HANOVER TOWNSHIP

FINANCIAL STATEMENTS, SUPPLEMENTARY AND OTHER INFORMATION

As of and for the Year Ended December 31, 2025

And Report of Independent Auditor

Cherry Bekaert LLP

Your Guide Forward

HANOVER TOWNSHIP
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Cherry Bekaert LLP
Your Guide Forward

Report of Independent Auditor

To the Board of Supervisors
Hanover Township
Bethlehem, Pennsylvania

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, Pennsylvania (the "Township) 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 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 the Township as of December 31, 2025, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Township, 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 generally accepted 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, we:

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

Cherry Bekaert LLP

Reading, Pennsylvania
May 29, 2026

HANOVER TOWNSHIP
STATEMENT OF NET POSITION – MODIFIED CASH BASIS

DECEMBER 31, 2025

	Governmental Activities
ASSETS	
Cash and investments	$ 23,938,296
Restricted cash	1,019,788
Other receivables	377
Total Assets	24,958,461
LIABILITIES	
Funds held in escrow	331,289
NET POSITION	
Restricted	5,602,473
Unrestricted	19,024,699
Total Net Position	$ 24,627,172

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

HANOVER TOWNSHIP
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Total
Primary Government:					
Governmental Activities:					
General government	$ 1,208,957	$ 395,517	$ 8,908	$ -	$ (804,532)
Public safety	3,653,145	510,502	116,808	-	(3,025,835)
Public works - sanitation	1,309,550	1,276,494	1,013	-	(32,043)
Public works - highways and streets	2,883,107	282	454,066	833,016	(1,595,743)
Culture and recreation	1,682,145	675,795	-	-	(1,006,350)
Employer paid benefits, insurance, other	1,542,703	-	153,578	-	(1,389,125)
Debt service - principal	330,000	-	-	-	(330,000)
Debt - interest, fiscal agent fees	99,525	-	-	-	(99,525)
Total Primary Government	$ 12,709,132	$ 2,858,590	$ 734,373	833,016	(8,283,153)
General Revenues:					
Taxes:					
Real estate					2,150,808
Real estate transfer					496,848
Earned income					2,935,930
Mercantile					1,026,644
Local services					613,097
Investment earnings					238,980
Sale of capital assets					89,439
Miscellaneous income					325,108
Total General Revenues					7,876,854
Change in net position					(406,299)
Net position, beginning of year					25,033,471
Net position, end of year					$ 24,627,172

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

HANOVER TOWNSHIP
BALANCE SHEET – MODIFIED CASH BASIS – GOVERNMENTAL FUNDS

DECEMBER 31, 2025

	General	Capital	Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and investments	$ 10,672,106	$ 8,363,240	$ 4,902,950	$ 23,938,296
Restricted cash	1,019,788	-	-	1,019,788
Interfund receivables	-	-	11,024	11,024
Other receivables	377	-	-	377
Total Assets	$ 11,692,271	$ 8,363,240	$ 4,913,974	$ 24,969,485
LIABILITIES AND FUND BALANCES				
Liabilities:				
Funds held in escrow	$ 331,289	$ -	$ -	$ 331,289
Interfund payables	11,024	-	-	11,024
Total Liabilities	342,313	-	-	342,313
Fund Balances:				
Restricted	688,499	-	4,913,974	5,602,473
Assigned	-	8,363,240	-	8,363,240
Unassigned	10,661,459	-	-	10,661,459
Total Fund Balances	11,349,958	8,363,240	4,913,974	24,627,172
Total Liabilities and Fund Balances	$ 11,692,271	$ 8,363,240	$ 4,913,974	$ 24,969,485

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

HANOVER TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – MODIFIED CASH BASIS – GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2025

