

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**BOROUGH OF CATASAUQUA**

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### INDEPENDENT AUDITORS' REPORT

To the Borough Council  
Borough of Catasauqua  
Catasa uqua, 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, 2019, 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, 2019, 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 described in Note 12 to the financial statements, errors related to fixed assets and due to other funds were discovered during the current year. Accordingly, net position has been restated as of January 1, 2019. Our opinion is not modified with respect to this matter.

As discussed in Note 13 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 31, 2021  
East Stroudsburg, Pennsylvania

BOROUGH OF CATASAUQUA  
 LEHIGH COUNTY, PENNSYLVANIA  
 STATEMENT OF NET POSITION - CASH BASIS  
 DECEMBER 31, 2019

	Governmental Activities	Business-type Activities	Totals
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 803,663	\$ 389,547	\$ 1,193,210
Vendor overpayment	-	32,402	32,402
Interfund balances	4,746	52,446	57,192
Capital assets, net of depreciation	-	5,283,380	5,283,380
<b>TOTAL ASSETS</b>	<b>808,409</b>	<b>5,757,775</b>	<b>6,566,184</b>
<b><u>LIABILITIES</u></b>			
Interfund balances	53,975	3,217	57,192
Other liabilities	1,823	-	1,823
Current portion of long-term debt	-	260,313	260,313
Long-term debt	-	4,187,946	4,187,946
<b>TOTAL LIABILITIES</b>	<b>55,798</b>	<b>4,451,476</b>	<b>4,507,274</b>
<b><u>NET POSITION</u></b>			
Net investment in capital assets	-	835,121	835,121
Restricted for:			
Liquid fuels	120,064	-	120,064
Escrows	1,823	-	1,823
Unrestricted	630,724	471,178	1,101,902
<b>TOTAL NET POSITION</b>	<b>\$ 752,611</b>	<b>\$ 1,306,299</b>	<b>\$ 2,058,910</b>

See accompanying notes to basic financial statements.

BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2019

Program Activities	Expenses	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
<b>Governmental activities:</b>						
General government administration	\$ 654,882	\$ -	\$ 188,882	\$ (466,000)	\$ -	\$ (466,000)
Public safety and protective inspection	1,397,698	743,359	30,280	(624,059)	-	(624,059)
Public works	1,330,584	6,393	220,594	(1,103,597)	-	(1,103,597)
Culture and recreation	427,757	100,740	-	(327,017)	-	(327,017)
Community development	53,432	-	-	(53,432)	-	(53,432)
Insurance	98,424	-	-	(98,424)	-	(98,424)
Employee benefits	891,883	-	-	(891,883)	-	(891,883)
Interest and debt related	754,440	-	-	(754,440)	-	(754,440)
Miscellaneous and other	2,089	-	-	(2,089)	-	(2,089)
Depreciation - unallocated	-	-	-	-	-	-
<b>Total governmental activities</b>	<b>5,611,189</b>	<b>850,492</b>	<b>439,756</b>	<b>(4,320,941)</b>	<b>-</b>	<b>(4,320,941)</b>
<b>Business-type activities:</b>						
Sewer	1,420,933	1,427,564	-	-	6,631	6,631
Wastewater collection	313,893	82,659	-	-	(231,234)	(231,234)
Water	797,631	659,702	-	-	(137,929)	(137,929)
<b>Total business-type activities</b>	<b>2,532,457</b>	<b>2,169,925</b>	<b>-</b>	<b>-</b>	<b>(362,532)</b>	<b>(362,532)</b>
<b>Total primary government</b>	<b>\$ 8,143,646</b>	<b>\$ 3,020,417</b>	<b>\$ 439,756</b>	<b>\$ (4,320,941)</b>	<b>\$ (362,532)</b>	<b>\$ (4,683,473)</b>

