

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2022**

BOROUGH OF CATASAUQUA

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# *Zelenkofske Axlerod LLC*

**CERTIFIED PUBLIC ACCOUNTANTS**

EXPERIENCE | EXPERTISE | ACCOUNTABILITY

## **INDEPENDENT AUDITORS' REPORT**

To the Borough Council  
Borough of Catasauqua  
Catasauqua, 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 the for the year ended December 31, 2022, 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, 2022, and the respective changes in financial position in accordance with the cash basis and modified 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 and modified 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.

### **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.



# *Zelenkofske Axlerod LLC*

**CERTIFIED PUBLIC ACCOUNTANTS**

EXPERIENCE | EXPERTISE | ACCOUNTABILITY

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.

## **Adoption of Governmental Accounting Standards Board Pronouncements**

As discussed in Note 1 to the financial statements, in 2022, the Township adopted the provisions of Governmental Accounting Standards Board's Statement No. 87 *Leases*, Statement No. 91, *Conduit Debt Obligations*, and Statement No. 92, *Omnibus 2020*. Our opinion is not modified with respect to these matters.



# *Zelenkofske Axelrod LLC*

**CERTIFIED PUBLIC ACCOUNTANTS**

EXPERIENCE | EXPERTISE | ACCOUNTABILITY

## **Other Information**

### *Required Supplementary Information*

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

### *Other Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The combining nonmajor fund and retirement fund financial statements are presented for purpose of additional analysis and are not a required part of the basic financial statements. The combining statements are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the combining statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

*Zelenkofske Axelrod LLC*

Zelenkofske Axelrod LLC  
Jamison, PA  
December 29, 2023

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
STATEMENT OF NET POSITION – CASH BASIS AND MODIFIED CASH BASIS  
DECEMBER 31, 2022**

|                                       | Governmental<br>Activities<br>Cash - Basis | Business-Type<br>Activities<br>Modified Cash - Basis | Total<br>Reporting<br>Entity |
|---------------------------------------|--|--|------------------------------|
| <b>ASSETS</b>                         |  |  |                              |
| Cash and cash equivalents             | \$ 1,090,041                               | \$ 2,582,264   | \$ 3,672,305                 |
| Interfund Balances                    | (602,901)                                  | 602,901  | -                            |
| Capital Assets, net of depreciation   | -  | 5,026,311  | 5,026,311                    |
| TOTAL ASSETS                          | <u>\$ 487,140</u>                          | <u>\$ 8,211,476</u>                                  | <u>\$ 8,698,616</u>          |
| <b>LIABILITIES AND NET POSITION</b>   |  |  |                              |
| <b>LIABILITIES</b>                    |  |  |                              |
| Other Liabilities                     | 53,156                                     | -  | 53,156                       |
| Current Portion of Long-Term Debt     | -  | 313,120  | 313,120                      |
| Long-Term Debt                        | -  | 8,020,988  | 8,020,988                    |
| TOTAL LIABILITIES                     | <u>53,156</u>                              | <u>8,334,108</u>                                     | <u>8,387,264</u>             |
| <b>NET POSITION</b>                   |  |  |                              |
| Net Investment in Capital Assets      | -  | (3,307,797)  | (3,307,797)                  |
| Restricted:                           |  |  |                              |
| Liquid Fuels                          | 113,174                                    | -  | 113,174                      |
| Unrestricted                          | 320,810                                    | 3,185,165  | 3,505,975                    |
| TOTAL NET POSITION                    | <u>433,984</u>                             | <u>(122,632)</u>                                     | <u>311,352</u>               |
| TOTAL LIABILITIES AND<br>NET POSITION | <u>\$ 487,140</u>                          | <u>\$ 8,211,476</u>                                  | <u>\$ 8,698,616</u>          |

See accompanying notes to basic financial statements.

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
STATEMENT OF ACTIVITIES – CASH BASIS AND MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

| Functions/Programs                          | Governmental                           | Business-Type                                   |  |  | Net Revenue (Expense) and Changes in Net Position |                             |                    |
|---|--|---|--|--|---|-----------------------------|--------------------|
|   | Activities<br>Cash - Basis<br>Expenses | Activities<br>Modified Cash - Basis<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities                        | Business-Type<br>Activities | Totals             |
| <b>GOVERNMENTAL ACTIVITIES</b>              |  |   |  |  |   |                             |                    |
| General government                          | \$ 1,319,059                           | \$ 5,385  | \$ 459,090                               | \$ -                                   | \$ (854,584)                                      |                             | \$ (854,584)       |
| Public safety and Protective Inspection     | 1,835,280                              | 600   | 241,036                                  | -                                      | (1,593,644)                                       |                             | (1,593,644)        |
| Sanitation                                  | 681,797                                | 807,377   | -  | -                                      | 125,580   |                             | 125,580            |
| Highways and Streets                        | 968,619                                | 1,510   | 341,227                                  | -                                      | (625,882)   |                             | (625,882)          |
| Storm Water and Flood Control               | 34,003                                 | -   | -  | -                                      | (34,003)  |                             | (34,003)           |
| Culture and Recreation                      | 219,948                                | 6,800   | -  | -                                      | (213,148)   |                             | (213,148)          |
| Economic Development                        | 102,120                                | -   | 290,215                                  | -                                      | 188,095   |                             | 188,095            |
| Insurance                                   | 123,980                                | -   | -  | -                                      | (123,980)   |                             | (123,980)          |
| Employee Benefits                           | 1,419,338                              | -   | -  | -                                      | (1,419,338)                                       |                             | (1,419,338)        |
| Interest and debt related                   | 574,724                                | -   | -  | -                                      | (574,724)   |                             | (574,724)          |
| Miscellaneous and Other                     | -                                      | -   | -  | -                                      | -   |                             | -                  |
| Depreciation - Unallocated                  | -                                      | -   | -  | -                                      | -   |                             | -                  |
| <b>TOTAL GOVERNMENTAL<br/>ACTIVITIES</b>    | <b>7,278,868</b>                       | <b>821,672</b>                                  | <b>1,331,568</b>                         | <b>-</b>                               | <b>(5,125,628)</b>                                | <b>-</b>                    | <b>(5,125,628)</b> |
| <b>BUSINESS-TYPE ACTIVITIES</b>             |  |   |  |  |   |                             |                    |
| Sewer                                       | 1,821,234                              | 1,121,481                                       | -  | -                                      |   | (699,753)                   | (699,753)          |
| Wastewater Collection                       | 987,894                                | 1,044,585                                       | -  | -                                      |   | 56,691                      | 56,691             |
| Water                                       | 1,159,682                              | 735,137   | -  | -                                      |   | (424,545)                   | (424,545)          |
| <b>TOTAL REPORTING<br/>ENTITY</b>           | <b>\$ 8,438,550</b>                    | <b>\$ 3,722,875</b>                             | <b>\$ 1,331,568</b>                      | <b>\$ -</b>                            | <b>(5,125,628)</b>                                | <b>(1,067,607)</b>          | <b>(6,193,235)</b> |
| <b>GENERAL REVENUES</b>                     |  |   |  |  |   |                             |                    |
| Taxes                                       |  |   |  |  |   |                             |                    |
| Property taxes, Levied for General Purposes |  |   |  |  | 2,481,913   | -                           | 2,481,913          |
| Other Taxes, Levied for General Purposes    |  |   |  |  | 1,018,517   | -                           | 1,018,517          |
| Licenses and Permits                        |  |   |  |  | 184,976   | -                           | 184,976            |
| Fines and Forfeits                          |  |   |  |  | 34,867  | -                           | 34,867             |
| Investment Earnings and Rent                |  |   |  |  | 122,285   | 40,749                      | 163,034            |
| Miscellaneous Income                        |  |   |  |  | 163,309   | -                           | 163,309            |
| Proceeds from Debt Issuances                |  |   |  |  | 2,000,000   | -                           | 2,000,000          |
| <b>TOTAL GENERAL REVENUES</b>               |  |   |  |  | <b>6,005,867</b>                                  | <b>40,749</b>               | <b>6,046,616</b>   |
| <b>CHANGE IN NET POSITION</b>               |  |   |  |  | <b>880,239</b>                                    | <b>(1,026,858)</b>          | <b>(146,619)</b>   |
| <b>NET POSITION AT BEGINNING OF YEAR</b>    |  |   |  |  | <b>(446,255)</b>                                  | <b>904,226</b>              | <b>457,971</b>     |
| <b>NET POSITION AT END OF YEAR</b>          |  |   |  |  | <b>\$ 433,984</b>                                 | <b>\$ (122,632)</b>         | <b>\$ 311,352</b>  |

