

PALMER TOWNSHIP
BASIC FINANCIAL STATEMENTS
AND AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2021

PALMER AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
40 SOUTH FOURTH STREET
EASTON, PA 18042

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PALMER AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
40 SOUTH FOURTH STREET
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June 9, 2022

Board of Supervisors
Township of Palmer
Palmer, Pennsylvania 18045

Report on the Audit of the Financial Statements

Opinions

We have audited the cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Palmer, 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 accompanying financial statements 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 the Township of Palmer as of December 31, 2021, and the respective changes in financial position - cash basis, thereof for the year then ended in accordance with the cash basis of accounting described in Note 1.

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 the Township of Palmer 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.

Board of Supervisors
Township of Palmer
Palmer, Pennsylvania 18045

Emphasis of Matter - 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.

Responsibilities of Management for the Financial Statements

The Township of Palmer's 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, and for 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.

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 opinions. 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 the Township of Palmer'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 the Township of Palmer's ability to continue as a going concern for a reasonable period of time.

Board of Supervisors
Township of Palmer
Palmer, Pennsylvania 18045

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 Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the Schedule of Changes in the Net Position Liability, annual required contributions, and notes to supplementary schedules on pages 43 through 47 and the combining and individual fund financial statement on pages 48 and 49 ("the supplementary information") but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

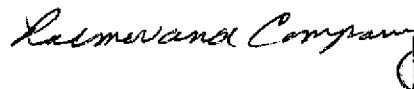
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2022 on our consideration of the Township of Palmer's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the Township's internal control over financial reporting and compliance.

Required Supplementary Information

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

June 9, 2022
Easton, Pennsylvania



TOWNSHIP OF PALMER
STATEMENT OF NET POSITION - CASH BASIS
DECEMBER 31, 2021

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<u>Assets</u>			
Cash and Cash Equivalents	\$ 11,245,973	\$ 4,727,497	\$ 15,973,470
Investments	998,553	-	998,553
Other Commitments	<u>(22,797)</u>	<u>-</u>	<u>(22,797)</u>
Total Assets	<u>\$ 12,221,729</u>	<u>\$ 4,727,497</u>	<u>\$ 16,949,226</u>
<u>Net Position</u>			
Net Position -			
Restricted Resources	\$ 6,974,942	\$ -	\$ 6,974,942
Unrestricted	<u>5,246,787</u>	<u>4,727,497</u>	<u>9,974,284</u>
Total Net Position	<u>\$ 12,221,729</u>	<u>\$ 4,727,497</u>	<u>\$ 16,949,226</u>

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

TOWNSHIP OF PALMER
STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position		
	Cash Disbursements	Charges for Service	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
General Government	\$ (2,603,011)	\$ 543,721	\$ 22,157	\$ (2,037,133)	\$	\$ (2,037,133)
Public Safety	(7,534,183)	379,368	139,914	(7,014,901)		(7,014,901)
Public Works - Highways and Roads	(6,856,719)	38,883	656,660	(6,161,176)		(6,161,176)
Recreation	(2,055,296)	20,600	-	(2,034,696)		(2,034,696)
Debt Service	(3,058,744)	-	-	(3,058,744)		(3,058,744)
Health and Human Services	(435)	-	-	(435)		(435)
Pension, Liability Insurance, Other	(613,499)	-	522,903	(90,596)		(90,596)
Total Governmental Activities	\$ (22,721,887)	\$ 982,572	\$ 1,341,634	\$ (20,397,681)	\$	\$ (20,397,681)
Business-Type Activities:						
Solid Waste Collection	\$ (1,955,530)	\$ 2,331,358	\$ -	\$ 375,828	\$	\$ 375,828
Sewer System	(3,380,637)	3,662,038	-	281,401		281,401
Swimming Pool	(224,367)	135,969	-	(88,398)		(88,398)
Community Center	(317,606)	271,705	-	(45,901)		(45,901)
Total Business-Type Activities	\$ (5,878,140)	\$ 6,401,070	\$ -	\$ 522,930	\$	\$ 522,930
Total Primary Government	\$ (28,600,027)	\$ 7,383,642	\$ 1,341,634	\$ (19,874,751)	\$	\$ (19,874,751)
General Receipts:						
Property Taxes for General, Debt Service, Recreational, Equipment and Fire Purposes				\$ 5,954,671	\$ -	\$ 5,954,671
Other Taxes levied for General Purposes				7,176,857	-	7,176,857
Interest and Rents				82,664	920	83,584
Internal Transfers				1,096,511	(1,096,511)	-
Sales of Fixed Assets				61,777	-	61,777
Proceeds from Extended Term Financing				668,283	-	668,283
Refunds of Prior Year net Expenditures				206,076	147,861	353,937
Miscellaneous and Project Receipts				415,204	507,480	922,684
Shared State Aid and Grants				1,121,112	505,521	1,626,633
Capital Costs				-	(506,788)	(506,788)
Total General Receipts				\$ 16,783,155	\$ (441,517)	\$ 16,341,638
Changes in Net Position				\$ (3,614,526)	\$ 81,413	\$ (3,533,113)
Net Position - Beginning of Year				15,836,255	4,646,084	20,482,339
Net Position - End of Year				\$ 12,221,729	\$ 4,727,497	\$ 16,949,226

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

TOWNSHIP OF PALMER
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2021

	General Fund	Debt Service Fund	Recreation Funds	Capital Project Funds	Fire Fund	American Rescue Plan Fund	Other Non-Major Funds	Total Governmental Funds
Cash Basis Assets - End of Year								
Cash and Cash Equivalents	\$ 2,017,150	\$ 359,412	\$ 961,212	\$ 6,556,585	\$ -	\$ 1,121,766	\$ 229,848	\$ 11,245,973
Investments	-	-	143,258	855,295	-	-	-	998,553
Other Commitments	(16,388)	-	-	-	(6,409)	-	-	(22,797)
Total Net Assets	\$ 2,000,762	\$ 359,412	\$ 1,104,470	\$ 7,411,880	\$ (6,409)	\$ 1,121,766	\$ 229,848	\$ 12,221,729
Cash Basis Fund Balances - End of Year								
Restricted	\$ -	\$ -	\$ -	\$ 5,263,916	\$ -	\$ 1,121,766	\$ 229,848	\$ 6,615,530
Committed	346,381	359,412	1,104,470	2,147,964	(6,409)	-	-	3,951,818
Unassigned	1,654,381	-	-	-	-	-	-	1,654,381
Total Cash Basis Fund Balances	\$ 2,000,762	\$ 359,412	\$ 1,104,470	\$ 7,411,880	\$ (6,409)	\$ 1,121,766	\$ 229,848	\$ 12,221,729

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

TOWNSHIP OF PALMER
STATEMENT OF RECEIPTS AND DISBURSEMENTS AND CHANGES IN CASH FUND BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2021

	General		Debt		Recreation		Fire		Capital Project		Other		American		Total	
	Fund	Fund	Service	Fund	Funds	Fund	Fund	Fund	Funds	Fund	Funds	Fund	Fund	Fund	Funds	Funds
<u>Receipts</u>																
Taxes	\$ 9,268,451	\$ 1,564,969	\$ 1,663,661	\$ 458,212	\$ 176,235	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,131,528	\$ -
Licenses and Permits	490,873	-	-	-	-	-	-	-	-	-	-	-	-	-	490,873	-
Fines and Forfeits	31,538	-	-	-	-	-	-	-	-	-	-	-	-	-	31,538	-
Interest and Rents	49,939	29	473	12	31,509	148	554	554	554	554	554	554	554	554	82,664	554
Intergovernmental Receipts	487,493	-	52,770	144,711	-	656,660	1,121,112	1,121,112	-	-	-	-	-	-	2,462,746	-
Charges for Services	420,786	-	20,600	18,775	-	-	-	-	-	-	-	-	-	-	460,161	-
Miscellaneous and Project Receipts	41,134	-	338,970	-	35,000	-	-	-	-	-	-	-	-	-	415,204	-
Total Receipts	\$ 10,790,214	\$ 1,564,998	\$ 2,076,474	\$ 621,710	\$ 242,744	\$ 656,808	\$ 1,121,766	\$ 1,121,766	\$ 242,744	\$ 656,808	\$ 1,121,766	\$ 1,121,766	\$ 1,121,766	\$ 1,121,766	\$ 17,074,714	\$ 1,121,766
<u>Disbursements</u>																
General Government	\$ 2,091,404	\$ 30,646	\$ 32,604	\$ 8,980	\$ 439,377	\$ -	\$ -	\$ -	\$ 439,377	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,603,011	\$ -
Public Safety	6,218,242	-	-	633,035	672,412	10,494	-	-	672,412	10,494	-	-	-	-	7,534,183	-
Public Works - Highways and Roads	2,013,524	-	-	-	3,595,399	1,247,796	-	-	3,595,399	1,247,796	-	-	-	-	6,856,719	-
Health and Human Services	435	-	-	-	-	-	-	-	-	-	-	-	-	-	435	-
Recreation-Culture	40,146	-	1,749,111	-	266,039	-	-	-	266,039	-	-	-	-	-	2,055,296	-
Debt Service	-	3,058,744	-	-	-	-	-	-	-	-	-	-	-	-	3,058,744	-
Pension, Liability Insurance, Other	613,499	-	-	-	-	-	-	-	-	-	-	-	-	-	613,499	-
Total Disbursements	\$ 10,977,250	\$ 3,089,390	\$ 1,781,715	\$ 642,015	\$ 4,973,227	\$ 1,258,290	\$ -	\$ -	\$ 4,973,227	\$ 1,258,290	\$ -	\$ -	\$ -	\$ -	\$ 22,721,887	\$ -
Excess (Deficiency) of Receipts Over Disbursements	\$ (187,036)	\$ (1,524,392)	\$ 294,759	\$ (20,305)	\$ (4,730,483)	\$ (601,482)	\$ -	\$ -	\$ (4,730,483)	\$ (601,482)	\$ -	\$ -	\$ -	\$ -	\$ (5,647,173)	\$ -
<u>Other Financing Sources (Uses)</u>																
Fund Transfers - In	\$ 374,381	\$ 1,871,763	\$ 35,000	\$ 50,000	\$ 277,000	\$ -	\$ -	\$ -	\$ 277,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,608,144	\$ -
Fund Transfers - (Out)	(825,813)	-	(353,125)	(44,395)	(288,300)	-	-	-	(288,300)	-	-	-	-	-	(1,511,633)	-
Proceeds from Disposal of Fixed Assets	16,777	-	-	-	45,000	-	-	-	45,000	-	-	-	-	-	61,777	-
Proceeds from Extended Term Financing	298,507	-	369,776	-	-	-	-	-	-	-	-	-	-	-	668,283	-
Refund of Insurance and Prior Year Expenditures	206,076	-	-	-	-	-	-	-	-	-	-	-	-	-	206,076	-
Total Other Financing Sources (Uses)	\$ 69,928	\$ 1,871,763	\$ 51,651	\$ 5,605	\$ 33,700	\$ -	\$ -	\$ -	\$ 33,700	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,032,647	\$ -
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing (Uses)	\$ (117,108)	\$ 347,371	\$ 346,410	\$ (14,700)	\$ (4,696,783)	\$ (601,482)	\$ 1,121,766	\$ 1,121,766	\$ (4,696,783)	\$ (601,482)	\$ 1,121,766	\$ 1,121,766	\$ 1,121,766	\$ 1,121,766	\$ (3,614,526)	\$ 1,121,766
Cash Basis Fund Balances - Beginning	2,117,870	12,041	758,060	8,291	12,108,663	831,330	-	-	12,108,663	831,330	-	-	-	-	15,836,255	-
Cash Basis Fund Balances - Ending	\$ 2,000,762	\$ 359,412	\$ 1,104,470	\$ (6,409)	\$ 7,411,880	\$ 229,848	\$ -	\$ -	\$ 7,411,880	\$ 229,848	\$ -	\$ -	\$ -	\$ -	\$ 12,221,729	\$ -

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

TOWNSHIP OF PALMER
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND NET POSITION - CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2021

