

**BOROUGH OF CATASAUQUA
LEHIGH COUNTY, PENNSYLVANIA
FINANCIAL STATEMENTS
DECEMBER 31, 2021**

BOROUGH OF CATASAUQUA

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INDEPENDENT AUDITORS' REPORT

To the Borough Council
Borough of Catasauqua
Catasa uqa, Pennsylvania

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 Borough of Catasauqua, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Borough of Catasauqua'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 Borough of Catasauqua, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the cash basis of accounting.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Borough of Catasauqua, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis of Accounting

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

Emphasis of Matter

As discussed in Note 12 to the financial statements, the Borough has increased their real estate tax millage rate from 7.35 mills to 15.05 mills effective for the 2023 year. The Borough received a Grant Anticipation note in the current year, however, payments on the note have ceased in the 2022 which may have violated certain provisions of the debt agreement.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting, 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 Borough of Catasauqua'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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Catasauqua'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 Borough of Catasauqua'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.

Other Information

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

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Kirk, Summa & Co. LLP

March 6, 2023
East Stroudsburg, Pennsylvania

BOROUGH OF CATASAUQUA
 LEHIGH COUNTY, PENNSYLVANIA
 STATEMENT OF NET POSITION - CASH BASIS
 DECEMBER 31, 2021

	Governmental Activities	Business-type Activities	Totals
<u>ASSETS</u>			
Cash and cash equivalents	\$ 25,703	\$ 3,794,010	\$ 3,819,713
Interfund balances	28,377	644,940	673,317
Capital assets, net of depreciation	-	5,352,060	5,352,060
TOTAL ASSETS	54,080	9,791,010	9,845,090
<u>LIABILITIES</u>			
Interfund balances	447,179	226,138	673,317
Other liabilities	53,156	-	53,156
Current portion of long-term debt	-	326,538	326,538
Long-term debt	-	8,334,108	8,334,108
TOTAL LIABILITIES	500,335	8,886,784	9,387,119
<u>NET POSITION</u>			
Net investment in capital assets	-	(3,308,586)	(3,308,586)
Restricted for:			
Liquid fuels	136,048	-	136,048
Escrows	53,156	-	53,156
Unrestricted	(635,459)	4,212,812	3,577,353
TOTAL NET POSITION	\$ (446,255)	\$ 904,226	\$ 457,971

See accompanying notes to basic financial statements.

BOROUGH OF CATASAUQUA
LEHIGH COUNTY, PENNSYLVANIA
STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021

Program Activities	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		
	Fees, Fines and Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Governmental activities:					
General government administration	\$ 904,050	\$ 1,172,865	\$ 268,815	\$ -	\$ 268,815
Public safety and protective inspection	1,590,477	27,484	(672,275)	-	(672,275)
Public works	1,499,546	171,445	(1,322,481)	-	(1,322,481)
Culture and recreation	203,114	-	(194,101)	-	(194,101)
Community development	2,336,203	-	(2,336,203)	-	(2,336,203)
Insurance	54,541	-	(54,541)	-	(54,541)
Employee benefits	751,257	-	(751,257)	-	(751,257)
Interest and debt related	1,766,683	-	(1,766,683)	-	(1,766,683)
Miscellaneous and other	27,508	-	(27,508)	-	(27,508)
Depreciation - unallocated	-	-	-	-	-
Total governmental activities	9,133,379	1,371,794	(6,856,234)	-	(6,856,234)
Business-type activities:					
Sewer	1,746,207	-	-	(110,602)	(110,602)
Wastewater collection	323,845	-	-	7,889	7,889
Water	871,620	-	-	(149,259)	(149,259)
Total business-type activities	2,941,672	-	-	(251,972)	(251,972)
Total primary government	\$ 12,075,051	\$ 1,371,794	\$ (6,856,234)	\$ (251,972)	\$ (7,108,206)

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, 2021

	Net (Expenses) Revenues and Changes in Net Position		
	Governmental Activities	Business-type Activities	Totals
General revenues:			
Property taxes, levied for general purposes	2,378,610	-	2,378,610
Other taxes levied for general purposes	938,210	-	938,210
Licenses and permits	137,539	-	137,539
Fines and forfeits	45,992	-	45,992
Investment earnings & rent	105,384	265	105,649
Miscellaneous income	327,265	-	327,265
Gain (loss) n disposal of assets	15,623	-	15,623
Proceeds from debt	2,440,499	-	2,440,499
Transfers between funds	-	-	-
Total general revenues and transfers	6,389,122	265	6,389,387
Change in Net Position	(467,112)	(251,707)	(718,819)
Net position at beginning of year	20,857	1,155,933	1,176,790
Net Position at End of Year	\$ (446,255)	\$ 904,226	\$ 457,971

See accompanying notes to basic financial statements.

