

Audited
Financial
Statements

December 31,
2025

Palmer Township

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INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Palmer Township
Palmer, Pennsylvania 18045

Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of Palmer Township, Pennsylvania, as of and for the year ended December 31, 2025, and the related notes to the financial statements which collectively comprise the Township's basic financial statements as listed in the table of contents.

In our opinion, the financial statements present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Palmer Township as of December 31, 2025, and the respective changes in the modified cash basis financial position for the year then ended in accordance with the modified 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). 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 Palmer Township and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter - Basis of Accounting

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 Palmer Township's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Palmer Township's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Palmer Township, Pennsylvania's basic financial statements. The general fund budgetary comparison schedule and combining statements are presented for purposes of additional analysis and are not required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including preparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the general fund budgetary comparison schedule, and combining statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual financial statements. The other information comprises the pension schedules but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements does 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 basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic 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.

A handwritten signature in black ink that reads "Smith & Elliott Reams & Company, LLC". The signature is written in a cursive, flowing style.

Chambersburg, Pennsylvania
August 27, 2026

PALMER TOWNSHIP
Statement of Net Position - Modified Cash Basis
December 31, 2025

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Palmer Township Stormwater Authority
ASSETS				
Cash and cash equivalents	\$ 3,388,172	\$ 1,272,982	\$ 4,661,154	\$ 3,392,822
Investments	556,222	-	556,222	-
Internal balances	(678,151)	678,151	-	-
Due from Palmer Township Stormwater Authority	228,942		228,942	-
Due from Palmer Township	-	-	-	290,741
Total assets	<u>\$ 3,495,185</u>	<u>\$ 1,951,133</u>	<u>\$ 5,446,318</u>	<u>\$ 3,683,563</u>
LIABILITIES				
Due to Palmer Township Stormwater Authority	\$ 290,741	\$ -	\$ 290,741	\$ -
Due to Palmer Township	-	-	-	228,942
Total liabilities	<u>290,741</u>	<u>-</u>	<u>290,741</u>	<u>228,942</u>
NET POSITION				
Restricted	3,900,716	-	3,900,716	310,794
Unrestricted	<u>(696,272)</u>	<u>1,951,133</u>	<u>1,254,861</u>	<u>3,143,827</u>
Total net position	<u>3,204,444</u>	<u>1,951,133</u>	<u>5,155,577</u>	<u>3,454,621</u>
Total liabilities and net position	<u>\$ 3,495,185</u>	<u>\$ 1,951,133</u>	<u>\$ 5,446,318</u>	<u>\$ 3,683,563</u>

PALMER TOWNSHIP
Statement of Activities - Modified Cash Basis
Year Ended December 31, 2025

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary Government								Palmer Township Stormwater Authority
Governmental activities								
General government	\$ 4,540,062	\$ 1,397,795	\$ 66,619	\$ -	\$ (3,075,648)	\$ -	\$ (3,075,648)	\$ -
Public safety	13,489,756	2,946,293	717,831	-	(9,825,632)	-	(9,825,632)	-
Health and human services	2,080	-	-	-	(2,080)	-	(2,080)	-
Public works - highways	3,585,425	721,060	81,046	708,834	(2,074,485)	-	(2,074,485)	-
Public works - other	1,115,483	-	-	-	(1,115,483)	-	(1,115,483)	-
Culture and recreation	2,473,318	11,490	78,644	365,335	(2,017,849)	-	(2,017,849)	-
Community development	606,596	-	-	547,912	(58,684)	-	(58,684)	-
Debt service	2,928,828	-	-	-	(2,928,828)	-	(2,928,828)	-
Total governmental activities	<u>28,741,548</u>	<u>5,076,638</u>	<u>944,140</u>	<u>1,622,081</u>	<u>(21,098,689)</u>	<u>-</u>	<u>(21,098,689)</u>	<u>-</u>
Business-type activities								
Community center	753,614	551,585	13,107	-	-	(188,922)	(188,922)	-
Sewer	7,689,605	4,318,892	52,429	-	-	(3,318,284)	(3,318,284)	-
Solid waste	2,773,955	2,475,595	-	-	-	(298,360)	(298,360)	-
Swimming pool	267,160	140,359	-	-	-	(126,801)	(126,801)	-
Total business-type activities	<u>11,484,334</u>	<u>7,486,431</u>	<u>65,536</u>	<u>-</u>	<u>-</u>	<u>(3,932,367)</u>	<u>(3,932,367)</u>	<u>-</u>
Total primary government	<u>\$ 40,225,882</u>	<u>\$ 12,563,069</u>	<u>\$ 1,009,676</u>	<u>\$ 1,622,081</u>	<u>(21,098,689)</u>	<u>(3,932,367)</u>	<u>(25,031,056)</u>	<u>-</u>
Discretely Presented Component Unit								
Palmer Township Stormwater Authority	<u>\$ 3,233,051</u>	<u>\$ 5,313,851</u>	<u>\$ -</u>	<u>\$ 310,920</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,391,720</u>
General revenues and other:								
Taxes:								
Property taxes					\$ 7,749,274	\$ -	\$ 7,749,274	\$ -
Real estate transfer tax					836,792	-	836,792	-
Earned income tax					5,147,905	-	5,147,905	-
Other taxes					2,730,645	-	2,730,645	-
Unrestricted grants and contributions					507,650	-	507,650	-
Unrestricted investment earnings					601,706	14,051	615,757	307
Miscellaneous income					179,264	-	179,264	-
Proceeds from debt issuances					1,276,435	-	1,276,435	-
Refund of prior year expenditures					257,221	-	257,221	-
Transfers					(2,421,387)	2,421,387	-	-
Total general revenues and other					<u>16,865,505</u>	<u>2,435,438</u>	<u>19,300,943</u>	<u>307</u>
Change in net position					(4,233,184)	(1,496,929)	(5,730,113)	2,392,027
Net position - beginning, as previously reported					7,364,002	3,448,062	10,812,064	1,136,220
Restatements					<u>73,626</u>	<u>-</u>	<u>73,626</u>	<u>(73,626)</u>
Net position - beginning, as restated					<u>7,437,628</u>	<u>3,448,062</u>	<u>10,885,690</u>	<u>1,062,594</u>
Net position - ending					<u>\$ 3,204,444</u>	<u>\$ 1,951,133</u>	<u>\$ 5,155,577</u>	<u>\$ 3,454,621</u>

PALMER TOWNSHIP
Balance Sheet - Modified Cash Basis – Governmental Funds
December 31, 2025

	General Fund	Escrow Fund	Debt Service Fund	Liquid Fuels Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 1,582,910	\$ 500,279	\$ -	\$ 396,107	\$ 908,876	\$ 3,388,172
Investments	-	-	-	-	556,222	556,222
Due from other funds	927,272	-	-	343,002	-	1,270,274
Due from Palmer Township Stormwater Authority	228,942	-	-	-	-	228,942
Total assets	<u>\$ 2,739,124</u>	<u>\$ 500,279</u>	<u>\$ -</u>	<u>\$ 739,109</u>	<u>\$ 1,465,098</u>	<u>\$ 5,443,610</u>
LIABILITIES						
Due to other funds	\$ 1,055,113	\$ -	\$ 420,076	\$ -	\$ 473,236	\$ 1,948,425
Due to Palmer Township Stormwater Authority	290,741	-	-	-	-	290,741
Total liabilities	<u>1,345,854</u>	<u>-</u>	<u>420,076</u>	<u>-</u>	<u>473,236</u>	<u>2,239,166</u>
FUND BALANCES						
Restricted	1,412,830	500,279	-	739,109	1,248,498	3,900,716
Committed	351,558	-	-	-	209,699	561,257
Unassigned	(371,118)	-	(420,076)	-	(466,335)	(1,257,529)
Total fund balances	<u>1,393,270</u>	<u>500,279</u>	<u>(420,076)</u>	<u>739,109</u>	<u>991,862</u>	<u>3,204,444</u>
Total liabilities and fund balances	<u>\$ 2,739,124</u>	<u>\$ 500,279</u>	<u>\$ -</u>	<u>\$ 739,109</u>	<u>\$ 1,465,098</u>	<u>\$ 5,443,610</u>
Reconciliation to Statement of Net Position						
Fund balance as shown above						\$ 3,204,444
Reconciling items - None						-
Net position of governmental activities						<u>\$ 3,204,444</u>

PALMER TOWNSHIP
Statement of Revenues, Expenditures, and Changes in Fund Balance - Modified Cash
Basis – Governmental Funds
Year Ended December 31, 2025