	Community Swimming Pool Fund	Charles Chrin Center Fund	Sewer Revenue Fund	Sewer Reserve Fund	Solid Waste and Recycling Fund	Total
<u>Operating Receipts</u>						
Charges for Services:						
Recreation	\$ 135,969	\$ 271,705	\$ -	\$ -	\$ -	\$ 407,674
Wastewater	-	-	3,662,038	-	-	3,662,038
Solid Waste	-	-	-	-	2,331,358	2,331,358
Total Operating Receipts	\$ 135,969	\$ 271,705	\$ 3,662,038	\$ -	\$ 2,331,358	\$ 6,401,070
<u>Operating Disbursements</u>						
Costs of Sales and Services:						
Recreation Participant and Administration	\$ 224,367	\$ 317,606	\$ -	\$ -	\$ -	\$ 541,973
Wastewater Collection	-	-	3,380,637	-	-	3,380,637
Solid Waste Disposal	-	-	-	-	1,782,807	1,782,807
Weed Control	-	-	-	-	172,723	172,723
Total Operating Disbursements	\$ 224,367	\$ 317,606	\$ 3,380,637	\$ -	\$ 1,955,530	\$ 5,878,140
Operating Income (Loss)	\$ (88,398)	\$ (45,901)	\$ 281,401	\$ -	\$ 375,828	\$ 522,930
<u>Nonoperating Receipts and (Disbursements):</u>						
Interest Income	\$ 4	\$ 8	\$ 150	\$ 691	\$ 67	\$ 920
Pension State Aid	-	9,594	38,378	-	-	47,972
Tapping Fees and Other	-	-	-	507,480	-	507,480
Recycling Grant	-	-	-	-	457,549	457,549
Sewer Capital Costs	-	-	-	(506,788)	-	(506,788)
Refund Prior Year Expenditures	-	-	147,861	-	-	147,861
Total Nonoperating Receipts, (Disbursements)	\$ 4	\$ 9,602	\$ 186,389	\$ 1,383	\$ 457,616	\$ 654,994
Income (Loss) before Contributions and Transfers	\$ (88,394)	\$ (36,299)	\$ 467,790	\$ 1,383	\$ 833,444	\$ 1,177,924
Fund Transfers:						
Transfers In	80,000	140,000	46,992	68,813	-	335,805
Transfers (Out)	-	(80,000)	(620,000)	(310,943)	(421,373)	(1,432,316)
Changes in Net Position	\$ (8,394)	\$ 23,701	\$ (105,218)	\$ (240,747)	\$ 412,071	\$ 81,413
Total Net Position Beginning	6,808	20,375	2,399,959	2,044,614	174,328	4,646,084
Total Net Position Ending	\$ (1,586)	\$ 44,076	\$ 2,294,741	\$ 1,803,867	\$ 586,399	\$ 4,727,497

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

TOWNSHIP OF PALMER
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2021

	Pension Fund Other Employee Benefit Trust Funds	Custodial Funds Development Funds
<u>Assets</u>		
Cash and Cash Equivalents	\$ 1,641,557	\$ 6,616,773
Investments -		
U.S. Governments and Agency Funds	1,795,283	-
State and Local Obligations	1,788,521	-
Corporate Bonds	1,407,327	-
Common Stocks	14,310,112	-
Exchange Traded and Closed End Funds	6,719,927	-
Open Ended Mutual Funds	699,617	-
Total Assets	<u>\$ 28,362,344</u>	<u>\$ 6,616,773</u>
<u>Liabilities</u>		
Accounts Payable	\$ -	\$ -
Due to Local Governments	-	-
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>
<u>Net Position</u>		
Restricted for:		
Pensions	\$ 25,701,247	\$ -
Postemployment Benefits Other than Pensions	2,661,097	-
Individuals and Organizations	-	6,616,773
Total Net Position	<u>\$ 28,362,344</u>	<u>\$ 6,616,773</u>

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

TOWNSHIP OF PALMER
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Pension Fund Other Employee Benefit Trust Funds	Custodial Funds Development Funds
<u>Additions</u>		
Contributions:		
Employer	\$ 975,857	\$ -
Plan Members	178,085.00	-
Private Contributions	-	6,795,418
Total Contributions	<u>1,153,942</u>	<u>6,795,418</u>
Interest Earnings:		
Interest and Dividends	\$ 463,440	\$ 602
Realized Gains	2,156,206	-
Net Increase (Decrease) in fair value of Investments	<u>517,966</u>	<u>-</u>
Total Investment Earnings	<u>3,137,612</u>	<u>602</u>
Less Investment Expense - Custodial Management Fees	<u>(203,731)</u>	<u>-</u>
Net Investment Earnings	<u>\$ 2,933,881</u>	<u>\$ 602</u>
Total Additions	<u>\$ 4,087,823</u>	<u>\$ 6,796,020</u>
<u>Deductions</u>		
Benefits Paid to Participants or Beneficiaries	\$ 1,148,297	\$ -
Administrative Actuarial and Benefit Processing	17,425	1,217,428
Refunds to Contributors	-	319,730
Total Deductions	<u>\$ 1,165,722</u>	<u>\$ 1,537,158</u>
Net increase in Fiduciary Net Position	\$ 2,922,101	\$ 5,258,862
Net Position - Beginning	<u>25,440,243</u>	<u>1,357,911</u>
Net Position - Ending	<u>\$ 28,362,344</u>	<u>\$ 6,616,773</u>

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

PALMER TOWNSHIP
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

<u>RECEIPTS</u>	<u>Original/Final Budget</u>	<u>Actual Receipts</u>	<u>Variance with Final Budget Positive/(Negative)</u>
<u>Taxes</u>			
Real Estate	\$ 2,146,598	\$ 2,091,594	\$ (55,004)
Real Estate Transfer	787,000	1,210,893	423,893
Earned Income	3,437,094	3,929,017	491,923
Local Service	515,926	606,986	91,060
Business Privilege	<u>1,554,783</u>	<u>1,429,961</u>	<u>(124,822)</u>
Total Taxes	\$ 8,441,401	\$ 9,268,451	\$ 827,050
<u>Licenses and Permits</u>			
All Other Licenses and Permits	\$ 154,055	\$ 129,986	\$ (24,069)
Cable Television Franchise	<u>383,155</u>	<u>360,887</u>	<u>(22,268)</u>
Total Licenses and Permits	\$ 537,210	\$ 490,873	\$ (46,337)
<u>Fines and Forfeits</u>	\$ 38,000	\$ 31,538	\$ (6,462)
<u>Interest and Rents</u>			
Interest Earnings	\$ 7,900	\$ 2,821	\$ (5,079)
Building Rental	<u>44,391</u>	<u>47,118</u>	<u>2,727</u>
Total Interest and Rents	\$ 52,291	\$ 49,939	\$ (2,352)
<u>Intergovernmental</u>			
Federal and State Grants	\$ 1,000	\$ 824	\$ (176)
Public Utility Tax	12,223	12,213	(10)
Liquor Licenses	5,400	-	(5,400)
Pension State Aid	436,252	465,336	29,084
Other Shared	<u>5,214</u>	<u>9,120</u>	<u>3,906</u>
Total Intergovernmental	\$ 460,089	\$ 487,493	\$ 27,404
<u>Charges for Services:</u>			
General Government	\$ 31,050	\$ 52,848	\$ 21,798
Public Safety	229,384	360,593	131,209
Highways and Streets	<u>16,530</u>	<u>7,345</u>	<u>(9,185)</u>
Total Charges for Services	\$ 276,964	\$ 420,786	\$ 143,822
<u>Miscellaneous</u>	\$ 36,227	\$ 41,134	\$ 4,907
Total Receipts	\$ 9,842,182	\$ 10,790,214	\$ 948,032

PALMER TOWNSHIP
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
BUDGET AND ACTUAL (Cont'd)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

<u>DISBURSEMENTS</u>	Original/Final Budget	Actual Disbursements	Variance with Final Budget Positive/(Negative)
<u>General Government</u>			
Legislative and Executive	\$ 1,069,346	\$ 934,651	\$ 134,695
Financial/Tax Collection	149,329	162,669	(13,340)
Solicitor/Legal	175,000	102,930	72,070
Information Technology	131,680	132,535	(855)
Engineering Services	222,000	248,613	(26,613)
Buildings and Grounds	407,245	510,006	(102,761)
Total General Government	\$ 2,154,600	\$ 2,091,404	\$ 63,196
<u>Public Safety</u>			
Police	\$ 5,987,254	\$ 5,709,537	\$ 277,717
Code Enforcement	225,260	214,145	11,115
Planning and Zoning	297,502	294,560	2,942
Total Public Safety	\$ 6,510,016	\$ 6,218,242	\$ 291,774
<u>Health and Human Services</u>			
Animal Control	\$ -	\$ 435	\$ (435)
<u>Public Works - Highways</u>			
General Services	\$ 1,982,352	\$ 1,611,906	\$ 370,446
Tools and Machinery	-	298,507	(298,507)
Snow and Ice Removal	66,600	11,387	55,213
Traffic Signals and Signs	129,000	87,279	41,721
Street Lighting	29,400	4,445	24,955
Total Public Works - Highways	\$ 2,207,352	\$ 2,013,524	\$ 193,828

PALMER TOWNSHIP
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
BUDGET AND ACTUAL (Cont'd)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	Original/Final Budget	Actual Disbursements/ Other Financing Sources (Uses)	Variance with Final Budget Positive/(Negative)
<u>Culture - Recreation</u>			
Library	\$ 33,100	\$ 26,896	\$ 6,204
Community Development	13,250	13,250	-
	<u>\$ 46,350</u>	<u>\$ 40,146</u>	<u>\$ 6,204</u>
<u>Miscellaneous</u>			
Insurance Premiums - Liability, Pension Contribution, Judgements	\$ 611,873	\$ 613,499	\$ (1,626)
Total Disbursements	<u>\$ 11,530,191</u>	<u>\$ 10,977,250</u>	<u>\$ 552,941</u>
Excess (Deficiency) of Receipts over Disbursements	<u>\$ (1,688,009)</u>	<u>\$ (187,036)</u>	<u>\$ 1,500,973</u>
<u>Other Financing Sources (Uses)</u>			
Fund Transfers - In	\$ 1,430,001	\$ 374,381	\$ (1,055,620)
Fund Transfers - (Out)	(1,183,114)	(825,813)	357,301
Sale of Fixed Assets	1,000	16,777	15,777
Refund of Insurance and Prior Year Expenditures	108,000	206,076	98,076
Proceed From Extended Term Financing	-	298,507	298,507
Total - Other Financing Sources (Uses)	<u>\$ 355,887</u>	<u>\$ 69,928</u>	<u>\$ (285,959)</u>
Net Change in Fund Balance	\$ (1,332,122)	\$ (117,108)	\$ 1,215,014
Fund Balances - Beginning	<u>2,117,870</u>	<u>2,117,870</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 785,748</u>	<u>\$ 2,000,762</u>	<u>\$ 1,215,014</u>

PALMER TOWNSHIP
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
BUDGET AND ACTUAL
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive/(Negative)</u>
<u>Receipts</u>			
<u>Taxes</u>			
Real Estate	\$ 1,617,291	\$ 1,564,969	\$ (52,322)
<u>Interest and Rents</u>			
Interest Earnings	\$ 700	\$ 29	\$ (671)
Total Receipts	\$ 1,617,991	\$ 1,564,998	\$ (52,993)
<u>Disbursements</u>			
<u>General Government</u>			
Tax Collection	\$ 34,647	\$ 30,646	\$ 4,001
<u>Debt Service</u>			
Debt Service Principal	\$ 2,019,675	\$ 2,018,753	\$ 922
Debt Service Interest	1,042,376	1,039,991	2,385
Total Debt Service	3,062,051	3,058,744	3,307
Total Disbursements	\$ 3,096,698	\$ 3,089,390	\$ 7,308
Excess of Receipts over Disbursements	\$ (1,478,707)	\$ (1,524,392)	\$ (45,685)
<u>Other Financing Sources (Uses)</u>			
Transfers In	\$ 1,871,763	\$ 1,871,763	\$ -
Net Change in Fund Balance	\$ 393,056	\$ 347,371	\$ (45,685)
Fund Balances - Beginning	12,041	12,041	-
Fund Balances - Ending	\$ 405,097	\$ 359,412	\$ (45,685)

