

LOWER NAZARETH TOWNSHIP

**Financial Statements,
Independent Auditor's Report
and Supplementary Information**

December 31, 2021

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

**LOWER NAZARETH TOWNSHIP
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INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lower Nazareth Township, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lower Nazareth Township as of December 31, 2021, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 2.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lower Nazareth Township and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Basis of Accounting

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

Adjustments to Prior Period Financial Statements

The financial statements of Lower Nazareth Township as of December 31, 2020, were audited by other auditors whose report dated June 23, 2021, expressed an unmodified opinion on those financial statements. As discussed in Note 15 to the financial statements, the Township has restated its 2020 financial statements during the current year for the adoption of GASB Statement No. 97. The other auditors reported on the 2020 financial statements before the restatement.

As part of our audit of the 2021 financial statements, we also audited the adjustments described in Note 15 that were applied to restate the 2020 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to Lower Nazareth Township's 2020 financial statements other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2020 financial statements as a whole.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lower Nazareth Township's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lower Nazareth Township's basic financial statements. Management's budgetary comparison, pension schedules, and combining schedules on pages 40-47 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison, pension schedules, and combining schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison, pension schedules, and combining schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2022 on our consideration of Lower Nazareth Township internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Lower Nazareth Township's internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lower Nazareth Township's internal control over financial reporting and compliance.

Coyne Bell, Pappold & Yurawitz LLP

October 14, 2022

LOWER NAZARETH TOWNSHIP
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2021

ASSETS	Governmental Activities	Business-Type Activities	Total
Current Assets:			
Cash and Cash Equivalents	\$ 7,247,925	\$ 413,064	\$ 7,660,989
Other Investments	786,771	-	786,771
Internal Balances	2,331	-	2,331
Total Current Assets	8,037,027	413,064	8,450,091
Noncurrent Assets:			
Land, Building and Improvements	5,257,299	-	5,257,299
Vehicles	4,061,667	-	4,061,667
Machinery and Equipment	1,821,452	455,106	2,276,558
Accumulated Depreciation	-	(86,081)	(86,081)
Total Noncurrent Assets	11,140,418	369,025	11,509,443
TOTAL ASSETS	19,177,445	782,089	19,959,534
LIABILITIES			
Current Liabilities:			
Current Portion of Long-Term Debt	92,031	-	92,031
Total Current Liabilities	92,031	-	92,031
Noncurrent Liabilities:			
Long-Term Debt	112,351	-	112,351
Total Noncurrent Liabilities	112,351	-	112,351
TOTAL LIABILITIES	204,382	-	204,382
NET POSITION			
Invested in Capital Assets, Net of Related Debt	10,936,036	369,025	11,305,061
Restricted for:			
Capital Projects	4,196,065	-	4,196,065
Special Revenue	2,214,831	-	2,214,831
Unrestricted	1,626,131	413,064	2,039,195
TOTAL NET POSITION	\$ 18,973,063	\$ 782,089	\$ 19,755,152

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

**LOWER NAZARETH TOWNSHIP
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
General Government	\$ 1,436,656	\$ 120,408	\$ -	\$ (1,315,355)	\$ -	\$ (1,315,355)
Public Safety	2,662,953	70,182	-	(2,387,942)	-	(2,387,942)
Public Works	1,335,489	254,645	344,937	(725,344)	-	(725,344)
Cultural and Recreation	254,088	-	51,700	(202,388)	-	(202,388)
Interest on Long-Term Debt	8,165	-	-	(8,165)	-	(8,165)
Total Governmental Activities	5,697,351	445,235	396,637	(4,639,194)	-	(4,639,194)
Business Type Activities:						
Sewer	71,607	-	199,825	-	138,814	138,814
Refuse and Recycling	15,043	-	-	-	83,096	83,096
Total Business-Type Activities	86,650	-	199,825	-	221,910	221,910
Total Primary Government	\$ 5,784,011	\$ 445,235	\$ 596,462	\$ (4,639,194)	\$ 221,910	\$ (4,417,284)
General Revenues:						
Taxes:						
Property Taxes, levied for general purposes, net				\$ 1,902,983	\$ -	\$ 1,902,983
Property Taxes, levied for open space, net				1,316,381	-	1,316,381
Other Taxes, levied for general purposes, net				3,130,751	-	3,130,751
Licenses and Permits				166,781	-	166,781
Fines and Forfeits				37,448	-	37,448
Miscellaneous Income				36,025	-	36,025
Interest Income				83,113	166	83,279
Transfers In/(Out)				100,030	(100,000)	30
Total General Revenues, Special Items, Extraordinary Items, and Transfers				6,773,512	(99,834)	6,673,678
Change in Net Position				2,134,318	122,076	2,256,394
Net Position - Beginning				16,838,745	660,013	17,498,758
Net Position - Ending				\$ 18,973,063	\$ 782,089	\$ 19,755,152

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

**LOWER NAZARETH TOWNSHIP
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES –
MODIFIED CASH BASIS – GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

	Major Funds			Non-Major Funds		Total
	General	Traffic Impact	Open Space	Special Revenue	Capital Projects	
ASSETS						
Cash and Cash Equivalents	\$ 1,623,881	\$ 1,533,361	\$ 2,318,641	\$ 156,203	\$ 1,615,839	\$ 7,247,925
Other Investments	-	525,287	-	-	261,504	786,771
Due from Other Funds	2,250	-	-	-	81	2,331
TOTAL ASSETS	\$ 1,626,131	\$ 2,058,628	\$ 2,318,641	\$ 156,203	\$ 1,877,424	\$ 8,037,027
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	-	-	-	-	-	-
FUND BALANCES						
Restricted	-	-	-	50,005	-	50,005
Committed	-	2,058,628	2,318,641	106,198	1,877,424	6,360,891
Unassigned	1,626,131	-	-	-	-	1,626,131
TOTAL FUND BALANCES	1,626,131	2,058,628	2,318,641	156,203	1,877,424	8,037,027
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,626,131	\$ 2,058,628	\$ 2,318,641	\$ 156,203	\$ 1,877,424	\$ 8,037,027