	General Fund	Escrow Fund	(Formerly Major) Development Capital Projects Fund	Debt Service Fund	(Formerly Major) 2020 C Capital Projects Fund	Liquid Fuels Fund	Other Governmental Funds	Total Governmental Funds
REVENUES								
Taxes	\$ 11,733,835	\$ -	\$ -	\$ 1,829,925	\$ -	\$ -	\$ 2,892,633	\$ 16,456,393
Licenses and permits	388,424	-	-	-	-	-	-	388,424
Fines and forfeits	48,380	-	-	-	-	-	-	48,380
Investment earnings	534,097	12,620	-	1,481	-	5,266	48,242	601,706
Rents	50,776	-	-	-	-	-	-	50,776
Intergovernmental	1,578,592	-	-	-	-	699,034	446,578	2,724,204
Charges for services	1,625,575	2,927,586	-	-	-	-	21,517	4,574,678
Miscellaneous	17,629	-	-	-	-	1,000	-	18,629
Contributions	-	-	-	-	-	-	375,135	375,135
Total revenues	15,977,308	2,940,206	-	1,831,406	-	705,300	3,784,105	25,238,325
EXPENDITURES								
General government	3,506,417	-	-	41,244	-	1,846	570,993	4,120,500
Public safety	8,600,587	3,389,688	-	-	-	-	1,499,481	13,489,756
Health and human services	2,080	-	-	-	-	-	-	2,080
Public works - highways	2,975,852	-	-	-	-	609,573	-	3,585,425
Public works - other	-	-	-	-	-	-	871,733	871,733
Culture and recreation	35,281	-	-	-	-	-	2,438,037	2,473,318
Community development	606,596	-	-	-	-	-	-	606,596
Miscellaneous - employee benefits	423,867	-	-	-	-	-	-	423,867
Debt service	-	-	-	-	-	-	-	-
Principal	-	-	-	2,159,146	-	-	-	2,159,146
Interest	-	-	-	769,682	-	-	-	769,682
Total expenditures	16,150,680	3,389,688	-	2,970,072	-	611,419	5,380,244	28,502,103
Excess (deficiency) of revenues over expenditures	(173,372)	(449,482)	-	(1,138,666)	-	93,881	(1,596,139)	(3,263,778)
OTHER FINANCING SOURCES (USES)								
Proceeds from sale of capital assets	19,065	-	-	-	-	-	143,010	162,075
Refund of prior year expenditures	257,221	-	-	-	-	-	-	257,221
Note proceeds	-	-	-	-	-	-	1,276,435	1,276,435
Contribution to Authority	(243,750)	-	-	-	-	-	-	(243,750)
Transfers in	1,423,816	-	-	-	-	343,002	-	1,766,818
Transfers out	-	(2,421,387)	-	-	-	-	(1,766,818)	(4,188,205)
Total other financing sources (uses)	1,456,352	(2,421,387)	-	-	-	343,002	(347,373)	(969,406)
Net change in fund balances	1,282,980	(2,870,869)	-	(1,138,666)	-	436,883	(1,943,512)	(4,233,184)
Fund balances - beginning, as previously reported	36,664	3,371,148	1,500,987	718,590	841,396	-	895,217	7,364,002
Restatement	73,626	-	(1,500,987)	-	(841,396)	302,226	2,040,157	73,626
Fund balances - beginning, as restated	110,290	3,371,148	-	718,590	-	302,226	2,935,374	7,437,628
Fund balances - ending	\$ 1,393,270	\$ 500,279	\$ -	\$ (420,076)	\$ -	\$ 739,109	\$ 991,862	\$ 3,204,444
Reconciliation to Statement of Activities								
Net change in fund balance - total governmental funds								\$ (4,233,184)
Reconciling items - None								-
Change in net position of governmental activities								\$ (4,233,184)

PALMER TOWNSHIP
Statement of Net Position – Modified Cash Basis - Proprietary Funds
December 31, 2025

	Sewer Revenue Fund	Sewer Reserve Fund	Solid Waste Fund	Other Proprietary Funds	Total Proprietary Funds
ASSETS					
Cash and cash equivalents	\$ 50	\$ 564,952	\$ 691,914	\$ 16,066	\$ 1,272,982
Due from other funds	-	2,086,551	-	-	2,086,551
Total assets	<u>\$ 50</u>	<u>\$ 2,651,503</u>	<u>\$ 691,914</u>	<u>\$ 16,066</u>	<u>\$ 3,359,533</u>
LIABILITIES					
Due to other funds	\$ 1,374,440	\$ -	\$ -	\$ 33,960	\$ 1,408,400
Total liabilities	<u>1,374,440</u>	<u>-</u>	<u>-</u>	<u>33,960</u>	<u>1,408,400</u>
NET POSITION					
Unrestricted	(1,374,390)	2,651,503	691,914	(17,894)	1,951,133
Total net position	<u>(1,374,390)</u>	<u>2,651,503</u>	<u>691,914</u>	<u>(17,894)</u>	<u>1,951,133</u>
Total liabilities and net position	<u>\$ 50</u>	<u>\$ 2,651,503</u>	<u>\$ 691,914</u>	<u>\$ 16,066</u>	<u>\$ 3,359,533</u>

PALMER TOWNSHIP**Statement of Revenues, Expenses, and Changes in Fund Net Position - Modified Cash****Basis - Proprietary Funds****Year Ended December 31, 2025**

	Sewer Revenue Fund	Sewer Reserve Fund	Solid Waste Fund	Other Proprietary Funds	Total Proprietary Funds
Operating Revenues					
Charges for services	\$ 4,103,022	\$ 215,870	\$ 2,475,595	\$ 691,944	\$ 7,486,431
Total operating revenues	<u>4,103,022</u>	<u>215,870</u>	<u>2,475,595</u>	<u>691,944</u>	<u>\$ 7,486,431</u>
Operating Expenses					
Salaries and benefits	891,233	-	33,973	586,246	1,511,452
Contracted services	540,003	-	16,122	95,180	651,305
Engineer fees	128,131	-	-	-	128,131
Legal fees	1,235	-	-	-	1,235
Repairs and maintenance	539,365	-	-	108,894	648,259
Insurance expense	367,440	-	-	-	367,440
Treatment charges	3,553,807	-	-	62,449	3,616,256
Office expenses	45,865	-	-	18,394	64,259
General government	-	96,074	142,106	149,611	387,791
Capital purchases	-	1,526,452	747,649	-	2,274,101
Professional services	-	-	30,381	-	30,381
Solid waste collection expense	-	-	1,792,711	-	1,792,711
Community development	-	-	11,013	-	11,013
Total operating expenses	<u>6,067,079</u>	<u>1,622,526</u>	<u>2,773,955</u>	<u>1,020,774</u>	<u>11,484,334</u>
					-
Operating income (loss)	<u>(1,964,057)</u>	<u>(1,406,656)</u>	<u>(298,360)</u>	<u>(328,830)</u>	<u>(3,997,903)</u>
Nonoperating Revenues (Expenses)					
Investment income	8,911	422	3,541	1,177	14,051
Pension state aid	52,429	-	-	13,107	65,536
Total nonoperating revenues (expenses)	<u>61,340</u>	<u>422</u>	<u>3,541</u>	<u>14,284</u>	<u>79,587</u>
Income (loss) before transfers	<u>(1,902,717)</u>	<u>(1,406,234)</u>	<u>(294,819)</u>	<u>(314,546)</u>	<u>(3,918,316)</u>
Transfers in	<u>-</u>	<u>2,421,387</u>	<u>-</u>	<u>-</u>	<u>2,421,387</u>
Change in net position	(1,902,717)	1,015,153	(294,819)	(314,546)	(1,496,929)
Total net position - beginning	528,327	1,636,350	986,733	296,652	3,448,062
Total net position - ending	<u>\$ (1,374,390)</u>	<u>\$ 2,651,503</u>	<u>\$ 691,914</u>	<u>\$ (17,894)</u>	<u>\$ 1,951,133</u>

PALMER TOWNSHIP
Statement of Fiduciary Net Position – Modified Cash Basis
December 31, 2025

	Pension Trust Funds
ASSETS	
Cash and cash equivalents	\$ 711,229
Investments	<u>28,236,505</u>
Total assets	<u><u>\$ 28,947,734</u></u>
NET POSITION	
Restricted for pension and other post employment benefits	<u>\$ 28,947,734</u>
Total net position	<u><u>\$ 28,947,734</u></u>

PALMER TOWNSHIP
Statement of Changes in Fiduciary Net Position – Modified Cash Basis
Year Ended December 31, 2025

	Pension Trust Funds
ADDITIONS	
Contributions	\$ 1,244,497
Investment income	647,109
Gain (Loss) in fair market value	<u>2,349,452</u>
Total additions	<u>4,241,058</u>
DEDUCTIONS	
Benefit payments	\$ 1,487,001
Administrative expenses	166,256
Investment expense	<u>25,775</u>
Total deductions	<u>1,679,032</u>
Change in net position	2,562,026
Net position - beginning	27,073,585
Restatement - change in reporting entity	<u>(687,877)</u>
Net position - beginning as restated	<u>26,385,708</u>
Net position - ending	<u><u>\$ 28,947,734</u></u>

PALMER TOWNSHIP

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Palmer Township ("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 Township's accounting policy to maintain its records using the modified 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 systems 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 *modified cash basis of accounting*, capital assets and long-term debt balances are not included in the statement of financial position, because the modified cash basis presentation is limited to reporting on cash and cash equivalents and changes therein resulting from cash receipts and disbursement transactions. In such a modified 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 on as cash receipts. The statement of net position and balance sheet do not report capital assets or long-term debt of the Township.

In 2025, the Township approved a change in accounting principle related to accounting surrounding the recording of the activity between the Palmer Township Stormwater Authority and the Township. Regardless of the timing of the fourth quarter billings, the entire fourth quarter billing will be recognized as expense and due from Palmer Township Stormwater Authority, this ensures that each year will have four quarterly management fees to allow for more consistent financial analysis. In addition, any fees collected by the Township and still owed to the Authority at year end are shown as due to Authority. See additional information regarding the restatement in Note 10.

