

**2015 MUNICIPAL ANNUAL AUDIT
AND
FINANCIAL REPORT**

480545 LOWER NAZARETH TWP, NORTHAMPTON COUNTY



BALANCE SHEET

DCED-CLGS-30 (09-09)

LOWER NAZARETH TWP, NORTHAMPTON COUNTY BALANCE SHEET December 31, 2015

	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	
Assets and Other Debits										
100-120 Cash and Investments	822,493	2,231,528	2,406,284		5,563		2,945,948			8,411,816
140-144 Tax Receivable										
121-129, 145-149 Accounts Receivable (excluding taxes)										
130.00 Due From Other Funds	4,735		81							4,816
131-139, 150-159 Other Current Assets										
160-169 Fixed Assets					70,858			8,948,978		9,019,836
180-189 Other Debits	12								121,971	121,983
Total Assets and Other Debits	827,240	2,231,528	2,406,365		76,421		2,945,948	8,948,978	121,971	17,558,451

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	2,485
	2,331
	4,816

LOWER NAZARETH TWP, NORTHAMPTON County
BALANCE SHEET
 December 31, 2015

	Governmental Funds				Proprietary Funds		Fid. Fund	Account Groups		Total
	General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service		General Fixed Assets	General Long Term Debt	
Liabilities and Other Credits										
260-269 Long-Term-Liabilities								121,971		121,971
240-259 Current Portion of Long-Term Debt and Other Credits	57,281						1,055,344			1,112,625
Total Liabilities and Other Credits	57,281	2,485					1,057,675		121,971	1,239,412

Fund and Account Group Equity	
281-284 Contributed Capital	
290.00 Investment in General Fixed Assets	8,948,978
270-289 Fund Balance / Retained Earnings on 12/31	769,959
291-299 Other Equity	76,421
Total Fund and Account Group Equity	769,959
	2,229,043
	2,406,365
	76,421
	1,888,273
	8,948,978
	16,319,039

TOTAL LIABILITIES AND FUND AND ACCOUNT GROUP EQUITY	17,558,451
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LOWER NAZARETH TWP, NORTHAMPTON County
STATEMENT OF REVENUES AND EXPENDITURES
 December 31, 2015

	Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
	General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service		

REVENUES

Interest, Rents and Royalties								
341.00	Interest Earnings	893	1,003	2,618		14	39,510	44,038
342.00	Rents and Royalties	98,165						98,165
	Total Interest, Rents and Royalties	99,058	1,003	2,618		14	39,510	142,203

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)	3,953						3,953
355.02-355.03	Motor Vehicle Fuel Tax (Liquid Fuels Tax) and State Road Turnback		210,127					210,127
355.04	Alcoholic Beverage Licenses	2,000						2,000
355.05	General Municipal Pension System State Aid	50,971						50,971
355.07	Foreign Fire Insurance Tax Distribution	75,860						75,860
355.06	Local Share Assessment/Gaming Proceeds							
355.09	Marcellus Shale Impact Fee Distribution							

LOWER NAZARETH TWP, NORTHAMPTON County
STATEMENT OF REVENUES AND EXPENDITURES
 December 31, 2015

	Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
	General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service		
	66,660							66,660
Total State	199,444	210,127						409,571

REVENUES

State	
356.00	State Payments in Lieu of Taxes
355.00	All Other State Shared Revenues and Entitlements
	Total State

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
362.00	Public Safety
363.20	Parking
363.00	All Other Charges for Highway & Street Services
364.10	Wastewater / Sewage (including connection / tapping fees, sewer usage charges, reserve capacity fee, etc.)
364.30	Solid Waste Collection and Disposal Charge (trash)
364.60	Host Municipality Benefit Fee for Solid Waste Facility
364.00	All Other Charges for Sanitation Services
365.00	Health
366.00	Human Services
367.00	Culture and Recreation
368.00	Airports

LOWER NAZARETH TWP, NORTHAMPTON County
STATEMENT OF REVENUES AND EXPENDITURES
 December 31, 2015

General Fund	Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service			

REVENUES

Charges for Service								
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	144,055	25,335	1,768,827	959			1,939,176
Total Charges for Service								

Unclassified Operating Revenues							
383.00	Special Assessments		23,826				23,826
386.00	Escheats (sale of personal property)						
387.00	Contributions and Donations from Private Sectors						
388.00	Fiduciary Fund Pension Contributions					115,000	115,000
389.00	All Other Unclassified Operating Revenues	105					105
Total Unclassified Operating Revenues			23,826			115,000	138,931

Other Financing Sources							
391.00	Proceeds of General Fixed Asset Disposition						
392.00	Interfund Operating Transfers		796,570	113,083			909,653
393.00	Proceeds of General Long-Term Debt			72,006			72,006
394.00	Proceeds of Short Term-Debt						

LOWER NAZARETH TWP, NORTHAMPTON County
STATEMENT OF REVENUES AND EXPENDITURES
 December 31, 2015

	Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
	General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service		
395.00 Refunds of Prior Year Expenditures	68,265							68,265
Total Other Financing Sources	68,265		796,570	185,089				1,049,924

REVENUES

Other Financing Sources		TOTAL REVENUES	
395.00 Refunds of Prior Year Expenditures	68,265	4,161,681	7,330,559
Total Other Financing Sources	68,265	2,568,015	154,510

EXPENDITURES

General Government		TOTAL REVENUES	
400.00 Legislative (Governing) Body	12,500	4,161,681	7,330,559
401.00 Executive (Manager or Mayor)			
402.00 Auditing Services / Financial Administration	13,890		
403.00 Tax Collection	28,495		
404.00 Solicitor / Legal Services	29,368		
405.00 Secretary / Clerk	320,836		
406.00 Other General Government Administration	54,397	104	
407.00 IT-Networking Services-Data Processing	10,020	52,830	
408.00 Engineering Services	5,682		
409.00 General Government Buildings and Plant	50,511	115,485	
Total General Government	525,699	168,419	694,118

Public Safety

410.00 Police	1,249,562			1,249,562
411.00 Fire	371,652			371,652
412.00 Ambulance / Rescue	30,000			30,000
413.00 UCC and Code Enforcement	66,863			66,863

LOWER NAZARETH TWP, NORTHAMPTON County
STATEMENT OF REVENUES AND EXPENDITURES
 December 31, 2015

	Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
	General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service		
	67,434							67,434
	9,851	19,032	13,598					42,481
			406,361					406,361
	627,800	19,032	491,966					1,138,797

EXPENDITURES

Public Works - Highways and Streets	
435.00	Sidewalks and Crosswalks
436.00	Storm Sewers and Drains
437.00	Repairs of Tools and Machinery
438.00	Maintenance and Repairs of Roads and Bridges
439.00	Highway Construction and Rebuilding Projects
	Total Public Works - Highways and Streets

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
453.00	Spectator Recreation
454.00	Parks
	Total Culture and Recreation

LOWER NAZARETH TWP, NORTHAMPTON County
STATEMENT OF REVENUES AND EXPENDITURES
 December 31, 2015

	Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
	General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service		
	91,035							91,035
	146,826							146,826

EXPENDITURES

Culture and Recreation	
455.00	Shade Trees
456.00	Libraries
457.00	Civil and Military Celebrations
458.00	Senior Citizens' Centers
459.00	All Other Culture and Recreation
	Total Culture and Recreation
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)
472.00	Debt Interest (short-term and long-term)
475.00	Fiscal Agent Fees
	Total Debt Service

Employer Paid Benefits and Withholding Items	
481.00	Employer Paid Withholding Taxes and Unemployment Compensation
482.00	Judgments and Losses
483.00	Pension / Retirement Fund Contributions

LOWER NAZARETH TWP, NORTHAMPTON County
STATEMENT OF REVENUES AND EXPENDITURES
 December 31, 2015

General Fund	Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service			

EXPENDITURES

Employer Paid Benefits and Withholding Items	General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Fiduciary Fund	Total
484.00 Worker Compensation Insurance	39,138							39,138
487.00 Other Group Insurance Benefits	234,576							234,576
Total Employer Paid Benefits and Withholding Items	453,796						44,094	497,890

Insurance	General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Fiduciary Fund	Total
486.00 Insurance, Casualty, and Surety	60,046							60,046
Total Insurance	60,046							60,046