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

**LOWER NAZARETH TOWNSHIP
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF ASSETS,
LIABILITIES AND FUND BALANCES TO THE STATEMENT OF NET POSITION –
MODIFIED CASH BASIS
DECEMBER 31, 2021**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 8,037,027
 Amounts Reported for Governmental Activities in the Statement of Net Position - Modified Cash Basis are Different Because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$11,140,418.	11,140,418
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:	
Notes Payable \$ (204,382)	<u>(204,382)</u>
 TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	 <u>\$ 18,973,063</u>

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

**LOWER NAZARETH TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – MODIFIED CASH BASIS – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Major Funds			Non-Major Funds		Total
	General	Traffic Impact	Open Space	Special Revenue	Capital Projects	
REVENUES						
Taxes	\$ 5,033,733	\$ -	\$ 1,316,381	\$ -	\$ -	\$ 6,350,114
Licenses and Permits	166,781	-	-	-	-	166,781
Fines and Forfeitures	37,448	-	-	-	-	37,448
Interest and Rents	72,803	4,968	4,558	35	749	83,113
Intergovernmental Revenues	152,090	-	58,500	254,645	376,637	841,872
Charges for Services	42,168	163,564	-	-	10,583	216,295
Other Revenues	19,087	16,938	-	-	-	36,025
TOTAL REVENUES	5,524,110	185,470	1,379,439	254,680	387,949	7,731,648
EXPENDITURES						
General Government	578,848	132,774	39,382	-	42,974	793,778
Public Safety	2,298,097	-	-	-	364,864	2,662,961
Public Works - Highways and Streets	841,103	-	462,169	290,896	598,721	2,192,889
Cultural and Recreation	182,330	-	9,763	-	622	192,715
Insurance and Employee Benefits	674,755	-	-	-	-	674,755
TOTAL EXPENDITURES	4,574,933	132,774	511,314	290,896	1,007,181	6,517,098
EXCESS (DEFICIT) OF REVENUES RECEIVED OVER (UNDER) EXPENDITURES PAID	949,177	52,696	868,125	(36,216)	(619,232)	1,214,550
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	30	-	-	-	520,709	520,739
Operating Transfers Out	(420,709)	-	-	-	-	(420,709)
Total Other Financing Sources (Uses)	(420,679)	-	-	-	520,709	100,030
Net Change in Fund Balances	528,498	52,696	868,125	(36,216)	(98,523)	1,314,580
Fund Balances, January 1	1,097,633	2,005,932	1,450,516	192,419	1,975,947	6,722,447
FUND BALANCES, DECEMBER 31	\$ 1,626,131	\$ 2,058,628	\$ 2,318,641	\$ 156,203	\$ 1,877,424	\$ 8,037,027

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

**LOWER NAZARETH TOWNSHIP
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Net Change in Fund Balances - Governmental Funds \$ 1,314,580

**Amounts Reported for Governmental Activities in the
Statement of Activities - Modified Cash Basis are Different Because:**

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities - modified cash basis, the cost of those expenditures is not reported but treated as a capital asset on the statement of net position - modified cash basis

Capital Outlay	<u>802,903</u>	
		802,903

Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position - modified cash basis	126,235
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Proceeds from issuance of debt, including leases, is a current resource as a financing source in the governmental funds, but an increase in a liability on the statement of net position - modified cash basis	<u>(109,400)</u>
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Change in Net Position of Governmental Activities	<u>\$ 2,134,318</u>
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The accompanying notes are an integral part of these financial statements.

LOWER NAZARETH TOWNSHIP
STATEMENT OF NET POSITION – MODIFIED CASH BASIS – ALL PROPRIETARY FUNDS
DECEMBER 31, 2021

	Refuse and Recycling Fund	Sewer Fund	Total Proprietary Funds
ASSETS			
Current Assets:			
Cash and Cash Equivalents - Unrestricted	\$ 44,083	\$ 368,981	\$ 413,064
Total Current Assets	<u>44,083</u>	<u>368,981</u>	<u>413,064</u>
Noncurrent Assets:			
Fixed Assets, Less Accumulated Depreciation	369,025	-	369,025
Total Noncurrent Assets	<u>369,025</u>	<u>-</u>	<u>369,025</u>
TOTAL ASSETS	<u>\$ 413,108</u>	<u>\$ 368,981</u>	<u>\$ 782,089</u>
LIABILITIES			
Current Liabilities:			
Due to Other Funds	\$ -	\$ -	\$ -
Total Current Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Invested in Capital Assets	369,025	-	369,025
Unrestricted	44,083	368,981	413,064
Total Net Position	<u>413,108</u>	<u>368,981</u>	<u>782,089</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 413,108</u>	<u>\$ 368,981</u>	<u>\$ 782,089</u>

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

**LOWER NAZARETH TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION – MODIFIED CASH BASIS – ALL PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Refuse and Recycling Fund	Sewer Fund	Total Proprietary Funds
OPERATING REVENUES:			
Charges for Services	\$ 10,596	\$ 98,139	\$ 108,735
Intergovernmental Revenues	199,825	-	199,825
Total Operating Revenues	210,421	98,139	308,560
OPERATING EXPENSES:			
Supplies	100	20	120
Repairs and Maintenance	1,769	5,423	7,192
Disposal System	8,548	-	8,548
Contractual Services	23,280	9,600	32,880
Depreciation and Amortization	37,910	-	37,910
Total Operating Expenses	71,607	15,043	86,650
OPERATING INCOME	138,814	83,096	221,910
NON-OPERATING REVENUES:			
Interest Revenue	49	117	166
Total Non-operating Revenues	49	117	166
Income Before Transfers	138,863	83,213	222,076
Transfers Out	(100,000)	-	(100,000)
Change in Net Position	38,863	83,213	122,076
Total Net Position - January 1	374,245	285,768	660,013
TOTAL NET POSITION - December 31	\$ 413,108	\$ 368,981	\$ 782,089