PALMER TOWNSHIP
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
BUDGET AND ACTUAL
RECREATION FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Original/Final Budget	Actual	Variance with Final Budget Positive/(Negative)
<u>Receipts</u>			
<u>Taxes</u>			
Real Estate	\$ 1,718,633	\$ 1,663,661	\$ (54,972)
<u>Interest and Rents</u>			
Interest Earnings	\$ 4,550	\$ 473	\$ (4,077)
<u>Contributions</u>			
Private Sources	\$ 270,000	\$ 338,970	\$ 68,970
<u>Intergovernmental</u>			
Pension State Aid	\$ 56,624	\$ 52,770	\$ (3,854)
State and Local Grants	106,570	-	(106,570)
	\$ 163,194	\$ 52,770	\$ (110,424)
<u>Charges for Services</u>			
Parks	\$ 10,000	\$ 20,600	\$ 10,600
Total Receipts	\$ 2,166,377	\$ 2,076,474	\$ (89,903)
<u>Disbursements</u>			
<u>General Government</u>			
Tax Collection	\$ 36,832	\$ 32,604	\$ 4,228
Total General Government	\$ 36,832	\$ 32,604	\$ 4,228
<u>Recreation</u>			
Recreation Administration	\$ 273,889	\$ 195,254	\$ 78,635
Participant Recreation	73,660	68,594	5,066
Park Maintenance	1,261,606	975,587	286,019
Park Improvements	66,100	139,900	(73,800)
Total Recreation	\$ 1,675,255	\$ 1,379,335	\$ 295,920
Total Disbursements	\$ 1,712,087	\$ 1,411,939	\$ 300,148
Excess (Deficiency) of Receipts over Disbursements	\$ 454,290	\$ 664,535	\$ 210,245
<u>Other Financing Sources (Uses)</u>			
Transfers In	246,755	35,000	211,755
Transfers Out	(468,027)	(353,125)	(114,902)
Proceeds From Extended Term Financing	-	369,776	(369,776)
Capital Purchases From Extended Term Financing	-	(369,776)	369,776
Total Other Financing Sources (Uses)	\$ (221,272)	\$ (318,125)	\$ 96,853
 Net Changes in Fund Balance	 \$ 233,018	 \$ 346,410	 \$ 113,392
Fund Balances - Beginning	758,060	758,060	-
Fund Balances - Ending	\$ 991,078	\$ 1,104,470	\$ 113,392

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

PALMER TOWNSHIP
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
BUDGET AND ACTUAL
FIRE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	Original/Final Budget	Actual	Variance with Final Budget Positive/(Negative)
<u>Receipts</u>			
<u>Taxes</u>			
Real Estate	\$ 473,352	\$ 458,212	\$ (15,140)
<u>Interest and Rents</u>			
Interest Earnings	\$ 294	\$ 12	\$ (282)
<u>Intergovernmental</u>			
Foreign Fire Insurance	\$ 140,643	\$ 124,914	\$ (15,729)
Pension State Aid	4,924	4,797	(127)
State and Federal Grants	14,248	15,000	752
	<u>\$ 159,815</u>	<u>\$ 144,711</u>	<u>\$ (15,104)</u>
<u>Charges for Services</u>			
Public Safety	\$ 10,100	\$ 18,775	\$ 8,675
Total Receipts	<u>\$ 643,561</u>	<u>\$ 621,710</u>	<u>\$ (21,851)</u>
<u>Disbursements</u>			
<u>General Government</u>			
Tax Collection	\$ 10,145	\$ 8,980	\$ 1,165
<u>Public Safety</u>			
Fire Protection	\$ 614,798	\$ 633,035	\$ (18,237)
Total Disbursements	<u>\$ 624,943</u>	<u>\$ 642,015</u>	<u>\$ (17,072)</u>
Excess (Deficiency) of Receipts over Disbursements	<u>\$ 18,618</u>	<u>\$ (20,305)</u>	<u>\$ (38,923)</u>
<u>Other Financing Sources (Uses)</u>			
Fund Transfers (Out)	\$ (44,395)	\$ (44,395)	\$ -
Fund Transfers In	<u>71,501</u>	<u>50,000</u>	<u>(21,501)</u>
Net Changes in Fund Balance	<u>\$ 45,724</u>	<u>\$ (14,700)</u>	<u>\$ (60,424)</u>
Fund Balances - Beginning	<u>8,291</u>	<u>8,291</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 54,015</u>	<u>\$ (6,409)</u>	<u>\$ (60,424)</u>

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

TOWNSHIP OF PALMER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Palmer Township is a primary governmental entity whose operational procedures are defined by the Second Class Township Code of the Commonwealth of Pennsylvania enacted May 1, 1933, and since amended. Palmer Township is a township in Northampton County, Pennsylvania, United States. Palmer Township is located in the Lehigh Valley region of the state. The Township functions as a separate legal entity, is governed by a Board of Supervisors chosen in a general election, and is considered to be fiscally independent.

It is the municipality's accounting policy to maintain its recorded as a "cash basis." Therefore, certain revenues and related assets are recognized when received rather than when earned and certain expenses when paid rather than when a liability is incurred. This policy is a departure from generally accepted accounting principles as applicable to governmental units.

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 discussed below:

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the Township are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Township. For Palmer Township, this includes general operations, public safety, highways, public works and recreational activities of the Township.

Palmer Township is a municipal Corporation governed by an elected five member board. As required by generally accepted accounting principles, these financial statements are to present Palmer Township (the primary government) and organizations for which the primary government is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Township is obligated for the debt of the organization. Component units may also include organizations that are financially dependent on the Township in that the Township approves the budget, the issuance of debt, or the levying of taxes. The Township is considered to be an independent reporting entity and has no component units.

Joint Ventures

Easton Area Joint Sewer Authority

The Township is a participating member of the Easton Area Joint Sewer Authority (EAJSA). The EAJSA is run by a governing joint board consisting of twelve members from participating municipalities. The EAJSA joint board approves an annual operating budget and each participating municipality pays a pro-rated share of operating costs based upon proportional water flow amounts into the sewer plant and capital interest percentages of plant facilities. Complete financial statements of the EAJSA can be obtained from the EAJSA administration office at 50-A South Delaware Drive, Easton, PA.

TOWNSHIP OF PALMER
NOTES TO FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDING DECEMBER 31, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Basis of Presentation

Government-wide Financial Statements:

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charges to external parties for goods or services.

Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Internal activity is limited to inter-fund transfers which are eliminated to avoid "doubling up" revenues and expenses. Net assets are reported as restricted when constraints placed on net assets use are either externally imposed by creditors (such as through debt covenants, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation).

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is presented in a single column on the governmental fund financial statements.

1. GOVERNMENTAL FUNDS:

These are the Funds through which most government functions are furnished. The Funds of the financial reporting entity are described below:

General Fund - The General Fund is the operating fund of the Township and includes the General Reserve Fund. It is used to account for all financial resources except those required to be accounted for in another Fund and is classified as a Major Fund.

Debt Service Fund - Used to account for the accumulation of resources for, and payment of, general long-term debt principal and interest and is classified as a Major Fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust or major capital projects) which can be restricted to expenditures for specific purposes. These Funds included the Liquid Fuels, Law Enforcement Shared Revenue, Recreation, Recreation Reserve, Fire Fund and American Rescue Fund. Recreation Funds, Fire Fund and American Rescue Fund are classified as a single Major Funds.

Capital Project Funds - Account for the accumulation of financial resources used to acquire or construct major capital facilities. The individual funds comprising the Capital Project Fund are;
Non-returnable Developer Construction Fund, 2018, 2020C and 2020D Bond Issue Construction Funds, Capital Reserve and Equipment Reserve Funds. These funds are presented as a single Major Fund.

TOWNSHIP OF PALMER
NOTES TO FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDING DECEMBER 31, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Basis of Presentation (Cont'd)

2. Proprietary Funds - The Township operates a sewage collection system and contracts solid waste collection which services the Township of Palmer. All activities necessary to provide such services are accounted for in the Sewer Revenue, Sewer Reserve, and Solid Waste and Recycling Funds including but not limited to administration, operations, maintenance and billing costs. The Community Center Fund accounts for the operational costs of the Community Center Building. The Pool Fund accounts for the operational costs of the Township outdoor community swimming pool.

In accordance with GASB statement No. 20 "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," the Borough applies all GASB pronouncements and all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

3. Fiduciary Funds - (Not Included in Government-wide Statements) Accounts for assets held by the governmental unit in a trustee capacity or as an agent for individuals, other governments and/or other Funds. The Trust and Agency Funds of Palmer Township include the Police and Non-Uniformed Pensions, Police Post-employment Benefit Fund, Defined Contribution Pension Fund, Library Fund, and Developer Escrow Accounts.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied. It is the Municipality's accounting policy to maintain its records on a cash basis of accounting.

BASIS OF ACCOUNTING

"Basis of Accounting" refers to the timing of recognition of revenues and expenditures or expenses in the accounts and in the financial statements, regardless of the measurement focus.

It is the Municipality's accounting policy to maintain its records on a cash basis of accounting. Therefore, certain revenues and related assets are recognized when received rather than when earned, and certain expenses when paid rather than when a liability is incurred. This policy is a departure from generally accepted accounting principles as applicable to governmental units. Real estate taxes, along with sewage and garbage receivables, are maintained by the Township's financial system but are not recognized as revenue, since collections have not been made. Revenues from intergovernmental grants are recognized when received and designated until spent.

The financial statements presented on the *cash basis of accounting*, capital assets and long-term debt balances are not included in the statement of financial position, because the cash basis presentation is limited to reporting cash and cash equivalents and changes therein resulting from cash receipt and disbursement transactions. In such a cash basis presentation, in both the Government-wide and Fund Financial Statements, the use of cash to acquire capital assets or pay long-term debt principal and interest is reported as cash disbursements, and the receipt of cash from debt proceeds and disposals of capital assets is reported as cash receipts. The Statement of Net Position and Balance Sheet do not report Capital Assets or Long-Term Debt of the Township of Palmer.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

INTERFUND TRANSACTIONS

Advances between funds are accounted for in the appropriate interfund receivable and payable accounts. These advances (reported in "Interfund" assets accounts) are considered "available spendable resources." Interfund transactions, receivables and payables have been eliminated in the "Government-wide" Financial Statements.

TOWNSHIP OF PALMER
NOTES TO FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDING DECEMBER 31, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

INTERFUND TRANSFERS -

<u>Transfers Out</u>	<u>Transfers In</u>	
General Fund	Debt Service Fund	\$ 500,000
General Fund	Capital Reserve	207,000
General Fund	Sewer Capital Reserve Fund	68,813
Fire Fund	Debt Service Fund	19,395
Fire Fund	Capital Reserve	25,000
Solid Waste & Recycling	General Fund	374,381
Solid Waste & Recycling	Capital Reserve	46,992
Parks & Recreation	Debt Service Fund	163,125
CCCC Fund	Capital Reserve	45,000
CCCC Fund	Recreation Capital Reserve Fund	35,000
Sewer Fund	Debt Service Fund	620,000
Capital Reserve Fund	Pool Fund	30,000
Recreation Capital Reserve Fund	CCCC Fund	140,000
Recreation Capital Reserve Fund	Pool Fund	50,000
Road Equipment Fund	Debt Service Fund	258,300
Sewer Capital Reserve Fund	Debt Service Fund	310,943
General Reserve Fund	Fire Fund	50,000
		<u>\$ 2,943,949</u>

INVENTORIES OF SUPPLIES

The cost of inventories of supplies for all funds is recorded as an expenditure at the time individual items are purchased. The cost of inventories is not included on the combined balance sheet.

PROPERTY TAXES

The municipal tax rate in 2021 was:

General Purposes	2.77
Parks and Recreation	2.36
Debt Service Obligations	2.22
Fire Services	0.65
Road Equipment	<u>0.25</u>
	<u>8.25</u> mills

The 2021 real estate assessment valuation after changes for the Township as provided by Northampton County was \$764,229,200.

On or before April 30	2% Discount Period
April 1 to July 1	Face Payment Period
Beginning July 2	5% Penalty Period

Governmental Fund Balances

Governmental fund balances in the fund financial statements follow the guidelines of GASB 54. Restrictions, commitments, and assignments of fund balance are made by the respective parties as authorized by Township policy. Township policy also states that when more than one type of resource is available for use, restricted, committed, and assigned resources are used first and then unassigned resources as they are needed. GASB 54 provides clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance disclosures will give users information necessary to understand the processes under which constraints are imposed upon the use of resources and how those constraints may be modified or eliminated. The Township will spend the most restricted dollars before less restricted in the order as defined below. The Township does not have a formal minimum fund balance policy. The fund balance classifications are:

NonSpendable - amounts not expected to be converted to cash, such as inventories and prepaid expenses.

