

HANOVER TOWNSHIP

FINANCIAL AND COMPLIANCE REPORT

Year Ended December 31, 2024

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Supervisors
Hanover Township
Bethlehem, Pennsylvania**

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hanover Township as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise Hanover Township's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hanover Township as of December 31, 2024, and the respective changes in 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hanover 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.

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 the 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Hanover Township's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Hanover 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 Hanover 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 Hanover Township's basic financial statements. The combining modified cash basis - nonmajor governmental funds financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a 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 comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining modified cash basis - nonmajor governmental funds financial statements and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the budgetary comparison information and pension information but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2025, on our consideration of Hanover Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Hanover Township's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hanover Township's internal control over financial reporting and compliance.

Herbein + Company, Inc.

**Reading, Pennsylvania
September 30, 2025**

HANOVER TOWNSHIP

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

December 31, 2024

	Governmental Activities
ASSETS	
Cash and investments	\$ 23,988,977
Restricted cash	1,379,140
Other receivables	436
TOTAL ASSETS	25,368,553
LIABILITIES	
Funds held in escrow	335,082
NET POSITION	
Restricted	5,694,749
Unrestricted	19,338,722
TOTAL NET POSITION	\$ 25,033,471

See accompanying notes.

HANOVER TOWNSHIP

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For the Year Ended December 31, 2024

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Total
Primary Government				
Governmental Activities:				
General government	\$ 1,067,312	\$ 407,598	\$ 8,689	\$ (651,025)
Public safety	4,307,775	867,206	111,062	(3,329,507)
Public works - sanitation	1,282,355	1,342,939	31,794	92,378
Public works - highways and streets	2,836,425	15,263	460,033	(2,361,129)
Culture and recreation	2,399,746	781,525	72,000	(1,546,221)
Employer paid benefits, insurance, other	1,519,342	-	165,407	(1,353,935)
Debt service - principal	330,000	-	-	(330,000)
Debt - interest, fiscal agent fees	103,776	-	-	(103,776)
Total Primary Government	\$ 13,846,731	\$ 3,414,531	\$ 848,985	(9,583,215)
General Revenues				
Taxes:				
Real estate				2,275,499
Real estate transfer				469,911
Earned income				2,847,886
Mercantile				1,206,419
Local services				613,067
Investment earnings				257,365
Sale of capital assets				48,404
Miscellaneous income				32,457
Total General Revenues				7,751,008
Change in Net Position				(1,832,207)
Net Position - Beginning of Year - Restated				26,865,678
Net Position - End of Year				\$ 25,033,471

See accompanying notes.

HANOVER TOWNSHIP

**BALANCE SHEET - MODIFIED CASH BASIS -
GOVERNMENTAL FUNDS**

December 31, 2024

	General	Capital	Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 11,080,148	\$ 8,258,138	\$ 4,650,691	\$ 23,988,977
Restricted cash	1,379,140	-	-	1,379,140
Other receivables	436	-	-	436
TOTAL ASSETS	<u>\$ 12,459,724</u>	<u>\$ 8,258,138</u>	<u>\$ 4,650,691</u>	<u>\$ 25,368,553</u>
LIABILITIES				
Funds held in escrow	\$ 335,082	\$ -	\$ -	\$ 335,082
FUND BALANCES				
Restricted	1,044,058	-	4,650,691	5,694,749
Assigned	-	8,258,138	-	8,258,138
Unassigned	11,080,584	-	-	11,080,584
TOTAL FUND BALANCES	<u>12,124,642</u>	<u>8,258,138</u>	<u>4,650,691</u>	<u>25,033,471</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 12,459,724</u>	<u>\$ 8,258,138</u>	<u>\$ 4,650,691</u>	<u>\$ 25,368,553</u>

See accompanying notes.