BOROUGH OF CATASAUQUA
LEHIGH COUNTY, PENNSYLVANIA
BALANCE SHEETS - CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	Major Funds		Non-major Funds			Total Governmental Funds
	General Fund	Liquid Fuels Fund	Debt Service Fund	Community Development Fund		
ASSETS						
Cash and cash equivalents	\$ -	\$ 136,048	\$ -	\$ 2,514	\$	138,562
<i>Interfund receivables:</i>						
Business-type-funds	28,377	-	-	-	-	28,377
TOTAL ASSETS	\$ 28,377	\$ 136,048	\$ -	\$ 2,514	\$	\$ 166,939
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Overdraft	\$ 112,859	\$ -	\$ -	\$ -	\$	112,859
<i>Interfund payables:</i>						
Business-type-funds	442,432	-	-	4,746		447,178
Escrow payable	53,156	-	-	-	-	53,156
TOTAL LIABILITIES	608,447	-	-	4,746		613,193
FUND BALANCES						
Restricted	53,156	136,048	-	-	-	189,204
Unassigned-as restated	(633,226)	-	-	(2,233)		(635,459)
TOTAL FUND BALANCES	(580,070)	136,048	-	(2,233)		(446,255)
TOTAL LIABILITIES AND FUND BALANCES	\$ 28,377	\$ 136,048	\$ -	\$ 2,513	\$	\$ 166,938

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, 2021**

	Major Funds		Nonmajor Funds		Total
	General Fund	Liquid Fuels Fund	Community Development Fund	Debt Service Fund	Governmental Funds
Revenues:					
Taxes	\$ 3,316,819	\$ -	\$ -	\$ -	\$ 3,316,819
Licenses and permits	137,539	-	-	-	137,539
Fines	45,992	-	-	-	45,992
Interest and rents	105,365	19	1	-	105,385
Intergovernmental	1,200,349	171,445	-	-	1,371,794
Charges for services	905,351	-	-	-	905,351
Miscellaneous	327,265	-	-	-	327,265
Total Revenues	6,038,680	171,464	1	-	6,210,145
Expenditures:					
General government	904,050	-	-	-	904,050
Public safety and protective inspection	1,590,477	-	-	-	1,590,477
Sanitation	745,413	-	-	-	745,413
Highways and streets	410,681	339,433	-	-	750,114
Storm water & flood control	4,019	-	-	-	4,019
Culture and recreation	203,114	-	-	-	203,114
Economic development	2,336,203	-	-	-	2,336,203
Debt service - principal	-	-	-	1,415,570	1,415,570
Debt service - interest	-	-	-	351,113	351,113
Insurance	54,541	-	-	-	54,541
Employee benefits	751,257	-	-	-	751,257
Pension	8,629	-	-	-	8,629
Unemployment	18,879	-	-	-	18,879
Total Expenditures	7,027,263	339,433	-	1,766,683	9,133,379
Excess (deficiency) in Revenues over expenses	(988,583)	(167,969)	1	(1,766,683)	(2,923,234)
Other Financing Sources (Uses);					
Proceeds from sale of Authority rights	15,623	-	-	-	15,623
Proceeds from debt	2,440,499	-	-	-	2,440,499
Operation transfers in (out)	(1,875,432)	108,749	-	1,766,683	-
Total Other Financing Sources (Uses);	580,690	108,749	-	1,766,683	2,456,122
Net changes in fund balances	(407,893)	(59,220)	1	-	(467,112)
Fund balances at beginning of year	(172,177)	195,268	(2,234)	-	20,857
Fund balances at end of year	\$ (580,070)	\$ 136,048	\$ (2,233)	\$ -	\$ (446,255)

See accompanying notes to basic financial statements.

BOROUGH OF CATASAUQUA
 LEHIGH COUNTY, PENNSYLVANIA
 STATEMENT OF NET POSITION - CASH BASIS
 PROPRIETARY FUNDS
 DECEMBER 31, 2021

	Sewer Fund	Wastewater Collection Fund	Water Fund	Total Proprietary Funds
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 3,724,706	\$ 74,015	\$ -	\$ 3,798,721
Due from other funds	619,134	24,282	1,524	644,940
Total Current Assets	4,343,840	98,297	1,524	4,443,661
Capital Assets:				
Sewer system, net of accumulated depreciation	4,545,984	98,530	-	4,644,514
Water system, net of accumulated depreciation	-	-	707,546	707,546
TOTAL ASSETS	\$ 8,889,824	\$ 196,827	\$ 709,070	\$ 9,795,721
LIABILITIES				
Current Liabilities				
Due to other funds	\$ -	\$ 1,475	\$ 224,664	\$ 226,139
Overdraft	-	-	4,710	4,710
Current portion of long-term debt	280,000	-	46,538	326,538
Total Current Liabilities	280,000	1,475	275,912	557,387
Noncurrent Liabilities				
Water revenue notes payable, net of current portion	-	-	424,108	424,108
Bonds payable, net of current portion	7,910,000	-	-	7,910,000
Total Noncurrent Liabilities	7,910,000	-	424,108	8,334,108
TOTAL LIABILITIES	8,190,000	1,475	700,020	8,891,495
NET POSITION				
Net investment in capital assets	(3,644,016)	98,530	236,900	(3,308,586)
Unrestricted	4,343,840	96,822	(227,850)	4,212,812
TOTAL NET POSITION	\$ 699,824	\$ 195,352	\$ 9,050	\$ 904,226