See accompanying notes to basic financial statements.

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
BALANCE SHEETS – CASH BASIS –  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2022**

|  | General<br>Fund  | Nonmajor<br>Funds | Total<br>Governmental<br>Funds |
|--|------------------|-------------------|--------------------------------|
| <b>ASSETS</b>                              |                  |                   |                                |
| Cash and cash equivalents                  | \$ 974,353       | \$ 115,688        | \$ 1,090,041                   |
| Due From Other Funds                       | 152,300          | -                 | 152,300                        |
| TOTAL ASSETS                               | \$ 1,126,653     | \$ 115,688        | \$ 1,242,341                   |
| <br><b>LIABILITIES AND FUND BALANCES</b>   |                  |                   |                                |
| <b>LIABILITIES</b>                         |                  |                   |                                |
| Due to other funds                         | 750,455          | 4,746             | 755,201                        |
| Escrow Payable                             | 53,156           | -                 | 53,156                         |
| TOTAL LIABILITIES                          | 803,611          | 4,746             | 808,357                        |
| <br><b>FUND BALANCES</b>                   |                  |                   |                                |
| Restricted                                 | -                | 113,174           | 113,174                        |
| Unassigned                                 | 323,042          | (2,232)           | 320,810                        |
| TOTAL FUND BALANCES                        | 323,042          | 110,942           | 433,984                        |
| <br>TOTAL LIABILITIES AND FUND<br>BALANCES | <br>\$ 1,126,653 | <br>\$ 115,688    | <br>\$ 1,242,341               |

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, 2022**

|   | General<br>Fund    | Nonmajor<br>Funds | Total<br>Governmental<br>Funds |
|---|--------------------|-------------------|--------------------------------|
|   | <u>          </u>  | <u>          </u> | <u>          </u>              |
| REVENUES  |                    |                   |                                |
| Taxes   | \$ 3,500,430       | \$ -              | \$ 3,500,430                   |
| Licenses, permits and fees                              | 184,976            | -                 | 184,976                        |
| Fines and forfeits                                      | 34,867             | -                 | 34,867                         |
| Interest and Rents                                      | 118,740            | 3,545             | 122,285                        |
| Intergovernmental                                       | 990,341            | 341,227           | 1,331,568                      |
| Charges for services                                    | 821,672            | -                 | 821,672                        |
| Miscellaneous   | 163,309            | -                 | 163,309                        |
| TOTAL REVENUES  | <u>5,814,335</u>   | <u>344,772</u>    | <u>6,159,107</u>               |
| EXPENDITURES  |                    |                   |                                |
| General government                                      | 1,319,005          | 54                | 1,319,059                      |
| Public safety and protective inspection                 | 1,835,280          | -                 | 1,835,280                      |
| Sanitation  | 681,797            | -                 | 681,797                        |
| Highways and Streets                                    | 601,028            | 367,591           | 968,619                        |
| Storm Water and Flood Control                           | 34,003             | -                 | 34,003                         |
| Culture and Recreation                                  | 219,948            | -                 | 219,948                        |
| Economic Development                                    | 102,120            | -                 | 102,120                        |
| Debt Service - Principal                                | 285,000            | -                 | 285,000                        |
| Debt Service - Interest                                 | 289,724            | -                 | 289,724                        |
| Insurance   | 123,980            | -                 | 123,980                        |
| Employee Benefits                                       | 1,419,338          | -                 | 1,419,338                      |
| TOTAL EXPENDITURES                                      | <u>6,911,223</u>   | <u>367,645</u>    | <u>7,278,868</u>               |
| EXCESS (DEFICIENCY)<br>OF REVENUES OVER<br>EXPENDITURES | <u>(1,096,888)</u> | <u>(22,873)</u>   | <u>(1,119,761)</u>             |
| OTHER FINANCING SOURCES (USES)                          |                    |                   |                                |
| Proceeds from Debt                                      | <u>2,000,000</u>   | <u>-</u>          | <u>2,000,000</u>               |
| TOTAL OTHER FINANCING<br>SOURCES (USES)                 | <u>2,000,000</u>   | <u>-</u>          | <u>2,000,000</u>               |
| NET CHANGE IN<br>FUND BALANCES                          | 903,112            | (22,873)          | 880,239                        |
| FUND BALANCE - BEGINNING                                | <u>(580,070)</u>   | <u>133,815</u>    | <u>(446,255)</u>               |
| FUND BALANCE - ENDING                                   | <u>\$ 323,042</u>  | <u>\$ 110,942</u> | <u>\$ 433,984</u>              |

See accompanying notes to basic financial statements.