	General	Capital	Nonmajor Funds	Total Governmental Funds
Revenues:				
Taxes:				
Real estate	$ 1,874,625	$ -	$ 276,183	$ 2,150,808
Real estate transfer	496,848	-	-	496,848
Earned income	2,935,930	-	-	2,935,930
Business privilege	1,026,644	-	-	1,026,644
Emergency and municipal services	613,097	-	-	613,097
Licenses, permits and fines	193,964	-	-	193,964
Interest and rent	354,106	57,284	19,809	431,199
Intergovernmental	322,807	833,016	411,566	1,567,389
Charges for services - wastewater and sewage	1,272,199	-	-	1,272,199
Charges for services - other	1,200,208	-	-	1,200,208
Special assessments	-	155,088	19,318	174,406
Other	44,301	58,724	47,677	150,702
Total Revenues	10,334,729	1,104,112	774,553	12,213,394
Expenditures:				
Current:				
General government	1,165,678	43,279	-	1,208,957
Public safety:				
Police	2,685,066	-	-	2,685,066
Fire, ambulance, and rescue	414,355	31,342	245,717	691,414
Other (planning, zoning, etc.)	276,665	-	-	276,665
Public works - sanitation	1,309,550	-	-	1,309,550
Public works - highways and streets	1,255,082	1,341,921	286,104	2,883,107
Culture and recreation	1,140,573	541,572	-	1,682,145
Employer paid benefits, insurance, other	1,542,703	-	-	1,542,703
Debt service - principal	330,000	-	-	330,000
Debt service - interest, fiscal agent fees	99,525	-	-	99,525
Total Expenditures	10,219,197	1,958,114	531,821	12,709,132
Excess (Deficiency) of Revenues over Expenditures	115,532	(854,002)	242,732	(495,738)
Other Financing Sources (Uses):				
Sale of capital assets	-	89,439	-	89,439
Transfers in	-	869,665	20,551	890,216
Transfers out	(890,216)	-	-	(890,216)
Total Other Financing Sources (Uses)	(890,216)	959,104	20,551	89,439
Net changes in fund balances	(774,684)	105,102	263,283	(406,299)
Fund balances, beginning of year	12,124,642	8,258,138	4,650,691	25,033,471
Fund balances, end of year	$ 11,349,958	$ 8,363,240	$ 4,913,974	$ 24,627,172

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

HANOVER TOWNSHIP
STATEMENT OF NET POSITION – MODIFIED CASH BASIS –
FIDUCIARY FUND

DECEMBER 31, 2025

	Pension Trust Fund
ASSETS	
Cash and investments	$ 13,036,795
NET POSITION	
Net position held in trust for pension benefits	$ 13,036,795

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

HANOVER TOWNSHIP
STATEMENT OF CHANGES IN NET POSITION – MODIFIED CASH BASIS – FIDUCIARY FUND

YEAR ENDED DECEMBER 31, 2025

	Pension Trust Fund
Additions:	
Contributions:	
Township and Commonwealth	$ 497,786
Investment income	1,519,629
Total Additions	2,017,415
Deductions:	
Benefit payments	702,958
Administrative expenses	65,191
Total Deductions	768,149
Change in net position	1,249,266
Net position held in trust for pension benefits, beginning of year	11,787,529
Net position held in trust for pension benefits, end of year	$ 13,036,795

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

Note 1—Nature of operations and summary of significant accounting policies

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.

As described further in Note 1, 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 (U.S. GAAP) established by the Governmental Accounting Standards Board ("GASB"). These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to U.S. 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.

Financial Reporting Entity

As required by U.S GAAP, the financial statements of the reporting entity include those of the Township (the primary government) and its component units, where applicable.

The Township used guidance contained in U.S. GAAP to evaluate the possible inclusion of related entities (authorities, boards, councils, fiduciary activities, etc.) within its reporting entity. U.S. GAAP 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.

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 presently does not have any business-type activities.

Note 1—Nature of operations and summary of significant accounting policies (continued)

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 charges to customers or others who purchase, use, or directly benefit from services or goods provided by a given function, or 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.

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 and fiduciary funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor 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.

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.

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

Note 1—Nature of operations and summary of significant accounting policies (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.

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.

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.

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 the 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.

Basis of Accounting – The financial statements are presented in accordance with the modified cash basis of accounting, which is a basis of accounting other than U.S. 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.

Note 1—Nature of operations and summary of significant accounting policies (continued)

This modified cash basis of accounting differs from U.S. 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 or amortized cost, which approximates fair value.

If the Township utilized U.S. GAAP, 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.

Financial Position

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, except for investments in external investment pools, which are valued at amortized costs which approximates fair value.

The Township categorizes its fair value measurements within the fair value hierarchy. 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.

Restricted Cash – Restricted cash 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.

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."

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 statement of activities.

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).

Note 1—Nature of operations and summary of significant accounting policies (continued)

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

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.

Governmental Fund Financial Statements – In the governmental fund financial statements, fund balances are classified as follows:

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.

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.

Note 1—Nature of operations and summary of significant accounting policies (continued)

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 revenues 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. Capital grants and contributions include state and federal grants received for capital projects.

Culture and Recreation – Charges for services include registration, facility, pool memberships and community event fees.

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.