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, 2021**

	Sewer Fund	Wastewater Collection Fund	Water Fund	Total Proprietary Funds
Operating Revenues:				
Licenses & permits	\$ 3,750	\$ -	\$ -	\$ 3,750
Charges for services	1,522,536	331,731	722,361	2,576,628
Miscellaneous	109,308			109,308
Total Operating Revenues	1,635,594	331,731	722,361	2,689,686
Operating Expenses:				
Personnel services	597,614	203,222	416,135	1,216,971
Maintenance, operations, and contract services	623,506	97,303	303,439	1,024,248
Supplies	27,402	12,314	17,166	56,882
Materials	-	2,498	40,769	43,267
Utilities	81,095	-	60,020	141,115
Depreciation	317,933	8,508	32,496	358,937
Total Operating Expenses	1,647,550	323,845	870,025	2,841,420
NET OPERATING INCOME (LOSS)	(11,956)	7,886	(147,664)	(151,734)
Nonoperating Revenues (Expenses)				
Interest income	228	28	23	279
Interest expense	(98,658)	-	(1,594)	(100,252)
Total Nonoperating Revenues (Expenses)	(98,430)	28	(1,571)	(99,973)
Net Income (loss) Before Operating Transfers				
Operating transfers	-	-	-	-
CHANGE IN NET POSITION	(110,386)	7,914	(149,235)	(251,707)
NET POSITION - BEGINNING OF YEAR	810,210	187,438	158,285	1,155,933
NET POSITION - END OF YEAR	\$ 699,824	\$ 195,352	\$ 9,050	\$ 904,226

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, 2021**

	<u>Sewer Fund</u>	<u>Wastewater Collection Fund</u>	<u>Water Fund</u>	<u>Total Proprietary Funds</u>
Cash flows from operating activities:				
Receipts from customers	\$ 1,635,594	\$ 331,731	\$ 722,361	\$ 2,689,686
Payments to employees	(597,615)	(203,222)	(416,135)	(1,216,972)
Payments to suppliers	(732,002)	(112,115)	(421,394)	(1,265,511)
Net Cash provided by operating activities	<u>305,977</u>	<u>16,394</u>	<u>(115,168)</u>	<u>207,203</u>
Cash flows from non-capital financing activities:				
Operating transfers	-	-	-	-
Net cash (used) by non-capital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Interest paid on capital debt	(98,658)	-	(1,594)	(100,252)
Proceeds from capital debt	8,395,000	-	438,905	8,833,905
Principal paid on capital debt	(4,335,000)	-	(26,205)	(4,361,205)
Net cash (used) by capital and related financing activities	<u>3,961,342</u>	<u>-</u>	<u>411,106</u>	<u>4,372,448</u>
Cash flows from investing activities:				
Purchases of capital assets	(43,070)	(7,097)	(469,631)	(519,798)
Interfund borrowings, net	(517,939)	1,375	156,992	(359,572)
Interest earned on cash and investments	228	28	23	279
Net cash (used) by investing activities	<u>(560,781)</u>	<u>(5,694)</u>	<u>(312,616)</u>	<u>(879,091)</u>
Net increase (decrease) in cash and cash equivalents	3,706,538	10,700	(16,678)	3,700,560
Cash at beginning of year	<u>18,168</u>	<u>63,315</u>	<u>11,968</u>	<u>93,451</u>
Cash (Overdraft) at end of year	<u>\$ 3,724,706</u>	<u>\$ 74,015</u>	<u>\$ (4,710)</u>	<u>\$ 3,794,011</u>
Reconciliation of Operating Profit (Loss) to net cash provided by (used for) Operating Activities				
Operating Income (Loss)	\$ (11,956)	\$ 7,886	\$ (147,664)	\$ (151,734)
Adjustments to reconcile operating loss to net cash used for operating activities:				
Depreciation expense	317,933	8,508	32,496	358,937
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ 305,977</u>	<u>\$ 16,394</u>	<u>\$ (115,168)</u>	<u>\$ 207,203</u>

See accompanying notes to basic financial statements.