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, 2019

	Net (Expenses) Revenues and Changes in Net Position		
	Governmental Activities	Business-type Activities	Totals
<b>General revenues:</b>			
Property taxes, levied for general purposes	2,030,539	-	2,030,539
Other taxes levied for general purposes	885,103	-	885,103
Licenses and permits	129,561	-	129,561
Fines and forfeits	39,460	-	39,460
Investment earnings	13,330	8,655	21,985
Miscellaneous income	253,188	-	253,188
Gain (loss) on disposal of assets	269,445	-	269,445
Transfers between funds	9,078	(9,078)	-
<b>Total general revenues and transfers</b>	<b>3,629,704</b>	<b>(423)</b>	<b>3,629,281</b>
<b>Change in Net Position</b>	<b>(691,237)</b>	<b>(362,955)</b>	<b>(1,054,192)</b>
<b>Net position at beginning of year-as restated</b>	<b>1,443,848</b>	<b>1,669,254</b>	<b>3,113,102</b>
<b>Net Position at End of Year</b>	<b>\$ 752,611</b>	<b>\$ 1,306,299</b>	<b>\$ 2,058,910</b>

See accompanying notes to basic financial statements.

BOROUGH OF CATASAUQUA  
 LEHIGH COUNTY, PENNSYLVANIA  
 BALANCE SHEETS - CASH BASIS  
 GOVERNMENTAL FUNDS  
 DECEMBER 31, 2019

	Major Funds		Non-major Funds			Total
	General Fund	Liquid Fuels Fund	Debt Service Fund	Community Development Fund	Governmental Funds	
<b>ASSETS</b>						
Cash and cash equivalents	\$ 681,093	\$ 120,064	\$ -	\$ 2,506	\$ 803,663	
<i>Interfund receivables:</i>						
Governmental-type-funds	-	-	-	-	-	
Business-type-funds	4,746	-	-	-	4,746	
<b>TOTAL ASSETS</b>	<b>\$ 685,839</b>	<b>\$ 120,064</b>	<b>\$ -</b>	<b>\$ 2,506</b>	<b>\$ 808,409</b>	
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
<i>Interfund payables:</i>						
Governmental-type-funds	\$ -	\$ -	\$ -	\$ -	\$ -	
Business-type-funds	49,229	-	-	4,746	53,975	
Escrow payable	1,823	-	-	-	1,823	
<b>TOTAL LIABILITIES</b>	<b>51,052</b>	<b>-</b>	<b>-</b>	<b>4,746</b>	<b>55,798</b>	
<b>FUND BALANCES</b>						
Restricted	1,823	120,064	-	-	121,887	
Unassigned-as restated	632,964	-	-	(2,240)	630,724	
<b>TOTAL FUND BALANCES</b>	<b>634,787</b>	<b>120,064</b>	<b>-</b>	<b>(2,240)</b>	<b>752,611</b>	
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 685,839</b>	<b>\$ 120,064</b>	<b>\$ -</b>	<b>\$ 2,506</b>	<b>\$ 808,409</b>	

