

**BOROUGH OF CATASAUQUA
LEHIGH COUNTY, PENNSYLVANIA
FINANCIAL STATEMENTS
DECEMBER 31, 2020**

BOROUGH OF CATASAUQUA

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INDEPENDENT AUDITORS' REPORT

To the Borough Council
Borough of Catasauqua
Catasaqua, Pennsylvania

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the Borough of Catasauqua, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Catasauqua, as of December 31, 2020, and the respective changes in cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the cash basis of accounting described in Note 1.

Basis of Accounting

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

Emphasis of Matters

As discussed in Note 12 to the financial statements, the United States is currently operating under a state of National Emergency due to the Coronavirus Pandemic. Our opinion is not with respect to this matter.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the Borough of Catasauqua's basic financial statements. The budgetary comparison information and pension information on pages 36 and 37 - 38, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Kirk, Summa & Co. LLP

January 4, 2022
East Stroudsburg, Pennsylvania

BOROUGH OF CATASAUQUA
 LEHIGH COUNTY, PENNSYLVANIA
 STATEMENT OF NET POSITION - CASH BASIS
 DECEMBER 31, 2020

	Governmental Activities	Business-type Activities	Totals
<u>ASSETS</u>			
Cash and cash equivalents	\$ 157,074	\$ 93,450	\$ 250,524
Interfund balances	4,746	147,446	152,192
Capital assets, net of depreciation	-	5,191,199	5,191,199
TOTAL ASSETS	161,820	5,432,095	5,593,915
<u>LIABILITIES</u>			
Interfund balances	63,975	88,217	152,192
Other liabilities	76,988	-	76,988
Current portion of long-term debt	-	266,205	266,205
Long-term debt	-	3,921,741	3,921,741
TOTAL LIABILITIES	140,963	4,276,163	4,417,126
<u>NET POSITION</u>			
Net investment in capital assets	-	1,003,253	1,003,253
Restricted for:			
Liquid fuels	195,268	-	195,268
Escrows	76,988	-	76,988
Unrestricted	(251,399)	152,679	(98,720)
TOTAL NET POSITION	\$ 20,857	\$ 1,155,932	\$ 1,176,789

See accompanying notes to basic financial statements.

BOROUGH OF CATASAUQUA
 LEHIGH COUNTY, PENNSYLVANIA
 STATEMENT OF ACTIVITIES - CASH BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2020

Program Activities	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities
Governmental activities:					
General government administration	\$ 752,784	\$ -	\$ 201,649	\$ (551,135)	\$ -
Public safety and protective inspection	1,367,657	841,013	30,694	(495,950)	-
Public works	1,345,713	4,355	421,418	(919,940)	-
Culture and recreation	243,160	-	-	(243,160)	-
Community development	571,725	-	-	(571,725)	-
Insurance	101,431	-	-	(101,431)	-
Employee benefits	673,858	-	-	(673,858)	-
Interest and debt related	770,896	-	-	(770,896)	-
Miscellaneous and other	80	-	-	(80)	-
Depreciation - unallocated	-	-	-	-	-
Total governmental activities	5,827,304	845,368	653,761	(4,328,175)	-
Business-type activities:					
Sewer	1,452,062	1,624,005	-	-	171,943
Wastewater collection	262,253	183,035	-	-	(79,218)
Water	906,459	682,196	-	-	(224,263)
Total business-type activities	2,620,774	2,489,236	-	-	(131,538)
Total primary government	\$ 8,448,078	\$ 3,334,604	\$ 653,761	\$ (4,328,175)	\$ (131,538)
					\$ (4,459,713)

See accompanying notes to basic financial statements.

BOROUGH OF CATASAUQUA
 LEHIGH COUNTY, PENNSYLVANIA
 STATEMENT OF ACTIVITIES - CASH BASIS - CONTINUED
 FOR THE YEAR ENDED DECEMBER 31, 2020

	Net (Expenses) Revenues and Changes in Net Position		
	Governmental Activities	Business-type Activities	Totals
General revenues:			
Property taxes, levied for general purposes	2,193,867	-	2,193,867
Other taxes levied for general purposes	907,583	-	907,583
Licenses and permits	157,426	-	157,426
Fines and forfeits	23,236	-	23,236
Investment earnings	3,360	1,171	4,531
Miscellaneous income	274,593	-	274,593
Gain (loss) on disposal of assets	16,356	-	16,356
Transfers between funds	20,000	(20,000)	-
Total general revenues and transfers	3,596,421	(18,829)	3,577,592
Change in Net Position	(731,754)	(150,367)	(882,121)
Net position at beginning of year	752,611	1,306,299	2,058,910
Net Position at End of Year	\$ 20,857	\$ 1,155,932	\$ 1,176,789

See accompanying notes to basic financial statements.

BOROUGH OF CATASAUQUA
LEHIGH COUNTY, PENNSYLVANIA
BALANCE SHEETS - CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	Major Funds		Non-major Funds			Total
	General Fund	Liquid Fuels Fund	Debt Service Fund	Community Development Fund	Governmental Funds	
ASSETS						
Cash and cash equivalents	\$ -	\$ 195,268	\$ -	\$ 2,513	\$ 197,781	
Interfund receivables:						
Business-type-funds	4,746	-	-	-	4,746	
TOTAL ASSETS	\$ 4,746	\$ 195,268	\$ -	\$ 2,513	\$ 202,527	
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Overdraft	\$ 40,707	\$ -	\$ -	\$ -	\$ 40,707	
Interfund payables:						
Business-type-funds	59,229	-	-	4,746	63,975	
Escrow payable	76,988	-	-	-	76,988	
TOTAL LIABILITIES	176,924	-	-	4,746	181,670	
FUND BALANCES						
Restricted	76,988	195,268	-	-	272,256	
Unassigned-as restated	(249,166)	-	-	(2,233)	(251,399)	
TOTAL FUND BALANCES	(172,178)	195,268	-	(2,233)	20,857	
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,746	\$ 195,268	\$ -	\$ 2,513	\$ 202,527	

See accompanying notes to basic financial statements.