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
STATEMENT OF NET POSITION – MODIFIED CASH BASIS –  
PROPRIETARY FUNDS  
DECEMBER 31, 2022**

|   | Sewer<br>Fund              | Wastewater<br>Collection<br>Fund | Water<br>Fund            | Total                      |
|---|----------------------------|----------------------------------|--------------------------|----------------------------|
| <b>ASSETS</b>                             |                            |                                  |                          |                            |
| Cash and cash equivalents                 | \$ 2,489,769               | \$ 74,240                        | \$ 18,255                | \$ 2,582,264               |
| Due From Other Funds                      | 1,209,877                  | 89,698                           | 2,153                    | 1,301,728                  |
| Capital Assets, Net of Depreciation       | <u>4,300,853</u>           | <u>90,023</u>                    | <u>635,435</u>           | <u>5,026,311</u>           |
| <b>TOTAL ASSETS</b>                       | <u><b>\$ 8,000,499</b></u> | <u><b>\$ 253,961</b></u>         | <u><b>\$ 655,843</b></u> | <u><b>\$ 8,910,303</b></u> |
| <b>LIABILITIES AND NET POSITION</b>       |                            |                                  |                          |                            |
| <b>LIABILITIES</b>                        |                            |                                  |                          |                            |
| Due to Other Funds                        | \$ 50,189                  | \$ 1,524                         | \$ 647,114               | \$ 698,827                 |
| Current Portion of Long-Term Debt         | 285,000                    | -                                | 28,120                   | 313,120                    |
| Long-Term Debt                            | <u>7,625,000</u>           | <u>-</u>                         | <u>395,988</u>           | <u>8,020,988</u>           |
| <b>TOTAL LIABILITIES</b>                  | 7,960,189                  | 1,524                            | 1,071,222                | 9,032,935                  |
| <b>NET POSITION</b>                       |                            |                                  |                          |                            |
| Net Investment in Capital Assets          | (3,609,147)                | 90,023                           | 211,327                  | (3,307,797)                |
| Unrestricted                              | <u>3,649,457</u>           | <u>162,414</u>                   | <u>(626,706)</u>         | <u>3,185,165</u>           |
| <b>TOTAL NET POSITION</b>                 | <u>40,310</u>              | <u>252,437</u>                   | <u>(415,379)</u>         | <u>(122,632)</u>           |
| <b>TOTAL LIABILITIES AND NET POSITION</b> | <u><b>\$ 8,000,499</b></u> | <u><b>\$ 253,961</b></u>         | <u><b>\$ 655,843</b></u> | <u><b>\$ 8,910,303</b></u> |

See accompanying notes to basic financial statements.

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION –  
MODIFIED CASH BASIS – PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

|  | Sewer<br>Fund    | Wastewater<br>Collection<br>Fund | Water<br>Fund       | Total               |
|--|------------------|----------------------------------|---------------------|---------------------|
| <b>OPERATING REVENUES</b>                      |                  |                                  |                     |                     |
| License and Permits                            | \$ 11,000        | \$ -                             | \$ -                | \$ 11,000           |
| Charges for Services                           | 1,108,203        | 1,044,585                        | 735,137             | 2,887,925           |
| Miscellaneous                                  | 2,278            | -                                | -                   | 2,278               |
| <b>TOTAL OPERATING REVENUES</b>                | <b>1,121,481</b> | <b>1,044,585</b>                 | <b>735,137</b>      | <b>2,901,203</b>    |
| <b>OPERATING EXPENSES</b>                      |                  |                                  |                     |                     |
| Administration                                 | 326,204          | 835,246                          | 478,081             | 1,639,531           |
| Maintenance, Operations and Contract Services  | 789,317          | 83,141                           | 484,450             | 1,356,908           |
| Employee Benefits                              | 199,150          | 61,000                           | 112,010             | 372,160             |
| Depreciation                                   | 327,038          | 8,507                            | 77,943              | 413,488             |
| <b>TOTAL OPERATING EXPENSES</b>                | <b>1,641,709</b> | <b>987,894</b>                   | <b>1,152,484</b>    | <b>3,782,087</b>    |
| <b>NET OPERATING INCOME (LOSS)</b>             | <b>(520,228)</b> | <b>56,691</b>                    | <b>(417,347)</b>    | <b>(880,884)</b>    |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>       |                  |                                  |                     |                     |
| Interest Income                                | 40,239           | 394                              | 116                 | 40,749              |
| Interest Expense                               | (179,525)        | -                                | (7,198)             | (186,723)           |
| <b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b> | <b>(139,286)</b> | <b>394</b>                       | <b>(7,082)</b>      | <b>(145,974)</b>    |
| <b>CHANGE IN NET POSITION</b>                  | <b>(659,514)</b> | <b>57,085</b>                    | <b>(424,429)</b>    | <b>(1,026,858)</b>  |
| <b>NET POSITION AT BEGINNING OF YEAR</b>       | <b>699,824</b>   | <b>195,352</b>                   | <b>9,050</b>        | <b>904,226</b>      |
| <b>NET POSITION AT END OF YEAR</b>             | <b>\$ 40,310</b> | <b>\$ 252,437</b>                | <b>\$ (415,379)</b> | <b>\$ (122,632)</b> |

See accompanying notes to basic financial statements.

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
STATEMENT OF NET POSITION – MODIFIED CASH BASIS –  
FIDUCIARY FUNDS  
DECEMBER 31, 2022**

|   | <u>Component Unit</u>       |                             |
|---|-----------------------------|-----------------------------|
|   | Pension<br>Funds            | Custodial<br>Funds          |
|   | <u>                    </u> | <u>                    </u> |
| <b>ASSETS</b>                             |                             |                             |
| Cash and cash equivalents                 | \$ -                        | \$ 133,563                  |
| Investments at fair value                 | 6,442,082                   | -                           |
| Receivables                               | 37,686                      | -                           |
| <b>TOTAL ASSETS</b>                       | <u><u>\$ 6,479,768</u></u>  | <u><u>\$ 133,563</u></u>    |
| <br><b>LIABILITIES AND NET POSITION</b>   |                             |                             |
| <b>LIABILITIES</b>                        |                             |                             |
| Accounts Payable                          | \$ 5,388                    | \$ -                        |
| Escrow funds                              | -                           | -                           |
| <br><b>NET POSITION</b>                   |                             |                             |
| Held in trust for Other                   | -                           | 133,563                     |
| Held in trust for pension benefits        | 6,474,379                   | -                           |
| <b>TOTAL LIABILITIES AND NET POSITION</b> | <u><u>\$ 6,479,767</u></u>  | <u><u>\$ 133,563</u></u>    |

See accompanying notes to basic financial statements.