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, 2019**

	<b>Major Funds</b>		<b>Nonmajor Funds</b>		
	<b>General Fund</b>	<b>Liquid Fuels Fund</b>	<b>Community Development Fund</b>	<b>Debt Service Fund</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>					
Taxes	\$ 2,915,642	\$ -	\$ -	\$ -	\$ 2,915,642
Licenses and permits	129,561	-	-	-	129,561
Fines	39,460	-	-	-	39,460
Interest and rents	136,978	3,901	20	-	140,899
Intergovernmental	239,376	200,379	-	-	439,755
Charges for services	850,492	-	-	-	850,492
Miscellaneous	123,531	-	-	-	123,531
<b>Total Revenues</b>	<b>4,435,040</b>	<b>204,280</b>	<b>20</b>	<b>-</b>	<b>4,639,340</b>
<b>Expenditures:</b>					
General government	654,882	-	-	-	654,882
Public safety and protective inspection	1,397,698	-	-	-	1,397,698
Sanitation	643,947	-	-	-	643,947
Highways and streets	560,823	123,898	-	-	684,721
Storm water & flood control	1,916	-	-	-	1,916
Culture and recreation	427,757	-	-	-	427,757
Economic development	53,432	-	-	-	53,432
Debt service - principal	-	-	-	437,446	437,446
Debt service - interest	-	-	-	316,994	316,994
Insurance	98,424	-	-	-	98,424
Employee benefits	801,550	-	-	-	801,550
Pension	75,889	-	-	-	75,889
Unemployment	14,444	-	-	-	14,444
<b>Total Expenditures</b>	<b>4,730,762</b>	<b>123,898</b>	<b>-</b>	<b>754,440</b>	<b>5,609,100</b>
<b>Excess (deficiency) in Revenues over expenses</b>	<b>(295,722)</b>	<b>80,382</b>	<b>20</b>	<b>(754,440)</b>	<b>(969,760)</b>
<b>Other Financing Sources (Uses);</b>					
Proceeds from sale of Authority rights	269,445	-	-	-	269,445
Operation transfers in (out)	(756,284)	10,922	-	754,440	9,078
<b>Total Other Financing Sources (Uses);</b>	<b>(486,839)</b>	<b>10,922</b>	<b>-</b>	<b>754,440</b>	<b>278,523</b>
<b>Net changes in fund balances</b>	<b>(782,561)</b>	<b>91,304</b>	<b>20</b>	<b>-</b>	<b>(691,237)</b>
<b>Fund balances at beginning of year-as restated</b>	<b>1,417,348</b>	<b>28,760</b>	<b>(2,260)</b>	<b>-</b>	<b>1,443,848</b>
<b>Fund balances at end of year</b>	<b>\$ 634,787</b>	<b>\$ 120,064</b>	<b>\$ (2,240)</b>	<b>\$ -</b>	<b>\$ 752,611</b>

See accompanying notes to basic financial statements.

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
STATEMENT OF NET POSITION - CASH BASIS  
PROPRIETARY FUNDS  
DECEMBER 31, 2019**

	<b>Sewer Fund</b>	<b>Wastewater Collection Fund</b>	<b>Water Fund</b>	<b>Total Proprietary Funds</b>
<b><u>ASSETS</u></b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 93,089	\$ 144,191	\$ 152,267	\$ 389,547
Due from other funds	16,195	15,658	20,593	52,446
Vendor overpayment	-	-	32,402	32,402
<b>Total Current Assets</b>	<b>109,284</b>	<b>159,849</b>	<b>205,262</b>	<b>474,395</b>
<b>Capital Assets:</b>				
Sewer system, net of accumulated depreciation	4,893,669	107,974	-	5,001,643
Water system, net of accumulated depreciation	-	-	281,737	281,737
<b>TOTAL ASSETS</b>	<b>\$ 5,002,953</b>	<b>\$ 267,823</b>	<b>\$ 486,999</b>	<b>\$ 5,757,775</b>
<b><u>LIABILITIES</u></b>				
<b>Current Liabilities</b>				
Due to other funds	\$ -	\$ 1,475	\$ 1,742	\$ 3,217
Current portion of long-term debt	235,000	-	25,313	260,313
<b>Total Current Liabilities</b>	<b>235,000</b>	<b>1,475</b>	<b>27,055</b>	<b>263,530</b>
<b>Noncurrent Liabilities</b>				
Water revenue notes payable, net of current portion	-	-	57,946	57,946
Bonds payable, net of current portion	4,130,000	-	-	4,130,000
<b>Total Noncurrent Liabilities</b>	<b>4,130,000</b>	<b>-</b>	<b>57,946</b>	<b>4,187,946</b>
<b>TOTAL LIABILITIES</b>	<b>4,365,000</b>	<b>1,475</b>	<b>85,001</b>	<b>4,451,476</b>
<b><u>NET POSITION</u></b>				
Net investment in capital assets	528,669	107,974	198,478	835,121
Unrestricted	109,284	158,374	203,520	471,178
<b>TOTAL NET POSITION</b>	<b>\$ 637,953</b>	<b>\$ 266,348</b>	<b>\$ 401,998</b>	<b>\$ 1,306,299</b>