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

**LOWER NAZARETH TOWNSHIP
STATEMENT OF CASH FLOWS – MODIFIED CASH BASIS –
ALL PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Refuse and Recycling Fund	Sewer Fund	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	\$ 210,421	\$ 98,139	\$ 308,560
Cash Payments to Suppliers for Goods and Services	(33,697)	(15,043)	(48,740)
Cash Payments to Employees for Services	-	-	-
Net Cash Provided by Operating Activities	<u>176,724</u>	<u>83,096</u>	<u>259,820</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Operating Transfers Out	<u>(100,000)</u>	-	<u>(100,000)</u>
Net Cash Used in Noncapital Financing Activities	<u>(100,000)</u>	-	<u>(100,000)</u>
CASH FLOWS FROM CAPITAL ACTIVITIES:			
Acquisition of Capital Assets	<u>(148,680)</u>	-	<u>(148,680)</u>
Net Cash Used in Capital Activities	<u>(148,680)</u>	-	<u>(148,680)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest Received	<u>49</u>	<u>117</u>	<u>166</u>
Net Cash Provided by Investing Activities	<u>49</u>	<u>117</u>	<u>166</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(71,907)</u>	<u>83,213</u>	<u>11,306</u>
Cash and Cash Equivalents, January 1	<u>115,990</u>	<u>285,768</u>	<u>401,758</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 44,083</u></u>	<u><u>\$ 368,981</u></u>	<u><u>\$ 413,064</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income	\$ 138,814	\$ 83,096	\$ 221,910
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	<u>37,910</u>	-	<u>37,910</u>
Total Adjustments	<u>37,910</u>	-	<u>37,910</u>
Net Cash Provided by Operating Activities	<u><u>\$ 176,724</u></u>	<u><u>\$ 83,096</u></u>	<u><u>\$ 259,820</u></u>

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

**LOWER NAZARETH TOWNSHIP
STATEMENT OF NET POSITION – MODIFIED CASH BASIS –
ALL FIDUCIARY FUNDS
DECEMBER 31, 2021**

	Pension Funds	Custodial Funds
ASSETS:		
Cash and Cash Equivalents - Restricted	\$ -	\$ 1,205,236
Investments - at Fair Value		
Cash and Sweep Balances	148,988	-
Mutual Funds	3,409,233	-
Equity ETFs	177,246	-
Total Assets	\$ 3,735,467	\$ 1,205,236
LIABILITIES:		
Due to Other Funds	\$ -	\$ 2,331
Total Liabilities	-	2,331
NET POSITION:		
Restricted	3,735,467	1,202,905
Total Liabilities and Net Position	\$ 3,735,467	\$ 1,205,236

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

**LOWER NAZARETH TOWNSHIP
STATEMENT OF CHANGES IN NET POSITION – MODIFIED CASH BASIS –
ALL FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Pension Fund</u>	<u>Custodial Funds</u>
ADDITIONS:		
Contributions:		
Employer	\$ 120,000	\$ -
Total Contributions	<u>120,000</u>	<u>-</u>
Investment Earnings:		
Net Realized and Unrealized Gains	417,539	-
Interest and Dividends	11,683	52
Less: Investment Expenses	<u>(21,552)</u>	<u>-</u>
Total Investment Earnings	<u>407,670</u>	<u>52</u>
Collections from Other Entities	<u>-</u>	<u>355,442</u>
Total Additions	<u>527,670</u>	<u>355,494</u>
DEDUCTIONS:		
Benefit Payments	109,257	-
Payments to Other Entities	<u>-</u>	<u>365,446</u>
Total Deductions	<u>109,257</u>	<u>365,446</u>
Transfers Out	<u>-</u>	<u>(30)</u>
NET INCREASE (DECREASE)	418,413	(9,982)
NET POSITION:		
Net Position, January 1, As Restated (Note 15)	<u>3,317,054</u>	<u>1,212,887</u>
Net Position, December 31	<u>\$ 3,735,467</u>	<u>\$ 1,202,905</u>

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

**LOWER NAZARETH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

1. Entity

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

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

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

2. Summary of Significant Accounting Policies

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

Fund Accounting

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

**LOWER NAZARETH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

2. Summary of Significant Accounting Policies (Continued)

Basis of Presentation

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

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

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

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

**LOWER NAZARETH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

2. Summary of Significant Accounting Policies (Continued)

Basis of Presentation - Fund Accounting

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

Governmental Fund Types

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

- ***General Fund (Major Fund)*** - is used to account for all financial transactions applicable to the general operations of the Township except for those required to be accounted for in another fund.
- ***Special Revenue Funds*** - are used to account for proceeds of specific revenue sources (other than special assessments, expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The following are special revenue fund types:

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

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

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

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

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

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

**LOWER NAZARETH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

2. Summary of Significant Accounting Policies (Continued)

Basis of Presentation - Fund Accounting (Continued)

Proprietary Fund Types

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

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

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

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

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The following are the Township's fiduciary fund types:

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

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

**LOWER NAZARETH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

2. Summary of Significant Accounting Policies (Continued)

Basis of Presentation - Fund Accounting (Continued)

Fiduciary Fund Types (Continued)

- ***Custodial Funds*** - are used to account for funds held in escrow for other parties. The principal source of revenue for these funds are collections from other entities.

Basis of Accounting and Management Focus

Basis of Accounting

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

Measurement Focus

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

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

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

**LOWER NAZARETH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

2. Summary of Significant Accounting Policies (Continued)

Budgets and Non-GAAP Budgetary Basis of Accounting

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

- In accordance with the Township Code and Township procedures, the Township Manager submits to the Township Supervisors, with whom the legal level of budgetary control resides, a proposed budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year. Departments for budgetary purposes are general government, public safety, public works, culture and recreation, insurance and employee benefits. Per the Second Class Township Code, the budget must be advertised and available for public inspection at least twenty days prior to adoption.
- Public hearings are conducted to obtain taxpayer comment.
- By December 31, the budget is legally enacted for all governmental funds through passage of an ordinance. Expenditures for the budget may not legally exceed appropriations and prior year fund balance reserves. This is done as a level of budgetary control.
- Each month the administration prepares a detailed budget report. The report cites the past month and year-to-date activity, as well as encumbrances and unencumbered balances by account.
- All modifications, transfers and amendments must be approved by Township Supervisors.
- Formal budgetary integration is employed as a management control device during the year for the General Fund.
- The legally required and adopted budgets of the Township are for the General Fund and State Liquid Fuels Fund.
- Budgets for the General Fund and State Liquid Fuels Fund are adopted on a cash basis of accounting discussed above.
- Township Supervisors may authorize supplemental appropriations during the year. No supplemental appropriations were made during fiscal 2021. Township Supervisors must approve all over expenditures of appropriations or transfers of appropriated amounts.