Restricted - amounts that are constrained by external parties, such as creditor with debt covenants or governments with enabling legislation which would legally restrict resources.

Committed - amounts used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority (i.e. Board of Supervisors).

Assigned - amounts that are constrained through the intent of a finance committee or individual delegated by the government to assign amounts to be used for specific purposes. Authority to make these assignments is not required to be the government's highest level of decision making.

Unassigned - fund balance that has not been restricted, committed, or assigned and is spendable.

TOWNSHIP OF PALMER
NOTES TO FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDING DECEMBER 31, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Net Position

Net Position represents the difference between assets, deferred outflows, liabilities and deferred inflows. Net position is reported as restricted where 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. The Township's policy is to first apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

Defining Operating Revenues and Expenses

The Township's Proprietary Funds distinguish between operating and non-operating revenues and expenses. Operating revenues and expenses of the Sewer, Solid Waste and Recycling, Community Center and Pool Funds consist of charges for services and rental charges and the costs of providing those services. All other revenues and expenses, including interfund transfers, interest income and refunds of prior year expenditures, are reported as non-operating.

NOTE 2 DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Cash Deposits with Financial Institutions

Cash deposits are with depositories designated by the Township and permitted by sections 708 and 3204 of the Pennsylvania Second Class Township Code. The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, money market funds and investments with original maturities of three months or less from the date of acquisition.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Township does not have a policy for custodial credit risk other than the provisions of Township Code. At December 31, 2021, the bank balance of the Township's Governmental and Business-type deposits with financial institutions net of cash equivalents was \$9,478,274 compared to the carrying amount of \$9,191,082. The difference is primarily caused by items in-transit, outstanding checks. Township's deposits of \$8,978,274 were exposed to custodial risk includes uninsured bank balances that are collateralized with securities held by the pledging financial institution or its trust department or agent, but not in the Township's name, but are required to be collateralized in accordance with ACT 72 of the Pennsylvania State legislature of 1971 which requires the institution to pool collateral for all government deposits and have collateral held by an approved custodian in the institution's name.

Reconciliation to Financial Statements -

	<u>Governmental and Business-Type Funds</u>	<u>Fiduciary Funds</u>
Carrying Amount	\$ 9,191,082	\$ 6,616,773
Plus: Deposits in Investment Pools and Certificates of Deposit	<u>6,782,388</u>	<u>1,641,557</u>
Total Cash and Equivalents per Financial Statements	<u>\$ 15,973,470</u>	<u>\$ 8,258,330</u>

Investments

In accordance to GASB Statement No. 72, investments generally are to be measured at fair value. An investment is defined as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has the present service capacity based solely on its ability to generate cash or to be sold to generate cash. Investments not measured at fair value continue to include, for example, money market investments, 2a7-like external investment pools, investments in life insurance contracts, common stock meeting the criteria for applying the equity method, unallocated insurance contracts, and synthetic guaranteed investment contracts.

A government is permitted in certain circumstances to establish the fair value of an investment that does not have a readily determinable fair value by using the net asset value per share of the investment.

TOWNSHIP OF PALMER
NOTES TO FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDING DECEMBER 31, 2021

NOTE 2 DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (Cont'd)

Investments (Cont'd)

This Statement requires measurement at acquisition value (an entry price) for donated capital assets, donated works of art, historical treasures, and similar assets. These assets were previously required to be measured at fair value.

Fair Value is measured using a hierarchy of inputs using valuation techniques. The hierarchy has three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices, that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs.

The valuation techniques should be consistent with one or more of the following approaches: the market approach, the cost approach, or the income approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The cost approach reflects the amount that would be required to replace the present service capacity of an asset. The income approach converts future amounts (such as cash flows or income and expenses) to a single current (discounted) amount.

The Township does not have investments for presentation within the financial statements of the governmental or business-type funds.

Permitted investments are defined in Section 3204 of the Pennsylvania Second Class Township Code as:

- (i) United States Treasury bills.
- (ii) Short-term obligations of the United States Government or its agencies or instrumentalities.
- (iii) Deposits in savings accounts or time deposits, other than certificates of deposit, or share accounts of institutions insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation or the National Credit Union Share Insurance Fund or the Pennsylvania Deposit Insurance Corporation or the Pennsylvania Savings Association Insurance Corporation to the extent that such accounts are so insured, and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository.
- (iv) Obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, 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.
- (v) 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 in (i) through (iv).
- (vi) Certificates of deposit purchased from institutions insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation or the National Credit Union Share Insurance Fund or the Pennsylvania Deposit Insurance Corporation or the Pennsylvania Savings Association Insurance Corporation to the extent that such accounts are so insured. However, for any amounts above the insured maximum, such certificates of deposit shall be collateralized by a pledge or assignment of assets of the institution.
- (vii) Any investment authorized by Pa.C.S. Ch. 73 (relating to fiduciaries investments) shall be an authorized investment for any pension or retirement fund.

Fair Value Measurement

The methodology of determining all fair values is Level 1, an input of unadjusted quoted prices for identical assets liabilities in active markets that the pension fund has the ability to access. The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Based upon fair values obtained from trust account records provided by Morgan Stanley, the Township believes its valuation methods are appropriate and consistent with the other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

TOWNSHIP OF PALMER
NOTES TO FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDING DECEMBER 31, 2021

NOTE 2 DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (Cont'd)

Investments (Cont'd)

Total investments reported within Governmental/Business Type and Fiduciary Type Funds of the Township as of December 31, 2021 are as follows:

Governmental and Business Type Funds:	<u>Cost/Fair Value</u>
Certificates of Deposits with maturities more than three months	\$ 342,989
U.S. Treasury Notes	<u>655,564</u>
	<u>\$ 998,553</u>
 SEI Treasury Fund, Morgan Stanley Money Fund	 \$ 1,610,976
Certificates of Deposit with maturities less than three months	<u>5,171,412</u>
 Total Governmental and Business-Type Investments	 <u>\$ 7,780,941</u>
 Reconciliation to Financial Statements:	
Carrying Amount	\$ 7,780,941
Less -	
SEI Treasury Fund and Morgan Stanley Money Funds,	
Certificates of Deposit with maturity of three months or less	<u>(6,782,388)</u>
 Investments per Financial Statements	 <u>\$ 998,553</u>

TOWNSHIP OF PALMER
NOTES TO FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDING DECEMBER 31, 2021

NOTE 2 DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (Cont'd)

Investments (Cont')

<u>Fiduciary Funds:</u>	<u>Cost</u>	<u>Fair Values</u>
Common Stocks	\$ 10,545,139	\$ 14,310,112
Corporate Bonds	1,343,195	1,407,327
Open Ended Mutual Funds	730,554	699,617
Exchange Traded and Closed End Funds	5,026,061	6,719,927
Municipal Bonds	1,722,502	1,788,521
Government Securities	1,809,031	1,795,283
Morgan Stanley Money Funds	<u>1,641,557</u>	<u>1,641,557</u>
Total Fiduciary Investments	<u>\$ 22,818,039</u>	<u>\$ 28,362,344</u>
Reconciliation to Financial Statements:		
Carrying Amount		\$ 28,362,344
Less -		
Money Funds considered Cash Equivalents		<u>(1,641,557)</u>
Investments per Financial Statements		<u>\$ 26,720,787</u>

TOWNSHIP OF PALMER
NOTES TO FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDING DECEMBER 31, 2021

NOTE 2 DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (Cont'd)

Interest Rate Risk

The Township does not have a formal investment policy regarding mitigation of interest rate risk. The Township has contracted with Morgan Stanley for the Police Pension Fund, Non-Uniformed Pension Fund, Police Post Retirement Benefits Fund and Defined Contribution Fund to limit interest rate risk on monies while providing cash as needed.

Credit Risk

Credit risk is the risk that a bond issuer will fail to pay interest or principal in a timely manner or that adverse perceptions of the issuer's ability to make such payments will cause the value of the bond to decline. Some factors that may cause this are litigation, bankruptcy, financial weakness and adverse political conditions. Credit quality is evaluated and rated by independent bond rating agencies, such as Moody's or Standard and Poor's. The lower the rating, the greater the chance of failure to make bond payments. However, a lower rating is usually offset by a higher yield to compensate for the additional risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss association with lack of diversification. Securities issued or explicitly guaranteed by the U.S. government, mutual funds, external investment pools, or other pooled investments are excluded from this review. The Township does not hold any equities or non-U.S. government fixed income securities that comprise more than the five percent of total investments.

Custodial Credit Risk

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

NOTE 3 CAPITAL DEBT OBLIGATIONS

Capital Debt Obligations are funded from real estate tax revenues designated for debt service costs and related available funds transferred to the Debt Service Fund. The following is a summary of changes in Capital Debt for the year ended December 31, 2021:

	Balance Dec. 31, 2020	Additions	Retirements	Balance Dec. 31, 2021	Amount Due Within One Year
Capital Debt Obligations					
Governmental Activities-					
General Obligation Bonds:					
2016 Bonds	\$ 9,425,000	\$ -	\$ 1,065,000	\$ 8,360,000	\$ 180,000
2020A Bonds	4,635,000	-	115,000	4,520,000	985,000
2020B Bonds	2,025,000	-	410,000	1,615,000	415,000
2020C Bonds	4,010,000	-	85,000	3,925,000	90,000
2020D Bonds	6,540,000	-	240,000	6,300,000	245,000
	<u>26,635,000</u>	<u>-</u>	<u>1,915,000</u>	<u>24,720,000</u>	<u>1,915,000</u>
Capital Lease Purchase Agreements:					
John Deere Financial-					
Wheel Loader	-	177,900	27,582	150,318	23,391
Backhoe Loader	-	118,900	18,443	100,457	15,640
Tractor, Farm Loader, Mower	-	72,976	15,085	57,891	13,670
	<u>-</u>	<u>369,776</u>	<u>61,110</u>	<u>308,666</u>	<u>52,701</u>
Bank Loan Agreement:					
Embassy Bank-					
Street Sweeper	-	298,507	42,644	255,863	42,644
Total Debt	<u>\$ 26,635,000</u>	<u>\$ 668,283</u>	<u>\$ 2,018,754</u>	<u>\$ 25,284,529</u>	<u>\$ 2,010,345</u>

TOWNSHIP OF PALMER
NOTES TO FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDING DECEMBER 31, 2021

NOTE 3 CAPITAL DEBT OBLIGATIONS (Cont'd)

2016 General Obligation Bonds

The Township, pursuant to an ordinance enacted on February 1, 2016, authorized the issuance of General Obligation Bonds, Series of 2016, in the amount of \$13,975,000. The Bonds are dated March 7, 2016 with final maturity in the year ended 2031. The purpose of the Bond Issue is to refund the General Obligation Bonds, Series of 2010, pay the costs related to the issuance of the Bonds and provide funds to be used for certain capital projects, primarily the construction and equipping of a new public works facility and the Palmer Community

Interest rates of the Bond Issue range from .630% to 4.000% with final maturity in the year 2031.

The Bonds maturing on or after May 15, 2025 shall be subject to redemption prior to maturity, at the option of the Township, in whole or in part, in any order of maturities, at any time on or after May 15, 2024 at a price equal to 100% of the principal amount of the Bonds to be redeemed and accrued interest thereon to the date fixed for redemption.

2020A, B, C and D General Obligation Bonds

In accordance with Ordinance No. 2020-460, dated February 10, 2020, the Township of Palmer authorized the issuance of one or more Series of General Obligation Bonds in the original aggregate principal amount of \$17,940,000; based upon realistic cost estimates for the equipment purchase of Capital Improvement Projects. The purpose of the issuances are to refund the Township's General Obligation Bonds Series of 2013, the General Obligation Note Series of 2018 and outstanding lease obligations for the purchase of various vehicles and equipment and to finance certain capital projects (2020 Capital Projects) of the Township. The estimated completion date of the Refunding Project is the redemption date. The estimated completion date of the Equipment Purchase Projects is March 17, 2020 and the estimated completion date of the 2020 Capital Projects is March 2023.

2020A Bonds, scheduled maturity November 15, 2028, bearing interest rates of 4.00%-5.00%, interest and principal semi-annually May 15 and November 15, issued amount \$4,770,000.

2020B Bonds, scheduled maturity November 15, 2027, bearing interest rates of 4.00%-5.00%, interest and principal semi-annually May 15 and November 15, issued amount \$2,230,000.