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, 2019**

	<b>Sewer Fund</b>	<b>Wastewater Collection Fund</b>	<b>Water Fund</b>	<b>Total Proprietary Funds</b>
<b>Operating Revenues:</b>				
Licenses & permits	\$ 4,250	\$ -	\$ -	\$ 4,250
Charges for services	1,423,315	87,659	665,066	2,176,040
<b>Total Operating Revenues</b>	<b>1,427,565</b>	<b>87,659</b>	<b>665,066</b>	<b>2,180,290</b>
<b>Operating Expenses:</b>				
Personnel services	554,797	193,814	338,408	1,087,019
Maintenance, operations, and contract services	356,017	82,713	251,421	690,151
Supplies	31,781	10,627	28,204	70,612
Materials	-	21,224	86,711	107,935
Utilities	93,984	-	60,790	154,774
Depreciation	282,594	5,515	28,188	316,297
<b>Total Operating Expenses</b>	<b>1,319,173</b>	<b>313,893</b>	<b>793,722</b>	<b>2,426,788</b>
<b>NET OPERATING INCOME (LOSS)</b>	<b>108,392</b>	<b>(226,234)</b>	<b>(128,656)</b>	<b>(246,498)</b>
<b>Nonoperating Revenues (Expenses)</b>				
Interest income	2,603	2,285	3,767	8,655
Interest expense	(101,760)	-	(3,350)	(105,110)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(99,157)</b>	<b>2,285</b>	<b>417</b>	<b>(96,455)</b>
<b>Net Income(loss) Before Operating Transfers</b>				
Operating transfers	-	(5,000)	(15,000)	(20,000)
<b>CHANGE IN NET POSITION</b>	<b>9,235</b>	<b>(228,949)</b>	<b>(143,239)</b>	<b>(362,953)</b>
<b>NET POSITION - BEGINNING OF YEAR</b>	<b>628,718</b>	<b>495,297</b>	<b>545,237</b>	<b>1,669,252</b>
<b>NET POSITION - END OF YEAR</b>	<b>\$ 637,953</b>	<b>\$ 266,348</b>	<b>\$ 401,998</b>	<b>\$ 1,306,299</b>