Unclassified Operating Expenditures	General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Fiduciary Fund	Total
488.00 Fiduciary Fund Benefits and Refunds Paid							9,403	9,403
489.00 All Other Unclassified Expenditures	2,075						13,959	16,034
Total Unclassified Operating Expenditures	2,075						23,362	25,437

Other Financing Uses	General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Fiduciary Fund	Total
491.00 Refund of Prior Year Revenues								
492.00 Interfund Operating Transfers	651,308	85,894	100,445	72,006				909,653
493.00 All Other Financing Uses								
Total Other Financing Uses	651,308	85,894	100,445	72,006				909,653

TOTAL EXPENDITURES	4,229,822	104,926	3,526,583	185,089	48,035		67,456	8,161,911
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EXCESS/DEFICIT OF REVENUES OVER EXPENDITURES	General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Fiduciary Fund	Total
	-68,141	155,365	-958,568		-47,062		87,054	-831,352

LOWER NAZARETH TWP
December 31, 2015

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	Capital Leases	2013	2017	59,897	35,921		11,650		24,271		24,271
Truck Lease	Capital Leases	2012	2016	59,877	24,283		11,965		12,318		12,318
Truck Lease	Capital Leases	2012	2016	138,472	56,109		27,674		28,435		28,435
Truck Lease	Capital Leases	2011	2017	200,894	41,488		41,488		0		0
Truck Lease	Capital Leases	2015	2019	72,006	0	72,006	15,059		56,947		56,947
Other											

(1) - excludes unamortized premium/discount

Total bonds and notes outstanding

Capitalized lease obligations

Net debt

0

121,971

121,971

LOWER NAZARETH TWP, NORTHAMPTON County
STATEMENT OF CAPITAL EXPENDITURES

December 31, 2015

Category	Capital Purchases	Capital Construction	Total
Community Development			
Electric			
Fire			
Gas System			
General Government	45,027		45,027
Health			
Housing			
Libraries			
Mass Transit			
Parks			
Police			
Recreation			
Sewer			
Solid Waste			
Streets / Highways		82,070	82,070
Water			
Other: _____			
TOTAL CAPITAL EXPENDITURES	127,097		127,097

EMPLOYEE COMPENSATION

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

832,430

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

December 31, 2015

NOTES / COMMENTS

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

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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 2015 Municipal Annual Audit and Financial Report (DCED-CIGS-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, 2015.

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, 2015, 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.

James, Anderson, Beale and Long, P.C.

Emmaus, PA
March 24, 2016

FINANCIAL STATEMENTS

LOWER NAZARETH TOWNSHIP

DECEMBER 31, 2015

LOWER NAZARETH TOWNSHIP
FINANCIAL STATEMENTS
DECEMBER 31, 2015

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LOWER NAZARETH TOWNSHIP
FINANCIAL STATEMENTS
DECEMBER 31, 2015

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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, 2015, 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, 2015, 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, 2015, 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 38 through 39 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 September 13, 2016, 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.

Francis Anderson, Biale and Company P.C.

Emmaus, Pennsylvania
September 13, 2016

LOWER NAZARETH TOWNSHIP
STATEMENT OF NET POSITION - CASH BASIS
DECEMBER 31, 2015

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 5,460,305	\$ 5,563	\$ 5,465,868
Due from other funds	2,331	0	2,331
Other assets	<u>12</u>	<u>0</u>	<u>12</u>
Total Current Assets	<u>5,462,648</u>	<u>5,563</u>	<u>5,468,211</u>
Capital assets:			
Buildings, land & improvements	4,679,671	0	4,679,671
Vehicles	3,121,073	0	3,121,073
Machinery & equipment	1,148,234	0	1,148,234
Collection equipment, net	<u>70,858</u>	<u>70,858</u>	<u>70,858</u>
Total Capital Assets	<u>8,948,978</u>	<u>70,858</u>	<u>9,019,836</u>
Total Assets	<u>14,411,626</u>	<u>76,421</u>	<u>14,488,047</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>0</u>	<u>0</u>	<u>0</u>
<u>LIABILITIES</u>			
Other liabilities	57,281	0	57,281
Loans payable	<u>121,971</u>	<u>0</u>	<u>121,971</u>
Total Liabilities	<u>179,252</u>	<u>0</u>	<u>179,252</u>
DEFERRED INFLOWS OF RESOURCES	<u>0</u>	<u>0</u>	<u>0</u>
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	8,827,007	70,858	8,897,865
Restricted	4,495,946	0	4,495,946
Unrestricted	<u>909,421</u>	<u>5,563</u>	<u>914,984</u>
Total Net Position	<u>\$14,232,374</u> =====	<u>\$ 76,421</u> =====	<u>\$14,308,795</u> =====

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, 2015

Net (Expense) Revenue and Changes in Net Position

<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
\$ (575,120)	\$ 0	\$ (575,120)
(1,556,160)	0	(1,556,160)
(2,011,460)	0	(2,011,460)
58,887	0	58,887
(464,946)	0	(464,946)
<u>(5,247)</u>	<u>0</u>	<u>(5,247)</u>
<u>\$ (4,554,046)</u>	<u>\$ 0</u>	<u>\$ (4,554,046)</u>
<u>\$ 0</u>	<u>\$ (47,076)</u>	<u>\$ (47,076)</u>
<u>\$ 0</u>	<u>\$ (47,076)</u>	<u>\$ (47,076)</u>
<u>\$ (4,554,046)</u>	<u>\$ (47,076)</u>	<u>\$ (4,601,122)</u>
1,525,880	0	1,525,880
1,890,868	0	1,890,868
0	0	0
146,249	0	146,249
87,757	0	87,757
102,679	14	102,693
92,196	0	92,196
0	0	0
<u>0</u>	<u>0</u>	<u>0</u>
<u>\$ 3,845,629</u>	<u>\$ 14</u>	<u>\$ 3,845,643</u>
(708,417)	(47,062)	(755,479)
<u>\$ 14,940,791</u>	<u>\$ 123,483</u>	<u>\$ 15,064,274</u>
\$ 14,232,374	\$ 76,421	\$ 14,308,795
=====	=====	=====

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, 2015

	<u>General</u>	<u>Liquid Fuels</u>	<u>Host Fee</u>	<u>Traffic Impact</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>							
Cash and cash equivalents	\$ 822,493	\$ 452,486	\$ 117,580	\$ 1,661,462	\$ 2,406,284	\$ 0	\$ 5,460,305
Due from other funds	4,735				81		4,816
Other assets	<u>12</u>						<u>12</u>
Total Assets	<u>\$ 827,240</u>	<u>\$ 452,486</u>	<u>\$ 117,580</u>	<u>\$ 1,661,462</u>	<u>\$ 2,406,365</u>	<u>\$ 0</u>	<u>\$ 5,465,133</u>
Deferred Outflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 827,240</u>	<u>\$ 452,486</u>	<u>\$ 117,580</u>	<u>\$ 1,661,462</u>	<u>\$ 2,406,365</u>	<u>\$ 0</u>	<u>\$ 5,465,133</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>							
<u>Liabilities:</u>							
Due to other funds	\$ 57,281	\$ 2,485	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,485
Other liabilities							57,281
Total Liabilities	<u>57,281</u>	<u>2,485</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>59,766</u>
Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Fund Balances:</u>							
<u>Restricted for:</u>							
Public works		450,001					450,001
<u>Committed to:</u>							
Public safety			39,779		195,816		235,595
Public works			77,801	1,661,462	90,003		1,829,266
Capital sewer projects					190,709		190,709
Capital equipment					300,066		300,066
Open space preservation					1,490,309		1,490,309
Unassigned:	<u>769,959</u>				<u>139,462</u>		<u>909,421</u>
Total Fund Balances	<u>769,959</u>	<u>450,001</u>	<u>117,580</u>	<u>1,661,462</u>	<u>2,406,365</u>	<u>0</u>	<u>5,405,367</u>
Total Liabilities, Deferred Inflows of Resources & Fund Balances	<u>\$ 827,240</u>	<u>\$ 452,486</u>	<u>\$ 117,580</u>	<u>\$ 1,661,462</u>	<u>\$ 2,406,365</u>	<u>\$ 0</u>	<u>\$ 5,465,133</u>

