

**PRELIMINARY OFFICIAL STATEMENT DATED JUNE 2, 2026**

NEW ISSUE—BOOK-ENTRY ONLY

**RATING: S&P: “\_” (Insured)  
Moody’s: “A1” (Underlying)  
(See “RATINGS” herein)**

*In the opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the Bonds, including interest in the form of original issue discount, will not be includible in gross income of the holders thereof for federal income tax purposes, assuming continuing compliance by the School District with the requirements of the Internal Revenue Code of 1986, as amended (the “Code”). Interest on the Bonds will not be a specific preference item for purposes of computing the federal alternative minimum tax on individuals. Under the laws of the Commonwealth of Pennsylvania, as enacted and construed on the date hereof, interest on the Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax. See “TAX MATTERS” herein.*

*Each of the Bonds will be designated by the School District as a “qualified tax-exempt obligation” pursuant to Section 265(b)(3) of the Code.*

**\$9,320,000\***

**Palmerton Area School District  
(Carbon County, Pennsylvania)  
General Obligation Bonds, Series of 2026**

**Bonds Dated:** Date of Delivery  
**Interest Due:** February 15 and August 15

**Principal Due:** August 15, as shown on inside cover  
**First Interest Payment:** February 15, 2027

The General Obligation Bonds, Series of 2026 (the “Bonds”), in the aggregate principal amount of \$9,320,000\*, will be issued in registered form in denominations of \$5,000 and integral multiples thereof. All Bonds will be registered in the name of Cede & Co., as the nominee of The Depository Trust Company (“DTC”), New York, New York. Beneficial ownership of the Bonds may be acquired only under the book-entry system maintained by DTC through its brokers and dealers who are, or act through, DTC Participants. The purchasers of the Bonds will not receive physical delivery of the Bonds. Purchasers of the Bonds must maintain an account with a broker or a dealer who is, or acts through, a DTC Participant to receive payment of principal of and interest on the Bonds. See “**BOOK-ENTRY ONLY SYSTEM**” herein. If, under the circumstances described herein, Bonds are ever issued in certificated form, the Bonds will be subject to registration of transfer, exchange and payment as described herein.

The Bonds are general obligations of the Palmerton Area School District, a public school district located in Carbon County, Pennsylvania (the “School District”), which are payable from its tax and other general revenues on a parity basis with existing and future general obligation debt of the School District. The School District has covenanted that it will provide in its budget in each year, and will appropriate from its general revenues in such year, the amount of the debt service due on the Bonds in such year and will duly and punctually pay or cause to be paid from the related sinking fund or any other of its revenues or funds the principal of every Bond and the interest thereon on the dates, at the place and in the manner stated in the Bonds, and for such budgeting, appropriation and payment the School District has irrevocably pledged its full faith, credit and taxing power, which taxing power presently includes the power to levy an annual *ad valorem* tax on all taxable property in the School District, within limits provided by law (See “**SECURITY FOR THE BONDS**” and “**TAXING POWERS OF THE SCHOOL DISTRICT**” *infra*).

Interest on the Bonds is payable initially on February 15, 2027, and thereafter semiannually on February 15 and August 15 of each year until the maturity date of such Bond or, if such Bond is subject to redemption prior to maturity, until the date fixed for redemption thereof if payment of the redemption price has been duly made or provided for. The School District has appointed U.S. Bank Trust Company, National Association (the “Paying Agent”), as the paying agent and sinking fund depository for the Bonds. Payments of the principal of, redemption premium, if any, and interest on the Bonds, when due for payment, will be made directly to DTC by the Paying Agent, and DTC will in turn remit such payments to DTC Participants for subsequent disbursement to the Beneficial Owners of the Bonds. If the use of the book-entry system for the Bonds is ever discontinued, the principal of and redemption premium, if any, on each of the Bonds will be payable, when due, upon surrender of such Bond to the Paying Agent at its corporate trust office, located in Philadelphia, Pennsylvania (or any successor paying agent at its designated office(s)) and interest on such Bond will be payable by check made out and mailed to the person(s) in whose name(s) such Bond is registered as of the Record Date with respect to the particular interest payment date (See “**THE BONDS**,” *infra*).

**The Bonds are subject to optional redemption prior to maturity.**

Proceeds of the Bonds will be used to: (1) the acquisition, design, construction, furnishing and equipping of renovations and improvements to the School District’s High School facilities and administrative offices (the “Capital Project”), and (2) pay the costs of issuing and insuring the Bonds.

The Bonds (hereinafter defined) are a legal investment for fiduciaries in the Commonwealth of Pennsylvania under the Probate, Estate and Fiduciaries Code, Act of June 30, 1972, No. 164, P.L. 508 as amended and supplemented.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by \_\_\_\_.

**PRINCIPAL MATURITIES AND AMOUNTS, INTEREST RATES AND PRICES/YIELDS  
See Inside Front Cover**

The Bonds are offered when, as and if issued, subject to withdrawal or modification of the offer without notice, and subject to the approving legal opinion of Eckert Seamans Cherin & Mellott, LLC, Harrisburg, Pennsylvania, as Bond Counsel to the School District, to be furnished upon delivery of the Bonds. Certain legal matters will be passed upon for the School District by Sweet, Stevens, Katz & Williams LLP, New Britain, Pennsylvania, as School District Solicitor. PFM Financial Advisors LLC, Harrisburg, Pennsylvania, will serve as Municipal Advisor to the School District in connection with the issuance of the Bonds. It is expected that the Bonds will be available for delivery to DTC or its agent on or about \_\_\_\_\_, 2026.



Dated: \_\_\_\_\_

\*Estimated, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other change without notice. The Bonds may not be sold nor may offers to buy be accepted prior to the time the Preliminary Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the applicable securities laws of any such jurisdiction.

**\$9,320,000\***  
**Palmerton Area School District**  
 (Carbon County, Pennsylvania)  
 General Obligation Bonds, Series of 2026

**Bonds Dated:** Date of Delivery  
**Interest Due:** February 15 and August 15

**Principal Due:** August 15, as shown below  
**First Interest Payment:** February 15, 2027

**PRINCIPAL MATURITIES AND AMOUNTS, INTEREST RATES AND PRICES/YIELDS**

<u>Year of Maturity</u> <u>(August 15)</u>	<u>Principal</u> <u>Amounts</u>	<u>Interest</u> <u>Rates</u>	<u>Yields</u> <u>to Maturity</u>	<u>Initial</u> <u>Offering</u> <u>Prices</u>	<u>CUSIP</u> <u>Numbers <sup>(1)</sup></u>
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
2037					
2038					
2039					
2040					
2041					
2042					
2043					

(1)The above CUSIP (Committee on Uniform Securities Identification Procedures) numbers have been assigned by an organization not affiliated with the School District or the Underwriter, and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such issue or the use of secondary market financial products. Neither the School District nor the Underwriter has agreed to, and there is no duty or obligation to, update this Preliminary Official Statement to reflect any change or correction in the CUSIP numbers set forth above.

\*Estimated, subject to change.

**Palmerton Area School District**  
**(Carbon County, Pennsylvania)**

**BOARD OF SCHOOL DIRECTORS**

Mrs. Sherry Haas.....	President
Mr. Brandon Mazepa .....	Vice President
Ms. Stacey Connell .....	Treasurer
Mr. Earl Paules.....	Member
Mr. Robert Moyzan.....	Member
Ms. Erin Snyder .....	Member
Ms. Kristen Schaible .....	Member
Ms. MaryJo King .....	Member
Ms. Danielle Paules.....	Member

**SUPERINTENDENT**  
DR. ANGELA M. FRIEBOLIN

**ASSISTANT SUPERINTENDENT FOR FINANCE AND FACILITIES**  
MR. RYAN KISH

**SCHOOL DISTRICT SOLICITOR**  
SWEET, STEVENS, KATZ & WILLIAMS LLP  
New Britain, Pennsylvania

**BOND COUNSEL**  
ECKERT SEAMANS CHERIN & MELLOTT, LLC  
Harrisburg, Pennsylvania

**MUNICIPAL ADVISOR**  
PFM FINANCIAL ADVISORS LLC  
Harrisburg, Pennsylvania

**UNDERWRITER**  
STIFEL, NICOLAUS & COMPANY, INCORPORATED  
Conshohocken, Pennsylvania

**PAYING AGENT**  
U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION  
Philadelphia, Pennsylvania

**SCHOOL DISTRICT ADDRESS**  
680 Fourth St  
Palmerton, Pennsylvania 18071

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No dealer, broker, salesperson or other person has been authorized by the School District or the Underwriter to give any information or to make any representations, other than those contained in this Preliminary Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Preliminary Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the School District and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriter or, as to information from other sources, by the School District. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Preliminary Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in any of the information set forth herein since the date hereof or the earliest date of which said information is given.

THE ORDER AND PLACEMENT OF THE MATERIALS IN THIS PRELIMINARY OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS PRELIMINARY OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE PRELIMINARY OFFICIAL STATEMENT.

THE UNDERWRITER HAS PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS PRELIMINARY OFFICIAL STATEMENT. THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS PRELIMINARY OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, ITS RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITER DOES NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

THIS OFFICIAL STATEMENT IS SUBMITTED IN CONNECTION WITH THE SALE OF THE SECURITIES REFERRED TO HEREIN, AND MAY NOT BE REPRODUCED OR BE USED, IN WHOLE OR IN PART, FOR ANY OTHER PURPOSE. NEITHER THE DELIVERY OF THIS PRELIMINARY OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES AT ANY TIME IMPLY THAT THE INFORMATION HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO ITS DATE.

Neither the School District's independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the forecasted information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the forecasted information.

If and when included in this Preliminary Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "assumes" and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. Such risks and uncertainties which could affect the revenues and obligations of the School District include, among others, changes in economic conditions, mandates from other governments and various other events, conditions and circumstances, many of which are beyond the control of the School District. Such forward-looking statements speak only as of the date of this Preliminary Official Statement. The School District disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the School District's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

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# PRELIMINARY OFFICIAL STATEMENT

**\$9,320,000\***

## **Palmerton Area School District (Carbon County, Pennsylvania)**

### **General Obligation Bonds, Series of 2026**

#### **INTRODUCTION**

This Preliminary Official Statement, including the cover and inside cover pages hereof, is furnished by the Palmerton Area School District, a public school district located in Carbon County, Pennsylvania (the "School District"), in connection with the offering of \$9,320,000\* aggregate principal amount of its General Obligation Bonds, Series of 2026 (the "Bonds"), to be dated the date the Bonds are issued and delivered (the "Date of Delivery"). The Bonds are being issued pursuant to, and are secured by, a Resolution adopted by the Board of School Directors of the School District on May 20, 2026 (the "Resolution"), and pursuant to the Local Government Unit Debt Act of the Commonwealth of Pennsylvania (the "Commonwealth"), 53 Pa.C.S. Chs. 80-82 (the "Debt Act").

#### **PURPOSE OF THE ISSUE**

Proceeds of the Bonds will be used to: (1) the acquisition, design, construction, furnishing and equipping of renovations and improvements to the School District's High School facilities and administrative offices (the "Capital Project"), and (2) pay the costs of issuing and insuring the Bonds.

#### **Sources and Uses of Bond Proceeds**

The following is a summary of the sources and uses of the proceeds from the issuance of the Bonds.

##### **Sources of Funds**

Par Amount.....	_____
Net Original Issue Premium/(Discount).....	_____
Total Source of Funds.....	=====

##### **Uses of Funds**

Deposit to Project Fund .....	_____
Costs of Issuance <sup>(1)</sup> .....	_____
Total Use of Funds.....	=====

<sup>(1)</sup>Includes legal, municipal advisor, printing, rating, underwriter's discount, municipal bond insurance, CUSIP, paying agent and miscellaneous costs.

\*Estimated, subject to change.

## THE BONDS

### Description

The Bonds will be issued in book-entry only form, in denominations of \$5,000 principal amount and integral multiples thereof. The Bonds will be in the aggregate principal amount of \$9,320,000\*, and will be dated the Date of Delivery. The Bonds will bear interest at the rates and mature in the amounts and on the dates set forth on the inside front cover of this Preliminary Official Statement. Interest on the Bonds will be payable initially on February 15, 2027, and thereafter, semiannually on February 15 and August 15 of each year until the maturity date of such Bond or, if such Bond is subject to redemption prior to maturity, until the date fixed for redemption thereof, if payment of the redemption price has been duly made or provided for.

*When issued, the Bonds will be registered in the name of Cede & Co., as partnership nominee for The Depository Trust Company (“DTC”), New York, New York. Purchasers of the Bonds (the “Beneficial Owners”) will not receive any physical delivery of bond certificates, and beneficial ownership of the Bonds will be evidenced only by book entries. See “BOOK-ENTRY ONLY SYSTEM” herein.*

### Payment of Principal and Interest

*So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, payments of principal of, redemption premium, if any, and interest on the Bonds, when due, are to be made to DTC and all such payments shall be valid and effective to satisfy fully and to discharge the obligations of the School District with respect to, and to the extent of, principal, redemption premium, if any, and interest so paid. If the use of the book-entry only system for the Bonds is discontinued for any reason, bond certificates will be issued directly to the Beneficial Owners of the Bonds and payment of principal, redemption premium, if any, and interest on the Bonds shall be made as described in the following paragraphs:*

The principal of any certificated Bonds, when due upon maturity or upon any earlier redemption, will be paid to the registered owners of such Bonds, or registered assigns, upon surrender of such Bonds to U.S. Bank Trust Company, National Association (the “Paying Agent”), acting as paying agent and sinking fund depository for the Bonds, at its specified corporate trust office (or to any successor paying agent or alternate designated office(s)).

Interest on Bonds will be payable to the registered owner of a Bond from the interest payment date next preceding the date of registration and authentication of such Bond, unless: (a) such Bond is registered and authenticated as of an interest payment date, in which event such Bond shall bear interest from said interest payment date, or (b) such Bond is registered and authenticated after a Record Date (hereinafter defined) and before the next succeeding interest payment date, in which event such Bond shall bear interest from such interest payment date, or (c) such Bond is registered and authenticated on or prior to the Record Date preceding February 15, 2027, in which event such Bond shall bear interest from the Date of Delivery, or (d) as shown by the records of the Paying Agent, interest on such Bond shall be in default, in which event such Bond shall bear interest from the date to which interest was last paid on such Bond. Interest on each certificated Bond will be payable by check drawn on the Paying Agent, which shall be mailed to the registered owner whose name and address shall appear, at the close of business on the fifteenth (15<sup>th</sup>) day (whether or not a day on which the Paying Agent is open for business) next preceding each interest payment date (the “Record Date”), on the registration books maintained by the Paying Agent, irrespective of any transfer or exchange of such Bond subsequent to such Record Date and prior to such interest payment date, unless the School District shall be in default in payment of interest due on such interest payment date. In the event of any such default, such defaulted interest shall be payable to the person in whose name such certificated Bond is registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Paying Agent to the registered owners of such Bonds not less than fifteen (15) days preceding such special record date. Such notice shall be mailed to the persons in whose names such Bonds are registered at the close of business on the fifth (5<sup>th</sup>) day preceding the date of mailing.

If the date for payment of the principal of or interest on any Bonds shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the Commonwealth are authorized or required by law or executive order to close, then the date for payment of such principal or interest shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized or required to close, and payment on such date shall have the same force and effect as if made on the nominal date established for such payment.

### Transfer, Exchange and Registration of Bonds

*Subject to the provisions described below under “BOOK-ENTRY ONLY SYSTEM,” any certificated Bonds are transferable or exchangeable by the registered owners thereof upon surrender of such Bonds to the Paying Agent, accompanied by a written instrument or instruments in form, with instructions, and with guaranty of signature satisfactory to the Paying Agent, duly executed by the registered owner of such Bond or his attorney-in-fact or legal representative. The Paying Agent shall enter any transfer of ownership of certificated Bonds in the registration books and shall authenticate and deliver at the earliest practicable time in the name of the transferee or transferees a new fully registered certificated bond or bonds of authorized denominations of the same series, maturity and interest rate for the aggregate principal amount which the registered owner is entitled to receive. The School District and the Paying Agent may deem and treat the registered owner of any certificated Bond as the absolute owner thereof (whether or not such Bond shall be overdue) for the purpose of receiving payment of or on account of principal and interest and for all other purposes, and the School District and the Paying Agent shall not be affected by any notice to the contrary.*

\*Estimated, subject to change.

The School District and the Paying Agent shall not be required (a) to register the transfer of or exchange any certificated Bonds then considered for redemption during a period beginning at the close of business on the fifteenth (15<sup>th</sup>) day next preceding any date of selection of such Bonds to be redeemed and ending at the close of business on the day on which the applicable notice of redemption is mailed or (b) to register the transfer of or exchange any portion of any Bond selected for redemption until after the redemption date. Bonds may be exchanged for a like aggregate principal amount of Bonds of other authorized denominations of the same series, maturity, and interest rate.

## **REDEMPTION OF BONDS**

### **Mandatory Sinking Fund Redemption**

The Bonds stated to mature on August 15, \_\_\_\_\_ are subject to redemption prior to maturity as required by the Resolution, in the amounts and on August 15 of the years shown below, from money in the Mandatory Sinking Fund created pursuant to the Resolution, upon payment of the principal amount being redeemed, together with interest accrued to the date fixed for redemption.

*Bonds stated to mature August 15, \_\_\_\_:*

\_\_\_\_\_  
\*Stated Maturity

In lieu of such Mandatory Redemption, the Paying Agent, on behalf of the School District, may purchase from money in the Mandatory Sinking Fund, at a price not to exceed the principal amount plus accrued interest, or the School District may tender to the Paying Agent, all or part of the Bonds subject to being drawn for redemption in any such year.

In the case of any prior, optional redemption, in part, of a Bond that is subject to future mandatory redemption pursuant to the operation of the Mandatory Sinking Fund, the School District shall be entitled to designate whether the principal amount of such Bond redeemed upon optional redemption shall be credited against the principal amount of such Bond to be paid by the School District at the stated maturity of such Bonds or credited against the principal amount of such Bonds scheduled to be called for mandatory sinking fund redemption on any particular date or dates, in each case in an integral multiple of \$5,000 principal amount.

### **Optional Redemption**

The Bonds stated to mature on or after August 15, 20\_\_ shall be subject to redemption prior to maturity, at the option of the School District, as a whole, on \_\_\_\_\_ or on any date thereafter, or from time to time, in part on \_\_\_\_\_ (and if in part, in any order of maturity as selected by the School District and within a maturity by lot), in either case upon payment of a redemption price of 100% of the principal amount of such Bonds, together with accrued interest to the redemption date.

### **Notice of Redemption**

*So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, however, the School District and the Paying Agent shall send redemption notices only to Cede & Co. See "BOOK-ENTRY ONLY SYSTEM" herein for further information regarding conveyance of notices to Beneficial Owners.*

Notice of any redemption shall be given by depositing a copy of the redemption notice in first class mail not less than thirty (30) days prior to the date fixed for redemption addressed to each of the registered owners of Bonds to be redeemed, in whole or in part, at the addresses shown on the registration books; provided, however, that failure to give such notice by mailing, or any defect therein or in the mailing thereof, shall not affect the validity of any proceeding for redemption of other Bonds so called for redemption as to which proper notice has been given.

On the date designated for redemption, notice having been provided as aforesaid, and money for payment of the principal and accrued interest being held by the Paying Agent, interest on the Bonds or portions thereof so called for redemption shall cease to accrue and such Bonds or portions thereof shall cease to be entitled to any benefit or security under the Resolution, and registered owners of such Bonds or portions thereof so called for redemption shall have no rights with respect to such Bonds, except to receive payment of the principal of and accrued interest on such Bonds to the date fixed for redemption.

If at the time of mailing the notice of redemption the School District has not deposited with the Paying Agent money sufficient to redeem all the Bonds called for redemption, such notice may state that it is conditional, that it is subject to the deposit of the redemption money with the Paying Agent no later than the opening of business on the redemption date, and such notice shall be of no effect unless such money is so deposited.

## **Manner of Redemption**

*So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, payment of the redemption price shall be made to Cede & Co. in accordance with the existing arrangements by and among the School District, the Paying Agent and DTC and, if less than all Bonds of any particular maturity are to be redeemed, the amount of the interest of each DTC Participant, Indirect Participant and Beneficial Owner in such Bonds to be redeemed shall be determined by the governing arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. See “**BOOK-ENTRY ONLY SYSTEM**” herein for further information regarding redemption of Bonds registered in the name of Cede & Co.*

If a Bond is of a denomination larger than \$5,000, a portion of such Bond may be redeemed. For the purposes of redemption, a Bond shall be treated as representing the number of Bonds that is equal to the principal amount thereof divided by \$5,000, each \$5,000 portion of such Bond being subject to redemption. In the case of partial redemption of a Bond, payment of the redemption price shall be made only upon surrender of a certificated Bond in exchange for a Bond or Bonds of authorized denominations in aggregate principal amount equal to the unredeemed portion of the principal amount thereof.

If the redemption date for any Bonds shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the Commonwealth of Pennsylvania are authorized or required by law or executive order to close, then the date for payment of the principal, premium, if any, and interest upon such redemption shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized or required to close, and payment on such date shall have the same force and effect as if made on the nominal date of redemption.

## **SECURITY FOR THE BONDS**

### **Pledge of the School District’s Full Faith, Credit and Taxing Power**

The Bonds will be general obligations of the School District, payable from its tax and other general revenues. The School District has covenanted that it will provide in its budget for each year, and will appropriate from its general revenues in each such year, the amount of the debt service on the Bonds for such year, and will duly and punctually pay or cause to be paid from its Sinking Fund, as hereinafter defined, or any other of its revenues or funds, the principal of each of the Bonds and the interest thereon at the dates and place and in the manner stated on the Bonds, and for such budgeting, appropriation and payment the School District has irrevocably pledged its full faith, credit and taxing power, which taxing power includes the power to levy ad valorem taxes on all taxable property in the School District, within the limits provided by law. (See “**SCHOOL DISTRICT FINANCES**” and “**TAXING POWERS OF THE SCHOOL DISTRICT**” herein). The Debt Act presently provides for enforcement of debt service payments as hereinafter described (see “**DEFAULTS AND REMEDIES**” herein), and the Pennsylvania Public School Code presently provides for the withholding and application of subsidies in the event of failure to pay debt service (see “**Commonwealth Enforcement of Debt Service Payments**” below).

### **Commonwealth Enforcement of Debt Service Payments**

Section 633 of the Pennsylvania Public School Code of 1949, as amended by Act 150 of 1975, and as further amended and supplemented (the “Public School Code”), presently provides that in all cases where the board of school directors of any school district fails to pay or to provide for the payment of any indebtedness on the date of maturity or date of mandatory redemption or on any sinking fund deposit date, or any interest due on such indebtedness on any interest payment date or on any sinking fund deposit date, in accordance with the schedule under which the Bonds were issued, the Secretary of Education shall notify such board of school directors of its obligation and shall withhold out of any Commonwealth appropriation due such school district an amount equal to the sum of the principal amount maturing or subject to mandatory redemption and interest owing by such school district, or sinking fund deposit due by such school district, and shall pay over the amount so withheld to the bank or other person acting as sinking fund depository for such Bond issue. These withholding provisions are not part of any contract with the holders of the Bonds, and may be amended or repealed by future legislation.

The effectiveness of Section 633 of the Public School Code may be limited by the application of other withholding provisions contained in the Public School Code, such as provisions for withholding and paying over of appropriations for payment of unpaid teachers’ salaries. Enforcement may also be limited by bankruptcy, insolvency, or other laws or equitable principles affecting the enforcement of creditors’ rights generally. But see “**Pennsylvania Budget Adoption**”.

## Pennsylvania Budget Adoption

Over several of the past years, the Commonwealth has started its fiscal year without a fully adopted state budget.

The Governor timely signed the state's 2021-22 fiscal year budget on June 30, 2021. That budget included an increase of \$300 million for basic education, with \$100 million of that targeted to the 100 historically underfunded school districts that included some in both urban and rural areas of the state. Special education received a \$50 million increase, boosting that budget line to \$1.24 billion, while preschool and Head Start programs received a \$30 million increase, to \$311.5 million. All told, funding for K-12 schools reached a then record high of \$13.55 billion in the 2021-22 budget.

After a week's delay and intense negotiations, a \$42.7 billion budget for the state's 2022-23 fiscal year was signed by then Governor Tom Wolf on July 8, 2022, which included \$7.6 billion for the basic education funding appropriation and \$225 million to supplement school districts with a higher at risk student population. The total amount was a \$525 million increase over the 2021-22 fiscal year appropriation.

After over a month delay, a \$44.9 billion budget for the state's 2023-24 fiscal year was signed by Governor Josh Shapiro on August 3, 2023, which included \$7.87 billion for the basic education funding appropriation. The total amount was a \$567 million increase over the 2022-23 fiscal year appropriation. The budget also provided \$50 million in additional aid to school districts for special education services for a total of \$1.4 billion. Certain funds authorized within the 2023-24 Budget required companion implementation language amending the Fiscal Code to be fully implemented. On December 13, 2023, multiple code bills were passed finalizing the 2023-24 Budget for education.

Governor Josh Shapiro signed the state's budget for the 2024-25 fiscal year 11 days late on July 11, 2024. The \$47.6 billion budget includes \$8.097 billion for the basic education funding appropriation. The total amount is a \$225 million increase over the 2023-24 fiscal year appropriation. The budget also provides \$100 million in additional aid to school districts for special education services for a total of \$1.487 billion and \$100 million for cyber charter school tuition reimbursement. 348 school districts (including the School District) will receive additional funding totaling \$493.8 million under a new Adequacy Supplement. 182 school districts will receive an additional \$60 million in total of Hold Harmless Relief Supplement as a component of their basic education funding.

After months of negotiations, Governor Josh Shapiro signed the state's budget for the 2025-26 fiscal year late on November 12, 2025. The \$50.1 billion budget includes (i) \$8.262 billion for the basic education funding appropriation, which is more than a \$100 million increase over the basic education funding appropriation for the 2024-25 fiscal year, and (ii) \$1.526 billion for the special education appropriation, which is a \$40,000,000 increase over the same appropriation for the 2024-25 fiscal year. The budget also increases the Ready to Learn Block Grant program appropriation by approximately 68% from the 2024-25 fiscal year. In addition, the budget includes \$175 million in estimated savings for school districts through reforms to the existing cyber charter school law. (See "SECURITY FOR THE BONDS" herein.)

*During a state budget impasse, school districts in Pennsylvania cannot be certain when state subsidies and revenues owed them from the Commonwealth will become available. This includes many of the major state subsidies, and overall revenues, that a Pennsylvania school district receives including basic education funding, special education funding, PlanCon reimbursements, and certain block grants, among many others. Future budget impasses may affect the timeliness or amount of payments by the Commonwealth under the withholding provisions of Section 633 of the School Code, however recent legislation included in Act 85 of 2016 has attempted to address the timeliness of the withholding provisions of Section 633 of the School Code during any future budget impasses. (See "Act 85 of 2016" hereinafter).*

### Act 85 of 2016

On July 13, 2016, the Governor of the Commonwealth signed into law Act No. 85 of 2016, (P.L. 664, No. 85) ("Act 85 of 2016"), an amendment to the Act of April 9, 1929 (P.L. 343, No. 176), known as the Fiscal Code ("Fiscal Code"). Act 85 of 2016 adds to the Fiscal Code Article XVII-E.4, entitled "School District Intercepts for the Payment of Debt Service During Budget Impasse", which provides for intercept of subsidy payments by Pennsylvania Department of Education ("PDE") from a school district subject to an intercept statute or an intercept agreement in the event of a Commonwealth budget impasse in any fiscal year.

Act 85 of 2016 includes in the definition of "intercept statutes" Sections 633 of the Public School Code. The School District's general obligation bonds, including the Bonds, are subject to Section 633 of the Public School Code.

Act 85 of 2016 provides that the amounts as may be necessary for PDE to comply with the provisions of the applicable intercept statute or intercept agreement "shall be appropriated" to PDE from the General Fund of the Commonwealth after PDE submits justification to the majority and minority chairs of the appropriations committees of the Pennsylvania Senate and House of Representatives allowing ten (10) calendar days for their review and comment, if, in any fiscal year:

(1) annual appropriations for payment of Commonwealth money to school districts have not been enacted by July 1 and continue not to be enacted when a payment is due;

(2) the conditions under which PDE is required to comply with an intercept statute or intercept agreement have occurred, thereby requiring PDE to withhold payments which would otherwise be due to school districts; and

(3) the Secretary of PDE, in consultation with the Secretary of the Budget, determines that there are no payments or allocations due to be paid to the applicable school districts from which PDE may withhold money as required by the applicable intercept statute or intercept agreement.

The necessary amounts shall be appropriated on the expiration of the tenth (10th) day following submission of the justification described above to the majority and minority chairs of the appropriations committees, who may comment on the justification but cannot prevent the effectiveness of the appropriation.

The total of all intercept payments under Article XVII-E.4 for a school district may not exceed 50% of the total nonfederal general fund subsidy payments made to that school district in the prior fiscal year.

Act 85 of 2016 requires that each school district subject to an intercept statute or intercept agreement must deliver to PDE, in such format as PDE may direct, a copy of the final Official Statement for the relevant bonds or notes or the loan documents relating to the obligations, within thirty (30) days of receipt of the proceeds of the obligations. The School District intends on submitting this information to PDE within the prescribed timeframe following the issuance of the Bonds. Act 85 of 2016 provides that any obligation for which PDE does not receive the required documents shall not be subject to the applicable intercept statute or intercept agreement.

The provisions of Act 85 of 2016 are not part of any contract with the holders of the Bonds and may be amended or repealed by future legislation.

### **Bonds Sinking Fund**

A sinking fund for the payment of the debt service on the Bonds (the "Sinking Fund"), including if applicable a Mandatory Sinking Fund, has been created under the Resolution and shall be maintained by the Paying Agent, as sinking fund depository. The School District shall deposit in the Sinking Fund a sufficient sum not later than the date when interest and/or principal is to become due on the Bonds so that on each payment date the Sinking Fund will contain an amount which, together with any other funds available therein, is sufficient to pay, in full, interest and/or principal then due on the Bonds.

The Sinking Fund shall be held by the Paying Agent, as sinking fund depository, and invested by the Paying Agent in such securities or shall be deposited in such funds or accounts as are authorized by the Debt Act, upon direction of the School District. Such deposits and securities shall be in the name of the School District, but subject to withdrawal or collection only by the Paying Agent, as sinking fund depository, and such deposits and securities, together with the interest thereon, shall be a part of the Sinking Fund.

The Paying Agent, as sinking fund depository, is authorized without further order from the School District to pay from the Sinking Fund the principal of and interest on the Bonds, as and when due and payable.

### **BOND INSURANCE**

The Bonds may or may not be issued with bond insurance. The decision to use bond insurance on all or a portion of the Bonds will be subject to market conditions at the time of pricing the Bonds.

### **BOOK-ENTRY ONLY SYSTEM**

*The information in this section has been obtained from materials provided by DTC for such purpose. The School District (herein referred to as the "Issuer") and the Underwriter do not guaranty the accuracy or completeness of such information, and such information is not to be construed as a representation of the School District or the Underwriter.*

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities: DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to Tender Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to Tender Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to Tender Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

NEITHER THE ISSUER NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT, INDIRECT PARTICIPANT OR BENEFICIAL OWNER OR ANY OTHER PERSON WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (4) THE DELIVERY TO ANY BENEFICIAL OWNER BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO BONDHOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

*The Issuer and the Paying Agent cannot give any assurances that DTC or the Participants will distribute payments of the principal or redemption price of and interest on the Bonds paid to DTC or its nominee, as the registered owner of the Bonds, or any redemption or other notices, to the Beneficial Owners or that they will do so on a timely basis, or that DTC will serve and act in the manner described in this Preliminary Official Statement.*

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## THE SCHOOL DISTRICT

### Introduction

The School District, located in southern Carbon County, Pennsylvania, in east central Pennsylvania, approximately 20 miles northwest of Allentown, Pennsylvania. The School District is comprised of the Townships of Lower Towamensing and Towamensing, and the Boroughs of Bowmanstown and Palmerton, which are all in Carbon County, Pennsylvania. The School District covers an area of approximately 59 square miles and served a population in 2010 of 14,056.

### Administration

The School District is governed by a nine member Board of School Directors (the “School Board”), elected to four-year terms. The Superintendent is the chief administrative officer of the School District, with overall responsibility for all aspects of operations, including education and finance. The Business Administrator is responsible for budget and financial operations. Both officials are hired by the School Board.

### School Facilities

The School District presently operates three elementary schools, one junior high school and one senior high school, all as described on the following table. Students in grades 10-12 may also attend the Carbon County Area Vocational-Technical School.

**TABLE 1**  
**PALMERTON AREA SCHOOL DISTRICT**  
**SCHOOL FACILITIES**

<b>Building</b>	<b>Original Construction Date(s)</b>	<b>Additions Renovation Date(s)</b>	<b>Grades</b>	<b>Rated Pupil Capacity</b>	<b>2025-26 Enrollment</b>
Elementary:					
Parkside Education Center .....	1919	2008	K-1	256	138
S.S. Palmer Elementary .....	1924	1929/1956/1987	2-6	800	406
Towamensing Elementary .....	1954	1986/2006	K-6	882	345
Secondary:					
Palmerton Junior High School .....	1987	--	7-8	Joint	254
Palmerton Senior High School .....	1965	1987	9-12	1,460	512

Source: School District officials.

### Enrollment Trends

The following Table 2 presents recent trends in school enrollment and projections of enrollments.

**TABLE 2**  
**PALMERTON AREA SCHOOL DISTRICT**  
**ENROLLMENT TRENDS**

<b>Actual Enrollments</b>				<b>Projected Enrollments</b>			
<b>School Year</b>	<b>Elementary</b>	<b>Secondary</b>	<b>Total</b>	<b>School Year</b>	<b>Elementary</b>	<b>Secondary</b>	<b>Total</b>
2021-22	876	808	1,684	2026-27	915	749	1,664
2022-23	891	766	1,657	2027-28	913	751	1,664
2023-24	881	786	1,667	2028-29	892	775	1,667
2024-25	887	758	1,645	2029-30	895	765	1,660
2025-26	889	766	1,655	2030-31	881	780	1,661

Source: School District officials.

## SCHOOL DISTRICT FINANCES

### Introduction

The School District budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education (“PDE”). An annual operating budget is prepared by the Superintendent and Business Administrator and submitted to the School Board for approval prior to the beginning of the School District’s fiscal year which begins on July 1.

### Financial Reporting

The financial statements of the School District are prepared in accordance with accounting principles generally accepted in the United States of America. The School District’s reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The government-wide and proprietary fund financial statements apply Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The government wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Its financial statements are audited by an independent certified public accountant, as required by Commonwealth law. Gorman & Associates, P.C. of Northampton, Pennsylvania, currently serves as the School District Auditor.

The School District auditor has not been engaged to perform and has not performed since the date of its report, any procedures on the financial statements addressed in that report. Such auditor also has not performed any procedures relating to this Preliminary Official Statement.

### Budgeting Process for School Districts under the 2006 Taxpayer Relief Act

In General. School districts budget and expend funds according to procedures mandated by the Pennsylvania Department of Education (“PDE”). An annual operating budget is prepared by school district administrative officials on a uniform form furnished by such Department and submitted to the board of school directors for approval prior to the beginning of the fiscal year on July 1.

Procedures for Adoption of the Annual Budget. Under the Pennsylvania Act No. 1 of the Special Session of 2006, as amended by Pennsylvania Act 25 of 2011 (“Act 1” or the “Taxpayer Relief Act”), all school districts of the first class A, second class, third class and fourth class (except as described below) must adopt a preliminary budget proposal (which must include estimated revenues and expenditures and proposed tax rates) no later than 90 days prior to the date of the election immediately preceding the fiscal year. The preliminary budget proposal must be printed and made available for public inspection at least 20 days prior to its adoption; the board of school directors may hold a public hearing on the budget; and the board must give at least 10 days’ public notice of its intent to adopt the final budget.