**BOROUGH OF CATASAUQUA
LEHIGH COUNTY, PENNSYLVANIA
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES -CASH BASIS - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Major Funds		Nonmajor Funds		Total
	General Fund	Liquid Fuels Fund	Community Development Fund	Debt Service Fund	Governmental Funds
Revenues:					
Taxes	\$ 3,101,449	\$ -	\$ -	\$ -	\$ 3,101,449
Licenses and permits	157,426	-	-	-	157,426
Fines	23,236	-	-	-	23,236
Interest and rents	2,816	541	7	-	3,364
Intergovernmental	637,280	185,289	-	-	822,569
Charges for services	844,868	-	-	-	844,868
Miscellaneous	106,280	-	-	-	106,280
Total Revenues	4,873,355	185,830	7	-	5,059,192
Expenditures:					
General government	752,784	-	-	-	752,784
Public safety and protective inspection	1,367,657	-	-	-	1,367,657
Sanitation	731,720	-	-	-	731,720
Highways and streets	616,093	110,626	-	-	726,719
Storm water & flood control	330	-	-	-	330
Culture and recreation	243,160	-	-	-	243,160
Economic development	571,725	-	-	-	571,725
Debt service - principal	0	-	-	464,285	464,285
Debt service - interest	0	-	-	306,611	306,611
Insurance	101,431	-	-	-	101,431
Employee benefits	659,509	-	-	-	659,509
Pension	-	-	-	-	-
Unemployment	14,347	-	-	-	14,347
Total Expenditures	5,058,756	110,626	-	770,896	5,940,278
Excess (deficiency) in Revenues over expenses	(185,401)	75,204	7	(770,896)	(881,086)
Other Financing Sources (Uses);					
Proceeds from sale of Authority rights	16,356	-	-	-	16,356
Operation transfers in (out)	(637,920)	-	-	770,896	132,976
Total Other Financing Sources (Uses);	(621,564)	-	-	770,896	149,332
Net changes in fund balances	(806,965)	75,204	7	-	(731,754)
Fund balances at beginning of year	634,787	120,064	(2,240)	-	752,611
Fund balances at end of year	\$ (172,178)	\$ 195,268	\$ (2,233)	\$ -	\$ 20,857

See accompanying notes to basic financial statements.

BOROUGH OF CATASAUQUA
 LEHIGH COUNTY, PENNSYLVANIA
 STATEMENT OF NET POSITION - CASH BASIS
 PROPRIETARY FUNDS
 DECEMBER 31, 2020

	Sewer Fund	Wastewater Collection Fund	Water Fund	Total Proprietary Funds
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 18,168	\$ 63,315	\$ 11,968	\$ 93,451
Due from other funds	101,195	25,658	20,593	147,446
Total Current Assets	119,363	88,973	32,561	240,897
Capital Assets:				
Sewer system, net of accumulated depreciation	4,820,848	99,940	-	4,920,788
Water system, net of accumulated depreciation	-	-	270,411	270,411
TOTAL ASSETS	\$ 4,940,211	\$ 188,913	\$ 302,972	\$ 5,432,096
LIABILITIES				
Current Liabilities				
Due to other funds	\$ -	\$ 1,475	\$ 86,742	\$ 88,217
Current portion of long-term debt	235,000	-	25,313	260,313
Total Current Liabilities	235,000	1,475	112,055	348,530
Noncurrent Liabilities				
Water revenue notes payable, net of current portion	-	-	32,633	32,633
Bonds payable, net of current portion	3,895,000	-	-	3,895,000
Total Noncurrent Liabilities	3,895,000	-	32,633	3,927,633
TOTAL LIABILITIES	4,130,000	1,475	144,688	4,276,163
NET POSITION				
Net investment in capital assets	690,848	99,940	212,465	1,003,253
Unrestricted	119,363	87,498	(54,181)	152,680
TOTAL NET POSITION	\$ 810,211	\$ 187,438	\$ 158,284	\$ 1,155,933

See accompanying notes to basic financial statements.

**BOROUGH OF CATASAUQUA
LEHIGH COUNTY, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION -
CASH BASIS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Sewer Fund	Wastewater Collection Fund	Water Fund	Total Proprietary Funds
Operating Revenues:				
Licenses & permits	\$ 7,000	\$ -	\$ -	\$ 7,000
Charges for services	1,581,060	187,916	665,725	2,434,701
Miscellaneous	35,884			35,884
Total Operating Revenues	1,623,944	187,916	665,725	2,477,585
Operating Expenses:				
Personnel services	568,357	199,968	416,457	1,184,782
Maintenance, operations, and contract services	347,567	47,103	282,002	676,672
Supplies	51,383	6,135	14,889	72,407
Materials	-	1,013	84,093	85,106
Utilities	76,267	-	58,575	134,842
Depreciation	309,807	8,034	31,847	349,688
Total Operating Expenses	1,353,381	262,253	887,863	2,503,497
NET OPERATING INCOME (LOSS)	270,563	(74,337)	(222,138)	(25,912)
Nonoperating Revenues (Expenses)				
Interest income	374	427	552	1,353
Interest expense	(98,680)	-	(7,126)	(105,806)
Total Nonoperating Revenues (Expenses)	(98,306)	427	(6,574)	(104,453)
Net Income(loss) Before Operating Transfers				
Operating transfers	-	(5,000)	(15,000)	(20,000)
CHANGE IN NET POSITION	172,257	(78,910)	(243,712)	(150,365)
NET POSITION - BEGINNING OF YEAR	637,954	266,348	401,996	1,306,298
NET POSITION - END OF YEAR	\$ 810,211	\$ 187,438	\$ 158,284	\$ 1,155,933

See accompanying notes to basic financial statements.