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, 2015

Total Fund Balances - Governmental Funds	\$	5,405,367
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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 \$8,948,978.		8,948,978
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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 \$121,971.		<u>(121,971)</u>
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Total Net Position - Governmental Activities	\$	14,232,374 =====
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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, 2015

	Liqud Fuels	Host Fee	Traffic Impact	Capital Projects	Debt Service	Total Governmental Funds
REVENUES						
Taxes	\$ 3,416,748				\$	3,416,748
Licenses and permits	146,249					146,249
Fines and forfeits	87,757					87,757
Interest and rents	99,058	39	824	2,618		102,679
Intergovernmental revenues	199,444					199,444
Charges for service	144,055	25,335		1,768,827		1,938,217
Miscellaneous revenues	68,370		23,826			92,196
Total Revenues	<u>4,161,681</u>	<u>25,374</u>	<u>24,650</u>	<u>1,771,445</u>	<u>0</u>	<u>6,193,417</u>
EXPENDITURES						
Current						
General government	525,699			123,392		649,091
Public safety	1,754,656					1,754,656
Public works	625,352			3,185,713		3,830,097
Culture and recreation	146,826					146,826
Insurance, benefits and misc.	515,917					515,917
Debt service - principal retirement					107,836	107,836
Debt service - interest & fiscal charges					5,247	5,247
Capital outlay	10,064			117,033		127,097
Total Expenditures	<u>3,578,514</u>	<u>0</u>	<u>0</u>	<u>3,426,138</u>	<u>113,083</u>	<u>7,136,767</u>
Excess (deficiency) of revenues over (under) expenditures	583,167	25,374	24,650	(1,654,693)	(113,083)	(943,350)
OTHER FINANCING SOURCES (USES)						
Proceeds of general long-term debt					72,006	72,006
Operating transfers in				796,570	113,083	909,653
Operating transfers out	(651,308)	(85,894)		(100,445)	(72,006)	(909,653)
Net change in fund balances	(68,141)	(60,520)	24,650	(958,568)	0	(871,344)
Fund Balances, January 1	838,100	178,100	1,636,812	3,364,933	0	6,276,711
Fund Balances, December 31	\$ 769,959	\$ 117,580	\$ 1,661,462	\$ 2,406,365	\$ 0	\$ 5,405,367

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, 2015

Net Change in Fund Balances - Governmental Funds \$ (871,344)

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 \$127,097. 127,097

Issuance of long-term debt (e.g.notes) provides
current financial resources to governmental funds,
while the repayment of the principal of long-term
debt consumes the current financial resources of
governmental funds.

However, neither transaction has an 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 in the statement is shown below:

Issuance of loan proceeds	\$ (72,006)	
Repayment of loan principal	107,836	35,830

Change in Net Position of Governmental Activities	\$ (708,417) =====
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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, 2015

	Budgeted Amounts		Actual	
	Original	Final	Amounts	Variance with
				Final Budget
				Positive
				(Negative)
REVENUES				
Taxes	\$ 3,130,050	\$ 3,130,050	\$ 3,416,748	\$ 286,698
Licenses and permits	65,000	65,000	146,249	81,249
Fines and forfeits	35,010	35,010	87,757	52,747
Interest and rents	60,600	60,600	99,058	38,458
Intergovernmental revenues	191,100	191,100	199,444	8,344
Charges for service	91,310	91,310	144,055	52,745
Miscellaneous revenues	25,100	25,100	68,370	43,270
Total revenues	<u>3,598,170</u>	<u>3,598,170</u>	<u>4,161,681</u>	<u>563,511</u>
EXPENDITURES				
Current				
General government	498,350	498,350	525,699	(27,349)
Public safety	1,794,300	1,794,300	1,754,656	39,644
Public works	724,350	724,350	625,352	98,998
Culture and recreation	150,000	150,000	146,826	3,174
Insurance, benefits & misc.	507,250	507,250	515,917	(8,667)
Capital outlay	70,000	70,000	10,064	59,936
Total expenditures	<u>3,744,250</u>	<u>3,744,250</u>	<u>3,578,514</u>	<u>165,736</u>
Excess (deficiency) of revenues over (under) expenditures	(146,080)	(146,080)	583,167	729,247
OTHER FINANCING SOURCES (USES)				
Operating transfers in	0	0		0
Operating transfers out	0	0	(651,308)	(651,308)
Net change in fund balances	(146,080)	(146,080)	(68,141)	77,939
Fund Balances, January 1	<u>146,080</u>	<u>146,080</u>	<u>838,100</u>	<u>692,020</u>
Fund Balances, December 31	\$ 0	\$ 0	\$ 769,959	\$ 769,959

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

LOWER NAZARETH TOWNSHIP
STATEMENT OF NET POSITION - CASH BASIS
PROPRIETARY FUND
DECEMBER 31, 2015

	<u>Enterprise Fund</u> <u>Refuse/Recycling</u> <u>Collection</u> <u>Fund</u>
<u>ASSETS</u>	
<u>Current Assets:</u>	
Cash and cash equivalents	\$ <u>5,563</u>
Total Current Assets	<u>5,563</u>
<u>Noncurrent Assets:</u>	
Collection equipment, net of accumulated depreciation	<u>70,858</u>
Total Assets	\$ 76,421 =====
DEFERRED OUTFLOWS OF RESOURCES	<u>0</u>
<u>LIABILITIES</u>	
None	\$ <u>0</u>
Total Liabilities	<u>0</u>
DEFERRED INFLOWS OF RESOURCES	<u>0</u>
<u>NET POSITION</u>	
Net investment in capital assets	70,858
Unrestricted	<u>5,563</u>
Total Net Position	\$ 76,421 =====

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, 2015

	<u>Enterprise Fund</u>
	<u>Refuse/Recycling Collection Fund</u>
OPERATING REVENUES	
Charges for services	\$ 959
Other income	<u>0</u>
Total Operating Revenues	<u>959</u>
OPERATING EXPENSES	
Personal services	0
Contractual services	24,258
Supplies	0
Materials	0
Depreciation	<u>23,777</u>
Total Operating Expenses	<u>48,035</u>
Operating Income (Loss)	<u>(47,076)</u>
NONOPERATING REVENUES	
Interest income	<u>14</u>
Total Nonoperating Revenue	<u>14</u>
Net Income (Loss) Before Operating Transfers	(47,062)
Operating transfers in	0
Operating transfers out	<u>0</u>
Change in Net Position	(47,062)
Net Position - Beginning of Year	<u>123,483</u>
Net Position - End of Year	\$ 76,421 =====

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, 2015

	<u>Enterprise Fund</u> <u>Refuse/Recycling</u> <u>Collection</u> <u>Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income (Loss)	\$ (47,076)
Item not requiring cash	
Depreciation	<u>23,777</u>
Subtotal	<u>(23,299)</u>
Net Cash Flows From Operating Activities	<u>(23,299)</u>
 CASH FLOWS FROM NONCAPITAL ACTIVITIES	
Operating transfers	<u>0</u>
Net Cash Flows From Noncapital Activities	<u>0</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	
Collection equipment capital purchases	0
Net Cash Flows From Financing Activities	<u>0</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>14</u>
Net Cash Flows From Investing Activities	<u>14</u>
Net (Decrease) in Cash and Cash Equivalents	(23,285)
Cash and Cash Equivalents, January 1	<u>28,848</u>
Cash and Cash Equivalents, December 31	\$ 5,563 =====

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

LOWER NAZARETH TOWNSHIP
STATEMENT OF NET POSITION - CASH BASIS
FIDUCIARY FUNDS
DECEMBER 31, 2015

	Employee Pension <u>Trust</u>	<u>Escrow</u>	Total Fiduciary <u>Funds</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 43,583	\$1,057,675	\$1,101,258
Investments, at fair value	<u>1,844,690</u>	<u> </u>	<u>1,844,690</u>
Total Assets	<u>1,888,273</u>	<u>1,057,675</u>	<u>2,945,948</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	<u> 0</u>	<u> 0</u>	<u> 0</u>
<u>LIABILITIES</u>			
Due to other funds		2,331	2,331
Refundable escrow deposits		<u>1,055,344</u>	<u>1,055,344</u>
Total Liabilities	<u> 0</u>	<u>1,057,675</u>	<u>1,057,675</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	<u> 0</u>	<u> 0</u>	<u> 0</u>
<u>NET POSITION</u>			
Restricted for pension benefits	\$1,888,273	\$ 0	\$1,888,273
	=====	=====	=====

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, 2015

	Employee Pension <u>Trust</u>
<u>ADDITIONS:</u>	
Contributions,	
Employer	\$ 115,000
Other	<u>0</u>
Total Contributions	<u>115,000</u>
Investment income,	
Net (depreciation) in fair	
value of investments	(41,495)
Interest and dividends	<u>36,911</u>
	(4,584)
Less: investment expenses	<u>0</u>
Net Investment Income (Loss)	<u>(4,584)</u>
Total Additions	<u>110,416</u>
<u>DEDUCTIONS:</u>	
Benefits	9,403
Administrative expenses	<u>13,959</u>
Total Deductions	<u>23,362</u>
Change in net position	87,054
Net position restricted	
for pension benefits,	
Beginning of year	<u>1,801,219</u>
End of year	\$1,888,273 =====

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

LOWER NAZARETH TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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.