HANOVER TOWNSHIP

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2024

	General	Capital	Nonmajor Funds	Total Governmental Funds
REVENUES				
Taxes				
Real estate	\$ 1,989,265	\$ -	\$ 286,234	\$ 2,275,499
Real estate transfer	469,911	-	-	469,911
Earned income	2,847,886	-	-	2,847,886
Business privilege	1,206,419	-	-	1,206,419
Emergency and municipal services	613,067	-	-	613,067
Licenses, permits and fines	201,343	-	-	201,343
Interest and rent	344,478	76,169	11,768	432,415
Intergovernmental	366,952	71,009	411,024	848,985
Charges for services - wastewater and sewage	1,338,529	-	-	1,338,529
Charges for services - other	1,566,611	-	-	1,566,611
Special assessments	-	117,998	15,000	132,998
Other	11,270	20,864	323	32,457
TOTAL REVENUES	10,955,731	286,040	724,349	11,966,120
EXPENDITURES				
Current:				
General government	958,912	108,400	-	1,067,312
Public safety:				
Police	2,502,732	-	-	2,502,732
Fire, ambulance, and rescue	402,257	-	1,069,090	1,471,347
Other (planning, zoning, etc.)	333,696	-	-	333,696
Public works - sanitation	1,282,355	-	-	1,282,355
Public works - highways and streets	1,309,332	1,354,142	172,951	2,836,425
Culture and recreation	1,172,106	1,227,640	-	2,399,746
Employer paid benefits, insurance, other	1,495,201	24,141	-	1,519,342
Debt service - principal	330,000	-	-	330,000
Debt service - interest, fiscal agent fees	103,776	-	-	103,776
TOTAL EXPENDITURES	9,890,367	2,714,323	1,242,041	13,846,731
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,065,364	(2,428,283)	(517,692)	(1,880,611)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	48,404	-	48,404
Transfers in	-	1,167,011	-	1,167,011
Transfers out	(1,167,011)	-	-	(1,167,011)
TOTAL OTHER FINANCING SOURCES (USES)	(1,167,011)	1,215,415	-	48,404
NET CHANGES IN FUND BALANCES	(101,647)	(1,212,868)	(517,692)	(1,832,207)
FUND BALANCES - BEGINNING OF YEAR - RESTATED	12,226,289	9,471,006	5,168,383	26,865,678
FUND BALANCES - END OF YEAR	\$ 12,124,642	\$ 8,258,138	\$ 4,650,691	\$ 25,033,471

See accompanying notes.

HANOVER TOWNSHIP

STATEMENT OF NET POSITION - MODIFIED CASH BASIS -
FIDUCIARY FUND

December 31, 2024

	Pension Trust Fund
ASSETS	
Cash and investments	\$ 11,787,529
NET POSITION	
Net position held in trust for pension benefits	\$ 11,787,529

HANOVER TOWNSHIP

**STATEMENT OF CHANGES IN NET POSITION -
MODIFIED CASH BASIS - FIDUCIARY FUND**

For the Year Ended December 31, 2024

	<u>Pension Trust Fund</u>
ADDITIONS	
Contributions:	
Township and Commonwealth	\$ 535,059
Investment income	<u>1,007,622</u>
TOTAL ADDITIONS	1,542,681
DEDUCTIONS	
Benefit payments	656,010
Administrative expenses	<u>61,943</u>
TOTAL DEDUCTIONS	<u>717,953</u>
CHANGE IN NET POSITION	824,728
NET POSITION HELD IN TRUST FOR PENSION BENEFITS - BEGINNING OF YEAR	<u>10,962,801</u>
NET POSITION HELD IN TRUST FOR PENSION BENEFITS - END OF YEAR	<u><u>\$ 11,787,529</u></u>

HANOVER TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2024

Hanover Township (the “Township”), Northampton County, Pennsylvania, is a second-class township created in 1798. The Township is governed by five (5) elected supervisors in accordance with laws of the Commonwealth of Pennsylvania. The supervisors must be residents and registered voters who are elected every two years, on a staggered basis, for a four-year term. The supervisors have the power to establish policies to be carried out by the Township. The supervisors appoint a manager who is responsible for the execution of all actions of the supervisors and manages the Township. The Township operates the general government activities of the community, including fire protection, street and road maintenance, parks and other culture and recreation, health and welfare, and various administrative functions.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As described further in Note 1D., these financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

A. Financial Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Township (the primary government) and its component units.

The Township used guidance contained in generally accepted accounting principles to evaluate the possible inclusion of related entities (authorities, boards, councils, fiduciary activities, etc.) within its reporting entity. Accounting principles generally accepted in the United States of America require that the reporting entity consists of the primary government and legally separate entities for which the primary government is financially accountable. In addition, the primary government may determine through the exercise of management’s professional judgment that the inclusion of a legally separate entity that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity’s financial statements from being misleading. In such instances, that legally separate entity should be included as a component unit if the nature and significance of their relationship with the primary government or other component units are such that the exclusion from the financial reporting entity would render the financial reporting entity’s financial statements incomplete or misleading. In evaluating how to define the reporting entity, management has considered all potential component units.

Based on the foregoing criteria, the Township has determined it has one fiduciary component unit. The Township’s pension plan is considered a fiduciary component unit and is reported as a pension trust fund in the fiduciary fund financial statements.

HANOVER TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Basis of Presentation - Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the reporting government as a whole within the limitations of the modified cash basis of accounting. They include all funds of the reporting entity except for fiduciary funds which are reported only in the fund financial statements. The government-wide statements include separate columns and distinguish between the governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts, and other nonexchange receipts. Business-type activities are financed, in whole or part, by fees charged to external parties for goods or services. The Township does not have any business-type activities.

The statement of activities demonstrates the level to which the direct expenses of a given function of the Township are offset by the program revenues related to that function. Direct expenses are those that are directly related to and clearly identified with a function. Program revenues include 1) charges to customers or others who purchase, use, or directly benefit from services or goods provided by a given function, or 2) taxes and grants and contributions that are restricted to meet the operational or capital requirements of a function. Taxes and other items not includable in program revenues are reported as general revenues.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are the transfers between governmental funds and business-type and fiduciary funds. Elimination of these contributions would distort the direct costs and program revenues reported for the various functions concerned.

C. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as one column (nonmajor funds) on the fund financial statements. The Township currently does not have any proprietary funds.

The Township Reports the Following Major Governmental Funds:

General Fund - This fund is established to account for resources devoted to financing the general services that the Township performs for its citizens. General tax receipts and other sources of receipts used to finance the fundamental operations of the Township are included in this fund. The fund is charged with all costs of operating the government for which a separate fund has not been established.

HANOVER TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation - Fund Financial Statements - continued

The Township Reports the Following Major Governmental Funds - continued:

Capital Funds - These funds are established to account for and report financial resources that are assigned for the expenditure of capital outlays.

- Capital Fund - This fund is used to account for the financial resources set aside by the Township to be used for the acquisition or construction of capital facilities, and other capital assets and road program expenditures.

The Township reports the following Nonmajor Governmental Funds:

Special Revenue Funds - These funds are established to account for the cash receipts of specific sources other than expendable trusts or major capital projects that are legally restricted to disbursements for specified purposes.

- Fire Protection Fund - This fund is used to account for the proceeds from the real estate assessment of 0.5 mills for the purpose of purchasing, maintaining, and operating an apparatus fund, as well as making appropriations to the two local fire companies.
- Liquid Fuels Fund - This fund is used to account for the proceeds from the State Motor License Fund. Under the Act of June 1, 1956, P.L. 1944, No. 145, this fund must be kept separate from all other funds and no other funds shall be commingled with this fund. Disbursements are legally restricted to expenditures for highway purposes in accordance with Department of Transportation regulations.
- Stormwater Fund - This fund is used to account for budgetary transfers and other fees and contributions to segregate funds and expenditures for stormwater purposes.

Capital Funds -

- Impact Fund - This fund is used to account for the fees collected from developers to be used for Township infrastructure impacted by construction.

HANOVER TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation - Fund Financial Statements - continued

Additionally, the Township Reports the Following Fund Types:

Fiduciary Fund - The Township's fiduciary fund is a pension trust fund. Pension trust funds are used to account for assets held by the Township under a trust agreement for individuals, private organizations, or other governments and, therefore, are not available to support the Township's own programs. The Township's pension trust funds include:

- *Hanover Township Employees Retirement Plan* - This fund was established to provide pension benefits to Township employees.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as interfund receivables and payables. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

HANOVER TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus is a term used to describe what transactions or events are recorded within the various financial statements. Basis of accounting refers to when and how transactions or events are recorded, regardless of the measurement focus applied.

1. Measurement Focus

In the government-wide statement of net position and statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting.

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

- All governmental funds utilize a current financial resources measurement focus within the limitations of the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- The fiduciary funds utilize an economic resources measurement focus within the limitations of the modified cash basis of accounting. All assets and liabilities (whether current or noncurrent or financial or nonfinancial) associated with their activities are generally reported within the limitations of the modified cash basis of accounting.

2. Basis of Accounting

The financial statements are presented in accordance with a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statement of net position or balance sheet cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include investments, other receivables, and developer escrows arising from cash transactions or events.

This modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected and other accrued revenue and receivables) and certain liabilities and their related expenses or expenditures (such as accounts payable and expenses for goods or services received but not yet paid and other accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not arise from cash transactions or events are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value, except investments which are reported at fair value.

HANOVER TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Measurement Focus and Basis of Accounting - continued

2. Basis of Accounting - continued

If the Township utilized accounting principles generally accepted in the United States of America, the fund financial statements for governmental funds would use the modified accrual basis of accounting, and the fund financial statements for fiduciary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented in accordance with the accrual basis of accounting.

E. Financial Position

1. Investments

The Township supervisors are authorized by statutes to invest its funds as defined in the Township Code. When making investments, supervisors can combine monies from more than one fund under the supervisors' control for the purchase of a single investment and join with other political subdivisions in the purchase of a single investment.

Investments are valued at fair value in accordance with Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*, except for investments in external investment pools, which are valued at amortized costs if required criteria are met as outlined in Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants*.

The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near-term and that such changes could materially affect the amounts reported in the statement of net position.

2. Restricted Deposits

The restricted deposit account represents cash received by the Township from developers to cover the Township's cost of reviewing and approving development plans and as security deposits to ensure the related developments are completed in accordance with approved plans. It also includes unspent grant funds received by the Township.

HANOVER TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Financial Position - continued

3. Interfund Transactions

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year are referred to as "interfund receivables/payables." Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statement as "internal balances."

4. Capital Assets

In the government-wide and fund financial statements, capital assets arising from cash transactions are recorded as capital outlay expenditures (expenses) upon acquisition. Proceeds from the sale of capital assets are reported as other financing sources in the fund financial statements and as general revenues in the government-wide financial statements.