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, 2019**

	<u>Sewer Fund</u>	<u>Wastewater Collection Fund</u>	<u>Water Fund</u>	<u>Total Proprietary Funds</u>
<b>Cash flows from operating activities:</b>				
Receipts from customers	\$ 1,427,565	\$ 87,659	\$ 665,066	\$ 2,180,290
Payments to employees	(554,797)	(193,814)	(338,408)	(1,087,019)
Payments to suppliers	(481,782)	(114,564)	(427,126)	(1,023,472)
Due from vendor			(32,402)	(32,402)
<b>Net Cash provided by operating activities</b>	<u>390,986</u>	<u>(220,719)</u>	<u>(132,870)</u>	<u>37,397</u>
<b>Cash flows from non-capital financing activities:</b>				
Operating transfers	-	(5,000)	(15,000)	(20,000)
<b>Net cash (used) by non-capital financing activities</b>	<u>-</u>	<u>(5,000)</u>	<u>(15,000)</u>	<u>(20,000)</u>
<b>Cash flows from capital and related financing activities:</b>				
Interest paid on capital debt	(101,760)	-	(3,350)	(105,110)
Principal paid on capital debt	(230,000)	-	(24,452)	(254,452)
<b>Net cash (used) by capital and related financing activities</b>	<u>(331,760)</u>	<u>-</u>	<u>(27,802)</u>	<u>(359,562)</u>
<b>Cash flows from investing activities:</b>				
Purchases of capital assets	(81,517)	(25,193)	(25,194)	(131,904)
Interfund borrowings, net	-	1,342	(2,069)	(727)
Interest earned on cash and investments	2,603	2,285	3,767	8,655
<b>Net cash (used) by investing activities</b>	<u>(78,914)</u>	<u>(21,566)</u>	<u>(23,496)</u>	<u>(123,976)</u>
<b>Net increase in cash and cash equivalents</b>	<u>(19,688)</u>	<u>(247,285)</u>	<u>(199,168)</u>	<u>(466,141)</u>
<b>Cash at beginning of year</b>	<u>112,777</u>	<u>391,476</u>	<u>351,435</u>	<u>855,688</u>
<b>Cash at end of year</b>	<u>\$ 93,089</u>	<u>\$ 144,191</u>	<u>\$ 152,267</u>	<u>\$ 389,547</u>
<b>Reconciliation of Operating Profit (Loss) to net cash provided by (used for) Operating Activities</b>				
Operating Income (Loss)	\$ 108,392	\$ (226,234)	\$ (128,656)	\$ (246,498)
Adjustments to reconcile operating loss to net cash used for operating activities:				
Depreciation expense	282,594	5,515	28,188	316,297
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<u>\$ 390,986</u>	<u>\$ (220,719)</u>	<u>\$ (100,468)</u>	<u>\$ 69,799</u>

See accompanying notes to basic financial statements.

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
STATEMENT OF NET POSITION - CASH BASIS  
FIDUCIARY FUNDS  
DECEMBER 31, 2019**

	<b>Police Pension Plan</b>	<b>Employee Pension Plan</b>	<b>Total Pension Trust Funds</b>
<b><u>ASSETS</u></b>			
Investments	\$ 3,154,407	\$ 2,984,265	\$ 6,138,672
Receivables	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 3,154,407</b>	<b>\$ 2,984,265</b>	<b>\$ 6,138,672</b>
<b><u>LIABILITIES</u></b>			
Accrued pension payments	\$ -	\$ -	\$ -
<b><u>NET POSITION</u></b>			
Net position held in trust for pension benefits	3,154,407	\$ 2,984,265	6,138,672
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 3,154,407</b>	<b>\$ 2,984,265</b>	<b>\$ 6,138,672</b>

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, 2019**

	<b>Police Pension Plan</b>	<b>Employee Pension Plan</b>	<b>Total Pension Trust Funds</b>
<b>ADDITIONS:</b>			
<b>Contributions:</b>			
Employer	\$ 70,981	\$ -	\$ 70,981
Employee	60,452	-	60,452
Commonwealth	87,967	75,889	
Interest and dividends	57,139	54,931	112,070
Investment gain	384,794	367,582	752,376
<b>TOTAL ADDITIONS</b>	<b>661,333</b>	<b>498,402</b>	<b>995,879</b>
<b>Deductions:</b>			
Benefit payments, including tax withheld	273,892	107,182	381,074
Administrative expenses	22,606	24,059	46,665
<b>TOTAL DEDUCTIONS</b>	<b>296,498</b>	<b>131,241</b>	<b>427,739</b>
<b>CHANGE IN NET POSITION</b>	<b>364,835</b>	<b>367,161</b>	<b>568,140</b>
<b>Held in Trust for Pension Benefits:</b>			
<b>Beginning of year</b>	<b>2,789,572</b>	<b>2,617,104</b>	<b>5,406,676</b>
<b>End of year</b>	<b>\$ 3,154,407</b>	<b>\$ 2,984,265</b>	<b>\$ 6,138,672</b>

See accompanying notes to basic financial statements.

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
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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.

**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.

**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.

**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,

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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.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**L. Property Taxes**

Based upon assessed valuation provided by the County (approximately \$335,564,400 in 2019), the Borough bills and collects its own property taxes through an elected tax collector. The schedule for property taxes levied for 2019 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 2019 was 6.1 mills (\$6.10 per \$1,000 of assessed taxable valuations).