If the adopted preliminary budget includes an increase in the rate of any tax levy, the preliminary budget must be submitted to the Pennsylvania Department of Education (“PDE”) no later than 85 days prior to the date of the election immediately preceding the fiscal year. PDE is to compare the proposed percentage increase in the rate of any tax with the school district’s Index (see “**Limitations on Local Taxes**” herein) and within 10 days, but not later than 75 days prior to the upcoming election, inform the school district whether the proposed percentage increase is less than or equal to the Index. If PDE determines that a proposed tax increase will exceed the Index, the school district must reduce the proposed tax increase, seek voter approval for the tax increase at the upcoming election, or seek approval to utilize one of the referendum exceptions authorized under the Taxpayer Relief Act.

With respect to the utilization of any of the Taxpayer Relief Act referendum exceptions for which PDE approval is required (see “**Limitations on Local Taxes**” herein), the school district must publish notice of its intent to seek PDE approval not less than one week before submitting its request for approval to PDE and, if PDE determines to schedule a public hearing on the request, a notice of the date, time and place of such hearing. PDE is required by the Taxpayer Relief Act to rule on the school district’s request and inform the school district of its decision no later than 55 days prior to the upcoming election so that, if PDE denies the school district’s request, the school district may submit a referendum question to the local election officials at least 50 days before the upcoming election, if it so chooses.

If a school district seeks voter approval to increase taxes at a rate higher than the applicable Index, whether or not it first seeks approval to utilize one of the referendum exceptions available under the Taxpayer Relief Act, and the referendum question is not approved by a majority of the voters voting on the question, the board of school directors may not approve an increase in the tax rate greater than the applicable Index.

Simplified Procedures in Certain Cases. The above budgetary procedures will not apply to a school district if the board of school directors adopts a resolution no later than 110 days prior to the election immediately preceding the upcoming fiscal year declaring that it will not increase any tax at a rate that exceeds the Index and that a tax increase at or below the rate of the Index will be sufficient to balance its budget. In that case, the Taxpayer Relief Act requires only that the proposed annual budget be prepared at least 30 days, and made available for public inspection at least 20 days, prior to its adoption, and that at least ten (10) days’ public notice be given of the board’s intent to adopt the annual budget. No referendum exceptions are available to a school district adopting such a resolution.

**Summary and Discussion of Financial Results**

A summary of the General Fund Balance Sheet and changes in fund balances is presented in Tables 3 and 4. Table 5 shows audited revenues and expenditures for the past four fiscal years and the 2025-26 budget. The budget for 2025-26 as adopted June 17, 2025, projects revenues of \$41,314,387 and expenditures of \$41,864,023.

**TABLE 3**

**PALMERTON AREA SCHOOL DISTRICT  
SUMMARY OF COMPARATIVE GENERAL FUND BALANCE SHEET  
(Years ending June 30)**

<b>ASSETS</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Cash and Cash Equivalents.....	\$12,334,739	\$12,330,853	\$13,157,196	\$14,270,962
Investments.....	30,363	28,942	31,545	30,087
Taxes Receivable.....	1,109,907	1,169,855	1,183,804	1,179,470
Due From Other Funds.....	43,936	11,000	735	0
Due From Other Governments.....	460,308	427,960	460,667	452,122
State Revenue Receivable.....	1,397,998	1,337,187	1,468,119	1,448,298
Federal Revenue Receivable.....	66,943	566,516	824,220	372,123
Other Receivables.....	26,805	48,140	503	412,232
Inventories.....	13,282	13,282	13,282	113,026
Prepaid Expenses (Expenditures).....	<u>10,859</u>	<u>18,460</u>	<u>303,554</u>	<u>427,598</u>
<b>TOTAL ASSETS.....</b>	<b><u>\$15,495,140</u></b>	<b><u>\$15,952,195</u></b>	<b><u>\$17,443,625</u></b>	<b><u>\$18,705,918</u></b>
<b>LIABILITIES</b>				
Due to Other Funds.....	\$1,697	\$23,375	\$33,792	\$29,902
Due to Other Governments.....	61,110	72,142	166,058	410,149
Accounts Payable.....	501,304	561,878	402,399	489,053
Accrued Salaries and Benefits.....	1,896,329	1,526,673	1,584,782	1,574,652
Payroll Deductions and Withholdings.....	1,154,529	1,564,281	1,590,569	1,697,859
Deferred Revenues.....	912,200	1,000,959	990,999	0
Current Portion of Long-Term Debt.....	72,285	74,247	75,737	137,560
Other.....	<u>104,855</u>	<u>35,970</u>	<u>6,317</u>	<u>4,725</u>
<b>TOTAL LIABILITIES.....</b>	<b><u>\$4,704,309</u></b>	<b><u>\$4,859,525</u></b>	<b><u>\$4,850,653</u></b>	<b><u>\$4,343,900</u></b>
<b>Deferred Inflows of Resources.....</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,317,243</b>
<b>FUND EQUITIES</b>				
Nonspendable Fund Balance.....	\$24,141	\$24,141	\$24,141	\$540,625
Restricted Fund Balance.....	277,307	277,307	277,307	202,527
Committed Fund Balance.....	3,276,779	3,276,779	3,276,779	3,276,779
Assigned Fund Balance.....	6,037,398	7,514,443	6,037,398	9,024,844
Unassigned Fund Balance.....	<u>1,175,206</u>	<u>0</u>	<u>2,977,347</u>	<u>0</u>
<b>TOTAL FUND EQUITIES.....</b>	<b><u>\$10,790,831</u></b>	<b><u>\$11,092,670</u></b>	<b><u>\$12,592,972</u></b>	<b><u>\$13,044,775</u></b>
<b>TOTAL LIABILITIES AND FUND EQUITIES.....</b>	<b><u>\$15,495,140</u></b>	<b><u>\$15,952,195</u></b>	<b><u>\$17,443,625</u></b>	<b><u>\$18,705,918</u></b>

Source: School District Annual Financial Reports.

TABLE 4

PALMERTON AREA SCHOOL DISTRICT GENERAL FUND  
SUMMARY OF CHANGES IN FUND BALANCE\*

	<u>2021</u>	<u>2022</u>	<u>Actual</u> <u>2023</u>	<u>2024</u>	<u>2025</u>	<u>Budgeted</u> <u>2026<sup>(1)</sup></u>
<b>Beginning Fund Balance</b>	\$9,745,695	\$9,457,292	\$10,790,831	\$11,092,671	\$12,592,973	\$13,044,775
Revenues over (under) Expenditure	(288,403)	1,333,539	301,840	1,500,302	451,802	(549,636)
Other	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Ending Fund Balance</b>	<u>\$9,457,292</u>	<u>\$10,790,831</u>	<u>\$11,092,671</u>	<u>\$12,592,973</u>	<u>\$13,044,775</u>	<u>\$12,495,139</u>

\*Totals may not add due to rounding.

<sup>(1)</sup>Budget, as adopted June 17, 2025.

Source: School District Annual Financial Reports, School District Officials and Budget.

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**General Fund Revenue**

The School District received \$42,064,008 in revenue in its 2024-25 fiscal year and has budgeted revenue of \$41,314,387 in its 2025-26 fiscal year. Local sources contributed a decreasing share of revenue in the past five years, from 58.3% in 2020-21 to 55.7% in 2024-25. Revenue from Commonwealth sources increased as a share of the total from 39.2% to 41.2% over this period. Federal sources decreased as a share of revenue from 2.5% to 1.7% over this period.

**TABLE 5  
PALMERTON AREA SCHOOL DISTRICT  
SUMMARY OF SCHOOL DISTRICT GENERAL FUND  
REVENUES\*  
(For fiscal years ending June 30)**

<b>REVENUE:</b>	<b>Actual</b>					<b>Budgeted</b>
	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026<sup>(1)</sup></b>
<b>Local Sources:</b>						
Real Estate Taxes	\$16,322,793	\$17,379,151	\$18,146,321	\$19,038,200	\$19,062,775	\$18,957,365
Public Utility Realty Tax	18,307	18,848	18,883	18,514	20,357	18,000
Payments in Lieu of Current Taxes/ State & Local	5,101	5,101	5,101	5,101	5,235	5,101
Per Capita (Sec. 679) Taxes	35,614	35,548	34,679	35,424	35,780	35,218
Total Act 511 Taxes	2,084,675	2,398,540	2,312,501	2,400,329	2,549,835	2,595,979
Delinquency on Taxes Levied	982,668	884,419	881,114	846,948	906,814	870,827
Earnings from Investments	58,225	59,883	613,276	884,040	732,193	600,000
Revenue from LEA Activities	3,953	31,295	45,298	42,522	36,035	36,331
Revenue Received from Other Pennsylvania Public LEAs	14,029	12,742	6,064	10,623	12,743	0
Federal IDEA Pass Through Revenue	373,792	453,866	423,058	447,133	445,125	441,000
Rentals	1,200	1,600	1,200	1,200	39,791	1,200
Contributions & Donations (private)	56,488	163,128	146,532	104,527	97,326	40,000
Receipts from Other LEAS in Pennsylvania - Education	4,372	6,300	4,848	10,308	6,679	0
Tuition	5,400	2,080	1,530	0	2,890	2,000
Refund of Prior Years' Expenditures	3,029	16,172	8,770	32,131	2,963	0
Other Sources	14,940	13,810	7,187	14,482	30,759	3,000
<b>Total Local Sources</b>	<u>\$19,984,584</u>	<u>\$21,482,482</u>	<u>\$22,656,362</u>	<u>\$23,891,482</u>	<u>\$23,987,302</u>	<u>\$23,606,021</u>
<b>State Sources:</b>						
Basic Instructional Subsidy	\$6,700,029	\$6,825,707	\$7,265,503	\$8,254,479	\$8,468,035	\$8,468,048
Charter Schools	0	0	0	0	196,905	0
Tuition for Orphans & Children in Private Homes	77,712	55,199	54,817	74,240	70,737	62,576
Special Education	1,264,767	1,503,317	1,502,381	1,601,683	1,911,774	1,747,380
Pre-K Counts	175,000	350,000	300,000	250,000	365,000	330,000
Transportation	496,264	462,391	369,369	449,521	516,258	450,000
Rentals and Sinking Fund Payments	227,360	226,755	232,923	238,895	235,041	230,000
Health Services	32,083	29,595	32,137	30,062	33,309	30,000
State Property Tax Reduction Allocation	749,007	747,229	938,846	940,859	1,128,675	1,298,885
PA Accountability Grant/Ready to Learn Block Grant	303,548	303,548	303,548	303,548	645,935	645,934
Revenue for Social Security	546,877	2,686,760	575,627	615,119	630,642	552,579
Revenue for Retirement	2,588,330	560,699	2,829,448	2,948,013	2,943,752	3,188,570
Extra Grants	35,000	0	48,497	127,542	182,092	0
Other Sources	250,000	0	0	0	0	196,904
<b>Total State Sources</b>	<u>\$13,445,977</u>	<u>\$13,751,202</u>	<u>\$14,453,097</u>	<u>\$15,833,961</u>	<u>\$17,328,156</u>	<u>\$17,200,876</u>
<b>Federal Sources:</b>						
<b>Total Federal Sources</b>	<u>\$854,634</u>	<u>\$1,620,847</u>	<u>\$1,328,223</u>	<u>\$2,116,194</u>	<u>\$704,446</u>	<u>\$507,490</u>
<b>Other Sources:</b>						
<b>Total Other Sources</b>	<u>\$0</u>	<u>\$98,000</u>	<u>\$218,678</u>	<u>\$0</u>	<u>\$44,104</u>	<u>\$0</u>
<b>TOTAL REVENUE</b>	<u>\$34,285,195</u>	<u>\$36,952,531</u>	<u>\$38,656,359</u>	<u>\$41,841,636</u>	<u>\$42,064,008</u>	<u>\$41,314,387</u>

\*Totals may not add due to rounding.

<sup>(1)</sup>Budget, as adopted June 17, 2025.

Source: School District Annual Financial Reports, School District Officials and Budget.

General Fund Expenditures

**TABLE 5**  
**PALMERTON AREA SCHOOL DISTRICT**  
**SUMMARY OF SCHOOL DISTRICT GENERAL FUND**  
**EXPENDITURES\***  
**(For fiscal years ending June 30)**

EXPENDITURES:	Actual					Budgeted
	2021	2022	2023	2024	2025	2026 <sup>(1)</sup>
Instruction	\$23,695,046	\$23,480,950	\$25,396,815	\$26,497,539	\$27,392,374	\$28,303,903
Pupil Personnel	889,642	909,228	1,035,030	949,481	1,167,075	1,377,477
Instructional Staff	585,528	641,065	602,583	684,680	768,778	510,858
Administration	1,709,485	1,788,710	1,958,849	2,004,809	1,938,960	1,926,657
Pupil Health	303,141	333,411	353,700	348,717	401,122	451,159
Business	520,066	432,103	532,967	533,498	553,810	584,669
Operation and Maintenance	2,333,163	2,587,855	2,655,149	2,744,230	2,988,417	3,006,237
Student Transportation	949,170	1,281,295	1,196,620	1,452,251	1,420,698	1,350,293
Central	418,341	579,967	601,242	644,829	688,495	610,219
Other Support Services	20,642	20,445	20,078	23,667	19,636	23,000
Operation of Non-Instructional Services	972,209	1,165,662	1,234,216	1,320,194	1,410,796	1,463,176
Debt Service	0	2,073,301	2,141,407	0	0	0
Facilities, Acquisition, Construction	2,096,828	0	0	2,278,358	2,203,804	2,156,375
Refund of Prior Year Receipts	0	250,000	125,864	359,082	208,242	0
Fund Transfers	0	0	0	0	0	0
Budgetary Reserve	80,337	75,000	500,000	500,000	450,000	100,000
<b>TOTAL EXPENDITURES</b>	<u>\$34,573,599</u>	<u>\$35,618,991</u>	<u>\$38,354,519</u>	<u>\$40,341,335</u>	<u>\$41,612,206</u>	<u>\$41,864,023</u>
<b>SURPLUS (DEFICIT) OF</b>						
<b>REVENUES OVER EXPENDITURES</b>	<u>(\$288,403)</u>	<u>\$1,333,539</u>	<u>\$301,840</u>	<u>\$1,500,302</u>	<u>\$451,802</u>	<u>(\$549,636)</u>

\*Totals may not add due to rounding.

<sup>(1)</sup>Budget, as adopted June 17, 2025.

Source: School District Annual Financial Reports, School District Officials and Budget.

## TAXING POWERS OF THE SCHOOL DISTRICT

*Subject to certain limitations imposed by the Taxpayer Relief Act (described below),* the School District is empowered by the School Code and other statutes to levy the following taxes:

1. A basic annual tax on all real property taxable for school purposes, not to exceed 25 mills on each dollar of assessed valuation, to be used for general school purposes.
2. An unlimited ad valorem tax on the property taxable for school purposes to provide funds:
  - a. for minimum salaries and increments of the teaching and supervisory staff;
  - b. to pay rentals due any municipality authority or non-profit corporation or due the State Public School Building Authority;
  - c. to pay interest and principal on any indebtedness incurred pursuant to the Local Government Unit Debt Act, or any prior or subsequent act governing the incurrence of indebtedness of the school district; and
  - d. to pay for the amortization of a bond or note issue which provided a school building prior to the first Monday of July, 1959.
3. An annual per capita tax on each resident or inhabitant over 18 years of age of not less than \$1.00 and not more than \$10.00.
4. Additional taxes subject to division with other political subdivisions authorized to levy similar taxes on the same person, subject, business, transaction or privilege, under Act No. 511, enacted December 31, 1965, as amended (“The Local Tax Enabling Act”). These taxes, which may include, among others, an additional per capita tax, a wage and other earned income tax, a real estate transfer tax, a gross receipts tax, a local services tax and an occupation tax, shall not exceed, in the aggregate, an amount equal to the product of the market valuation of real estate in the School District (as certified by the State Tax Equalization Board of the Commonwealth – “STEB”) multiplied by twelve mills. All local taxing authorities are required by the Local Tax Enabling Act to exempt disabled veterans and members of the armed forces reserve who are called to active duty at any time during the tax year from any local services tax and to exempt from any local services tax levied at a rate in excess of \$10 those persons whose total income and net profits from all sources within the political subdivision is less than \$12,000 for the tax year. The Local Tax Enabling Act also authorizes, but does not require, taxing authorities to exempt from per capita, occupation, and earned income taxes and any local services tax levied at a rate of \$10 or less per year, any person whose total income from all sources is less than \$12,000 per year.

### Limitations on School District Taxes

Under the Taxpayer Tax Relief Act (Act 1) a school district may not levy any new tax for the support of the public schools or increase the rate of any tax for school purposes by more than the Index (defined below), unless in each case either (a) such increase is approved by the voters in the school district at a public referendum or (b) one of the exceptions summarized below is applicable and the use of such exception is approved by the Pennsylvania Department of Education (PDE):

1. to pay interest and principal on indebtedness originally incurred (i) prior to September 4, 2004, in the case of a school district which had elected to become subject to the provisions of the prior Homeowner Tax Relief Act, Act 72 of 2004, or (ii) prior to June 27, 2006, in the case of a school district which had not elected to become subject to Act 72 of 2004; to pay interest and principal on any indebtedness approved by the voters at referendum (electoral debt); and to pay interest and principal on debt refunding or refinancing debt for which one of the above exceptions is permitted, as long as the refunding or refinancing incurs no additional debt other than for costs and expenses related to the refunding or refinancing and the funding of appropriate debt service reserves;
2. to pay costs incurred in providing special education programs and services to students with disabilities, under specified circumstances; and
3. to make payments into the State Public School Employees’ Retirement System when the increase in the estimated payments between the current year and the upcoming year is greater than the Index, as determined by PDE in accordance with the provisions of Act 1.

Any revenue derived from an increase in the rate of any tax allowed under the exception numbered 1 above may not exceed the anticipated dollar amount of the expenditure, and any revenue derived from an increase in the rate of any tax allowed pursuant to any other exception enumerated above may not exceed the rate increase required, as determined by PDE. If a school district’s petition or request to increase taxes by more than the Index pursuant to one or more of the allowable exceptions is not approved, the school district may submit the proposed tax increase to a referendum.

The Index (to be determined and reported by PDE by September of each year for application to the following fiscal year) is the average of the percentage increase in the statewide average weekly wage, as determined by the State Department of Labor and Industry for the preceding calendar year, and the employment cost index for elementary and secondary schools, as reported by the federal Bureau of Labor Statistics for the preceding 12-month period beginning July 1 and ending June 30. If and when a school district has a Market Value/Income Aid Ratio greater than 0.40 for the prior school year, however, the Index is adjusted upward by multiplying the unadjusted Index by the sum of 0.75 and such Aid Ratio.

The Act 1 Index applicable to the School District in the current and prior fiscal years are as follows:

Fiscal Year	Index %
2026-27	4.7%
2025-26	5.4
2024-25	7.2
2023-24	5.5
2022-23	4.6
2021-22	4.1

Source: PDE website.

In accordance with Act 1, the School District placed a referendum question on the May, 15, 2007, primary election ballot seeking voter approval to levy (or increase the rate of) the earned income and net profits tax (“EIT”) or a new personal income tax (“PIT”) and use the proceeds to reduce local real estate taxes by a homestead and farmstead exclusion. The referendum was not approved by the voters.

A board of school directors may submit, but is not required to submit, a referendum question to the voters at the municipal election seeking approval to levy or increase the rate of an EIT or impose PIT for the purpose of funding homestead and farmstead exclusions, but the proposed rate of the EIT or PIT shall not exceed the rate that is required to provide the maximum homestead and farmstead exclusions allowable under law.

*The information set forth above is a summary of the Taxpayer Relief Act, which is not intended to be an exhaustive discussion of the provisions or consequences of the Taxpayer Relief Act, nor a legal interpretation of any provision of the Taxpayer Relief Act. Any prospective purchaser of the Bonds should independently research and analyze the Taxpayer Relief Act as a part of any decision to purchase the Bonds.*

**Status of the Bonds Under the Taxpayer Relief Act (Act 1)**

No exceptions to the Act 1 taxing limits are expected to apply to the Bonds.

**SET FORTH ABOVE IS A SUMMARY OF PORTIONS OF ACT 1. THIS SUMMARY IS NOT INTENDED TO BE AN EXHAUSTIVE DISCUSSION OF THE PROVISIONS OF ACT 1 NOR A LEGAL INTERPRETATION OF ANY PROVISION OF ACT 1, AND A PROSPECTIVE PURCHASER OF THE BONDS SHOULD REVIEW THE FULL TEXT OF ACT 1 AS A PART OF ANY DECISION TO PURCHASE THE BONDS.**

**Limitation on Estimated Ending Unassigned Fund Balances**

Pennsylvania Act No. 2003-48 (enacted December 23, 2003) prohibits a school district from increasing real property taxes unless the school district has adopted a budget for such school year that includes an estimated ending unreserved undesignated fund balance which is not more than a specified percentage of the total budgeted expenditures, as set forth below:

<b>Total Budgeted Expenditures</b>	<b>Estimated Ending Unassigned Fund Balance as a Percentage of Total Budgeted Expenditures</b>
Less than or equal to \$11,999,999	12.0%
Between \$12,000,000 and \$12,999,999	11.5%
Between \$13,000,000 and \$13,999,999	11.0%
Between \$14,000,000 and \$14,999,999	10.5%
Between \$15,000,000 and \$15,999,999	10.0%
Between \$16,000,000 and \$16,999,999	9.5%
Between \$17,000,000 and \$17,999,999	9.0%
Between \$18,000,000 and \$18,999,999	8.5%
Greater than or equal to \$19,000,000	8.0%*

“Estimated Ending Unassigned Fund Balance” is defined in Act 2003-48 as that portion of the fund balance which is appropriable for expenditure or not legally or otherwise segregated for a specific or tentative future use, projected for the close of the school year for which a school district’s budget was adopted and held in the general fund accounts of the school district.

\*Applicable to the School District.

SET FORTH ABOVE IS A SUMMARY OF PORTIONS OF ACT 48 OF 2003. THIS SUMMARY IS NOT INTENDED TO BE AN EXHAUSTIVE DISCUSSION OF THE PROVISIONS OF ACT 48 OF 2003 NOR A LEGAL INTERPRETATION OF ANY PROVISION OF ACT 48. A PROSPECTIVE PURCHASER OF THE BONDS SHOULD REVIEW THE FULL TEXT OF ACT 48 OF 2003 AS A PART OF ANY DECISION TO PURCHASE THE BONDS.

**Tax Levy Trends**

Table 6 which follows shows the recent trend of tax rates levied by the School District. Table 7 shows the comparative trend of real property tax rates for the School District, the three boroughs and the three townships located in the School District, and Carbon County.

**TABLE 6  
PALMERTON AREA SCHOOL DISTRICT  
TAX RATES**

	<b>Real Estate (mills)</b>	<b>Real Estate Transfer<sup>(1)</sup> (%)</b>	<b>Per Capita<sup>(2)</sup> (\$)</b>	<b>Earned Income<sup>(1)</sup> (%)</b>	<b>Local Services (\$)</b>
2021-22.....	62.9150	1.0	10.00	1.0	5.00
2022-23.....	64.9150	1.0	10.00	1.0	5.00
2023-24.....	65.9150	1.0	10.00	1.0	5.00
2024-25.....	65.9150	1.0	10.00	1.0	5.00
2025-26.....	65.9150	1.0	10.00	1.0	5.00

<sup>(1)</sup>Subject to sharing at the rate of 50% providing the municipality levies the tax.

<sup>(2)</sup>\$5.00 under Act 679 (the School Code); \$10.00 under Act 511.

Source: School District Budget, School District officials, and Department of Community and Economic Development- Municipal Statistics.

**TABLE 7  
PALMERTON AREA SCHOOL DISTRICT  
COMPARATIVE REAL PROPERTY TAX RATES  
(Mills on Assessed Value)**

	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>
<b>School District</b> .....	62.9150	64.9150	65.9150	65.9150	65.9150
<b>Carbon County</b> .....	12.2500	12.2500	13.0000	16.0000	17.5000
Bowmanstown Borough .....	13.0050	13.0050	13.0050	13.0050	13.0050
Lower Towamensing Township .....	2.3500	4.1000	4.1000	4.1000	4.1000
Palmerton Borough.....	13.7700	13.7700	14.9700	17.4700	19.4700
Towamensing Township.....	2.0000	2.0000	2.0000	2.0000	2.0000

Source: Department of Community and Economic Development- Municipal Statistics.

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**Real Property Tax**

The real property tax (excluding delinquent collections and including interim collections) produced \$21,113,865 in fiscal year 2025-26, approximately 50.2% of overall revenues. The tax is levied on July 1 of each year. Taxpayers who remit prior to September 16 receive a 2% discount, and those who remit between September 16 and November 16 pay at 100% of the face amount. Taxpayers remitting after November 16 are assessed a 10% penalty. Unpaid taxes after January 15 are turned over to the Carbon County Tax Claim Bureau for collection.

The last county-wide assessment occurred in Carbon County that took effect for the 2001-02 school year.

**TABLE 8  
PALMERTON AREA SCHOOL DISTRICT  
REAL PROPERTY ASSESSMENT DATA**

<b>Year</b>	<b>Market Value</b>	<b>Assessed Value</b>	<b>Ratio</b>
2020-21.....	\$820,672,387	\$311,568,074	37.96%
2021-22.....	823,272,241	312,422,990	37.95%
2022-23.....	907,734,171	317,931,841	35.02%
2023-24.....	917,452,950	320,446,921	34.93%
2024-25.....	1,033,169,623	321,557,482	31.12%
Compound Average Annual Percentage Change	4.71%	0.63%	

Source: Pennsylvania State Tax Equalization Board (STEB).

**TABLE 9  
PALMERTON AREA SCHOOL DISTRICT  
REAL PROPERTY ASSESSMENT DATA BY MUNICIPALITY**

	<b>2023 Market Value</b>	<b>2023 Assessed Value</b>	<b>2024 Market Value</b>	<b>2024 Assessed Value</b>
<i>School District.....</i>	\$917,452,950	\$320,446,921	\$1,033,169,623	\$321,557,482
Bowmanstown Borough .....	43,783,874	15,104,245	49,353,918	15,144,745
Lower Towamensing Township .....	214,871,298	76,114,173	250,117,102	76,697,586
Palmerton Borough.....	262,480,352	95,239,043	294,460,812	95,303,680
Towamensing Township.....	396,317,426	133,989,460	439,237,791	134,411,471
Carbon County.....	4,585,417,095	1,723,597,066	5,327,857,927	1,741,358,050

Source: Pennsylvania State Tax Equalization Board (STEB).

**TABLE 10  
PALMERTON AREA SCHOOL DISTRICT  
ASSESSMENT BY LAND USE**

	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Residential .....	\$249,475,339	\$249,253,677	\$252,085,597	\$254,080,899	\$249,028,164
Trailers.....	1,644,493	1,693,809	1,916,166	1,914,254	8,004,218
Lots.....	4,989,117	4,856,718	4,999,944	4,840,781	5,196,936
Industrial.....	5,896,521	5,896,521	5,896,521	5,914,091	4,307,249
Commercial .....	30,339,095	31,499,406	32,814,071	32,927,566	35,900,210
Agriculture.....	18,901,516	18,897,366	19,856,875	20,411,700	17,712,531
Land.....	321,993	325,493	362,667	357,630	1,408,174
<b>Total .....</b>	<b>\$311,568,074</b>	<b>\$312,422,990</b>	<b>\$317,931,841</b>	<b>\$320,446,921</b>	<b>\$321,557,482</b>

Source: Pennsylvania State Tax Equalization Board (STEB).

**TABLE 11**  
**PALMERTON AREA SCHOOL DISTRICT**  
**REAL PROPERTY TAX COLLECTION DATA**

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collections (July-June)</u>	<u>Current Year Collections as Percent of Total Adjusted</u>	<u>Total Current Plus Delinquent Collections</u>	<u>Total Current Plus Total Delinquent Collections as Percent of Tax Levy</u>
2021-22	\$18,375,799	\$17,379,151	94.58%	\$18,249,944	99.32%
2022-23	19,222,072	18,146,321	94.40%	19,004,994	98.87%
2023-24	19,874,402	19,038,200	95.79%	19,856,721	99.91%
2024-25	19,964,056	19,062,775	95.49%	19,951,632	99.94%
2025-26	21,611,663	21,113,865	97.70%	21,641,123	100.14%

Source: School District officials.

The owners and description of the 10 parcels of real estate having the highest assessed values in the School District, together with the 2025-26 assessed values, are shown on Table 12. The aggregate assessed value of these 10 parcels totals approximately 3.3% of total assessed value of all taxable property in the School District.

**TABLE 12**  
**PALMERTON AREA SCHOOL DISTRICT**  
**TEN HIGHEST ASSESSED REAL ESTATE PARCELS, 2025-26**

<u>Owner</u>	<u>Property/Business</u>	<u>2025-26 Assessed Value</u>
BMR Resort LLC	Ski Area/Recreation	\$2,632,865
Care ISL Palmerton Propco LLC	Assisted Living	1,542,640
Forest Inn Property LLC	Retail	1,273,600
GSZC LP	Real Estate Development	889,980
Lakeside Investment Group DDSK LLC	Retail	833,800
Top of Palmerton LLC	Real Estate Development	778,200
Blue Ridge LLC	Golf/Recreation	777,745
North Ridge Associates LLC	Real Estate Development	668,500
3 Twins Realty Partners	Real Estate Development	661,530
MW Real Estate LLC	Real Estate Development	643,635
		\$10,702,495

Source: School District officials.

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## Other Taxes

Under Pennsylvania Act 511, the School District collected \$3,502,022 in other taxes in 2025-26. Among the taxes authorized by Act 511, the Real Estate Transfer tax, the Wage and Income tax, the Per Capita tax, and the Local Services tax are levied by the School District. The Act 511 limit, equal to 12 mills on the market value of real property, was \$12,398,035.

*Wage and Income.* The School District levies a tax of 1.0% (subject to sharing) is levied on the earned income of residents. In 2024-25 the collected portion of this tax yielded \$2,202,113 or 5.2% of total revenues.

*Local Services Tax.* A tax of \$5.00 is levied on each person with an occupation. In 2024-25 the collected portion of this tax yielded \$22,985 or less than 1.0% of total revenues.

*Real Estate Transfer.* The School District levies a tax of 1.0% (subject to 50% sharing with local municipalities) of the value of real estate transfers. In 2024-25 the collected portion of this tax yielded \$288,955 or less than 1.0% of total revenue.

*Per Capita Taxes.* A tax of \$15.00 (\$10.00 under Act 511 and \$5.00 under the School Code 679) is levied on each resident over 18 years old. In 2024-25 the collected portion of this tax yielded \$35,780, or less than 1.0% of revenues.

## COMMONWEALTH AID TO SCHOOL DISTRICTS

### General

Pennsylvania school districts receive financial assistance from the Commonwealth in a number of forms, all subject to statutory provisions and annual appropriation by the Pennsylvania General Assembly.

Basic education funding is allocated to all school districts in an amount equal to: (1) a fixed sum equal to the school district's Fiscal Year 2014-15 basic educational funding; plus (2) an additional increment determined annually pursuant to statutory formula which adjusts a school district's average daily membership by a number of factors specific to the composition of the student population as well as the school district's median household income, local tax effort and capacity to generate local revenue. The additional increment as calculated above for any individual school district may be zero.

Information concerning the calculation of the School District's basic education funding can be found on the Pennsylvania Department of Education's website at <https://www.education.pa.gov>

School districts may also receive state aid for special education, pupil transportation, vocational education, and health services, among other things.

### Current Lack of State Appropriations for Debt Service Subsidies

Commonwealth law presently provides that the School District will receive, subject to state legislative appropriation, reimbursement from the Commonwealth for a portion of debt service paid on the Bonds following final approval by PDE. Commonwealth reimbursement is calculated based on the "Reimbursable Percentage" assigned to the Bonds by the PDE and the School District's permanent Capital Account Reimbursement Fraction ("CARF") (46.17%) or the wealth based Market Value Aid Ratio ("MVAR") currently (61.16%) whichever is higher. The Reimbursable Percentage is determined through a process known as the "Planning and Construction Workbook" or "PlanCon".

The School District estimates the Bonds will not be subject to reimbursement by the Commonwealth.

In May of 2016, the Commonwealth enacted appropriation legislation known as Act 25 ("Act 25"), which contains authorization for the Commonwealth Finance Authority ("CFA") to issue up to \$2.5 billion of debt to fund PlanCon reimbursements to school districts. Act 25 also instituted a moratorium on new projects entering the PlanCon process while an advisory committee established under Act 25 considers amendments to the PlanCon reimbursement program. This moratorium went into effect on May 15, 2016 and most recently became indefinite with the adoption of Act No. 33 of 2023 on December 13, 2023.

To date, the CFA has issued \$1,903,065,000, to provide for PlanCon reimbursements owed to school districts, including the issuance of its Revenue Bonds, Series A of 2016 (Federally Taxable) in the principal amount of \$758,185,000 issued on October 31, 2016, its Revenue Bonds, Series A of 2018 (Federally Taxable) in the total amount of \$412,520,000 issued on January 18, 2018, its Revenue Bonds (Federally Taxable), Series A of 2019 in the total amount of \$388,975,000 issued on May 9, 2019, as well as its Revenue Bonds (Federally Taxable), Series A of 2021 in the total amount of \$343,385,000 issued on June 23, 2021. It is expected that proceeds of these issues have been and will continue to be used to provide PlanCon reimbursement that is owed to the School District for past and current fiscal years. However, the School District cannot be certain that any future PlanCon reimbursement will be received by PDE as the ability for CFA to issue additional bonds in the future to fund future PlanCon reimbursements owed to school districts may impact the availability of PlanCon reimbursements payable to the School District. Any failure by the Commonwealth to adopt a timely budget and enact necessary spending authorizations could have a material adverse effect upon the School District's anticipated receipt of PlanCon reimbursements.

Act 70 of 2019 was adopted by the State legislature that has modified the PlanCon process. The Act states that on July 1, 2020, a new PlanCon system will go online. However, the legislation does not include any funding nor does it state when the State would start to allow applicants to enter into the new program.

There can be no assurances that the School District will be able to successfully apply for, be awarded, and receive sufficient PlanCon reimbursement for the costs of any current or future projects of the School District. A failure by the School District to receive such reimbursement could force the School District to apply other available funds, if any, toward the completion costs of the Capital Project and may have a material adverse effect on the financial resources of the School District to fund other obligations, including payment of debt service on the Bonds.

Legislation has been introduced from time to time in the Pennsylvania legislature containing language that would revise or even abolish the debt service reimbursement program for Pennsylvania school districts. As of the date hereof, and except as described above, none of these proposals have been signed into law. To the extent that any future legislation contains material changes to the PlanCon program as it is structured currently, the amount of PlanCon reimbursement to the School District may be positively or negatively affected, which could materially impact the amount of local funds needed to be raised by the School District to pay debt service on its debt obligations.

**DEBT AND DEBT LIMITS**

**Debt Statement**

Table 13 shows the outstanding debt of the School District as of May 12, 2026, including the issuance of the Bonds.

**TABLE 13  
PALMERTON AREA SCHOOL DISTRICT  
DEBT STATEMENT\*  
(As of May 12, 2026)**

	<b>Gross Outstanding</b>
<b>NONELECTORAL DEBT</b>	
General Obligation Bonds, Series of 2026 (last maturity 2043)	\$9,320,000
General Obligation Bonds, Series A of 2021 (last maturity 2035)	8,440,000
General Obligation Bonds, Series of 2020 (last maturity 2035)	9,375,000
<b>TOTAL NONELECTORAL DEBT</b>	<b>\$27,135,000</b>
<b>LEASE RENTAL</b>	
<b>TOTAL LEASE RENTAL</b>	<b>\$0</b>
<b>TOTAL PRINCIPAL OF DIRECT DEBT</b>	<b>\$27,135,000</b>

\*Includes the estimated principal amount of 2026 Bonds offered through this Preliminary Official Statement.

Table 14 presents the overlapping indebtedness and debt ratios of the School District. After issuance of the Bonds, the principal of direct debt of the School District will total \$27,135,000. After adjustment for available funds and estimated Commonwealth Aid, the local effort of direct debt will total \$27,135,000.