BOROUGH OF CATASAUQUA
 LEHIGH COUNTY, PENNSYLVANIA
 STATEMENT OF CASH FLOWS - CASH BASIS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2020

	Sewer Fund	Wastewater Collection Fund	Water Fund	Total Proprietary Funds
Cash flows from operating activities:				
Receipts from customers	\$ 1,623,944	\$ 187,916	\$ 698,125	\$ 2,509,985
Payments to employees	(568,357)	(199,968)	(416,457)	(1,184,782)
Payments to suppliers	(475,217)	(54,251)	(439,559)	(969,027)
Net Cash provided by operating activities	580,370	(66,303)	(157,891)	356,176
Cash flows from non-capital financing activities:				
Operating transfers	-	(5,000)	(15,000)	(20,000)
Net cash (used) by non-capital financing activities	-	(5,000)	(15,000)	(20,000)
Cash flows from capital and related financing activities:				
Interest paid on capital debt	(98,680)	-	(7,126)	(105,806)
Principal paid on capital debt	(235,000)	-	(25,313)	(260,313)
Net cash (used) by capital and related financing activities	(333,680)	-	(32,439)	(366,119)
Cash flows from investing activities:				
Purchases of capital assets	(236,985)	-	(20,521)	(257,506)
Interfund borrowings, net	(85,000)	(10,000)	85,000	(10,000)
Interest earned on cash and investments	374	427	552	1,353
Net cash (used) by investing activities	(321,611)	(9,573)	65,031	(266,153)
Net increase in cash and cash equivalents	(74,921)	(80,876)	(140,299)	(296,096)
Cash at beginning of year	93,089	144,191	152,267	389,547
Cash at end of year	\$ 18,168	\$ 63,315	\$ 11,968	\$ 93,451
Reconciliation of Operating Profit (Loss) to net cash provided by (used for) Operating Activities				
Operating Income (Loss)	\$ 270,563	\$ (74,337)	\$ (222,138)	\$ (25,912)
Adjustments to reconcile operating loss to net cash used for operating activities:				
Depreciation expense	309,807	8,034	31,847	349,688
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ 580,370	\$ (66,303)	\$ (190,291)	\$ 323,776

See accompanying notes to basic financial statements.

BOROUGH OF CATASAUQUA
 LEHIGH COUNTY, PENNSYLVANIA
 STATEMENT OF NET POSITION - CASH BASIS
 FIDUCIARY FUNDS
 DECEMBER 31, 2020

	Police Pension Plan	Nonuniform Pension Plan	Total Pension Trust Funds
<u>ASSETS</u>			
Investments	\$ 3,321,464	\$ 3,232,814	\$ 6,554,278
TOTAL ASSETS	<u>\$ 3,321,464</u>	<u>\$ 3,232,814</u>	<u>\$ 6,554,278</u>
<u>LIABILITIES</u>			
Accrued pension payments	\$ -	\$ -	\$ -
<u>NET POSITION</u>			
Net position held in trust for pension benefits	3,321,464	\$ 3,232,814	6,554,278
TOTAL LIABILITIES AND NET POSITION	<u>\$ 3,321,464</u>	<u>\$ 3,232,814</u>	<u>\$ 6,554,278</u>

See accompanying notes to basic financial statements.

**BOROUGH OF CATASAUQUA
LEHIGH COUNTY, PENNSYLVANIA
STATEMENT OF CHANGES IN NET POSITION - CASH BASIS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Police Pension Plan	Nonuniform Pension Plan	Total Pension Trust Funds
ADDITIONS:			
Contributions:			
Employer	\$ -	\$ -	\$ -
Employee	56,923	-	56,923
Commonwealth	96,754	90,352	
Interest and dividends	46,625	44,742	91,367
Investment gain	256,687	252,234	508,921
TOTAL ADDITIONS	456,989	387,328	657,211
Deductions:			
Benefit payments, including tax withheld	299,264	114,330	413,594
Administrative expenses	19,527	18,897	38,424
TOTAL DEDUCTIONS	318,791	133,227	452,018
CHANGE IN NET POSITION	138,198	254,101	205,193
Held in Trust for Pension Benefits:			
Beginning of year	3,183,266	2,978,713	6,161,979
End of year	\$ 3,321,464	\$ 3,232,814	\$ 6,554,278

See accompanying notes to basic financial statements.

**BOROUGH OF CATASAUQUA
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

The Borough of Catasauqua (the Municipality) was organized in 1853 and operates as a borough in Lehigh County, Pennsylvania. The Borough Council, a seven-member group, and a Mayor, is the level of government responsible for providing a full range of municipal services including those mandated by statute or ordinance. These include public safety, highways and streets, culture and recreation, public improvements, planning and zoning, and general administrative services. The borough receives funding from local and state government sources and must comply with the concomitant requirements of these funding source entities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

In evaluating the Borough as a primary government, management has addressed all potential component units. Consistent with applicable guidance, the criteria used by the Borough to evaluate the possible inclusion of related entities within its reporting entity are financial accountability and the nature and significance of the relationship. No component units meet the criteria for inclusion.

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position (cash basis) and the statement of activities (cash basis)) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities (cash basis) demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from services or privileges provided by a given function or segment and 2) grants that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual government funds are reported as separate columns in the fund financial statements.

C. Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate financial statements are provided for the governmental funds, proprietary funds, and fiduciary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as one column (non-major funds) on the fund financial statements.

BOROUGH OF CATASAUQUA
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

C. Fund Financial Statements- continued

The Borough Reports the following Major Governmental Funds:

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

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

The Borough's major special revenue fund is:

Liquid Fuels Highway Aid Fund – This fund is used to account for the proceeds from the Commonwealth of Pennsylvania and is restricted in uses for the maintenance, repair, and construction of roads, streets, and bridges for which the Borough is responsible.

The Borough Reports the following Nonmajor Governmental Funds:

Community Development Fund – This fund is used to account for the proceeds from the Commonwealth of Pennsylvania and is restricted in uses for the maintenance, repair, and construction of roads, streets, and bridges for which the Borough is responsible.

Debt Service Fund – This fund accounts for the accumulation of resources for, and payment of, interest and principal on long-term obligations.

The Borough Reports the following Major Enterprise Funds:

Enterprise Funds – These funds are used to account for business-like activities provided to the general public. Activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The Borough's major enterprise funds are the following:

Sewer Fund – is used to account for the operation of the sewer collection system which is operated as a public utility and not included as a regular function in the general fund.

Water Fund – is used to account for the operation of the water collection system which is operated as a public utility and not included as a regular function in the general fund.

