

**2016 MUNICIPAL ANNUAL AUDIT  
AND  
FINANCIAL REPORT**

**480545 LOWER NAZARETH TWP, NORTHAMPTON COUNTY**



# BALANCE SHEET

DCED-CLGS-30 (9-09)

LOWER NAZARETH TWP, NORTHAMPTON County  
**BALANCE SHEET**  
 December 31, 2016

	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	
<b>Assets and Other Debits</b>										
100-120 Cash and Investments	1,195,184	2,528,893	3,044,264		122,257		2,715,167			9,605,765
140-144 Tax Receivable										
121-129, 145-149 Accounts Receivable (excluding taxes)										
130.00 Due From Other Funds	2,250		81							2,331
131-139, 150-159 Other Current Assets										
160-169 Fixed Assets					47,080			9,215,811		9,262,891
180-189 Other Debits	12								96,295	96,307
<b>Total Assets and Other Debits</b>	<b>1,197,446</b>	<b>2,528,893</b>	<b>3,044,345</b>		<b>169,337</b>		<b>2,715,167</b>	<b>9,215,811</b>	<b>96,295</b>	<b>18,967,294</b>

<b>Liabilities and Other Credits</b>	
210-229 Payroll Taxes and Other Payroll Withholdings	
200-209, 231-239 All Other Current Liabilities	
230.00 Due To Other Funds	2,331
	2,331

LOWER NAZARETH TWP, NORTHAMPTON COUNTY  
BALANCE SHEET  
December 31, 2016

	Governmental 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	
<b>Liabilities and Other Credits</b>										
260-269 Long-Term-Liabilities									96,295	96,295
240-259 Current Portion of Long-Term Debt and Other Credits	81,295					613,935				695,230
<b>Total Liabilities and Other Credits</b>	81,295					616,266			96,295	793,856

Fund and Account Group Equity	281-284	290.00	270-289	291-299	Total Fund and Account Group Equity
Contributed Capital					
Investment in General Fixed Assets					9,215,811
Fund Balance / Retained Earnings on 12/31	1,116,151	2,528,893	3,044,345	169,337	2,098,901
Other Equity					
<b>Total Fund and Account Group Equity</b>	1,116,151	2,528,893	3,044,345	169,337	9,215,811
					18,173,438

<b>TOTAL LIABILITIES AND FUND AND ACCOUNT GROUP EQUITY</b>	18,967,294
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**LOWER NAZARETH TWP, NORTHAMPTON COUNTY**  
**STATEMENT OF REVENUES AND EXPENDITURES**  
 December 31, 2016

	Governmental Funds					Proprietary Funds		Fiduciary Fund	Total
	General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency		
Interest Earnings	1,348	2,999	5,765		90		120,016	130,218	
Rents and Royalties	111,183		136,812		10,795			258,790	
<b>Total Interest, Rents and Royalties</b>	<b>112,531</b>	<b>2,999</b>	<b>142,577</b>		<b>10,885</b>		<b>120,016</b>	<b>389,008</b>	

**REVENUES**

Interest, Rents and Royalties	
341.00	Interest Earnings
342.00	Rents and Royalties
	<b>Total Interest, Rents and Royalties</b>

  

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
	<b>Total Federal</b>

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)
355.02-355.03	Motor Vehicle Fuel Tax (Liquid Fuels Tax) and State Road Turnback
355.04	Alcoholic Beverage Licenses
355.05	General Municipal Pension System State Aid
355.07	Foreign Fire Insurance Tax Distribution
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, 2016

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

**REVENUES**

State								
355.00	All Other State Shared Revenues and Entitlements							
356.00	State Payments in Lieu of Taxes							
	<b>Total State</b>	138,552	247,190					385,742

Local Government Units								
357.03	Highways and Streets							
357.00	All Other Local Governmental Units Capital and Operating Grants	49,431						49,431
358.00	Local Government Unit Shared Payments for Contracted Intergovernmental Services							
359.00	Local Governmental Units and Authorities Payments in Lieu of Taxes							
	<b>Total Local Government Units</b>	49,431						49,431

Charges for Service								
361.00	General Government	71,147						71,147
362.00	Public Safety	85,730						85,730
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.)		6,624		110,540			117,164
364.30	Solid Waste Collection and Disposal Charge (trash)							
364.60	Host Municipality Benefit Fee for Solid Waste Facility		19,164					19,164
364.00	All Other Charges for Sanitation Services				144			144
365.00	Health							
366.00	Human Services							
367.00	Culture and Recreation	13,380	474,575					487,955
368.00	Airports							

LOWER NAZARETH TWP, NORTHAMPTON County  
STATEMENT OF REVENUES AND EXPENDITURES  
December 31, 2016

	Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
	General Fund	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							
	<b>Total Charges for Service</b>	170,257	19,164	481,199	110,684			781,304

Unclassified Operating Revenues							
383.00	Special Assessments		424,524				424,524
386.00	Escheats (sale of personal property)						
387.00	Contributions and Donations from Private Sectors					115,000	115,000
388.00	Fiduciary Fund Pension Contributions						
389.00	All Other Unclassified Operating Revenues						
	<b>Total Unclassified Operating Revenues</b>		424,524			115,000	539,524

Other Financing Sources						
391.00	Proceeds of General Fixed Asset Disposition		1,259			1,259
392.00	Interfund Operating Transfers		741,848	80,944		822,792
393.00	Proceeds of General Long-Term Debt			51,633		51,633
394.00	Proceeds of Short Term-Debt					







**LOWER NAZARETH TWP, NORTHAMPTON COUNTY**  
**STATEMENT OF REVENUES AND EXPENDITURES**  
 December 31, 2016

	Governmental Funds					Proprietary Funds		Fiduciary Fund	Total
	General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency		
<b>Public Works - Highways and Streets</b>									
435.00 Sidewalks and Crosswalks									
436.00 Storm Sewers and Drains									
437.00 Repairs of Tools and Machinery	58,315								58,315
438.00 Maintenance and Repairs of Roads and Bridges	5,353	15,680	9,749						30,782
439.00 Highway Construction and Rebuilding Projects	2,736	340,459	22,240						365,435
<b>Total Public Works - Highways and Streets</b>	<b>642,012</b>	<b>371,994</b>	<b>108,940</b>						<b>1,122,946</b>

**EXPENDITURES**

Public Works - Highways and Streets	
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	12,616
447.00 Transit System	
448.00 Water System	
449.00 Water Transport and Terminals	
<b>Total Other Public Works Enterprises</b>	<b>12,616</b>

Other Public Works Enterprises	
451.00 Culture-Recreation Administration	
452.00 Participant Recreation	38,671
453.00 Spectator Recreation	
454.00 Parks	13,825
<b>Total Culture and Recreation</b>	<b>184,484</b>

Culture and Recreation	
451.00 Culture-Recreation Administration	
452.00 Participant Recreation	38,671
453.00 Spectator Recreation	
454.00 Parks	13,825
<b>Total Culture and Recreation</b>	<b>198,309</b>

**LOWER NAZARETH TWP, NORTHAMPTON COUNTY**  
**STATEMENT OF REVENUES AND EXPENDITURES**  
 December 31, 2016

	Governmental Funds					Proprietary Funds		Fiduciary Fund	Total
	General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency		
	92,062								92,062
	144,558		184,484						329,042

**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
	<b>Total Culture and Recreation</b>
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
	<b>Total Community Development</b>

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
	<b>Total Debt Service</b>

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, 2016

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**

Employer Paid Benefits and Withholding Items										
484.00	Worker Compensation Insurance	41,818								41,818
487.00	Other Group Insurance Benefits	242,887								242,887
<b>Total Employer Paid Benefits and Withholding Items</b>		465,761								465,761

Insurance										
486.00	Insurance, Casualty, and Surety	58,872								58,872
<b>Total Insurance</b>		58,872								58,872