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:

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity

Governmental Accounting Standards Board Statement (GASB) defines the criteria used to determine the composition of reporting entity. These standards determine the composition of the reporting entity. These standards require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable, (3) organization that are fiscally dependent on the primary government and a financial benefit or burden exists, and (4) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organization that makes up its legal entity. It is also financially accountable for legally separate organizations if its official appoint a voting majority of an organization's governing body and if it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable for the governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligation or has otherwise assumed the obligation in some manner for the debt of the organization; or (c) is obligated in some manner for the debt of the organization.

Some organizations are included as component units because of their fiscal dependency on the primary government. An organization is fiscally dependent on the primary government if it is unable to adopt a budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government.

Based upon the application of these criteria, the following component unit is reported discretely as it does not satisfy the blending criteria of GASB Standards:

In September 2023, the Township created Palmer Township Stormwater Authority ("the Authority") to oversee and manage its stormwater systems and comply with Municipal Separate Storm Sewer System (MS4) regulation. This Authority was established to ensure that the Township meets its stormwater management responsibilities and regulatory requirements. The Authority provides stormwater services to the residents of Palmer Township.

On November 15, 2023, the Authority entered into a Lease Agreement with the Township for the Township's stormwater system. The lease has an initial term of 25 years, expiring December 31, 2048, with optional 10-year extensions. Under the agreement, the Authority is granted full operational control of the stormwater system, including the responsibility to impose and collect stormwater rents and charges sufficient to cover all operating expenses, debt service, and other financial obligations. The lease is contingent upon the continued effectiveness of a separate Management Agreement executed concurrently.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

The Management Agreement outlines the operational and administrative responsibilities of both parties. The Township retains responsibility for day-to-day operations, maintenance, and regulatory compliance, including MS4 permitting, while the Authority oversees rate-setting and financial management. The Township performs billing, collection, and recordkeeping functions on behalf of the Authority, and is reimbursed quarterly for stormwater-related services and capital project costs, as detailed in an annually approved budget.

All stormwater revenues are deposited into a dedicated fund maintained by the Authority. The Township is required to maintain liability insurance covering the system and Authority board members. Both agreements include provisions for cooperation, financial transparency, and mutual amendment or termination. Termination of the Management Agreement automatically renders the Lease Agreement null and void.

Financially, the Authority operates as a distinct entity within the Township's accounting system. It is tracked separately as its own fund, and the Authority maintains its own checking account to manage its finances. While the Authority is financially and administratively independent, it shares resources with the Township, such as labor, supplies and equipment, but it functions autonomously with its own board overseeing

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. The total payments net of refunds for the year ended December 31, 2025 are \$ 3,522,550. This amount includes treatment costs and debt payments.

Basis of Presentation

Government-wide Financial Statements

The Statement of Net Position 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Government-wide Financial Statements (Continued)

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 position is reported as restricted when constraints placed on the use of net position 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).

These statements also include information for the discretely presented component unit – Palmer Township Stormwater Authority.

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 fund financial statements.

➤ **Governmental Funds**

Governmental funds are those which most governmental functions of the Township are financed. The Township reports the following major governmental funds:

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. This is a budgeted fund and any unassigned fund balances are considered as a resource available for use.

Debt Service Fund – Used to account for the accumulation of resources for, and payment of, general long-term debt principal and interest fund.

Escrow Fund – This special revenue accounts for the escrow activity within the Township.

Liquid Fuels Fund – This special revenue fund accounts for state liquid fuels tax revenue that is restricted to be used for building, improving, and maintaining local roads and bridges within the Township.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

The Township reports the following non-major funds:

Fire Tax Fund – This special revenue fund accounts for real estate taxes assessed for providing fire protection services within the Township.

Parks and Recreation – This special revenue fund accounts for real estate taxes assessed in order to provide recreation programs.

Capital Reserve Fund – This fund is used to set aside monies for future capital projects.

Community Center Fund – This special revenue fund accounts for Township's community center activity.

Development Capital Project Fund – This fund is used to account for activity related to contributions from developers for future capital projects.

Recreation Capital Reserve Fund – This fund accounts for activity related to future capital projects and improvements related to the Township's parks.

Road Equipment Fund – This fund is used to set aside funds for future road and equipment purchases.

2020C Capital Project Fund – This fund is used to account for the capital projects related to the 2020C bond.

2020D Capital Project Fund – This fund is used to account for the capital projects related to the 2020D bond.

Law Enforcement Fund – This special revenue fund accounts for activity related to the Township's police station.

➤ **Proprietary Funds**

Proprietary funds are used to account for the financing of services to the general public where all or most of the costs involved are paid from user charges for service.

The Township reports the following major proprietary funds:

Sewer Revenue Fund – This fund accounts for activity associated with providing sewer collection services.

Sewer Reserve Fund – This fund accounts for capital activity associated with operation of the Township's sewer systems.

Solid Waste Fund – This fund accounts for the activity associated with providing trash and recycling services.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Fund Financial Statements (Continued)

The Township reports the following non-major proprietary funds:

Community Swimming Pool Fund – This fund accounts for the activity associated with operation of the Township’s swimming pool.

Charles Chrin Center Fund – This fund accounts for the activity associated with operation of the Township’s community center building.

➤ **Fiduciary Funds**

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and custodial funds. Trust funds are used to account for assets held by the Township under a trust agreement for individuals, private organizations or other governments and are therefore not available to support the Township’s own programs. Custodial funds are used to account for fiduciary activities not required to be reported in other fund classifications. The Township has no investment trust funds, private purpose trust funds or custodial funds.

The Township reports the following fiduciary fund types:

Police Defined Benefit Pension Fund – This fund accounts for the activity related to the police defined benefit pension plan.

Police Post Employee Benefit Fund – This fund accounts for the activity related to the police post employee benefits.

Non - Uniform Defined Benefit Pension Plan – This fund accounts for the activity related to the non – uniform defined benefit pension plan.

Cash and Cash Equivalents

Cash and cash equivalents are defined as short term, highly liquid investments that are readily convertible to known amounts of cash and include investments with original maturities of three months or less.

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.

Exchange transactions, if any, between funds are reported as revenues, in the seller funds and as expenditure/expenses in the purchaser funds. Flow of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental fund and are shown separately in proprietary funds.

PALMER TOWNSHIP
Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

The purchase of capital assets is recognized as an expense in all funds and the government-wide statements. These assets are not reflected on the statement of net position under the modified cash basis of accounting.

Long- Term Liabilities

Proceeds from debt are recognized as other financing sources and non- operating revenues in the year received. Amounts owed by the Township on long – term debts are not reflected on the statement of net position under the modified cash basis of accounting.

Debt service payments are recorded as current period expenditures/expenses.

Net Position – Government-Wide/Proprietary Fund

Net position is comprised of the various net earnings from operating income, nonoperating revenues and expenses, and capital contributions. Net position is classified in the following components:

Restricted Net Position: This category of net position has constraints placed on the use by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or establishing legislation.

As of December 31, 2025, restricted net position consists of the following:

	Governmental Activities	Business-Type Activities
Escrow related activity	\$ 1,913,109	\$ -
Future capital projects	93,723	-
Future recreation projects	381,521	-
Future road equipment	353,963	-
Future road projects	739,109	-
2020C bond activity	359,045	-
Future police projects	60,246	-
	<u>\$ 3,900,716</u>	<u>\$ -</u>

Unrestricted Net Position: This component consists of all other net positions that does not meet the definition of “restricted”

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted net- position, a flow assumption must be made about the order in which the resources are considered are considered to be applied. It is the Township’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance - Governmental Funds

Governmental funds classify fund balance based on the relative strength of the spending constraints placed on the purpose for which resources can be used. The classifications are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (1) not in spendable or (2) legally or contractually required to be maintained intact. This classification could include items such as prepaid amounts, inventories and the long-term portion of loans and notes receivable but is not applicable under the Township's modified cash basis. This would also include the corpus (or principal) of permanent funds.

Restricted: This classification includes amounts where the constraints placed on the use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of the other government; or (2) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, change or mandate payments and include a legally enforceable requirement on the use of these funds.

Committed: This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Township's highest level of the decision-making authority. This formal action is in the form of a resolution which is made by the Board. Once an amount is committed, it cannot be used for any other purpose unless changed by the same type of formal action used to initially constrained the funds.

Assigned: This classification includes spendable amounts that are reported in governmental fund *other than in the General Fund*, that are neither restricted nor committed, and amounts in the General Fund that are intended to be used for a specific purpose. The intent of an assigned fund balance should be expressed by either the board or a subordinated high-level body, such as secretary/treasurer that is authorized to assigned amounts to be used for specific purposes. The board has the authority to make assignments of fund balance. Thus, these assignments can only be made or changed with formal action by the board. The assignment of fund balance cannot result in a negative unassigned fund balance.

Unassigned: This classification represents the portion of a spendable fund balance that has not been categorized as restricted, committed, or assigned. The general fund is the only fund which would include a positive unassigned fund balance as all other fund types must categorize amounts within the other classifications. A negative unassigned fund balance may occur in any fund where there is an over-expenditure of restricted or committed fund balance. In this case, any assigned fund balance (and unassigned balance in the general fund) would be eliminated prior to reporting a negative unassigned fund balance.

Fund Balance Policy

The Township does not have a formal minimum fund balance policy; therefore, the spending order when fund balance resources are available for a specific purpose in multiple classifications is to use restricted resources first and then apply unrestricted resources in the following order: committed, assigned, and unassigned.