BOROUGH OF CATASAUQUA
 LEHIGH COUNTY, PENNSYLVANIA
 STATEMENT OF NET POSITION - CASH BASIS
 FIDUCIARY FUNDS
 DECEMBER 31, 2021

	Police Pension Plan	Nonuniform Pension Plan	Total Pension Trust Funds
<u>ASSETS</u>			
Investments	\$ 3,665,409	\$ 3,494,011	\$ 7,159,420
Receivables	414,537	165,405	579,942
TOTAL ASSETS	\$ 4,079,946	\$ 3,659,416	\$ 7,739,362
<u>LIABILITIES</u>			
Accrued pension payments	\$ -	\$ -	\$ -
<u>NET POSITION</u>			
Net position held in trust for pension benefits	4,079,946	\$ 3,659,416	7,739,362
TOTAL LIABILITIES AND NET POSITION	\$ 4,079,946	\$ 3,659,416	\$ 7,739,362

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, 2021

	Police Pension Plan	Nonuniform Pension Plan	Total Pension Trust Funds
ADDITIONS:			
Contributions:			
Employer	\$ 259,936	\$ 57,544	\$ 317,480
Employee	67,406	-	67,406
Commonwealth	86,351	95,946	
Interest and dividends	75,348	51,696	127,044
Investment gain	398,175	386,756	784,931
TOTAL ADDITIONS	887,216	591,942	1,296,861
Deductions:			
Benefit payments, including tax withheld	331,655	130,983	462,638
Administrative expenses	24,163	25,654	49,817
TOTAL DEDUCTIONS	355,818	156,637	512,455
CHANGE IN NET POSITION	531,398	435,305	784,406
Held in Trust for Pension Benefits:			
Beginning of year	3,548,548	3,224,111	6,772,659
End of year	<u>\$ 4,079,946</u>	<u>\$ 3,659,416</u>	<u>\$ 7,739,362</u>

See accompanying notes to basic financial statements.

**BOROUGH OF CATASAUQUA
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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

The report includes all of the services provided by the Borough to residents and businesses within its boundaries. In evaluating the Borough as a primary government in accordance with GASB Statement No. 14, *Financial Reporting Entity*, 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 in a given situation, the Borough reviews the applicability of the following criteria:

The Borough is financially accountable for:

1. Organizations that make up the legal municipal entity.
2. Legally separate organizations if the Borough appoints a voting majority of the Organizations' governing body and the Borough is able to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Borough.
 - a. Impose its Will – If the Borough can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.
 - b. Financial Benefit Burden – Exists if the Borough (1) is entitled to the Organization's resources or (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the Organization or (3) is obligated in some manner for the debt of the Organization.
 - c. Organizations that are fiscally dependent on the Borough. Fiscal dependency is established if the Organization is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the Borough.

There are no entities that would meet the above conditions that would qualify them to be component units of the Borough of Catasauqua.

BOROUGH OF CATASAUQUA
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

B. Basis of Presentation – continued

The Borough's basic financial statements include both government-wide and fund financial statements. Both types of statements categorize primary activities as either governmental or business type.

In the government-wide Statement of Net Position – cash basis, the governmental column is presented on a consolidated basis by which all funds reported on the cash basis of accounting, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Borough's net position is reported in three parts-invested in capital assets, net of related debt, restricted net position, and unrestricted net position. The first utilizes restricted resources to finance qualifying activities.

Fund Financial Statements

The accounts of the Borough are organized on the basis of funds or account groups, each which is considered as a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, reserves, fund balance, revenues, and expenditures or expenses as appropriate. The fund types and the account groups utilized by the Borough and a brief description of their accounting purposes are as follows:

Governmental Funds

The focus of the government and fund's measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Borough:

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.

Highway Fund: 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.

Proprietary Fund

The focus of proprietary fund measurement is upon determination of operating income – cash basis, change in net position – cash basis, financial position – cash basis, and cash flows – cash basis. 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. The Borough's proprietary funds are all classified as enterprise funds.

Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that the cost of providing services, including capital costs, (b) be recovered with fees or charges or (c) establishes fees and charges based on a pricing policy to recover similar costs. The following is a description of the Borough's enterprise fund:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

B. Basis of Presentation – continued

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.

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.

C. 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.
- 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

C. Measurement focus, basis of accounting, and financial statement presentation – continued

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 year 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 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.

D. Cash and Cash Equivalents

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.

E. Investments

Investments are valued at fair value in accordance with GASB 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 GASB 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.

BOROUGH OF CATASAUQUA
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

F. 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

G. 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. Proprietary 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.

H. Net Position and Fund Balance Classifications

Equity is classified as net position and displayed in three components for government-wide and proprietary funds presentation:

Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position – All other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

BOROUGH OF CATASAUQUA
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

H. Net Position and Fund Balances – continued

In the governmental fund financial statements, the Borough reports fund balance classifications in accordance with the provisions of GASB No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." The following are a listing of fund balance categories:

Non-Spendable – Amounts that are not in spendable form or legally or contractually required to remain intact.