Unclassified Operating Expenditures										
488.00	Fiduciary Fund Benefits and Refunds Paid							9,403		9,403
489.00	All Other Unclassified Expenditures							14,985		14,985
<b>Total Unclassified Operating Expenditures</b>								24,388		24,388

Other Financing Uses										
491.00	Refund of Prior Year Revenues									
492.00	Interfund Operating Transfers	653,604	117,555				51,633			822,792
493.00	All Other Financing Uses									
<b>Total Other Financing Uses</b>		653,604	117,555				51,633			822,792

<b>TOTAL EXPENDITURES</b>	4,261,722	394,027	728,903	132,577	28,653		24,388			5,570,270
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EXCESS/DEFICIT OF REVENUES OVER EXPENDITURES										
		346,192	299,850	637,980	92,916		210,628			1,587,566

LOWER NAZARETH TWP  
December 31, 2016

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	24,271		11,970		12,301		12,301
Truck Lease	Capital Leases	2012	2016	59,877	12,318		12,318		0		0
Truck Lease	Capital Leases	2012	2016	138,472	28,435		28,435		0		0
Truck Lease	Capital Leases	2015	2019	72,006	56,947		13,753		43,194		43,194
Truck Lease	Capital Leases	2016	2020	51,633	0	51,633	10,833		40,800		40,800
Other											

(1) - excludes unamortized premium/discount

Total bonds and notes outstanding 0

Capitalized lease obligations 96,295

Net debt 96,295

LOWER NAZARETH TWP, NORTHAMPTON County  
**STATEMENT OF CAPITAL EXPENDITURES**

December 31, 2016

Category	Capital Purchases	Capital Construction	Total
Community Development			
Electric			
Fire	165,834		165,834
Gas System			
General Government			
Health			
Housing			
Libraries			
Mass Transit			
Parks	21,750		21,750
Police			
Recreation			
Sewer			
Solid Waste			
Streets / Highways	66,633		66,633
Water			
Other: Storm Water	12,616		12,616
<b>TOTAL CAPITAL EXPENDITURES</b>	<b>266,833</b>		<b>266,833</b>

**EMPLOYEE COMPENSATION**

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

855,518

**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, 2016

**NOTES / COMMENTS**

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

Members: American Institute of  
Certified Public Accountants  
Pennsylvania Institute of  
Certified Public Accountants

903 Chestnut Street  
Emmaus, Pennsylvania 18049  
610-967-1200  
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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 2016 Municipal Annual Audit  
and Financial Report (DCED-CLGS-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, 2016.

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 fraud or  
error.

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 above present fairly, in all material respects, the cash and unencumbered cash balances of Lower Nazareth Township, Northampton County, Pennsylvania, as of December 31, 2016, and the respective cash receipts and disbursements for the year then ended, in accordance with 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.

*Matthew Anderson, Board and County, P.C.*

Emmaus, PA  
March 29, 2017

FINANCIAL STATEMENTS

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LOWER NAZARETH TOWNSHIP

DECEMBER 31, 2016

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LOWER NAZARETH TOWNSHIP  
FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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LOWER NAZARETH TOWNSHIP  
FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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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, 2016, 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 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 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.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lower Nazareth Township, Pennsylvania, as of December 31, 2016, and the respective changes in cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the cash 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 opinions are not modified with respect to this matter.

### Other Matters

#### Supplementary Information

Our audit was conducted for the purposes of forming opinions on the financial statements that collectively comprise Lower Nazareth Township, Pennsylvania's basic financial statements. The budgetary comparison information on page 35 and the historical pension plan information on page 36 and 37, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 12, 2017, 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 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, Principal and Partner, P.C.*

Emmaus, Pennsylvania  
September 12, 2017

LOWER NAZARETH TOWNSHIP  
STATEMENT OF NET POSITION - CASH BASIS  
DECEMBER 31, 2016

	<u>Governmental</u> <u>Activities</u>	<u>Business-</u> <u>Type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Current Assets:			
Cash and cash equivalents	\$ 6,768,341	\$ 122,257	\$ 6,890,598
Due from other funds	2,331		2,331
Other assets	<u>12</u>	<u>0</u>	<u>12</u>
Total Current Assets	<u>6,770,684</u>	<u>122,257</u>	<u>6,892,941</u>
Capital assets:			
Buildings, land & improvements	4,679,671	0	4,679,671
Vehicles	3,338,540	0	3,338,540
Machinery & equipment	1,197,600	0	1,197,600
Collection equipment, net	<u>0</u>	<u>47,080</u>	<u>47,080</u>
Total Capital Assets	<u>9,215,811</u>	<u>47,080</u>	<u>9,262,891</u>
Total Assets	<u>15,986,495</u>	<u>169,337</u>	<u>16,155,832</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Other liabilities	81,295	0	81,295
Current portion of long-term debt	<u>36,199</u>	<u>0</u>	<u>36,199</u>
Total Current Liabilities	<u>117,494</u>	<u>0</u>	<u>117,494</u>
Noncurrent Liabilities:			
Long-term debt, net of current portion	<u>60,096</u>	<u>0</u>	<u>60,096</u>
Total Noncurrent Liabilities	<u>60,096</u>	<u>0</u>	<u>60,096</u>
Total Liabilities	<u>177,590</u>	<u>0</u>	<u>177,590</u>
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	9,119,516	47,080	9,166,596
Restricted	5,333,281	0	5,333,281
Unrestricted	<u>1,356,108</u>	<u>122,257</u>	<u>1,478,365</u>
Total Net Position	<u>\$15,808,905</u> =====	<u>\$ 169,337</u> =====	<u>\$15,978,242</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, 2016

Net (Expense) Revenue and Changes in Net Position

<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
\$ (494,984)	\$ 0	\$ (494,984)
(1,689,219)	0	(1,689,219)
(738,867)	0	(738,867)
180,663	0	180,663
(467,763)	0	(467,763)
<u>(3,635)</u>	<u>0</u>	<u>(3,635)</u>
<u>\$ (3,213,805)</u>	<u>\$ 0</u>	<u>\$ (3,213,805)</u>
\$ 0	\$ (27,471)	\$ (27,471)
<u>0</u>	<u>109,502</u>	<u>109,502</u>
<u>\$ 0</u>	<u>\$ 82,031</u>	<u>\$ 82,031</u>
<u>\$ (3,213,805)</u>	<u>\$ 82,031</u>	<u>\$ (3,131,774)</u>
1,668,115	0	1,668,115
2,282,521	0	2,282,521
0	0	0
90,819	0	90,819
51,534	0	51,534
258,107	10,885	268,992
439,240	0	439,240
<u>0</u>	<u>0</u>	<u>0</u>
<u>\$ 4,790,336</u>	<u>\$ 10,885</u>	<u>\$ 4,801,221</u>
1,576,531	92,916	1,669,447
<u>\$ 14,232,374</u>	<u>\$ 76,421</u>	<u>\$ 14,308,795</u>
\$ 15,808,905	\$ 169,337	\$ 15,978,242
=====	=====	=====

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

LOWER NAZARETH TOWNSHIP  
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2016

	General	Liquid Fuels	Host Fee	Traffic Impact	Capital Projects	Debt Service	Total Governmental Funds
<u>ASSETS</u>							
Cash and cash equivalents	\$1,195,184	\$326,891	\$ 115,037	\$2,086,965	\$3,044,264	\$ 0	\$6,768,341
Due from other funds	2,250				81		2,331
Other assets	<u>12</u>						<u>12</u>
Total Assets	\$1,197,446	\$326,891	\$ 115,037	\$2,086,965	\$3,044,345	\$ 0	\$6,770,684

LIABILITIES AND FUND BALANCES

<u>LIABILITIES:</u>							
Other liabilities	\$ 81,295						\$ 81,295
Total Liabilities	<u>81,295</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>81,295</u>