PALMER TOWNSHIP
Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pension Trust Funds

GASB requires a statement of plan net position and a statement of changes in plan net position. These are shown as part of the fiduciary statements. It also requires plan investments to be recorded at their fair value and establishes standards for the measurement, recognition, and display of pension expense and related liabilities, assets, and note disclosure.

Deferred Compensation Plan

The Township has established a deferred compensation plan under Internal Revenue Code Section 457 which covers all employees. All assets and income of the plan are held for exclusive benefits of the plan's participants and their beneficiaries. In accordance with the provisions of the GASB, the assets and liabilities of the plan are not reported on the financial statements of the Township.

Budget

The Township annually adopts calendar year budget for all its funds. As changes are made to the budget during the fiscal year, amendments are proposed and approved by the board. There were no budget amendments during 2025.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with the modified cash basis of accounting used by the Township requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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 CASH AND INVESTMENTS

The Commonwealth of Pennsylvania's "Second Class Township Code" and Act 10 of 2016 define allowable investments for Township funds as follow:

- United States Treasury Bills.
- Short-term obligations of the United States Government or its agencies or instrumentalities.
- Deposits in savings accounts, time deposits, other than certificates of deposit, or share amounts of institutions insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, to the extent that the accounts are so insured and, for any amounts above the insured maximum, if approved collateral therefore is pledged by the depository.

PALMER TOWNSHIP
Notes to Financial Statements

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

- Obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America.
- Shares of an investment company registered under the Investment Company Act of 1940.
- Certificates of deposit purchased from institutions insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, to the extent that the amounts are so insured. However, for any amounts above the insured maximum, the certificates of deposit shall be secured by a pledge or assignment of assets of the institution, and the collateral may include loans, including interest in pools of loans, secured by first mortgage liens on real property. Certificates of deposit purchased from commercial banks shall be limited to an amount equal to twenty percent of a bank's total capital and surplus. Certificates of deposit purchased from savings and loan associations, or savings banks shall be limited to an amount equal to twenty percent of an institution's assets minus liabilities.
- Any investment authorized by 20 PA. Ch.73 (relating to fiduciary investments). This paragraph is limited to investments for any pension or retirement fund.
- Obligations, participations, or other instruments of any Federal agency, instrumentality, or United States government-sponsored enterprises, if the debt obligations are rated at least "A" or its equivalent by at least two nationally recognized statistical ratings organizations.
- Negotiable certificates of deposit or other evidence of deposit, with a remaining maturity of three years or less.
- Bills of exchange or time drafts drawn on or accepted by a commercial bank, otherwise known as bankers' acceptances, if the bankers' acceptances do not exceed 180 days maturity.
- Commercial paper issued by corporations or other business entities organized in accordance with federal or state law, with a maturity not to exceed 270 days.

All bank deposits are fully insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized under Pennsylvania Act 72 of 1971, as amended, is an act standardizing the procedures for pledges of assets to secure deposits of public funds with banking institutions pursuant to other laws; establishing a standard rule for the types, amounts and valuations of assets eligible to be used as collateral for deposit of public funds; permitting assets to be pledged against deposit on a pooled basis and authorizing the appointment of custodians to act as the pledger of the asset.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township'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, 2025, the bank balance of the Township's is \$ 5,539,267. This included \$ 556,222 of certificates of deposit classified as investments within the financial statements. Of this balance, \$ 1,000,000 is covered by FDIC insurance and the remaining balance of \$ 4,539,267 is collateralized by securities held by the pledging financial institution, not in the Township's name.

PALMER TOWNSHIP
Notes to Financial Statements

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk – Deposits – Authority

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a policy for custodial credit risk. At December 31, 2025, the bank balance of the Authority's is \$ 3,463,494. Of this balance, \$ 250,000 is covered by FDIC insurance and the remaining balance of \$ 3,213,494 is collateralized by securities held by the pledging financial institution, not in the Authority's name.

Investments

As of December 31, 2025, the Township's investments were as follows:

Investment Type	Fair Value	Weighted Average Maturity	Average Credit Quality Rating
Money Market Mutual Fund	\$ 359,045	< 27 Days	AAA

Credit Risk – Investments

Credit risk is the risk that an issue of debt securities or other counterparty to an investment will not fulfill its obligations.

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

Interest Rate Risk – Investments

Interest rate risk is the risk that changes in interest rates may reduce (or increase) the market value of investment.

The Township does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Interest Rate Risk – Pension Investments

The investments held by the trustees of the pension plans subject to interest rate risk are as follows:

	Total Fair Value	Investment Maturities			
		N/A	Less Than 1	1-5	>5
U.S Treasury Notes	\$ 2,363,262	\$ -	\$ -	\$ 820,540	\$ 1,542,722
Corporate Bonds	1,529,869	-	195,942	643,804	690,123
Municipal Bonds	1,485,895	-	-	270,044	1,215,851

PALMER TOWNSHIP
Notes to Financial Statements

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Credit Risk – Pension Fund Investments

The Township does not have a policy that limits the credit quality rating for pension fund investments.

As of December 31, 2025 the Township's Pension Fund investments in fixed income mutual funds and agency bonds, were rated by S&P as follows:

Rating	Percentage of Total
AAA	6.76%
AA	27.89%
A	35.86%
BBB	3.01%
BB	0.00%
B	0.00%
Below B	0.00%
NR/NA	26.48%
	<u>100.00%</u>

Investments – Fair Value Measurements

Generally accepted accounting principles define fair value, describe a framework for measuring fair value and require disclosure about fair value measurements. Recurring fair value measurements are those that GASB Statements require or permit in the statement of net position at the end of each reporting period. The established framework includes a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the assets or liabilities fall within different levels of the hierarchy, the classification is based on the lowest level input that is significant to the fair value measurement of the asset or liability. Classification of assets and liabilities within the hierarchy considers the markets in which the assets and liabilities are traded and reliability and transparency of the assumptions used to determine fair value. The hierarchy requires the use of observable market data when available. The levels of the hierarchy and those investments included in each are as follows:

Level 1 – Represented by quoted prices available in an active market. Level 1 securities include highly liquid government bonds, treasury securities, mortgage products and exchange traded equities and mutual funds.

Level 2 – Represented by assets and liabilities similar to Level 1 where quoted prices are not available, but are observable, either directly or indirectly through corroboration with observable market data, such as quoted prices for similar securities and quoted prices in inactive markets and estimated using pricing models or discounted cash flows. Level 2 securities would include U.S. agency securities, mortgage-backed agency securities, obligations of states, and political subdivisions and certain corporate, asset backed securities, swap agreements, and life insurance contracts.

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investments – Fair Value Measurements (Continued)

Level 3 - Represented by financial instruments where there is limited activity or unobservable market prices and pricing models significant to determining the fair value measurement include the reporting entity's own assumptions about the market risk. Level 3 securities would include hedge funds, private equity securities, and those with internally developed values.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following is a description of the valuation methodologies used for instruments measured at fair value on the statement of net position, as well as the general classifications of such instruments pursuant to the valuation hierarchy.

Bank Deposit Programs

The fair value of bank deposits is estimated using quoted active markets for identical assets. Such investments are generally classified as Level 1 of the valuation.

Money Market Funds

The fair value of money market funds is estimated using quoted active markets for identical assets. Such investments are generally classified as Level 1 of the valuation.

U.S. Treasury Note

The fair value of the U.S. Treasury Notes is estimated using quoted active markets for identical assets. Such investments are generally classified as Level 1 valuation.

Stocks

The fair value of the stocks is estimated using quoted active markets for identical assets. Such investments are generally classified as Level 1 of the valuation.

Exchange -Traded and Closed - End Funds

The fair value of the exchange-traded and closed-end funds is estimated using quoted active markets for identical assets. Such investments are generally classified as Level 1 of the valuation.

Agency Bonds

Agency Bonds consisting of Federal Farm Credit Banks, Federal Home Loan Mortgage Corp, Federal Home Loan Bank, Federal Home Loan Mortgage Co., Federal National Mortgage Association and Fannie Mae are generally valued at the most recent price of the equivalent quotes yield for such securities, or those of comparable maturity, quality, and type. Such investments are generally classified within Level 2 of the valuation hierarchy.

PALMER TOWNSHIP
Notes to Financial Statements

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investments – Fair Value Measurements (Continued)

Corporate Fixed Income

The fair value of corporate fixed income is estimated using similar bonds available on the open market. Such investments are generally classified as Level 2 of the valuation hierarchy.

Municipal Bonds

The fair value of municipal bonds is estimated using similar bonds available on the open market. Such investments are generally classified as Level 2 of the valuation hierarchy.

Mutual Funds

Mutual funds listed on a national market or exchange are valued at the last sales price, or if there is no sale and the market is still considered active, at the mean of the last bid and ask price on such exchange. The Township's interests in mutual funds are categorized by type as equity, fixed income or alternative investments. Such securities are classified within Level 1 of the valuation hierarchy.

Alternative Investment

Includes assets that are traded outside public exchanges, such as private equity and real estate. Such investments are generally classified as Level 3 of the valuation hierarchy.