Restricted – Amounts that are externally imposed by creditors or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts that can only be used for specific purposes pursuant to constraints by formal action of the highest level of decision-making authority. The Borough's Committed Fund Balance is fund balance reporting required by the Borough Council, either because of a Borough Policy or in the Borough Policy Manual, or because of motions that passed at Council meetings.

Assigned – Amounts that are constrained by intent to be or used for specific purpose. The Borough's Assigned Fund Balance is fund balance reporting occurring by Borough authority under the direction of the Borough Business Manager.

Unassigned – Amounts that are residual in classification for government's general fund and includes all spendable amounts not contained in the other classifications.

Restricted or unrestricted amounts are considered spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

The Borough's Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the business manager through adoption or amendment of the budget as intended for specific purposes (such as the purchase of fixed assets, construction, debt service, or other purposes).

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.

**BOROUGH OF CATASAUQUA
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

I. 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.

J. 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.

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.

**BOROUGH OF CATASAUQUA
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

K. Property Taxes

Based upon assessed valuation provided by the County (approximately \$336,644,000 in 2021), the Borough bills and collects its own property taxes through an elected tax collector. The schedule for property taxes levied for 2021 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 2021 was 7.35 mills (\$7.35 per \$1,000 of assessed taxable valuations).

<u>Fund</u>	<u>Mills</u>
General Fund	7.35
Total Mills	<u>7.35</u>

L. 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, 2021.

M. 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.

N. 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.

O. Statement of Cash Flows

The Borough adopted GASB Statement 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". For purposes of reporting cash flows all highly liquid investments (including restricted assets) with original maturity of three months or less are considered to be cash equivalents.

P. Pensions

For purposes of measuring the net pension liability, deferred outflows or resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of both the Borough's Police Pension Plan and the Non-Uniform Pension Plan and additions to/deductions from Police Pension Plan and Non-Uniform Pension Plan's fiduciary net position have been determined on the same basis as they are reported by their respective plans. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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:

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* – The objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs), as well as, provide guidance for accounting and financial reporting for availability payment arrangements (APAs). The provisions of this statement were effective for periods beginning after June 15, 2020 and were implemented by the Borough as of January 1, 2021 with no effect on financial statement presentation or disclosure.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* – The objective of this statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments by (1) defining SBITA, (2) establishing that a SBITA results in a right-to-use subscription asset and a corresponding subscription liability, (3) providing the capitalization criteria for outlays other than subscription payments and (4) requires note disclosures regarding a SBITA. The provisions of this statement are predominantly effective for periods beginning after June 15, 2022 and was early implemented by the Borough as of January 1, 2021 with no effect on financial statement presentation or disclosure.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* – The objectives of this statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans and employee benefit plans other than pension plans or OPEB plans as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The provisions of this statement are predominantly effective for periods beginning after June 15, 2021. The Borough is evaluating the impact this statement may have on the financial statements.

GASB Statement No. 98, *The Annual Comprehensive Financial Report* – The objective of this statement is to establish the term *annual comprehensive financial report* and its acronym ACFR. The new term and acronym will replace instances of *comprehensive annual financial report* and its acronym in GAAP for state and local governments. The provisions of this statement are predominantly effective for periods ending after December 15, 2021 and was early implemented by the Borough as of January 1, 2021 with minimal effect on financial statements presentation or disclosure.

**BOROUGH OF CATASAUQUA
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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 3836-1et 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, 2021 the carrying amount and bank deposit balance of the Borough's deposits were \$3,819,713 and \$4,368,496, respectively. Of the bank balance \$500,000 was covered by federal depository insurance.

Balances held in each category as of December 31, 2021 are as follows:

	Carrying Balance	Bank Balance
Total governmental funds	\$ 25,703	\$ 493,290
Business-type funds	3,794,010	3,875,206
Totals	<u>\$ 3,819,713</u>	<u>\$ 4,368,496</u>

Investments

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, 2021, 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	\$ 7,159,420	1
Totals	<u>\$ 7,159,420</u>	

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.

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, 2021, the pension trust funds' investment in corporate bonds range in ratings from AA+ to BBB by Standard and Poor's.