5. Long-Term Debt

Debt proceeds are reported as other financing sources in the fund financial statements and as general revenues in the government-wide financial statements. Payment of principal and interest is reported as expenditures (expenses).

6. Compensated Absences

Compensated absences for vacation and sick leave are recorded when paid.

7. Net Position/Fund Balance Classifications

Government-Wide Statements and Fiduciary Funds

Net position is classified and displayed in two components:

Restricted - This component presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component represents net positions of the Township, which are not restricted for any project or other purpose.

Flow Assumption - When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

HANOVER TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Financial Position - continued

7. Net Position/Fund Balance Classifications - continued

Governmental Fund Financial Statements

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling legislation. Restrictions may be changed or lifted only with the consent of the resource providers.

Committed - Amounts that can be used only for a specific purpose determined by a formal action (resolution) of the Township supervisors, the government's highest level of decision-making authority. The formal action to commit fund balance to a specific purpose must occur prior to the end of the reporting period, but the amount which will be subject to the constraint may be determined in the subsequent period. Committed funds may only be changed or lifted by the same formal action taken to commit them.

Assigned - Amounts that the Township intends to use for a specific purpose. Assignments of fund balance are made by the Township Manager.

Unassigned - Amounts that are not included within any other classification noted. Unassigned amounts are the portion of fund balance not obligated or specifically designated and is available for any purpose.

Fund Balance Policies

Spending Policy - Any disbursement incurred for a purpose in which restricted and unrestricted fund balance amounts are available are satisfied through restricted fund balance amounts before unrestricted fund balance amounts. When an expenditure is incurred for a purpose in which unrestricted fund balance amounts are available under committed, assigned, or unassigned fund balances, the fund balance is consumed as follows: committed, assigned, and unassigned.

Minimum Fund Balance Policy - The Township has not established a minimum fund balance policy.

HANOVER TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Revenues, Expenditures, and Expenses

1. Program Revenues

In the statement of activities, revenues that are derived directly from each activity or from parties outside the Township's taxpayers are reported as program revenues. The Township has the following program receipts in each activity:

General Government - Charges for services include receipts for licenses, franchise fees, rent, and permits. Operating grants and contributions include allocations from the Commonwealth of Pennsylvania.

Public Safety - Charges for services include receipts for fines and permits. Operating grants and contributions include foreign fire insurance tax distribution from the Commonwealth of Pennsylvania and other contributions.

Public Works: Sanitation - Charges for services include fees charged for refuse and sewer treatment. Operating grants and contributions include recycling grant receipts from the Commonwealth of Pennsylvania.

Public Works: Highways and Streets - Charges for services include special assessments for storm water. Operating grants and contributions include proceeds from the State Motor License Fund.

Culture and Recreation - Charges for services include registration, facility, pool memberships and community event fees. Operating grants and contributions include grant proceeds for parks projects.

Employer Paid Benefits, Insurance, and Other - Operating grants and contributions include general municipal pension system aid from the Commonwealth of Pennsylvania.

All other governmental revenues are reported as general revenue. All taxes are classified as general revenues even if restricted for a specific purpose.

2. Property Taxes

Property taxes are levied on March 1 and are payable on or before June 30. The tax levy ordinance for the 2024 calendar year levied taxes on February 1, 2024, at 3.9 mills (3.4 mills for general operating purposes and 0.5 mills for fire protection). Taxes paid prior to March 31 are payable at a 2% discount, and taxes paid after May 31 are assessed at a 10% penalty. Taxes not paid as of January 15 are considered delinquent and are turned over to the Northampton County Tax Claim Bureau for collection. The taxes are levied based on assessed values on property. Assessed values are an approximation of market value. All taxable real property was assessed at \$573,844,800.

HANOVER TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

G. Use of Estimates

The preparation of the financial statements in accordance 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.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Data

The Township adopts an annual operating budget, which can be amended by the supervisors throughout the year. Formal budgetary accounting is employed as a management control for all funds of the Township. For each of the funds for which a formal budget is adopted, the same basis of accounting is used to reflect actual revenues and expenditures recognized on the cash basis. For this reason, no reconciliation will be needed between budgeted and actual amounts. Appropriations, encumbrances, and unexpended grant appropriations lapse at the end of each fiscal year.

Deficit Fund Balance or Net Position of Individual Funds

For the year ended December 31, 2024, no individual funds had a deficit fund balance or net position.

Excess of Expenditures Over Appropriations

No individual governmental fund required to have a legally adopted budget had an excess of expenditures over appropriations for the year ended December 31, 2024.

HANOVER TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2024

NOTE 3 - CASH AND INVESTMENTS

The Township is permitted to invest in the following types of investments as defined in the Commonwealth of Pennsylvania First Class Township Code:

- United States Treasury bills.
- Obligations of (a) 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, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.
- Deposits in savings accounts, time deposits, certificates of deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured and for any amounts above the insured maximum, provided that approved collateral as provided by law, therefore, shall be pledged by the depository.