2020C Bonds, scheduled maturity November 15, 2032, bearing interest rates of 3.00%-4.00%, interest and principal semi-annually May 15 and November 15, issued amount \$4,080,000.

2020D Bonds, scheduled maturity November 15, 2039, bearing interest rates of 3.00%-4.00%, interest and principal semi-annually May 15 and November 15, issued amount \$6,860,000.

<u>Year</u> <u>Ending</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Amount</u>	<u>Total Debt</u> <u>Service</u>
2022	\$ 1,915,000	\$ 983,726	\$ 2,898,726
2023	1,905,000	897,576	2,802,576
2024	1,920,000	812,176	2,732,176
2025	1,995,000	703,026	2,698,026
2026	1,985,000	636,333	2,621,333
2027	1,975,000	581,169	2,556,169
2028	1,860,000	493,400	2,353,400
2029	1,935,000	417,900	2,352,900
2030	2,015,000	339,300	2,354,300
2031	2,075,000	279,000	2,354,000
2032	2,150,000	205,600	2,355,600
2033	380,000	119,600	499,600
2034	395,000	104,400	499,400
2035	410,000	88,600	498,600
2036	425,000	72,200	497,200
2037	440,000	55,200	495,200
2038	460,000	37,600	497,600
2039	480,000	19,200	499,200
Total	<u>\$ 24,720,000</u>	<u>\$ 6,846,006</u>	<u>\$ 31,566,006</u>

TOWNSHIP OF PALMER
NOTES TO FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDING DECEMBER 31, 2021

NOTE 3 CAPITAL DEBT OBLIGATIONS (Cont'd)

Capital Lease Purchase Agreements

The Township had entered into various Lease Agreements as Lessee with John Deere Financial as Lessor for financing the acquisition of a Wheel Loader, Backhoe Loader, Tractor, Farm Loader and Mower, interest rates are 2.75%-3.75% with year of final maturity 2027. These lease agreements qualified as capital leases for accounting purposes, and therefore, had been recorded as the present value of future minimum lease payments as of the inception or placed into service date.

2022	\$	61,903
2023		61,903
2024		61,903
2025		61,903
2026		46,024
2027		45,690
	\$	339,326
Less: Amount representing interest		(30,660)
Present value of minimum lease payments	\$	308,666

Bank Loan Agreement

The Township of Palmer entered into a Promissory Note with Embassy Bank for the Lehigh Valley dated May 6, 2021 in the amount of \$298,507, with an interest rate of 3.95%, maturity date November 15, 2027. The purpose of the Note is to purchase a street sweeper, 2021 Peterbilt Model 220 Chassis, the Bank shall have a perfected lien against the title of the street sweeper. The following schedule represents estimated principal and interest payments for the remaining term of the Note.

	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Debt Service</u>
2022	\$ 42,644	\$ 9,685	\$ 52,329
2023	42,644	8,001	50,645
2024	42,644	6,317	48,961
2025	42,644	4,632	47,276
2026	42,644	2,948	45,592
2027	42,643	1,263	43,906
	<u>\$ 255,863</u>	<u>\$ 32,846</u>	<u>\$ 288,709</u>

NOTE 4 CAPITAL ASSETS

The Township does not record the historical value of detailed capital assets and associated accumulated depreciation. The cash basis of accounting as described in Note 1 of the Financial Statements does not require capital assets to be presented on the Statement of Net Position. During the year ended December 31, 2021 the Township purchased and constructed capital assets valued at \$7,063,014 and are included in the capital assets values acquired since January 1, 2006. These capital assets were for the purchase of equipment for fire, parks, police, recreation, sanitation, highways and construction costs for street/highway improvements, public works and recreation.

Estimated insurable values were determined by Brown & Brown and the Township as of January 1, 2006 are as follows; Buildings, Personal Property, Machinery, Outdoor Property, Traffic Signals, Lights:

\$ 21,520,632

The value of additional capital assets purchased or constructed subsequent to January 1, 2006 are estimated to be

55,217,281

Total Estimated Insurable values and subsequent historical cost acquisitions

\$ 76,737,913

NOTE 5 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The Board of Supervisors shall annually prepare a Proposed Budget for all Funds. The Budget shall reflect, as nearly as possible, the estimated revenues and expenditures of the Township. If revisions of revenues and expenditures of the Proposed Budget are increased by ten percent or more in the aggregate or more than twenty-five percent in any major category requires re-advertising of the Budget. With respect to specific expenditure line items within major categories that exceeded appropriation; these over expenditures were funded by greater than anticipated revenues of the General Fund. For the year 2021 actual revenues and expenditures in the aggregate of the General Fund were respectively 103% and 93%, the Debt Service Fund were respectively 99% and 99%, the Recreation Fund were respectively 97% and 98% and the Fire Fund were respectively 94% and 102% of the Original Budget. There were no revisions to Original Budget amounts.

Compliance with Finance Related and Contractual Provisions

The Township has no material violations of finance related legal and contractual provisions.

TOWNSHIP OF PALMER
NOTES TO FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDING DECEMBER 31, 2021

NOTE 6 PENSION PLANS

Pension Plans

All eligible full-time employees of the Township participate in either the defined benefit Police Pension Plan, Non-Uniformed Pension Plan or the defined contribution Non-Uniformed Pension Plan. The Township has adopted GASB Statement No. 67, Financial Reporting for Pension Plans. That statement establishes a financial reporting framework for state and local governmental pension plans that are administered through trusts or equivalent arrangements. GASB 67 applies to stand-alone financial statements issued for governmental pension plans, and to pension plans included as pension trust funds of the sponsoring government unit. That statement establishes a financial reporting framework for defined benefit pension plans that distinguishes between two categories of information: (a) current financial information about plan assets and financial activities, and (b) actuarially determined information, from a long-term perspective, about the funded status of the plan and the progress being made in accumulating sufficient assets to pay benefits when due.

The Township also adheres to GASB Statements No. 27, Accounting for Pensions by State and Local Governmental Employers. That statement requires that an employer recognize annual pension expenditures or expenses equal to its contractually required contributions. If contributions from governmental or proprietary funds are required but not made, the difference would be recorded as a liability in the general long-term debt account group. The Township made all required contributions for the year ended December 31, 2019, and has recognized them as expenditures in the governmental or proprietary funds.

Pension Plans

The Township maintains two defined benefit pension plans and one defined contribution plan. The defined benefit Police Pension Plan covers all of its full-time police officers. The defined benefit Non-Uniformed Plan covers all non-police officer employees employed prior to September 1, 2012. The defined contribution Non-Uniformed Pension Plan, covers all of the Township's full-time non-uniformed employees hired on or after September 1, 2012. The assets of the plans are not commingled. Plan provisions are established by municipal ordinance with the authority for municipal contributions required by Act 205 of the Commonwealth (the Act).

Summary of Significant Accounting Policies

Basis of Accounting

For the purposes of measuring the net pension liability, deferred outflow of resources and deferred inflow of resources related to pensions and pension expense, information about the fiduciary net position of the Township of Palmer's pension plans and additions to/deductions from the pension plan have been determined on the same basis as they are reported by the pension plans. For this purpose, contributions to the plans are recognized when due as required by the Act. Benefits are recognized when due and payable in accordance with the terms of the individual plans.

Method used to value investments

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 rate.

TOWNSHIP OF PALMER
NOTES TO FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDING DECEMBER 31, 2021

NOTE 6 PENSION PLANS (Cont'd)

Funding Standards and State Aid

The Township is required to make annual contributions to the plan pursuant to Act 205, which specifies minimum funding standards for municipal pension plans in the Commonwealth. Act 205 requires the Township to budget and contribute to the plan the minimum municipal obligation, which includes both the normal cost of the plan and an amortization contribution sufficient to amortize unfunded liabilities by target dates established under the Act.

Act 205 also establishes a general municipal pension system state aid program, financed by a tax on the premiums of casualty and fire insurance policies sold in the Commonwealth. The Township is eligible for this aid for each of its pension plans; however, the ultimate obligation to contribute the minimum municipal obligation to the plans is the Township's.

Police Pension Plan

The Police Pension Plan is a single-employer defined benefit pension plan controlled by the provisions of municipal ordinance adopted pursuant to Act 205.

Plan Membership

Membership of the Police Pension Plan consisted of the following at December 31, 2021.

Inactive Members and Beneficiaries Currently Receiving Benefits	18
Inactive Members Entitled to but not yet Receiving Benefits	2
Active Plan Members	<u>36</u>
Total Members	<u>56</u>

Plan Administration

The plan is governed by Township Supervisor's which may amend plan provisions, subject to collective bargaining and to Act 600, *the Municipal Pension Plan Funding Standard and Recovery Act*. Township Supervisor's is responsible for the management of plan assets, and has delegated the authority to manage certain plan assets to Morgan Stanley Smith Barney.

Benefits Provided

Eligibility

All full-time members of the police force join the Plan upon employment.

Normal Retirement

A member is eligible for normal retirement after attainment of age 50 and completion of 25 years of vesting service.

The normal retirement pension is payable monthly during the member's lifetime, with payments continuing after the member's death to the surviving spouse, providing the surviving spouse is not remarried, or to dependent children under the age of 18, equal to 50% of the amount payable to the member at the time of the member's death.

TOWNSHIP OF PALMER
NOTES TO FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDING DECEMBER 31, 2021

NOTE 6 PENSION PLANS (Cont'd)

Police Pension Plan (cont'd)

Normal Retirement (cont'd)

The amount of monthly pension is equal to 50% of average monthly compensation, plus a service increment in excess of 25 years. The service increment is equal to the following:

<u>Years of Complete Service</u>	<u>Monthly Amount of Service Increment</u>
26	\$25
27	\$50
28	\$75
29	\$100
30 or more	\$250

Average monthly compensation is based upon the last 36 months of employment.

Late Retirement

If a member continues working after his normal retirement date, his pension does not start until he actually retires. The monthly late retirement pension is equal to the benefit accrued to the late retirement date.

Disability Retirement

If an active member is disabled in the line of duty, he is eligible for a disability pension. The monthly disability pension is equal to 50% of his salary at time of disability.

Death Benefits

If a member is eligible for retirement at the time of death, a monthly death benefit is payable to his surviving spouse, or eligible child, equal to 50% of the monthly benefit the member would have been receiving had he been retired at the time of his death. \$28,000 of whole life insurance is provided for each police officer, outside of the pension plan.

Vesting

A member's benefits vest upon completion of 12 years of service. The vested benefit is a deferred pension beginning at normal retirement equal to the benefit accrued to the date of termination.

Accrued Pension

The benefit accrued at any date other than the normal retirement date is equal to the projected normal retirement benefit multiplied by the ratio of the number of years of benefit service to date to the total number of years of benefit service projected at normal retirement.

Contributions

If an actuarial study shows the Plan to have sufficient assets to fund plan benefits, member contributions may be suspended.

Effective January 1, 2012, Members contribute 5.0% of pay.

Member contributions are credited with 8.0% interest.

TOWNSHIP OF PALMER
NOTES TO FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDING DECEMBER 31, 2021

NOTE 6 PENSION PLANS (Cont'd)

Police Pension Plan (Cont'd)

Investment Policy

The plan's policy in regard to the allocation of invested assets is established and may be amended by Township Supervisor's by a majority vote of its members. It is the policy of the Township Supervisor's to pursue an investment strategy to obtain a reasonable diversification of investments, which have a ready market for resale. The following was the Township's adopted asset allocation policy as of December 31, 2021:

Asset Class	Target Allocation
Domestic Equity	80.00%
Fixed Income	14.00%
Cash	6.00%

Concentrations

Concentrations are defined as investments held by the Police Pension Plan, other than those issued or explicitly guaranteed by the U.S. Government, in any one organization that represent 5% or more of the plan's fiduciary net position. At December 31, 2021, the Police Pension Plan does not hold any equities or non-governmental fixed income securities that comprise more than five percent of total investments.