**LOWER NAZARETH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

2. Summary of Significant Accounting Policies (Continued)

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

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

Cash and Investments

Cash and cash equivalents on the Statement of Net Position – Modified Cash Basis are considered to be cash on hand, demand deposits, cash with fiscal agent and deposits in the Pennsylvania Local Government Investment Trust (PLGIT).

For the purpose of the proprietary funds, "Statement of Cash Flows – Modified Cash Basis," cash and cash equivalents are considered to be cash on hand, demand deposits, cash with fiscal agent, all highly liquid investments with an original maturity of three months or less and deposits in the Pennsylvania Local Government Investment Trust (PLGIT).

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

Interfund Transactions

Certain inter-fund transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

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

**LOWER NAZARETH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

2. Summary of Significant Accounting Policies (Continued)

Restricted Assets

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

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

Net Position

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

Transfers

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

Management Estimates

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

**LOWER NAZARETH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

2. Summary of Significant Accounting Policies (Continued)

Government – Wide Fiduciary and Proprietary Fund Net Position

Net Position is divided into three components:

- Net investment in capital assets – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted – consist of assets that are restricted by the Township’s creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted – all other net position is reported in this category.

Governmental Fund Balances

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

- Restricted fund balance - indicates the portion of the fund balance that can only be spent for specific purposes because of constitutional provisions, legislation, or constraints that are externally imposed.
- Committed fund balance - indicates the portion of the fund balance that can only be used for specific purposes determined by formal action of the Supervisors.
- Assigned fund balance - indicates the portion of the fund balance that has been appropriated for specific purposes by authorization of the Supervisors.
- Unassigned fund balance - indicates the portion of the fund balance that is available for appropriation and expenditure, in future periods.

Adoption of New Accounting Standards

During 2021, the Township adopted the provisions of GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. This Statement is designed to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for the IRC Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. See Note 15 for effect on previously reported amounts.

**LOWER NAZARETH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

3. Cash and Investments

General

Section 1316 of the Pennsylvania Township Code provides for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Commonwealth of Pennsylvania government obligations, and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes.

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

Cash (Cash on Hand and Bank Balances)

At December 31, 2021, the carrying amount of the Township's bank deposits at two financial institutions (excluding those held in the Pension Funds, but including Custodial Funds) totaled \$8,046,634 and the corresponding bank balances were \$8,064,306 of which \$250,000 was insured by the Federal Deposit Insurance Corporation ("FDIC"); the uninsured bank balances of \$7,814,306 were collateralized, as described below.

Under Act No. 72 of the 1972 Session of the Pennsylvania General Assembly (the "Act of 72"), financial institutions were granted the authority to secure the deposits of public bodies by pledging a pool of assets, as defined in the Act of 72, to cover all public funds deposited in excess of FDIC limits. The uninsured bank balances of the Township in the amount of \$7,814,306 were collateralized by this pool of assets maintained by the Township's depository institutions.

In addition, the Township included in cash, amounts held on hand in petty cash. At December 31, 2021, the petty cash balance was \$250.

Cash Equivalents

As of December 31, 2021, the carrying amounts of deposits in the Pennsylvania Local Government Investment Trust ("PLGIT" or "Trust") (excluding those held in the Pension Funds, but including Custodial Funds) were \$819,341. The Township maintains deposits in the PLGIT portfolio of the Trust. The assets in these portfolios are marked to market daily, there are stated limits on the weighted average maturity of the portfolios and the Trust seeks to maintain a net asset value of \$1.00 per share. Accordingly, the market value for the deposits in PLGIT are not materially different from the carrying amount. All deposits in PLGIT are insured or registered, or securities held by the Township's or its agent in the Township's name.

**LOWER NAZARETH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

3. Cash and Investments (Continued)

Investments

Under Section 1316 of the Pennsylvania Township Code, the Township is authorized to invest in United States Treasury Bills, short-term obligations of the U.S. Government or its agencies or instrumentalities, obligations of the U.S. Government or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth of Pennsylvania or of any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision, shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, provided that the only investments of that company are in the authorized investments for Township funds listed above and certificates of deposit purchased from institutions insured by the Federal Deposit Insurance Corporation or similar agencies to the extent that such accounts are so insured. Investments of pension funds are placed pursuant to guidelines established by the respective pension boards.

As of December 31, 2021, the Township had the following investments:

	Fair Value
<u>Investment - Pension Fund</u>	
Cash and Sweep Balances	\$ 148,988
Mutual Funds	3,409,233
Equity ETFs	177,246
	\$ 3,735,467
 <u>Governmental Funds</u>	
Traffic Impact Fund - Certificate of Deposit	Aug. 2022 \$ 525,267
Fiscal Stability Fund - Certificate of Deposit	Nov. 2022 261,504
	\$ 786,771

**LOWER NAZARETH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

3. Cash and Investments (Continued)

Investments (Continued)

Interest Rate Risk

The Township has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Township has no investment policy that would limit its investment choices to certain credit ratings.

Concentration of Credit Risk

The Township places limits on the amount the Township may invest in any one issuer. Currently the Township does not have any investments not included in the Pension Funds.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral security that are in the possession of any outside party. The Township has no investments subject to custodial credit risk.

4. Real Estate Taxes

Based upon assessed valuations provided by the County (\$462,510,600 in 2021), the Township bills and collects its own property taxes. The schedule for property taxes levied for 2021 is as follows:

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

The Township continues to collect delinquent real estate taxes through December of the current year. At that time, all unpaid real estate taxes are turned over to the County of Lehigh Tax Claim Bureau for further collection. The 2021 municipal tax rate for all purposes was 4.15 mils (\$4.15 per \$1,000 of assessed valuation).