LOWER NAZARETH TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2015

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

LOWER NAZARETH TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2015

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.

LOWER NAZARETH TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2015

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 constraints 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.

LOWER NAZARETH TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2015

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.

LOWER NAZARETH TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2015

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.

LOWER NAZARETH TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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 2015. 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.

Property Taxes Receivable

As a result of using the cash basis method of accounting, \$31,622 of property taxes receivable as of December 31, 2015, have not been included as revenues.

LOWER NAZARETH TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2015

NOTE 1 Summary of Significant Accounting Policies (Continued)

Property Taxes Receivable (Continued)

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.

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.

LOWER NAZARETH TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2015

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, 2015.

Recent Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No. 27. The Township adopted GASB Statement No. 68 for its December 31, 2015 financial statements. The adoption of this Statement affected disclosures and supplementary information only, as the Township reports on the cash basis of accounting.

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, 2015, the carrying amount of the Township's deposits is \$6,567,126 and the bank balance is \$6,583,203. Of the bank balance, \$743,596, 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, \$5,839,607 at December 31, 2015, 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.

LOWER NAZARETH TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2015

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, 2015, 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.

	<u>1</u>	<u>Category</u> <u>2</u>	<u>3</u>	<u>Fair Value/</u> <u>Carrying</u> <u>Amount</u>	<u>Market</u>
Blended Income	\$	\$	\$ 541,177	\$ 541,177	\$ 541,177
Equities	_____	_____	<u>1,303,513</u>	<u>1,303,513</u>	<u>1,303,513</u>
Total	\$ -0-	\$ -0-	\$1,844,690	\$1,844,690	\$1,844,690
	=====	=====	=====	=====	=====

LOWER NAZARETH TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2015

NOTE 3 Capital Assets

The following is a summary of the changes in the capital asset activity for the year ended December 31, 2015:

	Balance December 31, <u>2014</u>		Increases (Decreases)		Balance December 31, <u>2015</u>
<u>Governmental Activities:</u>					
Township buildings, land and improvements,	\$4,679,671	\$	-0-	\$	-0-
Vehicles	3,049,067		72,006		-0-
Machinery and equipment	<u>1,093,143</u>		<u>55,091</u>		<u>-0-</u>
Governmental activities capital assets	\$8,821,881	\$	127,097	\$	-0-
	=====		=====		=====
			\$		\$8,948,978

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, 2015.

	Balance December 31, <u>2014</u>		Increases (Decreases)		Balance December 31, <u>2015</u>
<u>Enterprise Funds:</u>					
Refuse/Recycling Collection equipment	\$ 175,784	\$	-0-	\$	-0-
Less: accumulated depreciation	<u>81,149</u>		<u>23,777</u>		<u>-0-</u>
Net capital assets	\$ 94,635	\$	(23,777)	\$	-0-
	=====		=====		=====
			\$		\$ 70,858

Depreciation charged to operations for the Refuse/Recycling Collection Fund was \$23,777 for the year ended December 31, 2015.

**2015 MUNICIPAL ANNUAL AUDIT
AND
FINANCIAL REPORT**

480545 LOWER NAZARETH TWP, NORTHAMPTON COUNTY



BALANCE SHEET

DCED-CLGS-30 (09-09)

LOWER NAZARETH TWP, NORTHAMPTON COUNTY
BALANCE SHEET
 December 31, 2015

	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	
Assets and Other Debits										
100-120 Cash and Investments	822,493	2,231,528	2,406,284		5,563		2,945,948			8,411,816
140-144 Tax Receivable										
121-129, 145-149 Accounts Receivable (excluding taxes)										
130.00 Due From Other Funds	4,735		81							4,816
131-139, 150-159 Other Current Assets										
160-169 Fixed Assets					70,858			8,948,978		9,019,836
180-189 Other Debits	12								121,971	121,983
Total Assets and Other Debits	827,240	2,231,528	2,406,365		76,421		2,945,948	8,948,978	121,971	17,558,451

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	2,485
	2,331
	4,816

LOWER NAZARETH TWP, NORTHAMPTON COUNTY
BALANCE SHEET
 December 31, 2015

	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									121,971		121,971
240-259 Current Portion of Long-Term Debt and Other Credits	57,281						1,055,344				1,112,625
Total Liabilities and Other Credits	57,281	2,485					1,057,675		121,971		1,239,412

Fund and Account Group Equity											
281-284	Contributed Capital										
290.00	Investment in General Fixed Assets							8,948,978			8,948,978
270-289	Fund Balance / Retained Earnings on 12/31	769,959	2,229,043	2,406,365		76,421	1,888,273				7,370,061
291-299	Other Equity										
	Total Fund and Account Group Equity	769,959	2,229,043	2,406,365		76,421	1,888,273	8,948,978			16,319,039

TOTAL LIABILITIES AND FUND AND ACCOUNT GROUP EQUITY	17,558,451
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LOWER NAZARETH TWP, NORTHAMPTON COUNTY
STATEMENT OF REVENUES AND EXPENDITURES
 December 31, 2015

	Governmental Funds			Proprietary Funds		Fiduciary Fund	Total
	General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise		

REVENUES

Interest, Rents and Royalties							
341.00	Interest Earnings	893	1,003	2,618	14	39,510	44,038
342.00	Rents and Royalties	98,165					98,165
	Total Interest, Rents and Royalties	99,058	1,003	2,618	14	39,510	142,203

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)	3,953					3,953
355.02-355.03	Motor Vehicle Fuel Tax (Liquid Fuels Tax) and State Road Turnback		210,127				210,127
355.04	Alcoholic Beverage Licenses	2,000					2,000
355.05	General Municipal Pension System State Aid	50,971					50,971
355.07	Foreign Fire Insurance Tax Distribution	75,860					75,860
355.08	Local Share Assessment/Gaming Proceeds						
355.09	Marcellus Shale Impact Fee Distribution						

LOWER NAZARETH TWP, NORTHAMPTON County
STATEMENT OF REVENUES AND EXPENDITURES
 December 31, 2015

	Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
	General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service		

REVENUES

State								
356.00	State Payments in Lieu of Taxes							
355.00	All Other State Shared Revenues and Entitlements	66,660						66,660
	Total State	199,444	210,127					409,571

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	71,971						71,971
362.00	Public Safety	55,976						55,976
363.20	Parking							
363.00	All Other Charges for Highway & Street Services	2,378						2,378
364.10	Wastewater / Sewage (including connection / tapping fees, sewer usage charges, reserve capacity fee, etc.)		1,576,844					1,576,844
364.30	Solid Waste Collection and Disposal Charge (trash)			959				959
364.60	Host Municipality Benefit Fee for Solid Waste Facility			25,335				25,335
364.00	All Other Charges for Sanitation Services							
365.00	Health							
366.00	Human Services							
367.00	Culture and Recreation	13,730			191,983			205,713
368.00	Airports							

LOWER NAZARETH TWP, NORTHAMPTON County
STATEMENT OF REVENUES AND EXPENDITURES
 December 31, 2015

General Fund	Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency		
68,265								68,265
68,265		796,570	185,089					1,049,924