Property Taxes – Property taxes are levied on March 1 and are payable on or before June 30. The tax levy ordinance for the 2025 calendar year levied taxes on February 1, 2025, at 3.9 mills (3.4 mills for general operating purposes and 0.5 mills for fire protection). No changes from the prior year. 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 $572,236,600.

Note 2—Stewardship, compliance, and accountability

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, 2025.

Note 3—Cash and investments

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

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.

Note 3—Cash and investments (continued)

Deposits in savings accounts, time deposits, certificates of deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation ("FDIC") 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.

The Township is also permitted to invest in 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, 2025, are summarized as follows:

Deposits	$ 21,684,465
U.S. Treasuries	3,273,619
Investments - pension funds	13,036,795
	$ 37,994,879

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, 2025, the carrying amount of the Township's deposits was $ 21,684,465 and the bank balance was $ 21,708,777. Of the balance, $500,000 was covered by the FDIC and $21,208,777 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.

Investments – As of December 31, 2025, the Township had the following investments:

	Fair Value	Level
U.S. Treasury Obligations, maturity:		
Less than 1 year	$ 1,604,827	1
Between 1 and 5 years	1,668,792	1
	3,273,619	
Pension investments:		
Money market funds	167,634	N/A
Mutual funds:		
Equity	8,533,916	1
Fixed income	3,827,065	1
Alternative investments	508,180	1
	13,036,795	
Total investments	$ 16,310,414	

Note 3—Cash and investments (continued)

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.

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 receivables, payables and transfers

An interfund receivable to the fire protection fund from the general fund is outstanding at December 31, 2025 in the amount of $11,024. Interfund receivables and payables are the result of the time lag between dates when goods and services are provided and payments between the funds are made. All balances are expected to be paid within one year.

Interfund transfers are as follows at December 31, 2025:

	Transfers In	Transfers Out
Governmental funds:		
Major funds:		
General fund	$ -	$ 890,216
Capital fund	869,665	-
Fire Fund	20,551	-
	$ 890,216	$ 890,216

Transfers were made for current and future capital needs.

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, 2025:

General Obligation Notes, Series of 2022:	
On January 25, 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 1 of each year, while interest is due semi-annually on April 1 and October 1 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%.	$ 6,514,000

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

	GON Series of 2022	
	Principal	**Interest**
2026	$ 345,000	$ 93,183
2027	345,000	88,148
2028	350,000	83,040
2029	356,000	77,851
2030	360,000	72,588
2031 - 2035	1,881,000	281,395
2036 - 2040	2,025,000	137,922
2041 - 2042	852,000	12,568
	$ 6,514,000	$ 846,695

The following is a summary of the Township's long-term debt transactions for the year ended December 31, 2025:

	Balance 1/1/2025	**Additions**	**Payments**	**Balance 12/31/2025**
General Obligation Notes, Series of 2022	$ 6,844,000	$ -	$ 330,000	$ 6,514,000

Funds to satisfy the outstanding liabilities will be provided by future taxes and other general revenues. Total interest expense paid during the year was $99,525.

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 is secured by substantially all assets of the Township.

Note 5—Long-term debt (continued)

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

The Township administers and contributes to the Hanover Township Employees Pension Plan (the “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

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.

At January 1, 2025, the date of the most recent actuarial valuation, the following employees were covered by the plan:

Active employees	7
Retirees and beneficiaries currently receiving benefits	12
Terminated employees entitled to benefits but not yet receiving them	2
Total	21

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 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, 2025, the rate was 15.81% of covered payroll. The Township’s contributions to the Plan for the years ended December 31, 2025, 2024, and 2023 were $497,786, $535,059 and $441,428, 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 2025 year and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

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, 2025, are as follows:

Major Governmental Funds

General Fund – The general fund has restricted funds of $688,499 restricted for various purposes and unassigned funds in the amount of $10,661,459.

Capital Fund – The capital fund has assigned funds of $8,363,240, consisting primarily of transfers from the general fund to be used for future capital purchases.

Nonmajor Governmental Funds

Fire Protection Fund – The fire protection fund has restricted funds of $1,125,299 consisting primarily of unspent real estate tax millage assessed.

Liquid Fuels Fund – The liquid fuels fund has restricted funds of $2,337,556 consisting of unspent state liquid fuels funds restricted by state law.

Stormwater Fund – The stormwater fund has restricted funds of $34,368 consisting of unspent stormwater assessments.

Impact Fund – The impact fund has restricted funds of $1,416,751 consisting of unspent traffic impact fees.