<b>Fund</b>	<b>Mills</b>
General Fund	6.10
Total Mills	6.10

**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, 2019.

**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 31<sup>st</sup>, 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 31<sup>st</sup>, 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.

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**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, 2019 the carrying amount and bank deposit balance of the Borough's deposits were \$1,193,090 and \$1,544,622, respectively. Of the bank balance \$500,000 was covered by federal depository insurance.

Balances held in each category as of December 31, 2019 are as follows:

	<b>Carrying Balance</b>	<b>Bank Balance</b>
Total governmental funds	\$ 803,663	\$ 1,134,877
Business-type funds	389,547	419,745
Totals	<u>\$ 1,193,090</u>	<u>\$ 1,554,622</u>

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, 2019, the Borough had the following cash and investments in its pension trust funds:

<u>Cash or Investment Type</u>	<b>Fair Market Value</b>	<b>Level</b>
Mutual funds	\$ 6,138,672	1
Totals	<u>\$ 6,138,672</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.



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**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, 2019. 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>
<b><i>General Fund:</i></b>		
Community Development	4,746	
Water Fund		19,069
Wastewater Treatment		16,195
Wastewater Collection		15,658
<b><i>Community Development Fund:</i></b>		
General Fund		4,746
<b><i>Water Fund:</i></b>		
General Fund	19,069	
Wastewater Collection	1,524	
<b><i>Wastewater Collection</i></b>		
General Fund	15,658	
Water Fund		1,524
<b><i>Wastewater Treatment</i></b>		
General Fund	16,195	
Total	<u>57,192</u>	<u>57,192</u>



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**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, 2019:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 270,000	\$ 289,495	\$ 559,495
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>\$ 10,450,000</u>	<u>\$ 4,646,969</u>	<u>\$ 15,096,969</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, 2019, 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>
<b><u>Business-type Entities:</u></b>				
GOB Series A of 2016	0.72% to 3.0%	10/04/2016	11/15/2035	\$ 4,365,000
20 year semi-annual payments				
<b>Total General Obligation Bonds</b>				<u>\$ 4,365,000</u>

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**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, 2019:

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 235,000	\$ 98,680	\$ 333,680
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
<b>Totals</b>	<b>\$ 4,365,000</b>	<b>\$ 979,957</b>	<b>\$ 5,344,957</b>

**Direct Borrowings and Direct Placements**

**Governmental-Type**

Installment loan payable – Used for public works equipment and secured by public works equipment. The loan requires five annual payments of \$31,404, including principal and interest at 3.75% over five years. The loan matures 2020. 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 \$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.

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**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
<b><u>Governmental-type Entities:</u></b>				
Installment loan payable	3.75%	04/14/15	04/14/20	\$ 30,351
Installment loan payable	3.14%	08/05/15	08/05/25	334,267
Installment loan payable	6.28%	07/26/18	07/26/23	25,957
Installment loan payable	6.95%	06/19/18	06/18/23	19,782
Installment loan payable	6.95%	03/01/18	03/01/18	163,789
			<b>Total governmental</b>	<b>574,146</b>
<b><u>Business-Type Entities:</u></b>				
Guaranteed Water Revenue Note	2.768% – 3.465%	02/01/03	02/01/23	83,259
			<b>Total business-type</b>	<b>83,259</b>
			<b>Total All Direct Borrowings and Direct Placements</b>	<b>\$ 657,405</b>

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

Year	Principal	Interest	Total
2020	\$ 133,338	\$ 14,654	\$ 115,150
2021	105,825	10,679	83,746
2022	94,579	7,711	69,532
2023	89,259	5,500	62,001
2024	91,036	3,723	62,001
2025	60,110	1,891	62,001
Totals	\$ 574,147	\$ 44,156	\$ 618,303