FUND BALANCES:

<u>Restricted for:</u>							
Public works		326,891					326,891
Committed to:							
Public safety			44,653		129,615		174,268
Public works			70,384	2,086,965	55,479		2,212,828
Capital sewer projects					196,503		196,503
Capital equipment					629,848		629,848
Open space preservation					1,792,943		1,792,943
Unassigned	<u>1,116,151</u>				<u>239,957</u>		<u>1,356,108</u>
Total Fund Balances	<u>1,116,151</u>	<u>326,891</u>	<u>115,037</u>	<u>2,086,965</u>	<u>3,044,345</u>	<u>0</u>	<u>6,689,389</u>

Total Liabilities and Fund Balances

Total Liabilities and Fund Balances	\$1,197,446	\$326,891	\$ 115,037	\$2,086,965	\$3,044,345	\$ 0	\$6,770,684
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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  
BALANCES TO THE STATEMENT OF NET POSITION - CASH BASIS  
AS OF DECEMBER 31, 2016

Total Fund Balances - Governmental Funds	\$ 6,689,389
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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 \$9,215,811.	9,215,811
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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 \$96,295.	<u>(96,295)</u>
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Total Net Position - Governmental Activities	\$ 15,808,905 =====
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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, 2016

REVENUES	General	Liquid Fuels	Host Fee	Traffic Impact	Capital Projects	Debt Service	Total Governmental Funds
	\$	\$	\$	\$	\$	\$	\$
Taxes	\$3,950,636						\$3,950,636
Licenses and permits	90,819						90,819
Fines and forfeits	51,534						51,534
Interest and rents	112,531	1,694	326	979	142,577		258,107
Intergovernmental revenues	218,680	247,190					465,870
Charges for service	170,257		19,164		481,199		670,620
Miscellaneous revenues	13,457			424,524	1,259		439,240
Total Revenues	<u>4,607,914</u>	<u>248,884</u>	<u>19,490</u>	<u>425,503</u>	<u>625,035</u>	<u>0</u>	<u>5,926,826</u>
<b>EXPENDITURES</b>							
<b>Current</b>							
General government	521,598				46,533		568,131
Public safety	1,757,884				92,909		1,850,793
Public works	659,445	371,994	22,033		42,339		1,095,811
Culture and recreation	144,558				162,734		307,292
Insurance, benefits and misc.	524,633					77,309	524,633
Debt service - principal retirement						3,635	3,635
Debt service - interest & fiscal charges						80,944	80,944
Capital outlay					266,833		266,833
Total Expenditures	<u>3,608,118</u>	<u>371,994</u>	<u>22,033</u>	<u>0</u>	<u>611,348</u>	<u>80,944</u>	<u>4,694,437</u>
Excess (deficiency) of revenues over (under) expenditures	999,796	(123,110)	(2,543)	425,503	13,687	(80,944)	1,232,389
<b>OTHER FINANCING SOURCES (USES)</b>							
Proceeds of general long-term debt						51,633	51,633
Operating transfers in					741,848	80,944	822,792
Operating transfers out	(653,604)				(117,555)	(51,633)	(822,792)
Net change in fund balances	346,192	(123,110)	(2,543)	425,503	637,980	0	1,284,022
Fund Balances, January 1	762,959	450,001	117,580	1,661,462	2,406,365	0	5,405,367
Fund Balances, December 31	\$1,116,151	\$326,891	\$115,037	\$2,086,965	\$3,044,345	\$0	\$6,689,389

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, 2016

Net Change in Fund Balances - Governmental Funds       \$ 1,284,022

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 \$266,833. 266,833

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	\$ (51,633)	
Repayment of loan principal	77,309	25,676

Change in Net Position of Governmental Activities	\$ 1,576,531
	=====

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

LOWERN NAZARETH TOWNSHIP  
STATEMENT OF NET POSITION - CASH BASIS  
PROPRIETARY FUNDS  
DECEMBER 31, 2016

	<u>Enterprise Funds</u>		
	Refuse/Recycling Collection <u>Fund</u>	Sewer Department <u>Fund</u>	Total Proprietary <u>Funds</u>
<u>ASSETS</u>			
<u>Current Assets:</u>			
Cash and cash equivalents	\$ 1,873	\$ 120,384	\$ 122,257
Total Current Assets	<u>1,873</u>	<u>120,384</u>	<u>122,257</u>
<u>Noncurrent Assets:</u>			
Collection equipment, net of accumulated depreciation	<u>47,080</u>	<u>0</u>	<u>47,080</u>
Total Assets	\$ 48,953 =====	\$ 120,384 =====	\$ 169,337 =====
 <u>LIABILITIES</u>			
None	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>
 <u>NET POSITION</u>			
Net investment in capital assets	47,080	0	47,080
Unrestricted	<u>1,873</u>	<u>120,384</u>	<u>122,257</u>
Total Net Position	\$ 48,953 =====	\$ 120,384 =====	\$ 169,337 =====

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 FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Enterprise Funds</u>		
	Refuse/Recycling Collection <u>Fund</u>	Sewer Department <u>Fund</u>	Total Proprietary <u>Funds</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 144	\$ 110,540	\$ 110,684
Rentals	0	10,795	10,795
Total Operating Revenues	<u>144</u>	<u>121,335</u>	<u>121,479</u>
<b>OPERATING EXPENSES</b>			
Contractual services	3,737	1,038	4,775
Supplies	100	0	100
Materials	0	0	0
Depreciation	23,778	0	23,778
Total Operating Expenses	<u>27,615</u>	<u>1,038</u>	<u>28,653</u>
Operating Income (Loss)	<u>(27,471)</u>	<u>120,297</u>	<u>92,826</u>
<b>NONOPERATING REVENUES</b>			
Interest income	3	87	90
Total Nonoperating Revenue	<u>3</u>	<u>87</u>	<u>90</u>
Net Income (Loss) Before Operating Transfers	(27,468)	120,384	92,916
Operating transfers in	0	0	0
Operating transfers out	<u>0</u>	<u>0</u>	<u>0</u>
Change in Net Position	(27,468)	120,384	92,916
Net Position - Beginning of Year	<u>76,421</u>	<u>0</u>	<u>76,421</u>
Net Position - End of Year	\$ 48,953 =====	\$ 120,384 =====	\$ 169,337 =====

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



LOWER NAZARETH TOWNSHIP  
STATEMENT OF CASH FLOWS - CASH BASIS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Enterprise Funds</u>		
	Refuse/Recycling Collection Fund	Sewer Department Fund	<u>Totals</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ (27,471)	\$ 120,297	\$ 92,826
Item not requiring cash			
Depreciation	<u>23,778</u>	<u>0</u>	<u>23,778</u>
Subtotal	(3,693)	120,297	116,604
Net Cash Flows From Operating Activities	<u>(3,693)</u>	<u>120,297</u>	<u>116,604</u>
<b>CASH FLOWS FROM NONCAPITAL ACTIVITIES</b>			
Operating transfers	<u>0</u>	<u>0</u>	<u>0</u>
Net Cash Flows From Noncapital Activities	<u>0</u>	<u>0</u>	<u>0</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Capital purchases	<u>0</u>	<u>0</u>	<u>0</u>
Net Cash Flows From Financing Activities	<u>0</u>	<u>0</u>	<u>0</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest income	<u>3</u>	<u>87</u>	<u>90</u>
Net Cash Flows From Investing Activities	<u>3</u>	<u>87</u>	<u>90</u>
Net Increase (decrease) in Cash and Cash Equivalents	(3,690)	120,384	116,694
Cash and Cash Equivalents, January 1	<u>5,563</u>	<u>0</u>	<u>5,563</u>
Cash and Cash Equivalents, December 31	\$ 1,873 =====	\$ 120,384 =====	\$ 122,257 =====