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
STATEMENT OF CHANGES NET POSITION – MODIFIED CASH BASIS –  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

|  | <u>Component Unit</u><br>Pension<br>Funds | <u>Custodial<br/>Funds</u> |
|--|---|----------------------------|
| <b>ADDITIONS</b>                         |   |                            |
| Contributions                            |   |                            |
| General municipal pension state aid      | \$ 207,218                                | \$ -                       |
| Escrow Receipts                          | -   | 91,491                     |
| Employers                                | 224,011                                   | -                          |
| Employees                                | 76,430                                    | -                          |
| <b>TOTAL CONTRIBUTIONS</b>               | <u>507,659</u>                            | <u>91,491</u>              |
| Investment income                        |   |                            |
| Net depreciation in fair value of assets | (936,746)                                 | -                          |
| Interest and dividends                   | 102,212                                   | 7                          |
| <b>TOTAL INVESTMENT INCOME</b>           | <u>(834,534)</u>                          | <u>7</u>                   |
| Investment expenses                      | -   | -                          |
| <b>INVESTMENT INCOME, NET</b>            | <u>(834,534)</u>                          | <u>7</u>                   |
| <br>                                     |   |                            |
| <b>TOTAL ADDITIONS</b>                   | (326,875)                                 | 91,498                     |
| <br>                                     |   |                            |
| <b>DEDUCTIONS</b>                        |   |                            |
| Benefits Payments                        | 897,555                                   | -                          |
| Administrative Expenses                  | 40,553                                    | 1,129                      |
| <b>TOTAL DEDUCTIONS</b>                  | <u>938,108</u>                            | <u>1,129</u>               |
| <br>                                     |   |                            |
| <b>CHANGE IN NET POSITION</b>            | (1,264,983)                               | 90,369                     |
| <br>                                     |   |                            |
| NET POSITION AT BEGINNING OF YEAR        | <u>7,739,362</u>                          | <u>43,194</u>              |
| <br>                                     |   |                            |
| NET POSITION AT END OF YEAR              | <u>\$ 6,474,379</u>                       | <u>\$ 133,563</u>          |

See accompanying notes to basic financial statements.

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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 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 the cash basis and modified cash basis of accounting, which are 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 and modified 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 and modified cash 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 follow 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.

The Borough's two retirement plans qualify to be reported as component units of the Borough of Catasauqua.

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**B. Basis of Presentation**

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, the governmental column is presented on the cash basis of accounting. The business-type column is reported in the modified cash basis of accounting and economic resource model, 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.

**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 governmental funds are reported on the cash basis of accounting. 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.

**Non-Major 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.

**Proprietary Fund**

The focus of proprietary fund measurement is upon determination of operating income – modified cash basis, and change in net position – modified cash basis, financial position – 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 principle 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, material 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 classified as enterprise funds. The proprietary funds are reported on the modified cash basis of accounting which differs from the cash basis of accounting in that long term assets and long term liabilities are reported in the proprietary fund financial statements.

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
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**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 funds:

**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. The Borough's two component unit retirement plans are reported as fiduciary funds as well as the custodial fund of the Borough, which holds amounts that are due to entities outside of the Borough.

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, the governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the cash basis of accounting and modified cash basis of accounting, respectively.

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 and modified cash 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 modified 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, and liabilities, (whether current or noncurrent) associated with their activities are generally reported within the limitations of the modified cash basis of accounting.



**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
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DECEMBER 31, 2022**

- 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 the cash basis or modified cash basis of accounting, which are 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 and long term debt obligation for enterprise funds, arising from cash transactions.

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 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 modified 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. 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 outline 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 in 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  
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DECEMBER 31, 2022**

**E. Capital Assets**

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

The business-type activities and proprietary funds use the modified 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, plan and improvements      | 10-40 years |
| Vehicles and transportation equipment | 5-10 years  |
| Machinery and equipment               | 5-10 years  |
| Infrastructure                        | 25-50 years |

**F. Long-Term Debt**

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

**G. 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.”

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:

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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.

H. 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:

**BOROUGH OF CATASAUQUA  
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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 charge 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.

I. 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 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.

**BOROUGH OF CATASAUQUA  
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J. Property Taxes

Based upon assessed valuation provided by the County (approximately \$336,754,200 in 2022), the Borough bills and collects its own property taxes through an elected tax collector. The schedule for property taxes levied for 2022 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 2022 was 7.35 mills (\$7.35 per \$1,000 of assessed taxable valuations).

| <b>Fund</b>  | <b>Mills</b> |
|--------------|--------------|
| General Fund | 7.35         |
| Total Mills  | 7.35         |

K. Compensated Absences

Accumulated unpaid vacation and sick pay benefits accrue based on length of service and employment. There was not material unused vacation or sick pay benefits as of December 31, 2022.

L. Other Postemployment Benefits

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

M. 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.

N. 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.

O. 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 or in future years as shown below:

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In 2022, the Borough adopted the provisions of Governmental Accounting Standards Board's Statement No. 87 *Leases*, Statement No. 91, *Conduit Debt Obligations*, and Statement No. 92, *Omnibus 2020*. The adoption of these standards had no effect on previously reported amounts.

In June 2022, The GASB issued Statement No. 100, "*Accounting Changes and Error Corrections*." The Borough is required to adopt this statement for its calendar year 2024 financial statements.

In June 2022, The GASB issued Statement No. 101, "*Compensated Absences*." The Township is required to adopt this statement for its calendar year 2024 financial Statements.

The Township has not yet completed the various analysis required to estimate the financial statement impact of these new pronouncements.

**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, 2022 the carrying amount and bank deposit balance of the Borough's deposits were \$3,805,868 and \$4,384,491, respectively. Of the bank balance, \$500,000 was covered by federal depository insurance.

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. The Borough's pension plan investments are held in mutual funds at December 31, 2022 in the amount of \$6,442,082. The Borough categorizes its fair value measurements within the 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. All investment of the Borough Pension Funds are measured by Level 1 inputs.

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, 2022. In addition, the plans did not have any investment transactions with related parties during the year.