Waste Water Collection Fund – is used to account for the operation of the water collection system which is operated as a public utility and not included as a regular function in the general fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Additionally, the Borough Reports the Following Fund Types:

Fiduciary Funds – The Borough's fiduciary funds are trust funds. Trust funds are used to account for assets held by the Borough under a trust agreement for individuals, private organizations, or other governments and, therefore are not available to support the Borough's own programs. The Borough's pension trust funds include:

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

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

D. Measurement focus, basis of accounting, and financial statement presentation

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

1. Measurement Focus

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

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

- All governmental funds utilize a current financial resources measurement focus within the limitations of the cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

D. Measurement focus, basis of accounting, and financial statement presentation - continued

- The proprietary funds utilize an economic resources measurement focus within the limitations of the cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), net financial position, and cash flows. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent or financial or nonfinancial) associated with their activities are generally reported within the limitations of the cash basis of accounting.
- The fiduciary funds utilize an economic resources measurement focus within the limitations of the cash basis of accounting. All assets and liabilities (whether current or noncurrent or financial or nonfinancial) associated with their activities are generally reported within the limitations of the cash basis of accounting.

2. Basis of Accounting

The financial statements are presented in accordance with a cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. The basis of accounting involves modifications to the cash basis of accounting to report in the statements of net position or balance sheet transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transactions or event occurred. Such reported balance include investments, interfund receivables and payables, payroll taxes withheld, developer escrows, capital assets for governmental and enterprise funds, and all long-term debt obligations arising from cash transactions or events for both enterprise and governmental funds.

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

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

BOROUGH OF CATASAUQUA
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

E. Cash

For purposes of reporting cash flows, the proprietary fund type funds consider all cash accounts which are not subject to withdrawal restrictions or penalties, and all highly-liquid debt investments purchased with a maturity of three months or less to be cash and cash equivalents.

F. Investments

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

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

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

G. Capital Assets

In the fund financial statements, capital assets arising from cash transactions are recorded as capital outlay expenditures (expenses) upon acquisition for governmental activities.

The government-wide and business-type funds (proprietary funds) use the cash basis of accounting for capital assets for both the government-wide statements of net position and the fund statements. Capital assets resulting from cash transactions are set up as assets and depreciation is reported as necessary. All business-type capital assets are valued at historical cost. Major improvements are capitalized, while maintenance and repairs of property and equipment and infrastructure costs are charged to operations. Upon retirement, sale, or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the amounts and a gain or loss is included in operations. Depreciation expense is recorded as an allocated expense to the appropriate function using the straight-line method of depreciation. A capitalization threshold of \$2,500 is used to report business-type capital assets.

Estimated useful lives are as follows:

Buildings, plant and improvements	10-40 years
Vehicles and transportation equipment	5-10 years
Machinery and equipment	5-10 years
Infrastructure	25-50 years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

H. Long-Term Debt

Governmental fund debt proceeds are reported as other financing sources in the fund financial statements and as a liability in the government-wide financial statements. Payment of principal and interest are reported as expenditures in the governmental fund statements and payment of principal is a reduction of a liability in the government-wide statements. Propriety fund debt is recorded as a liability in the fund financial statement and as a liability in the proprietary fund government-wide statements with interest expense recognized in the period paid.

I. Net Position/ Fund Balance Classifications

Government-Wide Statements, Proprietary Funds, and Fiduciary Funds

Net position is classified and displayed in three components:

Net investment in capital assets - This component groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balance of debt reduce the balance in this component.

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

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

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

Governmental Fund Financial Statements

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

Nonspendable fund balance – amounts that are not in spendable form (such as inventory) or are required to be maintained intact.

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the Borough itself, using its highest level of decision-making authority (i.e. Borough Council). To be reported as committed, amounts cannot be used for any other purpose unless the Borough makes the highest level action to remove or change the constraint.

Assigned fund balance – amounts the Borough intends to use for a specific purpose. Intent can be expressed by the Borough Council or by an official or body to which the Borough Council delegates the authority.

Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

BOROUGH OF CATASAUQUA
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

I. Net Position/ Fund Balance Classifications – continued

Fund Balance Policies

Spending Policy

The Borough does not have a formal fund balance policy regarding the use of restricted resources; therefore, the default policy from the government accounting standards will be used. Any disbursement incurred for a purpose in which restricted and unrestricted fund balance amounts are available are satisfied through restricted fund balance amounts before unrestricted fund balance amounts. When an expenditure is incurred for a purpose in which unrestricted fund balance amounts are available under committed, assigned, or unassigned fund balances, the fund balance is consumed as follows: committed, assigned, and unassigned.

Minimum Fund Balance Policy

The Borough has no formal minimum fund balance policies or any formal stabilization arrangements in place.

J. Program Revenues

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

General Government - Charges for services include receipts for licenses, franchise fees, fines, and permits. Operating grants include revenues for general government expenditures.

Public Safety - Charges for services include receipts for fines, permits, and sewage management charges. Operating grants include foreign fire insurance tax distribution from the Commonwealth of Pennsylvania and police grants.

Public Works: Sanitation - Charges for services include fees charged for refuse collection. Operating grants include recycling grants from the Commonwealth of Pennsylvania.

Public Works: Highways and Streets - Charges for services include traffic impact fees and storm water fees from developers. Operating grants include proceeds from the State Motor License Fund through the Commonwealth of Pennsylvania.

Culture and Recreation - Includes receipts from the Borough's recreation board activities. Employer Paid Benefits and Insurance - Includes general municipal pension system state aid from the Commonwealth of Pennsylvania.

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

K. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer fund are charges to customers for waste disposal treatment. Operating expenses for the sewer fund include personnel, maintenance, operations, contracted services, professional fees, materials and supplies, and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**BOROUGH OF CATASAUQUA
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

L. Property Taxes

Based upon assessed valuation provided by the County (approximately \$336,644,000 in 2020), the Borough bills and collects its own property taxes through an elected tax collector. The schedule for property taxes levied for 2020 is as follows:

March 1	Levy Date
March 1 through April 30	2% Discount Period
May 1 through June 30	Face Payment Period
July 1 through December 31	10% Penalty Period
January 1 (following year)	Lien Date

The Borough's tax rate for all purposes for 2020 was 6.1 mills (\$6.10 per \$1,000 of assessed taxable valuations).

Fund	Mills
General Fund	6.60
Total Mills	6.60

M. Compensated Absences

Accumulated unpaid vacation and sick pay benefits accrue based on length of service and employment. There was no material unused vacation or sick pay benefits as of December 31, 2020.

N. Other Postemployment Benefits

The Borough provides certain benefits for its retired employees. The cost of such benefit is charged it expense as the premiums are paid.