**LOWER NAZARETH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

5. Inter-fund Receivables and Payables

Inter-fund receivable and payable balances as of December 31, 2021 are as follows:

	Due From Other Funds	Due to Other Funds
<i><u>Governmental Activities</u></i>		
General Fund	\$ 2,250	\$ -
Capital Reserve Fund	81	-
<i><u>Fiduciary Type Activities</u></i>		
Custodial Funds	-	2,331
	\$ 2,331	\$ 2,331

6. Inter-fund Transfers

Inter-fund transfers during 2021 were as follows:

	Transfers from Other Funds	Transfers to Other Funds
<i><u>Governmental Activities</u></i>		
General Fund	\$ 30	\$ 420,709
Capital Reserve Fund	35,000	-
Capital Reserve Fire Fund	263,209	-
American Rescue Plan Fund	1	-
Highway Reconstruction Fund	100,000	-
Fiscal Stability Fund	122,499	-
<i><u>Business Type Activities</u></i>		
Refuse and Recycling Fund	-	100,000
<i><u>Fiduciary Type Activities</u></i>		
Custodial Funds	-	30
	\$ 520,739	\$ 520,739

**LOWER NAZARETH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

7. Capital Assets

Capital asset activity for the fiscal year ended December 31, 2021, was as follows:

	Balance Jan. 1, 2021	Additions	Retirements	Balance Dec. 31, 2021
Governmental Activities:				
<i>Capital Assets not Being Depreciated:</i>				
Land, Building and Improvements	\$ 4,794,499	\$ 462,800	\$ -	\$ 5,257,299
Vehicles	3,856,497	205,170	-	4,061,667
Machinery and Equipment	1,686,519	134,933	-	1,821,452
Governmental Activities Capital Assets at Historical Cost	<u>\$ 10,337,515</u>	<u>\$ 802,903</u>	<u>\$ -</u>	<u>\$ 11,140,418</u>

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

	Balance Jan. 1, 2021	Additions	Retirements	Balance Dec. 31, 2021
Business-Type Activities:				
<i>Capital Assets Being Depreciated</i>				
Machinery and Equipment	\$ 306,426	\$ 148,680	\$ -	\$ 455,106
Total Capital Assets Being Depreciated	<u>306,426</u>	<u>148,680</u>	<u>-</u>	<u>455,106</u>
Less Accumulated Depreciation	(48,171)	(37,910)	-	(86,081)
Business-Type Capital Assets, Net	<u>\$ 258,255</u>	<u>\$ 110,770</u>	<u>\$ -</u>	<u>\$ 369,025</u>

Depreciation expense for the Refuse and Recycling Fund was \$37,910 in 2021.

**LOWER NAZARETH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

8. Long-Term Debt

Changes in long-term obligations for the year ended December 31, 2021, are as follows:

	Balance Outstanding Jan. 1, 2021	Additions	Reductions	Balance Outstanding Dec. 31, 2021	Amounts Due Within One Year
<i>Governmental Activities:</i>					
5-year Term Installment Loan Payable, fixed interest annual interest rate of 2.63%. Payable in monthly installments, matured August 2021. Secured by public works equipment.	\$ 34,056	\$ -	\$ (34,056)	\$ -	\$ -
5-year Term Installment Loan Payable, fixed interest annual interest rate of 3.58%. Payable in monthly installments, matures April 2022. Secured by public works equipment.	21,135	-	(10,381)	10,754	10,754
5-year Term Installment Loan Payable, fixed interest annual interest rate of 3.77%. Payable in monthly installments, matures August 2022. Secured by public works equipment.	30,737	-	(15,084)	15,653	15,653
5-year Term Installment Loan Payable, fixed interest annual interest rate of 3.69%. Payable in monthly installments, matures April 2023. Secured by public works equipment.	135,289	-	(43,472)	91,817	45,076
5-year Term Installment Loan Payable, fixed interest annual interest rate of 3.15%. Payable in monthly installments, matures July 2025. Secured by public works equipment.	-	109,400	(23,242)	86,158	20,548
	<u>\$ 221,217</u>	<u>\$ 109,400</u>	<u>\$ (126,235)</u>	<u>\$ 204,382</u>	<u>\$ 92,031</u>

**LOWER NAZARETH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

8. Long-Term Debt (Continued)

The annual debt service requirements to maturity for governmental-type general obligation notes and installment loans, including interest are as follows, as of December 31, 2021:

		Principal		Interest
During the year ended December 31,				
2022	\$	92,031	\$	8,681
2023		67,935		5,455
2024		21,864		1,399
2025		22,552		710
Totals	\$	204,382	\$	16,245

9. Defined Benefit Pension Plan

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

Non-Uniform Pension Plan

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

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

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

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

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

**LOWER NAZARETH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

9. Defined Benefit Retirement Plan (Continued)

Non-Uniform Pension Plan (Continued)

Eligibility

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

Retirement Dates

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

Retirement Benefits

- A. Normal Retirement Benefit – Two percent (2%) of average monthly compensation multiplied by years of credited service. The maximum retirement benefit shall not exceed fifty-five (55%) percent of the Average Monthly Compensation.
- B. Early Retirement Benefit – The monthly accrued benefit reduced four (4%) percent for each year early retirement precedes the Normal Retirement Date.
- C. Postponed Retirement Benefit – Shall be calculated in the same manner of the Normal Retirement Benefit.
- D. Disability Retirement Benefit – An immediate benefit equal to the vested accrued benefit earned to the date of disability.

Accrued Benefit

The accrued benefit as of any applicable date shall be equal to the benefit calculated using Credited Service and Average Monthly Compensation to the date of determination.

Vested Benefit

After completing ten (10) years of service, a Participant will be entitled to one hundred percent (100%) vesting in his accrued benefit payable at normal retirement date.

**LOWER NAZARETH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

9. Defined Benefit Retirement Plan (Continued)

Non-Uniform Pension Plan (Continued)

Death Benefit

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

Retirement Benefit Payments

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

Average Monthly Compensation

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

Employee Contribution

There are no Participant contributions.

**LOWER NAZARETH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

9. Defined Benefit Retirement Plan (Continued)

Non-Uniform Pension Plan (Continued)

Plan Membership at December 31, 2021

Inactive Members or Beneficiaries Currently Receiving Benefits	4
Inactive Members Entitled to but not yet Receiving Benefits	1
Active Members	<u>13</u>
Total Members	<u><u>18</u></u>

Net Pension Liability (Asset)

The net pension liability (asset) was measured as of December 31, 2021, and the total pension liability (asset) was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2021.