**BOROUGH OF CATASAUQUA  
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**NOTE 3 – INTERFUND BALANCES**

Certain funds of the borough at times received amounts that are due to other funds and certain funds have provided money to other funds to provide cash flow for the respective funds to be able to cover the payment of bills and payroll. The amounts that are due between funds at December 31, 2022 are as follows:

|                            | Due From    | Due to      |
|----------------------------|-------------|-------------|
| General Fund               | \$ 152,300  | \$ 750,455  |
| Community Development Fund | -           | 4,746       |
| Sewer Fund                 | 1,209,877   | 50,189      |
| Wastewater Collection Fund | 89,698      | 1,524       |
| Sewer Operating Fund       | 2,153       | 647,114     |
|                            | \$1,454,028 | \$1,454,028 |

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2022, was as follows:

|  | Balance<br>January 1, 2022 | Additions    | Disposals | Balance<br>December 31, 2022 |
|--|----------------------------|--------------|-----------|------------------------------|
| Business-Type Activities:                          |                            |              |           |                              |
| Capital Assets, Being Depreciated:                 |                            |              |           |                              |
| Sewer Fund - System                                | \$ 12,491,062              | \$ -         | \$ -      | \$ 12,491,062                |
| Sewer Fund - Equipment                             | 276,960                    | 88,908       | -         | 365,868                      |
| Total Being Depreciated                            | 12,768,022                 | 88,908       | -         | 12,856,930                   |
| Less: Accumulated Depreciation                     | 8,229,039                  | 327,038      | -         | 8,556,077                    |
| Sewer Fund Capital Assets, Net                     | \$ 4,538,983               | \$ (238,130) | \$ -      | \$ 4,300,853                 |
| Wastewater Collection Fund - System                | \$ 101,816                 | \$ -         | \$ -      | \$ 101,816                   |
| Wastewater Collection Fund - Equipment             | 25,193                     | -            | -         | 25,193                       |
| Total Being Depreciated                            | 127,009                    | -            | -         | 127,009                      |
| Less: Accumulated Depreciation                     | 28,479                     | 8,507        | -         | 36,986                       |
| Wastewater Collection Fund Capital Assets, Net     | \$ 98,530                  | \$ (8,507)   | \$ -      | \$ 90,023                    |
| Water Fund - System                                | \$ 1,983,890               | \$ -         | \$ -      | \$ 1,983,890                 |
| Water Fund - Equipment                             | 485,232                    | 5,831        | -         | 491,063                      |
| Total Being Depreciated                            | 2,469,122                  | 5,831        | -         | 2,474,953                    |
| Less: Accumulated Depreciation                     | 1,761,575                  | 77,943       | -         | 1,839,518                    |
| Water Fund Capital Assets, Net                     | \$ 707,547                 | \$ (72,112)  | \$ -      | \$ 635,435                   |
| Total Business-Type Activities Capital Assets, Net | \$ 5,345,060               | \$ (318,749) | \$ -      | \$ 5,026,311                 |

Depreciation expense recorded in the proprietary funds is \$413,488 for the year ended December 31, 2022.

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

Long-Term debt activity for the year ended December 31, 2022 is as follows:

|  | Beginning<br>Balance<br><u>January 1, 2022</u> | Additions   | Payment           | Ending<br>Balance<br><u>December 31, 2022</u> | Due Within<br>One Year |
|--|--|-------------|-------------------|---|------------------------|
| <b>Governmental Activities</b>             |  |             |                   |   |                        |
| General Obligation Bonds, 2016             | \$ 9,900,000                                   | \$ -        | \$ 285,000        | \$ 9,615,000                                  | \$ 295,000             |
| Direct Borrowings - Lease                  | 229,668  | -           | 54,779            | 174,889                                       | 62,001                 |
| Direct Borrowings - Lease                  | 7,042  | -           | 7,042             | -   | -                      |
| Direct Borrowings - Lease                  | 98,273   | -           | 32,758            | 65,515  | 32,758                 |
| Direct Borrowings - Lease                  | 26,963   | -           | 13,084            | 13,879  | 13,879                 |
| Direct Borrowings - Lease                  | 34,058   | -           | 16,690            | 17,368  | 17,368                 |
| Direct Borrowings - Lease                  | 959,763  | -           | 56,193            | 903,570                                       | 58,293                 |
| Direct Borrowings - Intsallment Loan       | 1,491,149                                      | -           | -                 | 1,491,149                                     | 1,491,149              |
| <b>Total</b>                               | <b>\$ 12,746,916</b>                           | <b>\$ -</b> | <b>\$ 465,546</b> | <b>\$ 12,281,370</b>                          | <b>\$ 1,970,448</b>    |
| <b>Business-Type Activities</b>            |  |             |                   |   |                        |
| General Obligation Bonds, Series A of 2016 | \$ 8,190,000                                   | \$ -        | \$ 280,000        | \$ 7,910,000                                  | \$ 285,000             |
| Direct Borrowing - Water Revenue Note 2002 | 31,741   | -           | 27,127            | 4,614   | 4,614                  |
| Direct Borrowing - Water Revenue Note 2021 | 438,905  | -           | 19,411            | 419,494                                       | 23,506                 |
| <b>Total Business-Type Activities</b>      | <b>\$ 8,660,646</b>                            | <b>\$ -</b> | <b>\$ 326,538</b> | <b>\$ 8,334,108</b>                           | <b>\$ 313,120</b>      |

**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.

The annual debt service requirements to maturity for governmental-type general obligation bonds are as follows as of December 31, 2022:

| Year         | Principal           | Interest            | Total               |
|--------------|---------------------|---------------------|---------------------|
| 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             |
| 2028-2032    | 1,735,000           | 1,059,500           | 2,794,500           |
| 2033-2037    | 1,970,000           | 825,210             | 2,795,210           |
| 2038-2042    | 2,275,000           | 519,900             | 2,794,900           |
| 2043-2046    | 2,075,000           | 158,100             | 2,233,100           |
| <b>Total</b> | <b>\$ 9,615,000</b> | <b>\$ 3,803,085</b> | <b>\$13,418,085</b> |

**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.



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The annual debt service requirements to maturity for business-type general obligation bonds are as follows as of December 31, 2022:

| Year      | Principal           | Interest            | Total               |
|-----------|---------------------|---------------------|---------------------|
| 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      | 315,000             | 145,925             | 460,925             |
| 2028-2032 | 1,660,000           | 640,900             | 2,300,900           |
| 2033-2037 | 1,830,000           | 466,919             | 2,296,919           |
| 2038-2042 | 2,035,000           | 258,806             | 2,293,806           |
| 2043-2044 | 885,000             | 33,375              | 918,375             |
| Total     | <u>\$ 7,910,000</u> | <u>\$ 2,200,925</u> | <u>\$10,110,925</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 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.

Installment loan payable – Used for operations. The loan is due upon receipt of grants. The loan matures 2024. There is no prepayment penalty.

Guaranteed Lease Revenue Note – The Catasauqua Borough Authority issued \$2,000,000 Note in October 2022. Through a Sublease and Guaranty Agreement, the Authority has no responsibility for payments on the Note and the Note is the responsibility of the Borough of Catasauqua. The Note carries interest rates from 6% to 9.25% and matures in 2038.