Pennsylvania Act 10 of 2016 became effective May 25, 2016, and expanded the permitted investment types to include commercial paper, bankers' acceptances, negotiable certificates of deposit, and insured bank deposit reciprocals as long as certain safeguards related to credit quality and maturity are met.

In addition to the investments authorized for the Township's operating funds, fiduciary fund investments may be invested as authorized by Title 20 Pennsylvania Consolidated Statutes Chapter 73.

Cash and investments in the financial statements at December 31, 2024, are summarized as follows:

Deposits	\$ 22,193,305
U.S. Treasuries	3,174,812
Investments - pension funds	<u>11,787,529</u>
	<u>\$ 37,155,646</u>

Cash

Custodial Credit Risk - Deposit

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Township has a deposit policy for custodial risk that requires depository institutions to pledge securities as collateral for deposits that exceed depository insurance. As of December 31, 2024, the carrying amount of the Township's deposits was \$22,193,305 and the bank balance was \$22,198,074. Of the balance, \$500,000 was covered by federal depository insurance and \$21,698,074 was exposed to custodial credit risk but covered by collateralization requirements in accordance with Act 72 of the 1971 Session of the Pennsylvania General Assembly.

HANOVER TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2024

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Investments

As of December 31, 2024, the Township had the following investments:

	<u>Fair Value</u>	<u>Level</u>
U.S. Treasury Obligations, maturity:		
Less than 1 year	\$ 1,799,295	1
Between 1 and 5 years	1,375,517	1
	<u>3,174,812</u>	
Pension investments		
Money market funds	414,070	NA
Mutual funds:		
Equity	7,246,526	1
Fixed income	3,673,518	1
Alternative investments	453,415	1
	<u>11,787,529</u>	
Total investments	<u>\$ 14,962,341</u>	

Pension Trust Funds

The pension trust funds' investments are held separately from those of other Township funds. Assets in the pension trust funds are stated at fair value. Any premiums or discounts are recognized as a gain or loss upon disposition. The Township maintains investment policies that summarize the investment philosophy of the Township and establishes investment guidelines and performance objectives for the Employees Retirement Plan.

Interest Rate Risk

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

Credit Risk

The Township does not have an investment policy that would limit its investment choices to certain credit rating. When making investments, the Township can combine monies from more than one fund under the Township's control for the purchase of a single investment and join with other political subdivisions in the purchase of a single investment.

HANOVER TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2024

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Concentration of Credit Risk

The Township places no limit on the amount the Township may invest in any one issuer. The Township's fiduciary investments are investments in mutual funds and excluded from this risk.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that in the event of the failure of the bank or counterparty the pension trust funds will not be able to recover the value of their investments or collateral securities that are in the possession of an outside entity. The Township does not hold any investments subject to custodial credit risk.

NOTE 4 - INTERFUND TRANSFERS

Interfund transfers are as follows at December 31, 2024:

	Transfers In	Transfers Out
Governmental Funds		
Major funds:		
General fund	\$ -	\$ 1,167,011
Capital fund	1,167,011	-
	<u>\$ 1,167,011</u>	<u>\$ 1,167,011</u>

Transfers were made for current and future capital needs.

HANOVER TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2024

NOTE 5 - LONG-TERM DEBT

The Township issues general obligation notes and other loans to provide resources for major capital improvements and equipment needs for governmental activities. The notes are direct obligations and are issued on a pledge of the full faith and credit of the Township. Notes payable are as follows at December 31, 2024:

General Obligation Notes, Series of 2022

On January 25th 2022, the Township issued \$7,500,000 in General Obligation Notes to (1) fund the construction of the Hanover Township Pool Project and to (2) pay the costs and expenses related to issuance of the notes. Principal payments are due annually on April 1st of each year, while interest is due semi-annually on April 1st and October 1st of each year. Final payment of the outstanding principal and accrued interest is due on April 1, 2042. The note bears interest at a rate of 1.47%.

\$ 6,844,000

Principal maturities on the long-term debt are as follows:

	GON	
	Series of 2022	
	Principal	Interest
2025	\$ 335,000	\$ 98,144
2026	340,000	93,183
2027	345,000	88,148
2028	350,000	83,040
2029	356,000	77,851
2030 - 2034	1,854,000	308,847
2035 - 2039	1,995,000	167,469
2040 - 2042	1,269,000	28,157
	<u>\$ 6,844,000</u>	<u>\$ 944,839</u>

The following is a summary of the Township's long-term debt transactions for the year ended December 31, 2024:

	Balance 1/1/2024	Additions	Payments	Balance 12/31/2024
General Obligation Notes, Series of 2022	<u>\$ 7,174,000</u>	<u>\$ -</u>	<u>\$ 330,000</u>	<u>\$ 6,844,000</u>

Funds to satisfy the outstanding liabilities will be provided by future taxes and other general revenues. Total interest expense paid during the year was \$103,776.