**BOROUGH OF CATASAUQUA
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 – DEPOSITS AND INVESTMENTS – continued

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, 2021. 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

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund:		
Community Development	\$ 4,746	\$ -
Water Fund	23,631	-
Wastewater Treatment	-	415,933
Wastewater Collection	-	24,282
Community Development Fund:		
General Fund	-	4,746
Water Fund:		
General Fund	-	23,631
Wastewater Collection	1,524	-
Wastewater Treatment	-	199,292
Wastewater Collection		
General Fund	24,282	-
Water Fund	-	1,524
Wastewater Treatment		
General Fund	415,933	-
Water Fund	199,292	-
Total	\$ 669,408	\$ 669,408

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021, was as follows:

	<u>Balance 01/01/21</u>	<u>Additions</u>	<u>Retirements/ Adjustments</u>	<u>Balance 12/31/21</u>
Business-type activities:				
Capital assets, being depreciated:				
Sewer and water systems	\$ 14,844,353	\$ 519,798	-	\$ 15,364,151
Total being depreciated	14,844,353	519,798	-	15,364,151
Less: accumulated depreciation/amortization	9,653,154	358,937	-	10,012,091
Business activities capital assets, net	\$ 5,191,199	\$ 160,861	-	\$ 5,352,060

Depreciation expense recorded in the proprietary funds is \$358,937 for the year ended December 31, 2021.

**BOROUGH OF CATASAUQUA
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 5 – LONG-TERM DEBT AND LIABILITIES

Governmental Activities

General Obligation Bonds, Series of 2016

On July 28, 2016 the Borough issued \$11,210,000 to fund the construction of the new municipal complex. Interest rates varies from 1.05% to 3.0% and the maturity date is August 15, 2046. The bonds are subject to redemption prior to maturity.

As of December 31, 2021, general obligation bonds currently outstanding are as follows:

DESCRIPTION	Interest		Maturity	
<u>Governmental-type Entities:</u>	<u>Rate %</u>	<u>Issue Date</u>	<u>Date</u>	<u>Outstanding</u>
GOB Series of 2016 30 year semi-annual payments	2.44%	7/28/2016	8/15/2046	\$ 9,900,000
Total General Obligation Bonds				\$ 9,900,000

The annual debt service requirements to maturity for governmental-type general obligation bonds are as follows as of December 31, 2021:

Year	Principal	Interest	Total
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 – 2031	1,695,000	1,097,630	2,792,630
2032 – 2036	1,920,000	877,875	2,797,875
2037 – 2041	2,210,000	586,200	2,796,200
2042 – 2046	2,555,000	234,750	2,789,750
Totals	<u>\$ 9,900,000</u>	<u>\$ 4,076,080</u>	<u>\$ 13,976,080</u>

Business-Type Activities

General Obligation Bonds, Series A of 2016

On November 15, 2021 the Borough issued \$8,395,000 to advance refund the Borough's General Obligation Bond, Series of 2016. Interest rates varies from 1.0% to 4.0% and the maturity date is November 15, 2044. The bonds are subject to redemption prior to maturity.

As of December 31, 2021, general obligation bonds currently outstanding are as follows:

DESCRIPTION	Interest		Maturity	
<u>Business-type Entities:</u>	<u>Rate %</u>	<u>Issue Date</u>	<u>Date</u>	<u>Outstanding</u>
GOB Series A of 2021 20 year semi-annual payments	1.0% to 4.0%	10/04/2016	11/15/2035	\$ 8,190,000
Total General Obligation Bonds				\$ 8,190,000

**BOROUGH OF CATASAUQUA
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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, 2021:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 280,000	\$ 179,525	\$ 459,525
2023	285,000	176,725	461,725
2024	295,000	165,325	460,325
2025	295,000	162,375	457,375
2026	310,000	150,575	460,575
2027 – 2031	1,630,000	671,925	2,301,925
2032 – 2036	1,795,000	503,744	2,298,744
2037 - 2041	1,990,000	304,131	2,294,131
2042 - 2046	1,310,000	66,125	1,376,125
Totals	<u>\$ 8,190,000</u>	<u>\$ 2,380,450</u>	<u>\$ 10,570,450</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.

Installment loan payable – Used for public safety equipment and secured by public safety equipment. The loan requires fifteen annual payments of \$84,932, including principal and interest at 2.99% over fifteen years. The loan matures 2035. There is no prepayment penalty.

**BOROUGH OF CATASAUQUA
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 5 – LONG-TERM DEBT AND LIABILITIES – continued

Installment loan payable – Used for operations. The loan is due upon receipt of grants. The loan matures 2024. There is no prepayment penalty. As of 12/31/21 this loan was in default due to receipt of grant proceeds that weren't remitted to the financial institution.

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%.

Guaranteed Water Revenue Note – The Borough issued 2021 Guaranteed Water Revenue Note in the amount of \$500,000. Interest rate 1.0%.