The following table sets forth by level within the fair value hierarchy, the financial assets that were accounted for at fair value on a recurring basis as of December 31, 2025:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Pension investments:				
Cash BDP, MMFS	\$ 711,229	\$ 711,229	\$ -	\$ -
U.S. Treasury Notes	2,363,262	2,363,262	-	-
Stocks	15,869,032	15,869,032	-	-
Exchange Traded Funds	5,402,764	5,402,764	-	-
Alternative Investments	527,252	-	-	527,252
Corporate Fixed Income	1,529,869	-	1,529,869	-
Municipal Bonds	1,485,895	-	1,485,895	-
Mutual Funds	1,058,431	1,058,431	-	-
Total Pension Investments	<u>\$ 28,947,734</u>	<u>\$ 25,404,718</u>	<u>\$ 3,015,764</u>	<u>\$ 527,252</u>

PALMER TOWNSHIP
Notes to Financial Statements

NOTE 3 LONG TERM DEBT

The changes in long-term debt during the year ended December 31, 2025 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Long-term Portion
Bonds						
(A) GOB Series 2016	\$ 7,805,000	\$ -	\$ (1,265,000)	\$ 6,540,000	\$ 1,095,000	\$ 5,445,000
(B) GOB Series 2020A	1,420,000	-	(140,000)	1,280,000	335,000	945,000
(C) GOB Series 2020B	570,000	-	(220,000)	350,000	170,000	180,000
(D) GOB Series 2020C	3,650,000	-	(95,000)	3,555,000	100,000	3,455,000
(E) GOB Series 2020D	5,535,000	-	(275,000)	5,260,000	285,000	4,975,000
Subtotal of Bonds	18,980,000	-	(1,995,000)	16,985,000	1,985,000	15,000,000
Direct Borrowing						
(F) 2021 Embassy Bank note	126,888	-	(42,644)	84,244	42,644	41,600
(G) Financed purchases	145,686	-	(57,680)	88,006	43,574	44,432
(H) 2025 Embassy Bank note	-	715,335	(35,767)	679,568	71,533	608,035
(I) 2025 Embassy Bank note	-	561,100	(28,055)	533,045	56,110	476,935
	272,574	1,276,435	(164,146)	1,384,863	213,861	1,171,002
Total long-term liabilities	\$ 19,252,574	\$ 1,276,435	\$ (2,159,146)	\$ 18,369,863	\$ 2,198,861	\$ 16,171,002

(A) General Obligation Bonds Series of 2016 – On February 1, 2016, the Township 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 (1) refund the General Obligation Bonds, Series of 2010, (2) provide funds to be used for certain capital projects, primarily the construction and equipping of a new public works facility. Annual principal installments vary from \$ 180,000 to \$ 1,495,000 and are due through May 15, 2031. Interest rates of the bond range from 0.63% to 4%. Interest is payable every May 15 and November 15.

(B-E) General Obligation Bonds Series of 2020A, B, C and D - On February 10, 2020, the Township authorized the issuance of four Series of General Obligation Bonds in the original aggregate principal amount of \$ 17,940,000. The purpose of the bond issue is to (1) refund the Township's General Obligation Bonds Series of 2013, (2) the General Obligation Note Series of 2018 (3) outstanding lease obligations for the purchase of various vehicles and equipment (4) to finance certain capital projects of the Township. Listed below is more information about each bond.

(B) 2020A – The original principal of this bond was \$ 4,770,000. Principal installments range from \$ 115,000 to \$ 1,085,000 and are due through November 15, 2028. Interest rates vary from 4% to 5%. Interest is payable every May 15 and November 15.

(C) 2020B – The original principal of this bond was \$ 2,230,000. Principal installments range from \$ 170,000 to \$ 415,000 and are due through November 15, 2027. Interest rates vary from 4% to 5%. Interest is payable every May 15 and November 15.

(D) 2020C – The original principal of this bond was \$ 4,080,000. Principal installments range from \$ 15,000 to \$ 1,785,000 and are due through November 15, 2032. Interest rates vary from 3% to 4%. Interest is payable every May 15 and November 15.

(E) 2020D – The original principal of this bond was \$ 6,860,000. Principal installments range from \$ 240,000 to \$ 480,000 and are due through November 15, 2039. Interest rates vary from 3% to 4%. Interest is payable every May 15 and November 15.

PALMER TOWNSHIP
Notes to Financial Statements

NOTE 3 LONG TERM DEBT (CONTINUED)

(F) 2021 Embassy Bank Note – On May 6, 2021, the Township entered into a Promissory Note with Embassy bank in the amount of \$ 298, 507 to fund the purchase of (1) street sweeper. Fixed principal installments of \$ 42,644 are due annually through November 15, 2027. Interest rates are fixed at 3.95%. Interest is payable every May 15 and November 15.

(G) Financed Purchase – The Township entered into 3 finance purchase agreements in 2021 with John Deere. Principal payments range from \$ 13,670 to \$ 26,666 and are due through February 26, 2027. Interest rates vary from 2.75% to 3.75% with interest being paid annually.

(H) 2025 Embassy Bank Note – On March 26, 2025, the Township entered into a Promissory Note with Embassy bank in the amount of \$715,335 to fund the purchase of (1) dump truck and (2) a 2024 F550 truck. Principal payments of \$35,776 due semiannually through May 15, 2035. Interest rates are fixed at 7.05%. Interest is payable every May 15 and November 15.

(I) 2025 Embassy Bank Note – On April 2, 2025, the Township entered into a Promissory Note with Embassy bank in the amount of \$561,100 to fund the purchase of (1) Vac Truck. Principal payments of \$28,055 due semiannually through May 15, 2035. Interest rates are fixed at 7.05%. Interest is payable every May 15 and November 15.

Subsequent Events –On January 27, 2026, the Township authorized the issuance of four Series of General Obligation Bonds in the original aggregate principal amount of \$ 6,692,000. The purpose of the bond is to (1) refund the two 2025 Embassy Bank Notes, (2) purchase fire equipment, (3) purchase stormwater equipment and (4) design, plan, and construction costs of a new police station.

The Township's bonds and notes contain provisions that in the event of default, all principal of notes and bonds outstanding may be declared or may become due and payable upon conditions provided in the agreements.

The following is a schedule by year in the aggregate of future debt principal and interest payments required at December 31, 2025.

	Direct Borrowing		Bonds		Financed Purchase		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2026	\$ 170,287	\$ 87,349	\$ 1,985,000	\$ 648,526	\$ 43,574	\$ 2,460	\$ 2,937,196
2027	169,243	76,527	1,975,000	588,538	44,432	1,247	2,854,987
2028	127,643	66,317	1,860,000	521,000	-	-	2,574,960
2029	127,643	57,003	1,935,000	446,600	-	-	2,566,246
2030	127,643	47,882	2,015,000	369,200	-	-	2,559,725
2031 - 2035	574,398	102,639	5,410,000	806,800	-	-	6,893,837
2036 - 2040	-	-	1,805,000	184,200	-	-	1,989,200
	<u>\$ 1,296,857</u>	<u>\$ 437,717</u>	<u>\$ 16,985,000</u>	<u>\$ 3,564,864</u>	<u>\$ 88,006</u>	<u>\$ 3,707</u>	<u>\$ 22,376,151</u>

PALMER TOWNSHIP
Notes to Financial Statements

NOTE 4 PROPERTY TAXES

Property Taxes

The municipal tax rate in 2025 was:

General Purposes	3.52
Emergency Services	0.25
Parks and Recreation	2.36
Debt Service Obligations	2.22
Fire Services	0.90
Road Equipment	<u>0.25</u>
Total	<u>9.50</u> mills

The 2025 real estate assessment valuation after changes for the Township as provided by Northampton County was \$ 832,172,500.

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

NOTE 5 INTERFUND TRANSFERS / DUE TO AND DUE FROM

Net transfers between the funds for the year ended December 31, 2025 were as follows:

Transfers to	Transfers from	Amount
General	2020D	\$ 10,986
Liquid Fuels	Road Equipment	343,002
Sewer Reserve	Escrow	2,421,387
General	Development Capital Projects	1,412,830

During the year the Township made transfers to funds for a number of reasons. The list below summarizes the more significant transfers:

- Transfer to General Fund to close out the 2020D Bond Fund.
- Transfer to Liquid Fuels to properly record debt service activity.
- Transfer to Sewer Reserve for tapping fees.
- Transfer to General Fund for non-returnable developer contributions.

Interfund receivables and payables consists of the following at December 31, 2025:

Due to	Due From	Amount
General Fund	Debt Service	\$ 420,076
General Fund	Fire Tax	460,187
General Fund	Community Center	6,198
General Fund	Capital Reserve	6,851
General Fund	Community Swimming	33,960
Sewer Reserve	General fund	712,111
Liquid Fuels	General fund	343,002
Sewer Reserve	Sewer Revenue	1,374,440

Interfund receivables and payables represent a truck that was purchased out of Liquid Fuels and the General fund owes the fund payment.

PALMER TOWNSHIP
Notes to Financial Statements

NOTE 5 INTERFUND TRANSFERS / DUE TO AND DUE FROM (CONTINUED)

In addition, the General Fund owes the Sewer Reserve Fund \$ 712,111 for stormwater repairs.

The remaining interfund activity owed to the General fund and Sewer Revenue relates to the Township's pooled cash allocation. In 2025, the Debt Service, Fire Tax, Community Center, Capital Reserve, Community Swimming and Sewer Revenue fund overspent their allocation of the pooled cash. As a result, each fund had a negative cash allocation. Reporting standards require a negative cash allocation to be due to/due from rather than negative cash and cash equivalent.