HANOVER TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2024

NOTE 5 - LONG-TERM DEBT - CONTINUED

The notes are secured by the pledged full-faith, credit and taxing power of the Township. The notes are issued in accordance with provisions of the Local Government Unit Debt Act, Act No. 177 of December 19, 1996 (the "Act"). In the event of failure of the Township to pay or cause to be paid the interest on or principal of the notes, the holders of the notes shall be entitled to certain remedies provided by the Act. Among the remedies, if the failure to pay shall continue for 30 days, holders of the notes shall have the right to recover the amount due by bringing a civil action in the Court of Common Pleas in the county in which the Township is located. The Act provides that any judgment shall have an appropriate priority upon the money next coming into the treasury of the Township.

The Township's outstanding debt from direct borrowings are secured by substantially all assets of the Township. The Township's debt agreements contain a covenant requiring the Township will include in its budget, in each fiscal year, the amount required to pay debt service on the debt for each such year; that it will appropriate from its general revenues in each fiscal year, the amount required to pay debt service on the debt for such year and that it will duly and punctually pay or cause to be paid when due, principal and interest on the debt. For such budgeting, appropriation, and payment, the Township has irrevocably pledged its full faith, credit, and taxing power.

NOTE 6 - PENSION PLAN

Hanover Township administers and contributes to the Hanover Township Employees Pension Plan. The Plan is a single employer defined benefit pension plan administered by a trustee. The assets of the Plan are invested separately, and the Plan assets may be used only for the payment of benefits to the members of the Plan, in accordance with the terms of the Plan.

Plan Description

Retirement Plan for the Employees of Hanover Township

The Retirement Plan for the Employees of Hanover Township (the Plan) is a single-employer defined benefit pension plan administered by a trustee. The Plan was established effective October 26, 1970. The Plan was amended and restated by resolution 2017-9, effective April 25, 2017. The Plan provides pension benefits for normal retirement at the age 62 and 7 years of service.

Benefits are calculated based on a monthly benefit equal to 3% of compensation for each year of credited service through December 31, 2000, plus 2.25% of compensation for each year of credited service accrued after December 31, 2000. The maximum benefit for employees hired after August 1, 2001 is 75% of average monthly compensation. Average compensation includes the average of the three highest of the five-year period of total compensation paid during the fiscal years. The Plan provides retirement, disability, and death benefits to plan members and beneficiaries. Retirees and beneficiaries receiving benefits shall have their benefits increased annually on January 1 of each year by the consumer price index published by the Social Security Administration. The assets of the plans are invested separately. The Plan's assets may be used only for the payment of benefits to the members of the plan in accordance with the terms of the Plan.

HANOVER TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2024

NOTE 6 - PENSION PLAN - CONTINUED

Plan Description - continued

At January 1, 2023, the date of the most recent actuarial valuation, the following employees were covered by the plan:

Active employees	10
Retirees and beneficiaries currently receiving benefits	9
Terminated employees entitled to benefits but not yet receiving them	<u>2</u>
Total	<u>21</u>

Retirement Plan for the Employees of Hanover Township - continued

Pennsylvania Act 205 requires that annual contributions to the Plan be based upon the Plan's MMO, which is based on the plan's biennial actuarial valuation. Investment expenses, including investment manager and custodial services, are funded through investment earnings. Administrative expenses, including actuarial and consultant services, are funded through investment earnings and/or contributions. Participants are not required to contribute to the Plan. The Township is required to contribute amounts necessary to fund the Plan. The Township is required to contribute amounts necessary to fund the Plan using the actuarial basis specified by statute. The contributions required of the Township are expressed as a percentage of annual covered payroll during the period for which the amount is determined. For the year ended December 31, 2024, the rate was 11.76% of covered payroll. The Township's contributions to the Plan for the years ended December 31, 2024, 2023, and 2022 were \$535,059, \$441,428 and \$374,564, respectively and all exceeded the actuarially determined contributions.

NOTE 7 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all areas for which the Township retains risk of loss. There were no reductions in insurance coverages for the 2024 year and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

HANOVER TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2024

NOTE 8 - FUND BALANCE

Details of the Township's governmental fund balance reporting and policy can be found in Note 1, *Summary of Significant Accounting Policies*. Fund balance classifications for the year ended December 31, 2024, are as follows:

Major Governmental Funds

General Fund: The general fund has restricted funds of \$1,044,058 consisting of \$359,152 of unspent American Rescue Plan Funds and \$684,906 of escrow accounts. The remainder of fund balance is unassigned in the amount of \$11,080,584.

Capital Fund: The capital fund has assigned funds of \$8,258,138, consisting primarily of transfers from the general fund and investment income to be used for future capital purchases.