Discount Rate

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

Changes in Net Pension Liability (Asset)

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

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at December 31, 2020	\$ 3,006,672	\$ 3,317,054	\$ (310,382)
Changes for the year:			
Service Cost	126,680	-	126,680
Interest Cost	234,298	-	234,298
Changes in Benefit Terms	-	-	-
Changes for Experience	(49,122)	-	(49,122)
Changes of Assumptions	94,366	-	94,366
Contributions - Employer	-	43,243	(43,243)
Contributions - State Aid	-	76,757	(76,757)
Net Investment Income	-	407,670	(407,670)
Benefit Payments	(109,257)	(109,257)	-
Administrative Expense	-	-	-
Other Changes	-	-	-
Net Changes	<u>296,965</u>	<u>418,413</u>	<u>(121,448)</u>
Balance at December 31, 2021	<u><u>\$ 3,303,637</u></u>	<u><u>\$ 3,735,467</u></u>	<u><u>\$ (431,830)</u></u>

**LOWER NAZARETH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

9. Defined Benefit Retirement Plan (Continued)

Non-Uniform Pension Plan (Continued)

Net Pension Liability (Asset) Sensitivity

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

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Net Pension Liability (Asset)	\$ (520)	\$ (431,830)	\$ (798,497)

Pension Expense

The following table shows pension expense for the year ended December 31, 2021:

	2021
Service Cost	\$ 126,680
Interest on the Total Pension Liability	234,298
Changes in Benefit Terms	-
Difference between Expected and Actual Experience	(4,170)
Changes of Assumptions	7,884
Member Contributions	-
Projected Earnings on Pension Plan Investments	(246,932)
Difference between Projected and Actual Earnings on Investments	(102,452)
Pension Plan Administrative Expense	-
Other Changes in Fiduciary Net Position	-
Pension Expense	\$ 15,308

**LOWER NAZARETH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

9. Defined Benefit Retirement Plan (Continued)

Non-Uniform Pension Plan (Continued)

Valuation of Investments

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

Investment Policy

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

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation of 2.24%) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation. The plan's investment policy establishes that the portfolio may be invested in the following asset classes with the following target asset allocation and best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2021 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	35.00%	5.72%
Mid Cap	7.00%	6.77%
Small Cap	8.00%	6.77%
International Equity	18.00%	6.55%
Fixed Income	28.00%	2.18%
Real Estate	0.00%	5.41%
Cash	4.00%	-0.33%

Rate of Return

For the year ended December 31, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 12.27 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**LOWER NAZARETH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

10. Defined Contribution Plan

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

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

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

11. Fund Balances

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

	Major Funds			Non-Major Funds		Totals
	General Fund	Traffic Impact Fund	Open Space Fund	Special Revenue Funds	Capital Projects Funds	
Unassigned	\$ 1,626,131	\$ -	\$ -	\$ -	\$ -	\$ 1,626,131
Restricted	-	-	-	50,005	-	50,005
Committed	-	2,058,628	2,318,641	106,198	1,877,424	6,360,891
Assigned	-	-	-	-	-	-
Totals	\$ 1,626,131	\$ 2,058,628	\$ 2,318,641	\$ 156,203	\$ 1,877,424	\$ 8,037,027

**LOWER NAZARETH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

12. Operating Leases

The Township leases various pieces of equipment under multiple long-term lease agreements, expiring August 2025. Expenses incurred under the leases were \$4,691 for 2021. Future minimum lease payments are as follows:

Year ending December 31,				
	2022	\$	4,729	
	2023		4,729	
	2024		4,729	
	2025		3,153	
			3,153	
Total Minimum Lease Payments		\$	17,340	

13. Risk Management and Litigation

Risk Management

The Township is exposed to various risk of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are provided for through insurance from private insurance companies. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred, and the amount of the loss can be reasonably stated. In determining claims, events that might create claims, but for which none have been reported are considered. During the year ended December 31, 2021 and the two previous fiscal years, no settlements exceeded insurance coverage.

Litigation

In the normal course of operations, the Township is involved in various civil disputes. Management and Township solicitor estimate that the amount of actual potential claims against the Township as of December 31, 2021, will not materially affect the financial condition of the Township.

14. Commitments and Contingencies

Federal and State Grants

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

**LOWER NAZARETH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

14. Commitments and Contingencies (Continued)

Compensated Absences

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

Insurance

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

15. Prior Period Restatement

	Fiduciary Funds	
	Defined Contribution Plan	Custodial Fund
Fund Balance - December 31, 2020	\$ 9,767	\$ -
As a result of the adoption of GASB Statement No. 97, the defined benefit plan for employees of the Township no longer meets the definition of a Fiduciary Fund and will not be reported on the Township's financial statements.	(9,767)	-
To record custodial activity	-	1,212,887
Fund Balance - December 31, 2020, As Restated	\$ -	\$ 1,212,887

16. Subsequent Events

Management has considered events subsequent to December 31, 2021 that affect the Township through October 14, 2022, the date the financial statements were available to be issued, and has determined that with the exception of the item noted below, no material subsequent events exist that require disclosure.

The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Township, COVID-19 may impact various parts of its 2022 fiscal year operations and financial results. Management believes the Township is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

SUPPLEMENTARY INFORMATION

**LOWER NAZARETH TOWNSHIP
GENERAL FUND - SCHEDULE OF REVENUES, EXPENDITURES AND OTHER
FINANCING SOURCES (USES) – MODIFIED CASH BASIS - BUDGET COMPARISON
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Actual	Original Budget	Variance Favorable (Unfavorable)
REVENUES RECEIVED			
Taxes	\$ 5,033,734	\$ 4,412,850	\$ 620,884
Licenses and Permits	166,781	142,275	24,506
Fines and Forfeitures	37,448	34,000	3,448
Interest and Rents	72,803	69,500	3,303
Intergovernmental Revenues	152,090	147,000	5,090
Charges for Services	42,168	19,250	22,918
Other Revenues	19,087	18,250	837
Total Revenues Received	<u>5,524,111</u>	<u>4,843,125</u>	<u>680,986</u>
EXPENDITURES PAID			
General Government	578,648	683,975	105,327
Public Safety	2,298,098	2,425,250	127,152
Public Works - Highways and Streets	841,103	797,400	(43,703)
Culture and Recreation	182,330	201,500	19,170
Insurance and Employee Benefits	674,755	735,000	60,245
Total Expenditures Paid	<u>4,574,934</u>	<u>4,843,125</u>	<u>268,191</u>
EXCESS OF REVENUES RECEIVED OVER EXPENDITURES PAID	949,177	-	949,177
Other Financing Sources (Uses)			
Transfers In	30	-	30
Transfers Out	(420,709)	-	(420,709)
Total Other Financing Sources (Uses), Net	<u>(420,679)</u>	<u>-</u>	<u>(420,679)</u>
EXCESS OF REVENUES RECEIVED AND OTHER FINANCING SOURCES OVER EXPENDITURES PAID AND OTHER FINANCING USES	528,498	-	528,498
FUND BALANCE - JANUARY 1, 2021	<u>1,097,633</u>	<u>1,097,633</u>	<u>-</u>
FUND BALANCE - DECEMBER 31, 2021	<u>\$ 1,626,131</u>	<u>\$ 1,097,633</u>	<u>\$ 528,498</u>