**TABLE 14**  
**PALMERTON AREA SCHOOL DISTRICT**  
**BONDED INDEBTEDNESS AND DEBT RATIOS\***  
**(As of May 12, 2026)**

	<b>Gross Outstanding</b>	<b>Local Effort or Net of Available Funds and Estimated Commonwealth Aid<sup>(1)</sup></b>
<b><u>DIRECT DEBT</u></b>		
Nonelectoral Debt.....	\$27,135,000	\$27,135,000
Lease Rental Debt.....	<u>0</u>	<u>0</u>
<b>TOTAL DIRECT DEBT.....</b>	<b><u>\$27,135,000</u></b>	<b><u>\$27,135,000</u></b>
<b><u>OVERLAPPING DEBT</u></b>		
Carbon County, General Obligation <sup>(2)</sup> .....	\$5,453,955	\$5,453,955
Municipal Debt.....	<u>12,557,000</u>	<u>12,557,000</u>
<b>TOTAL OVERLAPPING DEBT.....</b>	<b><u>\$18,010,955</u></b>	<b><u>\$18,010,955</u></b>
 <b>TOTAL DIRECT AND OVERLAPPING DEBT.....</b>	 <b><u>\$45,145,955</u></b>	 <b><u>\$45,145,955</u></b>
<b><u>DEBT RATIOS – NET DIRECT DEBT</u></b>		
Per Capita .....	\$1,944.46	\$1,944.46
2024-25 Percent Assessed Value .....	8.44%	8.44%
2024-25 Percent Market Value .....	<u>2.63%</u>	<u>2.63%</u>
<b><u>DEBT RATIOS – DIRECT AND OVERLAPPING DEBT</u></b>		
Per Capita .....	\$3,235.11	\$3,235.11
2024-25 Percent Assessed Value .....	14.09%	14.04%
2024-25 Percent Market Value .....	<u>4.37%</u>	<u>4.37%</u>

\*Includes the estimated Bonds offered through this Preliminary Official Statement.

<sup>(1)</sup>Gives effect to current appropriations for payment of debt service and expected future Commonwealth Reimbursement of School District sinking fund payments based on current Aid Ratio. See “Commonwealth Aid to School Districts”.

<sup>(2)</sup>Pro rata 19.39% share of \$28,125,000 principal amount outstanding.

**Debt Limit and Remaining Borrowing Capacity**

The statutory borrowing limit of the School District under the Debt Act is computed as a percentage of the School District’s “Borrowing Base”. The “Borrowing Base” is defined as the annual arithmetic average of “Total Revenues” (as defined by the Debt Act), for the three full fiscal years ended next preceding the date of incurring debt. The School District calculates its present borrowing base and borrowing capacity as follows:

Total Revenues for 2022-23 .....	\$37,286,457
Total Revenues for 2023-24 .....	39,996,006
Total Revenues for 2024-25 .....	<u>41,544,100</u>
<b>Total</b> .....	<u>\$118,826,563</u>
Annual Arithmetic Average (Borrowing Base) .....	<u>\$39,608,854</u>

Under the Debt Act as presently in effect, no school district shall incur any nonelectoral debt or lease rental debt, if the aggregate net principal amount of such new debt together with any other net nonelectoral debt and lease rental debt then outstanding, would cause the net nonelectoral debt plus net lease rental debt to exceed 225% of the Borrowing Base. The application of the aforesaid percentage to the School District's Borrowing Base produces the following products:

	<u>Legal Limit</u>	<u>Net Debt Outstanding*</u>	<u>Remaining Borrowing Capacity</u>
<b>Net Nonelectoral and Lease Rental Debt Limit:</b>			
225% of Borrowing Base.....	\$89,119,922	\$27,135,000	\$61,984,922

\*Includes the estimated Bonds described herein; does not reflect credits against gross indebtedness that may be claimed for a portion of principal of debt estimated to be reimbursed by Commonwealth Aid.

**Debt Service Requirements**

Table 15 presents the debt service requirements on the School District’s outstanding general obligation indebtedness including debt service on the Bonds.

Table 16 presents data on the extent to which Commonwealth Aid provides coverage for debt service and lease rental requirements.

The School District has never defaulted on the payment of debt service.

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**TABLE 15**

**PALMERTON AREA SCHOOL DISTRICT  
DEBT SERVICE REQUIREMENTS\***

<u>Fiscal Year</u>	<u>Other Outstanding General Obligation Debt</u>	<u>Principal</u>	<u>Series of 2026 Interest</u>	<u>Subtotal</u>	<u>Total Requirements</u>
2025-26	\$2,156,375				
2026-27	2,036,250				
2027-28	2,034,800				
2028-29	2,036,450				
2029-30	2,032,450				
2030-31	2,032,800				
2031-32	2,032,450				
2032-33	2,032,023				
2033-34	2,031,300				
2034-35	2,029,250				
2035-36	2,030,175				
2036-37	0				
2037-38	0				
2038-39	0				
2039-40	0				
2041-42	0				
2042-43	0				
2043-44	0				
<b>Total</b>	<b>\$22,484,323</b>				

\*Totals may not add due to rounding.

**TABLE 16**

**PALMERTON AREA SCHOOL DISTRICT  
COVERAGE OF DEBT SERVICE AND LEASE RENTAL  
REQUIREMENTS BY COMMONWEALTH AID\***

2024-25 Commonwealth Aid Received .....	\$17,328,156
2024-25 Debt Service Requirements .....	\$2,203,804
Maximum Future Debt Service Requirements after Issuance of Bonds.....	
Coverage of 2024-25 Debt Service Requirements .....	7.86 times
Coverage of Maximum Future Debt Service Requirements after Issuance of the Bonds .....	times

\*Assumes current Commonwealth Aid Ratio. See "COMMONWEALTH AID TO SCHOOL DISTRICTS."

**Future Financing**

The School District anticipates issuing approximately \$5.5 million of additional long-term debt within the next year to complete the Capital Project.

## LABOR RELATIONS

### School District Employees

There are presently 261 employees of the School District, 150 employees are teachers, 13 administrators, and 98 are support personnel (secretaries, maintenance staff, cafeteria staff and teacher aides).

The School District's teachers are represented by the Palmerton Education Association, an affiliate of the Pennsylvania State Education Association (PSEA), under a contract which expires June 30, 2027. The support staff is represented by the Palmerton Education Support Personnel Association (PESPA), under a contract that expires June 30, 2026.

### Pension Program

Currently, all Pennsylvania school districts and intermediate units participate in a pension program administered by the Commonwealth. The program is formally known as the Public School Employees' Retirement System ("PSERS"), and a percentage of each eligible employee's salary is contributed by the employee, the School District and the Commonwealth. All full-time employees, part-time employees salaried over eighty days per year and hourly employees with over five hundred hours per year participate in the program.

Contributions are required by active members, School Districts, and the Commonwealth of Pennsylvania as established by the Public School Employees' Retirement Code. Members who enrolled prior to January 1, 2002 range from 5.28% to 7.5% of compensation, depending upon the date of commencement of employment and elections made by each employee member. Members who enrolled in the pension plan on or after January 1, 2002 and before July 1, 2011 is 7.5% of compensation. The contribution rate for PSERS members who enrolled on or after July 1, 2011 is 7.5% or 10.3%, depending upon elections made by each employee member. The PSERS Board of Trustees certified an annual employer contribution rate of 33.6% for the fiscal year 2026-27.

The Commonwealth will reimburse the School District at the rate of 50% of its total contributions with respect to all employees who were hired prior to July 1, 1994. With respect to employees hired after July 1, 1994, and who were not previously employed by another public school system in the Commonwealth, the School District will be reimbursed by the Commonwealth at the rate of the higher of 50% of contributions made by the School District or the current Market Value/Personal Income Aid Ratio. The School District is reimbursed on a quarterly basis.

Under Act 5 of 2017 ("Act 5") PSERS will transition from a traditional defined benefit system and begin to offer defined contribution plans as well. Beginning July 1, 2019, in addition to other transaction rules and options based on members' classifications, certain classes of active members may choose to switch from the current defined benefit plan to one of three new retirement benefit plan options which will be available. Additionally, all active members newly hired on or after July 1, 2019 will be required to select one of those three new retirement benefit plan options and will not be eligible to participate in the current defined benefit plan. The three new plans consist of two hybrid plans, with defined benefit and defined contribution components, along with a stand-alone defined contribution plan.

In addition to its comprehensive change in available plans for active members, Act 5 also made certain changes to the PSERS Board of Trustees and administrative protocols and created the Public Pension Management and Asset Investment Review Commission to study and make recommendations to the General Assembly and the Governor regarding investment performance and strategies.

According to the Independent Fiscal Office, Act 5 is not expected to reduce school district and state contributions to PSERS over the first fifteen years. However, beginning in fiscal 2034-35 through fiscal 2049-50, employer contribution rates are expected to begin to decline due to the lower long-term employer costs of the new benefit plans and will be lower, in the aggregate, over the study period.

Annual School District contributions have been as follows:

2021-22	\$4,512,462
2022-23	4,795,954
2023-24	4,910,324
2024-25	5,003,150
<u>2025-26 (budgeted)</u>	<u>5,220,077</u>

At June 30, 2025, the District reported a liability of \$39,093,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2023 to June 30, 2024. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2025, the District's proportion was 0.0934 percent, which was an increase of 0.0001 percent from its proportion measured as of June 30, 2024.

As of June 30, 2025, the PSERS plan was 64.8% funded, with an unfunded actuarial accrued liability of approximately \$42.0 billion. PSERS' rate of return for fiscal year ended June 30, 2025 was 9.67%. The Fund had plan net assets of 83.7 billion at June 30, 2025. For more information, visit the PSERS website at [www.psers.pa.gov](http://www.psers.pa.gov), which is not incorporated by specific reference into this Preliminary Official Statement.

Source: School District Administrative Officials and PSERS.

## **Other Post-Employment Benefits**

The School District's OPEB costs include benefits from both a Multiple Employer OPEB Plan as well as a Single Employer OPEB Plan.

The Multiple Employer OPEB Plan, known as the Health Insurance Premium Assistance Program, is provided by PSERS to all eligible retirees who qualify and elect to participate. At June 30, 2025, the District reported a liability of \$3,923,545 for its proportionate share of the net OPEB liability. The School District recognized OPEB expense of \$96,344 for June 30, 2025.

The Single Employer OPEB Plan, in accordance with the PA School Code of 1949, as amended, medical coverage is provided to eligible retirees and spouses with the retiree paying the full active premium rate for coverage until the age of 65. The District's total OPEB liability under the Single Employer OPEB Plan was \$3,773,561, measured as of June 30, 2025. The District recognized OPEB expense of \$314,807 for year ended June 30, 2025.

In June 2015, GASB issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans. GASB 75 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2017.

For further information on the effects of GASB Statement No.75, the School District's OPEB and other vested employee benefits, including valuation and sick pay, see "Appendix C – Audited Financial Statements".

## **LITIGATION**

At the time of settlement, the School Board and the School District will certify, and the Solicitor will deliver an opinion stating, that there is no litigation pending challenging the validity of the Bonds, the Resolution or the power of the School District to issue or secure the Bonds.

## **DEFAULTS AND REMEDIES**

In the event of failure of the School District to pay or cause to be paid the interest on or principal of the Bonds, as the same becomes due and payable, the holders of the Bonds shall be entitled to certain remedies provided by the Debt Act. Among the remedies, if the failure to pay shall continue for 30 days, holders of the Bonds shall have the right to recover the amount due by bringing an action in contract in the Court of Common Pleas of the county in which the School District is located. The Debt Act provides that any judgment shall have an appropriate priority upon the funds next coming into the treasury of the School District. The Debt Act also provides that upon a default of at least 30 days, holders of at least 25% of the Bonds may appoint a trustee to represent them. The Debt Act provides certain other remedies in the event of default, and further qualifies the remedies hereinbefore described.

## **TAX MATTERS**

### **Federal**

#### ***Exclusion of Interest from Gross Income***

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the Bonds, including interest in the form of original issue discount, will not be includible in gross income of the holders thereof for federal income tax purposes assuming continuing compliance by the School District with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Bonds will not be a specific preference item for purposes of computing the federal alternative minimum tax on individuals.

In rendering its opinion, Bond Counsel has assumed compliance by the School District with its covenants contained in the Resolution and its representations in the Tax Compliance Certificate executed by the School District on the date of issuance of the Bonds relating to actions to be taken by the School District after issuance of the Bonds necessary to effect or maintain the exclusion from gross income of the interest on the Bonds for federal income tax purposes. These covenants and representations relate to, inter alia, the use and investment of proceeds of the Bonds, and the rebate to the United States Department of Treasury of specified arbitrage earnings, if any. Failure to comply with such covenants could result in interest on the Bonds becoming includible in gross income for federal income tax purposes from the date of issuance of the Bonds.

### **Other Federal Tax Matters**

Ownership or disposition of the Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, taxpayers who have an initial basis in the Bonds greater or less than the principal amount thereof, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers, including banks, thrift institutions and other financial institutions subject to Section 265 of the Code, who may be deemed to have incurred or continued indebtedness to purchase or to carry the Bonds.

**Bond Counsel is not rendering any opinion regarding any federal tax matters other than as described under the caption “Exclusion of Interest From Gross Income” above and expressly stated in the form of the opinion of Bond Counsel included as APPENDIX B. Prospective purchasers of the Bonds should consult their independent tax advisors with regard to all federal tax matters.**

### **Pennsylvania**

In the opinion of Bond Counsel, under the laws of the Commonwealth as enacted and construed on the date hereof, interest on the Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax; however, under the laws of the Commonwealth, as enacted and construed on the date hereof, any profits, gains or income derived from the sale, exchange or other disposition of the Bonds will be subject to Pennsylvania taxes and local taxes within the Commonwealth.

**Bond Counsel is not rendering any opinion as to any Commonwealth of Pennsylvania tax matters other than those described under the caption “Pennsylvania” above and expressly stated in the form of the opinion of Bond Counsel included as APPENDIX B hereto.**

**Prospective purchasers of the Bonds should consult their independent tax advisors with regard to all Commonwealth of Pennsylvania tax matters.**

### **Other**

The Bonds and the interest thereon may be subject to state and local taxes in jurisdictions other than the Commonwealth under applicable state or local tax laws.

**Purchasers of the Bonds should consult their independent tax advisors with regard to all state and local tax matters that may affect them.**

## **Qualified Tax-Exempt Obligations**

Each of the Bonds will be designated by the School District as a “qualified tax-exempt obligation” pursuant to Section 265(b)(3) of the Code.

## **BONDHOLDER CONSIDERATIONS**

*The Bonds, like all investment securities, carry a risk of loss of the investment, in whole or in part. This Official Statement does not purport to describe all of the risks of an investment in the Bonds; the School District and the Underwriters disclaim any responsibility to advise prospective investors of such risks either as they may exist at the date of dissemination of this Official Statement or as they may appear or change from time to time in the future. Prospective purchasers of the Bonds should consult their own legal and tax advisors as to the risks associated with an investment in the Bonds, their ability to bear a loss from an investment in the Bonds, and the suitability of investing in the Bonds, in light of their particular, individual circumstances. Prospective purchasers should carefully consider the matters described below, as well as all the information contained within this entire Official Statement inclusive of its Appendices.*

### **State Appropriation Risk**

While the Commonwealth’s appropriations to the School District were not interrupted during previous budget impasses, there is no assurance future budget impasses will not prevent the Commonwealth from appropriating subsidies to the School District, Act 85 notwithstanding (see “Act 85 of 2016” herein).

### **Cybersecurity**

The School District, like other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other electronic sensitive information, the School District may be the subject of cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized remote access to the School District’s systems for the purposes of misappropriating assets or information or causing operational disruption or damage, or demanding ransom for restored access to files or information. The School District has not been the subject of a cybersecurity breach that has had a material adverse impact on the operations or financial condition of the School District.

The School District has measures in place to respond to and mitigate cybersecurity incidents. No assurance can be given that the School District's current efforts to manage cyber threats and security will, in all cases, be successful. The School District cannot predict what future cyber security events may occur and what impact said events could have on its operations or finances. In addition to the various processes in place to safeguard against cyber security attacks, the School District also maintains a comprehensive insurance policy which includes privacy liability, cyber incident response, data breach, network security, internet media and network extortion coverages.

The School District relies on other entities and service providers in the course of operating the School District, including its accountants, attorneys, the paying agent, and banks, as well as vendors with respect to outsourced critical digital network operations and functions. No assurance can be given that future cyber threats and attacks against other third party entities or service providers will be prevented, including the possibility of impacting the timely payments of debt service on the Bonds or timely filings pursuant to the Continuing Disclosure Certificate (hereinafter defined).

### Risk of Audit by Internal Revenue Service

The Internal Revenue Service has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Internal Revenue Service, interest on such tax-exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the School District as the taxpayer and Bond purchasers may have no right to participate in such procedure. None of the School District, the Underwriters, their counsel or Bond Counsel is obligated to defend the tax-exempt status of the Bonds on behalf of the Bond purchasers, nor to pay or reimburse the cost of any Bond purchaser with respect to any audit or litigation relating to the Bonds. See "TAX MATTERS" herein.

## CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission ("SEC"), and the Bond Purchase Agreement between the Underwriter and the School District, the School District will execute and deliver a written continuing disclosure certificate with respect to the Bonds. See the form of the Continuing Disclosure Certificate (the "Certificate") as Appendix D to this Preliminary Official Statement.

Under the terms of the Certificate, the School District will undertake to file with the MSRB financial and other information concerning the School District (annual audited financial statements including financial and operating data, and notices of specified events affecting the School District). The School District's obligations with respect to continuing disclosure as it relates to the Bonds shall terminate upon the prior defeasance, redemption or repayment in full of all of the Bonds.

The MSRB has been designated by the SEC to be the central and sole repository for continuing disclosure information filed by issuers of municipal securities since July 1, 2009. Information and notices filed by municipal issuers (and other "obligated persons" with respect to municipal securities issues) are made available through the MSRB's Electronic Municipal Market Access (EMMA) System, which may be accessed on the internet at <http://www.emma.msrb.org>.

### Continuing Disclosure Filing History

The School District previously entered into Continuing Disclosure Agreements for other bond issues, some of which are currently outstanding. The School District's filing history of its annual financial and operating information during the past five (5) years is outlined in the table below.

Fiscal Year Ending	Filing Deadline <sup>[1]</sup>	Financial Statements		Budget		Operating Data	
		Filing Date	EMMA ID <sup>[2]</sup>	Filing Date	EMMA ID <sup>[2]</sup>	Filing Date	EMMA ID <sup>[2]</sup>
6/30/2021	4/1/2022	3/31/2022	P21188133	3/31/2022	P21188133	3/31/2022	P21188133
6/30/2022	4/1/2023	3/22/2023	P21275795	3/22/2023	P21275802	3/27/2023	P21277995
6/30/2023	3/31/2024	3/22/2024	P11316374	3/22/2024	P11316378	3/25/2024	P11317767
6/30/2024	4/1/2025	3/25/2025	P11384468	3/25/2025	P11384476	3/25/2025	P11384465
6/30/2025	4/1/2026	3/24/2026	P11462402	3/24/2026	P11462409	3/26/2026	P11464912

#### Notes

<sup>[1]</sup> For these purposes, assumes compliance with the shortest filing deadline of the School District's previous Continuing Disclosure Agreements

<sup>[2]</sup> Submission ID is the EMMA Submission ID for each filing. To access a filing, insert the Submission ID to the end of the web address below:  
<http://emma.msrb.org/ContinuingDisclosureView/ContinuingDisclosureDetails.aspx?submissionId=>

Based on the information above, the School District's annual financial and operating filing history over the past five (5) years can be summarized as follows:

For fiscal year ending June 30, 2021, June 30, 2022, June 30, 2023, June 30, 2024 and June 30, 2025, the School District filed the annual financial and operating information timely. For fiscal year ending June 30, 2022, June 30, 2023, June 30, 2024 and June 30, 2025, the School District failed to link annual financial and operating data to all applicable CUSIPs on EMMA, but such linking of these filings to all required CUSIPs has been corrected.

### **Future Continuing Disclosure Compliance**

The School District has conducted a review of its continuing disclosure obligations and submissions. Upon discovering an omission with respect to these filings the School District has sought to correct or update its continuing disclosure filings.

The School District has taken additional steps intended to facilitate compliance with its Continuing Disclosure Agreements. These steps include implementing the MSRB's EMMA's internal notification system whereby the School District will receive email reminders a month in advance of annual disclosure deadlines, and communicating with the School District's municipal advisor regarding its disclosure obligations.

The School District's Business Administrator has been appointed the "compliance officer" for ongoing continuing disclosure compliance. Members of the School District's business office will make an effort to participate in any ongoing continuing education regarding continuing disclosure undertaken if offered by local groups or affiliated organizations such as MSRB, PASBO or GFOA. The School District may communicate with its municipal advisor, underwriter(s), bond counsel, or solicitor regarding any questions or concerns regarding ongoing continuing disclosure compliance. The School District may also communicate with its local auditor and advise of the School District's need for financial statements in a timely manner. In the event audited financial statements are not available by the filing deadline, the School District will file to EMMA, if available, its State Form PDE-2057 Annual Financial Report as an interim filing until such audited financial statements are available. Some of the operating data requirements may be found contained within the School District's financial statements or budget filing and may not be filed explicitly by themselves.

### **RATINGS**

S&P Global Ratings is expected to assign its municipal bond rating of "\_\_\_" to this issue of Bonds with the understanding that upon delivery of the Bonds, a policy insuring the payment when due of principal of and interest on the Bonds will be issued by \_\_. Moody's Investors Service is expected to assign an underlying municipal bond rating of "A1" to this issue of Bonds. Such rating reflects only the view of such organization and any desired explanation of the significance of such rating should be obtained from the rating agency furnishing the same, at the following address: Moody's Investors Service, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency, if circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

### **UNDERWRITING**

The Underwriter has agreed to purchase the Bonds from the School District, subject to certain conditions precedent, and will purchase all of the Bonds if any of such Bonds are purchased. The Bonds will be purchased for a purchase price of \$\_\_\_\_, equal to the par value of the Bonds less an underwriters' discount of \$\_\_\_\_, plus an original issue premium of \$\_\_\_\_, plus accrued interest, if any from the dated date to the Date of Delivery of the Bonds.

Stifel and its affiliates comprise a full service financial institution engaged in activities which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Stifel and its affiliates may have provided, and may in the future provide, a variety of these services to the Issuer and to persons and entities with relationships with the Issuer, for which they received or will receive customary fees and expenses.

In the ordinary course of these business activities, Stifel and its affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the Issuer (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Issuer.

Stifel and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire such assets, securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer.

### **LEGAL OPINION**

The Bonds are offered subject to the receipt of the approving legal opinion of Eckert Seamans Cherin & Mellott, LLC, Harrisburg, Pennsylvania, as Bond Counsel to the School District. Certain legal matters will be passed upon for the School District by Sweet, Stevens, Katz & Williams LLP, of New Britain, Pennsylvania, as School District Solicitor.

Bond Counsel has not been engaged to verify, nor have they independently verified, the accuracy, completeness or truthfulness of any statements, certifications, information or financial statements set forth in this Preliminary Official Statement, or otherwise used in connection

with the offer and sale of the Bonds set forth in or delivered by the School District officials, and Bond Counsel expresses no opinion with respect to whether the School District in connection with the sale of the Bonds or preparation of this Preliminary Official Statement have made any untrue statement of a material fact necessary in order to make any statement made therein not misleading.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgement of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgement of the transaction opined upon, or the future performance of the parties to the transaction. Nor does rendering a legal opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

### **MUNICIPAL ADVISOR**

The School District has retained PFM Financial Advisors LLC, Harrisburg, Pennsylvania as its municipal advisor (the “Municipal Advisor”) in connection with the preparation, authorization and issuance of the Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Preliminary Official Statement. PFM Financial Advisors LLC is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

### **MISCELLANEOUS**

This Preliminary Official Statement has been prepared under the direction of the School District by PFM Financial Advisors LLC, Harrisburg, Pennsylvania, in its capacity as Municipal Advisor to the School District. The information set forth in this Preliminary Official Statement had been obtained from the School District and from other sources believed to be reliable. Insofar as any statement herein includes matters of opinion or estimates about future conditions, it is not intended as representation of fact, and there is no guarantee that it is, or will be, realized. Summaries or descriptions of provisions of the Bonds and the Resolution, and all references to other materials not purporting to be quoted in full, are only brief outlines of some of the provisions thereof. Reference is hereby made to the complete documents, copies of which will be furnished by the School District or the Municipal Advisor upon request. The information assembled in this Preliminary Official Statement is not to be construed as a contract with holders of the Bonds.

Use of the words “shall,” “will,” “must,” or other words of similar import or meaning in summaries of documents or law in this Preliminary Official Statement to describe future events or continuing obligations is not intended as a representation that such event will occur or such obligations will be fulfilled, but only that the document or law requires or contemplates such event to occur or such obligation to be fulfilled.

The School District has authorized the distribution of this Preliminary Official Statement.

PALMERTON AREA SCHOOL DISTRICT  
Carbon County, Pennsylvania

By: \_\_\_\_\_  
President, Board of School Directors

**Appendix A - Demographic and  
Economic Information Relating to the  
Palmerton Area School District**

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**Population**

Table A-1 which follows shows recent population trends for the School District, Carbon County and the Commonwealth. The School District's population decreased between 2010 and 2020. Table A-2 shows 2020 age composition and average number of persons per household in Carbon County and for the entire Commonwealth. Average household size for Carbon County was slightly smaller than the statewide average.

**TABLE A-1  
RECENT POPULATION TRENDS**

<u>Area</u>	<u>2010</u>	<u>2020</u>	<u>Compound Average Annual Percentage Change</u> <u>2010-2020</u>
School District .....	14,056	13,955	-0.07%
Carbon County .....	65,249	64,749	-0.08%
Pennsylvania .....	12,702,379	13,002,700	0.23%

Source: U.S. Bureau of the Census, Decennial Census and Pennsylvania State Data Center, General Population and Housing Characteristics: Pennsylvania.

**TABLE A-2  
AGE COMPOSITION**

	<u>0-17</u> <u>Years</u>	<u>18-64</u> <u>Years</u>	<u>65+</u> <u>Years</u>	<u>Average</u> <u>Household Size</u>
Carbon County .....	19.2%	59.8%	20.9%	2.37
Pennsylvania .....	20.7	61.0	18.3	2.42

Source: U.S. Bureau of the Census, 2010 Census, Summary File 1.

## Employment

Overall employment data are not compiled for the School District or municipalities, but such data are compiled for the Carbon County and the Allentown-Bethlehem-Easton Metropolitan Statistical Area (“MSA”) as shown on Table A-3 for February 2026.

**TABLE A-3**

**NONFARM JOBS  
ALLENTOWN-BETHLEHEM-EASTON METROPOLITAN STATISTICAL AREA  
NOT SEASONALLY ADJUSTED**

<i>ESTABLISHMENT DATA</i>	Industry Employment				Net Change From:	
	Feb 2026	Jan 2026	Dec 2025	Feb 2025	Jan 2026	Feb 2025
<b>Total Nonfarm</b>	<b>398,300</b>	<b>399,200</b>	408,700	396,300	-900	2,000
<b>Total Private</b>	<b>358,200</b>	<b>359,800</b>	368,400	356,100	-1,600	2,100
<b>Goods Producing</b>	<b>53,100</b>	<b>53,300</b>	53,900	53,200	-200	-100
Mining, Logging, & Construction	13,000	13,100	13,600	12,600	-100	400
<b>Manufacturing</b>	<b>40,100</b>	<b>40,200</b>	40,300	40,600	-100	-500
Durable Goods	23,600	23,700	23,700	23,800	-100	-200
Non Durable Goods	16,500	16,500	16,600	16,800	0	-300
<b>SERVICE-PROVIDING</b>	<b>345,200</b>	<b>345,900</b>	354,800	343,100	-700	2,100
<b>PRIVATE SERVICE-PROVIDING</b>	<b>305,100</b>	<b>306,500</b>	314,500	302,900	-1,400	2,200
Trade, Transportation, and Utilities	87,100	89,100	92,900	88,700	-2,000	-1,600
Wholesale trade	16,300	16,300	16,400	16,000	0	300
Retail trade	37,700	38,200	39,500	38,000	-500	-300
Food and beverage stores	10,200	10,300	10,400	10,200	-100	0
General merchandise stores	6,900	7,000	7,500	7,200	-100	-300
Transportation, Warehousing, and Utilities	33,100	34,600	37,000	34,700	-1,500	-1,600
Transportation and Warehousing	31,900	33,400	35,800	33,500	-1,500	-1,600
<b>Information</b>	<b>5,900</b>	<b>6,000</b>	6,000	6,300	-100	-400
<b>Financial Activities</b>	<b>14,200</b>	<b>14,100</b>	14,100	14,000	100	200
Finance and Insurance	10,800	10,600	10,600	10,500	200	300
<b>Professional and Business Services</b>	<b>52,400</b>	<b>53,100</b>	55,200	52,700	-700	-300
Professional and technical services	17,600	17,600	18,100	18,000	0	-400
Management of companies and enterprises	10,600	10,700	10,900	10,700	-100	-100
Administrative and waste services	24,200	24,800	26,200	24,000	-600	200
Employment services	10,300	10,700	11,300	9,900	-400	400
<b>Educational and Health Services</b>	<b>95,900</b>	<b>95,000</b>	95,700	92,000	900	3,900
Educational services	14,400	13,200	14,100	13,900	1,200	500
Health care and social assistance	81,500	81,800	81,600	78,100	-300	3,400
Hospitals	25,400	25,500	25,500	24,500	-100	900
<b>Leisure and Hospitality</b>	<b>35,200</b>	<b>34,900</b>	36,200	35,000	300	200
Accommodation and food service	28,600	28,700	29,300	28,400	-100	200
<b>Other Services</b>	<b>14,400</b>	<b>14,300</b>	14,400	14,200	100	200
<b>Government</b>	<b>40,100</b>	<b>39,400</b>	40,300	40,200	700	-100
Federal Government	2,400	2,300	2,400	2,500	100	-100
State Government	2,400	2,400	2,500	2,500	0	-100
Local Government	35,300	34,700	35,400	35,200	600	100
Local government educational services	22,900	22,300	22,900	22,900	600	0

Data benchmarked to March 2025

\*\*\*Data changes of 100 may be due to rounding\*\*\*

Source: Pennsylvania Center for Workforce Information & Analysis

Listed below are the top 10 employers located within or near the School District:

Behavioral Health Associates  
 Little Leaf Pa LLC  
 Wal-Mart Associates Inc  
 Lehigh Valley Hospital Center  
 Carbon County  
 Blue Mountain Resort  
 State Government  
 Lehigh Area School District  
 Jim Thorpe Area School District  
 Palmerton Area School District

Source: Pennsylvania Center for Workforce Information & Analysis – 3<sup>rd</sup> Quarter 2025.

Table A-4 shows recent trends in employment and unemployment for Carbon County and the Commonwealth. The unemployment rate has been higher for the County than the statewide average for the past five years.

**TABLE A-4**  
**RECENT TRENDS IN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT**

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026(1)</u>	<b>Compound Average Annual % Rate</b>
<i>Carbon County</i>						
Civilian Labor Force (000)	32.7	32.8	32.5	32.7	33.0	0.18%
Employment (000)	31.1	31.7	31.2	31.3	31.4	0.19%
Unemployment (000)	1.6	1.1	1.3	1.3	1.6	0.00%
Unemployment Rate	4.8%	3.3%	4.0%	4.1%	4.8%	
<i>Pennsylvania</i>						
Civilian Labor Force (000)	6,465.0	6,518.0	6,577.0	6,542.0	6,603	0.24%
Employment (000)	6,202.0	6,296.0	6,337.0	6,262.0	6,333	0.19%
Unemployment (000)	263.0	223.0	239.0	280.0	270	1.26%
Unemployment Rate	4.1%	3.4%	3.6%	4.3%	4.1%	

<sup>(1)</sup>As of March 2026.

Source: Pennsylvania Center for Workforce Information & Analysis.

## Income

The data on Table A-5 shows recent trends in per capita income for the School District, Carbon County and the Commonwealth over the 2010-2020 period. Per capita income in the School District and in the County is lower than average per capita income in the Commonwealth.

**TABLE A-5  
RECENT TRENDS IN PER CAPITA INCOME\***

	<u>2010</u>	<u>2020</u>	<b>Compound Average Annual Percentage Change <u>2000-2010</u></b>
School District.....	\$23,810	\$35,384	4.06%
Carbon County .....	22,956	30,552	2.90%
Pennsylvania .....	26,678	35,518	2.90%

\*Income is defined by the Bureau of the Census as the sum of wage and salary income, non-farm self-employment income, net self-employment income, Social Security and Railroad retirement income, public assistance income, interest, dividends, pensions, etc. before deductions for personal income taxes, Social Security, etc. School District income is the population-weighted average for political subdivisions.

Source: Pennsylvania State Data Center and U.S. Census Bureau, 2010-2020 American Community Survey.

## Manufacturing

While there are no major manufacturing industries located within the School District, residents are within commuting distance of several larger industrial areas located within the MSA.

Table A-6 presents total retail sales over the past five years for Carbon County and for the Commonwealth.

**TABLE A-6  
TOTAL RETAIL SALES  
(000)**

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Carbon County	\$706,912	\$754,910	\$824,076	\$807,209	\$1,045,940
Allentown-Bethlehem-Easton MSA	17,378,463	18,613,724	20,359,980	20,008,253	25,151,029
Pennsylvania	274,685,600	297,770,327	310,912,244	317,239,286	403,629,014

Source: The Nielsen Company.

## Transportation Facilities

Road access to the area is provided by the Northeast Extension of the Turnpike, which runs from north to south, and Interstate 80, which runs from east to west. Rail service to the County is provided by Conrail and two Shortline Railroads, which interchange with Conrail. The Lehigh Valley International Airport is located within easy commuting distance and provides both commercial and private aviation facilities.

## Medical Facilities

The hospitals of the Blue Mountain Health System are regional providers of health care services to the people living in Carbon County and parts of Monroe, Lehigh, Northampton and Schuylkill counties.

Blue Mountain Health System includes Palmerton Hospital, a 70-bed community hospital located in Palmerton; Gnadon Huettner Memorial Hospital, a 111-bed community hospital; The Summit at Blue Mountain, a 91-bed nursing and rehabilitation center, both located in Lehigh; an Adult Day Service Center in Palmerton and The Village at Palmerton, an assisted living facility located in Palmerton.

## **Educational Institutions**

While there are no higher educational institutions located within the District, residents are within commuting distance of the Lehigh County Community College and a number of other higher educational institutions such as Lehigh University, Muhlenberg College, Moravian College and Lafayette College which are located in the MSA.

## **Utilities**

*Sewer:* Public sewer service is provided to most residents by the Palmerton Municipal Authority. Some residents have on-lot sewage disposal.

*Electric:* Electrical services are provided by PP&L Utilities.

*Telephone:* Residents of the School District receive their telephone service from Verizon Telephone, Palmerton Telephone Company, and Blue Ridge Digital Phone Company.

*Water:* Public water service is provided to portions of the School District by the Borough of Palmerton and a small portion of Lower Towamensing Township is provided by Palmerton Water Company.

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**APPENDIX B**  
**Form of Bond Counsel Opinion**

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Eckert Seamans Cherin & Mellott, LLC  
213 Market Street  
8<sup>th</sup> Floor  
Harrisburg, PA 17101

TEL 717 237 6000  
FAX 717 237 6019  
www.eckertseamans.com

[\_\_\_\_\_], 2026

Re: \$[\_\_\_\_\_] aggregate principal amount  
Palmerton Area School District, Carbon County, Pennsylvania  
General Obligation Bonds, Series of 2026

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To the Purchasers of the Within-Described Bonds:

We have served as Bond Counsel to the Palmerton Area School District, in Carbon County, Pennsylvania (“Issuer”), in connection with the issuance of its \$[\_\_\_\_\_] aggregate principal amount General Obligation Bonds, Series of 2026 (the “Bonds”). The Bonds are issued pursuant to, and are secured by, the Pennsylvania Local Government Unit Debt Act, 53 Pa. C.S. Chs. 80-82 (“Act”), and a Resolution (“Resolution”) adopted on May 20, 2026, by the Board of School Directors of the Issuer. The proceeds of the Bonds will applied to undertake the acquisition, design, construction, furnishing and equipping of renovations and improvements to the Issuer’s High School facilities and administrative offices, and to pay the costs of issuing the Bonds.