O. Use of Estimates

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

P. Budgets and Budgetary Accounting

The Borough adopts an annual operating budget, which can be amended by the council throughout the year. Formal budgetary accounting is employed as a management control for all funds of the Borough. However, legal budgets are adopted only for the general fund. For each of the funds for which a formal budget is adopted, the same basis of accounting is used to reflect actual revenues and expenditures recognized on the cash basis. For this reason, no reconciliation will be needed between budgeted and actual amounts.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

P. Budgets and Budgetary Accounting – continued

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. At least 30 days prior to budget adoption, the Borough prepares a proposed budget for the ensuing year.
2. Notification of the proposed budget and hearings on it are held by the Borough prior to adoption.
3. Prior to December 31st, the budget is legally enacted by the Borough and the tax levy ordinance is adopted.
4. The Borough, during the budget year, is authorized to modify the budget through either budget transfers or supplemental appropriations.
5. The budget lapses at the end of the year.

Prior to December 31st, the budget is legally enacted by the Borough and the tax levy ordinance is adopted.

Q. Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Pronouncements

The GASB has issued the following Statements which became effective in the current year as shown below:

Statement No.83 "*Certain Asset Retirement Obligations*" is effective for reporting periods beginning after June 15, 2018. This Statement addresses accounting and financial reporting for certain asset retirement obligations. This Statement has no impact on the Borough's financial statements.

Statement No.84 "*Fiduciary Activities*" is effective for reporting periods beginning after December 15, 2018. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB has postponed the effective date of this Statement; therefore, the Borough is still analyzing the impact this pronouncement has on its financial statements.

Statement No.87 "*Leases*" is effective for reporting periods beginning after December 15, 2019. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The Borough is still analyzing the impact this pronouncement has on its financial statements.

Statement No.88 "*Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*" is effective for reporting periods beginning after June 15, 2018. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The Borough has determined this Statement applies to their financial statements and has made the necessary changes in the disclosures.

Statement No.90 "*Majority Equity Interests – An Amendment of GASB #14 and #61*" is effective for reporting periods beginning after December 15, 2018. The objective of this Statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The Borough has determined this Statement has no impact on the financial statements.

**BOROUGH OF CATASAUQUA
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 – DEPOSITS AND INVESTMENTS

Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Borough's deposits may not be recovered. The Borough's policy for minimizing credit risk for bank balances exceeding the Federal Deposit Insurance Corporation's insured limits relies upon the Pennsylvania Pledge Act 72 (72 P.S. section 3836-1 et seq.). The act requires the financial institution to pool collateral for all of its government deposits in addition to having the collateral held by an approved custodian in the institution's name. At December 31, 2020 the carrying amount and bank deposit balance of the Borough's deposits were \$250,524 and \$557,290, respectively. Of the bank balance \$500,000 was covered by federal depository insurance.

Balances held in each category as of December 31, 2020 are as follows:

	Carrying Balance	Bank Balance
Total governmental funds	\$ 157,074	\$ 429,918
Business-type funds	93,450	127,372
Totals	\$ 250,524	\$ 557,290

Investments

Pension Trust Funds

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

As of December 31, 2020, the Borough had the following cash and investments in its pension trust funds:

<u>Cash or Investment Type</u>	Fair Market Value	Level
Mutual funds	\$ 6,554,278	1
Totals	\$ 6,554,278	

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

**BOROUGH OF CATASAUQUA
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 – DEPOSITS AND INVESTMENTS – continued

Credit Risk

The risk that an issuer or other counterparty to an investment will not fulfill its obligation is called credit risk. The pension trust funds have no formal investment policy that would limit its investment choices based on credit ratings by nationally recognized statistical rating organizations. As of December 31, 2019, the pension trust funds' investment in corporate bonds range in ratings from AA+ to BBB by Standard and Poor's.

Concentration of Credit Risk

The Borough places no limit on the amount the Borough may invest in any one issuer. There were no investments in the Police Pension Plan or the Nonuniformed Plan that constituted more than 5% of any of the plan net assets available for benefits at December 31, 2020. In addition, the plans did not have any investment transactions with related parties during the year.

Custodial Credit Risks

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Borough's custodial relates to investments in its Non-Uniform Pension Fund.

NOTE 3 – INTERFUND BALANCES

Fund	Due From Other Funds	Due To Other Funds
General Fund:		
Community Development	\$ 4,746	\$ -
Water Fund	-	19,069
Wastewater Treatment	-	16,195
Wastewater Collection	-	25,658
Community Development Fund:		
General Fund	-	4,746
Water Fund:		
General Fund	19,069	-
Wastewater Collection	1,524	-
Wastewater Treatment	-	85,000
Wastewater Collection		
General Fund	25,658	-
Water Fund	-	1,524
Wastewater Treatment		
General Fund	16,195	-
Water Find	85,000	-
Total	\$ 152,192	\$ 152,192

**BOROUGH OF CATASAUQUA
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 –LONG-TERM DEBT AND LIABILITIES – continued

The annual debt service requirements to maturity for governmental-type general obligation bonds are as follows as of December 31, 2020:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 280,000	\$ 281,395	\$ 561,395
2022	285,000	272,995	557,995
2023	295,000	264,445	559,445
2024	305,000	255,595	560,595
2025	315,000	246,445	561,445
2026	320,000	240,145	560,145
2027	325,000	233,745	558,745
2028	330,000	227,082	557,082
2029	340,000	220,070	560,070
2030	345,000	212,420	557,420
2031	355,000	204,312	559,312
2032	365,000	195,615	560,615
2033	370,000	186,490	556,490
2034	385,000	176,130	561,130
2035	395,000	165,350	560,350
2036	405,000	154,290	559,290
2037	415,000	142,950	557,950
2038	430,000	130,500	560,500
2039	440,000	117,600	557,600
2040	455,000	104,400	559,400
2041	470,000	90,750	560,750
2042	480,000	76,650	556,650
2043	495,000	62,250	557,250
2044	510,000	47,400	557,400
2045	525,000	32,100	557,100
2046	545,000	16,350	561,350
Totals	<u>\$ 10,180,000</u>	<u>\$ 4,357,474</u>	<u>\$ 14,537,474</u>

Business-Type Activities

General Obligation Bonds, Series A of 2016

On October 4, 2016 the Borough issued \$4,960,000 to advance refund the Borough's General Obligation Bond, Series of 2011. Interest rates varies from 0.72% to 3.0% and the maturity date is November 15, 2035. The bonds are subject to redemption prior to maturity.