REVENUES

Other Financing Sources								
395.00	Refunds of Prior Year Expenditures	68,265						68,265
Total Other Financing Sources		68,265	796,570	185,089				1,049,924

TOTAL REVENUES	4,161,681	260,291	2,568,015	185,089	973	154,510		7,330,569
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EXPENDITURES

General Government								
400.00	Legislative (Governing) Body	12,500						12,500
401.00	Executive (Manager or Mayor)							
402.00	Auditing Services / Financial Administration	13,890						13,890
403.00	Tax Collection	28,495						28,495
404.00	Solicitor / Legal Services	29,368						29,368
405.00	Secretary / Clerk	320,836						320,836
406.00	Other General Government Administration	54,397	104					54,501
407.00	IT-Networking Services-Data Processing	10,020	52,830					62,850
408.00	Engineering Services	5,682						5,682
409.00	General Government Buildings and Plant	50,511	115,485					165,996
Total General Government		525,699	168,419					694,118

Public Safety

410.00	Police	1,249,562						1,249,562
411.00	Fire	371,652						371,652
412.00	Ambulance / Rescue	30,000						30,000
413.00	UCC and Code Enforcement	66,863						66,863

LOWER NAZARETH TWP, NORTHAMPTON County
STATEMENT OF REVENUES AND EXPENDITURES
 December 31, 2015

	Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
	General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service		
	67,434							67,434
	9,851	19,032	13,598					42,481
			406,361					406,361
	627,800	19,032	491,965					1,138,797

EXPENDITURES

Public Works - Highways and Streets	
435.00	Sidewalks and Crosswalks
436.00	Storm Sewers and Drains
437.00	Repairs of Tools and Machinery
438.00	Maintenance and Repairs of Roads and Bridges
439.00	Highway Construction and Rebuilding Projects
	Total Public Works - Highways and Streets

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
453.00	Spectator Recreation
454.00	Parks
	Total Culture and Recreation

LOWER NAZARETH TWP, NORTHAMPTON County
STATEMENT OF REVENUES AND EXPENDITURES
 December 31, 2015

General Fund	Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency		

EXPENDITURES

Culture and Recreation								
455.00	Shade Trees							
456.00	Libraries	91,035						91,035
457.00	Civil and Military Celebrations							
458.00	Senior Citizens' Centers							
459.00	All Other Culture and Recreation							
Total Culture and Recreation		146,826						146,826

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)			107,836				107,836
472.00	Debt Interest (short-term and long-term)			4,653				4,653
475.00	Fiscal Agent Fees			594				594
Total Debt Service				113,083				113,083

Employer Paid Benefits and Withholding Items								
481.00	Employer Paid Withholding Taxes and Unemployment Compensation	65,082						65,082
482.00	Judgments and Losses						44,094	44,094
483.00	Pension / Retirement Fund Contributions	115,000						115,000

LOWER NAZARETH TWP, NORTHAMPTON County
STATEMENT OF REVENUES AND EXPENDITURES
December 31, 2015

	Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
	General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service		

EXPENDITURES

Employer Paid Benefits and Withholding Items								
484.00	Worker Compensation Insurance	39,138						39,138
487.00	Other Group Insurance Benefits	234,576						234,576
Total Employer Paid Benefits and Withholding Items		453,796				44,094		497,890

Insurance								
486.00	Insurance, Casualty, and Surety	60,046						60,046
Total Insurance		60,046						60,046

Unclassified Operating Expenditures								
488.00	Fiduciary Fund Benefits and Refunds Paid					9,403		9,403
489.00	All Other Unclassified Expenditures	2,075				13,959		16,034
Total Unclassified Operating Expenditures		2,075				23,362		25,437

Other Financing Uses								
491.00	Refund of Prior Year Revenues							
492.00	Interfund Operating Transfers	651,308	85,894	100,445	72,006			909,653
493.00	All Other Financing Uses							
Total Other Financing Uses		651,308	85,894	100,445	72,006			909,653

TOTAL EXPENDITURES	4,229,822	104,926	3,526,583	185,089	48,035	67,456		8,161,911
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EXCESS/DEFICIT OF REVENUES OVER EXPENDITURES	-68,141	155,365	-958,568		-47,062	87,054		-831,352
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LOWER NAZARETH TWP
December 31, 2015

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	Capital Leases	2013	2017	59,897	35,921		11,650		24,271		24,271
Truck Lease	Capital Leases	2012	2016	59,877	24,283		11,965		12,318		12,318
Truck Lease	Capital Leases	2012	2016	138,472	56,109		27,674		28,435		28,435
Truck Lease	Capital Leases	2011	2017	200,894	41,488		41,488		0		0
Truck Lease	Capital Leases	2015	2019	72,006	0	72,006	15,059		56,947		56,947
Other											

(1) - excludes unamortized premium/discount

Total bonds and notes outstanding

Capitalized lease obligations

Net debt

0

121,971

121,971

LOWER NAZARETH TWP, NORTHAMPTON County
STATEMENT OF CAPITAL EXPENDITURES

December 31, 2015

Category	Capital Purchases	Capital Construction	Total
Community Development			
Electric			
Fire			
Gas System			
General Government	45,027		45,027
Health			
Housing			
Libraries			
Mass Transit			
Parks			
Police			
Recreation			
Sewer			
Solid Waste			
Streets / Highways	82,070		82,070
Water			
Other: _____			
TOTAL CAPITAL EXPENDITURES	127,097		127,097

EMPLOYEE COMPENSATION

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

832,430

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

December 31, 2015

NOTES / COMMENTS

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

903 Chestnut Street
Emmaus, Pennsylvania 18049

610-967-1200 Phone
610-966-6669 Fax
www.fabandco.com

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 2015 Municipal Annual Audit
and Financial Report (DCED-CIGS-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, 2015.

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, 2015, 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.

James, Andrew, Beale and Long, P.C.

Emmaus, PA
March 24, 2016

FINANCIAL STATEMENTS

LOWER NAZARETH TOWNSHIP

DECEMBER 31, 2015

LOWER NAZARETH TOWNSHIP
FINANCIAL STATEMENTS
DECEMBER 31, 2015

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LOWER NAZARETH TOWNSHIP
FINANCIAL STATEMENTS
DECEMBER 31, 2015

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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, 2015, 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, 2015, 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, 2015, 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 38 through 39 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 September 13, 2016, 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.

Tranell, Anderson, Baile and Lepp P.C.

Emmaus, Pennsylvania
September 13, 2016

LOWER NAZARETH TOWNSHIP
STATEMENT OF NET POSITION - CASH BASIS
DECEMBER 31, 2015

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 5,460,305	\$ 5,563	\$ 5,465,868
Due from other funds	2,331	0	2,331
Other assets	<u>12</u>	<u>0</u>	<u>12</u>
Total Current Assets	<u>5,462,648</u>	<u>5,563</u>	<u>5,468,211</u>
Capital assets:			
Buildings, land & improvements	4,679,671	0	4,679,671
Vehicles	3,121,073	0	3,121,073
Machinery & equipment	1,148,234	0	1,148,234
Collection equipment, net	<u>70,858</u>	<u>70,858</u>	<u>70,858</u>
Total Capital Assets	<u>8,948,978</u>	<u>70,858</u>	<u>9,019,836</u>
 Total Assets	 <u>14,411,626</u>	 <u>76,421</u>	 <u>14,488,047</u>
 DEFERRED OUTFLOWS OF RESOURCES			
	<u>0</u>	<u>0</u>	<u>0</u>
 <u>LIABILITIES</u>			
Other liabilities	57,281	0	57,281
Loans payable	<u>121,971</u>	<u>0</u>	<u>121,971</u>
Total Liabilities	<u>179,252</u>	<u>0</u>	<u>179,252</u>
 DEFERRED INFLOWS OF RESOURCES			
	<u>0</u>	<u>0</u>	<u>0</u>
 <u>NET POSITION</u>			
Invested in capital assets, net of related debt	8,827,007	70,858	8,897,865
Restricted	4,495,946	0	4,495,946
Unrestricted	<u>909,421</u>	<u>5,563</u>	<u>914,984</u>
Total Net Position	<u>\$14,232,374</u> =====	<u>\$ 76,421</u> =====	<u>\$14,308,795</u> =====