Nonmajor Governmental Funds

Fire Protection Fund: The fire protection fund has restricted funds of \$1,072,017 consisting primarily of unspent real estate tax millage assessed for public safety - fire.

Liquid Fuels Fund: The liquid fuels fund has restricted funds of \$2,198,039 consisting of unspent state liquid fuels funds restricted by state law.

Stormwater Fund: The stormwater fund has restricted funds of \$15,004 consisting of stormwater assessments.

Impact Fund: The impact fund has restricted funds of \$1,365,631 consisting of unspent traffic impact fees for Township infrastructure impacted by construction.

HANOVER TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2024

NOTE 9 - RESTATEMENT OF NET POSITION/FUND BALANCE

The Township has elected to change the modifications presented for the modified cash basis of accounting used to report the Township's financial position. The Township will no longer report capital assets or long-term debt as modifications to the cash basis of accounting. The Township also changed the accounting for escrow accounts from fund balance in the governmental funds/activities to a liability. The beginning fund balance for governmental funds decreased \$229,363 from \$27,095,041 from \$26,865,678. The change in basis of accounting resulted in the following restatement of net position in governmental activities:

<u>Reported Net Position Governmental Activities 12/31/2023</u>	<u>Capital Assets</u>	<u>Long-Term Debt</u>	<u>Change Escrow Accounting</u>	<u>Restated Net Position Governmental Activities 12/31/2023</u>
\$ 44,848,409	\$ (24,927,368)	\$ 7,174,000	\$ (229,363)	\$ 26,865,678

SUPPLEMENTARY INFORMATION

HANOVER TOWNSHIP

**COMBINING BALANCE SHEET - MODIFIED CASH BASIS -
NONMAJOR GOVERNMENTAL FUNDS**

December 31, 2024

	Fire Protection	Liquid Fuels	Stormwater	Impact	Totals
ASSETS					
Cash and investments	\$ 1,072,017	\$ 2,198,039	\$ 15,004	\$ 1,365,631	\$ 4,650,691
TOTAL ASSETS	<u>\$ 1,072,017</u>	<u>\$ 2,198,039</u>	<u>\$ 15,004</u>	<u>\$ 1,365,631</u>	<u>\$ 4,650,691</u>
FUND BALANCES					
Restricted	\$ 1,072,017	\$ 2,198,039	\$ 15,004	\$ 1,365,631	\$ 4,650,691
TOTAL FUND BALANCES	<u>\$ 1,072,017</u>	<u>\$ 2,198,039</u>	<u>\$ 15,004</u>	<u>\$ 1,365,631</u>	<u>\$ 4,650,691</u>

HANOVER TOWNSHIP

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
MODIFIED CASH BASIS - NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2024

	Fire Protection	Liquid Fuels	Stormwater	Impact	Totals
REVENUES					
Real estate taxes	\$ 286,234	\$ -	\$ -	\$ -	\$ 286,234
Interest and rent	2,821	5,524	4	3,419	11,768
Intergovernmental	-	411,024	-	-	411,024
Special assessments	-	-	15,000	-	15,000
Other	-	-	-	323	323
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	289,055	416,548	15,004	3,742	724,349
EXPENDITURES					
Current:					
Public safety	1,069,090	-	-	-	1,069,090
Public works	-	172,951	-	-	172,951
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	1,069,090	172,951	-	-	1,242,041
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
NET CHANGES IN FUND BALANCES	(780,035)	243,597	15,004	3,742	(517,692)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCES - BEGINNING OF YEAR - RESTATED	1,852,052	1,954,442	-	1,361,889	5,168,383
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCES - END OF YEAR	<u>\$ 1,072,017</u>	<u>\$ 2,198,039</u>	<u>\$ 15,004</u>	<u>\$ 1,365,631</u>	<u>\$ 4,650,691</u>

HANOVER TOWNSHIP

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2024

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Source Code</u>	<u>Assistance Listing Number (ALN)</u>	<u>Federal Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>	<u>Grant Period Beginning/ Ending Date</u>	<u>Federal Expenditures</u>
<u>U. S. DEPARTMENT OF THE TREASURY</u>						
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds Passed through the Commonwealth of Pennsylvania, Commonwealth Financing Authority:	D	21.027	N/A	\$ 1,207,673	03/31/2021 - 12/31/2026	\$ 740,315
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	I	21.027	C000087330	1,603,733	12/19/2023 - 09/30/2026	<u>407,395</u>
SUBTOTAL ALN 21.027 AND						
TOTAL U. S. DEPARTMENT OF THE TREASURY						<u>1,147,710</u>
TOTAL FEDERAL AWARDS						<u><u>\$ 1,147,710</u></u>

Source Codes:

I = Indirect; D = Direct

Note: No funds were passed through to subrecipients in the year ended December 31, 2024.