As of December 31, 2020, general obligation bonds currently outstanding are as follows:

<u>DESCRIPTION</u>	<u>Interest Rate %</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Outstanding</u>
<u>Business-type Entities:</u>				
GOB Series A of 2016 20 year semi-annual payments	0.72% to 3.0%	10/04/2016	11/15/2035	\$ 4,130,000
Total General Obligation Bonds				<u>\$ 4,130,000</u>

**BOROUGH OF CATASAUQUA
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 –LONG-TERM DEBT AND LIABILITIES – continued

The annual debt service requirements to maturity for business-type general obligation bonds are as follows as of December 31, 2020:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 240,000	\$ 95,155	\$ 335,155
2022	245,000	90,355	335,355
2023	245,000	87,048	332,048
2024	255,000	82,148	337,148
2025	255,000	77,940	332,940
2026	260,000	73,350	333,350
2027	265,000	68,150	333,150
2028	275,000	62,850	337,850
2029	275,000	57,006	332,006
2030	285,000	50,475	335,475
2031	290,000	43,706	333,706
2032	295,000	36,094	331,094
2033	310,000	28,350	338,350
2034	315,000	19,050	334,050
2035	320,000	9,600	329,600
Totals	<u>\$ 4,130,000</u>	<u>\$ 881,277</u>	<u>\$ 5,011,277</u>

Direct Borrowings and Direct Placements

Governmental-Type

Installment loan payable – Used for public works equipment and secured by public works equipment. The loan requires ten annual payments of \$62,001, including principal and interest at 3.14% over ten years. The loan matures 2025. There is no prepayment penalty.

Installment loan payable – Used for public safety equipment and secured by public safety equipment. The loan requires three annual payments of \$14,214, including principal and interest at 6.28% over four years. The loan matures 2021. There is no prepayment penalty.

Installment loan payable – Used for public safety equipment and secured by public safety equipment. The loan requires five annual payments of \$7,531, including principal and interest at 6.95% over five years. The loan matures 2022. There is no prepayment penalty.

Installment loan payable – Used for public safety equipment and secured by public safety equipment. The loan requires five annual payments of \$32,758, including principal and interest at 0% over five years. The loan matures 2024. There is no prepayment penalty.

Installment loan payable – Used for public works equipment and secured by public works equipment. The loan requires ten annual payments of \$17,992, including principal and interest at 3.75% over five years. The loan matures 2023. There is no prepayment penalty.

Installment loan payable – Used for public safety equipment and secured by public safety equipment. The loan requires five annual payments of \$14,723, including principal and interest at 3.75% over three years. The loan matures 2024. There is no prepayment penalty.

**BOROUGH OF CATASAUQUA
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 –LONG-TERM DEBT AND LIABILITIES – continued

Direct Borrowings and Direct Placements – continued

Business-Type

Guaranteed Water Revenue Note – The Borough issued 2002 Guaranteed Water Revenue Note in the amount of \$420,000. Interest rates range from 2.768% to 3.465%.

The following are the loans currently outstanding:

DESCRIPTION	Interest Rate %	Issue Date	Maturity Date	Outstanding
<u>Governmental-type Entities:</u>				
Installment loan payable	3.14%	08/05/15	08/05/25	\$ 282,777
Installment loan payable	6.28%	07/26/18	07/26/23	13,374
Installment loan payable	6.95%	06/19/18	06/18/23	13,626
Installment loan payable	0.00%	03/01/18	03/01/18	131,031
Installment loan payable	3.75%	03/01/19	03/01/24	50,169
Installment loan payable	3.75%	10/07/20	10/07/23	39,297
			Total governmental	530,275
<u>Business-Type Entities:</u>				
Guaranteed Water Revenue Note	2.768% – 3.465%	02/01/03	02/01/23	57,946
			Total business-type	57,946
			Total All Direct Borrowings and Direct Placements	\$ 657,405

The maturities of the governmental-type activities direct borrowings and placements are as follows:

Year	Principal	Interest	Total
2021	\$ 134,236	\$ 14,983	\$ 149,218
2022	124,353	10,652	135,005
2023	120,540	6,933	127,474
2024	91,036	3,723	94,759
2025	60,110	1,891	62,001
Totals	<u>\$ 530,275</u>	<u>\$ 38,182</u>	<u>\$ 568,457</u>

The maturities of the business-type activities direct borrowings and placements are as follows:

Year	Principal	Interest	Total
2021	\$ 26,205	\$ 1,594	\$ 27,799
2022	27,127	672	27,799
2023	4,614	20	4,634
Totals	<u>\$ 57,946</u>	<u>\$ 2,286</u>	<u>\$ 60,232</u>

**BOROUGH OF CATASAUQUA
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 – LONG-TERM DEBT AND LIABILITIES – continued

Transactions for the year ended December 31, 2020 are summarized as follows:

	Balance 1/1/20	Issues/ Additions	Reductions	Balance 12/31/20	Due within one year
<u>Governmental Activities</u>					
<u>Bonds Payable</u>					
GOB Series 2016	\$ 10,450,000	\$ -	\$ 270,000	\$ 10,180,000	\$ 280,000
Total Bonds Payable	10,450,000		270,000	10,180,000	280,000
<u>Notes from Direct Borrowings</u>					
Installment Loan	30,351	-	30,351	-	-
Installment Loan	334,267	-	51,490	282,777	53,109
Installment Loan	25,957	-	12,583	13,373	13,373
Installment Loan	19,782	-	6,156	13,626	6,584
Installment Loan	163,789	-	32,758	131,031	32,758
Installment Loan	65,699	-	15,530	50,169	16,077
Installment Loan	-	54,020	14,723	39,297	12,334
Total Direct Borrowings	639,846	54,020	163,591	530,275	134,236
Total Government Activities	11,089,846	-	433,591	10,710,275	414,236
<u>Business-Type Activities</u>					
<u>Bonds Payable</u>					
GOB Series A of 2016	4,365,000	-	235,000	4,130,000	240,000
Total Bonds Payable	4,365,000		235,000	4,130,000	240,000
<u>Notes from Direct Borrowings</u>					
Guaranteed Sewer Revenue Note	83,259	-	25,313	57,946	26,205
Total Direct Borrowings	83,259	-	25,313	57,946	26,205
Total Business-Type Activities	4,448,259	-	260,313	4,187,946	266,205
Total all Debt	\$ 15,538,104	\$ 54,020	\$ 693,904	\$ 14,898,220	\$ 680,441

NOTE 6 – FUND BALANCES

Governmental-type funds reports restricted fund balances of \$195,268 at December 31, 2020. The State Liquid Fuels Fund reports restricted fund balance of \$195,268, which is restricted by the Commonwealth of Pennsylvania for construction, reconstruction, maintenance and repair of public roads or streets.

