for the fiscal year is as follows:

January 1	-	Levy Date
April 1	-	Billing Date
April 1 - May 31	-	2% Discount Period
June 1 - July 31	-	Face Payment Period
August 1 - December 31	-	10% Penalty Period
January 1	-	Lien Date

Refuse and Recycling Equipment in Service

The refuse and recycling equipment are stated substantially at cost, net of accumulated depreciation. Depreciation is provided using the straight line method over the estimated useful life of the equipment ranging from 7 to 20 years.

Public Employee Retirement Systems

The Township participates in a public employee retirement system. The system, single employer public retirement system, is a defined benefit pension plan which covers all Township personnel employed on a full-time basis.

Transfers and Interfund Balances

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.

Other outstanding balances between funds are reported as "due to/from other funds".

Statement of Cash Flows

For purposes of the statement of cash flows, the Township considers time deposits and highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

NOTE 1 Summary of Significant Accounting Policies (Continued)

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and the Liquid Fuels Fund. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. There are no encumbrances as of December 31, 2014.

Total Columns on Combined Statements

Total columns on the combined statements are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Nor is such data comparable to a consolidation.

NOTE 2 Deposits and Investments

The Township's current investment policy is to place as much of the available funds into interest bearing accounts as is feasible. Current cash requirements are kept in bank demand deposits.

DEPOSITS:

As of December 31, 2014, the carrying amount of the Township's deposits is $7,339,059 and the bank balance is $7,364,832. Of the bank balance, $766,864, is covered by federal depository insurance (FDIC).

The Township requires all deposits and investments to be covered by federal depository insurance or to be fully collateralized by the financial institution issuing the investment or acquiring the deposit. Deposits that are not fully insured by the Federal Deposit Insurance Corporation, $6,597,968 at December 31, 2014, are collateralized using the pooled asset method to 100% of value as required by Pennsylvania Law. The securities pledged as collateral are held by the trust department of a financial institution or by its agents in the financial institution's name, not in the Township's name, and are considered uncollateralized for credit risk purposes.

NOTE 2 Deposits and Investments (Continued)

INVESTMENTS:

Authorized types of investments for Township funds are as follows:

a) United States Treasury Bills and Notes.
b) Short-term obligations of the United States, its agencies or instrumentalities.
c) Deposits in savings accounts or time deposits insured by the Federal Deposit Insurance Corporation or similar insurance and provided that approved collateral for public deposits is pledged by the depository for excess amounts over the insured maximum.
d) Obligations of the United States and the Commonwealth of Pennsylvania or any of their agencies or instrumentalities backed by the full faith and credit of the United States, Commonwealth of Pennsylvania or political subdivisions.
e) Shares of an investment company provided that the only investments of the company are in the investments listed in a) through d) above.

Investments made by the Township as of December 31, 2014, are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

Category 1 - Insured or registered, or securities held by the Township or its agent in the Township's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Township's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the Township's name.

	Category 1	Category 2	Category 3	Fair Value/ Carrying Amount	Market
Blended Income	$	$	$ 509,580	$ 509,580	$ 509,580
Equities			1,259,936	1,259,936	1,259,936
Total	$ -0-	$ -0-	$1,769,516	$1,769,516	$1,769,516

NOTE 3 Capital Assets

The following is a summary of the changes in the capital asset activity for the year ended December 31, 2014:

	Balance December 31, 2013	Increases	(Decreases)	Balance December 31, 2014
Governmental Activities:				
Township buildings, land and improvements,	$4,679,671	$ -0-	$ -0-	$4,679,671
Vehicles	2,894,580	180,345	(25,858)	3,049,067
Machinery and equipment	1,061,012	32,131	-0-	1,093,143
Governmental activities capital assets	$8,635,263	$ 212,476	$(25,858)	$8,821,881

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

The following is a summary of proprietary fund type property, plant, and equipment at December 31, 2014.

	Balance December 31, 2013	Increases	(Decreases)	Balance December 31, 2014
Enterprise Funds:				
Refuse/Recycling Collection equipment	$ 175,784	$ -0-	$ -0-	$ 175,784
Less: accumulated depreciation	57,371	23,778	-0-	81,149
Net capital assets	$ 118,413	$(23,778)	$ -0-	$ 94,635

Depreciation charged to operations for the Refuse/Recycling Collection Fund was $23,778 for the year ended December 31, 2014.