NOTE 6 PENSION PLANS

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 non-uniform plan covers all non-police officer employees prior to September 1, 2012. The defined contribution non-uniform pension plan covers all of the Township's full-time non-uniform employees hired on or after September 1, 2012. The assets of the plans are not comingled. Plan provisions are established by municipal ordinance with the authority for municipal contributions required by Act 205 of the Commonwealth (the Act).

Funding Standards and State Aid

The Township is required to make annual contributions to the plans 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 plans the minimum municipal obligations, 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.

During the year ended December 31, 2025, the Township fully funded the minimum municipal obligation in the following amounts.

	Total MMO
Police Pension- Defined Benefit plan	\$ 754,091
Defined Contribution Retirement plan	243,790
Non-Uniform Defined Benefit plan	<u>223,812</u>
	<u><u>\$ 1,221,693</u></u>

Act 205 also established 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.

During the year ended December 31, 2025, the Township received \$ 779,884 in state aid for the pension contributions.

PALMER TOWNSHIP
Notes to Financial Statements

NOTE 6 PENSION PLANS (CONTINUED)

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 January 1, 2025

Inactive members and beneficiaries currently receiving benefits	21
Inactive members entitled to but not yet receiving benefits	3
Active plan members	<u>34</u>
Total members	<u>58</u>

Plan Administration

The plan is governed by Township Supervisors which may amend plan provisions, subject to collective bargaining and to Act 600, *The Municipal Pension Plan Funding Standard and Recovery Act*. Township Supervisors are 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.

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:

Years of Completed Service	Monthly Amount of Service Increment Benefit
26	\$ 25
27	50
28	75
29	100
30 or more	250

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

NOTE 6 PENSION PLANS (CONTINUED)

Police Pension Plan (Continued)

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.

PALMER TOWNSHIP
Notes to Financial Statements

NOTE 6 PENSION PLANS (CONTINUED)

Police Pension Plan (Continued)

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, 2025:

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

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, 2025, 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, 2025, the annual time-weighted rate of return on pension plan investments, net of pension plan investment expense, was 10.42%. The time-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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 January 1, 2025. Inactive Members and Beneficiaries Currently Receiving Benefits.

Inactive members and beneficiaries currently receiving benefits	30
Inactive members entitled to but not yet receiving benefits	11
Active plan members	<u>11</u>
Total members	<u><u>52</u></u>

NOTE 6 PENSION PLANS (CONTINUED)

Non-Uniformed Pension Plan - Defined Benefit Plan (Continued)

Plan Administration

The plan is governed by Township Supervisors 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 are 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.

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.

PALMER TOWNSHIP
Notes to Financial Statements

NOTE 6 PENSION PLANS (CONTINUED)

Non-Uniformed Pension Plan - Defined Benefit Plan (Continued)

Vesting

A participant's benefits vest upon completion of 6 years of service. The vested benefit is a defined 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, 2025.

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, 2025 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, 2025, the annual time-weighted rate of return on pension plan investments, net of pension plan investment expense, was 10.66%. The time-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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 contributes 7% of participant's compensation and 10% contribution to the Township's manager.

NOTE 6 PENSION PLANS (CONTINUED)

Non-Uniformed Pension Plan - Defined Benefit Plan (Continued)

In 2025, the Township contribute \$ 250,002 to the Defined Contribution Plan.

In 2025, the plan provisions changed and the Township is no longer required to report the Defined Contribution Plan as part of the Township Fiduciary Fund. See Note 10 for more information regarding the restatement related to this change.

Police Post Retirement Benefit Plan

Plan Description, Contribution Information and Funding Policies

Plan Description – Palmer Township 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 hired prior to January 1, 2015, join the Plan upon employment. There are no new participants after January 1, 2015.

Normal Retirement

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

For police officers who retire after November 28, 2011, the normal retirement pension is payable monthly until the earlier of Medicare eligibility. 10 years of retirement or death.

Police officers who retired before November 28, 2011, receive monthly pension for their lifetime with payments ceasing upon death.

Years of Retirement	Benefit Percentages
2005	8.00%
2006	12.00%
2007	12.00%
2008	12.00%
2009	13.50%
2010 or Later	15.00%

PALMER TOWNSHIP
Notes to Financial Statements

NOTE 6 PENSION PLANS (CONTINUED)

Police Post Retirement Benefit Plan (Continued)

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. During the year ended December 31, 2025, the Township contributed \$ - to the plan.

Summary of Plan Membership

Membership of the Plan is as follows, as of January 1, 2025:

Active Members	21
Vested Former Members	-
Retired Members	<u>13</u>
Total Members	<u><u>34</u></u>

Rate of Return

For the year ended December 31, 2025, the annual time-weighted rate of return on pension plan investments, net of pension plan investment expense, was 14.33%. The time-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 7 GOVERNMENTAL FUNDS – FUND BALANCE

The following table provides details of the fund balance classification, which are aggregated on the governmental funds balance sheet:

	General Fund	Escrow Fund	Debt Service Fund	Liquid Fuels Fund	Other Governmental Funds	Governmental Funds
Fund Balances						
Restricted for:						
Escrow related activity	\$ 1,412,830	\$ 500,279	\$ -	\$ -	\$ -	\$ 1,913,109
Future road projects	-	-	-	739,109	-	739,109
Future capital projects	-	-	-	-	93,723	93,723
Future recreation projects	-	-	-	-	381,521	381,521
Future road equipment	-	-	-	-	353,963	353,963
2020C bond activity	-	-	-	-	359,045	359,045
Future police projects	-	-	-	-	60,246	60,246
	<u>1,412,830</u>	<u>500,279</u>	<u>-</u>	<u>739,109</u>	<u>1,248,498</u>	<u>3,900,716</u>
Committed for:						
Emergency use	351,558	-	-	-	-	351,558
Future capital projects	-	-	-	-	128,089	128,089
Future recreation projects	-	-	-	-	81,610	81,610
	<u>351,558</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>209,699</u>	<u>561,257</u>
Unassigned	(371,118)	-	(420,076)	-	(466,335)	(1,257,529)
Total fund balances	<u>\$ 1,393,270</u>	<u>\$ 500,279</u>	<u>\$ (420,076)</u>	<u>\$ 739,109</u>	<u>\$ 991,862</u>	<u>\$ 3,204,444</u>

PALMER TOWNSHIP

Notes to Financial Statements

NOTE 8 RISK MANAGEMENT

The Township is part of the Pennsylvania Municipal Health Insurance Cooperative (PMHIC). This trust consists of a group of municipalities that have pooled their interest together in order to establish a self-funded insurance plan in order to better control insurance rates. The Township pays a premium to PMHIC that consists of a portion for actual claim expense, administrative costs, reinsurance costs and reserve account. At year end, the actual claims of the Township are reviewed, and the reserve account is used to fund any excess claims for the Township over premiums paid during the year. If any funds remain in the reserve, 15% of the total reserve balance could possibly be used to fund claim overages or the trust. A reinsurance policy is used to pay any additional excess claims. Therefore, the expense reported by the Township is limited to the premiums paid during the year. Any potential refund is calculated and received by the Township several months after year end. Total payments by the Township to PMHIC during 2025 were \$ 3,239,384. During 2025 the Township did receive a refund from PMHIC for prior premiums paid for \$ 234,843.

NOTE 9 RELATED PARTY TRANSACTIONS

For the year ended December 31, 2025 the township had the following related party transactions:

- The Township owes the Authority \$290,741 for stormwater fees that have not been transferred to the Authority as of year-end.
- The Authority owes the Township \$ 228,942 related to 4th quarter management fees.
- The Authority utilizes employees of the Township for its operations. This amount is shown as contracted services within the Authority's financial statements. The total expenses paid to the Township in 2025 for the use of Township employees' time, supplies, equipment, startup costs and costs of previous projects that were agreed to be reimbursed for was \$ 1,491,253.
- The Township was awarded a grant related to the stormwater event repairs that occurred in 2023. In 2025, the Township received those grant proceeds in the amount of \$ 243,750. The Authority has been reimbursing the Township for the initial costs related to the 2023 stormwater event repairs as part of the quarterly management fee. As a result, the Township contributed the full \$ 243,750 to the Authority in 2025.

NOTE 10 RESTATEMENTS

During the year ended December 31, 2025, the Township had a restatement for a change in accounting principle. The change in accounting principle is related to how the Township accounts for the Quarterly management fee that they are being charged by Palmer Township. The Authority elects to have a modification from the cash basis of accounting and will recognize the four quarterly management fees regardless of when the billing and cash is ultimately paid. As of December 31, 2024, \$ 73,626 of the fourth quarter management fee was billed and paid as part of the first quarter of 2025. As a result of the change in accounting principle, the Due from Palmer Stormwater Authority receivable was adjusted to \$ 73,626 and the General government and Public works -other expense line items would have increased by \$ 73,626 in 2024.

PALMER TOWNSHIP
Notes to Financial Statements

NOTE 10 RESTATEMENTS (CONTINUED)

The Township had the following restatement related to the change in accounting principle on the government wide statements:

	Governmental Activities	Component Unit
Net position as previously reported - December 31, 2024	\$ 7,364,002	\$ 1,136,220
Change in accounting principle	<u>73,626</u>	<u>(73,626)</u>
Net position as restated - December 31, 2024	<u>\$ 7,437,628</u>	<u>\$ 1,062,594</u>

In 2025, the Development Capital Project Fund and the 2020 C Capital projects fund had a change within the financial reporting entity. These two funds are now required to be presented as non-major funds. While the Liquid Fuels fund was previously reported as a non-major fund and is now presented as a major fund.