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

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LOWER NAZARETH TOWNSHIP
STATEMENT OF ACTIVITIES - CASH BASIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

Net (Expense) Revenue and Changes in Net Position

<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
\$ (575,120)	\$ 0	\$ (575,120)
(1,556,160)	0	(1,556,160)
(2,011,460)	0	(2,011,460)
58,887	0	58,887
(464,946)	0	(464,946)
<u>(5,247)</u>	<u>0</u>	<u>(5,247)</u>
<u>\$ (4,554,046)</u>	<u>\$ 0</u>	<u>\$ (4,554,046)</u>
<u>\$ 0</u>	<u>\$ (47,076)</u>	<u>\$ (47,076)</u>
<u>\$ 0</u>	<u>\$ (47,076)</u>	<u>\$ (47,076)</u>
<u>\$ (4,554,046)</u>	<u>\$ (47,076)</u>	<u>\$ (4,601,122)</u>
1,525,880	0	1,525,880
1,890,868	0	1,890,868
0	0	0
146,249	0	146,249
87,757	0	87,757
102,679	14	102,693
92,196	0	92,196
0	0	0
<u>0</u>	<u>0</u>	<u>0</u>
<u>\$ 3,845,629</u>	<u>\$ 14</u>	<u>\$ 3,845,643</u>
(708,417)	(47,062)	(755,479)
<u>\$ 14,940,791</u>	<u>\$ 123,483</u>	<u>\$ 15,064,274</u>
\$ 14,232,374	\$ 76,421	\$ 14,308,795
=====	=====	=====

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, 2015

	<u>General</u>	<u>Liquid Fuels</u>	<u>Host Fee</u>	<u>Traffic Impact</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>							
Cash and cash equivalents	\$ 822,493	\$ 452,486	\$ 117,580	\$ 1,661,462	\$ 2,406,284	\$ 0	\$ 5,460,305
Due from other funds	4,735				81		4,816
Other assets	12						12
Total Assets	<u>\$ 827,240</u>	<u>\$ 452,486</u>	<u>\$ 117,580</u>	<u>\$ 1,661,462</u>	<u>\$ 2,406,365</u>	<u>\$ 0</u>	<u>\$ 5,465,133</u>
Deferred Outflows of Resources	0	0	0	0	0	0	0

Total Assets and Deferred Outflows of Resources	\$ 827,240	\$ 452,486	\$ 117,580	\$ 1,661,462	\$ 2,406,365	\$ 0	\$ 5,465,133
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LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES

Liabilities:							
Due to other funds	\$ 57,281	\$ 2,485	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,485
Other liabilities							57,281
Total Liabilities	<u>57,281</u>	<u>2,485</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>59,766</u>
Deferred Inflows of Resources	0	0	0	0	0	0	0

Fund Balances:							
Restricted for:							
Public works		450,001					450,001
Committed to:							
Public safety			39,779		195,816		235,595
Public works			77,801	1,661,462	90,003		1,829,266
Capital sewer projects					190,709		190,709
Capital equipment					300,066		300,066
Open space preservation					1,490,309		1,490,309
Unassigned:	769,959				139,462		909,421
Total Fund Balances	<u>769,959</u>	<u>450,001</u>	<u>117,580</u>	<u>1,661,462</u>	<u>2,406,365</u>	<u>0</u>	<u>5,405,367</u>

Total Liabilities, Deferred Inflows of Resources & Fund Balances	\$ 827,240	\$ 452,486	\$ 117,580	\$ 1,661,462	\$ 2,406,365	\$ 0	\$ 5,465,133
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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, 2015

Total Fund Balances - Governmental Funds \$ 5,405,367

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 \$8,948,978. 8,948,978

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 \$121,971. (121,971)

Total Net Position - Governmental Activities \$ 14,232,374
=====

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, 2015

	General	Liquid Fuels	Host Fee	Traffic Impact	Capital Projects	Debt Service	Total Governmental Funds
REVENUES							
Taxes	\$3,416,748						3,416,748
Licenses and permits	146,249						146,249
Fines and forfeits	87,757						87,757
Interest and rents	99,058	140	39	824	2,618		102,679
Intergovernmental revenues	199,444	210,127					409,571
Charges for service	144,055		25,335		1,768,827		1,938,217
Miscellaneous revenues	68,370			23,826			92,196
Total Revenues	<u>4,161,681</u>	<u>210,267</u>	<u>25,374</u>	<u>24,650</u>	<u>1,771,445</u>	<u>0</u>	<u>6,193,417</u>
EXPENDITURES							
Current							
General government	525,699				123,392		649,091
Public safety	1,754,656						1,754,656
Public works	625,352	19,032			3,185,713		3,830,097
Culture and recreation	146,826						146,826
Insurance, benefits and misc.	515,917						515,917
Debt service - principal retirement						107,836	107,836
Debt service - interest & fiscal charges						5,247	5,247
Capital outlay	10,064				117,033		127,097
Total Expenditures	<u>3,578,514</u>	<u>19,032</u>	<u>0</u>	<u>0</u>	<u>3,426,138</u>	<u>113,083</u>	<u>7,136,767</u>
Excess (deficiency) of revenues over (under) expenditures	583,167	191,235	25,374	24,650	(1,654,693)	(113,083)	(943,350)
OTHER FINANCING SOURCES (USES)							
Proceeds of general long-term debt						72,006	72,006
Operating transfers in					796,570	113,083	909,653
Operating transfers out	(651,308)		(85,894)		(100,445)	(72,006)	(909,653)
Net change in fund balances	(68,141)	191,235	(60,520)	24,650	(958,568)	0	(871,344)
Fund Balances, January 1	838,100	258,766	178,100	1,636,812	3,364,933	0	6,276,711
Fund Balances, December 31	\$ 769,959	\$450,001	\$ 117,580	\$1,661,462	\$2,406,365	\$ 0	\$5,405,367

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, 2015

Net Change in Fund Balances - Governmental Funds \$ (871,344)

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 \$127,097. 127,097

Issuance of long-term debt (e.g.notes) provides
current financial resources to governmental funds,
while the repayment of the principal of long-term
debt consumes the current financial resources of
governmental funds.

However, neither transaction has an 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 in the statement is shown below:

Issuance of loan proceeds	\$ (72,006)	
Repayment of loan principal	107,836	35,830

Change in Net Position of Governmental
Activities \$ (708,417)
=====

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, 2015

	Budgeted Amounts		Actual		
	Original	Final	Amounts	Final Budget	Positive
REVENUES					
Taxes	\$ 3,130,050	\$ 3,130,050	\$ 3,416,748	\$	286,698
Licenses and permits	65,000	65,000	146,249		81,249
Fines and forfeits	35,010	35,010	87,757		52,747
Interest and rents	60,600	60,600	99,058		38,458
Intergovernmental revenues	191,100	191,100	199,444		8,344
Charges for service	91,310	91,310	144,055		52,745
Miscellaneous revenues	25,100	25,100	68,370		43,270
Total revenues	3,598,170	3,598,170	4,161,681		563,511
EXPENDITURES					
Current					
General government	498,350	498,350	525,699		(27,349)
Public safety	1,794,300	1,794,300	1,754,656		39,644
Public works	724,350	724,350	625,352		98,998
Culture and recreation	150,000	150,000	146,826		3,174
Insurance, benefits & misc.	507,250	507,250	515,917		(8,667)
Capital outlay	70,000	70,000	10,064		59,936
Total expenditures	3,744,250	3,744,250	3,578,514		165,736
Excess (deficiency) of revenues over (under) expenditures	(146,080)	(146,080)	583,167		729,247
OTHER FINANCING SOURCES (USES)					
Operating transfers in	0	0			0
Operating transfers out	0	0	(651,308)		(651,308)
Net change in fund balances	(146,080)	(146,080)	(68,141)		77,939
Fund Balances, January 1	146,080	146,080	838,100		692,020
Fund Balances, December 31	\$ 0	\$ 0	\$ 769,959		\$ 769,959