Rate of Return

For the year ended December 31, 2021, the annual time-weighted rate of return on pension plan investments, net of pension plan investment expense, was 12.89%. The time-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

The net pension liability was measured as of December 31, 2021, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2019. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The components of the net pension liability of Police Pension Plan at December 31, 2021 were as follows:

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Position Liability
	(a)	(b)	(a) - (b)
Balances at 12/31/2020	\$ 16,190,890	\$ 15,221,907	\$ 968,983
Service Cost	470,572	-	470,572
Interest Cost	1,293,713	-	1,293,713
Changes of Benefit Terms	-	-	-
Changes for Experience	(92,778)	-	(92,778)
Changes of Assumptions	(38,383)	-	(38,383)
Contributions - employer	-	686,252	(686,252)
Contributions - member	-	177,439	(177,439)
Net Investment Income	-	1,908,388	(1,908,388)
Benefit Payments, including			
refunds of member contributions	(717,777)	(717,777)	-
Administration Expense	-	(7,175)	7,175
Other Changes	-	-	-
Net Changes	915,347	2,047,127	(1,131,780)
Balances at 12/31/2021	17,106,237	17,269,034	(162,797)

TOWNSHIP OF PALMER
NOTES TO FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDING DECEMBER 31, 2021

NOTE 6 PENSION PLANS (Cont'd)

Police Pension Plan (Cont'd)

Actuarial Assumptions

The total pension liability in the January 1, 2019 actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

Inflation	3.00%	
Salary Increases	5.00%	(average, including inflation)
Investment Rate of Return	8.00%	(including inflation)
Postretirement Cost of Living Increase	0.00%	

Mortality rates were based on the Pub S-2010 Mortality Table. Incorporated into the table are rates projected generationally using Scale MP-2020 to reflect mortality improvement.

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 inflation) 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 asset allocation percentage and by adding expected inflation. The target allocation estimates of arithmetic real rates of return for each major asset class 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	80.00%	5.50% - 7.50%
Fixed Income	14.00%	1.00% - 3.00%
Cash	6.00%	0.00% - 1.00%

Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The pension plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. 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. The employer has always met the funding requirements of Pennsylvania law Act 205 of 1984. Act 205 requires full funding of entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the Plan, calculated using the discount rate of 8.00%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>(7.00%)</u>	<u>(8.00%)</u>	<u>(9.00%)</u>
Plan's Net Pension Liability	\$ 1,856,073	\$ (162,797)	\$(1,861,550)

TOWNSHIP OF PALMER
NOTES TO FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDING DECEMBER 31, 2021

NOTE 6 PENSION PLANS (Cont'd)

Police Pension Plan (Cont'd)

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

For the year ended December 31, 2021, the Township recognized pension expense of \$193,026. At December 31, 2021, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 183,882	\$ (285,108)
Changes of assumptions	-	(133,887)
Net difference between projected and actual earnings on pension plan investments	395,336	(1,135,545)
Total	<u>\$ 579,218</u>	<u>\$ (1,554,540)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2022	\$ (64,273)
2023	(459,609)
2024	(179,078)
2025	(188,291)
2026	(51,277)
2027	(16,395)
2028	(16,399)
	<u>\$ (975,322)</u>

TOWNSHIP OF PALMER
NOTES TO FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDING DECEMBER 31, 2021

NOTE 6 PENSION PLANS (Cont'd)

Non-Uniformed Pension Plan - Defined Benefit Plan

The Non-Uniformed Police Pension Plan is a single-employer defined benefit pension plan controlled by the provisions of municipal ordinance adopted pursuant to Act 205.

Plan Membership

Membership of the Pension Plan consisted of the following at December 31, 2021.

Inactive Members and Beneficiaries Currently Receiving Benefits	21
Inactive Members Entitled to but not yet Receiving Benefits	15
Active Plan Members	<u>15</u>
Total Members	<u>51</u>

Plan Administration

The plan is governed by Township Supervisor's which may amend plan provisions, subject to collective bargaining and to Act 600, *the Municipal Pension Plan Funding Standard and Recovery Act*. Township Supervisor's is responsible for the management of plan assets, and has delegated the authority to manage certain plan assets to Morgan Stanley Smith Barney.

Benefits Provided

Eligibility

All non-police officer employees scheduled to work at least 37.5 hours per week join the Plan upon the January 1 or July 1 after employment.

No employee whose first day of employment is on or after September 1, 2012 shall participate in the plan.

Normal Retirement

A participant is eligible for normal retirement after attainment of age 65 and completion of 6 years of service.

The normal retirement pension is payable monthly during the member's lifetime, with payments guaranteed for the first 120 months.

The amount of monthly pension is equal to 1.50% of average monthly compensation multiplied by the number of years of service completed by the member, up to a maximum of 30 years.

Average monthly compensation is based upon the 5 consecutive years of highest compensation.

Late Retirement

If a participant continues working after his normal retirement date, his pension does not start until he actually retires. The late retirement benefit is the benefit accrued to the late retirement date.

Early Retirement

A participant is eligible for early retirement after attainment of age 62 and completion of 6 years of vesting service. The early retirement benefit is equal to the actuarial equivalent of the benefit accrued at the early retirement date.

Disability Retirement

If a member who has completed six years of service becomes disabled, he is eligible for a disability pension. The monthly disability retirement pension is equal to the benefit accrued to the date of disability. Disability benefits shall cease upon the earlier of death, recovery from disability or normal retirement.

TOWNSHIP OF PALMER
NOTES TO FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDING DECEMBER 31, 2021

NOTE 6 PENSION PLANS (Cont'd)

Non-Uniformed Pension Plan - Defined Benefit Plan (Cont'd)

Death Benefits

If a member is eligible for retirement, a death benefit is payable to his surviving spouse, provided the surviving spouse is not remarried, or to dependent children under the age of 18 equal to 50% of the benefit the member would have been receiving had he been retired at the time of his death. Payment to the surviving spouse shall cease upon death of the surviving spouse. Payment to an eligible child shall cease upon the earlier of death or age 18.

Vesting

A participant's benefits vest upon completion of 6 years of service. The vested benefit is a deferred pension beginning at normal retirement equal to the benefit accrued to the date of termination.

Accrued Pension

The benefit accrued at any date other than the normal retirement date is equal to the normal retirement benefit formula, but based upon compensation and service to date.

Contributions

No member contributions are required or permitted.

Investment Policy

The plan's policy in regard to the allocation of invested assets is established and may be amended by Township Supervisor's by a majority vote of its members. It is the policy of the Township Supervisor's to pursue an investment strategy to obtain a reasonable diversification of investments, which have a ready market for resale. The following was the Township's adopted asset allocation policy as of December 31, 2020:

Asset Class	Target Allocation
Domestic Equity	85.00%
Fixed Income	10.00%
Cash	5.00%

Concentrations

Concentrations are defined as investments held by the Pension Plan, other than those issued or explicitly guaranteed by the U.S. Government, in any one organization that represent 5% or more of the plan's fiduciary net position. At December 31, 2021, the Plan does not hold any equities or non-governmental fixed income securities that comprise more than five percent of total investments.

Rate of Return

For the year ended December 31, 2021, the annual time-weighted rate of return on pension plan investments, net of pension plan investment expense, was 12.11%. The time-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

The net pension liability was measured as of December 31, 2021, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2019. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The components of the net pension liability of Pension Plan at December 31, 2021 were as follows:

TOWNSHIP OF PALMER
NOTES TO FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDING DECEMBER 31, 2021

NOTE 6 PENSION PLANS (Cont'd)

Non-Uniformed Pension Plan - Defined Benefit Plan (Cont'd)

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Position Liability
	(a)	(b)	(a) - (b)
Balances at 12/31/2020	\$ 7,543,303	\$ 7,506,081	\$ 37,222
Service Cost	128,503	-	128,503
Interest Cost	545,030	-	545,030
Changes of Benefit Terms	-	-	-
Changes for Experience	351,129	-	351,129
Changes of Assumptions	(89,625)	-	(89,625)
Contributions - employer	-	208,681	(208,681)
Contributions - member	-	-	-
Net Investment Income	-	597,236	(597,236)
Benefit Payments, including refunds of member contributions	(294,336)	(294,336)	-
Administration Expense	-	(6,750)	6,750
Other Changes	-	-	-
Net Changes	640,701	504,831	135,870
Balances at 12/31/2021	8,184,004	8,010,912	173,092

Actuarial Assumptions

The total pension liability in the January 1, 2019 actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

Inflation	3.00%	
Salary Increases	4.00%	(average, including inflation)
Investment Rate of Return	7.00%	(including inflation)
Postretirement Cost of Living Increase	0.00%	

Mortality rates were based on the IRS 2017 Static Combined Table for Small Plans. Incorporated into the table are rates for annuitants projected 7 years and rates for non-annuitants projected 15 years using Scale AA to reflect mortality improvement.

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 inflation) 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 asset allocation percentage and by adding expected inflation. The target allocation estimates of arithmetic real rates of return for each major asset class 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	85.00%	5.50% - 7.50%
Fixed Income	10.00%	1.00% - 3.00%
Cash	5.00%	0.00% - 1.00%

TOWNSHIP OF PALMER
NOTES TO FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDING DECEMBER 31, 2021

NOTE 6 PENSION PLANS (Cont'd)

Non-Uniformed Pension Plan - Defined Benefit Plan (Cont'd)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The pension plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. 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. The employer has always met the funding requirements of Pennsylvania law Act 205 of 1984. Act 205 requires full funding of entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the Plan, calculated using the discount rate of 7.00%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current</u> <u>Rate</u>	<u>1% Increase</u>
	<u>(6.00%)</u>	<u>(7.00%)</u>	<u>(8.00%)</u>
Plan's Net Pension Liability	\$ 1,161,944	\$ 173,092	\$ (668,591)

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

For the year ended December 31, 2021, the Township recognized pension expense of \$112,409. At December 31, 2021, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows</u> <u>of Resources</u>	<u>Deferred Inflows</u> <u>of Resources</u>
Difference between expected and actual experience	\$ 426,377	\$ (152,870)
Changes of assumptions	-	(151,927)
Net difference between projected and actual earnings on pension plan investments	<u>174,902</u>	<u>(450,714)</u>
Total	<u>\$ 601,279</u>	<u>\$ (755,511)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2022	\$ 22,411
2023	(152,489)
2024	(23,230)
2025	(924)
	<u>\$ (154,232)</u>

TOWNSHIP OF PALMER
NOTES TO FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDING DECEMBER 31, 2021

NOTE 6 PENSION PLANS (Cont'd)

Non-Uniformed Pension Plan - Defined Contribution Plan

Plan Description and Contribution Information

Palmer Township determined to provide retirement benefits through a defined contribution plan for non-uniformed employees who are hired on or after September 1, 2012. All non-police employees scheduled to work at least 37.5 hours per week and employed by the Township on the last day of the Plan year are considered a participant eligible to receive a share of an employer contribution. The Township shall contribute 5% of participant's compensation and make any additional allocation amount to cover administrative expenses of the Plan. Determination of vested benefits-

Normal Retirement - employee reaches age 65 and completed 6 years of service - 100% vested.

Early Retirement - employee reaches age 62 and completed 6 years of service - 100% vested.

Disability - employee becomes disabled while an active employee will be 100% vested regardless of age and years of service to date.

Death - if an employee dies before payments have begun under a payment option, then 100% of the account will be distributed to the beneficiaries.

Termination - if employment is terminated before retirement, disability, or death the retirement account is subject to the vesting schedule -

0-5 years of service - 0% vested

6 or more years of service - 100% vested

The Township total contribution for the year 2021 was \$69,812. The value of the Plan's funds with Morgan Stanley was \$296,158 as of December 31, 2021. The approximate net dollar-weighted rate of return for 2021 was 8.30%.

Plan Membership

Membership of the Defined Contribution Plan consisted of the following at December 31, 2021.

Active Plan Members	<u>23</u>	Annual Payroll	<u>\$1,339,279</u>
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POLICE POST RETIREMENT BENEFIT PLAN

Plan Description, Contribution Information and Funding Policies

Plan Description - The Township of Palmer has a single-employer defined benefit plan, administered by the Township, presented as "Other Post-Employment Benefits". The Plan provides Police retirees with defined payments to be used towards health costs by the retiree. The Plan does not issue stand-alone financial statements.

Funding Policy - The contribution requirement of plan members and the Township are established and may be amended by the Township. The required contribution is based upon an actuarial valuation.

Eligibility

All full-time members of the police force join the Plan upon employment. Participation under this Plan was frozen effective January 1, 2011.

TOWNSHIP OF PALMER
NOTES TO FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDING DECEMBER 31, 2021

NOTE 6 PENSION PLANS (Cont'd)

POLICE POST RETIREMENT BENEFIT PLAN (Cont'd)

Plan Description, Contribution Information and Funding Policies (Cont'd)

Normal Retirement

A participant is eligible for normal retirement after attainment of age 50 and completion of 25 years of service.