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

| <u>Year</u> | <u>Principal</u>    | <u>Interest</u>    | <u>Total</u>       |
|-------------|---------------------|--------------------|--------------------|
| 2023        | \$ 1,727,448        | \$ 158,635         | \$1,886,083        |
| 2024        | 252,644             | 143,676            | 396,320            |
| 2025        | 229,504             | 133,759            | 363,263            |
| 2026        | 178,232             | 123,461            | 301,693            |
| 2027        | 187,125             | 114,487            | 301,612            |
| 2028-2032   | 863,071             | 643,802            | 1,506,873          |
| 2033-2037   | 1,016,346           | 315,803            | 1,332,149          |
| 2038        | <u>212,000</u>      | <u>4,903</u>       | <u>216,903</u>     |
| Total       | <u>\$ 4,666,370</u> | <u>\$1,638,525</u> | <u>\$6,304,895</u> |

**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 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>      |
|-------------|-------------------|------------------|-------------------|
| 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        | 24,464            | 3,130            | 27,594            |
| 2028-2032   | 122,723           | 19,956           | 142,679           |
| 2033-2037   | 133,733           | 11,902           | 145,635           |
| 2033-2035   | <u>43,123</u>     | <u>1,026</u>     | <u>44,149</u>     |
| Total       | <u>\$ 424,108</u> | <u>\$ 50,959</u> | <u>\$ 475,067</u> |

**NOTE 6 – FUND BALANCES**

Governmental-type funds report restricted fund balances of \$113,174 at December 31, 2022. The State Liquid Fuels Fund reports restricted fund balance of \$113,174, which is restricted by the Commonwealth of Pennsylvania for construction, reconstruction, maintenance and repair of public roads or streets.

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**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 Membership.* At December 31, 2022, police pension plan membership consisted of the following:

|   |    |
|---|----|
| Inactive Plan Members, Currently Receiving Benefits | 10 |
| Active Plan Members                                 | 10 |
|   | 20 |

*Benefits provided.* The Police Pension Plan provides normal retirement, disability, and death benefits.

Participants are eligible for normal retirement after attainment of age 51 and completion of 25 years of service. Normal monthly retirement benefits are calculated as 50% of average monthly pay, based on last 36 months of employment, plus a service increment of \$100 per month if the participant has completed 26 years of service. The maximum total service increment is \$500.

If a participant is totally and permanently disabled in the line of duty, he is eligible for disability pension. The disability pension is greater of 50% of the officer’s average monthly pay for the last 36 months of employment or 50% of the officer’s salary at the time of disability.

If a participant is eligible for retirement at the time of death, a monthly death benefit is payable to their surviving spouse, or eligible child, equal to 50% of the normal monthly retirement benefit.

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*Contributions.* Act 205 of the Pennsylvania legislature establishes actuarial funding standards for all municipal pension systems. Member contributions are established by the contractual requirements of the collectively bargained agreement with the police force and may be amended by subsequent collectively bargained agreements, subject to the applicable laws in the Commonwealth of Pennsylvania.

In accordance with Act 205, the Township’s contribution is actuarially determined on an annual basis using the entry age normal method. The actuarially determined contribution is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The Township is required to contribute the difference between the actuarially determined contribution and the contribution of plan members.

Members of the Police Pension Plan are required to contribute 8% of actual earnings and contributed \$76,430 in 2022. An interest rate of 4.0% is applied to the employees’ accounts

In addition, the Commonwealth of Pennsylvania allocates General Municipal Pension System State Aid to individual municipalities annually under Act 205 of the Pennsylvania legislature. The monies received must be contributed to the pension plans within a certain period of time.

Investments

Investments in the plans are managed by the Pennsylvania State Association of Boroughs Municipal Retirement Trust (“PSABMRT”). Investments are recorded at fair value based on quoted market prices.

*Investment policy.* The deposits and investments of the Plan are held separately from those of the Borough and are governed by Title 20 of the Pennsylvania Consolidated statutes, Chapter 73 Municipalities Investment Section 7302. The Plan’s investment policy has been delegated to PSABMRT in regards to the allocation of invested Plan assets. The balanced funds investment policy establishes the following target allocation across asset classes:

| Asset Class          | Target Allocation |
|----------------------|-------------------|
| US Large Value       | 12%               |
| US Large Core        | 13%               |
| US Large Growth      | 12%               |
| US Mid/Small Equity  | 8%                |
| International Equity | 15%               |
| Fixed Income         | 33%               |
| Real Estate          | 7%                |
| Cash                 | 0%                |
|                      | 100%              |

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*Rate of return.* For the year ended December 31, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (12.27)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

Changes in the Township's net pension liability for the year ended December 31, 2022 were as follows:

|   | Total Pension<br>Liability<br>(a) | Plan Fiduciary<br>Net Position<br>(b) | Net Pension<br>Liability (Asset)<br>(a) - (b) |
|---|-----------------------------------|---------------------------------------|---|
| Balances at 12/31/2022                                | \$ 5,272,575                      | \$ 4,079,946                          | \$ 1,192,629                                  |
| Changes for the year                                  |                                   |                                       |   |
| Service cost  | 149,606                           | -                                     | 149,606                                       |
| Interest  | 382,522                           | -                                     | 382,522                                       |
| Changes in benefit terms                              | -                                 | -                                     | -   |
| Differences Between Expected<br>and Actual Experience | -                                 | -                                     | -   |
| Changes of Assumptions                                | -                                 | -                                     | -   |
| Contributions   |                                   |                                       |   |
| Employer and State Aid                                | -                                 | 289,464                               | (289,464)                                     |
| Member  | -                                 | 76,430                                | (76,430)                                      |
| Net investment income                                 | -                                 | (438,063)                             | 438,063                                       |
| Benefit payments                                      | (344,565)                         | (344,565)                             | -   |
| Administrative expense                                | -                                 | (21,662)                              | 21,662  |
| Net Changes   | <u>187,563</u>                    | <u>(438,396)</u>                      | <u>625,959</u>                                |
| Balances at 12/31/2022                                | <u>\$ 5,460,138</u>               | <u>\$ 3,641,550</u>                   | <u>\$ 1,818,588</u>                           |

*Actuarial assumptions.* The total pension liability was measured as of December 31, 2022 and determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |       |
|---------------------------|-------|
| Salary increase           | 5.00% |
| Investment rate of return | 7.50% |
| Inflation                 | 2.25% |
| Cost of Living Adjustment | 3.00% |

Mortality rates were based on the PUBS-2010 Mortality.

*Expected long-term rate of return.* The long-term expected rate of return on pension plan investments was determined using an asset allocation study conducted by the Plan's investment management consultant in December 2022 in which best-estimate ranges of expected future real rates of return (net of investment expense and inflation) were developed for each major class of assets. Those ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation.