As Bond Counsel for the Issuer, we have examined: (a) the relevant provisions of the Constitution of the Commonwealth of Pennsylvania (“Commonwealth”); (b) the Act; (c) the relevant provisions of the Public School Code of 1949; (d) the Resolution and the Debt Statement of the Issuer filed with the Pennsylvania Department of Community and Economic Development (“Department”); (e) the proceedings of the Issuer with respect to the authorization, sale and issuance of the Bonds; (f) a Certificate of Approval issued by the Department in respect of the proceedings authorizing the issuance of the Bonds; and (g) certain statements, certifications, affidavits and other documents and matters of law which we have considered relevant, including, without limitation, a certificate dated the date hereof (“Tax Compliance Certificate”) of officials of the Issuer having responsibility for issuing or paying the Bonds, given pursuant to the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder (“Code”), an opinion of the Solicitor to the Issuer as to various matters, and the other documents, certifications and instruments listed in the Closing Index filed with the Paying Agent (hereinafter defined) on the date of original delivery of the Bonds. We have also examined a fully executed and authenticated Bond, or a true copy thereof, and assume all other Bonds are in such form and are similarly executed and authenticated.

The Issuer has designated each of the Bonds as a “qualified tax-exempt obligation” as defined in and for the purposes of Section 265(b)(3) of the Code.

In rendering the opinion set forth below, we have relied upon the genuineness, accuracy and completeness of all documents, records, certifications and other instruments we have examined, including, without limitation, the authenticity of all signatures appearing thereon. We have also relied, in the opinion set forth below, upon the opinion of the Solicitor of the Issuer as to all matters of fact and law set forth therein.

Except with respect to paragraph 6 below, our opinion is given only with respect to the internal laws of the Commonwealth as enacted and construed on the date hereof.

Based on the foregoing, we are of the opinion that:

1. The Issuer is authorized under the provisions of the Constitution and the laws of the Commonwealth to issue the Bonds.

2. The Issuer has established, in accordance with the Debt Act, a sinking fund for the Bonds (the “Sinking Fund”) with the financial institution named in the Resolution, as paying agent, registrar and sinking fund depository (“Paying Agent”), and has covenanted in the Resolution to deposit in the Sinking Fund amounts sufficient to pay the principal of and interest on the Bonds as the same becomes due and payable and to apply the amounts so deposited to the payment of such principal and interest.

3. The Issuer has effectively covenanted: (i) to include the amount of debt service on the Bonds in each fiscal year of the Issuer in which such sums are due and payable in its budget for that fiscal year; (ii) to appropriate such amounts from its general revenues for the payment of such debt service; and (iii) to duly and punctually pay, or cause to be paid, from the Sinking Fund or any other of its general revenues or funds, the principal or redemption price of and interest on the Bonds on the dates and in the place and in the manner stated in the Bonds according to the true intent and meaning thereof. For such budgeting, appropriation and payment the Issuer has pledged, with respect to the Bonds, its full faith, credit and taxing power, within the limits established by law.

4. The Bonds have been duly authorized, executed, authenticated, issued and delivered, and are the legal, valid and binding general obligations of the Issuer, and are enforceable in accordance with the terms thereof, except to the extent that enforcement thereof may be affected by bankruptcy, insolvency, reorganization, moratorium or other similar laws or legal or equitable principles affecting the enforcement of creditors’ rights.

5. Under the laws of the Commonwealth as enacted and construed on the date hereof, interest on the Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax; however, under the laws of the Commonwealth as enacted and construed on the date hereof, any profits, gains or income derived from the sale, exchange or other disposition of the Bonds will be subject to Commonwealth taxes and local taxes within the Commonwealth.

6. Under existing statutes, regulations, rulings and court decisions, interest on the Bonds, including any interest accruing in the form of original issue discount, will not be includible in gross income of the holders thereof for federal income tax purposes, assuming continuing compliance by the Issuer with the requirements of the Code. Interest on the Bonds will not be a specific preference item for purposes of computing the federal alternative minimum tax on individuals.

In rendering this opinion, we have assumed compliance by the Issuer with the covenants contained in the Resolution and the representations of the Issuer in the Tax Compliance Certificate relating to actions to be taken by the Issuer after the issuance of the Bonds necessary to effect or maintain the exclusion from gross income of the interest on the Bonds for federal income tax purposes. These covenants and representations relate to the use and investment of proceeds of the Bonds, and the rebate to the United States Department of Treasury of specified arbitrage earnings, if any. Failure to comply with such covenants could result in the interest on the Bonds becoming includible in gross income for federal income tax purposes from the date of issuance of the Bonds.

We express no opinion as to any matter not set forth in the numbered paragraphs herein. This opinion is rendered on the basis of federal law and the laws of the Commonwealth of Pennsylvania as enacted and construed on the date hereof. This opinion is given as of the date hereof and we assume no obligation to supplement this opinion to reflect changes in law that may hereafter occur or changes in facts or circumstances that may hereafter come to our attention. Without limiting the generality of the foregoing, we express no opinion with respect to, and assume no responsibility for, the accuracy, adequacy or completeness of the preliminary official statement or the official statement prepared in respect of the Bonds, and make no representation that we have independently verified the contents thereof.

Very truly yours,

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**APPENDIX C**  
**Audited Financial Statements**

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**REPORT ON  
PALMERTON AREA SCHOOL DISTRICT  
SINGLE AUDIT REPORT  
FISCAL YEAR ENDED JUNE 30, 2025**

PALMERTON AREA SCHOOL DISTRICT

Single Audit Report

For the Fiscal Year Ended June 30, 2025

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**PALMERTON AREA SCHOOL DISTRICT**

**Single Audit Report**

**For the Fiscal Year Ended June 30, 2025**

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**PALMERTON AREA SCHOOL DISTRICT**

**Single Audit Report**

**For the Fiscal Year Ended June 30, 2025**

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## INTRODUCTORY SECTION

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# GORMAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Members of  
American Institute of Certified Public Accountants  
Pennsylvania Institute of Certified Public Accountants

Board of School Directors  
Palmerton Area School District  
680 Fourth Street  
Palmerton, PA 18071

We have performed the Single Audit of the Palmerton Area School District for the fiscal year ended June 30, 2025, and have enclosed the Single Audit reporting package.

The Single Audit was done to fulfill the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, which entailed:

- a. An audit of the basic financial statements, and our opinion thereon;
- b. A review of compliance and of internal control over financial reporting based on an audit of the financial statements performed in accordance with Governmental Auditing Standards, and our report thereon;
- c. An examination of the Schedule of Expenditures of Federal Awards and our report thereon; and,
- d. An opinion on compliance with requirements applicable to each major program, and a review of internal control over compliance in accordance with the Uniform Guidance, explained above, and our report thereon.

Respectfully submitted,

*Gorman & Associates, P.C.*

February 13, 2026

***REPORT DISTRIBUTION LIST***

The Palmerton Area School District has distributed copies of the Single Audit Act Package to the following:

**ONE COPY TO:** FEDERAL AUDIT CLEARINGHOUSE  
**(Electronically Submitted)** GENERAL SERVICES ADMINISTRATION

**ONE COPY TO:** COMMONWEALTH OF PENNSYLVANIA  
**(Electronically Submitted)** OFFICE OF THE BUDGET/BUREAU OF AUDITS

**ONE COPY TO:** CARBON-LEHIGH INTERMEDIATE UNIT  
4210 INDEPENDENCE DRIVE  
SCHNECKSVILLE, PA 18078-2597

## FINANCIAL SECTION



## INDEPENDENT AUDITOR'S REPORT

Board of School Directors  
Palmerton Area School District  
680 Fourth Street  
Palmerton, PA 18071

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Palmerton Area School District, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Palmerton Area School District'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 financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Palmerton Area School District, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *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 the Palmerton Area School District 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.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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 the Palmerton Area School District'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 the Palmerton Area School District'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 Palmerton Area School District'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.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6-15, the schedules associated with the District's Defined Benefit Pension Plan, and the Schedules of the District's OPEB Plans, on pages 72-76, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Palmerton Area School District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost*

**Palmerton Area School District**


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*Principles, and Audit Requirements for Federal Awards*, 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 and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2025, on our consideration of the Palmerton Area School District'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 the Palmerton Area School District'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 Palmerton Area School District's internal control over financial reporting and compliance.

Respectfully submitted,



Northampton, Pennsylvania  
December 3, 2025

**PALMERTON AREA SCHOOL DISTRICT**  
**Palmerton, Pennsylvania**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**Required Supplementary Information (RSI)**  
**(UNAUDITED)**  
**For the Year Ended June 30, 2025**

The discussion and analysis of the Palmerton Area School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2025. The intent of this discussion and analysis is to look at the District's financial performance as a whole. The reader should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is presented in the MD&A.

***FINANCIAL HIGHLIGHTS***

In governmental funds, total fund balance decreased \$1,198,543. This includes an decrease of \$1,650,346 in capital project funds used for ongoing campus improvement projects.

The District's overall financial position, as reflected in total net position, increased by \$210,739 including special, extraordinary items, and Business type activities.

A net pension liability of \$39,093,000 was established under Governmental Accounting Standards Board (GASB) Statement No. 68 – Accounting and Financial Reporting for Pensions.

**PALMERTON AREA SCHOOL DISTRICT  
Management's Discussion and Analysis**

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**Overview of the Financial Statements**

This annual report consists of the Management Discussion and Analysis, the basic financial statements, and required supplementary information. These statements are organized so that the reader can understand Palmerton Area School District as an entire entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

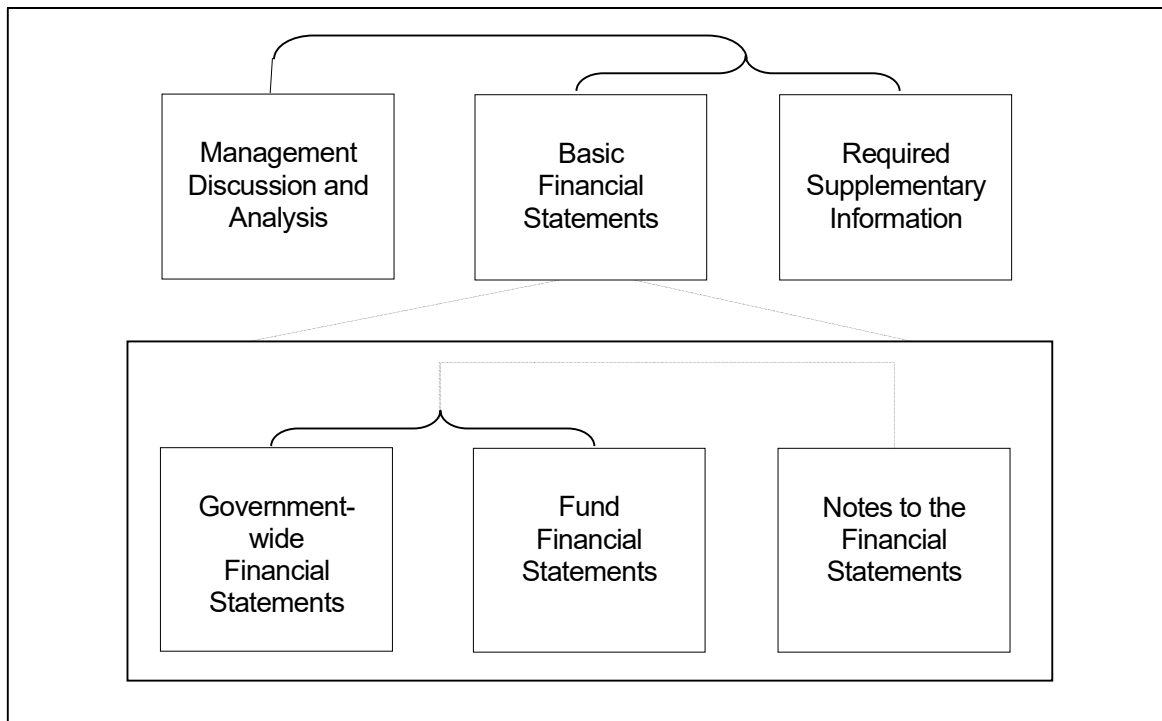
The first two statements are government-wide financial statements – the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about the District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail than the government-wide statements. The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending. Proprietary fund statements offer short-term and long-term financial information about the activities that the District operates like a business. For this District this is our Food Service Fund. Fiduciary fund statements provide information about financial relationships where the District acts solely as a trustee or agent for the benefit of others, such as student activity funds and scholarship funds.

The financial statements also include notes that explain some of the information in the statements, as well as provide more detailed data. The statements also include a statement that further explains and supports the general fund with a comparison of the District's budget for the year.

Figure A-1 shows how the required parts of the Financial Section are arranged and relate to one another:

**Figure A-1  
Required Components of  
Palmerton Area School District's  
Financial Report**



**PALMERTON AREA SCHOOL DISTRICT  
Management's Discussion and Analysis**

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of management discussion and analysis explains the structure and contents of each of the statements.

**Figure A-2  
Major Features of Palmerton Area School District's  
Government-wide and Fund Financial Statements**

	Fund Statements			
	Government-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as education, administration and community services	Activities the District operates similar to private business – Food Services	Instances in which the District is the trustee or agent to someone else's resources – Scholarship Funds and Custodial Funds
Required financial statements	Statement of net position Statement of activities	Balance Sheet Statement of revenues, expenditures, and changes in fund balance	Statement of net position Statement of revenues, expenses and changes in net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow-outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

**PALMERTON AREA SCHOOL DISTRICT**  
**Management's Discussion and Analysis**

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***Government-wide Statements***

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net Position, the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, are one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net position are an indication of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the District, you need to consider additional non-financial factors, such as changes in the District's property tax base and the performance of the students.

The government-wide financial statements of the District are divided into two categories:

- Governmental activities – All of the District's basic services are included here, such as instruction, administration and community services. Property taxes and state and federal subsidies and grants finance most of these activities.
- Business-type activities – The District operates a food service operation and charges fees to staff, students and visitors to help cover the costs of the food service operation.

***Fund Financial Statements***

The District's fund financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required by state law and by bond requirements.

Governmental funds – Most of the District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary funds – These funds are used to account for the District activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the District charges customers for services it provides – whether to outside customers or to other units in the District – these services are generally reported in proprietary funds. The Food Service Fund is the District's proprietary fund and is the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows.

Fiduciary funds – The District is the trustee, or fiduciary, for some scholarship funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations.

**PALMERTON AREA SCHOOL DISTRICT**  
**Management's Discussion and Analysis**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

The District's total net positions were (7,500,592) at June 30, 2025

**Table A-1**  
**Fiscal Year ended June 30, 2025 and June 30, 2024**  
**Net Position**

	2025			2024			
	Govern- mental Activities	Business- type Activities	Total	Govern- mental Activities	Business- type Activities	Total	
Current and other assets	\$ 18,778,635	\$ 80,061	\$ 18,914,354	\$ 19,341,701	\$ 141,833	\$ 19,483,534	(1)
Non-Current assets	42,308,070	110,260	42,418,330	42,286,326	116,686	42,403,012	
Deferred Outflows of Resources	<u>6,510,625</u>	<u>214,037</u>	<u>6,724,662</u>	<u>7,994,089</u>	<u>248,378</u>	<u>8,242,467</u>	
<b>Total Assets &amp; Deferred</b>							
<b>Outflows of Resources</b>	<u>\$ 67,597,330</u>	<u>\$ 404,358</u>	<u>\$ 68,057,346</u>	<u>\$ 69,622,116</u>	<u>\$ 506,897</u>	<u>\$ 70,129,013</u>	
Current and other liabilities	\$ 6,257,156	\$ 73,711	\$ 6,330,867	\$ 5,932,267	\$ 98,638	\$ 6,030,905	(1)
Long-term liabilities	62,830,695	1,170,996	64,001,691	65,732,213	1,147,793	66,880,006	
Deferred Inflows of Resources	<u>5,231,795</u>	<u>23,487</u>	<u>5,255,282</u>	<u>4,907,099</u>	<u>22,334</u>	<u>4,929,433</u>	
<b>Total Liabilities &amp; Deferred</b>							
<b>Inflows of Resources</b>	<u>\$ 74,319,646</u>	<u>\$ 1,268,194</u>	<u>\$ 75,587,840</u>	<u>\$ 76,571,579</u>	<u>\$ 1,268,765</u>	<u>\$ 77,840,344</u>	
<b>Net Position</b>							
Net Investment in Capital Assets	22,285,377	110,260	22,395,637	18,810,229	116,686	18,926,915	
Restricted	57,995	-	57,995	1,708,339	-	1,708,339	
Unrestricted	<u>(29,065,688)</u>	<u>(888,536)</u>	<u>(29,954,224)</u>	<u>(27,468,031)</u>	<u>(878,554)</u>	<u>(28,346,585)</u>	
<b>Total Net Position</b>	<u>\$ (6,722,316)</u>	<u>\$ (778,276)</u>	<u>\$ (7,500,592)</u>	<u>\$ (6,949,463)</u>	<u>\$ (761,868)</u>	<u>\$ (7,711,331)</u>	

(1) The total column includes the internal balances existing at year end between the governmental and business-type activities.

**Net Position**

Most of the District's net position are invested in capital assets (buildings, land, and equipment). The remaining unrestricted net position are combined of restricted and unrestricted amounts. The designated balances are amounts set-aside to fund future purchases or capital projects as planned by the District.

The results of this year's operations as a whole are reported in the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, revenues, and subsidies that directly relate to specific expense categories are represented to determine the final amount of the District's activities that are supported by other general revenues. The two largest general revenues are the Basic Education Subsidy provided by the State of Pennsylvania, and the local taxes assessed to community taxpayers.

**PALMERTON AREA SCHOOL DISTRICT**  
**Management's Discussion and Analysis**

Table A-2 takes the information from that Statement, rearranges it slightly, so you can see our total revenues for the year.

**Table A-2**  
**Fiscal Year ended June 30, 2025 and June 30, 2024**  
**Changes in Net Position**

	<u>2025</u>			<u>2024</u>		
	Govern- mental Activities	Business- Type Activities	Total	Govern- mental Activities	Business- Type Activities	Total
<b>REVENUES</b>						
<i>Program revenues</i>						
Charges for services	\$ 46,987	\$ 335,108	\$ 382,095	\$ 53,669	\$ 359,724	\$ 413,393
Operating grants and contributions	8,658,720	927,794	9,586,514	8,631,074	915,794	9,546,868
Capital grants and contributions	235,041	-	235,041	581,499	-	581,499
<i>General revenues</i>						
Property taxes	19,928,195	-	19,928,195	19,846,760	-	19,846,760
Other taxes	2,629,164	-	2,629,164	2,487,796	-	2,487,796
Grants, subsidies and contributions, unrestricted	9,596,710	-	9,596,710	9,195,338	-	9,195,338
Other	769,239	204,510	973,749	1,150,340	7,340	1,157,680
<b>TOTAL REVENUES</b>	<b>\$ 41,864,056</b>	<b>\$ 1,467,412</b>	<b>\$ 43,331,468</b>	<b>\$ 41,946,476</b>	<b>\$ 1,282,858</b>	<b>\$ 43,229,334</b>
<b>EXPENSES</b>						
Instruction	28,080,937	-	28,080,937	26,502,886	-	26,502,886
Instruction student support	2,353,850	-	2,353,850	1,954,675	-	1,954,675
Administrative and financial support	3,189,855	-	3,189,855	3,177,853	-	3,177,853
Operation and maintenance of plant	2,823,696	-	2,823,696	2,785,913	-	2,785,913
Pupil transportation	1,420,699	-	1,420,699	1,452,251	-	1,452,251
Student activities	1,077,103	-	1,077,103	1,040,107	-	1,040,107
Community services	352,221	-	352,221	267,398	-	267,398
Scholarships and Awards	5,845	-	5,845	6,375	-	6,375
Interest on long-term debt	382,806	-	382,806	487,961	-	487,961
Unallocated depreciation expense	1,949,897	-	1,949,897	1,886,338	-	1,886,338
Food Services	-	1,483,820	1,483,820	-	1,368,814	1,368,814
<b>TOTAL EXPENSES</b>	<b>\$ 41,636,909</b>	<b>\$ 1,483,820</b>	<b>\$ 43,120,729</b>	<b>\$ 39,561,757</b>	<b>\$ 1,368,814</b>	<b>\$ 40,930,571</b>
<b>Increase (decrease) in net position</b>	<b>\$ 227,147</b>	<b>\$ (16,408)</b>	<b>\$ 210,739</b>	<b>\$ 2,384,719</b>	<b>\$ (85,956)</b>	<b>\$ 2,298,763</b>

**PALMERTON AREA SCHOOL DISTRICT**  
**Management's Discussion and Analysis**

The tables below present the expenses of both the Governmental Activities and the Business-type Activities of the District.

Table A-3 shows the District's eight largest functions – instructional programs, instructional student support, administrative, operation and maintenance of plant, pupil transportation, student activities, community services, food service as well as each program's net cost (total cost less revenues generated by the activities). This table also shows the net costs offset by the other unrestricted grants, subsidies and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

**Table A-3**  
**Fiscal Year ended June 30, 2025 and June 30, 2024**  
**Governmental Activities**

Functions/Programs	<u>2025</u>		<u>2024</u>	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	28,080,937	\$ 21,181,043	26,502,886	\$ 19,556,848
Instructional student support	2,353,850	1,915,863	1,954,675	1,442,572
Administrative	3,189,855	2,813,946	3,177,853	2,756,340
Operation and maintenance	2,823,696	2,400,879	2,785,913	2,247,686
Pupil transportation	1,420,699	891,698	1,452,251	92,107
Student activities	1,077,103	938,175	1,040,107	597,612
Community services	352,221	351,050	267,398	266,571
Scholarships and awards	5,845	5,845	6,375	6,375
Interest on long-term debt	382,806	147,765	487,961	249,066
Unallocated depreciation expense	1,949,897	1,949,897	1,886,338	1,886,338
<b>Total governmental activities</b>	<b>\$ 41,636,909</b>	<b>\$ 32,596,161</b>	<b>\$ 39,561,757</b>	<b>\$ 29,101,515</b>
Less:				
Unrestricted grants, subsidies		9,596,710		9,195,338
<b>Total needs from local taxes and other revenues</b>		<b>\$ 22,999,451</b>		<b>\$ 19,906,177</b>

Table A-4 reflects the activities of the Food Service program, the only Business-type activity of the District.

**Table A-4**  
**Fiscal Year ended June 30, 2025 and June 30, 2024**  
**Business-type Activities**

Functions/Programs	<u>2025</u>		<u>2024</u>	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Food Services	<b>\$ 1,483,820</b>	\$220,918	<b>\$ 1,368,814</b>	\$93,296
Add:				
Investment earnings and other		4,510		7,340
<b>Total business-type activities</b>		<b>\$225,428</b>		<b>\$100,636</b>

**PALMERTON AREA SCHOOL DISTRICT  
Management's Discussion and Analysis**

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The Statement of Revenues, Expenses, and Changes in Fund Net Position for this proprietary fund will further detail the actual results of operations.

**THE DISTRICT FUNDS**

At June 30, 2025, the District governmental funds reported a combined fund balance of \$13,105,637, which is a decrease of \$1,198,543. The major changes are:

*General Fund:*

The General Fund increased by \$451,803.

Revenue from local sources provides approximately 60% of the District's total revenues. These revenues are also the most difficult to budget for because the amount of their increase varies each year. These revenues include the real estate, interim real estate, earned income, real estate transfer taxes, and delinquent real estate taxes.

*Capital Project (Capital Reserve) Fund:*

A decrease of \$1,650,346 occurred in the capital projects fund

**General Fund Budget**

During the fiscal year, the Board of School Directors (The Board) authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. A statement showing the District's original and final budget amounts compared with amounts actually paid and received is included in the audit package.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

At June 30, 2025, the District had \$42,069,070 invested in a broad range of capital assets, including land, buildings, furniture, equipment, and vehicles. This amount represents a net decrease (including additions, deletions and depreciation) of \$217,256 from June 30, 2024.

**Table A-5  
Governmental and Business-Type Activities  
Capital assets – net of depreciation**

	<b>2025</b>	<b>2024</b>
Land & Land Improvements	\$ 1,765,893	\$ 1,832,933
Buildings	38,736,494	37,349,194
Furniture, Equipment, & Vehicles	1,402,370	1,825,141
Construction In Progress	164,313	1,279,058

**PALMERTON AREA SCHOOL DISTRICT  
Management's Discussion and Analysis**

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**DEBT ADMINISTRATION**

As of July 1, 2024, the District had total outstanding bond principal of \$21,145,000. During the year, the District made payments against principal resulting in ending outstanding bond principal as of June 30, 2025, of \$19,505,000.

**Table A-6  
Outstanding Debt**

	<u>2024</u>	<u>2024</u>
General Obligation Bonds:		
- Series of 2020	9,410,000	9,445,000
- Series of 2021	1,415,000	2,785,000
- Series of 2021A	8,680,000	8,915,000
- Capital Leases	-	-

Other obligations include accrued vacation pay and sick leave for specific employees of the District. More detailed information about our long-term liabilities is included in Notes to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The District's general obligation bond rating is a Moody's A1 underlying rating.

Moody's has cited that the A1 underlying rating reflects "the district's strong financial management practices. The district has a very strong financial position, which is a notable strength in relation to the assigned rating of A1."

The District has experienced minimal residential growth over the past ten years. Potential building sites and residential development appear to be on the increase, particularly in Towamensing Township and Palmerton Borough.

The revenue budget for the 2025-2026 year is \$1,900,231 more than the original budget for 2024-2025. The expenditure budget for the 2025-2026 school year is \$1,901,231 more than the original budget for 2024-2025.

**PALMERTON AREA SCHOOL DISTRICT  
Management's Discussion and Analysis**

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The comparison of revenue and expenditure categories is as follows:

**Table A-7  
BUDGETED REVENUES**

	<u>2025-2026</u>	<u>2024-2025</u>
Local	57.54%	59.19%
State	41.23%	39.52%
Federal/Other	1.23%	1.29%

**BUDGETED EXPENDITURES**

	<u>2025-2026</u>	<u>2024-2025</u>
Instruction	67.61%	65.97%
Support Services	23.51%	24.64%
Non-Instruction/Community	3.50%	3.65%
Fund Transfers/Debt	5.39%	5.74%

**CONTACTING THE DISTRICT FINANCIAL MANAGEMENT**

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact the Business Manager at Palmerton Area School District, 680 Fourth Street, Palmerton, PA 18071. Telephone: (610)-826-7101, extension 5026.

**BASIC FINANCIAL STATEMENTS**

**Palmerton Area School District**  
**Statement of Net Position**  
**As of June 30, 2025**

	<b>PRIMARY GOVERNMENT</b>		
	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 14,343,679	\$ 80,061	\$ 14,423,740
Investments	30,087	-	30,087
Receivables, net	1,179,470	-	1,179,470
Internal Balances	-	29,902	-
Due From Other Governments	2,272,543	20,179	2,292,722
Other Receivables	62,553	-	62,553
Lease Receivable	349,679	-	349,679
Inventories	113,026	29,526	142,552
Prepaid Expenses	427,598	5,953	433,551
<b>Total Current Assets</b>	<b>18,778,635</b>	<b>165,621</b>	<b>18,914,354</b>
<b>Non-Current Assets:</b>			
Land	906,340	-	906,340
Site Improvements (net of depreciation)	859,553	-	859,553
Building and Bldg. Improvements (net of depreciation)	38,736,493	-	38,736,493
Furniture and Equipment (net of depreciation)	1,632,106	110,260	1,742,366
Intangible Right to Use Assets (net of amortization)	9,264	-	9,264
Construction in Progress	164,314	-	164,314
<b>Total Non-Current Assets</b>	<b>42,308,070</b>	<b>110,260</b>	<b>42,418,330</b>
<b>Total Assets</b>	<b>61,086,705</b>	<b>275,881</b>	<b>61,332,684</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows of Resources - Related to Pension	6,098,246	210,094	6,308,340
Deferred Outflows of Resources - Related to OPEB	369,237	3,943	373,180
Deferred Charges on Bond Refundings, net	43,142	-	43,142
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 67,597,330</b>	<b>\$ 489,918</b>	<b>\$ 68,057,346</b>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Internal Balances	\$ 29,902	\$ -	\$ -
Due to other governments	410,149	-	410,149
Accounts Payable	500,908	5,589	506,497
Current Portion of Long-Term Obligations	1,861,457	-	1,861,457
Accrued Salaries and Benefits	1,574,652	51,104	1,625,756
Payroll Deductions and Withholdings	1,697,859	-	1,697,859
Prepayments	2,706	15,131	17,837
Other Current Liabilities	179,523	1,887	181,410
<b>Total Current Liabilities</b>	<b>6,257,156</b>	<b>73,711</b>	<b>6,300,965</b>
<b>Non-Current Liabilities:</b>			
Bonds and Notes Payable	18,418,978	-	18,418,978
Finance Purchase Obligations	45,098	-	45,098
Long-Term Portion of Compensated Absences	842,693	22,377	865,070
Net OPEB Liability - Single Employer Plan	3,923,545	-	3,923,545
Net OPEB Liability - Multiple Employer Plan	1,609,315	46,685	1,656,000
Net Pension Liability	37,991,066	1,101,934	39,093,000
<b>Total Liabilities</b>	<b>69,087,851</b>	<b>1,244,707</b>	<b>70,302,656</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows of Resources - Related to Leases	349,679	-	349,679
Deferred Inflows of Resources - Related to Pension	597,059	17,941	615,000
Deferred Inflows of Resources - Related to OPEB	4,285,057	5,546	4,290,603
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>74,319,646</b>	<b>1,268,194</b>	<b>75,557,938</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	22,285,377	110,260	22,395,637
<b>Restricted For:</b>			
Capital Projects	57,995	-	57,995
Unrestricted (deficit)	(29,065,688)	(888,536)	(29,954,224)
<b>TOTAL NET POSITION</b>	<b>(6,722,316)</b>	<b>(778,276)</b>	<b>(7,500,592)</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>\$ 67,597,330</b>	<b>\$ 489,918</b>	<b>\$ 68,057,346</b>

The Accompanying Notes are an integral part of these financial statements.

(1) Internal balances represent the amount owed to or from the two types of activities within the Primary Government. Since internal balances do not represent assets or liabilities of the total Primary Government, their balances are eliminated in the "total" column (GASB Statement No. 34, para. 58).

**Palmerton Area School District  
Statement of Activities  
For the Year Ended June 30, 2025**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>GOVERNMENTAL ACTIVITIES:</b>							
Instruction	\$ 28,080,937	\$ 9,569	\$ 6,790,325	\$ -	\$ (21,281,043)	\$ -	\$ (21,281,043)
Instructional Student Support	2,353,850	-	437,987	-	(1,915,863)	-	(1,915,863)
Admin. & Fin'l Support Services	3,189,855	-	375,909	-	(2,813,946)	-	(2,813,946)
Oper. & Maint. of Plant Svcs.	2,823,696	-	422,817	-	(2,400,879)	-	(2,400,879)
Pupil Transportation	1,420,699	-	529,001	-	(891,698)	-	(891,698)
Student activities	1,077,103	36,632	102,296	-	(938,175)	-	(938,175)
Community Services	352,221	786	385	-	(351,050)	-	(351,050)
Scholarships and Awards	5,845	-	-	-	(5,845)	-	(5,845)
Interest on Long-Term Debt	382,806	-	-	235,041	(147,765)	-	(147,765)
Unallocated Depreciation Expense	1,949,897	-	-	-	(1,949,897)	-	(1,949,897)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>41,636,909</b>	<b>46,987</b>	<b>8,658,720</b>	<b>235,041</b>	<b>(32,696,161)</b>	<b>-</b>	<b>(32,696,161)</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>							
Food Services	1,483,820	335,108	927,794	-	-	(220,918)	(220,918)
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 43,120,729</b>	<b>\$ 382,095</b>	<b>\$ 9,586,514</b>	<b>\$ 235,041</b>	<b>\$ (32,696,161)</b>	<b>\$ (220,918)</b>	<b>\$ (32,917,079)</b>
<b>GENERAL REVENUES:</b>							
Property taxes, Levied for general purposes, net					\$ 19,928,195	\$ -	\$ 19,928,195
Taxes levied for specific purposes					2,629,164	-	2,629,164
Grants, subsidies, & contributions not restricted					9,596,710	-	9,596,710
Investment Earnings					756,317	4,510	760,827
Miscellaneous Income					214,943	-	214,943
Special item - Gain (Loss) on sale of capital assets					(2,021)	-	(2,021)
Transfers					(200,000)	200,000	-
<b>TOTAL GENERAL REVENUES, SPECIAL ITEMS, EXTRAORDINARY ITEMS, AND TRANSFERS</b>					<b>32,923,308</b>	<b>204,510</b>	<b>33,127,818</b>
<b>CHANGES IN NET POSITION</b>					<b>227,147</b>	<b>(16,408)</b>	<b>210,739</b>
<b>NET POSITION - BEGINNING</b>					<b>(6,949,463)</b>	<b>(761,868)</b>	<b>(7,711,331)</b>
<b>NET POSITION - ENDING</b>					<b>\$ (6,722,316)</b>	<b>\$ (778,276)</b>	<b>\$ (7,500,592)</b>

The Accompanying Notes are an integral part of these financial statements.

**Palmerton Area School District  
Balance Sheet  
Governmental Funds  
As of June 30, 2025**

	GENERAL	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b><u>ASSETS:</u></b>			
Cash and cash equivalents	\$ 14,270,962	\$ 72,718	\$ 14,343,680
Investments	30,087	-	30,087
Taxes Receivable, net	1,179,470	-	1,179,470
Due from Other Governments	2,272,543	-	2,272,543
Other Receivables	62,553	-	62,553
Lease Receivable	349,679	-	349,679
Inventories	113,026	-	113,026
Prepaid Expenditures	427,598	-	427,598
<b>TOTAL ASSETS</b>	18,705,918	72,718	18,778,636
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Deferred Charges on Refundings, net	-	-	-
<b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 18,705,918</b>	<b>\$ 72,718</b>	<b>\$ 18,778,636</b>
 <b><u>LIABILITIES:</u></b>			
Due to Other Funds	\$ 29,902	\$ -	\$ 29,902
Due to Other Governments	410,149	-	410,149
Accounts Payable	489,053	11,856	500,909
Current Portion of Long-Term Debt	137,560	-	137,560
Accrued Salaries and Benefits	1,574,652	-	1,574,652
Payroll Deductions and Withholdings	1,697,859	-	1,697,859
Other Current Liabilities	4,725	-	4,725
<b>TOTAL LIABILITIES</b>	4,343,900	11,856	4,355,756
<b><u>DEFERRED INFLOWS OF RESOURCES:</u></b>			
Deferred Inflows from Leases and Real Estate Taxes	1,317,243	-	1,317,243
<b>TOTAL LIABILITIES &amp; DEFERRED INFLOWS OF RESOURCES</b>	5,661,143	11,856	5,672,999
 <b><u>FUND BALANCES:</u></b>			
Nonspendable Fund Balance	540,625	-	540,625
Restricted Fund Balance	202,527	57,995	260,522
Committed Fund Balance	3,276,779	-	3,276,779
Assigned Fund Balance	9,024,844	2,867	9,027,711
Unassigned Fund Balance	-	-	-
<b>TOTAL FUND BALANCES</b>	13,044,775	60,862	13,105,637
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 18,705,918</b>	<b>\$ 72,718</b>	<b>\$ 18,778,636</b>

The Accompanying Notes are an integral part of these financial statements.