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

LOWER NAZARETH TOWNSHIP  
STATEMENT OF NET POSITION - CASH BASIS  
FIDUCIARY FUNDS  
DECEMBER 31, 2016

	Employee Pension <u>Trust</u>	<u>Escrow</u>	Total Fiduciary <u>Funds</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 38,807	\$ 616,266	\$ 655,073
Investments, at fair value	2,055,136		2,055,136
Accrued income	<u>4,958</u>	<u>                    </u>	<u>4,958</u>
Total Assets	<u>2,098,901</u>	<u>616,266</u>	<u>2,715,167</u>
 <u>LIABILITIES</u>			
Due to other funds		2,331	2,331
Refundable escrow deposits	<u>                    </u>	<u>613,935</u>	<u>613,935</u>
Total Liabilities	<u>0</u>	<u>616,266</u>	<u>616,266</u>
 <u>NET POSITION</u>			
Restricted for pension benefits	\$2,098,901 =====	\$ 0 =====	\$2,098,901 =====

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, 2016

	<u>Employee Pension Trust</u>
<u>ADDITIONS:</u>	
Contributions,	
Employer	\$ 115,000
Other	<u>0</u>
Total Contributions	<u>115,000</u>
Investment income,	
Net appreciation in fair	
value of investments	78,265
Interest and dividends	<u>41,751</u>
	120,016
Less: investment expenses	<u>0</u>
Net Investment Income	<u>120,016</u>
Total Additions	<u>235,016</u>
<u>DEDUCTIONS:</u>	
Benefits	9,403
Administrative expenses	<u>14,985</u>
Total Deductions	<u>24,388</u>
Change in net position	210,628
Net position restricted	
for pension benefits,	
Beginning of year	<u>1,888,273</u>
End of year	\$2,098,901
	=====

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

LOWER NAZARETH TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 1 Summary of Significant Accounting Policies

The accounting policies and accompanying financial statements of Lower Nazareth Township (the Township) conform to the cash basis of accounting as applicable to governmental units. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Accounting principles generally accepted in the United States of America include all 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, 2016

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, 2016

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, 2016

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 and Sewer Department Fund are the Enterprise Funds. Enterprise Funds account for the provisions of trash collections and sewer 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 and liabilities. 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, 2016

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, 2016

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, 2016

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 2016. 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, \$38,861 of property taxes receivable as of December 31, 2016, have not been included as revenues.

**2016 MUNICIPAL ANNUAL AUDIT  
AND  
FINANCIAL REPORT**

**480545 LOWER NAZARETH TWP, NORTHAMPTON COUNTY**



# BALANCE SHEET

DCED-CLGS-30 (9-09)

LOWER NAZARETH TWP, NORTHAMPTON County  
**BALANCE SHEET**  
 December 31, 2016

	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	
<b>Assets and Other Debits</b>										
100-120 Cash and Investments	1,195,184	2,528,893	3,044,264		122,257		2,715,167			9,605,765
140-144 Tax Receivable										
121-129, 145-149 Accounts Receivable (excluding taxes)										
130.00 Due From Other Funds	2,250		81							2,331
131-139, 150-159 Other Current Assets										
160-169 Fixed Assets					47,080			9,215,811		9,262,891
180-189 Other Debits	12								96,295	96,307
<b>Total Assets and Other Debits</b>	<b>1,197,446</b>	<b>2,528,893</b>	<b>3,044,345</b>		<b>169,337</b>		<b>2,715,167</b>	<b>9,215,811</b>	<b>96,295</b>	<b>18,967,294</b>

<b>Liabilities and Other Credits</b>										
210-229 Payroll Taxes and Other Payroll Withholdings										
200-209, 231-239 All Other Current Liabilities										
230.00 Due To Other Funds							2,331			2,331

LOWER NAZARETH TWP, NORTHAMPTON County  
**BALANCE SHEET**  
 December 31, 2016

	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	
<b>Liabilities and Other Credits</b>										
260-269 Long-Term-Liabilities								96,295		96,295
240-259 Current Portion of Long-Term Debt and Other Credits	81,295					613,935				695,230
<b>Total Liabilities and Other Credits</b>	81,295					616,266		96,295		793,856

<b>Fund and Account Group Equity</b>									
281-284	Contributed Capital								
290.00	Investment in General Fixed Assets						9,215,811		9,215,811
270-289	Fund Balance / Retained Earnings on 12/31	1,116,151	2,528,893	3,044,345	169,337	2,098,901			8,957,627
291-299	Other Equity								
	<b>Total Fund and Account Group Equity</b>	1,116,151	2,528,893	3,044,345	169,337	2,098,901	9,215,811		18,173,438

<b>TOTAL LIABILITIES AND FUND AND ACCOUNT GROUP EQUITY</b>									18,997,294
--	--	--	--	--	--	--	--	--	------------



**LOWER NAZARETH TWP, NORTHAMPTON County**  
**STATEMENT OF REVENUES AND EXPENDITURES**  
 December 31, 2016

	Governmental Funds					Proprietary Funds		Fiduciary Fund	Total
	General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency		
	1,348	2,999	5,765		90		120,016	130,218	
	111,183		136,812		10,795			258,790	
<b>Total Interest, Rents and Royalties</b>	112,531	2,999	142,577		10,885		120,016	389,008	

**REVENUES**

Interest, Rents and Royalties	
341.00	Interest Earnings
342.00	Rents and Royalties
	<b>Total Interest, Rents and Royalties</b>
	<b>Federal</b>
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
	<b>Total Federal</b>

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)
355.02-355.03	Motor Vehicle Fuel Tax (Liquid Fuels Tax) and State Road Turnback
355.04	Alcoholic Beverage Licenses
355.05	General Municipal Pension System State Aid
355.07	Foreign Fire Insurance Tax Distribution
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, 2016

	Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
	General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service		
All Other State Shared Revenues and Entitlements								
State Payments in Lieu of Taxes								
<b>Total State</b>	138,552	247,190						385,742

**REVENUES**

State	
355.00	All Other State Shared Revenues and Entitlements
356.00	State Payments in Lieu of Taxes
	<b>Total State</b>

  

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
	<b>Total Local Government Units</b>

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, 2016

	Governmental Funds			Proprietary Funds		Fiduciary Fund	Total
	General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise		
<b>REVENUES</b>							
<b>Charges for Service</b>							
369.00							
370.00							
372.00							
373.00							
374.00							
375.00							
377.00							
378.00							
379.00							
	170,257	19,164	481,199		110,684		781,304
<b>Total Charges for Service</b>							

<b>Unclassified Operating Revenues</b>							
383.00		424,524					424,524
386.00							
387.00							
388.00						115,000	115,000
389.00							
		424,524				115,000	539,524
<b>Total Unclassified Operating Revenues</b>							

<b>Other Financing Sources</b>							
391.00			1,259				1,259
392.00			741,848	80,944			822,792
393.00				51,633			51,633
394.00							

**LOWER NAZARETH TWP, NORTHAMPTON COUNTY**  
**STATEMENT OF REVENUES AND EXPENDITURES**  
 December 31, 2016

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

**REVENUES**

Other Financing Sources								
395.00	Refunds of Prior Year Expenditures	13,457						13,457
	<b>Total Other Financing Sources</b>	13,457	743,107	132,577				889,141

	<b>TOTAL REVENUES</b>	4,607,914	693,877	1,366,883	132,577	121,569	235,016	7,157,836
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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	7,990						7,990
403.00	Tax Collection	8,623						8,623
404.00	Solicitor / Legal Services	28,292						28,292
405.00	Secretary / Clerk	340,068						340,068
406.00	Other General Government Administration	69,064	780		10			69,854
407.00	IT-Networking Services-Data Processing	13,194						13,194
408.00	Engineering Services	4,623	11,713		870			17,206
409.00	General Government Buildings and Plant	37,244	34,040					71,284
	<b>Total General Government</b>	521,598	46,533		880			569,011