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

LOWER NAZARETH TOWNSHIP
STATEMENT OF NET POSITION - CASH BASIS
PROPRIETARY FUND
DECEMBER 31, 2015

	<u>Enterprise Fund</u> Refuse/Recycling Collection Fund
<u>ASSETS</u>	
<u>Current Assets:</u>	
Cash and cash equivalents	\$ <u>5,563</u>
Total Current Assets	<u>5,563</u>
<u>Noncurrent Assets:</u>	
Collection equipment, net of accumulated depreciation	<u>70,858</u>
Total Assets	\$ 76,421 =====
DEFERRED OUTFLOWS OF RESOURCES	<u>0</u>
<u>LIABILITIES</u>	
None	\$ <u>0</u>
Total Liabilities	<u>0</u>
DEFERRED INFLOWS OF RESOURCES	<u>0</u>
<u>NET POSITION</u>	
Net investment in capital assets	70,858
Unrestricted	<u>5,563</u>
Total Net Position	\$ 76,421 =====

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, 2015

	<u>Enterprise Fund</u>
	<u>Refuse/Recycling Collection Fund</u>
OPERATING REVENUES	
Charges for services	\$ 959
Other income	<u>0</u>
Total Operating Revenues	<u>959</u>
OPERATING EXPENSES	
Personal services	0
Contractual services	24,258
Supplies	0
Materials	0
Depreciation	<u>23,777</u>
Total Operating Expenses	<u>48,035</u>
Operating Income (Loss)	<u>(47,076)</u>
NONOPERATING REVENUES	
Interest income	<u>14</u>
Total Nonoperating Revenue	<u>14</u>
Net Income (Loss) Before Operating Transfers	(47,062)
Operating transfers in	0
Operating transfers out	<u>0</u>
Change in Net Position	(47,062)
Net Position - Beginning of Year	<u>123,483</u>
Net Position - End of Year	\$ 76,421 =====

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, 2015

	<u>Enterprise Fund</u>
	<u>Refuse/Recycling Collection Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income (Loss)	\$ (47,076)
Item not requiring cash	
Depreciation	<u>23,777</u>
Subtotal	<u>(23,299)</u>
Net Cash Flows From Operating Activities	<u>(23,299)</u>
CASH FLOWS FROM NONCAPITAL ACTIVITIES	
Operating transfers	<u>0</u>
Net Cash Flows From Noncapital Activities	<u>0</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Collection equipment capital purchases	0
Net Cash Flows From Financing Activities	<u>0</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>14</u>
Net Cash Flows From Investing Activities	<u>14</u>
Net (Decrease) in Cash and Cash Equivalents	(23,285)
Cash and Cash Equivalents, January 1	<u>28,848</u>
Cash and Cash Equivalents, December 31	\$ 5,563 =====

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

LOWER NAZARETH TOWNSHIP
STATEMENT OF NET POSITION - CASH BASIS
FIDUCIARY FUNDS
DECEMBER 31, 2015

	Employee Pension <u>Trust</u>	<u>Escrow</u>	Total Fiduciary <u>Funds</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 43,583	\$1,057,675	\$1,101,258
Investments, at fair value	<u>1,844,690</u>	<u> </u>	<u>1,844,690</u>
Total Assets	<u>1,888,273</u>	<u>1,057,675</u>	<u>2,945,948</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	<u> 0</u>	<u> 0</u>	<u> 0</u>
<u>LIABILITIES</u>			
Due to other funds		2,331	2,331
Refundable escrow deposits		<u>1,055,344</u>	<u>1,055,344</u>
Total Liabilities	<u> 0</u>	<u>1,057,675</u>	<u>1,057,675</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	<u> 0</u>	<u> 0</u>	<u> 0</u>
<u>NET POSITION</u>			
Restricted for pension benefits	\$1,888,273 =====	\$ 0 =====	\$1,888,273 =====

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, 2015

	Employee Pension Trust
<u>ADDITIONS:</u>	
Contributions,	
Employer	\$ 115,000
Other	<u>0</u>
Total Contributions	<u>115,000</u>
Investment income,	
Net (depreciation) in fair	
value of investments	(41,495)
Interest and dividends	<u>36,911</u>
	(4,584)
Less: investment expenses	<u>0</u>
Net Investment Income (Loss)	<u>(4,584)</u>
Total Additions	<u>110,416</u>
<u>DEDUCTIONS:</u>	
Benefits	9,403
Administrative expenses	<u>13,959</u>
Total Deductions	<u>23,362</u>
Change in net position	87,054
Net position restricted	
for pension benefits,	
Beginning of year	<u>1,801,219</u>
End of year	\$1,888,273 =====

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

LOWER NAZARETH TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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.

LOWER NAZARETH TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2015

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

LOWER NAZARETH TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2015

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.

LOWER NAZARETH TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2015

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 constraints 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.

LOWER NAZARETH TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2015

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.

LOWER NAZARETH TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2015

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.

LOWER NAZARETH TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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 2015. 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.

Property Taxes Receivable

As a result of using the cash basis method of accounting, \$31,622 of property taxes receivable as of December 31, 2015, have not been included as revenues.

LOWER NAZARETH TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2015

NOTE 1 Summary of Significant Accounting Policies (Continued)

Property Taxes Receivable (Continued)

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.

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.

LOWER NAZARETH TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2015

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, 2015.

Recent Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No. 27. The Township adopted GASB Statement No. 68 for its December 31, 2015 financial statements. The adoption of this Statement affected disclosures and supplementary information only, as the Township reports on the cash basis of accounting.

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, 2015, the carrying amount of the Township's deposits is \$6,567,126 and the bank balance is \$6,583,203. Of the bank balance, \$743,596, 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, \$5,839,607 at December 31, 2015, 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.

LOWER NAZARETH TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2015

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, 2015, 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.

	<u>1</u>	<u>Category</u> <u>2</u>	<u>3</u>	<u>Fair Value/</u> <u>Carrying</u> <u>Amount</u>	<u>Market</u>
Blended Income	\$	\$	\$ 541,177	\$ 541,177	\$ 541,177
Equities	_____	_____	<u>1,303,513</u>	<u>1,303,513</u>	<u>1,303,513</u>
Total	\$ -0-	\$ -0-	\$1,844,690	\$1,844,690	\$1,844,690
	=====	=====	=====	=====	=====

LOWER NAZARETH TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2015

NOTE 3 Capital Assets

The following is a summary of the changes in the capital asset activity for the year ended December 31, 2015:

	Balance December 31, <u>2014</u>		Increases (Decreases)		Balance December 31, <u>2015</u>
<u>Governmental Activities:</u>					
Township buildings, land and improvements,	\$4,679,671	\$	-0-	\$	-0-
Vehicles	3,049,067		72,006		-0-
Machinery and equipment	<u>1,093,143</u>		<u>55,091</u>		<u>-0-</u>
Governmental activities capital assets	\$8,821,881	\$	127,097	\$	-0-
	=====		=====		=====
			\$		\$8,948,978

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, 2015.

	Balance December 31, <u>2014</u>		Increases (Decreases)		Balance December 31, <u>2015</u>
<u>Enterprise Funds:</u>					
Refuse/Recycling Collection equipment	\$ 175,784	\$	-0-	\$	-0-
Less: accumulated depreciation	<u>81,149</u>		<u>23,777</u>		<u>-0-</u>
Net capital assets	\$ 94,635	\$	(23,777)	\$	-0-
	=====		=====		=====
			\$		\$ 70,858

Depreciation charged to operations for the Refuse/Recycling Collection Fund was \$23,777 for the year ended December 31, 2015.

LOWER NAZARETH TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2015

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, 2015:

General Obligation Loans	Payable <u>January 1,</u>	<u>Issued</u>	<u>Retired</u>	Payable <u>December 31,</u>
Installment Loan	\$ 41,488	\$ -0-	\$ 41,488	\$ -0-
Installment Loan	24,283	-0-	11,965	12,318
Installment Loan	56,109	-0-	27,674	28,435
Installment Loan	35,921	-0-	11,650	24,271
Installment Loan	-0-	<u>72,006</u>	<u>15,059</u>	<u>56,947</u>
Total	<u>\$ 157,801</u>	<u>\$ 72,006</u>	<u>\$107,836</u>	<u>\$ 121,971</u>
	=====	=====	=====	=====

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

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 66,477	\$ 3,127	\$ 69,604
2017	26,370	1,336	27,706
2018	14,395	673	15,068
2019	14,728	340	15,068
2020	<u>1</u>	<u>0</u>	<u>1</u>
Total	<u>\$121,971</u>	<u>\$ 5,476</u>	<u>\$127,447</u>
	=====	=====	=====

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 installment loan was paid off during 2015.