The normal retirement pension is payable monthly during the participant's lifetime, with payment ceasing upon death.

Amount of monthly pension is equal to the following percentage of the officer's base rate of pay at retirement.

<u>Year of Retirement</u>	<u>Benefit Percentage</u>
2005	8.00%
2006	12.00%
2007	12.00%
2008	12.00%
2009	13.50%
2010 or Later	15.00%

Late Retirement

If a participant continues working after his normal retirement date, his pension does not start until he actually retires. The late retirement benefit is the benefit accrued to the late retirement date.

Contributions

The employer pays the full cost of the plan. Employee contributions are not required.

Summary of Plan Membership

Membership of the Plan is as follows, as of January 1, 2022:

Active Members	20
Vested Former Members	0
Retired members	<u>13</u>
Total Members	<u>33</u>

TOWNSHIP OF PALMER
NOTES TO FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDING DECEMBER 31, 2021

NOTE 6 PENSION PLANS (Cont'd)

POLICE POST RETIREMENT BENEFIT PLAN (Cont'd)

Plan Description, Contribution Information and Funding Policies (Cont'd)

ACTUARIAL ASSUMPTIONS AND METHODS
PRE-RETIREMENT ASSUMPTIONS

Actuarial Value of Assets

Market value as determined by the trustee.

Actuarial Cost Method

Entry Age Normal

Interest - 6.00%

Salary - 5.00% Annual Increase

Mortality

Pub S-2010 Mortality Table

Disability

No disability was assumed.

Retirement Age

Active members are assumed to retire after attainment of age 53 and completion of 25 years of service, or age on valuation date, if greater. Vested former members are assumed to retire at normal retirement age, or age on valuation date, if greater.

A. EXPENSES - Provision for administration expenses added to normal costs.

Inflation

Moderate inflation based on long term historical average rates is a component of the actuarial assumption used herein. Provision is not made for advance funding of sharply higher rates of inflation experienced in some years. The effects of such higher rates are reflected in the funding after their occurrence.

TOWNSHIP OF PALMER
NOTES TO FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDING DECEMBER 31, 2021

NOTE 6 PENSION PLANS (Cont'd)

POLICE POST RETIREMENT BENEFIT PLAN (Cont'd)

Plan Description, Contribution Information and Funding Policies (Cont'd)

B. DETERMINATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY AND NORMAL COST

Actuarial Valuation as of January 1, 2022

Actuarial Present Value of Future Benefits:	
Active Members Retirement Pension Benefits	\$ 1,474,161
Active Members Preretirement Death Benefits	-
Vested Former Members Benefits	-
Retired Members Pension Benefits	672,722
Less: Actuarial Present Value of Future Normal Costs	<u>(281,224)</u>
Actuarial Accrued Liability	\$ 1,865,659
Actuarial Value of Assets	<u>(2,588,937)</u>
Unfunded Actuarial Accrued Liability	<u>(723,278)</u>
Normal Cost	<u>\$ 43,039</u>
Normal Cost as a Percentage of Covered Payroll	2.2%

C. AMORTIZATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY

Aggregation of Changes in Unfunded Actuarial Accrued Liability

<u>Date of</u> <u>Aggregation</u>	<u>Aggregated</u> <u>Target Date</u>	<u>Outstanding</u> <u>Balance</u>	<u>Amortization</u> <u>Amount</u>	<u>Remaining</u> <u>Amortization</u>
January 1, 2022	N/A	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>

D. TREND INFORMATION

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Actuarial Required Contribution	<u>\$ -</u>	<u>\$ 32,954</u>	<u>\$ 52,179</u>
Municipal Contributions Made	<u>\$ -</u>	<u>\$ 32,954</u>	<u>\$ 52,179</u>

TOWNSHIP OF PALMER
NOTES TO FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDING DECEMBER 31, 2021

NOTE 7 COMMITTED AND RESTRICTED FUND BALANCES

Committed Fund Balances:

The General Reserve Fund has a committed balance of \$346,381. The Recreation Fund fund balances in the amount of \$1,104,470 are committed for future recreation and park improvements. Capital Project Non-Returnable Capital Receipts, equipment reserves for future capital-type expenditures in the amount of \$2,147,964. The Debt Service fund balance in the amount of \$359,412 is committed and future debt obligations.

Restricted Fund Balances:

Restricted Fund Balances in Nonmajor Funds required to be used for specific purposes within the Liquid Fuels and Law Enforcement Fund in the amount of \$229,848 and American Rescue Plan in the amount of \$1,121,766. The 2020C and 2020D Capital Project Funds in the amount of \$5,263,916 are restricted in accordance with provisions of bond documents.

NOTE 8 TAX ABATEMENTS

The Township enters into property tax abatement agreements under the Pennsylvania Tax Increment Financing Act of 1990. The Act authorizes local taxing bodies to cooperate in providing financing for public facilities and residential, commercial and industrial development and revitalization in order to eliminate or prevent the development or spread of blight within their respective jurisdictions.

The Route 33 Tax Increment Financing District was established as a result of The Chrin Company desiring to develop a mix-use retail, office and industrial parcel of land it owns, which is dependent upon the construction of certain public infrastructure including a new Route 33 interchange. The TIF District will have a term not in excess of 20 years from the effective date of creation. The Tax Increment Base was set at the market value of all taxable real property located within the TIF District as of July 1, 2012. Revenues pledged for the initial five fiscal years of the Township following the establishment of the TIF District, 100% of the real estate tax revenues in excess of the Increment Base and for each of the remaining years during the term of the TIF District they pledge 80% of the real estate tax revenues in excess of the Increment Base. The total amount of net taxes abated during the 2021 year was \$405,448.

NOTE 9 COMMITMENTS AND CONTINGENCIES

Litigation

The Township is the defendant in legal proceedings and claims arising out of the ordinary course of business. The Township believes that it has adequate legal defenses and that the ultimate outcome of these actions will not have a material adverse effect on the Township's financial position. Property tax assessment appeals are an ongoing occurrence in governmental business activities and are recognized in the period in which they occur.

NOTE 10 DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events through June 9, 2022, the date of management's representations provided in connection with the audit of the financial statements.

OTHER INFORMATION

TOWNSHIP OF PALMER
POLICE PENSION PLAN
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED DECEMBER 31, 2021

Total Pension Liability	2015	2016	2017	2018	2019	2020	2021
Service Cost	\$ 346,319	\$ 363,635	\$ 372,097	\$ 390,702	\$ 415,470	\$ 436,244	\$ 470,572
Interest Cost	884,182	946,964	1,029,363	1,097,590	1,147,281	1,223,415	1,293,713
Benefit Payments, including refunds of member contributions	(424,187)	(501,894)	(521,988)	(612,483)	(613,275)	(650,430)	(717,777)
Changes in Benefit Terms	-	-	-	-	-	-	-
Changes in Benefit Experience	(132,877)	-	490,352	-	(279,035)	-	(92,778)
Changes in Benefit Assumptions	-	-	(267,477)	-	-	-	(38,383)
Net Change in total pension liability	673,437	808,705	1,102,347	875,809	670,441	1,009,229	915,347
Total Pension Liability - Beginning	11,050,922	11,724,359	12,533,064	13,635,411	14,511,220	15,181,661	16,190,890
Total Pension Liability - Ending (a)	\$ 11,724,359	\$ 12,533,064	\$ 13,635,411	\$ 14,511,220	\$ 15,181,661	\$ 16,190,890	\$ 17,106,237
Plan Fiduciary Net Position							
Contributions - Employer	\$ 474,005	\$ 438,959	\$ 454,970	\$ 482,600	\$ 552,135	\$ 586,077	\$ 686,252
Contributions - Members	149,653	157,345	163,444	164,412	171,469	179,646	177,439
Net Investment Income	(745,920)	896,112	1,445,819	(977,677)	2,254,385	1,207,548	1,908,388
Benefit Payments including refunds of member contributions	(424,187)	(501,894)	(521,988)	(612,483)	(613,275)	(650,430)	(717,777)
Administrative Expense	(8,550)	(3,750)	-	(15,175)	(10,575)	(5,100)	(7,175)
Other Changes	-	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	\$ (554,999)	\$ 986,772	\$ 1,542,245	\$ (958,323)	\$ 2,354,139	\$ 1,317,741	\$ 2,047,127
Plan Fiduciary Net Position - Beginning	10,503,896	9,948,897	10,935,669	12,477,914	11,519,591	13,873,730	15,221,907
Plan Fiduciary Net Position - Ending (b)	9,948,897	10,935,669	12,477,914	11,519,591	13,873,730	15,191,471	17,269,034
Township's net pension liability - Ending (a) - (b)	\$ 1,775,462	\$ 1,597,395	\$ 1,157,497	\$ 2,991,629	\$ 1,307,931	\$ 999,419	\$ (162,797)
Plan fiduciary net position as a percentage of the total pension liability	84.86%	87.25%	91.51%	85.98%	91.38%	93.83%	100.95%
Covered-employee payroll	\$ 2,993,060	\$ 3,147,743	\$ 3,217,911	\$ 3,288,225	\$ 3,316,595	\$ 3,591,954	\$ 3,609,719
Township's net pension liability as a percentage of covered-employee payroll	59.32%	50.75%	35.97%	90.98%	39.44%	27.82%	-4.51%

TOWNSHIP OF PALMER
POLICE PENSION PLAN
SCHEDULE OF TOWNSHIP CONTRIBUTIONS
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED DECEMBER 31, 2021

<u>Year</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions From Employer</u>	<u>Contribution Deficiency/ (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions as a % of Payroll</u>
2012	\$ 387,537	\$ 387,537	\$ -	\$ -	0%
2013	\$ 447,738	\$ 447,783	\$ (45)	\$ -	0%
2014	\$ 466,142	\$ 466,142	\$ -	\$ 2,873,513	16.22%
2015	\$ 474,005	\$ 474,005	\$ -	\$ 2,993,060	15.84%
2016	\$ 438,959	\$ 438,959	\$ -	\$ 3,147,743	13.95%
2017	\$ 454,970	\$ 454,970	\$ -	\$ 3,217,911	14.14%
2018	\$ 482,565	\$ 482,600	\$ (35)	\$ 3,288,225	14.68%
2019	\$ 552,135	\$ 552,135	\$ -	\$ 3,316,595	16.65%
2020	\$ 586,077	\$ 586,077	\$ -	\$ 3,591,954	16.32%
2021	\$ 686,252	\$ 686,252	\$ -	\$ 3,609,719	19.01%

Notes to Schedule

Valuation date: Actuarially determined contribution rates are calculated as of January 1, two to four years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial Valuation Date: 1/1/2019
Actuarial Cost Method: Entry Age Normal
Amortization Method: Level Dollar Closed
Remaining Amortization Period: 6 years
Asset Valuation Method: Smoothed value with a corridor of 80% to 120% of market value
Inflation: 3.00%
Salary Increases: 5.00%
Investment Rate of Return: 8.00%
Retirement Age: Normal Retirement Age.
Mortality: IRS 2017 Static Combined Table for Small Plans.

Changes in benefit terms: None since 1/1/2019.