Public Safety								
410.00	Police	1,235,255						1,235,255
411.00	Fire	376,745	258,743					635,488
412.00	Ambulance / Rescue	30,485						30,485
413.00	UCC and Code Enforcement	67,892						67,892



LOWER NAZARETH TWP, NORTHAMPTON COUNTY  
STATEMENT OF REVENUES AND EXPENDITURES

December 31, 2016

	Governmental Funds					Proprietary Funds		Fiduciary Fund	Total
	General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service			
<b>Public Works - Highways and Streets</b>									
435.00 Sidewalks and Crosswalks									
436.00 Storm Sewers and Drains									
437.00 Repairs of Tools and Machinery	58,315								58,315
438.00 Maintenance and Repairs of Roads and Bridges	5,353	15,680	9,749						30,762
439.00 Highway Construction and Rebuilding Projects	2,736	340,459	22,240						365,435
<b>Total Public Works - Highways and Streets</b>	642,012	371,994	108,940						1,122,946

**EXPENDITURES**

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		12,616	12,616
447.00 Transit System			
448.00 Water System			
449.00 Water Transport and Terminals			
<b>Total Other Public Works Enterprises</b>		12,616	12,616

Culture and Recreation	
451.00 Culture-Recreation Administration	
452.00 Participant Recreation	38,671
453.00 Spectator Recreation	
454.00 Parks	13,825
	184,484
	198,309

**LOWER NAZARETH TWP, NORTHAMPTON COUNTY**  
**STATEMENT OF REVENUES AND EXPENDITURES**  
 December 31, 2016

	Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
	General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service		
	92,062							92,062
	144,558		184,484					329,042

**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
	<b>Total Culture and Recreation</b>
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
	<b>Total Community Development</b>

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
	<b>Total Debt Service</b>

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, 2016

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**

<b>Employer Paid Benefits and Withholding Items</b>								
484.00	Worker Compensation Insurance	41,818						41,818
487.00	Other Group Insurance Benefits	242,887						242,887
<b>Total Employer Paid Benefits and Withholding Items</b>		465,761						465,761

<b>Insurance</b>								
486.00	Insurance, Casualty, and Surety	58,872						58,872
<b>Total Insurance</b>		58,872						58,872

<b>Unclassified Operating Expenditures</b>								
488.00	Fiduciary Fund Benefits and Refunds Paid					9,403		9,403
489.00	All Other Unclassified Expenditures					14,985		14,985
<b>Total Unclassified Operating Expenditures</b>						24,388		24,388

<b>Other Financing Uses</b>								
491.00	Refund of Prior Year Revenues							
492.00	Interfund Operating Transfers	653,604	117,555	51,633				822,792
493.00	All Other Financing Uses							
<b>Total Other Financing Uses</b>		653,604	117,555	51,633				822,792

<b>TOTAL EXPENDITURES</b>	4,261,722	394,027	728,903	132,577	28,653			5,570,270
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<b>EXCESS/DEFICIT OF REVENUES OVER EXPENDITURES</b>	346,192	299,850	637,980	92,916		210,628		1,587,566
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LOWER NAZARETH TWP  
December 31, 2016

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	24,271		11,970		12,301		12,301
Truck Lease	Capital Leases	2012	2016	59,877	12,318		12,318		0		0
Truck Lease	Capital Leases	2012	2016	138,472	28,435		28,435		0		0
Truck Lease	Capital Leases	2015	2019	72,006	56,947		13,763		43,194		43,194
Truck Lease	Capital Leases	2016	2020	51,633	0	51,633	10,833		40,800		40,800
Other											

(1) - excludes unamortized premium/discount

Total bonds and notes outstanding

Capitalized lease obligations

Net debt

0

96,295

96,295

LOWER NAZARETH TWP, NORTHAMPTON County  
**STATEMENT OF CAPITAL EXPENDITURES**

December 31, 2016

Category	Capital Purchases	Capital Construction	Total
Community Development			
Electric			
Fire	165,834		165,834
Gas System			
General Government			
Health			
Housing			
Libraries			
Mass Transit			
Parks	21,750		21,750
Police			
Recreation			
Sewer			
Solid Waste			
Streets / Highways	66,633		66,633
Water			
Other: Storm Water	12,616		12,616
<b>TOTAL CAPITAL EXPENDITURES</b>	<b>266,833</b>		<b>266,833</b>

**EMPLOYEE COMPENSATION**

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

855,518



**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, 2016

**NOTES / COMMENTS**

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

Members: American Institute of  
Certified Public Accountants  
Pennsylvania Institute of  
Certified Public Accountants

903 Chestnut Street  
Emmaus, Pennsylvania 18049  
610-967-1200  
610-966-6669 Fax

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 2016 Municipal Annual Audit  
and Financial Report (DCED-CLGS-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, 2016.

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 fraud or  
error.

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 above present fairly, in all material respects, the cash and unencumbered cash balances of Lower Nazareth Township, Northampton County, Pennsylvania, as of December 31, 2016, and the respective cash receipts and disbursements for the year then ended, in accordance with the financial reporting provisions of the DCEP.

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 DCEP. 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.

*Thomas Anderson, Esquire, Board of Supervisors, P.C.*

Emmaus, PA  
March 29, 2017

FINANCIAL STATEMENTS

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LOWER NAZARETH TOWNSHIP

DECEMBER 31, 2016

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LOWER NAZARETH TOWNSHIP  
FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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LOWER NAZARETH TOWNSHIP  
FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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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, 2016, 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 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 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.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lower Nazareth Township, Pennsylvania, as of December 31, 2016, and the respective changes in cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the cash 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 opinions are not modified with respect to this matter.

### Other Matters

#### Supplementary Information

Our audit was conducted for the purposes of forming opinions on the financial statements that collectively comprise Lower Nazareth Township, Pennsylvania's basic financial statements. The budgetary comparison information on page 35 and the historical pension plan information on page 36 and 37, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 12, 2017, 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 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.

*Trance, Anderson, Bivins and Co., P.C.*

Emmaus, Pennsylvania  
September 12, 2017

LOWER NAZARETH TOWNSHIP  
STATEMENT OF NET POSITION - CASH BASIS  
DECEMBER 31, 2016

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Current Assets:			
Cash and cash equivalents	\$ 6,768,341	\$ 122,257	\$ 6,890,598
Due from other funds	2,331		2,331
Other assets	<u>12</u>	<u>0</u>	<u>12</u>
Total Current Assets	<u>6,770,684</u>	<u>122,257</u>	<u>6,892,941</u>
Capital assets:			
Buildings, land & improvements	4,679,671	0	4,679,671
Vehicles	3,338,540	0	3,338,540
Machinery & equipment	1,197,600	0	1,197,600
Collection equipment, net	<u>0</u>	<u>47,080</u>	<u>47,080</u>
Total Capital Assets	<u>9,215,811</u>	<u>47,080</u>	<u>9,262,891</u>
Total Assets	<u>15,986,495</u>	<u>169,337</u>	<u>16,155,832</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Other liabilities	81,295	0	81,295
Current portion of long-term debt	<u>36,199</u>	<u>0</u>	<u>36,199</u>
Total Current Liabilities	<u>117,494</u>	<u>0</u>	<u>117,494</u>
Noncurrent Liabilities:			
Long-term debt, net of current portion	<u>60,096</u>	<u>0</u>	<u>60,096</u>
Total Noncurrent Liabilities	<u>60,096</u>	<u>0</u>	<u>60,096</u>
Total Liabilities	<u>177,590</u>	<u>0</u>	<u>177,590</u>
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	9,119,516	47,080	9,166,596
Restricted	5,333,281	0	5,333,281
Unrestricted	<u>1,356,108</u>	<u>122,257</u>	<u>1,478,365</u>
Total Net Position	<u>\$15,808,905</u> =====	<u>\$ 169,337</u> =====	<u>\$15,978,242</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, 2016