**Palmerton Area School District  
Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Position  
As of June 30, 2025**

<b>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$ 13,105,637</b>
<b>Amounts reported for governmental activities in the statement of net position are different because:</b>	
<b>Capital Assets</b> – Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds. The cost of these assets is \$68,116,620 and the accumulated depreciation and amortization totals \$25,808,550	42,308,070
<b>Deferred Property Taxes</b> – Property taxes receivable are recognized as revenue in the statement of net position but are deferred in the governmental funds because they are not available to finance current period expenditures. These amounts will be collected in future periods.	967,564
<b>Deferred Charges on Refunding</b> – This amount represents deferred outflows of resources arising from the refunding of prior bond issues. These deferred amounts are amortized over the remaining life of the refunded or refunding debt, whichever is shorter.	43,142
<b>Pension and OPEB-Related Deferred Inflows and Outflows</b> – This amount represents deferred outflows of resources, net of deferred inflows of resources, related to the District’s net pension and OPEB liabilities. These amounts will be recognized in future periods in accordance with applicable GASB standards.	1,585,367
<b>Long-Term Obligations</b> – Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. These include bonds and notes payable, accrued interest, lease-purchase obligations, compensated absences, and net pension and OPEB liabilities	<u>(64,732,096)</u>
<b>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ (6,722,316)</u></b>

The Accompanying Notes are an integral part of these financial statements.

**Palmerton Area School District**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2025**

	<u>GENERAL</u>	<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>REVENUES</b>			
Local Sources	\$ 23,987,300	\$ 25,506	\$ 24,012,806
State Sources	17,328,157	-	17,328,157
Federal Sources	704,446	-	704,446
<b>TOTAL REVENUES</b>	<u>42,019,903</u>	<u>25,506</u>	<u>42,045,409</u>
	-----	-----	-----
<b>EXPENDITURES</b>			
Instruction	27,396,098	-	27,396,098
Support Services	9,944,415	47,214	9,991,629
Operation of Non-Instructional Services	1,409,645	1,531	1,411,176
Capital Outlay	208,242	1,877,107	2,085,349
Debt Service	2,203,804	-	2,203,804
<b>TOTAL EXPENDITURES</b>	<u>41,162,204</u>	<u>1,925,852</u>	<u>43,088,056</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>857,699</u>	<u>(1,900,346)</u>	<u>(1,042,647)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Interfund Transfers In	-	250,000	250,000
Insurance Recoveries	44,104	-	44,104
Operating Transfers Out	(450,000)	-	(450,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(405,896)</u>	<u>250,000</u>	<u>(155,896)</u>
<b>NET CHANGE IN FUND BALANCES</b>	451,803	(1,650,346)	(1,198,543)
<b>FUND BALANCES - BEGINNING</b>	<u>12,592,972</u>	<u>1,711,208</u>	<u>14,304,180</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 13,044,775</u>	<u>\$ 60,862</u>	<u>\$ 13,105,637</u>

The Accompanying Notes are an integral part of these financial statements.

**Palmerton Area School District  
Reconciliation of the Governmental Funds  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
to the Statement of Activities  
For the Year Ended June 30, 2025**

**NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** \$ (1,198,543)

Amounts reported for governmental activities in the statement of activities are different because:

**Capital Outlay and Depreciation** – Governmental funds report capital outlays as expenditures, while in the statement of activities these amounts are capitalized and depreciated over the assets’ estimated useful lives. This amount represents the net effect of capital outlay and depreciation during the current period.

Depreciation expense	\$ 2,379,016	
less - capital outlays	<u>2,402,781</u>	23,765

**Disposal of Capital Assets** – In governmental funds, proceeds from the sale or disposal of capital assets are reported as an increase in financial resources, while in the statement of activities only the gain or loss on the disposal is recognized. This amount represents the difference between the proceeds and the net book value of the assets disposed of during the current period.

(2,021)

**Deferred Property Tax Revenues** – Because certain property taxes are not collected soon enough after year-end to be considered available, they are deferred in the governmental funds. This amount represents the increase in deferred inflows of resources related to property taxes during the current year.

(23,436)

**Repayment of Debt, Financed Purchases, and Lease Liabilities** – In governmental funds, repayments of bonds, financed purchase, and lease principal are reported as expenditures, while in the statement of activities these payments reduce the related long-term liabilities.

1,690,600

**Compensated Absences and Termination Benefits** – In governmental funds, expenditures for compensated absences and special termination benefits are recognized when financial resources are used, while in the statement of activities these costs are measured based on the amounts earned during the year. This amount represents the difference between benefits earned and benefits paid in the current period.

(776,782)

**Interest on Long-Term Debt** – In governmental funds, interest on long-term debt is recognized when due, while in the statement of activities it is recognized as it accrues. This amount also includes the amortization of bond premiums and discounts and represents the net difference between accrued and paid interest for the current period.

130,397

**Pension and OPEB Expense** – In governmental funds, pension and OPEB contributions are reported as expenditures when paid, while in the statement of activities pension and OPEB expense is recognized based on the change in the net pension and OPEB liabilities. This amount represents the difference between current year expense and contributions made during the year.

383,167

**CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ 227,147**

The Accompanying Notes are an integral part of these financial statements.

**Palmerton Area School District  
Statement of Fund Net Position  
Proprietary Funds  
As of June 30, 2025**

	<b>FOOD SERVICE</b>
<b><u>ASSETS</u></b>	
<b>CURRENT ASSETS:</b>	
Cash and cash equivalents	\$ 80,061
Due from other funds	29,902
Due From Other Governments	20,179
Inventories	29,526
Prepaid expenses	5,953
<b>TOTAL CURRENT ASSETS</b>	165,621
<b>NON-CURRENT ASSETS:</b>	
Machinery & Equipment (net)	110,260
<b>TOTAL NON-CURRENT ASSETS</b>	110,260
<b>TOTAL ASSETS</b>	275,881
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>	
Deferred Outflows of Resources - Related to Pension	210,094
Deferred Outflows of Resources - Related to OPEB	3,943
<b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 489,918</b>
<b><u>LIABILITIES</u></b>	
<b>CURRENT LIABILITIES:</b>	
Accounts Payable	\$ 5,589
Accrued Salaries and Benefits	51,104
Prepayments from Students	15,131
Other Current Liabilities	1,887
<b>TOTAL CURRENT LIABILITIES</b>	73,711
<b>NON-CURRENT LIABILITIES:</b>	
Long-Term Portion of Compensated Absences	22,377
Net OPEB Liability - Multiple Employer Plan	46,685
Net Pension Liability	1,101,934
<b>TOTAL NON-CURRENT LIABILITIES</b>	1,170,996
<b>TOTAL LIABILITIES</b>	1,244,707
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>	
Deferred Inflows of Resources - Related to Pension	17,941
Deferred Inflows of Resources - Related to OPEB	5,546
<b>TOTAL LIABILITIES &amp; DEFERRED INFLOWS OF RESOURCES</b>	1,268,194
<b><u>FUND NET POSITION</u></b>	
Net Investment in Capital Assets	110,260
Unrestricted	(888,536)
<b>TOTAL FUND NET POSITION</b>	(778,276)
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND NET POSITION</b>	<b>\$ 489,918</b>

The Accompanying Notes are an integral part of these financial statements.

**Palmerton Area School District**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2025**

	<b>FOOD SERVICE</b>
<b>OPERATING REVENUES:</b>	
Food Service Revenue	\$ 297,253
Other Operating Revenues	<u>37,855</u>
<b>TOTAL OPERATING REVENUES</b>	<u>335,108</u> -----
 <b>OPERATING EXPENSES:</b>	
Salaries	432,650
Employee benefits	244,221
Purchased Property Service	12,596
Other Purchased Services	685,614
Supplies	97,253
Depreciation	10,719
Dues and Fees	150
Other Operating Expenses	<u>617</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>1,483,820</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(1,148,712)</u> -----
 <b><u>NON-OPERATING REVENUES (EXPENSES):</u></b>	
Earnings on investments	4,510
State Sources	229,582
Federal Sources	<u>698,212</u>
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>932,304</u>
 <b>INCOME (LOSS) BEFORE CONTRIBUTIONS</b>	 (216,408)
Transfers in (out)	<u>200,000</u>
<b>CHANGES IN FUND NET POSITION</b>	(16,408)
 <b>FUND NET POSITION - BEGINNING</b>	 <u>(761,868)</u>
<b>FUND NET POSITION - ENDING</b>	<b><u>\$ (778,276)</u></b>

The Accompanying Notes are an integral part of these financial statements.

**Palmerton Area School District  
Statement of Cash Flows  
Proprietary Funds  
As of June 30, 2025**

	<b>FOOD SERVICE</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Users	\$ 296,402
Cash Received from Other Operating Revenue	47,983
Cash Payments to Employees for Services	(613,337)
Cash Payments to Suppliers for Goods and Services	(711,848)
Cash Payments to Other Operating Expenses	(425)
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<b>(981,225)</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
State Sources	226,206
Federal Sources	586,273
Interfund Transfers	200,000
<b>NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES</b>	<b>1,012,479</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Facilities Acquisition/Const./Improvement Svcs.	(4,294)
Gain/Loss on Sale of Fixed Assets (Proceeds)	-
<b>NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(4,294)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Earnings on Investments	4,510
<b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>	<b>4,510</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>31,470</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>48,591</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 80,061</b>
<b><u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u></b>	
	<b>FOOD SERVICE</b>
<b>OPERATING INCOME (LOSS)</b>	<b>\$ (1,148,712)</b>
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	
Depreciation and Net Amortization	10,719
Donated Commodities Used	95,915
<b>CHANGES IN ASSETS AND LIABILITIES:</b>	
(Increase) Decrease in Accounts Receivable	3,890
(Increase) Decrease in Inventories	24,044
(Increase) Decrease in Prepaid Expenses	(851)
(Increase) Decrease in Deferred Outflows of Resources - Change in Proportion of NPL	11,190
(Increase) Decrease in Deferred Outflows of Resources - Current Year Contributions	1,958
(Increase) Decrease in Deferred Outflows of Resources - Change in Assumptions	679
(Increase) Decrease in Deferred Outflows of Resources - Diff. in Projected vs Actual Invest. Earnings	14,939
Increase (Decrease) in Accounts Payable	4,863
Increase (Decrease) in Accrued Salaries and Benefits	4,837
Increase (Decrease) in Compensated Absences	21,877
Increase (Decrease) in Advances from Other Funds	(19,857)
Increase (Decrease) in Unearned Revenue	(24,898)
Increase (Decrease) in Prepayments from Students	10,128
Increase (Decrease) in Net OPEB Liability - Multiple Employer Plan	2,899
Increase (Decrease) in Net Pension Liability	(1,573)
Increase (Decrease) in Deferred Inflows of Resources - Change in Assumptions	4,983
Increase (Decrease) in Deferred Inflows of Resources - Diff. in Projected vs Actual Contributions	(199)
Increase (Decrease) in Deferred Inflows of Resources - Diff. in Expected vs Actual Experience	1,944
<b>TOTAL ADJUSTMENTS</b>	<b>167,487</b>
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<b>\$ (981,225)</b>

The Accompanying Notes are an integral part of these financial statements.

**Palmerton Area School District  
Statement of Fiduciary Net Position  
Fiduciary Funds  
For the Year Ended June 30, 2025**

	<b>PRIVATE- PURPOSE TRUST FUND</b>	<b>CUSTODIAL FUNDS</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 17,002	\$ 99,156
Investments	51	-
Other Receivables	2,045	-
<b>TOTAL ASSETS</b>	<b>\$ 19,098</b>	<b>\$ 99,156</b>
<b>LIABILITIES</b>		
Accounts Payable	\$ 6,250	\$ 5,169
Other Current Liabilities	-	-
<b>TOTAL LIABILITIES</b>	<b>6,250</b>	<b>5,169</b>
<b>NET POSITION</b>		
Restricted for		
Restricted for		
Individuals, organizations, and other governments	12,848	93,987
<b>TOTAL LIABILITIES AND FUND NET POSITION</b>	<b>\$ 19,098</b>	<b>\$ 99,156</b>

The Accompanying Notes are an integral part of these financial statements.

**Palmerton Area School District  
Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
As of June 30, 2025**

	<b>PRIVATE PURPOSE TRUST</b>	<b>CUSTODIAL FUNDS</b>
<b>ADDITIONS</b>		
Contributions - Students	\$ -	\$ 60,832
Contributions - Employer	-	-
Special Events	-	114,656
Other Income	-	17,009
<b>Investment Earnings:</b>		
Interest and Dividends	669	5,420
Net increase (decrease) in fair value of investments	(511)	-
Less investment expense	-	-
<b>TOTAL ADDITIONS</b>	158	197,917
<b>DEDUCTIONS</b>		
Administrative expense	320	-
Beneficiary payments to individuals	5,000	-
Payments for student club activities	-	185,840
Other	-	15,482
<b>TOTAL DEDUCTIONS</b>	5,320	201,322
<b>CHANGES IN NET POSITION</b>	(5,162)	(3,405)
<b>NET POSITION - BEGINNING OF YEAR</b>	18,010	97,392
<b>NET POSITION - END OF YEAR</b>	\$ 12,848	\$ 93,987

The Accompanying Notes are an integral part of these financial statements.

**Palmerton Area School District**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual -**  
**General Fund**  
**For the Year Ended June 30, 2025**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>(BUDGETARY BASIS)</u>	<u>FINAL BUDGET POSITIVE (NEGATIVE)</u>
<b>REVENUES</b>				
Local Sources	\$ 23,328,299	\$ 23,328,299	\$ 23,987,300	\$ 659,001
State Sources	15,577,367	15,577,367	17,328,157	1,750,790
Federal Sources	<u>507,490</u>	<u>507,490</u>	<u>704,446</u>	<u>196,956</u>
<b>TOTAL REVENUES</b>	<u>39,413,156</u>	<u>39,413,156</u>	<u>42,019,903</u>	<u>2,606,747</u>
<b>EXPENDITURES</b>				
Regular Instruction	16,470,540	16,470,540	16,265,348	205,192
Special Programs	7,232,702	7,232,702	8,307,766	(1,075,064)
Vocational Programs	2,118,963	2,118,963	2,091,950	27,013
Other Instructional Programs	317,407	317,407	229,125	88,282
Nonpublic School Programs	-	-	2,478	(2,478)
Adult Education Programs	185,431	185,431	185,431	-
Pre-Kindergarten	-	-	314,000	(314,000)
Pupil Personnel Services	1,263,832	1,263,832	1,166,940	96,892
Instructional Staff Services	599,226	599,226	768,913	(169,687)
Administrative Services	2,101,238	2,101,238	1,940,109	161,129
Pupil Health	353,836	353,836	401,123	(47,287)
Business Services	553,485	553,485	553,809	(324)
Operation & Maintenance of Plant Services	2,899,483	2,899,483	2,988,417	(88,934)
Student Transportation Services	1,319,148	1,319,148	1,420,699	(101,551)
Central Support Services	719,306	719,306	688,495	30,811
Other Support Services	23,000	23,000	15,910	7,090
Student Activities	1,172,939	1,172,939	1,051,579	121,360
Community Services	283,800	283,800	352,221	(68,421)
Scholarships and Awards	-	-	5,845	(5,845)
Facilities, Acquisition and Construction	-	-	208,242	(208,242)
Debt Service	<u>2,190,975</u>	<u>2,190,975</u>	<u>2,203,804</u>	<u>(12,829)</u>
<b>TOTAL EXPENDITURES</b>	<u>39,805,311</u>	<u>39,805,311</u>	<u>41,162,204</u>	<u>(1,356,893)</u>
Excess (deficiency) of revenues over expenditures	<u>(392,155)</u>	<u>(392,155)</u>	<u>857,699</u>	<u>1,249,854</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Fund Transfers Out	-	-	(450,000)	(450,000)
Budgetary Reserve	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>	<u>100,000</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(100,000)</u>	<u>(100,000)</u>	<u>(405,896)</u>	<u>(305,896)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(492,155)	(492,155)	451,803	943,958
<b>FUND BALANCE - JULY 1, 2024</b>	<u>10,534,256</u>	<u>10,534,256</u>	<u>12,592,972</u>	<u>2,058,716</u>
<b>FUND BALANCE - JUNE 30, 2025</b>	<u>\$ 10,042,101</u>	<u>\$ 10,042,101</u>	<u>\$ 13,044,775</u>	<u>\$ 3,002,674</u>

The Accompanying Notes are an integral part of these financial statements.

**Palmerton Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2025**

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**Note 1 - Description of the School District and Reporting Entity**

***School District***

The Palmerton Area School District is located in Palmerton, Pennsylvania. The District tax base consists of the Boroughs of Palmerton and Bowmanstown and the Townships of Towamensing and Lower Towamensing.

The Palmerton Area School District is a unit established, organized, and empowered by the Commonwealth of Pennsylvania for the express purpose of carrying out on, the local level, the Commonwealth's obligation to public education, as established by the constitution of the Commonwealth and by the School Law Code of the same (Article II; Act 150, July 8, 1968).

As specified under the School Law Code of the Commonwealth of Pennsylvania, this and all other school districts of the state "shall be and hereby are vested as, bodies corporate, with all necessary powers to carry out the provisions of this act" (Article II, Section 211).

***Board of School Directors***

The public school system of the Commonwealth shall be administered by a board of school directors, to be elected or appointed, as hereinafter provided. At each election of school directors, each qualified voter shall be entitled to cast one vote for each school director to be elected.

The Palmerton Area School District is governed by a board of nine School Directors who are residents of the School District and who are elected every two years, on a staggered basis, for a four-year term.

The Board of School Directors has the power and duty to establish, equip, furnish, and maintain a sufficient number of elementary, secondary, and other schools necessary to educate every person, residing in such district, between the ages of six and twenty-one years, who may attend.

In order to establish, enlarge, equip, furnish, operate, and maintain any schools herein provided, or to pay any school indebtedness which the school district is required to pay, or to pay any indebtedness that may at any time hereafter be created by the school district, the board of school directors are vested with all the necessary authority and power annually to levy and collect the necessary taxes required and granted by the legislature, in addition to the annual State appropriation, and are vested with all necessary power and authority to comply with and carry out any or all of the provisions of the Public School Code of 1949.

***Administration***

The Superintendent of Schools shall be the executive officer of the Board of School Directors and, in that capacity shall administer the School District in conformity with Board policies and the School Laws of Pennsylvania. The Superintendent shall be directly responsible to, and therefore appointed by, the Board of School Directors. The Superintendent shall be responsible for the overall administration, supervision, and operation of the School District.

The Business Manager, recommended by the Superintendent and appointed by the Board of School Directors, shall supervise and coordinate all business aspects of the School District. In this capacity, he or she shall be responsible to insure that all work accomplished by him/her, or by persons under his/her supervision, is in the best interests of the Palmerton Area School District. The Business Manager is directly responsible to the Superintendent.

***Reporting Entity***

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the

**Palmerton Area School District**  
**Notes To Basic Financial Statements**  
**Fiscal Year Ended June 30, 2025**

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School District. For Palmerton Area School District, this includes general operations, food service, and student related activities of the School District.

Palmerton Area School District is a municipal Corporation governed by an elected nine-member board. As required by accounting principles, generally accepted in the United States of America, these financial statements are to present Palmerton Area School District (the primary government) and organizations for which the primary government is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are financially dependent on the School District in that the School District approved the budget, the issuance of debt, or the levying of taxes. The Palmerton Area School District does not have any component units.

**Joint Ventures**

*Carbon Career & Technical Institute*

The School District is a participating member of the Carbon Career & Technical Institute (CCTI). The CCTI is run by a joint committee consisting of members from each participating district. No participating district appoints a majority of the joint committee. The board of directors of each participating district must approve the CCTI's annual operating budget. Each participating district pays a pro-rata share of the CCTI's operating costs based on the number of students attending the CCTI for each district. The District's share of the CCTI's operating costs for 2024-25 was \$1,686,246.

On dissolution of the Carbon Career & Technical Institute, the net position of CCTI will be shared on a pro-rata basis of each participating district's current market value of taxable real property as certified by the Pennsylvania State Tax Equalization Board. However, the District does not have an equity interest in CCTI as defined by GASB Statement No. 14, except a residual interest in the net position upon dissolution that should not be reflected on the basic financial statements. Complete financial statements for the CCTI can be obtained from the CCTI's administrative office.

*Lehigh-Carbon Community College*

The District is a participating member of the Lehigh-Carbon Community College (LCCC). The LCCC is run by a Board of Trustees elected by the participating member districts' board of directors. No participating district appoints a majority of the Board of Trustees. A vote of two-thirds of all member districts shall be required for approval of the LCCC's annual operating budget. The amount of the annual operating costs of the LCCC shall be apportioned among the member districts on the basis of the number of full-term equivalent students enrolled in LCCC and residing in the respective geographical areas of each of the member districts. The District's share of LCCC's operating costs for 2024-25 was \$185,431.

On dissolution of the Lehigh-Carbon Community College, the net position of LCCC will be shared on a pro-rata basis of each member district's current market value of taxable real property as certified by the Pennsylvania State Tax Equalization Board. However, the District does not have an equity interest in LCCC as defined by GASB Statement No. 14, except a residual interest in the net position upon dissolution that should not be reflected on the basic financial statements. Complete financial statements for LCCC can be obtained from the LCCC's administrative office at 2300 Main Street, Schnecksville, PA.

**Jointly Governed Organizations**

*Carbon-Lehigh Intermediate Unit*

The District is a participating member of the Carbon-Lehigh Intermediate Unit (CLIU). The CLIU is run by a joint committee consisting of members from each participating district. No participating district appoints a majority of the joint committee. The board of directors of each participating district must approve the

**Palmerton Area School District**  
**Notes To Basic Financial Statements**  
**Fiscal Year Ended June 30, 2025**

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CLIU's annual operating budget. However, the CLIU is self-sustaining by providing services for fees to participating districts. The District has no on-going financial interest or responsibility in the CLIU. The CLIU contracts with participating districts to supply special education services, computer services, and to act as conduit for certain federal programs. Complete financial statements for the CLIU can be obtained from the CLIU's administrative office at 4750 Orchard Road, Schnecksville, PA 18078-2597.

**Note 2 - Summary of Significant Accounting Policies**

The financial statements of the District have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. On June 15, 1987, the GASB issued a codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced. GASB Statement No. 62 was issued to include all prior Financial Accounting Standards Board's statements and interpretations, along with predecessors' statements and interpretation pertaining to governments into the hierarchy of the Governmental Accounting Standards Board's jurisdiction.

**A. Basis of Presentation**

The School District's basic financial statements consist of government-wide statements, including a statement of net position, a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-wide Financial Statements** The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and for one business-type activity of the School District. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business activity or governmental function is self-financing or draws from the general revenues of the School District.

**Fund Financial Statements** During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

**Palmerton Area School District**  
**Notes To Basic Financial Statements**  
**Fiscal Year Ended June 30, 2025**

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**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Deferred outflows of resources is recorded in a particular governmental fund where costs are spent for a future period. Current Liabilities are assigned to the governmental fund from which they will be paid. Deferred inflows of resources is recorded in a particular governmental fund that has received resources for a future period. The difference between the sum of assets and deferred outflows of resources minus the sum of liabilities and deferred inflows of resources is reported as fund balance. The following are the School District's major governmental funds:

*General Fund*

The general fund should be used to account for and report all financial resources not accounted for and reported in another fund.

**Special Revenue Fund**

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term proceeds of specific revenue sources establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund. The restricted or committed proceeds of specific revenue sources should be expected to continue to comprise a substantial portion of the inflows reported in the fund. Other resources also may be reported in the fund if those resources are restricted, committed, or assigned to the specified purpose of the fund.

*Student Sponsored Activity Fund*

This fund is set up in accordance with Section 511 of the PA School Code for student sponsored school organizations and publication which do not meet the criteria to be reported as custodial funds per GASB Statement 84. This fund is reported as a non-major governmental fund in the fund financial statements

**Capital Projects Fund**

Capital project funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital project funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments. The District has the following Capital Project Funds:

*Capital Reserve Fund*

This fund was created in accordance with Section 1432 of the Municipal Code. The Municipal Code restricts how the resources are spent within this fund.

**Debt Service Fund**

Debt Service Fund(s) account for resources accumulated to provide for payment of general long-term debt principal and interest. The Pennsylvania Local Government unit Debt Act authorized Pennsylvania public Schools to maintain this fund.

Under this definition, the District does not have any debt service funds.

**Proprietary Funds** Proprietary funds focus on the determination of changes in net position, financial position, and cash flows and are classified as enterprise funds. The Proprietary Funds of the School District have operating and nonoperating revenues and/or expenses. Transactions for which cash flows

**Palmerton Area School District**  
**Notes To Basic Financial Statements**  
**Fiscal Year Ended June 30, 2025**

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are reported as capital and related financing activities, noncapital financing activities, or investing activities are reported as nonoperating revenues and/or expenses, including subsidies received from the state and federal government for school lunches, donated commodities, and amounts received for fica and retirement subsidies. Operating revenues reported are consistent with the fees or charges incurred based on the intent of the individual proprietary fund.

**Enterprise Funds**

Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The School District's major enterprise fund is:

*Food Service Fund*

This fund accounts for the financial transactions related to the food service operations of the School District.

**Fiduciary Funds** Fiduciary funds reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: Pension (and other employee benefit) trust funds, investment trust funds, Private-purpose trust funds and Custodial funds. The School District has two Fiduciary Funds:

*John Young Memorial Fund*

This fund is a considered a private purpose trust fund and is reported as such in the Statement of Net Position Fiduciary Funds and the Statement of Changes in Fiduciary Net Position. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs.

*Student Activity Fund*

This fund is considered a custodial fund and is reported as such in the Statement of Net Position Fiduciary Funds and the Statement of Changes in Fiduciary Net Position. Custodial funds are used to report fiduciary activities that are not required to be reported in one of the other three Fiduciary fund types.

**C. Measurement Focus**

**Government-wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the School District are included on the statement of net position.

**Fund Financial Statements** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet, along with deferred outflows of resources or deferred inflows of resources required to be reported. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation's with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all enterprise funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities, including required deferred outflows of

**Palmerton Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2025**

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resources or required deferred inflows of resources, associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses, and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its enterprise activities.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows of resources, and in the presentation of expenses versus expenditures.

**Revenues - Exchange and Non-Exchange Transactions.** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**E. Budgetary Process**

An operating budget is adopted prior to the beginning of each year for the General Fund on the modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required.

In accordance with Act 1 of 2006, the Board shall annually, but not later than the first business meeting of January, decide the budget option to be used for the following fiscal year. The Board shall approve either the Accelerated Budget Process Option or the Board Resolution Option.

**Accelerated Budget Process Option**

Under this option, a preliminary budget must be prepared 150 days prior to the primary election. Under this Option, the preliminary budget must be available for public inspection at least 110 days prior to the primary election. The Board shall give public notice of its intent to adopt the preliminary budget at least 10 days prior to the adoption. The adoption must occur at least 90 days prior to the primary election.

If the preliminary budget exceeds the increase authorized by the Index, an application for an exception may be filed with either a Court of Common Pleas with jurisdiction or PDE and made available for public inspection. The Board may opt to forego applying for an exception by submitting a referendum question seeking voter approval for a tax increase, in accordance with Act 1.

The final budget shall include any necessary changes from the adopted preliminary budget. Any reduction required as the result of the failure of referendum shall be clearly stated. The final budget shall be made available for public inspection at least 20 days prior to final adoption. The Board shall annually adopt the final budget by a majority vote of all members of the Board prior to June 30.

**Palmerton Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2025**

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**Board Resolution Option**

Under the Board Resolution Option, the Board shall adopt a resolution that it will not raise the rate of any tax for the following fiscal year by more than the Index. Such resolution shall be adopted no later than 110 days prior to the primary election. At least 30 days prior to adoption of the final budget the Board shall prepare a proposed budget. The proposed budget shall be available for public inspection at least 20 days prior to adoption of the budget. The Board shall give public notice of its intent to adopt at least 10 days prior to adoption of the proposed budget. The Board shall annually adopt the final budget by a majority vote of all members of the Board by June 30.

Legal budgetary control is maintained at the sub-function/major object level. The PA School Code allows the School Board to make budgetary transfers between major function and major object codes only within the last nine months of the fiscal year, unless there is a two-thirds majority of the Board approving the transfer. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the PDE 2028 when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all 2024-25 budget transfers.

**F. Use of Estimates**

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

**G. Changes in Accounting Principles**

During the fiscal year ended June 30, 2025, the School District implemented new accounting standards issued by the Governmental Accounting Standards Board (GASB). The financial statements reflect adoption of the following:

**GASB Statement No. 101, *Compensated Absences***

GASB Statement No. 101 establishes a unified model for the recognition and measurement of liabilities for compensated absences (for example, vacation, sick leave, and similar leave). Under this standard, liabilities are recognized for leave that has accumulated and is expected to be used or paid, as well as leave that has been used but not yet settled. The standard also updates related disclosure requirements, including eliminating the prior requirement to disclose which governmental funds typically liquidate compensated absence liabilities.

Statement No. 101 is effective for fiscal years beginning after December 15, 2023. Accordingly, the District adopted this standard beginning with the 2024–2025 fiscal year.

**Impact of adoption:** The adoption of GASB Statement No. 101 did not result in a material change to the District's beginning net position as of July 1, 2024. The District evaluated its compensated absences policies and recalculated the related liability in accordance with the new model.

**GASB Statement No. 102, *Certain Risk Disclosures***

GASB Statement No. 102 requires governments to assess and disclose certain concentrations and constraints that could expose the District to substantial risk of a significant impact. These disclosures are intended to improve transparency about vulnerabilities arising from dependencies on specific sources

**Palmerton Area School District**  
**Notes To Basic Financial Statements**  
**Fiscal Year Ended June 30, 2025**

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(such as a major revenue source, a significant supplier, or a limited labor pool) or restrictions that limit the District's ability to respond to events.

Statement No. 102 is effective for fiscal years beginning after June 15, 2024. The District adopted this standard for the 2024–2025 fiscal year.

**Impact of adoption:** GASB Statement No. 102 did not change recognition or measurement in the financial statements. Its effect is limited to new or expanded note disclosures regarding applicable risks. Management evaluated the District's activities and determined that no concentrations or constraints meeting the criteria for disclosure were present as of June 30, 2025:

**H. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System and additions to/deductions from the Public School Employees' Retirement System's fiduciary net position have been determined on the same basis as they are reported by the Public School Employees' Retirement System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**I. Other Post-Employment Benefits**

*Multiple Employer Cost Sharing OPEB Plan*

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

*Single Employer OPEB Plan*

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information was obtained from the Actuary Report conducted by Markley Actuarial Services. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The single employer plan is not funded.

**J. Assets, Liabilities, and Net Position**

*Cash and Cash Equivalents*

For purposes of the Statement of Cash Flows, the Proprietary Fund type considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents.

*Investments*

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

**Palmerton Area School District**  
**Notes To Basic Financial Statements**  
**Fiscal Year Ended June 30, 2025**

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A government is permitted in certain circumstances to establish the fair value of an investment that does not have a readily determinable fair value by using the net asset value per share of the investment. This Statement requires measurement at acquisition value (an entry price) for donated capital assets, donated works of art, historical treasures, and similar assets. These assets were previously required to be measured at fair value.

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

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

*Receivables and Payables*

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

*Property Tax Levy*

Property taxes, which were levied during the fiscal year ended June 30, 2025, are recognized as revenue in the fund financial statements when received by the District during the fiscal year and also estimated to be received by the District within sixty (60) days after the fiscal year ended.

Property taxes that were levied during the current fiscal year, which are not estimated to be received within sixty (60) days after the fiscal year-end, are recorded as receivable and deferred inflows of resources in the fund financial statements.

In the government-wide financial statements, all property taxes levied during the fiscal year are recognized as revenue, net of estimated uncollectible amount.

*Inventories*

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis, and are expensed when used. A physical inventory was taken at June 30, 2025, therefore, \$113,026, is shown as an asset on the governmental activities column, and \$29,526, is shown as an asset in the business-type activities column of the government-wide statement of net position.

Inventory type items in governmental funds utilize the consumption method, that is, they are charged to expenditures when used. As such, \$113,026 is shown as inventory in the general fund at June 30, 2025 with a corresponding amount as Nonspendable Fund Balance.

**Palmerton Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2025**

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Inventory type items in Proprietary Funds use the consumption method, in which items are purchased for inventory and charged to expenses when used. The only Proprietary Fund of the District is the Food Service Fund. Inventory within this fund consists of donated commodities, which are valued at U.S.D.A.'s approximate costs, and purchased food. Inventories on hand at June 30, 2025, consist of:

Purchased Food	\$	19,699
Donated Commodities		1,887
Supplies		7,940
<b>TOTAL</b>	<b>\$</b>	<b>29,526</b>

*Prepaid Expenses*

In both the government-wide and fund financial statements, prepaid expenses are recorded as assets in the specific governmental fund in which future benefits will be derived.

*Capital Assets*

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. Capital assets utilized by the enterprise funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of two thousand five-hundred (\$2,500) dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets utilized by the enterprise funds is also capitalized.

All reported capital assets except land, certain land improvements and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Site Improvements	10 - 20 years	10 - 20 years
Buildings and Improvements	25 - 50 years	25 - 50 years
Furniture and Equipment	5 - 20 years	5 - 20 years
Right-to-use Equipment	Length of Lease	Length of Lease

**Palmerton Area School District**  
**Notes To Basic Financial Statements**  
**Fiscal Year Ended June 30, 2025**

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*Compensated Absences*

The School District reports compensated absences in accordance with GASB Statement No. 101, *Compensated Absences*. Compensated absences include leave benefits, such as vacation and sick leave, that are provided to eligible employees in accordance with District policies and collective bargaining agreements.

Under GASB Statement No. 101, the District recognizes a liability for compensated absences that have been earned and are expected to be used or paid. The liability is measured based on the pay rates and applicable employer payroll taxes in effect at the financial statement date, net of any reimbursements.

Compensated absences are reported as liabilities in the government-wide financial statements. In the governmental fund financial statements, the portion of compensated absences that is expected to be liquidated with expendable available financial resources is reported as a fund liability, while the remaining portion is reported only in the government-wide financial statements.

*Leases*

Lessee:

The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of \$20,000 or more.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor:

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

**Palmerton Area School District**  
**Notes To Basic Financial Statements**  
**Fiscal Year Ended June 30, 2025**

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Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

*SBITAs (Subscription Based Information Technology Arrangements)*

Occasionally the District enters into Subscription-Based Information Technology Arrangements. These arrangements grant the District the right to access use of software that is hosted by third-party vendors over a specified contract term. Unlike traditional software, the District does not take physical possession of or have the right to control the software; instead, it accesses the use of the software remotely.

In the entity-wide financial statements, SBITAs are reported as intangible assets based on the present value of future subscription payments to be made over the life of the arrangement. Correspondingly, a liability is recognized for the future payments, and it is amortized over the life of the SBITA. The amortization expense related to the intangible asset and any interest expense associated with the recognized liability are reported in the Statement of Activities.

In the fund financial statements, under the modified accrual basis of accounting, expenditures are recognized for SBITA payments when they are due. Therefore, no intangible asset or corresponding liability is reported in the governmental fund statements. The expenditures related to SBITA payments are recognized in the fund's Statement of Revenues, Expenditures, and Changes in Fund Balances in the period they payment is due.

*Other Long-Term Obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position. Bond premiums and discounts, and deferred amounts on refundings are deferred and amortized over the life of the bonds using modification of the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Any deferred amount on refundings are reported as deferred outflows of resources and amortized over the life of the bond issue. Bond issuance costs are expensed in the year they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts and premiums on debt issuances are reported as other financing uses and other financing sources, respectively. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as support service expenditures.

*Reclassification*

Certain amounts have been reclassified to conform to the June 30, 2024, presentation of government-wide financial statements on the accrual basis of accounting versus the governmental fund financial statements reported on the modified accrual basis of accounting.