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

Year	Principal	Interest	Total
2020	\$ 25,313	\$ 2,486	\$ 27,799
2021	26,205	1,594	27,799
2022	27,127	672	27,799
2023	4,614	20	4,634
Totals	\$ 83,259	\$ 4,772	\$ 88,031

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 5 – LONG-TERM DEBT AND LIABILITIES – continued**

Transactions for the year ended December 31, 2019 are summarized as follows:

	Balance 1/1/19	Issues/ Additions	Reductions	Balance 12/31/19	Due within one year
<b><u>Governmental Activities</u></b>					
<b><u>Bonds Payable</u></b>					
GOB Series 2016	\$ 10,710,000	\$ -	\$ 260,000	\$ 10,450,000	\$ 270,000
<b>Total Bonds Payable</b>	10,710,000	-	260,000	10,450,000	270,000
<b><u>Notes from Direct Borrowings</u></b>					
Installment Loan	7,404	-	7,404	-	-
Installment Loan	59,444	-	29,093	30,351	30,351
Installment Loan	384,187	-	49,920	334,267	51,490
Installment Loan	10,394	-	10,394	-	-
Installment Loan	37,797	-	11,840	25,957	12,584
Installment Loan	25,539	-	5,756	19,782	6,156
Installment Loan	196,547	-	32,758	163,789	32,758
<b>Total Direct Borrowings</b>	721,313	-	147,166	574,147	133,338
<b>Total Government Activities</b>	11,431,313	-	407,166	11,024,147	403,338
<b><u>Business-Type Activities</u></b>					
<b><u>Bonds Payable</u></b>					
GOB Series A of 2016	4,595,000	-	230,000	4,365,000	235,000
<b>Total Bonds Payable</b>	4,595,000	-	230,000	4,365,000	235,000
<b><u>Notes from Direct Borrowings</u></b>					
Guaranteed Sewer Revenue Note	107,711	-	24,452	83,259	25,313
<b>Total Direct Borrowings</b>	107,711	-	24,452	83,259	25,313
<b>Total Business-Type Activities</b>	4,702,711	-	254,452	4,448,259	260,313
<b>Total all Debt</b>	\$ 16,134,024	\$ -	\$ 661,618	\$ 15,472,406	\$ 663,651

**NOTE 6 – FUND BALANCES**

Governmental-type funds reports restricted fund balances of \$120,064 at December 31, 2019. The State Liquid Fuels Fund reports restricted fund balance of \$120,064, 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, 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.

**NOTE 7 – PENSION PLANS – continued**

Funding

For the fiscal year ended December 31, 2019, the rate of Borough contributions for the Police Pension Plan and the Nonuniformed Pension Plan was 30.8% and 6.8% of covered payroll, respectively. The total Borough and employee contributions to the Police Pension Plan for the years ended December 31, 2019, 2018, and 2017 were \$248,260, \$236,739, and \$206,998, respectively, which are equal to or exceed the required contribution for each year. The total Borough contributions to the Nonuniformed Defined Benefit Pension Plan for the years ended December 31, 2019, 2018, and 2017 were \$75,889, \$62,950, and \$64,168, 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, 2019

**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, 2019**

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**NOTE 12 – RESTATEMENT OF PRIOR PERIOD FUND BALANCES AND NET POSITION**

The following prior period adjustments resulted in the restatement of net position:

Governmental Activities

Net position at December 31, 2018	\$ 5,781,205
Governmental fund adjustment to remove fixed assets and accumulated depreciation from cash basis financials	(15,676,195)
Governmental fund adjustment to remove debt from cash basis financials	11,234,765
Governmental fund adjustment to correct clearing account incorrectly reported in the PY	3,073
Governmental fund adjustment to correct payroll expenses incorrectly reported in the PY	101,000
Total adjustments	<u>(4,337,357)</u>
Net position at December 31, 2018, restated	<u>\$ 1,443,848</u>