Net (Expense) Revenue and Changes in Net Position

<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
\$ (494,984)	\$ 0	\$ (494,984)
(1,689,219)	0	(1,689,219)
(738,867)	0	(738,867)
180,663	0	180,663
(467,763)	0	(467,763)
<u>(3,635)</u>	<u>0</u>	<u>(3,635)</u>
<u>\$ (3,213,805)</u>	<u>\$ 0</u>	<u>\$ (3,213,805)</u>
\$ 0	\$ (27,471)	\$ (27,471)
<u>0</u>	<u>109,502</u>	<u>109,502</u>
\$ 0	\$ 82,031	\$ 82,031
<u>\$ (3,213,805)</u>	<u>\$ 82,031</u>	<u>\$ (3,131,774)</u>
1,668,115	0	1,668,115
2,282,521	0	2,282,521
0	0	0
90,819	0	90,819
51,534	0	51,534
258,107	10,885	268,992
439,240	0	439,240
<u>0</u>	<u>0</u>	<u>0</u>
<u>\$ 4,790,336</u>	<u>\$ 10,885</u>	<u>\$ 4,801,221</u>
1,576,531	92,916	1,669,447
<u>\$ 14,232,374</u>	<u>\$ 76,421</u>	<u>\$ 14,308,795</u>
\$ 15,808,905	\$ 169,337	\$ 15,978,242
=====	=====	=====

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

LOWER NAZARETH TOWNSHIP  
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2016

	<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</u>							
Cash and cash equivalents	\$1,195,184	\$326,891	\$ 115,037	\$2,086,965	\$3,044,264	\$ 0	\$6,768,341
Due from other funds	2,250				81		2,331
Other assets	<u>12</u>						<u>12</u>
Total Assets	\$1,197,446	\$326,891	\$ 115,037	\$2,086,965	\$3,044,345	\$ 0	\$6,770,684
	\$ 81,295	\$	\$	\$	\$	\$	\$ 81,295
Total Liabilities	<u>81,295</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>81,295</u>

LIABILITIES AND FUND BALANCES

<u>LIABILITIES:</u>	
Other liabilities	\$ 81,295
Total Liabilities	<u>81,295</u>

FUND BALANCES:

<u>Restricted for:</u>	
Public works	326,891
<u>Committed to:</u>	
Public safety	44,653
Public works	70,384
Capital sewer projects	129,615
Capital equipment	55,479
Open space preservation	196,503
Unassigned	629,848
	1,792,943
	<u>239,957</u>
Total Fund Balances	<u>1,116,151</u>
	<u>1,116,151</u>
Total Liabilities and Fund Balances	<u>\$1,197,446</u>

	326,891	174,268	2,212,828	196,503	629,848	1,792,943	<u>1,356,108</u>
	326,891	129,615	55,479	196,503	629,848	1,792,943	<u>1,356,108</u>
	1,116,151	239,957	1,792,943	239,957	1,792,943	1,356,108	<u>6,689,389</u>
	1,116,151	326,891	115,037	2,086,965	3,044,345	0	<u>6,689,389</u>
	\$1,197,446	\$326,891	\$ 115,037	\$2,086,965	\$3,044,345	\$ 0	\$6,770,684

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, 2016

	General	Liquid Fuels	Host Fee	Traffic Impact	Capital Projects	Debt Service	Total Governmental Funds
REVENUES							
Taxes	\$3,950,636	\$				\$	\$3,950,636
Licenses and permits	90,819						90,819
Fines and forfeits	51,534						51,534
Interest and rents	112,531	1,694	326	979	142,577		258,107
Intergovernmental revenues	218,680	247,190					465,870
Charges for service	170,257		19,164		481,199		670,620
Miscellaneous revenues	13,457			424,524	1,259		439,240
Total Revenues	<u>4,607,914</u>	<u>248,884</u>	<u>19,490</u>	<u>425,503</u>	<u>625,035</u>	<u>0</u>	<u>5,926,826</u>
EXPENDITURES							
Current							
General government	521,598				46,533		568,131
Public safety	1,757,884				92,909		1,850,793
Public works	659,445	371,994	22,033		42,339		1,095,811
Culture and recreation	144,558				162,734		307,292
Insurance, benefits and misc.	524,633						524,633
Debt service - principal retirement						77,309	77,309
Debt service - interest & fiscal charges						3,635	3,635
Capital outlay					266,833		266,833
Total Expenditures	<u>3,608,118</u>	<u>371,994</u>	<u>22,033</u>	<u>0</u>	<u>611,348</u>	<u>80,944</u>	<u>4,694,437</u>
Excess (deficiency) of revenues over (under) expenditures	999,796	(123,110)	(2,543)	425,503	13,687	(80,944)	1,232,389
OTHER FINANCING SOURCES (USES)							
Proceeds of general long-term debt						51,633	51,633
Operating transfers in					741,848	80,944	822,792
Operating transfers out	(653,604)				(117,555)	(51,633)	(822,792)
Net change in fund balances	346,192	(123,110)	(2,543)	425,503	637,980	0	1,284,022
Fund Balances, January 1	769,959	450,001	117,580	1,661,462	2,406,365	0	5,405,367
Fund Balances, December 31	\$1,116,151	\$326,891	\$115,037	\$2,086,965	\$3,044,345	\$0	\$6,689,389

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, 2016

Net Change in Fund Balances - Governmental Funds      \$ 1,284,022

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 \$266,833. 266,833

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	\$ (51,633)	
Repayment of loan principal	77,309	25,676

Change in Net Position of Governmental Activities	\$ 1,576,531 =====
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The accompanying notes are an integral part of the financial statements.



LOWERN NAZARETH TOWNSHIP  
STATEMENT OF NET POSITION - CASH BASIS  
PROPRIETARY FUNDS  
DECEMBER 31, 2016

	<u>Enterprise Funds</u>		
	Refuse/Recycling Collection <u>Fund</u>	Sewer Department <u>Fund</u>	Total Proprietary <u>Funds</u>
<u>ASSETS</u>			
<u>Current Assets:</u>			
Cash and cash equivalents	\$ 1,873	\$ 120,384	\$ 122,257
Total Current Assets	<u>1,873</u>	<u>120,384</u>	<u>122,257</u>
<u>Noncurrent Assets:</u>			
Collection equipment, net of accumulated depreciation	<u>47,080</u>	<u>0</u>	<u>47,080</u>
Total Assets	\$ 48,953 =====	\$ 120,384 =====	\$ 169,337 =====
<u>LIABILITIES</u>			
None	\$ 0	\$ 0	\$ 0
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>
<u>NET POSITION</u>			
Net investment in capital assets	47,080	0	47,080
Unrestricted	<u>1,873</u>	<u>120,384</u>	<u>122,257</u>
Total Net Position	\$ 48,953 =====	\$ 120,384 =====	\$ 169,337 =====

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 FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Enterprise Funds</u>		
	Refuse/Recycling Collection <u>Fund</u>	Sewer Department <u>Fund</u>	Total Proprietary <u>Funds</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 144	\$ 110,540	\$ 110,684
Rentals	<u>0</u>	<u>10,795</u>	<u>10,795</u>
Total Operating Revenues	<u>144</u>	<u>121,335</u>	<u>121,479</u>
<b>OPERATING EXPENSES</b>			
Contractual services	3,737	1,038	4,775
Supplies	100	0	100
Materials	0	0	0
Depreciation	<u>23,778</u>	<u>0</u>	<u>23,778</u>
Total Operating Expenses	<u>27,615</u>	<u>1,038</u>	<u>28,653</u>
Operating Income (Loss)	<u>(27,471)</u>	<u>120,297</u>	<u>92,826</u>
<b>NONOPERATING REVENUES</b>			
Interest income	<u>3</u>	<u>87</u>	<u>90</u>
Total Nonoperating Revenue	<u>3</u>	<u>87</u>	<u>90</u>
Net Income (Loss) Before Operating Transfers	(27,468)	120,384	92,916
Operating transfers in	0	0	0
Operating transfers out	<u>0</u>	<u>0</u>	<u>0</u>
Change in Net Position	(27,468)	120,384	92,916
Net Position - Beginning of Year	<u>76,421</u>	<u>0</u>	<u>76,421</u>
Net Position - End of Year	<u>\$ 48,953</u>	<u>\$ 120,384</u>	<u>\$ 169,337</u>
	=====	=====	=====