The Township had the following restatements related to the governmental funds:

	General Fund	Development Capital Projects Fund	2020 C Capital Projects Fund	Liquid Fuels Fund	Other Governmental Funds
Fund balance, as previously reported - December 31, 2024	\$ 36,664	\$ 1,500,987	\$ 841,396	\$ -	\$ 895,217
Change in accounting principle	73,626	-	-	-	-
Change within the reporting entity	-	(1,500,987)	(841,396)	302,226	2,040,157
Fund balance, as restated - December 31, 2024	<u>\$ 110,290</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 302,226</u>	<u>\$ 2,935,374</u>

In 2025, the Township had a change to the reporting entity. The Non-Uniform Defined Contribution plan that is included within the Pension Trust Funds had several changes to the overall plan documents. As a result of those changes, the plan is no longer required to be presented as part of the Township's Pension Trust Funds.

The Township had the following restatements related to the Fiduciary funds:

	Pension Trust Funds	Non-Uniform Defined Contribution
Net position as previously reported - December 31, 2024	\$ 27,073,585	\$ 687,877
Change within the reporting entity	<u>(687,877)</u>	<u>(687,877)</u>
Net position as restated - December 31, 2024	<u>\$ 26,385,708</u>	<u>\$ -</u>

OTHER SUPPLEMENTARY INFORMATION

PALMER TOWNSHIP
Budgetary Comparison Schedule - General Fund
For the Year Ended December 31, 2025

	Original/Final Budgeted Amounts	Actual	Variance with Final Budget
Revenues			
Taxes	\$ 11,798,722	\$ 11,733,835	\$ (64,887)
Licenses and permits	446,500	388,424	(58,076)
Fines and forfeits	47,000	48,380	1,380
Investment earnings	25,650	534,097	508,447
Rents	51,792	50,776	(1,016)
Intergovernmental	1,290,952	1,578,592	287,640
Charges for services	3,162,400	1,625,575	(1,536,825)
Miscellaneous	19,000	17,629	(1,371)
Total revenues	<u>16,842,016</u>	<u>15,977,308</u>	<u>(864,708)</u>
Expenditures			
General government	3,258,776	3,506,417	(247,641)
Public safety	8,668,940	8,600,587	68,353
Health and human services	2,000	2,080	(80)
Public works - highways	3,957,549	2,975,852	981,697
Culture and recreation	41,600	35,281	6,319
Community development	517,783	606,596	(88,813)
Miscellaneous	648,346	423,867	224,479
Total expenditures	<u>17,094,994</u>	<u>16,150,680</u>	<u>944,314</u>
Excess (deficiency) of revenues over expenditures	<u>(252,978)</u>	<u>(173,372)</u>	<u>79,606</u>
Other Financing Sources (Uses)			
Proceeds from sale of capital assets	15,000	19,065	4,065
Refund of prior year expenditures	-	257,221	257,221
Contribution to Authority	-	(243,750)	(243,750)
Transfers in	682,484	1,423,816	741,332
Transfers out	(1,418,813)	-	1,418,813
Total other financing sources (uses)	<u>(721,329)</u>	<u>1,456,352</u>	<u>2,160,145</u>
Net change in fund balances	<u>\$ (974,307)</u>	<u>\$ 1,282,980</u>	<u>\$ 2,239,751</u>
Fund balance - beginning, as previously reported		36,664	
Restatement - change in accounting principle		73,626	
Fund balances - beginning, as restated		<u>110,290</u>	
Fund balance - ending		<u>\$ 1,393,270</u>	

PALMER TOWNSHIP
Combining Balance Sheet – Modified Cash Basis – Other Governmental Funds
December 31, 2025

	Fire Tax Fund	Parks & Recreation	Community Center	Capital Reserve Fund	Development Capital Projects Fund	Recreation Capital Reserve Fund	Road Equipment Fund	2020C Capital Project Fund	2020D Capital Project Fund	Law Enforcement Fund	Total Other Governmental Funds
ASSETS											
Cash and cash equivalents	\$ 50	\$ 14,479	\$ -	\$ -	\$ -	\$ 121,093	\$ 353,963	\$ 359,045	\$ -	\$ 60,246	\$ 908,876
Investments	-	-	-	134,940	93,723	327,559	-	-	-	-	556,222
Due from other funds	-	-	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 50</u>	<u>\$ 14,479</u>	<u>\$ -</u>	<u>\$ 134,940</u>	<u>\$ 93,723</u>	<u>\$ 448,652</u>	<u>\$ 353,963</u>	<u>\$ 359,045</u>	<u>\$ -</u>	<u>\$ 60,246</u>	<u>\$ 1,465,098</u>
LIABILITIES											
Due to other funds	\$ 460,187	\$ -	\$ 6,198	\$ 6,851	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 473,236
Total liabilities	<u>\$ 460,187</u>	<u>\$ -</u>	<u>\$ 6,198</u>	<u>\$ 6,851</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 473,236</u>
FUND BALANCES											
Restricted	\$ -	\$ 14,479	\$ -	\$ -	\$ 93,723	\$ 367,042	\$ 353,963	\$ 359,045	\$ -	\$ 60,246	\$ 1,248,498
Committed	-	-	-	128,089	-	81,610	-	-	-	-	209,699
Unassigned	(460,137)	-	(6,198)	-	-	-	-	-	-	-	(466,335)
Total fund balances	<u>(460,137)</u>	<u>14,479</u>	<u>(6,198)</u>	<u>128,089</u>	<u>93,723</u>	<u>448,652</u>	<u>353,963</u>	<u>359,045</u>	<u>-</u>	<u>60,246</u>	<u>991,862</u>
Total liabilities and fund balance	<u>\$ 50</u>	<u>\$ 14,479</u>	<u>\$ -</u>	<u>\$ 134,940</u>	<u>\$ 93,723</u>	<u>\$ 448,652</u>	<u>\$ 353,963</u>	<u>\$ 359,045</u>	<u>\$ -</u>	<u>\$ 60,246</u>	<u>\$ 1,465,098</u>

PALMER TOWNSHIP

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Modified Cash Basis - Other Governmental Funds For the Year Ended December 31, 2025

	Fire Tax Fund	Parks & Recreation	Community Center	Capital Reserve Fund	(Formerly Major) Development Capital Projects Fund	Recreation Capital Reserve Fund	Road Equipment Fund	(Formerly Non- Major) Liquid Fuels Fund	(Formerly Major) 2020 C Capital Projects Fund	2020D Capital Project Fund	Law Enforcement Fund	Total-Other Governmental Funds
REVENUES												
Taxes	\$ 741,236	\$ 1,945,325	\$ -	\$ -	\$ -	\$ -	\$ 206,072	\$ -	\$ -	\$ -	\$ -	\$ 2,892,633
Investment earnings	622	1,586	-	4,566	5,566	8,850	635	-	25,997	420	-	48,242
Intergovernmental	209,338	78,644	1,040	-	-	110,000	-	-	-	-	47,556	446,578
Charges for services	10,027	11,490	-	-	-	-	-	-	-	-	-	21,517
Contributions	-	-	-	9,800	-	365,335	-	-	-	-	-	375,135
Total revenues	<u>961,223</u>	<u>2,037,045</u>	<u>1,040</u>	<u>14,366</u>	<u>5,566</u>	<u>484,185</u>	<u>206,707</u>	<u>-</u>	<u>25,997</u>	<u>420</u>	<u>47,556</u>	<u>3,784,105</u>
EXPENDITURES												
General government	12,077	43,849	-	-	-	-	4,629	-	508,348	2,090	-	570,993
Public safety	1,053,114	-	-	402,921	-	-	-	-	-	-	43,446	1,499,481
Public works - other	-	-	-	-	-	-	871,733	-	-	-	-	871,733
Culture and recreation	-	2,082,630	11,737	31,912	-	311,758	-	-	-	-	-	2,438,037
Total expenditures	<u>1,065,191</u>	<u>2,126,479</u>	<u>11,737</u>	<u>434,833</u>	<u>-</u>	<u>311,758</u>	<u>876,362</u>	<u>-</u>	<u>508,348</u>	<u>2,090</u>	<u>43,446</u>	<u>5,380,244</u>
Excess (deficiency) of revenues over expenditures	<u>(103,968)</u>	<u>(89,434)</u>	<u>(10,697)</u>	<u>(420,467)</u>	<u>5,566</u>	<u>172,427</u>	<u>(669,655)</u>	<u>-</u>	<u>(482,351)</u>	<u>(1,670)</u>	<u>4,110</u>	<u>(1,596,139)</u>
OTHER FINANCING SOURCES (USES)												
Transfers in	-	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(1,412,830)	-	(343,002)	-	-	(10,986)	-	(1,766,818)
Note proceeds	-	-	-	-	-	-	1,276,435	-	-	-	-	1,276,435
Sale of property	-	-	-	-	-	-	143,010	-	-	-	-	143,010
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,412,830)</u>	<u>-</u>	<u>1,076,443</u>	<u>-</u>	<u>-</u>	<u>(10,986)</u>	<u>-</u>	<u>(347,373)</u>
Net change in fund balances	<u>(103,968)</u>	<u>(89,434)</u>	<u>(10,697)</u>	<u>(420,467)</u>	<u>(1,407,264)</u>	<u>172,427</u>	<u>406,788</u>	<u>-</u>	<u>(482,351)</u>	<u>(12,656)</u>	<u>4,110</u>	<u>(1,943,512)</u>
Fund balances - beginning, as previously reported	(356,169)	103,913	4,499	548,556	-	276,225	(52,825)	302,226	-	12,656	56,136	895,217
Restatement	-	-	-	-	1,500,987	-	-	(302,226)	841,396	-	-	2,040,157
Fund balances - beginning, as restated	<u>(356,169)</u>	<u>103,913</u>	<u>4,499</u>	<u>548,556</u>	<u>1,500,987</u>	<u>276,225</u>	<u>(52,825)</u>	<u>-</u>	<u>841,396</u>	<u>12,656</u>	<u>56,136</u>	<u>2,935,374</u>
Fund balances - ending	<u>\$ (460,137)</u>	<u>\$ 14,479</u>	<u>\$ (6,198)</u>	<u>\$ 128,089</u>	<u>\$ 93,723</u>	<u>\$ 448,652</u>	<u>\$ 353,963</u>	<u>\$ -</u>	<u>\$ 359,045</u>	<u>\$ -</u>	<u>\$ 60,246</u>	<u>\$ 991,862</u>