**BOROUGH OF CATASAUQUA
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 7 – PENSION PLANS

The Borough maintains two single-employer, defined benefit pension plans. One plan, the Borough of Catasauqua Police Pension Plan (PPP), covers uniformed police personnel employed on a full-time basis. The other plan, the Borough of Catasauqua Nonuniformed Pension Plan (NUPP), covers full-time nonuniformed employees of the borough.

Both plans are considered part of the Borough's financial reporting entity and are included in the Borough's financial statements as Pension Trust Funds.

Plan Description for the Uniformed Employees

The pension plan for the police employees of the borough of Catasauqua is a single-employer defined benefit plan that covers all full-time uniformed employees of the Borough. The retirement benefit is equal to 50% of their final monthly average compensation. The normal retirement date is age 50 with 25 years of credited service and participants become 100% vested upon the completion of 12 years of service. The plan also provides death and disability benefits. The authority under which the benefit provisions have been established, or amended, remains with the Council of the Borough of Catasauqua. The plan does not issue a stand-alone financial report.

Funding Policy for the Uniformed Employees

Act 205 requires that annual contributions to the Plan be based upon the Plan's Minimum Municipal Obligation (MMO), which is based on the Plan's biennial actuarial valuation. The most recent actuarial valuation was performed on January 1, 2019. The Plan may also be eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program which must be used for pension funding. Any funding requirements established by the MMO in excess of state aid must be paid by the municipality in accordance with Act 205. As a condition of participation full-time employees are required to contribute 8% of compensation to the Plan. This contribution is governed by the Plan's ordinances and collective bargaining agreement.

Plan Description for the Nonuniformed Employees

The Pension Plan for the Nonuniformed Employees of the Borough of Catasauqua is a single-employer defined benefit plan that covers all full-time nonuniformed employees of the Borough. The retirement benefit is equal to 1.5% of their average monthly compensation for each year of service, 33 1/3 years is the maximum. Normal retirement date is age 65 with 10 years of credited service and participants become 100% vested upon the completion of 10 years of service. The Plan also provides early retirement, death and disability benefits. The authority under which the benefit provisions have been established, or may be amended, remains with the Council of the Borough of Catasauqua. The Plan does not issue a stand-alone financial report.

Funding Policy for the Nonuniformed Employees

Act 205 requires that annual contributions to the Plan be based upon the Plan's Minimum Municipal Obligation (MMO), which is based on the Plan's biennial actuarial valuation. The most recent actuarial valuation was performed on January 1, 2019. The Plan may also be eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program which must be used for pension funding. Any funding requirements established by the MMO in excess of state aid must be paid by the municipality in accordance with Act 2015. As a condition of participation, full-time employees are not required to contribute to the Plan.

**BOROUGH OF CATASAUQUA
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 7 – PENSION PLANS – continued

Funding

For the fiscal year ended December 31, 2020, the rate of Borough contributions for the Police Pension Plan and the Nonuniformed Pension Plan was 10.3% and 6.8% of covered payroll, respectively. The total Borough and employee contributions to the Police Pension Plan for the years ended December 31, 2020, 2019, and 2018 were \$238,949, \$248,260, and \$236,739, respectively, which are equal to or exceed the required contribution for each year. As of December 31, 2020, \$182,026 of the contributions were not made. This amount was remitted in 2021. The total Borough contributions to the Nonuniformed Defined Benefit Pension Plan for the years ended December 31, 2020, 2019, and 2018 were \$90,352, \$75,889, and \$62,950, and, respectively, which are equal to or exceed the required contribution for the year.

NOTE 8 – DEFERRED COMPENSATION PLAN

The Borough maintains deferred compensation plans for the administrative employees. The plans are administered by the International City Management Association Retirement Corporation (ICMA) and the Copeland Companies. The plan meets the requirement of IRC Section 457.

All amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the Borough (without being restricted to the provisions of benefits under the plan), subject only to the claims the Borough's general creditors.

It is the opinion of the Borough's legal counsel that the Borough has no liability for losses under the plan agreements but does have the duty of due care that would be required of any ordinary prudent investor. The Borough believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Various claims and lawsuits are pending against the Borough. Defenses are being conducted by counsel for the Borough or the insurance carrier, and losses, if any, are not anticipated to have a significant effect on the Borough's financial position.

NOTE 10 – DEFICIT FUND BALANCES

The Community Development Fund of the Borough had a deficit fund balance of \$2,240 at December 31, 2020

NOTE 11 – RISK MANAGEMENT

Significant losses are covered by commercial insurance for all major programs. There has been no significant reduction in insurance coverage. Settlement amounts have not exceeded insurance coverages for the current year or the three prior years.

NOTE 12 – SUBSEQUENT EVENTS

In preparing these financial statements, management of the Borough of Catasauqua has evaluated events and transactions subsequent to December 31, 2020 through January 4, 2022, the date these financial statements were available to be issued. Based on the definitions and requirements of the Subsequent Topics of the FASB Accounting Standards Codification, management of the Borough has noted the following subsequent events that would require recognition or disclosure in the financial statements:

- On March 13, 2020, the President of the United States declared a national emergency concerning the novel coronavirus disease (COVID-19) outbreak, based on the World Health Organization's announcement two days prior. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Borough, COVID-19 may impact various parts of its 2020 operations and financial results including, but not limited to, loss of real estate transfers, business and earned income tax revenues, costs for emergency preparedness and personnel impacts. Management believes the Borough is taking appropriate actions to mitigate the negative impacts. However, the full impact of COVID-19 is still unknown cannot be reasonably estimated as these events are still developing.