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*Discount Rate.* The discount rate used to measure the total pension liability was 7.5%. The pension plan's net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer has always met the funding requirements of Pennsylvania law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

*Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability of the Township, calculated using the discount rate of 7.5%, as well as what the Borough's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

|                       | 1%<br>Decrease<br>(6.5%) | Current<br>Discount<br>Rate (7.50%) | 1%<br>Increase<br>(8.5%) |
|-----------------------|--------------------------|-------------------------------------|--------------------------|
| Net Pension Liability | \$ 2,408,879             | \$ 1,818,588                        | \$ 1,317,993             |

*Pension expense and deferred outflows of resources related to pensions:* For the year ended December 31, 2022, the Borough recognized pension expense of \$379,385. At December 31, 2022 the Borough had deferred outflows and inflows of resources related to pensions from the following sources:

|   | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience                                  | \$ 35,349                         | \$ (36,267)                      |
| Change in Assumptions   | 41,252                            | -                                |
| Net Difference Between Projected and Actual Earnings<br>on Pension Plan Investments | 380,274                           | -                                |
|   | \$ 456,875                        | \$ (36,267)                      |

Amounts reported as deferred outflows/inflows of resources will be recognized in pension expense as follows:

| Year Ended December 31: |           |
|-------------------------|-----------|
| 2023                    | \$ 77,147 |
| 2024                    | 88,476    |
| 2025                    | 106,030   |
| 2026                    | 148,368   |
| 2027                    | 587       |
| Thereafter              | -         |

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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, 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 2015. As a condition of participation, full-time employees are not required to contribute to the Plan.

*Plan Membership.* At December 31, 2022, nonuniformed pension plan membership consisted of the following:

|  |    |
|--|----|
| Inactive Plan Members, Currently Receiving Benefits              | 9  |
| Inactive Plan Members Entitled to but not yet receiving benefits | 1  |
| Active Plan Members  | 21 |
|  | 30 |

*Benefits provided.* The Police Pension Plan provides normal retirement, disability, and death benefits.

Participants are eligible for normal retirement after attainment of age 63 and completion of 20 years of service. The retirement benefit is 1.5% of average monthly compensation (averaged over the final 60 months of employment) multiplied by years of service up to a maximum of 50% of average monthly compensation. Participants hired prior to January 1, 1997 may retire with a monthly benefit equal to 2% of average monthly compensation multiplied by years of service to January 1, 1997, up to a maximum of 15 years, if greater. An additional increment of \$25 per month for each additional year starting at 35 years of service.

For total and permanent disablement and qualification for social security disability benefits, a monthly benefit equal to their accrued benefit at date of disablement reduced by any social security disability benefits received, will be payable after 6 months of disablement for the life of the participant.

Survivor benefit prior to retirement eligibility is for the spouse to be entitled to 50% of the participant's accrued benefit with 10 years of service and married at least two years. Survivor benefit after retirement is the normal form of benefit through a life annuity. Optional forms of benefit payments are available for the participant to elect at retirement and are actuarial equivalents of the normal form.

*Contributions.* Act 205 of the Pennsylvania legislature establishes actuarial funding standards for all municipal pension systems. Member contributions are established by the contractual requirements of the

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*Contributions.* Act 205 of the Pennsylvania legislature establishes actuarial funding standards for all municipal pension systems. Member contributions are established by the contractual requirements of the collectively bargained agreement with the police force and may be amended by subsequent collectively bargained agreements, subject to the applicable laws in the Commonwealth of Pennsylvania.

In accordance with Act 205, the Township's contribution is actuarially determined on an annual basis using the entry age normal method. The actuarially determined contribution is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The Township is required to contribute the difference between the actuarially determined contribution and the contribution of plan members.

Members of the Nonuniformed Pension Plan are not required to contribute to the plan.

In addition, the Commonwealth of Pennsylvania allocates General Municipal Pension System State Aid to individual municipalities annually under Act 205 of the Pennsylvania legislature. The monies received must be contributed to the pension plans within a certain period of time.

Investments

Investments in the plans are managed by the Pennsylvania State Association of Boroughs Municipal Retirement Trust ("PSABMRT"). Investments are recorded at fair value based on quoted market prices.

*Investment policy.* The deposits and investments of the Plan are held separately from those of the Borough and are governed by Title 20 of the Pennsylvania Consolidated statutes, Chapter 73 Municipalities Investment Section 7302. The Plan's investment policy has been delegated to PSABMRT in regards to the allocation of invested Plan assets. The balanced funds investment policy establishes the following target allocation across asset classes:

| <u>Asset Class</u>   | <u>Target Allocation</u> |
|----------------------|--------------------------|
| US Large Value       | 12%                      |
| US Large Core        | 13%                      |
| US Large Growth      | 12%                      |
| US Mid/Small Equity  | 8%                       |
| International Equity | 15%                      |
| Fixed Income         | 33%                      |
| Real Estate          | 7%                       |
| Cash                 | 0%                       |
|                      | <u>100%</u>              |



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*Rate of return.* For the year ended December 31, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (11.50)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

Changes in the Township's net pension liability for the year ended December 31, 2022 were as follows:

|   | <u>Total Pension<br/>Liability<br/>(a)</u> | <u>Plan Fiduciary<br/>Net Position<br/>(b)</u> | <u>Net Pension<br/>Liability (Asset)<br/>(a) - (b)</u> |
|---|--|--|--|
| Balances at 12/31/2022                                | \$ 4,223,606                               | \$ 3,659,416                                   | \$ 564,190   |
| Changes for the year                                  |  |  |  |
| Service cost  | 129,171                                    | -  | 129,171  |
| Interest  | 296,033                                    | -  | 296,033  |
| Changes in benefit terms                              | -  | -  | -  |
| Differences Between Expected<br>and Actual Experience | -  | -  | -  |
| Changes of Assumptions                                | -  | -  | -  |
| Contributions   |  |  |  |
| Employer and State Aid                                | -  | 141,765  | (141,765)  |
| Member  | -  | -  | -  |
| Net investment income                                 | -  | (396,470)                                      | 396,470  |
| Benefit payments                                      | (552,991)                                  | (552,991)                                      | -  |
| Administrative expense                                | -  | (18,891)                                       | 18,891   |
| Net Changes   | <u>(127,787)</u>                           | <u>(826,587)</u>                               | <u>698,800</u>   |
| Balances at 12/31/2022                                | <u>\$ 4,095,819</u>                        | <u>\$ 2,832,829</u>                            | <u>\$ 1,262,990</u>                                    |

*Actuarial assumptions.* The total pension liability was measured as of December 31, 2022 and determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |       |
|---------------------------|-------|
| Salary increase           | 5.00% |
| Investment rate of return | 7.50% |
| Inflation                 | 2.25% |
| Cost of Living Adjustment | 3.00% |

Mortality rates were based on the PUBS-2010 Mortality.