PALMER TOWNSHIP**Combining Statement of Net Position - Modified Cash Basis - Other Proprietary Funds
December 31, 2025**

	Community Swimming Fund	Charles Chrin Center Fund	Total Other Proprietary Funds
ASSETS			
Cash and cash equivalents	\$ 400	\$ 15,666	\$ 16,066
Total assets	<u>\$ 400</u>	<u>\$ 15,666</u>	<u>\$ 16,066</u>
LIABILITIES			
Due to other funds	\$ 33,960	\$ -	\$ 33,960
Total liabilities	<u>33,960</u>	<u>-</u>	<u>33,960</u>
NET POSITION			
Unrestricted	<u>(33,560)</u>	<u>15,666</u>	<u>(17,894)</u>
Total net position	<u>(33,560)</u>	<u>15,666</u>	<u>(17,894)</u>

PALMER TOWNSHIP**Combining Statement of Revenues, Expenses and Changes in Net Position – Modified****Cash Basis - Other Proprietary Funds****For the Year Ended December 31, 2025**

	Community Swimming Fund	Charles Chrin Center Fund	Total Other Proprietary Funds
Operating Revenues			
Charges for services	\$ 140,359	\$ 551,585	\$ 691,944
Total operating revenues	<u>140,359</u>	<u>551,585</u>	<u>691,944</u>
Operating Expenses			
Salaries and benefits	160,445	425,801	586,246
Contracted services	-	95,180	95,180
Repairs and maintenance	46,892	62,002	108,894
Treatment charges	32,055	30,394	62,449
Office expenses	18,394	-	18,394
General government	<u>9,374</u>	<u>140,237</u>	<u>149,611</u>
Total operating expenses	<u>267,160</u>	<u>753,614</u>	<u>1,020,774</u>
			-
Operating income (loss)	<u>(126,801)</u>	<u>(202,029)</u>	<u>(328,830)</u>
Nonoperating Revenues (Expenses)			
Investment income	211	966	1,177
Pension state aid	<u>-</u>	<u>13,107</u>	<u>13,107</u>
Total nonoperating revenues (expenses)	<u>211</u>	<u>14,073</u>	<u>14,284</u>
Income (loss)	<u>(126,590)</u>	<u>(187,956)</u>	<u>(314,546)</u>
Change in net position	(126,590)	(187,956)	(314,546)
Total net position - beginning	<u>93,030</u>	<u>203,622</u>	<u>296,652</u>
Total net position - ending	<u>\$ (33,560)</u>	<u>\$ 15,666</u>	<u>\$ (17,894)</u>

PALMER TOWNSHIP
Combining Statement of Fiduciary Net Position
December 31, 2025

	Police Defined Benefit	Police Post Employee Retirement	Nonuniform Defined Benefit	Nonuniform Defined Contribution	Total Pension Trust Funds
ASSETS					
Cash and cash equivalents	\$ 476,264	\$ 94,169	\$ 140,796	\$ -	\$ 711,229
Investments	18,172,718	2,301,336	7,762,451	-	28,236,505
Total assets	<u>\$ 18,648,982</u>	<u>\$ 2,395,505</u>	<u>\$ 7,903,247</u>	<u>\$ -</u>	<u>\$ 28,947,734</u>
NET POSITION					
Restricted for pension and other post employment benefits	\$ 18,648,982	\$ 2,395,505	\$ 7,903,247	\$ -	\$ 28,947,734
Total net position	<u>\$ 18,648,982</u>	<u>\$ 2,395,505</u>	<u>\$ 7,903,247</u>	<u>\$ -</u>	<u>\$ 28,947,734</u>

PALMER TOWNSHIP
Combining Statement of Changes in Fiduciary Net Position
For the Year Ended December 31, 2025

	Police Defined Benefit	Police Post Employee Retirement	Non-Uniform Defined Benefit	Non-Uniform Defined Contribution	Total Pension Trust funds
ADDITIONS					
Contributions	\$ 979,852	\$ 40,833	\$ 223,812	\$ -	\$ 1,244,497
Investment income	406,896	64,345	175,868	-	647,109
Gain (loss) in fair market value	1,456,263	240,212	652,977	-	2,349,452
Total additions	<u>2,843,011</u>	<u>345,390</u>	<u>1,052,657</u>	<u>-</u>	<u>4,241,058</u>
DEDUCTIONS					
Benefit payments	877,710	127,040	482,251	-	1,487,001
Administrative expenses	107,478	9,245	49,533	-	166,256
Investment expense	13,025	5,950	6,800	-	25,775
Total deductions	<u>998,213</u>	<u>142,235</u>	<u>538,584</u>	<u>-</u>	<u>1,679,032</u>
Change in net position	1,844,798	203,155	514,073	-	2,562,026
Net position - beginning	16,804,184	2,192,350	7,389,174	687,877	27,073,585
Restatement - change in reporting entity	-	-	-	(687,877)	(687,877)
Net position - beginning, as restated	<u>16,804,184</u>	<u>2,192,350</u>	<u>7,389,174</u>	<u>-</u>	<u>26,385,708</u>
Net position - ending	<u>\$ 18,648,982</u>	<u>\$ 2,395,505</u>	<u>\$ 7,903,247</u>	<u>\$ -</u>	<u>\$ 28,947,734</u>

PALMER TOWNSHIP
Police Defined Benefit Pension Plan
Schedule of Township Contributions (Unaudited)
For the Year Ended December 31, 2025

Police Pension Plan	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 754,091	\$ 614,154	\$ 584,691	\$ 553,452	\$ 686,252	\$ 586,077	\$ 552,135	\$ 482,565	\$ 454,970	\$ 438,959
Contributions in relation to the actuarially determined contribution	<u>754,091</u>	<u>614,154</u>	<u>584,691</u>	<u>553,452</u>	<u>686,252</u>	<u>586,077</u>	<u>552,135</u>	<u>482,600</u>	<u>454,970</u>	<u>438,959</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (35)	\$ -	\$ -
Covered payroll	<u>\$ 4,687,711</u>	<u>\$ 4,340,957</u>	<u>\$ 4,202,291</u>	<u>\$ 3,811,873</u>	<u>\$ 3,609,719</u>	<u>\$ 3,591,954</u>	<u>\$ 3,316,595</u>	<u>\$ 3,288,225</u>	<u>\$ 3,217,911</u>	<u>\$ 3,147,743</u>
Contributions as a percentage of covered payroll	<u>16.09%</u>	<u>14.15%</u>	<u>13.91%</u>	<u>14.52%</u>	<u>19.01%</u>	<u>16.32%</u>	<u>16.65%</u>	<u>14.68%</u>	<u>14.14%</u>	<u>13.95%</u>

Notes

Valuation date:

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

Methods and assumptions used to determine contribution rates including changes in actuarial assumptions:

Actuarial valuation date	1/1/2025
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
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	PubS-2010 mortality table, including rates for disabled retirees and contingent survivors. Incorporated into the table are rates project generationally using Scale MP - 2021 to reflect mortality improvement.

PALMER TOWNSHIP
Non-Uniform Defined Benefit Pension Plan
Schedule of Township Contributions (Unaudited)
For the Year Ended December 31, 2025

Defined Benefit Pension Plan	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 223,812	\$ 168,301	\$ 178,224	\$ 152,648	\$ 208,659	\$ 197,582	\$ 208,554	\$ 144,166	\$ 148,100	\$ 161,694
Contributions in relation to the actuarially determined contribution	223,812	168,301	178,224	152,661	208,681	197,736	208,554	144,166	148,100	161,694
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ (13)	\$ (22)	\$ (154)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 1,120,180	\$ 1,225,956	\$ 1,224,247	\$ 1,161,541	\$ 1,156,456	\$ 1,703,443	\$ 1,757,071	\$ 1,805,370	\$ 2,000,822	\$ 1,986,648
Contributions as a percentage of covered payroll	19.98%	13.73%	14.56%	13.14%	18.04%	11.61%	11.87%	7.99%	7.40%	8.14%

Notes

Valuation date:

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

Methods and assumptions used to determine contribution rates including changes in actuarial assumptions:

Actuarial valuation date	1/1/2025
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Amortization period	10 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	PubG-2010 mortality table, including rates for disabled retirees and contingent survivors. Incorporated into the table are rates projected generationally using Scale MP-2021 to reflect mortality improvement.