TOWNSHIP OF PALMER
POLICE PENSION PLAN
SCHEDULE OF INVESTMENT RETURNS
LAST FOUR FISCAL YEARS

<u>Year</u>	<u>Annual time-weighted rate of return, net of investment expense</u>
2018	-7.74%
2019	20.65%
2020	9.16%
2021	12.89%

TOWNSHIP OF PALMER
NON-UNIFORMED PENSION PLAN - DEFINED BENEFIT PLAN
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED DECEMBER 31, 2021

<u>Total Pension Liability</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Service Cost	\$ 141,904	\$ 147,580	\$ 146,079	\$ 151,922	\$ 124,704	\$ 129,692	\$ 128,503
Interest Cost	381,651	407,171	441,356	468,754	476,942	502,483	545,030
Benefit Payments, including refunds of member contributions	(156,969)	(172,352)	(194,375)	(209,376)	(208,539)	(275,005)	(294,336)
Changes in Benefit Terms	-	-	-	-	-	-	-
Changes in Benefit Experience	225,622	-	207,431	-	(267,524)	-	351,129
Changes in Benefit Assumptions	(156,236)	-	(88,959)	-	-	-	(89,625)
Net Change in total pension liability	435,972	382,399	511,532	411,300	125,583	357,170	640,701
Total Pension Liability - Beginning	5,319,347	5,755,319	6,137,718	6,649,250	7,060,550	7,186,133	7,543,303
Total Pension Liability - Ending (a)	\$ 5,755,319	\$ 6,137,718	\$ 6,649,250	\$ 7,060,550	\$ 7,186,133	\$ 7,543,303	\$ 8,184,004
<u>Plan Net Position</u>							
Contributions - Employer	\$ 145,793	\$ 161,694	\$ 148,100	\$ 144,166	\$ 208,554	\$ 197,736	\$ 208,681
Contributions - Members	-	-	-	-	-	-	-
Net Investment Income	(371,295)	313,738	738,496	(430,895)	1,054,935	699,637	597,236
Benefit Payments including refunds of member contributions	(156,969)	(172,352)	(194,375)	(209,376)	(208,539)	(275,005)	(294,336)
Administrative Expense	(9,650)	(3,575)	-	-	(8,175)	(5,375)	(6,750)
Other Changes	-	-	-	(62,972)	-	-	-
Net Change in Plan Fiduciary Net Position	\$ (392,121)	\$ 299,505	\$ 692,221	\$ (559,077)	\$ 1,046,775	\$ 616,993	\$ 504,831
Plan Fiduciary Net Position - Beginning	5,801,785	5,409,664	5,709,169	6,401,390	5,842,313	6,889,088	7,506,081
Plan Fiduciary Net Position - Ending (b)	5,409,664	5,709,169	6,401,390	5,842,313	6,889,088	7,506,081	8,010,912
Township's net pension liability - Ending (a) - (b)	\$ 345,655	\$ 428,549	\$ 247,860	\$ 1,218,237	\$ 297,045	\$ 37,222	\$ 173,092
Plan fiduciary net position as a percentage of the total pension liability	93.99%	93.02%	96.27%	82.74%	95.87%	99.51%	97.88%
Covered-employee payroll	\$ 2,027,367	\$ 1,986,648	\$ 2,000,822	\$ 1,805,370	\$ 1,757,071	\$ 1,703,443	\$ 1,156,456
Township's net pension liability as a percentage of covered-employee payroll	17.05%	21.57%	12.39%	67.47%	16.91%	2.19%	15.04%

TOWNSHIP OF PALMER
NON-UNIFORMED PENSION PLAN - DEFINED BENEFIT PLAN
SCHEDULE OF TOWNSHIP CONTRIBUTIONS
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED DECEMBER 31, 2021

<u>Year</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions From Employer</u>	<u>Contribution Deficiency/ (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions as a % of Payroll</u>
2012	\$ 323,770	\$ 323,770	\$ -	\$ -	0%
2013	\$ 295,129	\$ 295,129	\$ -	\$ -	0%
2014	\$ 145,723	\$ 145,723	\$ -	\$ 2,018,145	7.22%
2015	\$ 145,793	\$ 145,793	\$ -	\$ 2,027,367	7.19%
2016	\$ 161,694	\$ 161,694	\$ -	\$ 1,986,648	8.14%
2017	\$ 148,100	\$ 148,100	\$ -	\$ 2,000,822	7.40%
2018	\$ 144,166	\$ 144,166	\$ -	\$ 1,805,370	7.99%
2019	\$ 208,554	\$ 208,554	\$ -	\$ 1,757,071	11.87%
2020	\$ 197,582	\$ 197,736	\$ (154)	\$ 1,703,443	11.61%
2021	\$ 208,659	\$ 208,681	\$ (22)	\$ 1,156,456	18.04%

Notes to Schedule

Valuation date: Actuarially determined contribution rates are calculated as of January 1, two to four years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial Valuation Date: 1/1/2019
Actuarial Cost Method: Entry Age Normal
Amortization Method: Level Dollar Closed
Remaining Amortization Period: 13 years
Asset Valuation Method: Smoothed value with a corridor of 80% to 120% of market value.
Inflation: 3.00%
Salary Increases: 4.00%
Investment Rate of Return: 7.00%
Retirement Age: Normal Retirement Age.
Mortality: IRS 2017 Static Combined Table for Small Plans.

Changes in benefit terms: None since 1/1/2019.

TOWNSHIP OF PALMER
NON-UNIFORMED PENSION PLAN - DEFINED BENEFIT PLAN
SCHEDULE OF INVESTMENT RETURNS
LAST FOUR FISCAL YEARS

<u>Year</u>	<u>Annual time-weighted rate of return, net of investment expense</u>
2018	-7.61%
2019	18.77%
2020	10.45%
2021	12.11%

TOWNSHIP OF PALMER
ACTUARIAL PENSION AND POST-RETIREMENT SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2021

Police Post-Retirement Benefit Fund
Schedule of Funding Progress
Cumulative Ten Years Fiscal Report
For The Year Ended December 31, 2021

<u>Valuation</u> <u>Date</u>	<u>Actuarial Value</u> <u>Of Assets</u> <u>(a)</u>	<u>Entry Age</u>		<u>Funded Ratio</u> <u>(a/b)</u>	<u>Current</u> <u>Payroll</u> <u>(c)</u>	<u>UAAL as a %</u> <u>Of Covered</u> <u>Payroll</u> <u>((b-a)/c)</u>
		<u>Actuarial</u> <u>Accrued</u> <u>Liability (AAL)</u> <u>(b)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>(b-a)</u>			
1/1/2013	\$ 1,720,333	\$ 1,857,748	\$ 137,415	92.60%	\$ 2,029,365	6.78%
1/1/2014	1,833,148	1,527,261	(305,887)	120.02%	1,948,743	-15.70%
1/1/2015	1,904,953	1,678,330	(226,623)	113.50%	1,955,277	-11.59%
1/1/2016	1,845,826	1,735,399	(110,427)	106.36%	2,074,342	-5.32%
1/1/2017	1,932,910	1,789,199	(143,711)	108.03%	1,975,109	-7.28%
1/1/2018	2,169,265	1,916,117	(253,148)	113.21%	1,951,205	-12.97%
1/1/2019	1,976,689	1,874,307	(102,382)	105.46%	1,916,518	-5.34%
1/1/2020	2,237,329	1,952,006	(285,323)	114.61%	1,895,304	-15.05%
1/1/2021	2,499,220	1,844,655	(654,565)	135.48%	1,849,074	-35.40%
1/1/2022	2,588,937	1,865,659	(723,278)	138.77%	1,924,143	-37.59%

Police Post-Retirement Benefit Fund
Schedule of Contributions from the Employer

<u>Fiscal</u> <u>Year</u> <u>Ended</u>	<u>Annual</u> <u>Required</u> <u>Contributions</u>	<u>Employer</u> <u>Contributions</u>	<u>Percentage</u> <u>Contributions</u>
12/31/2012	\$ 211,695	\$ 211,695	100%
12/31/2013	75,727	75,727	100%
12/31/2014	29,708	29,708	100%
12/31/2015	36,668	36,668	100%
12/31/2016	49,372	49,372	100%
12/31/2017	46,302	46,302	100%
12/31/2018	35,197	35,197	100%
12/31/2019	52,179	52,179	100%
12/31/2020	32,954	32,954	100%
12/31/2021	-	-	100%

SUPPLEMENTARY INFORMATION

TOWNSHIP OF PALMER
 COMBINING STATEMENT - NON-MAJOR FUNDS - SPECIAL REVENUE FUNDS -
 CASH BASIS ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS AND CHANGES
 CHANGES IN CASH FUND BALANCES
 AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2021

	Liquid Fuels Fund	Law Enforcement Fund	Total
<u>Assets</u>			
Cash and Cash Equivalents	\$ 193,705	\$ 36,143	\$ 229,848
<u>Fund Balances</u>			
Restricted	\$ 193,705	\$ 36,143	\$ 229,848
Total Fund Balances	\$ 193,705	\$ 36,143	\$ 229,848
<u>Receipts</u>			
Interest Income	\$ 143	\$ 5	\$ 148
State Fuel Tax Allocation	656,660	-	656,660
Total Receipts	\$ 656,803	\$ 5	\$ 656,808
<u>Disbursements</u>			
Public Safety - Police	\$ -	\$ 10,494	\$ 10,494
Public Works - Highways and Roads: General and Winter Maintenance, Traffic Control, Lighting and Repairs	1,247,796	-	1,247,796
Total Disbursements	\$ 1,247,796	\$ 10,494	\$ 1,258,290
Excess (Deficiency) of Receipts Over Disbursements	\$ (590,993)	\$ (10,489)	\$ (601,482)
Fund Balances - Beginning	784,698	46,632	831,330
Fund Balances - Ending	\$ 193,705	\$ 36,143	\$ 229,848

TOWNSHIP OF PALMER
COMBINING STATEMENT - CAPITAL PROJECTS FUNDS
CASH BASIS ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS AND CHANGES IN CASH FUND BALANCES
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2021

	2020C Capital Project Fund	2020D Capital Project Fund	Development Capital Project Fund	2018 Capital Project Fund	Capital Reserve Fund	Road Equipment Fund	Total
Assets							
Cash and Cash Equivalents	\$ 1,473,361	\$ 2,935,260	\$ 1,506,660	\$ 1	\$ 291,901	\$ 349,402	\$ 6,556,585
Investments	252,140	603,155	-	-	-	-	855,295
Total Assets	\$ 1,725,501	\$ 3,538,415	\$ 1,506,660	\$ 1	\$ 291,901	\$ 349,402	\$ 7,411,880
Fund Balances							
Restricted	\$ 1,725,501	\$ 3,538,415	\$ -	\$ -	\$ -	\$ -	\$ 5,263,916
Committed	-	-	1,506,660	1	291,901	349,402	2,147,964
Total Fund Balances	\$ 1,725,501	\$ 3,538,415	\$ 1,506,660	\$ 1	\$ 291,901	\$ 349,402	\$ 7,411,880
Receipts							
Real Estate Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 176,235	\$ 176,235
Interest and Rents	7,640	20,194	678	-	2,984	13	31,509
Project Contributions	-	-	35,000	-	-	-	35,000
Total Receipts	\$ 7,640	\$ 20,194	\$ 35,678	\$ -	\$ 2,984	\$ 176,248	\$ 242,744
Disbursements							
General	\$ 418,539	\$ 19,468	\$ -	\$ -	\$ -	\$ 1,370	\$ 439,377
Public Safety - Police	213,761	-	-	-	219,351	-	433,112
Public Safety - Fire	239,300	-	-	-	-	-	239,300
Public Works - Highways	7,791	3,532,262	45,046	-	10,300	-	3,595,399
Recreation	228,685	-	180	-	37,174	-	266,039
Total Disbursements	\$ 1,108,076	\$ 3,551,730	\$ 45,226	\$ -	\$ 266,825	\$ 1,370	\$ 4,973,227
Excess (Deficiency) of Receipts over Disbursements	(1,100,436)	(3,531,536)	(9,548)	-	(263,841)	174,878	(4,730,483)
Other Financing Sources (Uses)							
Fund Transfers - In	\$ -	\$ -	\$ -	\$ -	\$ 277,000	\$ -	\$ 277,000
Proceeds from Disposal of Fixed Assets	-	-	-	-	-	45,000	45,000
Fund Transfers (Out)	-	-	-	-	(30,000)	(258,300)	(288,300)
Total Other Financing Sources (Uses)	-	-	-	-	247,000	(213,300)	33,700
Excess (Deficiency) of Receipts and Other Financing Sources over Disbursements and Other Financing (Uses)	(1,100,436)	(3,531,536)	(9,548)	-	(16,841)	(38,422)	(4,696,783)
Cash Basis Fund Balances - Beginning	2,825,937	7,069,951	1,516,208	1	308,742	387,824	12,108,663
Cash Basis Fund Balances - Ending	\$ 1,725,501	\$ 3,538,415	\$ 1,506,660	\$ 1	\$ 291,901	\$ 349,402	\$ 7,411,880

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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

Board of Township Supervisors
Palmer Township
Palmer, 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 *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Palmer, Pennsylvania as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Township of Palmer's basic financial statements, and have issued our report thereon dated June 9, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township of Palmer'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 the Township of Palmer's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township of Palmer'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Palmer'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.

Palmer and Company

Easton, Pennsylvania
June 9, 2022