**Palmerton Area School District**  
**Notes To Basic Financial Statements**  
**Fiscal Year Ended June 30, 2025**

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*Net Position*

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net Investment in Capital Assets component of Net Position is comprised of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. In addition, any deferred outflows of resources and/or deferred inflows of resources related to such capital assets or liabilities associated with the capital assets should also be added to or deducted from the overall Net Investment in Capital Assets. The restricted component of Net Position is used when there are limitations imposed on their use either through the enabling legislation adopted by a higher governmental authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining component of Net Position is unrestricted.

The School District applies restricted resources first when an expense is incurred for purposes for which both the restricted and unrestricted components of net position are available.

*Fund Balance Categories*

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Below are the potential categories of fund balance the government may use with their definitions, the actual categories used is explained in Note 7 to the financial statements:

*Nonspendable Fund Balance*

This category includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

*Restricted Fund Balance*

Fund balance should be reported as restricted when constraints placed on the use of resources are externally imposed by creditors, grantors, contributors, or other government laws or regulations, or the constraint is imposed by enabling legislation or constitutional provisions.

*Committed Fund Balance*

This category pertains to amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. The committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action.

This government's governing body is the School Board and the formal action taken to commit resources is done by resolution.

*Assigned Fund Balance*

This category includes all remaining amounts that are reported in governmental funds, except the general fund, that are not classified in one of the above-mentioned categories. In the general fund, this category represents the District's intent to use resources for a specific purpose, which does not require formal action by the governing body. The District's policy dictates the business manager is responsible to make these assignments.

**Palmerton Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2025**

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*Unassigned Fund Balance*

This category of fund balance represents the residual classification for the general fund after segregating resources used in the other categories listed above. Unassigned fund balance will only be shown in other governmental funds if those governmental funds have a negative net fund balance.

The District's policy on fund balance does not dictate which category of unrestricted fund balance is spent first, when resources are available to be spent in various categories. As such, committed amounts will be reduced first, followed by assigned amounts, and then unassigned amounts. The District's policy also does not dictate whether restricted (nonspendable or restricted) or unrestricted (committed, assigned, and unassigned) is spent first when resources are available in both categories. As such, in these circumstances, restricted will be assumed to have been spent first followed by the unrestricted categories.

*Contributions of Capital*

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction. The proprietary funds did not receive any capital contributions during this fiscal year.

**Note 3 - Reconciliation of government-wide and fund financial statements**

*A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.*

The governmental fund balance sheet includes a reconciliation between "fund balance - total governmental funds" and "net position - governmental activities" as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds".

The details of this \$64,732,096 difference are:

Bonds payable	\$ 19,505,000
Add: Insurance Premium (to be amortized as a contra to interest expense)	603,978
Accrued interest payable	177,504
Finance Purchase Obligations	78,995
Compensated Absences	842,693
Net Pension Liability	37,991,066
Net OPEB Liability - Single Employer Plan	3,923,545
Net OPEB Liability - Multiple Employer Plan	1,609,315
Net adjustment to reduce "fund balance - total governmental funds" to arrive at "net position - governmental activities"	<b>\$ 64,732,096</b>

*B. Explanation of Differences between Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Statement of Activities*

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and district-wide statements certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. Differences between the governmental funds statement of revenues, expenditures, and changes in fund balance and the statement of activities fall into one of three broad categories. The amounts shown in the columns on the following page represent:

**Palmerton Area School District**  
**Notes To Basic Financial Statements**  
**Fiscal Year Ended June 30, 2025**

- a) Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the statement of activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis whereas the accrual basis of accounting is used on the statement of activities. The long-term expenses reported below recognize the change in vested employee benefits.
- b) Capital related differences include (1) the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities, and (2) the difference between recording an expenditure for the purchase of capital items in the governmental fund statements, and capitalization and recording of depreciation expense on those items as recorded in the statement of activities.
- c) Long-term debt transaction differences occur because long-term debt proceeds are recorded as revenue and both interest and principal payments are recorded as expenditures in the governmental fund statements. In the statement of activities, long-term debt proceeds are recorded as a liability; principal payments are recorded as a reduction of liabilities.

**Explanation of Differences between Governmental Fund Statements and District-Wide Statements**

	<b>TOTAL GOVERN- MENTAL FUNDS</b>	<b>LONG-TERM REVENUES/ EXPENSES</b>	<b>CAPITAL RELATED ITEMS</b>	<b>LONG-TERM DEBT TRANS- ACTIONS</b>	<b>TOTAL FOR STATEMENT OF ACTIVITIES</b>
<b>REVENUE AND OTHER SOURCES</b>					
<b>LOCAL SOURCES:</b>					
Property Taxes	\$ 19,951,631	\$ (23,436)	\$ -	\$ -	\$ 19,928,195
Taxes levied for specific purposes	2,629,164	-	-	-	2,629,164
Interest and investment earnings	756,317	-	-	-	756,317
Miscellaneous	73,513	-	-	-	73,513
Contributions and Donations	97,326	-	-	-	97,326
Charges for Services	46,987	-	-	-	46,987
Grants, subsidies & contributions not restricted	9,596,710	-	-	-	9,596,710
Transfers in	-	-	-	-	-
Insurance Proceeds	44,104	-	-	-	44,104
<b>STATE SOURCES:</b>					
Operating and Capital grants and contributions	7,731,447	-	-	-	7,731,447
<b>FEDERAL SOURCES:</b>					
Operating and Capital grants and contributions	1,162,314	-	-	-	1,162,314
<b>SPECIAL AND EXTRAORDINARY ITEMS:</b>					
Gain or (Loss) on disposal of assets	-	-	(2,021)	-	(2,021)
<b>TOTAL REVENUES</b>	<b>42,089,513</b>	<b>(23,436)</b>	<b>(2,021)</b>	<b>-</b>	<b>42,064,056</b>
<b>EXPENDITURES/EXPENSES</b>					
Instruction	27,396,098	408,761	276,077	-	28,080,936
Instructional Student Support	2,336,975	16,864	10	-	2,353,849
Admin. & Fin'l Support Services	3,198,323	(8,883)	415	-	3,189,855
Oper. & Maint. Of Plant Svcs.	3,035,633	(39,054)	(172,882)	-	2,823,697
Pupil Transportation	1,420,699	-	-	-	1,420,699
Student activities	1,053,110	15,927	8,066	-	1,077,103
Community Services	352,221	-	-	-	352,221
Scholarships and Awards	5,845	-	-	-	5,845
Capital Outlay	2,085,348	-	(2,085,348)	-	-
Debt Service	2,203,804	-	-	(1,820,997)	382,807
Transfers Out	200,000	-	-	-	200,000
Depreciation - unallocated	-	-	1,949,897	-	1,949,897
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>43,288,056</b>	<b>393,615</b>	<b>(23,765)</b>	<b>(1,820,997)</b>	<b>41,836,909</b>
<b>NET CHANGE FOR THE YEAR</b>	<b>\$ (1,198,543)</b>	<b>\$ (417,051)</b>	<b>\$ 21,744</b>	<b>\$ 1,820,997</b>	<b>\$ 227,147</b>

**Palmerton Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2025**

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**Note 4 - Stewardship, Compliance, and Accountability**

**A. Compliance with finance related legal and contractual provisions**

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

**B. Deficit fund balance or net position of individual funds**

No individual fund contains a deficit fund balance or net position at June 30, 2024, except the governmental and business-type activities (Food Service Fund) had deficits of \$6,949,463, and \$761,868, respectively.

**C. Excess of expenditures over appropriations in individual funds**

During the fiscal period, General Fund expenditures exceeded budgeted appropriations by \$1,356,893, primarily due to unanticipated special education costs. Offsetting this overage, revenues exceeded projections by \$2,606,747. In addition, \$450,000 was transferred to the Capital Projects Fund as an other financing use that was not included in the original budget.

**D. Budgetary Compliance**

The District's only legally adopted budget is for the General Fund. All budgetary transfers were made within the last nine months of the fiscal year. The District cancels all purchase orders open at year-end; therefore, it does not have any outstanding encumbrances at June 30, 2025. In addition, the District includes a portion of the prior year's fund balance represented by unappropriated liquid assets remaining in the fund as budgeted revenue in the succeeding year. The results of operations on a GAAP basis do not recognize the fund balance allocation as revenue as it represents prior period's excess of revenues over expenditures.

**Note 5 - Detailed Notes on all Funds and Account Groups**

**Assets**

*Cash*

*Custodial Credit Risk - Deposits*

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 District does not have a policy for custodial credit risk. As of June 30, 2025, \$14,729,881 of the district's bank balance of \$14,979,881 was exposed to custodial credit risk.

Uninsured and uncollateralized	\$	-
Collateralized with securities held by the pledging financial institution		-
Uninsured and collateral held by the pledging bank's trust department not in the District's name		14,729,881
<b>TOTAL</b>	<b>\$</b>	<b>14,729,881</b>

**Palmerton Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2025**

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*Reconciliation to Financial Statements*

Uncollateralized Amount Above	\$ 14,729,881
Plus: Insured Amount	250,000
Less: Outstanding Checks	<u>(517,131)</u>
Carrying Amount - Bank balances	14,462,750
Plus: Petty Cash	-
Deposits in Investment Pools Considered Cash Equivalents	107,235
Deposits in Money Market Mutual Funds considered Cash Equivalents	-
Less: Certificates of Deposit considered Investment by School Code	<u>(30,087)</u>
<b>TOTAL CASH PER FINANCIAL STATEMENTS</b>	<b><u>\$ 14,539,898</u></b>

*Investments*

Permitted investments for Palmerton Area School District are defined in the Public School Code of 1949, as amended by Act 10 of 2016 as:

1. United States Treasury Bills;
2. Short-term obligations of the United States Government or its agencies or instrumentalities;
3. Deposits in savings accounts or time deposits or share accounts of institutions insured by the F.D.I.C; and,
4. Obligations of the United States of America or any of its agencies or instrumentalities, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities or any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities.
5. Obligations, participations or other instruments of any Federal Agency, instrumentality or United States government sponsored enterprise, including those issued or fully guaranteed as the principal and interest by Federal agencies, instrumentalities or United States government sponsored enterprises, if the debt obligations are rated at least "A" or its equivalent by at least two nationally recognized statistical ratings organizations.
6. Repurchase agreements with respect to United States Treasury bills or obligations, participations or other instruments of or guaranteed by the United States or any Federal agency, instrumentality or United States government sponsored enterprise.
7. Negotiable certificates of deposit or other evidences of deposit, with a remaining maturity of three years or less, issued by a nationally or State-chartered bank, a Federal or State savings and loan association or a State-licensed branch of a foreign bank. For obligations with a maturity of one year or less, the debt obligations of the issuing institution or its parent must be rated in the top short-term rating category by at least two nationally recognized statistical ratings organizations. For obligations with a maturity in excess of one year, the senior debt obligations of the issuing institution or its parent must be rated at least "A" or its equivalent by at least two nationally recognized statistical ratings organizations.
8. Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances, if the bankers' acceptances do not exceed 180 days maturity and the accepting bank is rated in the top short-term category by at least two nationally recognized statistical ratings organizations.
9. Commercial paper issued by corporations or other business entities organized in accordance with Federal or State law, with a maturity not to exceed 270 days, if the paper is rated in the top short-term category by at least two nationally recognized statistical ratings organizations.

**Palmerton Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2025**

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10. Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933 and, if all of the following conditions are met:
- The investments of the company are the authorized investments listed above.
  - The investment company is managed in accordance with 17 CFR 270.2a-7 (related to money market funds).
  - The investment company is rated in the highest category by a nationally recognized rating agency.
11. Savings or demand deposits placed in accordance with the following conditions:
- The money is initially deposited and invested through a federally insured institution having a place of business in this Commonwealth, which is selected by the public corporation or municipal authority.
  - The selected institution arranges for the redeposit of the money in savings or demand deposits in one or more financial institutions insured by the Federal Deposit Insurance Corporation, for the account of the public corporation or municipal authority.
  - The full amount of principal and any accrued interest of each such deposit is insured by the Federal Deposit Insurance Corporation.
  - On the same date that the money is redeposited pursuant to above, the selected institution receives an amount of deposits from customers of other financial institutions equal to or greater than the amount of money initially invested.

As of June 30, 2025, the District had the following investments:

<i>Investment</i>	<b>Maturities</b>	<b>Fair Value</b>
Certificates of Deposit	10-12 months	\$ 30,087
PA Local Government Investment Trust		49,162
PA School District Liquid Asset Fund		38,998
PSDMAX		19,075
3.22 shares John Hancock Preferred Income Fund		51
<b>TOTAL</b>		<b>\$ 137,373</b>

**Interest Rate Risk**

The District does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk**

The District has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2025, the District's investments were rated as follows:

<b>Investment</b>	<b>Standard &amp; Poor's</b>
Pa. Local Government Investment Trust	AAAm
Pa. School District Liquid Asset Fund	AAAm
BlackRock Enhanced Fund	N/A
John Hancock Preferred Income Fund	N/A
Miller Opportunity Trust	N/A

**Palmerton Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2025**

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**Custodial Credit Risk**

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

**Concentration of Credit Risk**

The District places no limits on investments with individual issuers. As of the reporting date, 23.45% of the General Fund's investments are in Certificates of Deposit at First Northern Bank, while the Fiduciary Funds hold 100% in John Hancock Preferred Income mutual funds. Entity-wide investments consist of 21.90% in Certificates of Deposit with First Northern Bank.

**Reconciliation to Financial Statements**

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Total Investments Above	\$ 152,073
Less: Deposits in Investment Pool Considered Cash Equivalents	(111,091)
Deposits in Money Market Mutual Funds Considered Cash Equivalents	-
<b>Total Investments Per Financial Statements</b>	<b><u>\$ 40,982</u></b>

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**Fair Value Reporting**

The District 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 the 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.

The District did not have any recurring fair value investments in governmental or proprietary funds, at June 30, 2025. The District did have Cash Equivalents in 2a7-like external investment pools, which GASB Statement No. 72 allows to be recorded at amortized cost as provided in paragraph 16 of GASB Statement No. 31.

The Fiduciary Activities of the District, specifically the Private Purpose Trust Funds, holds investments that are measured at fair value on a recurring basis. Because investing in these fiduciary funds is not part of the District's operations, the District determines that the disclosures related to these investments only need to be disaggregated by major type. The District chooses a narrative format for the fair value disclosures.

The District 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 the 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.

The District has the following recurring fair value measurements as of June 30, 2025:

- 3.22 shares in John Hancock Preferred Income Fund Totaling \$51, valued using quoted market prices (Level 1 inputs).

**Property Taxes**

Property taxes are levied on July 1, on the assessed value listed, as of that date, for all taxable real property located in the District. Assessed values are established by the County Board of Assessments. All taxable real property was assessed at \$321,330,322. The tax rate for the year was \$6.5915 per \$100 of assessed valuation or 65.915 mills. In accordance with Act 1, of 2006, the District received \$1,128,973 in property tax reduction funds for the 2024-25 fiscal year.

**Palmerton Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2025**

The property tax calendar is:

- July 1 - Full year tax assessed for current year.
- July 1 - September 15 - Discount period during which a 2% discount is allowed.
- September 16 - November 16 - Face amount of tax is due
- November 17 - January 15 - A 10% penalty is added to all payments.
- January 15 - All unpaid taxes become delinquent and are turned over to the County Tax Claim Bureau for Collection.

The School District, in accordance with GAAP, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes as determined by the administration. A portion of the net amount estimated to be collectible, which was measurable and available within 60 days, was recognized as revenue and the balance deferred in the fund financial statements.

*Receivables*

Receivables, as of year end, for the government's individual major funds and non-major and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are:

	GENERAL FUND	CAPITAL PROJECT FUNDS	FOOD SERVICE FUND	NON- MAJOR FUNDS	FIDUCIARY FUNDS	TOTAL
<b>RECEIVABLES:</b>						
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	1,179,470	-	-	-	-	1,179,470
Accounts	62,553	-	-	-	-	62,553
Leases	349,679	-	-	-	-	-
Intergovernmental	2,272,543	-	20,179	-	2,045	2,294,767
<b>GROSS RECEIVABLES</b>	<b>3,864,245</b>	<b>-</b>	<b>20,179</b>	<b>-</b>	<b>2,045</b>	<b>3,536,790</b>
Less: Allowance for Uncollectibles	-	-	-	-	-	-
<b>NET RECEIVABLES</b>	<b>\$ 3,864,245</b>	<b>\$ -</b>	<b>\$ 20,179</b>	<b>\$ -</b>	<b>\$ 2,045</b>	<b>\$ 3,536,790</b>

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

At the end of the current fiscal year, the various components of deferred inflows of resources reported in the governmental funds were:

	UNAVAILABLE	UNEARNED
Delinquent Property Taxes - General Fund	\$ 967,564	\$ -
Lease Recevables - General Fund eligibility requirements	-	349,679
<b>TOTAL</b>	<b>\$ 967,564</b>	<b>\$ 349,679</b>

**Palmerton Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2025**

*Capital Assets*

Capital asset balances and activity for the year ending June 30, 2025, were:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
<b>Governmental Activities:</b>				
Capital Assets not being depreciated/amortized:				
Land	\$ 906,340	\$ -	\$ -	\$ 906,340
Construction in Progress	1,279,058	2,132,562	(3,247,307)	164,313
<b>Total Capital Assets not being depreciated/amortized</b>	<u>2,185,398</u>	<u>2,132,562</u>	<u>(3,247,307)</u>	<u>1,070,653</u>
Capital Assets being depreciated/amortized:				
Site Improvements	1,876,629	4,384	-	1,881,013
Buildings and Bldg. Improvements	56,280,714	3,247,307	-	59,528,021
Furniture and Equipment	5,335,724	26,835	(20,212)	5,342,347
Intangible right to use assets	55,586	-	-	55,586
<b>Total Capital Assets being depreciated/amortized</b>	<u>63,548,653</u>	<u>3,278,526</u>	<u>(20,212)</u>	<u>66,806,967</u>
Less accumulated depreciation/amortization for:				
Site Improvements	(950,036)	(71,424)	-	(1,021,460)
Buildings and Bldg. Improvements	(18,931,520)	(1,860,007)	-	(20,791,527)
Furniture and Equipment	(3,538,376)	(429,056)	18,191	(3,949,241)
Intangible right to use assets	(27,793)	(18,529)	-	(46,322)
<b>Total Accumulated Depreciation/Amortization</b>	<u>(23,447,725)</u>	<u>(2,379,016)</u>	<u>18,191</u>	<u>(25,808,550)</u>
<b>Total Capital Assets being depreciated/amortized net of accumulated depreciation/amortization</b>	<u>40,100,928</u>	<u>899,510</u>	<u>(2,021)</u>	<u>40,998,417</u>
<b>Governmental Activities Capital Assets, net of accumulated depreciation/amortization</b>	<u>\$ 42,286,326</u>	<u>\$ 3,032,072</u>	<u>\$ (3,249,328)</u>	<u>\$ 42,069,070</u>
<b>Business-type Activities:</b>				
Capital Assets being depreciated:				
Furniture and Equipment	\$ 641,406	\$ 4,293	\$ -	\$ 645,699
Less accumulated depreciation	(524,720)	(10,719)	-	(535,439)
<b>Business-type Activities Capital Assets, net of accumulated depreciation</b>	<u>\$ 116,686</u>	<u>\$ (6,426)</u>	<u>\$ -</u>	<u>\$ 110,260</u>

**\*DEPRECIATION EXPENSE WAS CHARGED TO GOVERNMENTAL FUNCTIONS AS FOLLOWS:**

Instruction	\$ 379,291
Instructional Student Support	10
Admin. & Fin'l Support Services	415
Oper. & Maint. of Plant Svcs.	41,337
Student activities	8,066
Depreciation - unallocated	1,949,897
<b>TOTAL DEPRECIATION FOR GOVERNMENTAL ACTIVITIES</b>	<u>\$ 2,379,016</u>

The District's governmental activities disposed \$20,212 of equipment during the year, with accumulated depreciation of \$18,191. Resulting in a loss on disposition of \$2,021. The business-type activities did not dispose of any equipment during the year.

**Palmerton Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2025**

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*Commitments*

*Encumbrances*

Any encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities but represent budgetary accounting controls. The General Fund Budget is maintained on the modified accrual basis of accounting, except that budgetary basis expenditures include any encumbrances issued for goods or services not received at year-end and not terminated.

The actual results of operations are presented in accordance with GAAP and the District's accounting policies do not recognize encumbrances as expenditures until the period in which the goods or services are actually received and a liability is incurred. If budgetary encumbrances exist at year-end, they are included in the fund financial statements to reflect actual revenues and expenditures on a budgetary basis consistent with the District's legally adopted budget.

*Long-term construction commitments*

The District did not have any construction commitments at year end.

**Short-term Debt**

Interfund balances between funds represent temporary loans recorded at year end subsequent to a final allocation of expenses. The balances generally are paid shortly after year end. Transfers represent funds set aside for the anticipation of future capital needs.

*Interfund receivables and payables*

The following interfund receivables and payable were in existence on June 30, 2025:

	<b>INTERFUND RECEIVABLES</b>	<b>INTERFUND PAYABLES</b>
General Fund	\$ -	\$ 29,902
Food Service Fund	29,902	-
<b>TOTAL</b>	<b>\$ 29,902</b>	<b>\$ 29,902</b>

The District also made the following interfund transfers during the fiscal year ended June 30, 2025:

	<b>TRANSFER IN</b>	<b>TRANSFER OUT</b>
General Fund	\$ -	\$ 450,000
Food Service Fund	200,000	-
Capital Reserve Fund	250,000	-
<b>TOTAL</b>	<b>\$ 450,000</b>	<b>\$ 450,000</b>

**Palmerton Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2025**

**Long-term liabilities**

Long-term liability balances and activity for the year ended June 30, 2025, were:

	<b>BEGINNING BALANCE</b>	<b>ADDITIONS</b>	<b>REDUCTIONS</b>	<b>ENDING BALANCE</b>	<b>AMOUNTS DUE WITHIN ONE YEAR</b>
<b>Governmental Activities</b>					
<b>General Obligation Debt:</b>					
<i>Bonds and notes payable:</i>					
Bonds	\$ 21,890,268	\$ -	\$ 1,781,291	\$ 20,108,977	\$ 1,690,000
Notes	-	-	-	-	-
<b>Total general obligation debt</b>	<b>21,890,268</b>	<b>-</b>	<b>1,781,291</b>	<b>20,108,977</b>	<b>1,690,000</b>
<i>Other liabilities:</i>					
Finance Purchases	111,067	-	32,071	78,996	33,897
Lease Obligations	18,528	-	18,528	-	-
<i>Vested employee benefits:</i>					
Compensated Absences	141,649	838,604	-	980,253	137,560
	-	-	-	-	-
Net Pension Liability	39,918,920	-	1,927,854	37,991,066	-
Net OPEB Liability - Single Employer	3,773,561	149,984	-	3,923,545	-
Net OPEB Liability - Multiple Employer	1,644,557	-	35,242	1,609,315	-
<b>Total other liabilities</b>	<b>45,608,282</b>	<b>988,588</b>	<b>2,013,695</b>	<b>44,583,175</b>	<b>171,457</b>
<b>Total governmental activity long-term liabilities</b>	<b>\$ 67,498,550</b>	<b>\$ 988,588</b>	<b>\$ 3,794,986</b>	<b>\$ 64,692,152</b>	<b>\$ 1,861,457</b>

	<b>BEGINNING BALANCE</b>	<b>ADDITIONS</b>	<b>REDUCTIONS</b>	<b>ENDING BALANCE</b>	<b>AMOUNTS DUE WITHIN ONE YEAR</b>
<b>Business-type Activities</b>					
<i>Other liabilities:</i>					
<i>Vested employee benefits:</i>					
Compensated Absences	\$ 500	\$ 21,877	\$ -	\$ 22,377	\$ 1,729
Net OPEB Liability - Multiple Employer	43,786	2,899	-	46,685	-
Net Pension Liability	1,103,507	-	1,573	1,101,934	-
<b>Total business-type activity long-term liabilities</b>	<b>\$ 1,147,793</b>	<b>\$ 24,776</b>	<b>\$ 1,573</b>	<b>\$ 1,170,996</b>	<b>\$ 1,729</b>

Payments on bonds and notes are made by the general fund. Vested employee benefits will be liquidated by governmental and proprietary funds. The School District currently does not have any bonds or notes payable in business-type activities.

Total Interest paid and accrued during the year:

	<b>EXPENSE</b>	<b>PAID</b>
<b>GOVERNMENTAL ACTIVITIES:</b>		
General obligation debt	\$ 377,408	\$ 507,806
Finance Purchases	5,357	5,357
Lease Obligations	41	41
Refund of Prior Yr. Receipts	-	-
<b>TOTAL INTEREST BY GOVERNMENTAL ACTIVITIES</b>	<b>\$ 382,806</b>	<b>\$ 513,204</b>

**Palmerton Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2025**

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**Finance Purchase – BizHub Copiers/Printers**

On September 6, 2022, the District entered into a finance purchase arrangement with De Lage Landen Public Finance LLC to lease BizHub Copiers/printers. The present value of the lease rental payments was \$163,091 with an interest rate of 5.55%.

The remaining principal and interest lease payments as of June 30, 2025, are as follows:

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2025-26	\$ 33,897	\$ 3,531
2026-27	35,827	1,601
2027-28	9,271	86
2028-29	-	-
<b>TOTAL OUTSTANDING</b>	<b>\$ 78,996</b>	<b>\$ 5,217</b>

**General Obligation Bonds – Series of 2020**

On November 18, 2020, the District issued \$9,520,000 of General Obligation Bonds – Series of 2020. The proceeds will be used to (1) currently refund the District's outstanding GOB, Series A of 2015, currently outstanding in the aggregate principal amount of \$9,590,000, and (2) pay the costs associated with the issuance of the Bonds.

In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with a paying agent. The Bonds mature from February 15, 2021 to February 15, 2036. The outstanding debt service requirements, using interest rates ranging from 2.0% to 4.0%, is a total interest indebtedness of \$2,548,996.

The outstanding debt service requirements are:

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2025-26	\$ 35,000	\$ 228,950
2026-27	855,000	220,050
2027-28	865,000	202,850
2028-29	890,000	185,300
2029-30	905,000	167,350
2031-35	4,810,000	545,050
2035-36	1,050,000	21,000
<b>SUB-TOTAL</b>	<b>\$ 9,410,000</b>	<b>\$ 1,570,550</b>
Unamortized Bond Premiums	267,942	
<b>TOTAL OUTSTANDING</b>	<b>\$ 9,677,942</b>	

**General Obligation Bonds – Series of 2021**

On February 9, 2021, the District issued \$6,625,000 of General Obligation Bonds – Series of 2021. The proceeds will be used to currently refund the District's outstanding General Obligation Bonds, Series of 2015, currently outstanding in the aggregate principal amount of \$6,774,000, and to pay the costs associated with the issuance of the Bonds.

In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with a paying agent. The Bonds mature from February 15, 2021 to February 15, 2025. The outstanding debt service requirements, using interest rates ranging from 2.0% to 3.0%, is a total interest indebtedness of \$455,548.

**Palmerton Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2025**

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The outstanding debt service requirements are:

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2025-26	\$ 1,415,000	\$ 21,225
<b>SUB-TOTAL</b>	<b>\$ 1,415,000</b>	<b>\$ 21,225</b>
Unamortized Bond Premiums	17,108	
<b>TOTAL OUTSTANDING</b>	<b>\$ 1,432,108</b>	

***General Obligation Bonds – Series A of 2021***

On November 18, 2021 the District issued \$9,310,000 of General Obligation Bonds – Series A of 2021. Proceeds of the Bonds were used to currently refund the School District’s outstanding GOB, Series of 2016, currently outstanding in the aggregate to principal amount of \$9,310,000 and to pay the costs associated with the issuance of the Bonds.

In accordance with the Local Government Unit Debt Act, a sinking fund has been established with a paying agent. The Bonds mature from August 15, 2022 to August 15, 2035. The outstanding debt service requirements, using fixed interest rates ranging from 2.0 to 3.0% with total interest indebtedness of \$2,131,489.

The outstanding debt service requirements are:

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2025-26	\$ 240,000	\$ 216,200
2026-27	760,000	201,200
2027-28	785,000	181,950
2028-29	795,000	166,150
2029-30	810,000	150,100
2030-35	4,345,000	457,775
2035-36	945,000	14,175
<b>SUB-TOTAL</b>	<b>\$ 8,680,000</b>	<b>\$ 1,387,550</b>
Unamortized Bond Premiums	318,927	
<b>TOTAL OUTSTANDING</b>	<b>\$ 8,998,927</b>	

**Palmerton Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2025**

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**Combined General Obligation Debt**

The combined general debt obligations for subsequent years are:

**Bonds**

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<b>Fiscal Year Ended June 30</b>	<b>GO Bonds - 2020</b>		<b>GO Bonds - 2021</b>		<b>GO Bonds - 2021A</b>	
	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>
2026	\$ 228,950	\$ 35,000	\$ 21,225	\$ 1,415,000	\$ 216,200	\$ 240,000
2027	220,050	855,000	-	-	201,200	760,000
2028	202,850	865,000	-	-	181,950	785,000
2029	185,300	890,000	-	-	166,150	795,000
2030	167,350	905,000	-	-	150,100	810,000
2031-2035	545,050	4,810,000	-	-	457,775	4,345,000
2036	21,000	1,050,000	-	-	14,175	945,000
<b>TOTAL</b>	<b>\$ 1,570,550</b>	<b>\$ 9,410,000</b>	<b>\$ 21,225</b>	<b>\$ 1,415,000</b>	<b>\$ 1,387,550</b>	<b>\$ 8,680,000</b>

<b>Fiscal Year Ended June 30</b>	<b>Total Bonds</b>	
	<b>Interest</b>	<b>Principal</b>
2026	\$ 466,375	\$ 1,690,000
2027	421,250	1,615,000
2028	384,800	1,650,000
2029	351,450	1,685,000
2030	317,450	1,715,000
2031-2035	1,002,825	9,155,000
2036	35,175	1,995,000
<b>TOTAL</b>	<b>\$ 2,979,325</b>	<b>\$ 19,505,000</b>

**Palmerton Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2025**

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***Compensated Absences***

The District provides compensated absences in the form of sick leave and vacation leave to eligible employees in accordance with collective bargaining agreements and administrative policies. Sick leave may accumulate and may be paid upon retirement or separation for eligible employees. Vacation leave is earned based on employee classification and length of service and is paid upon termination.

In accordance with GASB Statement No. 101, *Compensated Absences*, the District recognizes a liability for compensated absences that have been earned and are expected to be used or paid. The liability is measured based on pay rates and applicable employer payroll taxes, net of reimbursement, in effect at the financial statement date.

As of June 30, 2025, the District's total compensated absences liability was \$1,002,630. Of this amount:

- \$139,289 is reported as a current liability in governmental activities and the General Fund, and
- \$842,693 is reported as a long-term liability in governmental activities.

The portion attributable to business-type activities is reported in the applicable enterprise fund

***Defined Benefit Pension Plan***

Public School Employees' Retirement System (PSERS) Pension Plan

***Summary of Significant Accounting Policies***

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS' fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***General Information about the Pension Plan***

Plan Description

PSERS is a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at [www.pa.gov/PSERS](http://www.pa.gov/PSERS).

**Palmerton Area School District**  
**Notes To Basic Financial Statements**  
**Fiscal Year Ended June 30, 2025**

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Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service.

Act 5 of 2017 (Act 5) introduced a hybrid benefit with two membership classes and a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 5 created two new hybrid membership classes, Membership Class T-G (Class T-G) and Membership Class T-H (Class T-H) and the separate defined contribution membership class, Membership Class DC (Class DC). To qualify for normal retirement, Class T-G and Class T-H members must work until age 67 with a minimum of 3 years of credited service. Class T-G may also qualify for normal retirement by attaining a total combination of age and service that is equal to or greater than 97 with a minimum of 35 years of credited service.

Benefits are generally between 1% to 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

**Palmerton Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2025**

Contributions

Member Contributions:

The contribution rates based on qualified member compensation for virtually all members are presented below:

<b>Member Contribution Rates</b>				
Membership Class	Continuous Employment Since	Defined Benefit (DB) Contribution Rate	DC Contribution Rate	Total Contribution Rate
T-C	Prior to July 22, 1983	5.25%	N/A	5.25%
				6.25%
T-C	On or after July 22, 1983	6.25%	N/A	6.25%
T-D	Prior to July 22, 1983	6.50%	N/A	6.50%
T-D	On or after July 22, 1983	7.50%	N/A	7.50%
T-E	On or after July 1, 2011	7.50% base rate with shared risk provision	N/A	Prior to 7/1/21: 7.50% After 7/1/21: 8.00%
T-F	On or after July 1, 2011	10.30% base rate with shared risk provision	N/A	Prior to 7/1/21: 10.30% After 7/1/21: 10.80%
T-G	On or after July 1, 2019	5.50% base rate with shared risk provision	2.75%	Prior to 7/1/21: 8.25% After 7/1/21: 9.00%
T-H	On or after July 1, 2019	4.50% base rate with shared risk provision	3.00%	Prior to 7/1/21: 7.50% After 7/1/21: 8.25%
DC	On or after July 1, 2019	N/A	7.50%	7.50%

<b>Shared Risk Program Summary</b>				
Membership Class	Defined Benefit (DB) Base Rate	Shared Risk Increment	Minimum	Maximum
T-E	7.50%	+/-0.50%	5.50%	9.50%
T-F	10.30%	+/-0.50%	8.30%	12.30%
T-G	5.50%	+/-0.75%	2.50%	8.50%
T-H	4.50%	+/-0.75%	1.50%	7.50%

Employer Contributions:

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2025 was 32.92% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$5,034,340 for the year ended June 30, 2025.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2025, the District reported a liability of \$39,093,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2023 to June 30, 2024. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates

**Palmerton Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2025**

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to the total one-year reported contributions. At June 30, 2025, the District's proportion was 0.0934 percent, which was an increase of 0.0001 percent from its proportion measured as of June 30, 2024.

For the year ended June 30, 2025, the District recognized pension expense of \$4,598,414. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Sources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Proportionate Share vs Actual Paid Separately Finance Liabilities	\$ -	\$ -
Changes in Assumptions	-	-
Net difference between projected and actual contributions made	-	-
Net difference between projected and actual earnings on pension plan investments	647,000	-
Difference between expected and actual experience	-	615,000
Changes in proportion of the Net Pension Liability	627,000	-
District contributions subsequent to the measurement date	<u>5,034,340</u>	<u>-</u>
Total	<u>\$ 6,308,340</u>	<u>\$ 615,000</u>

\$5,034,340 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	<b>Amount</b>
2025	\$ (764,000)
2026	1,371,000
2027	183,000
2028	(131,000)
Thereafter	<u>-</u>
Total	<u>\$ 659,000</u>

***Changes in Actuarial Assumptions***

The Total Pension Liability as of June 30, 2024 was determined by rolling forward the System's Total Pension Liability as of June 30, 2023 to June 30, 2024 using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation Date - June 30, 2023
- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 7.00%, includes inflation at 2.50%.
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.

**Palmerton Area School District  
Notes To Basic Financial Statements  
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- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- The discount rate used to measure the Total Pension Liability was 7.00% as of June 30, 2023 and as of June 30, 2024.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
  - Salary growth rate - decreased from 5.00% to 4.50%.
  - Real wage growth and merit or seniority increases (components for salary growth) - decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
  - Mortality rates - Previously based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2020.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Global public equity	30.0%	4.8%
Private Equity	12.0%	6.7%
Fixed Income	33.5%	3.9%
Commodities	5.0%	2.5%
Infrastructure	10.0%	6.4%
Real estate	9.5%	5.9%
	100%	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2024.

**Palmerton Area School District  
Notes To Basic Financial Statements  
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Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	<b>1% Decrease 6.00%</b>	<b>Current Discount Rate 7.00%</b>	<b>1% Increase 8.00%</b>
District's proportionate share of the net pension liability	\$ 51,497,000	\$ 39,093,000	\$ 28,618,000

Pension Plan Fiduciary Net Position

Detailed information about PSERS' fiduciary net position is available in PSERS Annual Comprehensive Financial Report which can be found on the System's website at [www.pa.gov/PSERS](http://www.pa.gov/PSERS).