The following are the loans currently outstanding:

DESCRIPTION	Interest		Maturity	
<u>Governmental-type Entities:</u>	<u>Rate %</u>	<u>Issue Date</u>	<u>Date</u>	<u>Outstanding</u>
Installment loan payable	3.14%	08/05/15	08/05/25	\$ 229,668
Installment loan payable	6.95%	06/19/18	06/18/23	7,042
Installment loan payable	0.00%	03/01/18	03/01/18	98,273
Installment loan payable	3.75%	03/01/19	03/01/24	34,058
Installment loan payable	3.75%	10/07/20	10/07/23	26,963
Installment loan payable	1.05%	02/16/21	02/27/24	1,491,149
Installment loan payable	2.99%	05/01/20	06/01/35	959,763
Total governmental				2,846,916
<u>Business-Type Entities:</u>				
Guaranteed Water Revenue Note	2.768% – 3.465%	02/01/03	02/01/23	31,741
Guaranteed Water Revenue Note	1.00%	03/17/21	02/01/42	438,905
Total business-type				470,646
Total All Direct Borrowings and Direct Placements				\$ 3,317,562

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

Year	Principal	Interest	Total
2022	\$ 1,671,694	\$ 139,392	\$ 1,811,086
2023	178,381	34,025	212,406
2024	150,644	29,046	179,691
2025	121,504	25,429	146,933
2026	63,232	21,701	84,932
2027 - 2031	345,719	78,941	424,661
2032 – 2036	315,742	23,985	339,726
Totals	\$ 2,846,916	\$ 352,519	\$ 3,199,435

**BOROUGH OF CATASAUQUA
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 5 – LONG-TERM DEBT AND LIABILITIES– continued

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 46,538	\$ 8,855	\$ 55,393
2023	28,120	4,108	32,228
2024	23,742	3,852	27,594
2025	23,981	3,613	27,594
2026	24,222	3,372	27,594
2027 - 2031	122,723	22,656	145,379
2032 - 2036	133,733	11,902	145,635
2037 - 2041	67,587	1,456	69,043
Totals	<u>\$ 470,646</u>	<u>\$ 59,814</u>	<u>\$ 530,460</u>

Transactions for the year ended December 31, 2021 are summarized as follows:

	<u>Balance 01/01/21</u>	<u>Issues/ Additions</u>	<u>Reductions</u>	<u>Balance 12/31/21</u>	<u>Due within one year</u>
<u>Governmental Activities</u>					
<u>Bonds Payable</u>					
GOB Series 2016	\$ 10,180,000	\$ -	\$ 280,000	\$ 9,900,000	\$ 285,000
Total Bonds Payable	<u>10,180,000</u>		<u>280,000</u>	<u>9,900,000</u>	<u>285,000</u>
<u>Notes from Direct Borrowings</u>					
Installment Loan	282,777	-	53,109	229,668	54,779
Installment Loan	13,373	-	13,373	-	-
Installment Loan	13,626	-	6,584	7,042	7,042
Installment Loan	131,033	-	32,760	98,273	32,758
Installment Loan	39,297	-	12,334	26,963	13,084
Installment Loan	50,169	-	16,111	34,058	16,690
Installment Loan	-	1,011,713	51,950	959,763	56,193
Installment Loan	-	2,043,414	552,265	1,491,149	1,491,149
Total Direct Borrowings	<u>530,275</u>	<u>3,055,127</u>	<u>738,486</u>	<u>2,846,916</u>	<u>1,671,695</u>
Total Government Activities	<u>10,710,275</u>	<u>3,055,127</u>	<u>1,018,486</u>	<u>12,746,916</u>	<u>1,956,695</u>
<u>Business-Type Activities</u>					
<u>Bonds Payable</u>					
GOB Series A of 2016	4,130,000	-	4,130,000	-	-
GOB Series A of 2021	-	8,395,000	205,000	8,190,000	280,000
Total Bonds Payable	<u>4,130,000</u>	<u>8,395,000</u>	<u>4,335,000</u>	<u>8,190,000</u>	<u>280,000</u>
<u>Notes from Direct Borrowings</u>					
Guaranteed Sewer Revenue Note	57,946	-	26,205	31,741	27,127
Guaranteed Sewer Revenue Note	-	438,905	-	438,905	19,411
Total Direct Borrowings	<u>57,946</u>	<u>438,905</u>	<u>26,205</u>	<u>470,646</u>	<u>46,538</u>
Total Business-Type Activities	<u>4,187,946</u>	<u>8,833,905</u>	<u>4,361,205</u>	<u>8,660,646</u>	<u>326,538</u>
Total all Debt	<u>\$ 14,898,221</u>	<u>\$ 11,889,032</u>	<u>\$ 5,379,691</u>	<u>\$ 21,407,562</u>	<u>\$ 2,283,233</u>

**BOROUGH OF CATASAUQUA
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 6 – FUND BALANCES

Governmental-type funds reports restricted fund balances of \$136,048 at December 31, 2021. The State Liquid Fuels Fund reports restricted fund balance of \$136,048, which is restricted by the Commonwealth of Pennsylvania for construction, reconstruction, maintenance and repair of public roads or streets.

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, 2021. 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

**BOROUGH OF CATASAUQUA
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 7 – PENSION PLANS – continued

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.