Governmental Activities-General Fund

Net position at December 31, 2018	\$ 1,313,275
Governmental fund adjustment to correct clearing account incorrectly reported in the PY	3,073
Governmental fund adjustment to correct payroll expenses incorrectly reported in the PY	101,000
Total adjustments	<u>104,073</u>
Net position at December 31, 2018, restated	<u>\$ 1,417,348</u>

**NOTE 13 – SUBSEQUENT EVENTS**

In preparing these financial statements, management of the Borough of Catasauqua has evaluated events and transactions subsequent to December 31, 2019 through January 27, 2021, 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

## OTHER INFORMATION

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<b>Budgeted Amounts</b>		<b>Actual Budget Basis</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Taxes	\$ 2,221,614	\$ 2,221,614	\$ 2,915,642	\$ 694,028
Licenses and permits	176,000	176,000	129,561	(46,439)
Fines	307,400	307,400	39,460	(267,940)
Interest and rents	12,027	12,027	136,978	124,951
Intergovernmental	117,700	117,700	239,376	121,676
Charges for services	488,500	488,500	850,492	361,992
Miscellaneous	4,100	4,100	123,531	119,431
<b>Total Revenues</b>	<b>3,327,341</b>	<b>3,327,341</b>	<b>4,435,040</b>	<b>1,107,699</b>
<b>Other Financing Sources:</b>				
Proceeds for sale of assets	-	-	269,445	269,445
<b>Total Revenues and Other Financing Sources</b>	<b>3,327,341</b>	<b>3,327,341</b>	<b>4,704,485</b>	<b>1,377,144</b>
<b>Expenditures:</b>				
General government	507,038	479,531	654,882	(175,351)
Public safety and protective inspection	1,956,964	1,962,724	1,397,698	565,026
Health & animal control	10,568	9,289	-	9,289
Sanitation, storm water & flood control	119,412	135,544	643,947	(508,403)
Highways and streets	511,935	411,618	560,823	(149,205)
Parking facilities	252,348	234,537	1,916	232,621
Culture and recreation	20,000	19,445	427,757	(408,312)
Community development	2,500	6,142	53,432	(47,290)
Insurance	150,242	210,546	98,424	112,122
Employee benefits	194,198	271,944	801,550	(529,606)
Pension	191,960	191,960	75,889	116,071
Unemployment	42,078	8,936	14,444	(5,508)
<b>Total Expenditures</b>	<b>3,959,243</b>	<b>3,942,216</b>	<b>4,730,762</b>	<b>(788,546)</b>
<b>Other Financing Uses:</b>				
Interfund operating transfers out	-	-	745,362	(745,362)
<b>Total Expenditures and Other Financing Uses</b>	<b>3,959,243</b>	<b>3,942,216</b>	<b>5,476,124</b>	<b>(1,533,908)</b>
<b>Net changes in fund balances</b>	<b>(631,902)</b>	<b>(614,875)</b>	<b>(771,639)</b>	<b>\$ (156,764)</b>
<b>Fund Balance Forwarded</b>	<b>-</b>	<b>-</b>	<b>1,417,348</b>	
<b>Fund balance at end of year</b>	<b>\$ (631,902)</b>	<b>\$ (614,875)</b>	<b>\$ 645,709</b>	

**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, 2019**  
**(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)
<b>POLICE PENSION PLAN</b>						
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%
<b>NONUNIFORMED PENSION PLAN</b>						
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, 2019  
(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)
<b>POLICE PENSION PLAN</b>						
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%
<b>NONUNIFORMED PENSION PLAN</b>						
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
<b>POLICE PENSION PLAN</b>		
2019	\$ 187,808	100%
2018	189,708	100%
2017	157,992	100%
2016	155,749	100%
2015	126,319	100%
2014	121,411	100%
<b>NONUNIFORMED PENSION PLAN</b>		
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. These valuations are