NOTE 4 Long-Term Debt

The following is a summary of the general obligation installment loans payable of the Township for the year ended December 31, 2014:

General Obligation Loans	Payable January 1,	Issued	Retired	Payable December 31,
Installment Loan	$ 81,623	$ -0-	$ 40,135	$ 41,488
Installment Loan	35,906	-0-	11,623	24,283
Installment Loan	83,042	-0-	26,933	56,109
Installment Loan	47,259	-0-	11,338	35,921
Total	$ 247,830	$ -0-	$ 90,029	$ 157,801

The annual debt service requirements to maturity for general obligation debt including interest are as follows:

Year Ending December 31,	Principal	Interest	Total
2015	$ 92,777	$ 4,644	$ 97,421
2016	52,724	1,812	54,536
2017	12,300	338	12,638
Total	$157,801	$ 6,794	$164,595

Installment Loan Payable

The Township has an installment loan payable, secured by public works equipment. The loan requires five annual payments of $42,885, including principal and interest at 3.37% over 5 years. The principal outstanding at December 31, 2014, is $41,488.

The following is a summary of the future debt service requirements for the Installment Loan Payable:

Year Ending December 31,	Principal	Interest	Total
2015	$ 41,488	$ 1,397	$ 42,885

NOTE 4 Long-Term Debt (Continued)

Installment Loan Payable

The Township has an installment loan payable, secured by public works equipment. The loan requires five annual payments of $12,681, including principal and interest at 2.95% over 5 years. The principal outstanding at December 31, 2014, is $24,283.

The following is a summary of the future debt service requirements for the Installment Loan Payable:

Year Ending December 31,	Principal	Interest	Total
2015	$ 11,965	$ 716	$ 12,681
2016	12,318	363	12,681
	$ 24,283	$ 1,079	$ 25,362

Installment Loan Payable

The Township has an installment loan payable, secured by public works equipment. The loan requires five annual payments of $29,217, including principal and interest at 2.75% over 5 years. The principal outstanding at December 31, 2014, is $56,109.

The following is a summary of the future debt service requirements for the Installment Loan Payable:

Year Ending December 31,	Principal	Interest	Total
2015	$ 27,674	$ 1,543	$ 29,217
2016	28,435	782	29,217
	$ 56,109	$ 2,325	$ 58,434

NOTE 4 Long-Term Debt (Continued)

Installment Loan Payable

The Township has an installment loan payable, secured by parks and recreation equipment. The loan requires five annual payments of $12,638, including principal and interest at 2.75% over 5 years. The principal outstanding at December 31, 2014, is $35,921.

The following is a summary of the future debt service requirements for the Installment Loan Payable:

Year Ending December 31,	Principal	Interest	Total
2015	$ 11,650	$ 988	$ 12,638
2016	11,971	667	12,638
2017	12,300	338	12,638
	$ 35,921	$ 1,993	$ 37,914

NOTE 5 Defined Benefit Pension Plan

Plan Description for the Employees of Lower Nazareth Township Pension Plan

The Pension Plan for the Employees of Lower Nazareth Township is a single-employer defined benefit plan that covers all full-time non-uniformed employees of the Township. The retirement benefit is based on the participant average monthly compensation during their last five years of employment. 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 Lower Nazareth Township Pension Plan

The Township is required to contribute amounts necessary to fund the Plan, using the actuarial basis specified by Lower Nazareth Township. Township employees are not required to contribute any of their compensation to the Plan and voluntary employee contributions are not permitted.

NOTE 5 Defined Benefit Pension Plan (Continued)

Annual Pension Cost and Net Pension Obligation

The Township's annual pension cost and net pension obligation for the current year are as follows:

Annual required contribution	$ 92,742
Interest on net pension obligation	-0-
Adjustment to annual required contribution	-0-
Annual pension costs	92,742
Contributions made	115,000
Increase (decrease) in net pension obligation	(22,258)
Net pension obligation beginning of year	-0-
Net pension obligation end of year	$ -0-

Annual Pension Cost and Net Pension Obligation

The annual required contribution for the current year was determined as part of the January 1, 2013, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return, and (b) projected salary increases of 5.00% per year. Both (a) and (b) include an inflation component for moderate cost-of-living increases. The assumptions did not include postretirement benefit increases. The actuarial value of assets for the plan was determined using market value as determined by the trustee. The unfunded actuarial accrued liability (AAL) amortization method is the level dollar method on a open basis. The remaining amortization period at January 1, 2013, was 12.67 years.