SUPPLEMENTARY INFORMATION

HANOVER TOWNSHIP
COMBINING BALANCE SHEET - MODIFIED CASH BASIS – NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2025

	Fire Protection	Liquid Fuels	Stormwater	Impact	Totals
ASSETS					
Cash and investments	$ 1,114,275	$ 2,337,556	$ 34,368	$ 1,416,751	$ 4,902,950
Interfund receivables	11,024	-	-	-	11,024
Total Assets	$ 1,125,299	$ 2,337,556	$ 34,368	$ 1,416,751	$ 4,913,974
FUND BALANCES					
Restricted	$ 1,125,299	$ 2,337,556	$ 34,368	$ 1,416,751	$ 4,913,974
Total Fund Balances	$ 1,125,299	$ 2,337,556	$ 34,368	$ 1,416,751	$ 4,913,974

HANOVER TOWNSHIP

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

YEAR ENDED DECEMBER 31, 2025

	Fire Protection	Liquid Fuels	Stormwater	Impact	Totals
Revenues:					
Real estate taxes	$ 276,183	$ -	$ -	$ -	$ 276,183
Interest and rent	2,265	14,055	46	3,443	19,809
Intergovernmental	-	411,566	-	-	411,566
Special assessments	-	-	19,318	-	19,318
Other	-	-	-	47,677	47,677
Total Revenues	278,448	425,621	19,364	51,120	774,553
Expenditures:					
Current:					
Public safety	245,717	-	-	-	245,717
Public works	-	286,104	-	-	286,104
Total Expenditures	245,717	286,104	-	-	531,821
Excess of Revenues over Expenditures	32,731	139,517	19,364	51,120	242,732
Transfers in	20,551	-	-	-	20,551
Net changes in fund balances	53,282	139,517	19,364	51,120	263,283
Fund balances, beginning of year	1,072,017	2,198,039	15,004	1,365,631	4,650,691
Fund balances, end of year	$ 1,125,299	$ 2,337,556	$ 34,368	$ 1,416,751	$ 4,913,974

OTHER INFORMATION

HANOVER TOWNSHIP
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND – MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2025

	Budget *	Actual	Variance
Revenues:			
Taxes:			
Real estate	$ 1,970,346	$ 1,874,625	$ (95,721)
Real estate transfer	500,000	496,848	(3,152)
Earned income	2,890,000	2,935,930	45,930
Business privilege	900,000	1,026,644	126,644
Emergency and municipal services	600,000	613,097	13,097
Licenses, permits and fines	213,000	193,964	(19,036)
Interest and rent	300,600	354,106	53,506
Intergovernmental	364,463	322,807	(41,656)
Charges for services	2,539,752	2,472,407	(67,345)
Other	11,892	44,301	32,409
Total Revenues	10,290,053	10,334,729	44,676
Expenditures:			
Current:			
General government	926,750	1,165,678	(238,928)
Public safety:			
Police	2,686,659	2,685,066	1,593
Fire, ambulance, and rescue	401,360	414,355	(12,995)
Other (planning, zoning, etc.)	355,100	276,665	78,435
Public works - sanitation	1,268,226	1,309,550	(41,324)
Public works - highways and streets	1,476,738	1,255,082	221,656
Culture and recreation	1,181,000	1,140,573	40,427
Employer paid benefits, insurance, other	1,595,230	1,542,703	52,527
Debt service:			
Principal	330,118	330,000	118
Interest, fiscal agent fees	103,032	99,525	3,507
Total Expenditures	10,324,213	10,219,197	105,016
Excess of Revenues over Expenditures	(34,160)	115,532	149,692
Other Financing Uses:			
Transfers out	(199,525)	(890,216)	(690,691)
Net change in fund balance	$ (233,685)	(774,684)	$ (540,999)
Fund balance, beginning or year		12,124,642	
Fund balance, end of year		$ 11,349,958	

* Original and Final Budget are the same.

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 a 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.

HANOVER TOWNSHIP
EMPLOYEES RETIREMENT PLAN
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
(IN ACCORDANCE WITH ACT 205)

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)
01/01/25	$ 12,197,415	$ 12,935,009	$ (737,594)	94.3%	$ 560,920	131.5%
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%

Schedules of Employer Contributions*

Fiscal Year	Annual Required Contribution	Percentage Contributed
2025	$ 344,208	100%+
2024	369,651	100%+
2023	295,731	100%+
2022	250,233	100%+
2021	242,610	100%+
2020	230,039	100%+

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