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

LOWER NAZARETH TOWNSHIP  
STATEMENT OF CASH FLOWS - CASH BASIS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Enterprise Funds</u>		
	<u>Refuse/Recycling Collection Fund</u>	<u>Sewer Department Fund</u>	<u>Totals</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ (27,471)	\$ 120,297	\$ 92,826
Item not requiring cash			
Depreciation	<u>23,778</u>	<u>0</u>	<u>23,778</u>
Subtotal	(3,693)	120,297	116,604
Net Cash Flows From Operating Activities	<u>(3,693)</u>	<u>120,297</u>	<u>116,604</u>
<b>CASH FLOWS FROM NONCAPITAL ACTIVITIES</b>			
Operating transfers	<u>0</u>	<u>0</u>	<u>0</u>
Net Cash Flows From Noncapital Activities	<u>0</u>	<u>0</u>	<u>0</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Capital purchases	<u>0</u>	<u>0</u>	<u>0</u>
Net Cash Flows From Financing Activities	<u>0</u>	<u>0</u>	<u>0</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest income	<u>3</u>	<u>87</u>	<u>90</u>
Net Cash Flows From Investing Activities	<u>3</u>	<u>87</u>	<u>90</u>
Net Increase (decrease) in Cash and Cash Equivalents	(3,690)	120,384	116,694
Cash and Cash Equivalents, January 1	<u>5,563</u>	<u>0</u>	<u>5,563</u>
Cash and Cash Equivalents, December 31	<u>\$ 1,873</u>	<u>\$ 120,384</u>	<u>\$ 122,257</u>
	=====	=====	=====

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

LOWER NAZARETH TOWNSHIP  
STATEMENT OF NET POSITION - CASH BASIS  
FIDUCIARY FUNDS  
DECEMBER 31, 2016

	Employee Pension <u>Trust</u>	<u>Escrow</u>	Total Fiduciary <u>Funds</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 38,807	\$ 616,266	\$ 655,073
Investments, at fair value	2,055,136		2,055,136
Accrued income	<u>4,958</u>	<u>          </u>	<u>4,958</u>
Total Assets	<u>2,098,901</u>	<u>616,266</u>	<u>2,715,167</u>
 <u>LIABILITIES</u>			
Due to other funds		2,331	2,331
Refundable escrow deposits	<u>          </u>	<u>613,935</u>	<u>613,935</u>
Total Liabilities	<u>0</u>	<u>616,266</u>	<u>616,266</u>
 <u>NET POSITION</u>			
Restricted for pension benefits	\$2,098,901	\$ 0	\$2,098,901
	=====	=====	=====

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, 2016

	<u>Employee Pension Trust</u>
<u>ADDITIONS:</u>	
Contributions,	
Employer	\$ 115,000
Other	<u>0</u>
Total Contributions	<u>115,000</u>
Investment income,	
Net appreciation in fair	
value of investments	78,265
Interest and dividends	<u>41,751</u>
	120,016
Less: investment expenses	<u>0</u>
Net Investment Income	<u>120,016</u>
Total Additions	<u>235,016</u>
<u>DEDUCTIONS:</u>	
Benefits	9,403
Administrative expenses	<u>14,985</u>
Total Deductions	<u>24,388</u>
Change in net position	210,628
Net position restricted	
for pension benefits,	
Beginning of year	<u>1,888,273</u>
End of year	\$2,098,901
	=====

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

LOWER NAZARETH TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 1 Summary of Significant Accounting Policies

The accounting policies and accompanying financial statements of Lower Nazareth Township (the Township) conform to the cash basis of accounting as applicable to governmental units. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Accounting principles generally accepted in the United States of America include all 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, 2016

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, 2016

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, 2016

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 and Sewer Department Fund are the Enterprise Funds. Enterprise Funds account for the provisions of trash collections and sewer 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 and liabilities. 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, 2016

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, 2016

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, 2016

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 2016. 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, \$38,861 of property taxes receivable as of December 31, 2016, have not been included as revenues.

LOWER NAZARETH TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
DECEMBER 31, 2016

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, 2016

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, 2016.

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, 2016, the carrying amount of the Township's deposits is \$7,506,864 and the bank balance is \$7,539,280. Of the bank balance, \$501,873, 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, \$7,037,407 at December 31, 2016, 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, 2016

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, 2016, 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	\$	\$	\$ 595,395	\$ 595,395	\$ 595,395
Equities	_____	_____	<u>1,459,741</u>	<u>1,459,741</u>	<u>1,459,741</u>
Total	\$ -0-	\$ -0-	\$2,055,136	\$2,055,136	\$2,055,136
	=====	=====	=====	=====	=====

LOWER NAZARETH TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
DECEMBER 31, 2016

NOTE 3 Capital Assets

The following is a summary of the changes in the capital asset activity for the year ended December 31, 2016:

	Balance December 31, <u>2015</u>	Increases (Decreases)		Balance December 31, <u>2016</u>
<u>Governmental Activities:</u>				
Township buildings, land and improvements,	\$4,679,671	\$ -0-	-0-	\$4,679,671
Vehicles	3,121,073	217,467	-0-	3,338,540
Machinery and equipment	1,148,234	49,366	-0-	1,197,600
Governmental activities capital assets	\$8,948,978	\$ 266,833	\$ -0-	\$9,215,811
	=====	=====	=====	=====

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, 2016.

	Balance December 31, <u>2015</u>	Increases (Decreases)		Balance December 31, <u>2016</u>
<u>Enterprise Funds:</u>				
Refuse/Recycling Collection equipment	\$ 175,784	\$ -0-	-0-	\$ 175,784
Less: accumulated depreciation	104,926	23,778	-0-	128,704
Net capital assets	\$ 70,858	\$(23,778)	\$ -0-	\$ 47,080
	=====	=====	=====	=====

Depreciation charged to operations for the Refuse/Recycling Collection Fund was \$23,778 for the year ended December 31, 2016.



LOWER NAZARETH TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
DECEMBER 31, 2016

NOTE 4 Long-Term Debt

The following is a summary of the general obligation installment loans payable for the year ended December 31, 2016:

General Obligation Loans	Payable January 1,	Issued	Retired	Payable December 31,
Installment Loan	\$ 12,318	\$ -0-	\$ 12,318	\$ -0-
Installment Loan	28,435	-0-	28,435	-0-
Installment Loan	24,271	-0-	11,970	12,301
Installment Loan	56,947	-0-	13,753	43,194
Installment Loan	-0-	51,633	10,833	40,800
Total	\$ 121,971	\$ 51,633	\$ 77,309	\$ 96,295
	=====	=====	=====	=====

The following is a summary of the details of the general obligation installment loans payable for the year ended December 31, 2016.

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 installment loan was paid off during 2016.

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 installment loan was paid off during 2016.

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, 2016, is \$12,301.

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, 2016, is \$43,194.

LOWER NAZARETH TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
DECEMBER 31, 2016

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 \$10,840, including principal and interest at 2.48% over 5 years, and a residual payment of \$1. The principal outstanding at December 31, 2016, is \$40,800.