NOTE 5 Defined Benefit Pension Plan (Continued)

Three Year Trend Information

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/12	$ 97,344	100%+	$ -0-
12/31/13	98,255	100%+	-0-
12/31/14	92,742	100%+	-0-

Plan Membership Information

Membership in the pension plan as of January 1, 2013, (the most recent date available) is as follows:

Active employees	12
Retirees and beneficiaries currently receiving benefits	1
Terminated employees entitled to benefits but not yet receiving them	0
Total	13

Investments

Plan investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

At December 31, 2014, the plan had the following investments in any one organization representing five percent or more of the Plan assets (other than investments issued or guaranteed by the U. S. Government) as follows:

Artisan International Fund	$ 91,969
Henderson International Opportunities Fd	92,438
Goldman Sachs Satellite Strategies Fund	116,570
NPITC Mid-Cap Equity Fund	160,594

NOTE 6 Compensated Absences and Benefits

Accumulated unpaid vacation and sick pay benefits accrue based on length of service and employment. There was no material unused accrued vacation or sick pay benefits as of December 31, 2014. Also, in accordance with the provisions of Governmental Accounting Standards Board, no liability is recorded for the non-vested accumulated rights to receive vacation and sick pay benefits.

The Township does not provide other postemployment benefits required to be disclosed in accordance with GASB.

NOTE 7 Litigation

Various claims and lawsuits are pending against the Township. Defenses are being conducted by counsel for the Township or the insurance carrier, and losses, if any, are not anticipated to have a significant effect on the Township's financial position.

NOTE 8 Contingencies

The Township participates in a number of state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs including the year ended December 31, 2014, have not yet been conducted. Accordingly, the Township's, compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the Township expects such amounts, if any, to be immaterial.

NOTE 9 Deficit Fund Balances

No Funds of the Township had a deficit fund balance at December 31, 2014.

The General Fund's General Government, Public Safety and Insurance, Benefits and Miscellaneous budget categories had expenditures in excess of appropriations for the year ended December 31, 2014.

Note 10 Risk Management

Significant losses are covered by commercial insurance for all major programs. There has been no significant reduction in insurance coverage. Settlement amounts have not exceeded insurance coverages for the current year or the three prior years.

Note 11 Subsequent Events

Subsequent events have been evaluated through August 19, 2015, which was the date financial statements were available to be issued.

LOWER NAZARETH TOWNSHIP
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
DEFINED BENEFIT PENSION PLAN
(An Integral Part of the Financial Statements)

PENSION PLAN FOR THE EMPLOYEES OF LOWER NAZARETH TOWNSHIP

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability-Entry Age (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2009	$ 653,914	$ 966,614	$ 312,700	67.6%	$550,058	56.8%
1/1/2010	Information Not Available					
1/1/2011	$ 930,605	$1,200,399	$ 269,794	77.5%	$578,113	46.7%
1/1/2012	Information Not Available					
1/1/2013	$1,258,951	$1,340,221	$ 81,270	93.9%	$652,925	12.4%
1/1/2014	Information Not Available					

LOWER NAZARETH TOWNSHIP
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
DEFINED BENEFIT PENSION PLAN
(An Integral Part of the Financial Statements)

PENSION PLAN FOR THE EMPLOYEES OF LOWER NAZARETH TOWNSHIP

Calendar Year	Annual Required Contribution	Contributions from Employer	Percentage Contributed
2009	$ 27,351	$ 100,000	100%+
2010	$ 96,189	$ 110,000	100%+
2011	$102,558	$ 120,000	100%+
2012	$ 97,344	$ 110,000	100%+
2013	$ 98,255	$ 110,000	100%+
2014	$ 92,742	$ 115,000	100%+

The information presented in the required supplementary schedule was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows.

Valuation date:	1/1/13
Actuarial cost method:	Entry age normal
Amortization method:	Level dollar open
Remaining amortization period:	12.67 years
Asset valuation method:	5 Year Smoothing Method
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	5.00%

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INDEPENDENT AUDITORS' 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

To the Township Supervisors
Lower Nazareth Township, Pennsylvania

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 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, Pennsylvania, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise Lower Nazareth Township, Pennsylvania's, basic financial statements, and have issued our report thereon dated August 19, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lower Nazareth Township, Pennsylvania's internal control over financial reporting (internal control) to determine the 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, Pennsylvania's internal control. Accordingly, we do not express an opinion on the effectiveness of Lower Nazareth Township, Pennsylvania'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 Township'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 reporting 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lower Nazareth Township, Pennsylvania's, financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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.

France, Anderson, Basile and Lenny, P.C.

Emmaus, Pennsylvania
August 19, 2015