HANOVER TOWNSHIP

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2024

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Hanover Township under programs of the federal government for the year ended December 31, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Hanover Township, it is not intended to and does not present the financial position, changes in net position, or cash flows of Hanover Township.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to the reimbursement. Negative amounts shown on the Schedule represent adjustment or credits made in the normal course of business for amounts reported as expenditures in prior years.

NOTE 3 - DE MINIMIS RATE FOR INDIRECT COSTS

The Township did not elect to use the De Minimis rate for indirect costs.

OTHER INFORMATION

HANOVER TOWNSHIP

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND - MODIFIED CASH BASIS

(UNAUDITED)

For the Year Ended December 31, 2024

	*		
	Budget	Actual	Variance
REVENUES			
Taxes			
Real estate	\$ 1,962,927	\$ 1,989,265	\$ 26,338
Real estate transfer	500,000	469,911	(30,089)
Earned income	2,890,000	2,847,886	(42,114)
Business privilege	995,000	1,206,419	211,419
Emergency and municipal services	600,000	613,067	13,067
Licenses, permits and fines	239,000	201,343	(37,657)
Interest and rent	311,100	344,478	33,378
Intergovernmental	321,468	366,952	45,484
Charges for services	2,336,417	2,905,140	568,723
Other	11,992	11,270	(722)
TOTAL REVENUES	10,167,904	10,955,731	787,827
EXPENDITURES			
Current:			
General government	964,516	958,912	5,604
Public safety:			
Police	2,504,135	2,502,732	1,403
Fire, ambulance, and rescue	379,571	402,257	(22,686)
Other (planning, zoning, etc.)	339,922	333,696	6,226
Public works - sanitation	1,224,038	1,282,355	(58,317)
Public works - highways and streets	1,510,510	1,309,332	201,178
Culture and recreation	1,081,140	1,172,106	(90,966)
Employer paid benefits, insurance, other	1,636,118	1,495,201	140,917
Debt service:			
Principal	330,000	330,000	-
Interest, fiscal agent fees	103,032	103,776	(744)
TOTAL EXPENDITURES	10,072,982	9,890,367	182,615
EXCESS OF REVENUES OVER EXPENDITURES	94,922	1,065,364	970,442
OTHER FINANCING USES			
Transfers out	(380,000)	(1,167,011)	(787,011)
NET CHANGE IN FUND BALANCE	\$ (285,078)	(101,647)	\$ 183,431
FUND BALANCE - BEGINNING OR YEAR		12,226,289	
FUND BALANCE - END OF YEAR		\$ 12,124,642	

* Original and Final Budget are the same.

HANOVER TOWNSHIP

**EMPLOYEES RETIREMENT PLAN
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
(In Accordance with Act 205)**

(UNAUDITED)**SCHEDULES OF FUNDING PROGRESS***

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)(b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
01/01/23	\$ 11,234,954	\$12,879,877	\$ (1,644,923)	87.2%	\$ 868,062	189.5%
01/01/21	10,126,764	11,124,973	(998,209)	91.0%	889,027	112.3%
01/01/19	9,080,824	9,747,082	(666,258)	93.2%	798,457	83.4%

SCHEDULES OF EMPLOYER CONTRIBUTIONS*

Fiscal Year	Annual Required Contribution	Percentage Contributed
2024	\$ 369,651	100%+
2023	295,731	100%+
2022	250,233	100%+
2021	242,610	100%+
2020	230,039	100%+
2019	314,915	100%+

* Schedules prepared in accordance with actuarial valuations performed under PA Act 205. These valuations are utilized to determine funding requirements for the plans.

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

**To the Board of Supervisors
Hanover Township
Bethlehem, Pennsylvania**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hanover Township as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise Hanover Township's basic financial statements and have issued our report thereon dated September 30, 2025.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hanover Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Herbein + Company, Inc.

**Reading, Pennsylvania
September 30, 2025**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**To the Board of Supervisors
Hanover Township
Bethlehem, Pennsylvania**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Hanover Township's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Hanover Township's major federal programs for the year ended December 31, 2024. Hanover Township's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Hanover Township complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2024.

Basis of Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Hanover Township and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination Hanover Township's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Hanover Township's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Hanover Township's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Hanover Township's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Hanover Township's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Hanover Township's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Hanover Township's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Herbein + Company, Inc.

Reading, Pennsylvania
September 30, 2025

HANOVER TOWNSHIP

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2024

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified not considered to be material weaknesses? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified not considered to be material weaknesses? yes X none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR, Section 200.516(a)? yes X no

Identification of major program(s):

Assistance Listing Number(s) **Name of Federal Program or Cluster**

21.027 COVID-19 - Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? yes X no

HANOVER TOWNSHIP

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2024

Section II - Financial Statement Findings

There were no financial statement findings.

Section III - Federal Awards Findings and Questioned Costs

There were no federal awards findings or questioned costs reported.

HANOVER TOWNSHIP

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2024

No single audit was performed in 2023.