The annual debt service requirements to maturity for governmental-type installment loans including interest are as follows, as of December 31, 2016:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 36,199	\$ 2,347	\$ 38,546
2018	24,467	1,441	25,908
2019	25,050	858	25,908
2020	10,578	263	10,841
2021	<u>1</u>	<u>0</u>	<u>1</u>
	\$ 96,295	\$ 4,909	\$101,204
	=====	=====	=====

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, 2016

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	\$ 97,312
Interest on net pension obligation	-0-
Adjustment to annual required contribution	-0-
Annual pension costs	<u>97,312</u>
Contributions made	<u>115,000</u>
Increase (decrease) in net pension obligation	(17,688)
Net pension obligation beginning of year	<u>-0-</u>
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, 2015, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return, and (b) projected salary increases of 5.00% per year. Both (a) and (b) include an inflation component for moderate cost-of-living increases. The assumptions did not include postretirement benefit increases. The actuarial value of assets for the plan was determined using market value as determined by the trustee. The unfunded actuarial accrued liability (AAL) amortization method is the level dollar method on a open basis.

LOWER NAZARETH TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
DECEMBER 31, 2016

NOTE 5      Defined Benefit Pension Plan (Continued)

**Employees Covered by the Plan**

As of January 1, 2016, (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	1
receiving them	<u>1</u>
Total	<u>15</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, 2016, 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:

Goldman Sachs Satellite Strategies Fund	\$138,620
BB&T RIS Mid-Cap Equity Fund	185,531

LOWER NAZARETH TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
DECEMBER 31, 2016

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, 2016, the Township's net pension liability is \$64,510. The total pension liability of \$2,163,411 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, 2016.

**Changes in Net Pension Liability**

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

	<u>Increase/ (Decrease)</u>		
	Total Pension Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net Pension Liability <u>(a) - (b)</u>
Balance at 12/31/2015	\$1,928,337	\$1,888,273	\$ 40,064
Changes for the year:			
Service cost	93,212		93,212
Interest	151,264		151,264
Contributions-Employer		58,130	(58,130)
Contributions-State Aid		56,870	(56,870)
Net investment income		105,030	(105,030)
Benefit payments	<u>(9,402)</u>	<u>(9,402)</u>	<u>0</u>
Balance at 12/31/2016	<u>\$2,163,411</u>	<u>\$2,098,901</u>	<u>\$ 64,510</u>

For the year ended December 31, 2016, the actuarial determined pension expense is \$139,819. However, the Township recognizes pension expense on the cash basis which totaled \$115,000. At December 31, 2016, the Township has deferred outflows of resources related to the pensions from the following source at December 31, 2016:

Net differences between projected and actual earnings on pension plan investments \$ 123,978

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

Year Ended December 31, 2017	\$ 38,767
2018	38,767
2019	38,766
2020	7,678

LOWER NAZARETH TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
DECEMBER 31, 2016

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, 2016, 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	36%	6.58%
Mid Cap	18%	7.39%
Small Cap	0%	7.39%
International Equity	16%	7.34%
Fixed Income	28%	3.09%
Emerging Markets	0%	10.93%
Cash	2%	0.75%

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, 2016

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	Current	Discount Rate	1% Increase
	<u>6.50%</u>	<u>7.50%</u>		<u>8.50%</u>
Net Pension Liability	\$ 356,588	\$ 64,510		\$(183,902)

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, 2016. 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, 2016

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, 2016, 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, 2016.

The General Fund's General Government, Culture and Recreation, and Insurance, Benefits and Miscellaneous budget categories had expenditures in excess of appropriations for the year ended December 31, 2016.

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 12, 2017, which was the date financial statements were available to be issued.



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, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
	\$	\$	\$	Positive
				(Negative)
<b>REVENUES</b>				
Taxes	3,285,050	3,285,050	3,950,636	665,586
Licenses and permits	80,000	80,000	90,819	10,819
Fines and forfeits	35,010	35,010	51,534	16,524
Interest and rents	75,850	75,850	112,531	36,681
Intergovernmental revenues	191,100	191,100	218,680	27,580
Charges for service	91,090	91,090	170,257	79,167
Miscellaneous revenues	25,060	25,060	13,457	(11,603)
Total revenues	3,783,160	3,783,160	4,607,914	824,754
<b>EXPENDITURES</b>				
Current				
General government	513,980	513,980	521,598	(7,618)
Public safety	1,864,300	1,864,300	1,757,884	106,416
Public works	762,710	762,710	659,445	103,265
Culture and recreation	141,400	141,400	144,558	(3,158)
Insurance, benefits & misc.	523,200	523,200	524,633	(1,433)
Capital outlay	62,000	62,000	0	62,000
Total expenditures	3,867,590	3,867,590	3,608,118	259,472
Excess (deficiency) of revenues over (under) expenditures	(84,430)	(84,430)	999,796	1,084,226
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	0	0	0	0
Operating transfers out	0	0	(653,604)	(653,604)
Net change in fund balances	(84,430)	(84,430)	346,192	430,622
Fund Balances, January 1	84,430	84,430	769,959	685,529
Fund Balances, December 31	0	0	1,116,151	\$ 1,116,151

**LOWER NAZARETH TOWNSHIP  
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	December 31, 2016
<b><u>Total Pension Liability</u></b>		
Service cost	\$ 88,773	\$ 93,212
Interest	134,863	151,264
Differences between expected and actual experience	-	-
Benefit payments, including refunds of member contributions	(9,402)	(9,402)
<b>Net change in total pension liability</b>	214,234	235,074
<b>Total pension liability - beginning</b>	1,714,103	1,928,337
<b>Total pension liability - ending</b>	\$ 1,928,337	\$ 2,163,411
<b><u>Plan Fiduciary Net Position</u></b>		
Contributions - employer	\$ 64,029	\$ 58,130
Contributions - State Aid	50,971	56,870
Net investment income	(18,544)	105,030
Market value investment income	-	-
Benefit payments, including refunds of member contributions	(9,402)	(9,402)
Administrative expense	-	-
<b>Net change in plan fiduciary net position</b>	87,054	210,628
<b>Plan fiduciary net position - beginning</b>	1,801,219	1,888,273
<b>Plan fiduciary net position - ending</b>	\$ 1,888,273	\$ 2,098,901
<b>Municipality's net position liability</b>	\$ 40,064	\$ 64,510
Covered-employee payroll	\$ 753,406	\$ 849,660
Net pension liability as a percentage of its covered-employee payroll	5.32%	7.59%
Plan fiduciary net position as a percentage of the total pension liability	97.92%	97.02%

\* 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**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**DEFINED BENEFIT PENSION PLAN**  
**(An Integral Part of the Financial Statements)**

Last 10 Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Actuarially Determined Contribution	\$ 39,303	\$ 29,075	\$ 27,351	\$ 96,189	\$ 102,558	\$ 97,344	\$ 98,255	\$ 92,742	\$ 98,351	\$ 97,312
Contributions in Relation to the Actuarially Determined Contribution	87,550	96,805	100,000	110,000	120,000	110,000	110,000	115,000	115,000	115,000
Contribution Deficiency (Excess)	\$ (48,247)	\$ (67,730)	\$ (72,649)	\$ (13,811)	\$ (17,442)	\$ (12,656)	\$ (11,745)	\$ (22,258)	\$ (16,649)	\$ (17,688)
Covered Employees Payroll	\$ 571,023	\$ 611,018	\$ 582,243	\$ 580,256	\$ 620,925	\$ 597,080	\$ 604,865	\$ 705,874	\$ 753,406	\$ 849,660
Contributions as a Percentage of Covered Employee Payroll	15.3%	15.8%	17.2%	19.0%	19.3%	18.4%	18.2%	16.3%	15.3%	13.5%

Notes to schedules:

NONE

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CERTIFIED PUBLIC ACCOUNTANTS

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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, 2016, 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 12, 2017.

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.

*Francis Anderson, Principal and Chartered Accountant, P.C.*

Emmaus, Pennsylvania  
September 12, 2017