OTHER INFORMATION

BOROUGH OF CATASAUQUA
 LEHIGH COUNTY, PENNSYLVANIA
 BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND - CASH BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	Budget	Final Budget
			Basis	Positive
				(Negative)
Revenues:				
Taxes	\$ 3,201,100	\$ 3,201,100	\$ 3,101,449	\$ (99,651)
Licenses and permits	169,475	169,475	157,426	(12,049)
Fines	38,000	38,000	23,236	(14,764)
Interest and rents	130,875	130,875	2,816	(128,059)
Intergovernmental	393,000	393,000	468,472	75,472
Charges for services	903,100	903,100	845,368	(57,732)
Miscellaneous	268,500	268,500	274,588	6,088
Total Revenues	5,104,050	5,104,050	4,873,355	(230,695)
Other Financing Sources:				
Proceeds for sale of assets	201,000	201,000	16,356	(184,644)
Total Revenues and Other Financing Sources	5,305,050	5,305,050	4,889,711	(415,339)
Expenditures:				
General government	456,215	456,215	752,784	(296,569)
Public safety and protective inspection	1,180,284	1,180,284	1,367,657	(187,373)
Sanitation, storm water & flood control	753,310	753,310	731,720	21,590
Highways and streets	963,047	963,047	616,093	346,954
Parking facilities	-	-	330	(330)
Culture and recreation	425,440	425,440	243,160	182,280
Community development	725,775	725,775	571,725	154,050
Insurance	127,505	127,505	101,431	26,074
Employee benefits	914,514	914,514	659,509	255,005
Pension	-	-	-	-
Unemployment	-	-	14,347	(14,347)
Total Expenditures	5,546,090	5,546,090	5,058,756	487,334
Other Financing Uses:				
Interfund operating transfers out	559,495	559,495	637,920	(78,425)
Total Expenditures and Other Financing Uses	6,105,585	6,105,585	5,696,676	408,909
Net changes in fund balances	(800,535)	(800,535)	(806,965)	\$ (6,430)
Fund Balance Forwarded	-	-	634,787	
Fund balance at end of year	\$ -	\$ -	\$ (172,178)	

**BOROUGH OF CATASAUQUA
LEHIGH COUNTY, PENNSYLVANIA
UNIFORMED AND NONUNIFORMED PENSION PLANS
SCHEDULE OF PENSION LIABILITY AND RELATED RATIOS
(In accordance with GASB 68)
DECEMBER 31, 2020
(UNAUDITED)**

Measurement Date	Plan Fiduciary Net Position (a)	Total Pension Liability (TPL)(b)	Net Pension (NPL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	NPL as a Percentage of Covered Payroll ((b-a)/c)
POLICE PENSION PLAN						
12/31/20	\$ 3,548,548	\$ 5,087,929	\$ 1,539,381	69.74%	\$ 724,430	212.50%
12/31/19	3,183,266	4,910,296	1,727,030	64.83%	609,002	283.58%
12/31/18	2,789,572	4,432,056	1,642,484	62.94%	632,440	259.71%
12/31/17	3,008,058	4,312,334	1,304,276	69.75%	593,222	219.86%
12/31/16	2,714,662	4,089,946	1,375,284	66.37%	566,098	242.94%
12/31/15	2,647,149	3,944,472	1,297,323	67.11%	504,874	256.96%
12/31/14	2,749,228	3,717,472	968,244	73.95%	438,276	220.92%
NONUNIFORMED PENSION PLAN						
12/31/20	\$ 3,224,111	\$ 3,422,476	\$ 198,365	94.20%	\$ 1,069,662	18.54%
12/31/19	2,978,713	3,225,435	246,722	92.35%	1,102,496	22.38%
12/31/18	2,617,104	3,173,925	556,821	82.46%	920,000	60.52%
12/31/17	2,763,004	2,942,003	178,999	93.92%	884,408	20.24%
12/31/16	2,433,313	2,887,828	454,515	84.26%	907,350	50.09%
12/31/15	2,311,327	2,656,877	345,550	86.99%	833,294	41.47%
12/31/14	2,299,161	2,484,701	185,540	92.53%	899,946	20.62%

**Notes to
schedules:**

Assumption Changes - In 2015, the interest rate assumption was lower from 5.0% to 4.5%.

In 2017, the mortality assumption was changed from the RP-2000 Table to the RP-2000 Table projected to In 2015 to the RP-2000 Table to the RP-2000 Table projected to 2017 using Scale AA.

Schedules prepared in accordance with actuarial valuations performed in accordance with GASB 68, *Accounting and Reporting for Pensions*. GASB 68 requires the liability of employers contributing to employees defined benefit pensions to be measured on the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to the employees past period of service, less the cost of the plan's fiduciary net position.

**BOROUGH OF CATASAUQUA
LEHIGH COUNTY, PENNSYLVANIA
UNIFORMED AND NONUNIFORMED PENSION PLANS
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
(In Accordance with Act 205)
DECEMBER 31, 2020
(UNAUDITED)**

SCHEDULES OF FUNDING PROGRESS*

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)(b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
POLICE PENSION PLAN						
1/01/19	2,789,572	4,432,056	1,642,484	62.9%	\$ 632,440	259.7%
1/01/17	2,714,662	4,089,946	1,375,284	66.4%	566,098	242.9%
1/01/15	2,749,228	3,717,472	968,244	74.0%	438,276	220.9%
NONUNIFORMED PENSION PLAN						
1/01/19	2,299,161	2,484,701	185,540	92.5%	\$ 920,000	20.2%
1/01/17	2,433,313	2,887,828	454,515	84.3%	907,350	50.1%
1/01/15	2,617,104	3,173,925	556,821	82.5%	899,946	61.9%

SCHEDULES OF EMPLOYER CONTRIBUTIONS

Fiscal Year	Annual Required Contribution	Percentage Contributed
POLICE PENSION PLAN		
2020	\$ 270,962	28%
2019	187,808	100%
2018	189,708	100%
2017	157,992	100%
2016	155,749	100%
2015	126,319	100%
2014	121,411	100%
NONUNIFORMED PENSION PLAN		
2020	\$ 90,352	91%
2019	75,889	100%
2018	62,950	100%
2017	64,168	100%
2016	65,731	100%
2015	63,790	100%
2014	68,856	100%

* Schedules prepared in accordance with actuarial valuations performed under PA Act 205.