See independent auditor's report on supplementary information.

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

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

Year	Actuarially Determined Contributions	Contributions From Employer	Contribution Deficiency/ (Excess)	Covered Payroll	Contributions as a % of Payroll
2012	\$ 97,344	\$ 110,000	\$ (12,656)	\$ 597,080	18.4%
2013	98,255	110,000	(11,745)	604,865	18.2%
2014	92,742	115,000	(22,258)	705,874	16.3%
2015	98,351	115,000	(16,649)	753,406	15.3%
2016	97,312	115,000	(17,688)	849,660	13.5%
2017	90,950	115,000	(24,050)	795,932	14.4%
2018	92,813	115,000	(22,187)	880,730	13.1%
2019	96,114	115,000	(18,886)	914,548	12.6%
2020	120,671	120,672	(1)	1,047,198	11.5%
2021	114,066	120,000	(5,934)	934,332	12.8%

See independent auditor's report on supplementary information.

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

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

	2015	2016	2017	2018	2019	2020	2021
Total Pension Liability							
Service Cost	\$ 88,773	\$ 93,212	\$ 80,647	\$ 84,679	\$ 110,534	\$ 116,061	\$ 126,680
Interest	134,863	151,264	174,905	189,052	196,082	212,855	234,298
Changes of Benefit Terms	-	-	-	-	-	-	-
Changes for Experience	-	-	112,367	-	(122,030)	-	(49,122)
Changes of Assumptions	-	-	7,036	-	-	-	94,366
Benefit Payments, Including Refunds of Member Contributions	(9,402)	(9,402)	(62,788)	(79,133)	(88,503)	(88,503)	(109,257)
Net Change in Total Pension Liability	214,234	235,074	312,167	194,598	96,083	240,413	296,965
Total Pension Liability - Beginning	1,714,103	1,928,337	2,163,411	2,475,578	2,670,176	2,766,259	3,006,672
Total Pension Liability - Ending	\$ 1,928,337	\$ 2,163,411	\$ 2,475,578	\$ 2,670,176	\$ 2,766,259	\$ 3,006,672	\$ 3,303,637
Plan Fiduciary Net Pension							
Contributions - Employer	\$ 64,029	\$ 58,130	\$ 55,353	\$ 49,419	\$ 33,072	\$ 36,967	\$ 43,243
Contributions - State Aid	50,971	56,870	59,647	65,581	81,928	83,705	76,757
Net Investment Income	(18,544)	105,030	291,062	(175,307)	468,339	487,294	407,670
Benefit Payments, Including Refunds of Member Contributions	(9,402)	(9,402)	(62,788)	(79,133)	(88,503)	(88,503)	(109,257)
Administrative Expense	-	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	87,054	210,628	343,284	(139,440)	494,836	519,463	418,413
Plan Net Position - Beginning	1,801,219	1,888,273	2,098,901	2,442,195	2,302,755	2,797,591	3,317,054
Plan Net Position - Ending	\$ 1,888,273	\$ 2,098,901	\$ 2,442,195	\$ 2,302,755	\$ 2,797,591	\$ 3,317,054	\$ 3,735,467
Municipality's Net Pension Liability							
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	\$ 40,064	\$ 64,510	\$ 33,383	\$ 367,421	\$ (31,332)	\$ (310,382)	\$ (431,830)
Covered Employee Payroll	97.9%	97.0%	98.7%	86.2%	101.1%	110.3%	113.1%
Municipality's Net Pension Liability as a Percentage of Total Pension Liability	5.3%	7.6%	4.2%	41.7%	-3.4%	-29.6%	-46.2%

Ultimately, this schedule should present information for the last ten years. However, until the years of information can be compiled, information is presented for as many years as is available.

See independent auditor's report on supplementary information.

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

**LOWER NAZARETH TOWNSHIP
NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES –
NON-UNIFORM PENSION PLAN
DECEMBER 31, 2021**

Actuarial Methods

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

Actuarial Assumptions

1. Economic Assumptions

- a. Investment Return – 7.5% per annum, net of investment expenses.
- b. Salary Increases – 5.0% compounded annually.

2. Demographic Assumptions

- a. Mortality –

Pre-Retirement Mortality: None assumed.

Post-Retirement Mortality: PUBG-2010 Healthy Retiree Mortality
projected 5 years past the valuation date using Scale MP-2020.

Post-Retirement Mortality: PUBG-2010 Contingent Survivor Mortality
projected 5 years past the valuation date using Scale MP-2020.

Post-Retirement Mortality: PUBG-2010 Disabled Mortality projected
5 years past the valuation date using Scale MP-2020.

- b. Termination – None assumed.
- c. Disability – None assumed.
- d. Retirement Age – Normal retirement age, or age on valuation date if greater
- e. Form of Annuity – Straight Life

See independent auditor's report on supplementary information.

**LOWER NAZARETH TOWNSHIP
 COMBINING BALANCE SHEET – MODIFIED CASH BASIS –
 NON-MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2021**

	Host Fee Fund	State Liquid Fuels Fund	Total
ASSETS			
Cash and Cash Equivalents	\$ 106,198	\$ 50,005	\$ 156,203
Other Investments	-	-	-
Total Assets	<u>\$ 106,198</u>	<u>\$ 50,005</u>	<u>\$ 156,203</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to Other Funds	\$ -	\$ -	\$ -
Total Liabilities	-	-	-
Fund Balance			
Restricted	-	50,005	50,005
Committed	106,198	-	106,198
Total Liabilities and Fund Balances	<u>\$ 106,198</u>	<u>\$ 50,005</u>	<u>\$ 156,203</u>

See independent auditor's report on supplementary information.