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, 2015, is \$12,318.

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

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 12,318	\$ 363	\$ 12,681
	=====	=====	=====

LOWER NAZARETH TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2015

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 \$29,217, including principal and interest at 2.75% over 5 years. The principal outstanding at December 31, 2015, is \$28,435.

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

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 28,435	\$ 782	\$ 29,217
	=====	=====	=====

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, 2015, is \$24,271.

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

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 11,971	\$ 667	\$ 12,638
2017	12,300	338	12,638
	\$ 24,271	\$ 1,005	\$ 25,276
	=====	=====	=====

LOWER NAZARETH TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2015

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 \$15,068, including principal and interest at 2.31% over 5 years, and a residual payment of \$1. The principal outstanding at December 31, 2015, is \$56,947.

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

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 13,753	\$ 1,315	\$ 15,068
2017	14,070	998	15,068
2018	14,395	673	15,068
2019	14,728	340	15,068
2020	<u>1</u>	<u>0</u>	<u>1</u>
	<u>\$ 56,947</u>	<u>\$ 3,326</u>	<u>\$ 60,273</u>
	=====	=====	=====

NOTE 5 Defined Benefit Pension Plan

Plan Description

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

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. The most recent actuarial valuation was performed January 1, 2015. 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

LOWER NAZARETH TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2015

NOTE 5 Defined Benefit Pension Plan (Continued)

Funding Policy (Continued)

Municipal Pension System State Aid Program which must be used for pension funding. Any funding requirements established by the MMO in excess of 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 earnings and/or contributions.

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	\$ 98,351
Interest on net pension obligation	-0-
Adjustment to annual required contribution	-0-
Annual pension costs	98,351
Contributions made	115,000
Increase (decrease) in net pension obligation	(16,649)
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 an open basis.

LOWER NAZARETH TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2015

NOTE 5 Defined Benefit Pension Plan (Continued)

Employees Covered by the Plan

As of January 1, 2015, (the most recent date available), the following employees were covered by the benefit terms:

Active employees	13
Retirees and beneficiaries currently receiving benefits	1
Terminated employees entitled to benefits but not yet receiving them	0
Total	<u>14</u> ===

Summary of Significant Accounting Policies

The plan's policy is to prepare its financial statements on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

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, 2015, 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	\$ 99,406
Henderson International Opportunities Fd	96,120
Goldman Sachs Satellite Strategies Fund	124,231
NPITC Mid-Cap Equity Fund	160,941

LOWER NAZARETH TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2015

Note 5 Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2015, the Township's net pension liability is \$40,064. The total pension liability of \$1,928,337 was determined as part of an actuarial valuation at January 1, 2015. Update procedures were used to roll forward to the plan's fiscal year ending December 31, 2015.

Changes in Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period.

	<u>Total Pension Liability</u>	<u>Increase/ (Decrease)</u> <u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
Balance at 12/31/2014	\$1,714,103	\$1,801,219	\$ (87,116)
Changes for the year:			
Service cost	88,773		88,773
Interest	134,863		134,863
Contributions-Employer		64,029	(64,029)
Contributions-State Aid		50,971	(50,971)
Net investment income		(18,544)	18,544
Benefit payments	<u>(9,402)</u>	<u>(9,402)</u>	<u>0</u>
Balance at 12/31/2015	<u>\$1,928,337</u>	<u>\$1,888,273</u>	<u>\$ 40,064</u>

For the year ended December 31, 2015, the actuarial determined pension expense is \$117,829. However, the Township recognizes pension expense on the cash basis which totaled \$115,000. At December 31, 2015, the Township has deferred outflows of resources related to the pensions from the following source at December 31, 2015:

Net differences between projected and actual earnings on pension plan investments \$ 124,351

Actuarially determined deferred outflows of resources related to the pension plan are as follows:

Year Ended December 31, 2016	\$ 31,088
2017	31,088
2018	31,088
2019	31,087

LOWER NAZARETH TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2015

Note 5 Defined Benefit Pension Plan (Continued)

Actuarial Assumptions

The total pension liability in the January 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method - Entry Age Normal
Investment return - 7.50% per annum
Salary increases - 5% compounded annually
RP-2000 Mortality Table Projected to 2015 using Scale AA

The long-term expected rate of return on pension plan investments was determined using a building-block method in which the best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation of 2.25%) are developed for each major 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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2015, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity:		
Large Cap	37%	6.58%
Mid Cap	18%	7.39%
Small Cap	0%	7.39%
International Equity	14%	7.59%
Fixed Income	28%	1.40%
Balanced/Blend	0%	10.25%
Cash	3%	.75%

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Board.

The plan's investment policy establishes that the portfolio may be invested in the above asset classes and with the target allocation for each class.

LOWER NAZARETH TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2015

Note 5 Defined Benefit 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 contributions 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 plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Net Pension Liability Sensitivity

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability calculated using the discount rate of 7.50% as well as what the net pension 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 <u>6.50%</u>	Current Discount Rate <u>7.50%</u>	1% Increase <u>8.50%</u>
Net Pension Liability	\$ 308,588	\$ 40,064	\$(188,084)

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, 2015. 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.

LOWER NAZARETH TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2015

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, 2015, 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 have a deficit fund balance or net position deficit at December 31, 2015.

The General Fund's General Government, and Insurance, Benefits and Miscellaneous budget categories had expenditures in excess of appropriations for the year ended December 31, 2015.

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 September 13, 2016, which was the date financial statements were available to be issued.

LOWER NAZARETH TOWNSHIP
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
DEFINED BENEFIT PENSION PLAN
(An Integral Part of the Financial Statements)

DEFINED BENEFIT PENSION PLAN OF LOWER NAZARETH TOWNSHIP

Last 10 Fiscal Years*

	December 31, 2015
<u>Total Pension Liability</u>	
Service cost	\$ 88,773
Interest	134,863
Differences between expected and actual experience	-
Benefit payments, including refunds of member contributions	(9,402)
Net change in total pension liability	214,234
Total pension liability - beginning	1,714,103
Total pension liability - ending	\$ 1,928,337
<u>Plan Fiduciary Net Position</u>	
Contributions - employer	\$ 64,029
Contributions - State Aid	50,971
Net investment income	(18,544)
Market value investment income	-
Benefit payments, including refunds of member contributions	(9,402)
Administrative expense	-
Net change in plan fiduciary net position	87,054
Plan fiduciary net position - beginning	1,801,219
Plan fiduciary net position - ending	\$ 1,888,273
Municipality's net position liability	\$ 40,064
 Covered-employee payroll	 \$ 753,406
Net pension liability as a percentage of its covered-employee payroll	5.32%
Plan fiduciary net position as a percentage of the total pension liability	97.92%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

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

Last 10 Fiscal Years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Actuarially Determined Contribution	\$ 34,758	\$ 39,303	\$ 29,075	\$ 27,351	\$ 96,189	\$ 102,558	\$ 97,344	\$ 98,255	\$ 92,742	\$ 98,351
Contributions in Relation to the Actuarially Determined Contribution	78,500	87,550	96,805	100,000	110,000	120,000	110,000	110,000	115,000	115,000
Contribution Deficiency (Excess)	\$ (43,742)	\$ (48,247)	\$ (67,730)	\$ (72,649)	\$ (13,811)	\$ (17,442)	\$ (12,656)	\$ (11,745)	\$ (22,258)	\$ (16,649)
Covered Employee Payroll	\$ 493,727	\$ 571,023	\$ 611,018	\$ 582,243	\$ 580,256	\$ 620,925	\$ 597,080	\$ 604,865	\$ 705,874	\$ 753,406
Contributions as a Percentage of Covered Employee Payroll	15.9%	15.3%	15.8%	17.2%	19.0%	19.3%	18.4%	18.2%	16.3%	15.3%

Notes to schedules:

NONE

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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, 2015, 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 September 13, 2016.

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.

Trancey Anderson, Baile and Company, P.C.

Emmaus, Pennsylvania
September 13, 2016