State Funding

The Commonwealth of Pennsylvania generally reimburses the School District for 50%-60% of its retirement expense. This arrangement does not meet the criteria of a special funding situation in accordance with GASB standards. Therefore, the net pension liabilities and related pension expense represent 100% of the School District's share of these amounts. During the year ended June 30, 2025, the School District recognized revenue of \$2,943,752 as reimbursement from the State for its current year pension payments

Payables to the Pension Plan

As of June 30, 2025, the School had \$1,826,667 included in accrued wages liability, of which \$1,457,578 is for the contractually required contribution for the second quarter of 2025 and \$369,089 is related to the accrued payroll liability for wages incurred as of June 30, 2025.

***Other Post-Employment Benefits***

Public School Employees' Retirement System (PSERS) Multiple Employer OPEB Plan on Health Insurance Premium Assistance Program

**Palmerton Area School District  
Notes To Basic Financial Statements  
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***Summary of Significant Accounting Policies***

Other Postemployment Benefits

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS' fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***General Information about the Health Insurance Premium Assistance Program***

Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2024 there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

Retirees of the System can participate in the Premium Assistance program if they satisfy the following criteria:

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age

For Class DC members to become eligible for premium assistance, they must satisfy the following criteria:

- Attain Medicare eligibility with 24 ½ or more eligibility points, or
- Have 15 or more eligibility points and terminated after age 67, and
- Have received all or part of their distributions

Pension Plan Description

PSERS is a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at [www.pa.gov/PSERS](http://www.pa.gov/PSERS).

**Palmerton Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2025**

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Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program.

Contributions

Employer Contributions:

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2025 was 0.63% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$96,344 for the year ended June 30, 2025.

***OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

At June 30, 2025, the District reported a liability of \$1,656,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2023 to June 30, 2024. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2025, the District's proportion was 0.0932 percent, which was an increase of 0.0 percent from its proportion measured as of June 30, 2024.

For the year ended June 30, 2025, the District recognized OPEB expense of \$92,954. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Sources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Proportionate Share vs Actual Paid Separately Finance Liabilities	\$ -	\$ -
Changes in Assumptions	-	152,000
Net difference between projected and actual contributions made	-	-
Net difference between projected and actual investment earnings	1,000	-
Difference between expected and actual experience	-	19,000
Changes in proportion of the Net OPEB Liability	54,000	-
District contributions subsequent to the measurement date	96,344	-
<b>Total</b>	<b>\$ 151,344</b>	<b>\$ 171,000</b>

**Palmerton Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2025**

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\$96,344 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year ended June 30:</b>	<b><u>Amount</u></b>
2025	\$ (29,000)
2026	(36,000)
2027	(47,000)
2028	2,000
2029	(6,000)
Thereafter	<u>-</u>
Total	<u>\$ (116,000)</u>

***Actuarial Assumptions***

The Total OPEB Liability as of June 30, 2024, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2023 to June 30, 2024 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return – 4.21% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- Participation rate:
  - Eligible retirees will elect to participate Pre age 65 at 50%
  - Eligible retirees will elect to participate Post age 65 at 70%

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study that was performed for the five year the period ending June 30, 2020.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2022 determined the employer contribution rate for fiscal year 2024.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: The actual data for retirees benefiting under the Plan as of June 30, 2021 was used in lieu of the 63% utilization assumption for eligible retirees.

**Palmerton Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2025**

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- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

Investments consist primarily of short-term assets designed to protect the principal of the plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

<b>OPEB - Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Cash	100.0%	1.7%
	100%	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2024.

Discount Rate

The discount rate used to measure the Total OPEB Liability was 4.21%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 4.21% which represents the S&P 20-year Municipal Bond Rate at June 30, 2024, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of the System Net OPEB Liability to Change in Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2024, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2024, 92,149 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2024, 489 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

**Palmerton Area School District  
Notes To Basic Financial Statements  
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The following presents the System net OPEB liability for June 30, 2024, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if the health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<b>1% Decrease</b>	<b>Current Trend Rate</b>	<b>1% Increase</b>
System net OPEB liability	\$ 1,656,000	\$ 1,656,000	\$ 1,656,000

**Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liability, calculated using the discount rate of 4.21%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.21%) or 1-percentage-point higher (5.21%) than the current rate:

	<b>1% Decrease 3.21%</b>	<b>Current Discount Rate 4.21%</b>	<b>1% Increase 5.21%</b>
District's proportionate share of the net OPEB liability	\$ 1,870,000	\$ 1,656,000	\$ 1,476,000

**OPEB Plan Fiduciary Net Position**

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at [www.pa.gov/PSERS](http://www.pa.gov/PSERS).

**Payables to the Multiple Employer OPEB Plan**

As of June 30, 2025, the School had \$28,474 included in accrued wages liability, of which \$21,411 is for the contractually required contribution for the second quarter of 2025 and \$7,063 is related to the accrued payroll liability for wages incurred as of June 30, 2025.

**Palmerton Area School District  
Notes To Basic Financial Statements  
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**Single Employer OPEB Plan**

In accordance with the PA School Code of 1949, as amended, medical coverage is provided to eligible retirees and spouses with the retiree paying the full active premium rate for coverage until age 65. This benefit has an implicit rate subsidy based upon GASB Statement No. 45, since the retiree pays the premium at the insurance carrier's global rate charged to the School District versus an age-adjusted rate, as defined in the GASB Statement.

*Plan Description:* Palmerton Area School District has one single employer defined benefit plan with the pertinent descriptions shown on the tables below:

<b>Summary of Plan Provisions</b>			
<b>Group</b>	<b>Eligibility</b>	<b>Coverage and Premium Sharing</b>	<b>Duration</b>
<b><u>I. ALL EMPLOYEES</u></b>	<ul style="list-style-type: none"> <li>● Act 110/43</li> </ul>	<ul style="list-style-type: none"> <li>● Coverage: Medical and Prescription Drug</li> <li>● Premium Sharing: Retirees who have accumulated 100, 150, or 200 unused sick days are eligible for one, two, or three years of subsidized benefits during which they pay the same premium sharing rate as active employees for medical and prescription drug coverage. After the incentive period ends, retirees may continue coverage by paying the full premium determined for the purpose of COBRA. All other retirees ineligible for the incentive may continue coverage by paying the full premium determined for the purpose of COBRA</li> <li>● Dependents: Spouses Included</li> </ul>	Member coverage ceases upon Medicare age. Spouse coverage ceases upon the earlier of Medicare age or member Medicare age

Notes: Act 110/43 Eligibility: All employees are eligible for this benefit upon retirement with 30 years of PSERS service or upon superannuation retirement.

Act 110/43 Coverage and Premium Sharing: Retired employees are allowed to continue coverage for themselves and their dependents in the employer's group health plan until the retired employee reaches Medicare age. In order to obtain coverage, retired employees must provide payment equal to the premium determined for the purpose of COBRA.

**PSERS Superannuation Retirement**

- 1) Pension Class T-C or T-D: An employee is eligible for PSERS superannuation retirement upon reaching age 60 with 30 years of PSERS service, age 62 with 1 year of PSERS service or 35 years of PSERS service regardless of age. In general, these pension classes apply to individuals who were members of PSERS prior to July 1, 2011.
- 2) Pension Class T-E or T-F: An employee is eligible for PSERS superannuation retirement upon reaching age 65 with 3 years of PSERS service or upon attainment of a total combination of age plus service equal to or greater than 92 with a minimum of 35 years of PSERS service. In general, these pension classes apply to individuals who became members of PSERS on or after July 1, 2011 and prior to July 1, 2019.
- 3) Pension Class T-G: An employee is eligible for PSERS superannuation retirement upon reaching age 67 with 3 years of PSERS service or upon attainment of a total combination of age plus service equal to or greater than 97 with a minimum of 35 years of PSERS service. In general, this pension class applies to individuals who became members of PSERS on or after July 1, 2019.
- 4) Pension Class T-H: An employee is eligible for PSERS superannuation retirement upon reaching age 67 with 3 years of PSERS service. In general, this pension class applies to individuals who became members of PSERS on or after July 1, 2019.

**Palmerton Area School District  
Notes To Basic Financial Statements  
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Employees Covered by Benefit Terms

At June 30, 2025, the following employees were covered by the benefit terms:

Active Participants	190
Vested Former Participants	0
Retired Participants	<u>13</u>
Total	<u>203</u>

Total OPEB Liability

The School's total OPEB liability under this single employer plan of \$3,923,545, was measured as of June 30, 2025, and was determined by an actuarial valuation as of July 1, 2023.

Actuarial Assumptions and other inputs

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the benefits and the annual required contributions of the employer are subject to continual revision, actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress, presented as required supplementary information, provides multiyear trend information that shows whether the actuarial value of plan Net Position is increasing or decreasing over time relative to the0 actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the district and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Mortality rates are assumed pre-retirement and post-retirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the tables are rates projected generationally using Scale MP-2021 to reflect mortality improvement.

	<b>Single Employer OPEB Healthcare Benefit 7/1/2023</b>
Actuarial Valuation Date	7/1/2023
Actuarial Cost Method	Entry Age Normal
Interest Rate	4.29%
Projected salary increases	4.00% to 6.75%
Healthcare inflation rate	7.0% in 2024 with 0.5% decrease per year until 5.5% in 2027. Rates gradually decrease from 5.4% in 2028 to 4.0% in 2075 and later on the Society of Actuaries Long-Run Medical Cost Trend Model.
Asset Valuation Method	pay as you go basis
The discount rate is based on S&P Municipal Bond 20-year high grade rate index at July 1, 2024.	

**Palmerton Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2025**

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Changes in the Total OPEB Liability

	<u>2023-24</u>
<b>Total OPEB Liability</b>	
Service Cost	\$ 248,224
Interest	174,181
Changes in Benefit Terms	-
Difference between expected and actual experience	(636,853)
Changes in assumptions	50,416
Benefit payments	<u>(227,727)</u>
Net change in total OPEB Liability	(391,759)
Total OPEB Liability - beginning	<u>4,165,320</u>
<b>Total OPEB Liability - ending</b>	<b><u>\$ 3,773,561</u></b>
Covered employee payroll	<u>\$ 12,268,555</u>

Total OPEB Liability as a percentage of covered employee payroll 30.76%

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2025, the School recognized OPEB expense of \$314,807. At June 30, 2025, the School reported deferred outflows of resource and deferred inflows of resources related to this single employer OPEB plan from the following sources:

<u>Sources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	\$ -	\$ 1,136,199
Net difference between projected and actual investment earnings	-	-
Difference between expected and actual experience	-	2,983,404
Changes in proportion of the Net OPEB Liability	-	-
District contributions subsequent to the measurement date	<u>221,836</u>	<u>-</u>
Total	<u>\$ 221,836</u>	<u>\$ 4,119,603</u>

**Palmerton Area School District  
Notes To Basic Financial Statements  
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Amounts reported as deferred outflows of resources and deferred inflows of resources related to this single employer OPEB plan will be recognized in OPEB expense as follows:

<b>Year ended June 30:</b>	<b><u>Amount</u></b>
2026	\$ (65,310)
2027	(297,741)
2028	(463,883)
2029	(463,883)
2030	(463,883)
Thereafter	<u>(2,364,903)</u>
<b>Total</b>	<b><u>\$ (4,119,603)</u></b>

**Sensitivity of the total OPEB Liability to Changes in the Discount Rate**

The following presents the total OPEB liability of the School's single employer OPEB plan, as well as what the School's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.29%) or 1-percentage point higher (5.29%) than the current discount rate:

	<b>1% Decrease 3.29%</b>	<b>Current Discount Rate 4.29%</b>	<b>1% Increase 5.29%</b>
District's proportionate share of the net OPEB liability	\$ 4,218,082	\$ 3,923,545	\$ 3,643,926

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**Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates**

The following presents the total OPEB liability of the School's single employer OPEB plan, as well as what the School's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point or 1-percentage point higher than the current healthcare cost trend rates:

	<b>1% Decrease</b>	<b>Current Trend Rate</b>	<b>1% Increase</b>
System net OPEB liability	\$ 3,466,801	\$ 3,923,545	\$ 4,464,751

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**Palmerton Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2025**

**Combined Deferred Outflows/Inflows on Pensions and OPEB**

As a result of having multiple pension and other post-employment benefit plans, the following schedule is prepared to illustrate the individual components on the Statement of Net Position:

GOVERNMENTAL ACTIVITIES					STATEMENT OF NET POSITION		
RECONCILIATION OF NET CHANGE IN DEFERRED OUTFLOWS/INFLOWS	<i>Pension - GASB 68</i>	<i>Single Employer OPEB - GASB 75</i>	<i>Multiple Employer OPEB - GASB 75</i>	<i>Pension &amp; OPEB Total</i>	<i>Governmental &amp; Business-Type Activities</i>		<i>Total</i>
	DR OR (CR) CURRENT YR	DR OR (CR) CURRENT YR	DR OR (CR) CURRENT YR	DR OR (CR) CURRENT YR	RECONCILIATION OF NET CHANGE IN DEFERRED OUTFLOWS/INFLOWS		DR OR (CR) CURRENT YR
	BALANCE	BALANCE	BALANCE	BALANCE	BALANCE		BALANCE
Change in Proportion	\$ 613,262	\$ -	\$ 52,711	\$ 665,973	Change in Proportion		\$ 681,000
Current Year Contributions	4,896,548	221,836	93,707	5,212,091	Current Year Contributions		5,352,520
Change in Assumption	-	(1,136,199)	(147,017)	(1,283,216)	Change in Assumption		(1,288,199)
Diff in Projected Vs Actual Contributions	-	-	-	-	Diff in Projected Vs Actual Contributions		-
Difference in Investment Earnings	588,436	-	983	589,419	Difference in Investment Earnings		648,000
Diff. between Expected vs Actual Experience	(597,059)	(2,983,404)	(18,437)	(3,598,900)	Diff. between Expected vs Actual Experience		(3,617,404)
Diff. between Prop. Share vs Actual POS	-	-	-	-	Diff. between Prop. Share vs Actual POS		-
<b>Net Pension Liability</b>	<b>\$ 37,991,066</b>			<b>\$ 37,991,066</b>	<b>Net Pension Liability</b>		<b>\$ 39,093,000</b>
<b>Net OPEB Liability</b>		<b>\$ 3,923,545</b>	<b>\$ 1,609,315</b>	<b>\$ 5,532,860</b>	<b>Net OPEB Liability</b>		<b>\$ 5,579,545</b>

BUSINESS-TYPE ACTIVITIES					RECONCILIATION TO FINANCIAL STATEMENTS		
RECONCILIATION OF NET CHANGE IN DEFERRED OUTFLOWS/INFLOWS	<i>Pension - GASB 68</i>	<i>Single Employer OPEB - GASB 75</i>	<i>Multiple Employer OPEB - GASB 75</i>	<i>Pension &amp; OPEB Total</i>	<i>Pension Plan</i>	<i>Bus. Type Activities</i>	<i>Governmental Activities</i>
	DR OR (CR) CURRENT YR	DR OR (CR) CURRENT YR	DR OR (CR) CURRENT YR	DR OR (CR) CURRENT YR	Net Pension Liability		
	BALANCE	BALANCE	BALANCE	BALANCE	Deferred Outflows Related to Pension		
Change in Proportion	\$ 13,738	\$ -	\$ 1,289	\$ 15,027		\$ 1,101,934	\$ 37,991,066
Current Year Contributions	137,792	-	2,637	140,429	Deferred Outflows Related to Pension	(210,094)	(6,098,246)
Change in Assumption	-	-	(4,983)	(4,983)	Deferred Inflows Related to Pension	17,941	597,059
Diff in Projected Vs Actual Contributions	-	-	-	-	<b>Total liab. Net deferred inflows/outflows</b>	<b>\$ 909,781</b>	<b>\$ 32,489,879</b>
Difference in Investment Earnings	58,564	-	17	58,581	<b>OPEB - Single &amp; Multiple Employer Plans</b>		
Diff. between Expected vs Actual Experience	(17,941)	-	(563)	(18,504)	Net OPEB Liability	\$ 46,685	\$ 5,532,860
Diff. between Prop. Share vs Actual POS	-	-	-	-	Deferred Outflows Related to OPEB	(3,943)	(369,237)
					Deferred Inflows Related to OPEB	5,546	4,285,057
<b>Net Pension Liability</b>	<b>\$ 1,101,934</b>			<b>\$ 1,101,934</b>	<b>Total liab. Net deferred inflows/outflows</b>	<b>\$ 48,288</b>	<b>\$ 9,448,680</b>
<b>Net OPEB Liability</b>		<b>\$ -</b>	<b>\$ 46,685</b>	<b>\$ 46,685</b>			

**Palmerton Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2025**

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**Note 6 - Risk Management**

The District is subject to risk of loss from employee acts, property damage, personal injury auto accidents, theft, etc. The District covers those risks through the purchase of commercial insurance. The District's worker's compensation policy is a retrospectively rated policy; the final total premium is based on the actual payroll for the policy year and is determined by the insurance company. Any settlements received or paid by the District are recorded as revenue or expenditures (expenses) in the subsequent year.

**Note 7 - Fund Balance Allocations**

*Nonspendable Fund Balance*

The General Fund has \$540,625 in nonspendable fund balance at June 30, 2025, with \$113,026 for inventories and \$427,598 for prepaid expenditures.

*Restricted Fund Balance*

The Capital Reserve Fund's \$57,995 fund balance at year end is restricted because of enabling legislation under the Municipal Code in Pennsylvania. Section 1432 of this Code restricts the use of resources for limited purposes.

The General Fund has \$202,527 restricted for donations not spent at year end, \$151,827 restricted specifically for scholarships and awards, and \$50,760 restricted for special education settlements. Funds were donated by outside sources.

*Committed Fund Balance*

The governing body (Board of School Directors) has committed \$2,216,779, of the General Fund's year end fund balance for future increases in transportation and education costs, \$350,000 for future increases in retirement rates, \$410,000 for increases in special educational costs, and \$300,000 for Charter School and Vo-Tech School enrollment increases.

*Assigned Fund Balance*

The General Fund has assigned \$549,636 for balancing the 2025-26 budget, and \$8,070,468 on future budget stabilization, \$52,768 on student club activities, and \$106,000 for athletic renovations.

**Note 8 - Restricted Net Position**

*Invested in Capital Assets, Net of Related Debt*

The components of this restriction in the governmental activities column is total capital assets of \$42,308,070, with related debt of \$20,022,693, which includes unamortized bonds discounts and premiums. The business-type activities column reflects \$110,260 invested in capital assets with no related debt.

The governmental activities have \$57,995 restricted for future capital projects.

**Note 9 - New Accounting Pronouncements**

The Governmental Accounting Standards Board (GASB) has issued the following Statements that will be effective for the School District in future fiscal years. Management has not yet completed its evaluation of the impact of these pronouncements on the District's financial statements.

**Palmerton Area School District  
Notes To Basic Financial Statements  
Fiscal Year Ended June 30, 2025**

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- **GASB Statement No. 103, Financial Reporting Model Improvements.** This Statement updates certain components of the financial reporting model, including presentation and disclosure requirements related to management's discussion and analysis, unusual or infrequent items, major component unit information, and budgetary comparison information. The requirements are effective for fiscal years beginning after June 15, 2025 (the District's year ending June 30, 2026). Earlier application is encouraged.
- **GASB Statement No. 104, Disclosure of Certain Capital Assets.** This Statement requires additional note disclosures for (1) capital assets recognized in connection with leases and other intangible right-to-use arrangements and (2) capital assets held for sale. The requirements are effective for fiscal years beginning after June 15, 2025 (the District's year ending June 30, 2026). Earlier application is encouraged.

In addition, GASB issued Implementation Guide No. 2025-1, Implementation Guidance Update—2025, which provides interpretive guidance on multiple Topics, including Statements 103 and 104. The School District will consider this guidance when implementing the related Statements.

**Note 10 - Contingencies**

*Grants*

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and a condition specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund, or other applicable funds. However, in the opinion of management any such disallowed claims will not have a material adverse effect on the overall financial position of the School District as of June 30, 2025.

*Litigation*

In accordance with the solicitor's letter, there is no pending litigation that would materially affect the financial position of the Palmerton Area School District.

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**REQUIRED**  
**SUPPLEMENTAL INFORMATION SECTION**

**PALMERTON AREA SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM**  
**CUMULATIVE TEN FISCAL YEARS REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2025**

	<u>2024-25</u>	<u>2023-24</u>	<u>2022-23</u>	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>
District's proportion of the net pension liability (asset)	0.0934%	0.0933%	0.0903%	0.0909%	0.0898%	0.0881%	0.0884%	0.0823%	0.0865%	0.0834%
District's proportionate share of the net pension liability (asset)	\$ 39,093,000	\$ 41,506,000	\$ 40,146,000	\$ 37,321,000	\$ 44,217,000	\$ 41,215,000	\$ 42,436,000	\$ 40,647,000	\$ 42,867,000	\$ 36,125,000
District's covered employee payroll	15,292,647	14,976,023	14,091,419	13,325,007	12,894,473	12,696,912	12,050,208	11,884,469	11,053,924	11,177,577
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	255.63%	277.15%	284.90%	280.08%	342.91%	324.61%	352.16%	342.02%	387.80%	323.19%
Plan fiduciary net position as a percentage of the total pension liability	64.63%	61.85%	61.34%	63.67%	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%

**PALMERTON AREA SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT'S CONTRIBUTIONS**  
**PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM**  
**CUMULATIVE TEN FISCAL YEARS REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2025**

	<u>2024-25</u>	<u>2023-24</u>	<u>2022-23</u>	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>
Contractually required contribution	\$ 5,034,340	\$ 4,955,566	\$ 4,834,766	\$ 4,549,157	\$ 4,344,148	\$ 4,247,117	\$ 3,928,368	\$ 3,772,130	\$ 3,227,746	\$ 2,794,393
Contributions in relation to the contractually required contribution	<u>5,034,340</u>	<u>4,955,566</u>	<u>4,834,766</u>	<u>4,549,157</u>	<u>4,344,148</u>	<u>4,247,117</u>	<u>3,928,368</u>	<u>3,772,130</u>	<u>3,227,746</u>	<u>2,794,393</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 15,292,647	\$ 14,976,023	\$ 14,091,419	\$ 13,325,007	\$ 12,894,473	\$ 12,696,912	\$ 12,050,208	\$ 11,884,469	\$ 11,053,924	\$ 11,177,577
Contributions as a percentage of covered employee payroll	32.92%	33.09%	34.31%	34.14%	33.69%	33.45%	32.60%	31.74%	29.20%	25.00%

**PALMERTON AREA SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY  
MULTIPLE EMPLOYER OPEB PLAN  
CUMULATIVE TEN FISCAL YEARS REPORT  
FOR THE YEAR ENDED JUNE 30, 2025**

	<u>2024-25</u>	<u>2023-24</u>	<u>2022-23</u>	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>
District's proportion of the net OPEB liability	0.0932%	0.0932%	0.0902%	0.0908%	0.0896%	0.0881%	0.0884%	0.0823%	0.0865%
District's proportionate share of the net OPEB liability (asset)	\$ 1,656,000	\$ 1,686,000	\$ 1,660,000	\$ 2,153,000	\$ 1,936,000	\$ 1,874,000	\$ 1,843,000	\$ 1,677,000	\$ 1,863,000
District's covered-employee payroll	14,801,820	14,275,565	13,264,008	12,876,602	12,894,473	12,696,912	12,050,208	11,884,469	11,053,924
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll	11.19%	11.81%	12.52%	16.72%	15.01%	14.76%	15.29%	14.11%	16.85%
Plan fiduciary net position as a percentage of the total OPEB liability	7.13%	7.22%	6.86%	5.30%	5.69%	5.56%	5.56%	5.73%	5.47%

**PALMERTON AREA SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS  
MULTIPLE EMPLOYER OPEB PLAN  
CUMULATIVE TEN FISCAL YEARS REPORT  
FOR THE YEAR ENDED JUNE 30, 2025**

	<u>2024-25</u>	<u>2023-24</u>	<u>2022-23</u>	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>
Contractually required contribution	\$ 96,344	\$ 95,847	\$ 105,686	\$ 106,594	\$ 105,735	\$ 106,654	\$ 100,017	\$ 98,641	\$ 91,748	\$ 93,892
Contributions in relation to the contractually required contribution	<u>96,344</u>	<u>95,847</u>	<u>105,686</u>	<u>106,594</u>	<u>105,735</u>	<u>106,654</u>	<u>100,017</u>	<u>98,641</u>	<u>91,748</u>	<u>93,892</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 15,292,647	\$ 14,976,023	\$ 14,091,419	\$ 13,325,007	\$ 12,894,473	\$ 12,696,912	\$ 12,050,208	\$ 11,884,469	\$ 11,053,924	\$ 11,177,577
Contributions as a percentage of covered employee payroll	0.63%	0.64%	0.75%	0.80%	0.82%	0.84%	0.83%	0.83%	0.83%	0.84%

**PALMERTON AREA SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY  
SINGLE EMPLOYER HEALTH INSURANCE PLAN  
CUMULATIVE TEN FISCAL YEARS REPORT  
FOR THE YEAR ENDED JUNE 30, 2025**

	<u>2024-25</u>	<u>2023-24</u>	<u>2022-23</u>	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>
<b>Total OPEB Liability</b>								
Service Cost	\$ 220,265	\$ 248,224	\$ 392,058	\$ 256,708	\$ 279,893	\$ 262,010	\$ 292,860	\$ 323,324
Interest	159,852	174,181	125,704	331,983	329,549	230,527	231,175	251,997
Changes in Benefit Terms	-	-	-	-	-	-	-	-
Difference between expected and actual experience	-	(636,853)	-	(3,439,654)	-	227,623	-	(284,760)
Changes in assumptions	(2,483)	50,416	(1,352,552)	(963,887)	-	1,532,012	-	1,815,970
Benefit payments	<u>(227,650)</u>	<u>(227,727)</u>	<u>(264,398)</u>	<u>(555,043)</u>	<u>(501,575)</u>	<u>(557,706)</u>	<u>(502,768)</u>	<u>(544,684)</u>
Net change in total OPEB Liability	149,984	(391,759)	(1,099,188)	(4,369,893)	107,867	1,694,466	21,267	1,561,847
Total OPEB Liability - beginning	<u>3,773,561</u>	<u>4,165,320</u>	<u>5,264,508</u>	<u>9,634,401</u>	<u>9,526,534</u>	<u>7,832,068</u>	<u>7,810,801</u>	<u>6,248,954</u>
<b>Total OPEB Liability - ending</b>	<u>\$ 3,923,545</u>	<u>\$ 3,773,561</u>	<u>\$ 4,165,320</u>	<u>\$ 5,264,508</u>	<u>\$ 9,634,401</u>	<u>\$ 9,526,534</u>	<u>\$ 7,832,068</u>	<u>\$ 7,810,801</u>
Covered employee payroll	<u>\$ 12,268,555</u>	<u>\$ 12,268,555</u>	<u>\$ 11,509,509</u>	<u>\$ 11,509,509</u>	<u>\$ 11,864,841</u>	<u>\$ 11,575,455</u>	<u>\$ 10,961,661</u>	<u>\$ 10,694,303</u>
Total OPEB Liability as a percentage of covered employee payroll	31.98%	30.76%	36.19%	45.74%	81.20%	82.30%	71.45%	73.04%

**S U P P L E M E N T A L I N F O R M A T I O N S E C T I O N**

**Palmerton Area School District  
Combining Balance Sheet  
Non-Major Governmental Funds  
As of June 30, 2025**

	<b>CAPITAL RESERVE FUND</b>	<b>STUDENT SPECIAL REVENUE FUND</b>	<b>TOTAL NON-MAJOR GOVERNMENTAL FUNDS</b>
<b><u>ASSETS:</u></b>			
Cash and cash equivalents	\$ 69,851	\$ 2,867	\$ 72,718
Other Current Assets	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 69,851</b>	<b>\$ 2,867</b>	<b>\$ 72,718</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES:</u></b>			
	-	-	-
<b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 69,851</b>	<b>\$ 2,867</b>	<b>\$ 72,718</b>
<b><u>LIABILITIES:</u></b>			
Accounts Payable	\$ 11,856	-	\$ 11,856
<b>TOTAL LIABILITIES</b>	11,856	-	11,856
<b><u>DEFERRED INFLOWS OF RESOURCES:</u></b>			
	-	-	-
<b>TOTAL LIABILITIES &amp; DEFERRED INFLOWS OF RESOURCES</b>	11,856	-	11,856
	-----	-----	-----
<b>FUND BALANCES:</b>			
Restricted Fund Balance	57,995	-	57,995
Assigned Fund Balance	-	2,867	2,867
<b>TOTAL FUND BALANCES</b>	57,995	2,867	60,862
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 69,851</b>	<b>\$ 2,867</b>	<b>\$ 72,718</b>

**Palmerton Area School District**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**For the Year Ended June 30, 2025**

	<b>CAPITAL RESERVE FUND</b>	<b>STUDENT SPECIAL REVENUE FUND</b>	<b>TOTAL NON-MAJOR GOVERNMENTAL FUNDS</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>			
Local Sources	\$ 23,977	\$ 1,529	\$ 25,506
<b>TOTAL REVENUES</b>	<u>23,977</u>	<u>1,529</u>	<u>25,506</u>
	-----	-----	-----
<b>EXPENDITURES</b>			
Support Services	47,214	-	47,214
Operation of Non-Instructional Services	-	1,531	1,531
Capital Outlay	<u>1,877,107</u>	<u>-</u>	<u>1,877,107</u>
<b>TOTAL EXPENDITURES</b>	<u>1,924,321</u>	<u>1,531</u>	<u>1,925,852</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(1,900,344)</u>	<u>(2)</u>	<u>(1,900,346)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	<u>250,000</u>	<u>-</u>	<u>250,000</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>250,000</u>	<u>-</u>	<u>250,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	(1,650,344)	(2)	(1,650,346)
<b>FUND BALANCES - BEGINNING</b>	<u>1,708,339</u>	<u>2,869</u>	<u>1,711,208</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 57,995</u>	<u>\$ 2,867</u>	<u>\$ 60,862</u>

**Palmerton Area School District  
General Fund  
Schedule on Tax Collectors' Receipts  
For the Year Ended June 30, 2025**

	<b>BOROUGH OF BOWMANS- TOWN</b>	<b>LOWER TOWAMENSING TOWNSHIP</b>	<b>PALMERTON BOROUGH</b>	<b>TOWAMENSING TOWNSHIP</b>	<b>TOTAL</b>
<b><u>CURRENT REAL ESTATE TAXES</u></b>					
Assessed Value	\$ 15,144,745	\$ 76,698,186	\$ 95,295,150	\$ 134,192,241	\$ 321,330,322
Millage Rate	0.0659150	0.0659150	0.0659150	0.0659150	0.0659150
<b>TOTAL POTENTIAL TAX</b>	<b>998,266</b>	<b>5,055,561</b>	<b>6,281,380</b>	<b>8,845,293</b>	<b>21,180,500</b>
<b>Less: Act 1 Deduction</b>	<b>67,588</b>	<b>287,777</b>	<b>354,489</b>	<b>419,119</b>	<b>1,128,973</b>
<b>TOTAL TAXABLE DUPLICATE</b>	<b>930,678</b>	<b>4,767,784</b>	<b>5,926,891</b>	<b>8,426,174</b>	<b>20,051,527</b>
PLUS - Additions	5,764	17,028	65,273	52,571	140,636
- Penalties	2,901	9,241	12,273	19,243	43,658
<b>TOTAL TAXES TO BE COLLECTED</b>	<b>939,343</b>	<b>4,794,053</b>	<b>6,004,437</b>	<b>8,497,988</b>	<b>20,235,821</b>
LESS - Discounts	15,947	78,902	99,510	138,640	332,999
- Reductions	-	-	90,975	10,955	101,930
- NSF	2,747	-	1,568	5,837	10,152
- Refunds	-	162	-	-	162
- Returned to County	31,510	234,195	235,773	224,662	726,140
- Exonerations	-	1,664	-	-	1,664
- Outstanding	-	-	-	-	-
<b>NET CURRENT REAL ESTATE TAXES COLLECTED</b>	<b>\$ 889,139</b>	<b>\$ 4,479,130</b>	<b>\$ 5,576,611</b>	<b>\$ 8,117,894</b>	<b>\$ 19,062,774</b>
<b><u>CURRENT PER CAPITA TAXES</u></b>					
Number of Persons Assessed	613	2,231	3,735	3,399	9,978
Tax Rate	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10
Taxable Valuation	6,130	22,310	37,350	33,990	99,780
PLUS - Additions	140	540	1,110	870	2,660
- Penalties	22	136	247	160	565
<b>TAXES TO BE COLLECTED</b>	<b>6,292</b>	<b>22,986</b>	<b>38,707</b>	<b>35,020</b>	<b>103,005</b>
LESS - Discounts	73	259	374	459	1,165
- Exonerations	40	250	220	350	860
- Refund	-	-	20	10	30
- Outstanding	1,840	6,450	13,900	7,200	29,390
- Reductions	-	-	-	-	-
<b>NET CURRENT PER CAPITA TAXES COLLECTED</b>	<b>\$ 4,339</b>	<b>\$ 16,027</b>	<b>\$ 24,193</b>	<b>\$ 27,001</b>	<b>\$ 71,560</b>

**Palmerton Area School District**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget vs Actual**  
**For the Year Ended June 30, 2025**

<b>6000 - Revenue from Local Sources</b>		<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
6111	Current Real Estate Taxes	\$ 19,064,056	\$ 19,062,774	\$ (1,282)
6113	Public Utility	18,000	20,357	2,357
6114	Payment in Lieu of Taxes	5,101	5,235	134
6120	Current Per Capita Taxes - 511	35,280	35,780	500
6141	Current Per Capita Taxes - 679	35,280	35,780	500
6143	Occupational Privilege Tax	19,244	22,985	3,741
6151	Earned Income Tax	2,158,924	2,202,114	43,190
6153	Real Estate Transfer Tax	260,000	288,955	28,955
6411	Delinquent Real Estate Taxes	896,099	888,857	(7,242)
6420	Delinquent Per Capita Taxes - 511	9,984	8,979	(1,005)
6441	Delinquent Per Capita Taxes - 679	9,984	8,979	(1,005)
6510	Interest	400,000	732,194	332,194
6710	Admissions	35,130	31,069	(4,061)
6790	Other StudentActivityIncome	-	4,966	4,966
6832	I/U Services - Federal	335,717	457,868	122,151
6910	Rentals	500	39,791	39,291
6920	Contributions	40,000	97,326	57,326
6942	Summer School Tuition	-	2,890	2,890
6944	Receipts From Other LEAs in PA	2,000	6,679	4,679
6990	Miscellaneous	3,000	8,703	5,703
6991	Refunds of Prior Yr. Expenditures	-	2,963	2,963
6999	Other Revenues Not Specified Above	-	22,056	22,056
<b>TOTAL REVENUE FROM LOCAL SOURCES</b>		<b>\$ 23,328,299</b>	<b>\$ 23,987,300</b>	<b>\$ 659,001</b>
<b>7000 - Revenue from State Sources</b>				
7111	Basic Education Funding - Formula	8,254,754	8,468,035	213,281
7140	Charter Schools	-	196,905	196,905
7160	Orphan Tuition	62,576	70,737	8,161
7271	Special Education	1,601,778	1,911,774	309,996
7292	Pre-K Counts	330,000	365,000	35,000
7311	Transportation (Regular and Additional)	400,000	496,623	96,623
7312	Transportation (Nonpublic and Charter School)	23,000	19,635	(3,365)
7320	Rental and Sinking Fund Payments	227,000	235,041	8,041
7331	Health Services	30,000	30,392	392
7332	Feminine Hygiene Product Funding	-	2,917	2,917
7340	State Property Tax Reduction Allocation	1,128,675	1,128,675	-
7361	School Safety and Security Grants	-	104,108	104,108
7362	School Mental Health & Safety and Security Grants	104,000	77,985	(26,015)
7531	Ready to Learn Grant	303,548	303,548	-
7532	Adequacy Supplement	-	342,387	342,387
7810	State Share of Social Security and Medicare Taxes	575,986	630,642	54,656
7820	State Share of Retirement Contributions	2,536,050	2,943,753	407,703
<b>TOTAL REVENUE FROM STATE SOURCES</b>		<b>15,577,367</b>	<b>17,328,157</b>	<b>1,750,790</b>
<b>8000 - Revenue from Federal Sources</b>				
8514	Title I	423,562	379,194	(44,368)
8515	Title IIA	59,928	52,964	(6,964)
8517	Title IV	24,000	31,525	7,525
8744	ARP ESSER III	-	136,410	136,410
8749	Other CARES Act and CRRSA Act Funding	-	104,353	104,353
<b>TOTAL REVENUE FROM FEDERAL SOURCES</b>		<b>507,490</b>	<b>704,446</b>	<b>196,956</b>
<b>9000 - Revenue from Other Financing Sources</b>				
9990	Insurance Recoveries	-	44,104	44,104
<b>TOTAL OTHER FINANCING SOURCES</b>		<b>-</b>	<b>44,104</b>	<b>44,104</b>
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>		<b>\$ 39,413,156</b>	<b>\$ 42,064,007</b>	<b>\$ 2,650,851</b>