**LOWER NAZARETH TOWNSHIP
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES – MODIFIED CASH BASIS –
 NON-MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2021**

	Host Fee Fund	State Liquid Fuels Fund	Total
REVENUES RECEIVED			
Intergovernmental Revenues	\$ -	\$ 254,645	\$ 254,645
Charges for Services	-	-	-
Sale of Fixed Assets	-	-	-
Interest	12	23	35
Total Revenues Received	<u>12</u>	<u>254,668</u>	<u>254,680</u>
EXPENDITURES PAID			
General Government	-	-	-
Public Works - Highways and Streets	-	290,896	290,896
Total Expenditures Paid	<u>-</u>	<u>290,896</u>	<u>290,896</u>
EXCESS (DEFICIT) OF REVENUES RECEIVED OVER (UNDER) EXPENDITURES PAID	<u>12</u>	<u>(36,228)</u>	<u>(36,216)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses), Net	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIT) OF REVENUES RECEIVED AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES PAID AND OTHER FINANCING USES	12	(36,228)	(36,216)
Fund Balances - January 1, 2021	<u>106,186</u>	<u>86,233</u>	<u>192,419</u>
Fund Balances - December 31, 2021	<u>\$ 106,198</u>	<u>\$ 50,005</u>	<u>\$ 156,203</u>

See independent auditor's report on supplementary information.

**LOWER NAZARETH TOWNSHIP
COMBINING BALANCE SHEET – MODIFIED CASH BASIS –
NON-MAJOR CAPITAL PROJECT FUNDS
DECEMBER 31, 2021**

	Palmer Sewer Fund	Nazareth Sewer Fund	Capital Sewer Fund	Capital Reserve Fund	Capital Reserve Fund	Capital Reserve Fire Fund	American Rescue Plan Fund	Highway Reconstruction Fund	Equipment Replacement Fund	Fiscal Stability Fund	Total
ASSETS											
Cash and Cash Equivalents	\$ 173,658	\$ 49,951	\$ 13,808	\$ 160,463	\$ 234,735	\$ 344,955	\$ 428,160	\$ 116,241	\$ 93,848	\$ 1,615,839	
Other Investments	-	-	-	-	-	-	-	-	-	261,504	
Due to/from Other Funds	-	-	-	81	-	-	-	-	-	-	81
Total Assets	\$ 173,658	\$ 49,951	\$ 13,808	\$ 160,564	\$ 234,735	\$ 344,955	\$ 428,160	\$ 116,241	\$ 355,352	\$ 1,877,424	
LIABILITIES AND FUND BALANCES											
LIABILITIES											
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Fund Balance Committed	173,658	49,951	13,808	160,564	234,735	344,955	428,160	116,241	355,352	1,877,424	
Total Fund Balance	173,658	49,951	13,808	160,564	234,735	344,955	428,160	116,241	355,352	1,877,424	
Total Liabilities and Fund Balances	\$ 173,658	\$ 49,951	\$ 13,808	\$ 160,564	\$ 234,735	\$ 344,955	\$ 428,160	\$ 116,241	\$ 355,352	\$ 1,877,424	

See independent auditor's report on supplementary information.

**LOWER NAZARETH TOWNSHIP
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – MODIFIED CASH BASIS –
NON-MAJOR CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Palmer Sewer Fund	Nazareth Sewer Fund	Capital Sewer Fund	Capital Reserve Fund	Capital Reserve Fire Fund	American Rescue Plan Fund	Highway Reconstruction Fund	Equipment Replacement Fund	Fiscal Stability Fund	Total
REVENUES RECEIVED										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	31,700	-	344,937	-	-	-	376,637
Charges for Services	-	8,063	2,500	-	-	-	-	-	-	10,563
Interest	62	15	3	24	42	17	188	125	273	749
Total Revenues Received	62	8,078	2,503	31,724	42	344,954	188	125	273	387,949
EXPENDITURES PAID										
General Government	-	20	-	42,954	-	-	-	-	-	42,974
Public Safety	-	-	-	-	364,864	-	-	-	-	364,864
Public Works - Highways and Streets	-	-	5,272	58,961	-	-	169,384	365,104	-	598,721
Culture and Recreation	-	-	-	622	-	-	-	-	-	622
Total Expenditures Paid	-	20	5,272	102,537	364,864	-	169,384	365,104	-	1,007,181
EXCESS (DEFICIT) OF REVENUES RECEIVED OVER (UNDER) EXPENDITURES PAID	62	8,058	(2,769)	(70,813)	(364,822)	344,954	(169,196)	(364,979)	273	(364,706)
OTHER FINANCING SOURCES (USES)										
Transfers In	-	-	-	35,000	263,209	1	100,000	122,499	-	520,709
Transfers Out	-	-	-	-	-	-	-	-	-	-
Total Other Financing Uses - Net	-	-	-	35,000	263,209	1	100,000	122,499	-	122,499
EXCESS (DEFICIT) OF REVENUES RECEIVED AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES PAID AND OTHER FINANCING USES	62	8,058	(2,769)	(35,813)	(101,613)	344,955	(69,196)	(242,480)	273	(98,523)
Fund Balances - January 1, 2021	173,596	41,893	16,577	196,377	336,348	-	497,956	358,721	355,079	1,975,947
Fund Balances - December 31, 2021	\$ 173,658	\$ 49,951	\$ 13,808	\$ 160,564	\$ 234,735	\$ 344,955	\$ 428,160	\$ 116,241	\$ 355,352	\$ 1,877,424

See independent auditor's report on supplementary information.

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

Members of the Township Supervisors
Lower Nazareth Township
Nazareth, PA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Lower Nazareth Township, which comprise the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of December 31, 2021, and the related notes to the financial statements, which collectively comprise Lower Nazareth Township's basic financial statements, and have issued our report thereon dated October 14, 2022.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

Report on Compliance and Other Matters

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

Campbell, Rappold & Yurawitz LLP

October 14, 2022