Funding

For the fiscal year ended December 31, 2021, 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, 2021, 2020, and 2019 were \$327,342, \$238,949, and \$248,260, respectively, which are equal to or exceed the required contribution for each year. As of December 31, 2021, \$414,537 of the contributions were not made. This amount was remitted in 2022. The total Borough contributions to the Nonuniformed Defined Benefit Pension Plan for the years ended December 31, 2021, 2020, and 2019 were \$153,489, \$90,352, and \$75,889, and, respectively, which are equal to or exceed the required contribution for the year. As of December 31, 2021, \$165,405 of the contributions were not made. This amount was remitted in 2022.

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, 2021

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.

**BOROUGH OF CATASAUQUA
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 12 – SUBSEQUENT EVENTS

In preparing these financial statements, management of the Borough of Catasauqua has evaluated events and transactions subsequent to December 31, 2021 through March 6, 2023, 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:

As of January 1, 2023 the tax mills increased from 7.35 to 15.05 Mills.

During the year, the Borough received grant proceeds in the amount of \$552,265. These grant proceeds were required to be paid against a grant anticipation loan. This money was never transferred and the bank is not in compliance with the loan agreement.

OTHER INFORMATION

BOROUGH OF CATASAUQUA
 LEHIGH COUNTY, PENNSYLVANIA
 BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND - CASH BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	Budget	Final Budget
			Basis	Positive
				(Negative)
Revenues:				
Taxes	\$ 3,349,000	\$ 3,349,000	\$ 3,316,819	\$ (32,181)
Licenses and permits	155,100	155,100	137,539	(17,561)
Fines	19,500	19,500	45,992	26,492
Interest and rents	109,225	109,225	105,365	(3,860)
Intergovernmental	273,800	273,800	1,200,349	926,549
Charges for services	834,600	834,600	905,351	70,751
Miscellaneous	114,000	114,000	327,265	213,265
Total Revenues	4,855,225	4,855,225	6,038,680	1,183,455
Other Financing Sources:				
Proceeds from debt	-	-	2,440,499	2,440,499
Proceeds for sale of assets	25,750	25,750	15,623	(10,127)
Total Revenues and Other Financing Sources	4,880,975	4,880,975	8,494,802	3,613,827
Expenditures:				
General government	775,927	775,927	904,050	(128,123)
Public safety and protective inspection	1,355,182	1,355,182	1,590,477	(235,295)
Sanitation, storm water & flood control	768,760	768,760	745,413	23,347
Highways and streets	392,596	392,596	410,681	(18,085)
Parking facilities	500	500	4,019	(3,519)
Culture and recreation	175,650	175,650	203,114	(27,464)
Community development	29,050	29,050	2,336,203	(2,307,153)
Insurance	109,500	109,500	54,541	54,959
Employee benefits	849,500	849,500	751,257	98,243
Pension	90,000	90,000	8,629	81,371
Unemployment	15,000	15,000	18,879	(3,879)
Total Expenditures	4,561,665	4,561,665	7,027,263	(2,465,598)
Other Financing Uses:				
Operation transfers	561,395	561,395	1,875,432	(1,314,037)
Total Expenditures and Other Financing Uses	5,123,060	5,123,060	8,902,695	(3,779,635)
Net changes in fund balances	(242,085)	(242,085)	(407,893)	\$ (165,808)
Fund Balance Forwarded	-	-	(172,177)	
Fund balance at end of year	\$ -	\$ -	\$ (580,070)	

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, 2021
(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						
12/31/21	\$ 4,079,946	\$ 5,272,575	\$ 1,192,629	77.38%	\$ 786,204	151.69%
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						
12/31/21	\$ 3,659,416	\$ 4,223,606	\$ 564,190	86.64%	\$ 1,158,660	48.69%
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 2015 to the RP-2000 Table to the RP-2000 Table projected to 2017 using Scale AA.

In 2021, the mortality assumption was changed from RP-2000 Table projected to 2017 using Scale AA to the PubG-2010.

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, 2021
(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						
1/01/21	3,784,989	5,092,266	1,307,277	74.3%	\$ 809,266	161.5%
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%
NONUNIFORMED PENSION PLAN						
1/01/21	3,567,350	3,433,630	(133,720)	103.9%	\$ 1,210,104	-11.1%
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%

SCHEDULES OF EMPLOYER CONTRIBUTIONS

Fiscal Year	Annual Required Contribution	Percentage Contributed
POLICE PENSION PLAN		
2021	\$ 346,287	0%
2020	270,962	28%
2019	187,808	100%
2018	189,708	100%
2017	157,992	100%
2016	155,749	100%
2015	126,319	100%
NONUNIFORMED PENSION PLAN		
2021	\$ 75,889	0%
2020	90,352	91%
2019	75,889	100%
2018	62,950	100%
2017	64,168	100%
2016	65,731	100%
2015	63,790	100%

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