**Palmerton Area School District**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget vs Actual**  
**For the Year Ended June 30, 2025**

<b><u>1000 - Instruction</u></b>		<b><u>Budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance</u></b>
1110	Regular Programs - Elem./Secondary	\$ 15,953,439	\$ 15,884,076	\$ 69,363
1190	Federally Funded Regular Programs	517,101	381,272	135,829
1211	Life Skills Support - Public	519,739	501,058	18,681
1225	Speech & Language Support	371,961	376,307	(4,346)
1241	Learning Support - Public	3,595,920	3,820,268	(224,348)
1243	Gifted Support	201,851	41,117	160,734
1290	Other Support	2,543,231	3,569,016	(1,025,785)
1350	Industrial Arts Education	137,817	133,524	4,293
1360	Business Education	289,899	272,180	17,719
1390	Other Vocational Education Programs	1,691,247	1,686,246	5,001
1420	Summer School	4,279	2,237	2,042
1430	Homebound Instruction	8,128	2,104	6,024
1442	Alternative Education Program	305,000	189,291	115,709
1490	Additional Other Instructional Program	-	35,493	(35,493)
1500	Nonpublic School Programs	-	2,478	(2,478)
1693	Community College Sponsorship	185,431	185,431	-
1802	Pre-K Administrative Support	-	29,814	(29,814)
1803	Pre-K Operations and Maintenance	-	14,676	(14,676)
1805	Pre-K Food Services	-	11,801	(11,801)
1807	Pre-K Pass Through Funds	-	257,709	(257,709)
	Total Instruction	26,325,043	27,396,098	(1,071,055)
<b><u>2000 - Support Services</u></b>				
2120	Guidance Services	861,575	862,158	(583)
2140	Psychological Services	278,035	186,134	91,901
2160	Social Work Services	124,222	118,648	5,574
2220	Technology Support Services	8,140	5,728	2,412
2240	Computer-Assisted Instruction Support Services	-	135	(135)
2250	School Library Services	230,428	376,433	(146,005)
2260	Instructional & Curriculum Dev. Service	285,098	329,480	(44,382)
2270	Instructional Staff Development Services	10,000	9,065	935
2271	Instructional Staff Development Services (Certified)	65,560	48,072	17,488
2310	Board Services	27,215	41,201	(13,986)
2320	Board Treasurer Services	-	200	(200)
2330	Tax Assessment & Collection Service	161,145	169,663	(8,518)
2340	Staff Relations	50,000	24,105	25,895
2350	Legal Services	45,000	74,887	(29,887)
2360	Office of the Superintendent Services	350,265	273,285	76,980
2380	Office of the Principal Services	1,459,613	1,349,498	110,115
2390	Other Administration Services	8,000	7,270	730
2420	Medical Services	-	27,570	(27,570)
2430	Dental Services	-	164	(164)
2440	Nursing Services	353,836	373,389	(19,553)
2511	Supervision of Fiscal Services	553,485	553,809	(324)
2611	Supervision of Operation and Maintenance of Plant	203,148	207,769	(4,621)
2620	Operation of Building Services	2,366,473	2,428,072	(61,599)
2630	Care and Upkeep of Grounds	268,187	218,352	49,835
2650	Vehicle Operation and Maint. Services	15,000	15,530	(530)
2660	Security Services	46,675	118,694	(72,019)
2720	Vehicle Operation Services	1,289,148	1,395,588	(106,440)
2750	Non-Public Transportation	30,000	25,111	4,889
2818	System-Wide Technology Services	412,947	391,175	21,772
2832	Recruitment and Placement Services	258,461	237,218	21,243
2834	Staff Development Services - Non-Instructional	8,998	16,140	(7,142)
2836	Staff Development Services-Non-Inst., Non-Certified Staff	4,900	4,369	531
2840	Data Processing Services	34,000	39,593	(5,593)
2900	Other Support Services	23,000	15,910	7,090
	Total Support Services	9,832,554	9,944,415	(111,861)

**Palmerton Area School District**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget vs Actual**  
**For the Year Ended June 30, 2025**

<b><u>3000 - Operation of Non-Instructional Services</u></b>		<b><u>Budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance</u></b>
3210	Student Activities	222,685	206,977	15,708
3250	School Sponsored Athletics	950,254	844,602	105,652
3300	Community Services	283,800	352,221	(68,421)
3400	Scholarships and Awards	-	5,845	(5,845)
	Total Non-Instructional Services	1,456,739	1,409,645	47,094
<b><u>4000 - Facilities Acquisition, Construction, and Improvement Svcs.</u></b>				
4200	Existing Site Improvement Services	-	62,000	(62,000)
4400	Architecture and Engineering Services/Educational	-	92,667	(92,667)
4600	Existing Building Improvement Services	-	53,575	(53,575)
	Total Facilities Acquisition, Construction, and Improvement Services	-	208,242	(208,242)
<b><u>5000 - Other Expenditures and Financing Uses</u></b>				
5110	Debt Service	-	37,428	(37,428)
5120	Debt Service - Refunded Bonds	2,190,975	2,147,806	43,169
5140	Leases and Other Right to Use Arrangements	-	18,570	(18,570)
5230	Capital Projects Fund Transfers	-	250,000	(250,000)
5251	Food Service Fund Transfers	-	200,000	(200,000)
5900	Budgetary Reserve	100,000	-	100,000
	Total Other Expenditures and Financing Uses	2,290,975	2,653,804	(362,829)
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>		<b>\$ 39,905,311</b>	<b>\$ 41,612,204</b>	<b>\$ (1,706,893)</b>
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>		<b>\$ 39,413,156</b>	<b>\$ 42,064,007</b>	<b>\$ 2,650,851</b>
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>		<b>39,905,311</b>	<b>41,612,204</b>	<b>(1,706,893)</b>
NET REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES		(492,155)	451,803	943,958
<b>FUND BALANCE - JULY 1, 2024</b>		<b>10,534,256</b>	<b>12,592,972</b>	<b>2,058,716</b>
<b>FUND BALANCE - JUNE 30, 2025</b>		<b>\$ 10,042,101</b>	<b>\$ 13,044,775</b>	<b>\$ 3,002,674</b>

**Palmerton Area School District  
Food Service Fund  
Statement of Revenues, Expenses, and Changes in Fund Net Position  
For the Year Ended June 30, 2025**

**REVENUES**

Daily Sales	\$ 210,506	
A la Carte	86,747	
Special Functions	37,146	
Miscellaneous	709	
Federal Subsidies	602,297	
Federal Commodities Received	95,915	
State Subsidies	229,582	
Transfers from General Fund	200,000	
Interest	<u>4,510</u>	
<b>TOTAL REVENUES</b>		<b>\$ 1,467,412</b>

**EXPENSES**

Salaries	432,650	
Benefits	244,221	
Management Company Expense - Food	457,629	
Management Company Expense - Other	222,213	
Federal Commodities Used	95,915	
Repairs Maintenance	12,596	
Dues and Fees	150	
Travel	802	
Supplies	1,338	
Software	4,970	
Depreciation	10,719	
Communications	342	
Miscellaneous	<u>275</u>	
<b>TOTAL EXPENSES</b>		<b><u>1,483,820</u></b>

**CHANGES IN FUND NET POSITION** (16,408)

**FUND NET POSITION - JULY 1, 2024** (761,868)

**FUND NET POSITION - JUNE 30, 2025** **\$ (778,276)**

**Palmerton Area School District  
Food Service Fund  
Statement of Fund Net Position  
As of June 30, 2025**

**ASSETS**

Cash and Cash Equivalents	\$ 80,061
Due from Other Funds	29,902
Receivable - State	3,575
Federal	16,604
Inventories - Food	19,699
Supplies	1,887
Federal Commodities	7,940
Prepaid Expenses	5,953
Machinery and Equipment	645,699
Less: Accumulated Depreciation	<u>(535,439)</u>
<b>TOTAL ASSETS</b>	<b>\$ 275,881</b>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred Outflows of Resources - Change in Proportion of NPL	15,027
Deferred Outflows of Resources - Current Year Contributions	140,429
Deferred Outflows of Resources - Changes in Assumption	-
Deferred Outflows of Resources - Diff. in Projected vs Actual Invest. Earnings	<u>58,581</u>

**TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES** **\$ 489,918**

**LIABILITIES**

Accounts Payable	\$ 5,589
Accrued Salaries and Benefits	51,104
Compensated Absences	22,377
Unearned Revenue	1,887
Prepayments from Students	15,131
Net OPEB Liability - Multiple Employer Plan	46,685
Net Pension Liability	1,101,934

**DEFERRED INFLOWS OF RESOURCES**

Deferred Inflows of Resources - Diff. in Expected vs Actual Experience	18,504
Deferred Inflows of Resources - Change in Assumption	<u>4,983</u>

**TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES** 1,268,194

**FUND NET POSITION - JUNE 30, 2025** (778,276)

**TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND NET POSITION** **\$ 489,918**

**Palmerton Area School District  
Student Sponsored Special Revenue Activity Fund  
Statement of Revenues and Expenditures  
For the Year Ended June 30, 2025**

<b>FUND BALANCE - JULY 1, 2024</b>	\$	2,869
<b><u>REVENUES AND OTHER FINANCING SOURCES</u></b>		
Interest Income	\$ 146	
LEA Activity - Special Events	786	
Other Student Activity Receipts	<u>597</u>	<u>1,529</u>
<b>TOTAL FUNDS AVAILABLE</b>		<b>4,398</b>
<b><u>EXPENDITURES AND OTHER FINANCING USES</u></b>		
<b>NON-INSTRUCTIONAL SERVICES:</b>		
Meals	403	
Miscellaneous Expenditures	<u>1,128</u>	<u>1,531</u>
<b>FUND BALANCE - JUNE 30, 2025</b>	<b>\$</b>	<b><u>2,867</u></b>

**Palmerton Area School District  
Capital Reserve Fund  
Statement of Revenues and Expenditures  
For the Year Ended June 30, 2025**

<b>FUND BALANCE - JULY 1, 2024</b>		\$ 1,708,339
 <b><u>REVENUES</u></b>		
Interest	\$ 23,977	
Transfer from General Fund	250,000	273,977
<b>TOTAL FUNDS AVAILABLE</b>		<b>1,982,316</b>
 <b><u>EXPENDITURES</u></b>		
<b>SUPPORT SERVICES:</b>		
Other Professional Services	4,232	
Repairs and Maintenance	42,982	
<b>CAPITAL OUTLAY:</b>		
Professional Services	149,906	
Construction	1,727,201	
Dues and Fees	-	1,924,321
		<b>1,924,321</b>
 <b>FUND BALANCE - JUNE 30, 2025</b>		 <b>\$ 57,995</b>

**Palmerton Area School District  
Student Activity Fund  
Statement of Changes in Fiduciary Net Position  
For the Year Ended June 30, 2025**

**ADDITIONS**

Interest Income	\$	5,420	
Admissions		22,350	
Student Organization Membership Dues and Fees		32,403	
Special Events		114,656	
Contributions		6,079	
Other Activity Income		17,009	
<b>TOTAL ADDITIONS</b>		<b>197,917</b>	<b>\$ 197,917</b>

**DEDUCTIONS**

Professional and Technical Services		2,350	
Security Services		2,492	
Rentals		13,602	
Transportation Services		50,485	
Printing and Binding		6,676	
Communications		348	
General Supplies		83,857	
Food		3,887	
Dues & Fees		9,790	
Donations to Municipal and Community Service Orgs		15,482	
Miscellaneous Expenses		12,353	
<b>TOTAL DEDUCTIONS</b>		<b>201,322</b>	<b>201,322</b>

**NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION (3,405)**

**FUND NET POSITION - JULY 1, 2024 97,392**

**FUND NET POSITION - JUNE 30, 2025 \$ 93,987**

**Palmerton Area School District  
Student Activity Fund  
Statement of Fiduciary Net Position  
As of June 30, 2025**

**ASSETS**

Cash and Cash Equivalents	\$	99,156	
Due From Other Funds		-	
<b>TOTAL ASSETS</b>			<b><u>\$ 99,156</u></b>

**LIABILITIES**

Accounts Payable	\$	5,169	
Due to Other Funds		-	
<b>TOTAL LIABILITIES</b>			<b>5,169</b>

**NET POSITION**

Restricted for			
Individuals, organizations, and other governments			93,987
<b>TOTAL LIABILITIES AND FUND NET POSITION</b>			<b><u>\$ 99,156</u></b>

**John Young Memorial Fund  
Statement of Changes in Fiduciary Net Position  
For the Year Ended June 30, 2025**

<b>FUND BALANCE - JULY 1, 2024</b>			\$ 18,010
<b><u>ADDITIONS</u></b>			
Gain or (Loss) on Sale of Investments	\$	(511)	
Investment Income		669	158
<b>TOTAL FUNDS AVAILABLE</b>			<b>18,168</b>
<b><u>DEDUCTIONS</u></b>			
Awards		5,000	
Fees		320	5,320
<b>FUND NET POSITION - JUNE 30, 2025</b>			<b><u>\$ 12,848</u></b>

**Palmerton Area School District**  
**Schedule on General Obligation Bonds - Series of 2020**  
**For the Year Ended June 30, 2025**

<u>FISCAL YEAR</u>	<u>RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
AUGUST 15, 2025	2.00%	\$ 114,650	\$ 35,000
FEBRUARY 15, 2026		114,300	
AUGUST 15, 2026	2.00%	114,300	855,000
FEBRUARY 15, 2027		105,750	
AUGUST 15, 2027	2.00%	105,750	865,000
FEBRUARY 15, 2028		97,100	
AUGUST 15, 2028	2.00%	97,100	890,000
FEBRUARY 15, 2029		88,200	
AUGUST 15, 2029	2.00%	88,200	905,000
FEBRUARY 15, 2030		79,150	
AUGUST 15, 2030	2.00%	79,150	920,000
FEBRUARY 15, 2031		69,950	
AUGUST 15, 2031	2.00%	69,950	945,000
FEBRUARY 15, 2032		60,500	
AUGUST 15, 2032	2.00%	60,500	960,000
FEBRUARY 15, 2033		50,900	
AUGUST 15, 2033	2.00%	50,900	980,000
FEBRUARY 15, 2034		41,100	
AUGUST 15, 2034	4.00%	41,100	1,005,000
FEBRUARY 15, 2035		21,000	
AUGUST 15, 2035	4.00%	21,000	1,050,000
<b>TOTAL OUTSTANDING</b>		<b>\$ 1,570,550</b>	<b>\$ 9,410,000</b>

**Schedule on General Obligation Bonds - Series of 2021**  
**For the Year Ended June 30, 2025**

<u>FISCAL YEAR</u>	<u>RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
AUGUST 15, 2025	3.00%	\$ 21,225	\$ 1,415,000
<b>TOTAL OUTSTANDING</b>		<b>\$ 21,225</b>	<b>\$ 1,415,000</b>

**Palmerton Area School District**  
**Schedule on General Obligation Bonds - Series A of 2021**  
**For the Year Ended June 30, 2025**

<u>FISCAL YEAR</u>	<u>RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
AUGUST 15, 2025	3.00%	\$ 109,900	\$ 240,000
FEBRUARY 15, 2026		106,300	
AUGUST 15, 2026	3.00%	106,300	760,000
FEBRUARY 15, 2027		94,900	
AUGUST 15, 2027	2.00%	94,900	785,000
FEBRUARY 15, 2028		87,050	
AUGUST 15, 2028	2.00%	87,050	795,000
FEBRUARY 15, 2029		79,100	
AUGUST 15, 2029	2.00%	79,100	810,000
FEBRUARY 15, 2030		71,000	
AUGUST 15, 2030	2.00%	71,000	830,000
FEBRUARY 15, 2031		62,700	
AUGUST 15, 2031	2.00%	62,700	840,000
FEBRUARY 15, 2032		54,300	
AUGUST 15, 2032	3.00%	54,300	865,000
FEBRUARY 15, 2033		41,325	
AUGUST 15, 2033	3.00%	41,325	890,000
FEBRUARY 15, 2034		27,975	
AUGUST 15, 2034	3.00%	27,975	920,000
FEBRUARY 15, 2035		14,175	
AUGUST 15, 2035	3.00%	14,175	945,000
<b>TOTAL OUTSTANDING</b>		<b>\$ 1,387,550</b>	<b>\$ 8,680,000</b>

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**S I N G L E   A U D I T   S E C T I O N**

**Palmerton Area School District  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2025**

FEDERAL GRANTOR PROJECT TITLE	SOURCE CODE	FEDERAL ALN	PASS THROUGH GRANTOR NUMBER	GRANT PERIOD	AWARD AMOUNT	TOTAL RECEIVED	ACCRUED OR (DEFERRED) 7/1/24	REVENUE	EXPEND.	ACCRUED OR (DEFERRED) 6/30/25	FOOT NOTES
<b>U.S DEPARTMENT OF THE TREASURY</b>											
<b>PASSED THROUGH THE PA COMMISSION ON CRIME AND DELINQUENCY (PCCD)</b>											
COVID-19 CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	I	21.027	2023-CM-01-41555	7/1/24 - 12/31/25	\$ 122,742	\$ 86,552	\$ -	\$ 104,353	\$ 104,353	\$ 17,801	2
<b>TOTAL U.S DEPARTMENT OF THE TREASURY</b>						86,552	-	104,353	104,353	17,801	
<b>U.S. DEPT. OF EDUCATION</b>											
<b>PASSED THROUGH THE PA DEPARTMENT OF EDUCATION (PDE)</b>											
TITLE IA - IMPROVING BASIC PROGRAMS	I	84.010	FA-013-24-0317	7/1/23 - 9/30/24	\$ 418,624	(4,938)	(4,938)	-	-	-	2
TITLE IA - IMPROVING BASIC PROGRAMS	I	84.010	FA-013-25-0317	7/1/24 - 9/30/25	\$ 384,132	96,033	-	384,132	384,132	288,099	5
<b>TOTAL TITLE I PROGRAM</b>						91,095	(4,938)	384,132	384,132	288,099	4
<b>PASSED THROUGH THE PDE</b>											
TITLE IIIA - SUPPORTING EFFECTIVE INSTRUCTION	I	84.367	FA-020-24-0317	7/1/23 - 9/30/24	\$ 59,643	4,403	4,403	-	-	-	2
TITLE IIIA - SUPPORTING EFFECTIVE INSTRUCTION	I	84.367	FA-020-25-0317	7/1/24 - 9/30/25	\$ 53,164	21,172	-	84,689	84,689	63,517	5
<b>TOTAL TITLE II PROGRAM</b>						25,575	4,403	84,689	84,689	63,517	
<b>PASSED THROUGH THE PDE</b>											
TITLE IVA - STUDENT SUPPORT AND ACADEMIC ENRICHMENT	I	84.424	FA-144-24-0317	7/1/23 - 9/30/24	\$ 26,053	-	-	-	-	-	2
TITLE IVA - STUDENT SUPPORT AND ACADEMIC ENRICHMENT	I	84.424	FA-144-25-0317	7/1/24 - 9/30/25	\$ 31,525	-	-	-	-	-	4
<b>TOTAL TITLE IV PROGRAM</b>						-	-	-	-	-	
<b>PASSED THROUGH THE PDE</b>											
COVID-19 AMERICAN RESCUE PLAN - ESSER (ARP-ESSER)	I	84.425U	223-21-0317	3/13/20 - 9/30/24	\$ 2,397,403	915,372	778,964	136,410	136,410	-	2
COVID-19 ARP-ESSER - LEARNING LOSS SET ASIDE	I	84.425U	FA-225-21-0317	3/13/20 - 9/30/24	\$ 133,094	29,039	29,039	-	-	-	
COVID-19 ARP-ESSER - SUMMER SCHOOL SET ASIDE	I	84.425U	FA-225-21-0317	3/13/20 - 9/30/24	\$ 26,619	5,806	5,806	-	-	-	
COVID-19 ARP-ESSER - AFTER SCHOOL SET ASIDE	I	84.425U	FA-225-21-0317	3/13/20 - 9/30/24	\$ 26,619	5,807	5,807	-	-	-	
<b>TOTAL EDUCATION STABILIZATION FUND</b>						956,024	819,616	136,410	136,410	-	
<b>PASSED THROUGH THE CARBON-LEHIGH I.U.</b>											
IDEA, PART B	I	84.027	N/A	7/1/23 - 9/30/24	\$ 442,381	442,381	442,381	-	-	-	2
IDEA, PART B	I	84.027	N/A	7/1/24 - 9/30/25	\$ 441,093	-	-	441,093	441,093	441,093	1
IDEA SECTION 619 - PRESCHOOL	I	84.173	N/A	7/1/23 - 9/30/24	\$ 4,884	4,884	4,752	132	132	-	1
IDEA SECTION 619 - PRESCHOOL	I	84.173	N/A	7/1/24 - 9/30/25	\$ 3,900	-	-	3,900	3,900	3,900	1
<b>TOTAL IDEA CLUSTER</b>						447,265	447,133	445,125	445,125	444,993	
<b>TOTAL U. S. DEPARTMENT OF EDUCATION</b>						1,519,959	1,266,214	1,050,356	1,050,356	796,609	
<b>U. S. DEPARTMENT OF AGRICULTURE</b>											
<b>PASSED THROUGH THE PDE</b>											
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/1/23 - 6/30/24	N/A	-	-	-	-	-	2
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/1/24 - 6/30/25	N/A	434,033	-	445,923	445,923	11,890	
SEVERE NEED BREAKFAST	I	10.553	N/A	7/1/23 - 6/30/24	N/A	579	579	-	-	-	
SEVERE NEED BREAKFAST	I	10.553	N/A	7/1/24 - 6/30/25	N/A	151,661	-	156,374	156,374	4,713	
<b>PASSED THROUGH THE PA DEPT. OF AGRICULTURE</b>											
NATIONAL SCHOOL LUNCH - USDA COMMODITIES	I	10.555	N/A	7/1/24 - 6/30/25	N/A	71,017	(26,785)	95,915	95,915	(1,887)	2
<b>TOTAL CHILD NUTRITION CLUSTER</b>						657,290	(26,206)	698,212	698,212	14,716	3
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>						657,290	(26,206)	698,212	698,212	14,716	
<b>TOTAL FEDERAL FINANCIAL AWARDS</b>						\$ 2,263,801	\$ 1,240,008	\$ 1,852,921	\$ 1,852,921	\$ 829,126	

SOURCE: D -DIRECT; I -INDIRECT

**Palmerton Area School District  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2025**

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**Note 1 - Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Palmerton Area School District under programs of the federal government for the year ended June 30, 2025. The information in this schedule is presented in accordance with the requirements of the 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 Palmerton Area School District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Palmerton Area School District.

**Note 2 - Significant Accounting Policies**

The accompanying Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting for all federal awards charged to governmental funds and on the accrual basis of accounting for all federal awards charged to proprietary funds, as contemplated by accounting principles, generally accepted in the United States of America.

**Note 3 - Organization and Scope**

The District recognized 2.8% of its total general fund revenue in federal awards, and 55.1% of its total enterprise fund revenue.

**Note 4 - Indirect Costs**

The District did not charge any indirect costs to any of their federal grants and programs during this fiscal year. As such, the School did not use the 10% de minimis cost rate.

**Note 5 - Program Disclosure - Footnotes**

1. The federal awards passed through the Carbon - Lehigh Intermediate Unit, under the U.S. Department of Education heading, is part of a consortium of participating school districts. In accordance with directions from the Commonwealth of Pennsylvania, these awards are reported on the basic financial statements as local source revenue.
2. The Federal Grants were passed through the following entities in the total below:

<u>Passed through</u>	<u>Total Awards</u>	<u>Total Expenditures</u>
PA Department of Education	\$ 2,866,224	\$ 1,207,528
PA Commission on Crime and Delinquency	122,742	104,353
Carbon-Lehigh I.U.	449,877	445,125
PA Department of Agriculture	N/A	95,915
<b>Totals</b>	<b>\$ 3,438,843</b>	<b>\$ 1,852,921</b>

3. The District received non-monetary assistance from the U.S. Department of Agriculture of \$71,017 in the form of commodities. These commodities are valued at U.S.D.A.'s approximate costs. During the 2024-25 fiscal year, the District used \$95,915 in commodities and established a year-end inventory of \$1,887 at June 30, 2025.

**Palmerton Area School District  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2025**

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4. As allowed by federal regulations, the Palmerton Area School District elected to transfer program funds. The District expended \$31,525 from its Title IV, Part A Student Support and Academic Enrichment Program (84.424) on allowable activities of the Title II Part A Supporting Effective Instruction Program (84.367). This amount is reflected in the expenditures of the Title II Program on the SEFA.
  
5. Due to funding adjustments by PDE for awards originally made in the 2023-24 fiscal year, the District paid \$4,938 for Title I and \$200 for Title II back to the Pennsylvania Department of Education during the 2024-25 fiscal year. These amounts are reported as adjustments to the opening balances reported in the opening Accrued or (Deferred) column of the SEFA. These amounts were included as reductions to federal revenue on the basic financial statements, but are not reported as revenue on the Schedule of Expenditures of Federal Awards.
  
6. The Transportation Access passed through the Carbon-Lehigh I.U. is reflected as federal local source revenue on the basic financial statements; however, pursuant to instructions from the Commonwealth of PA, it is not reported as revenue on the Schedule of Expenditures of Federal Awards.

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**FINANCIAL STATEMENT RECONCILIATION**

General Fund Federal Source Revenues	\$ 704,446
Federal Grants in Local Sources	457,868
Food Service Fund Federal Revenue	<u>698,212</u>
<b>Total Federal Revenue, per financial statements</b>	<b>1,860,526</b>
Less - Transportation Access	(12,743)
Plus - Title I Funding Adjustment	4,938
Plus - Title II Funding Adjustment	200
<b>Federal Revenue on SEFA</b>	<b><u>\$ 1,852,921</u></b>

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**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**

Board of School Directors  
Palmerton Area School District  
680 Fourth Street  
Palmerton, PA 18071

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison statement of the general fund of the Palmerton Area School District, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Palmerton Area School District's basic financial statements, and have issued our report thereon dated December 3, 2025.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Palmerton Area School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Palmerton Area School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Palmerton Area School District's internal control.

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

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

**Report on Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Northampton, Pennsylvania  
December 3, 2025



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

Board of School Directors  
Palmerton Area School District  
680 Fourth Street  
Palmerton, PA 18071

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Palmerton Area School District'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 Palmerton Area School District's major federal programs for the year ended June 30, 2025. Palmerton Area School District'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, Palmerton Area School District 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 June 30, 2025.

***Basis for 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 the Palmerton Area School District 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 of the Palmerton Area School District'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 the Palmerton Area School District'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 the Palmerton Area School District'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 the Palmerton Area School District'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 the Palmerton Area School District'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 the Palmerton Area School District'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 the Palmerton Area School District'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***

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that consider to be significant deficiencies.

*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 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.

**Palmerton Area School District**

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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.

Respectfully submitted,

*Manna & Associates, P.C.*

Northampton, Pennsylvania  
December 3, 2025

**Palmerton Area School District  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2025**

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**Section I - Summary of Auditor Results**

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**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) Identified?  yes  no

Significant Deficiencies identified that are not considered to be material weaknesses?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

**Federal Awards**

Internal control over major programs:

Material weakness(es) Identified?  yes  no

Significant Deficiencies identified that are not considered to be material weaknesses?  yes  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 section 200.516 of the Uniform Guidance?  yes  no

Identification of major program:

AL Number(s)	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster
84.027, 84.173	Special Education (IDEA) Cluster

Percentage of programs tested to total awards 61.7%

Dollar threshold used to distinguish between type A and type B program: \$ 750,000

Auditee qualified as low-risk auditee?  yes  no

**Palmerton Area School District  
Schedule of Prior Year Findings  
For the Year Ended June 30, 2025**

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**Section II – Financial Statement Findings**

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There were no findings discovered, relating to the financial statements, which are required to be reported in accordance with generally accepted government auditing standards.

**Section III – Findings and Questioned Costs for Federal Awards**

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We did not discover any findings or questioned costs on federal awards, in accordance with Uniform Guidance Section 200.516.

*Audit Follow-Up Procedures*

We did not perform follow-up procedures, since there were no findings in the prior year.

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**APPENDIX D**  
**Form of Continuing Disclosure Certificate**

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## CONTINUING DISCLOSURE CERTIFICATE

Re: PALMERTON AREA SCHOOL DISTRICT,  
Carbon County, Pennsylvania  
\$[ ] Aggregate Principal Amount  
General Obligation Bonds, Series of 2026  
Dated [ ], 2026

[ ], 2026

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by Palmerton Area School District, in Carbon County, Pennsylvania (the “School District”), in connection with the issuance of its General Obligation Bonds, Series of 2026 (the “Bonds”), dated the date of delivery of the Bonds. The Bonds are being issued pursuant to a resolution adopted by the Board of School Directors of the School District (the “Resolution”). The School District makes the following certifications and representations as an inducement to the Participating Underwriter and others to purchase the Bonds:

**SECTION 1. Purpose of the Disclosure Certificate.** This Disclosure Certificate is being executed and delivered by the School District for the benefit of the holders of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

**SECTION 2. Definitions.** In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report filed by the School District pursuant to, and as described in, Section 3 of this Disclosure Certificate.

“Bondholder” shall mean any registered owner of the Bonds or any person who (i) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any of the Bonds (including persons holding through any nominee, securities depository or other intermediary) or (ii) is treated as the holder of any Bonds for federal income tax purposes.

“Business Day” shall mean a day other than a Saturday, a Sunday, or a day on which the New York Stock Exchange is closed or a day on which banks located in the Commonwealth are authorized or required by law or executive order to close.

“Commonwealth” shall mean the Commonwealth of Pennsylvania.

“EMMA” shall mean the MSRB’s Electronic Municipal Market Access System at <http://emma.msrb.org>.

“Financial Obligation” shall mean (i) a debt obligation; (ii) a derivative instrument entered into in connection with, or pledged as security or a source of

payment for, an existing or planned debt obligation; or (iii) a guarantee of either (i) or (ii) above. The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Listed Events” shall mean any of the events listed in Section 5 of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board. *As of the date of this Disclosure Certificate, the rules of the MSRB require all filings described herein shall be made using EMMA.*

“Obligated Person” shall mean, for purposes of this Disclosure Certificate, the School District.

“Official Statement” shall mean the final official statement relating to the Bonds prepared by or on behalf of the School District and distributed in connection with the offering and sale of the Bonds by the Participating Underwriters.

“Participating Underwriters” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the primary offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” shall mean the United States Securities and Exchange Commission.

**SECTION 3. Filing of Annual Reports.** The School District shall file annually with the MSRB, on or before April 1, 2027, and on or before April 1 of each year thereafter, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate.

The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided, however, that if the audited financial statements of the School District for the most recent completed fiscal year are not available to be included in the Annual Report when filed, such audited financial statements may be filed separately from the balance of the Annual Report, as provided in the following paragraph.

If the audited financial statements of the School District for the most recent fiscal year are not available as of the date on which the Annual Report is to be filed, the audited financial statements shall be filed with the MSRB as soon as they are available, and the Annual Report, when filed, shall contain a statement to that effect and a statement of the date by which the School District reasonably expects the audited financial statements to become available and to be filed with the MSRB.

SECTION 4. Content of Annual Reports. The School District's Annual Report shall contain or incorporate by reference the following financial information and operating data with respect to the School District:

(a) *for the most recent completed fiscal year:* financial statements prepared in accordance with generally accepted accounting principles for Pennsylvania public school districts, and audited in accordance with generally accepted auditing standards;

(b) *for the most recent completed fiscal year:* the real property tax collection results, including (a) the real estate levy imposed (expressed both as a millage rate and an aggregate dollar amount), (b) the dollar amount of real estate taxes collected that represented current collections (expressed as an aggregate dollar amount), (c) the amount of real estate taxes collected that represented taxes levied in prior years (expressed as an aggregate dollar amount), and (d) the total amount of real estate taxes collected (expressed as an aggregate dollar amount);

(c) *for the then current fiscal year:* a summary of the budget;

(d) *for the then current fiscal year:* the total assessed value and aggregate market value of all taxable real estate; and

(e) *for the then current fiscal year:* the taxes and millage rates imposed.

The School District reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information to the extent necessary or appropriate as a result of a change in legal requirements or a change in the nature of the School District or its operations or financial reporting, but the School District will agree that any such modification will be done in a manner consistent with the Rule.

SECTION 5. Notices of Late Filing of Annual Information. If the School District has failed to file, or is unable to file, all or any portion of the Annual Report with the MSRB within the time set forth in Section 3 above, the School District will file, in a timely manner, a notice with the MSRB stating such fact and, if appropriate, the date by which the School District expects to file such Annual Report.

SECTION 6. Reporting of Listed Events. In a timely manner not in excess of ten (10) Business Days after the occurrence of the event, the School District will file with the MSRB notice of the occurrence of any of the following events with respect to the Bonds:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax-exempt status of the Bonds;

- (7) modifications to rights of holders of the Bonds, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the School District;
- (13) the consummation of a merger, consolidation, or acquisition involving the School District or the sale of all or substantially all of the assets of the School District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) appointment of a successor or additional trustee, or the change of name of a trustee, if material;
- (15) incurrence of a Financial Obligation of the Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Obligated Person, any of which affect security holders, if material; and
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Obligated Person, any of which reflect financial difficulties.

*(Note:* The events listed above are those specified in the Rule, not all of which may be relevant to the Bonds.)

The School District may from time to time choose to provide notice of the occurrence of certain other events affecting the Bonds or the School District, in addition to those listed above, if, in the judgment of the School District, such other event is material with respect to the Bonds, but the School District does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

SECTION 7. Manner of Filing. All filings to be made with the MSRB in accordance with this Disclosure Certificate are to be filed in such electronic format as is prescribed by the MSRB and accompanied by such identifying information as is prescribed by the MSRB.

As of the date of this Disclosure Certificate, the rules of the MSRB require all such filings to be made using EMMA.

SECTION 8. Dissemination Agent. The School District may, at any time and from time to time, appoint or engage another person (the “Dissemination Agent”) to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge such Dissemination Agent, with or without appointing a successor and without notice to Bondholders.

SECTION 9. Termination of Disclosure Obligation. The School District’s obligations under this Disclosure Certificate shall terminate upon the prior redemption, defeasance or payment

in full of all of the Bonds or if and when the School District no longer remains an “obligated person” with respect to the Bonds, within the meaning of the Rule.

SECTION 10. Default. In the event of a failure of the School District to comply with any provision of this Disclosure Certificate, any Bondholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the School District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the School District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the School District, the Participating Underwriters and Bondholders, and shall create no rights in any other person or entity.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the School District causes this Continuing Disclosure Certificate to be executed on its behalf by the President of the Board of School Directors all as of the date set forth above.

PALMERTON AREA SCHOOL DISTRICT,  
Carbon County, Pennsylvania

By: \_\_\_\_\_  
President of the Board of  
School Directors

**APPENDIX E**  
**Specimen Municipal Bond Insurance Policy**

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