*Expected long-term rate of return.* The long-term expected rate of return on pension plan investments was determined using an asset allocation study conducted by the Plan's investment management consultant in December 2022 in which best-estimate ranges of expected future real rates of return (net of investment expense and inflation) were developed for each major class of assets. Those ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation.

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*Discount Rate.* The discount rate used to measure the total pension liability was 7.5%. The pension plan's net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer has always met the funding requirements of Pennsylvania law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

*Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability of the Township, calculated using the discount rate of 7.5%, as well as what the Borough's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

|                       | 1%<br>Decrease<br>(6.5%) | Current<br>Discount<br>Rate (7.50%) | 1%<br>Increase<br>(8.5%) |
|-----------------------|--------------------------|-------------------------------------|--------------------------|
| Net Pension Liability | \$ 1,689,756             | \$ 1,262,990                        | \$ 891,841               |

*Pension expense and deferred outflows of resources related to pensions:* For the year ended December 31, 2022, the Borough recognized pension expense of \$258,608. At December 31, 2022 the Borough had deferred outflows and inflows of resources related to pensions from the following sources:

|   | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience                                  | \$ 22,762                         | \$ (162,499)                     |
| Change in Assumptions   | 97,376                            | -                                |
| Net Difference Between Projected and Actual Earnings<br>on Pension Plan Investments | 321,800                           | -                                |
|   | \$ 441,938                        | \$ (162,499)                     |

Amounts reported as deferred outflows/inflows of resources will be recognized in pension expense as follows:

| Year Ended December 31: |          |
|-------------------------|----------|
| 2023                    | \$ 7,133 |
| 2024                    | 55,603   |
| 2025                    | 72,691   |
| 2026                    | 122,651  |
| 2027                    | 1,480    |
| Thereafter              | 19,881   |

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 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 of the Borough's general creditors.

It is the opinion of the Borough's legal counsel against 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 \$2,232 at December 31, 2022.

**NOTE 11 – RISK MANAGEMENT**

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

**NOTE 12 – SUBSEQUENT EVENTS**

In preparing these financial statements, management of the Borough of Catasauqua has evaluated events and transactions subsequent to December 31, 2022 through December 29, 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.

REQUIRED  
SUPPLEMENTARY  
INFORMATION

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – CASH BASIS – BUDGET TO ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2022**

|   | Budgeted Amounts |                  | Actual            | Variance with       |
|---|------------------|------------------|-------------------|---------------------|
|   | Original         | Final            |                   | Final Budget        |
|   |                  |                  |                   | Positive (Negative) |
| <b>REVENUES</b>                         |                  |                  |                   |                     |
| Taxes                                   | \$ 3,653,000     | \$ 3,653,000     | \$ 3,500,430      | \$ (152,570)        |
| Licenses, permits and fees              | 165,450          | 165,450          | 184,976           | 19,526              |
| Fines                                   | 31,800           | 31,800           | 34,867            | 3,067               |
| Interest and Rents                      | 104,800          | 104,800          | 118,740           | 13,940              |
| Intergovernmental                       | 707,256          | 707,256          | 990,341           | 283,085             |
| Charges for services                    | 842,600          | 842,600          | 821,672           | (20,928)            |
| Miscellaneous                           | 44,000           | 44,000           | 163,309           | 119,309             |
| TOTAL REVENUES                          | <u>5,548,906</u> | <u>5,548,906</u> | <u>5,814,335</u>  | <u>265,429</u>      |
| <b>EXPENDITURES</b>                     |                  |                  |                   |                     |
| General government                      | 696,911          | 696,911          | 1,319,005         | (622,094)           |
| Public safety and protective inspection | 1,481,057        | 1,481,057        | 1,835,280         | (354,223)           |
| Sanitation                              | 770,430          | 770,430          | 681,797           | 88,633              |
| Highways and Streets                    | 643,342          | 643,342          | 601,028           | 42,314              |
| Storm Water and Flood Control           | 32,450           | 32,450           | 34,003            | (1,553)             |
| Culture and Recreation                  | 249,440          | 249,440          | 219,948           | 29,492              |
| Economic Development                    | 51,250           | 51,250           | 102,120           | (50,870)            |
| Debt Service - Principal                | 285,000          | 285,000          | 285,000           | -                   |
| Debt Service - Interest                 | 272,995          | 272,995          | 289,724           | (16,729)            |
| Insurance                               | 107,000          | 107,000          | 123,980           | (16,980)            |
| Employee Benefits                       | 997,000          | 997,000          | 1,419,338         | (422,338)           |
| TOTAL EXPENDITURES                      | <u>5,586,875</u> | <u>5,586,875</u> | <u>6,911,223</u>  | <u>(1,324,348)</u>  |
| <b>OTHER FINANCING SOURCES (USES)</b>   |                  |                  |                   |                     |
| Proceeds from Debt Issuances            |                  |                  | 2,000,000         | 2,000,000           |
| Proceeds from Sale of Surplus Assets    | 60,000           | 60,000           | -                 | (60,000)            |
| TOTAL OTHER FINANCING SOURCES (USES)    | <u>60,000</u>    | <u>60,000</u>    | <u>2,000,000</u>  | <u>1,940,000</u>    |
| NET CHANGE IN FUND BALANCE              | <u>\$ 22,031</u> | <u>\$ 22,031</u> | <u>903,112</u>    | <u>\$ 881,081</u>   |
| FUND BALANCE AT BEGINNING OF YEAR       | -                | -                | (580,070)         | (580,070)           |
| FUND BALANCE AT END OF YEAR             | <u>\$ 22,031</u> | <u>\$ 22,031</u> | <u>\$ 323,042</u> | <u>\$ 301,011</u>   |

Total actual expenditures exceeded budgeted appropriations by \$1,324,348. The excess expenditures were covered by additional revenues and proceeds from debt issuances.

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
UNIFORMED PENSION PLAN  
SCHEDULE OF NET PENSION LIABILITY AND RELATED RATIOS  
DECEMBER 31, 2022**

|   | 2022                | 2021                | 2020                | 2019                | 2018                | 2017                | 2016                | 2015                | 2014                |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>TOTAL PENSION LIABILITY</b>  |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Service cost  | \$ 149,606          | \$ 132,541          | \$ 89,269           | \$ 85,018           | \$ 100,157          | \$ 95,388           | \$ 89,448           | \$ 85,189           | \$ 67,775           |
| Interest  | 382,522             | 379,423             | 364,608             | 352,133             | 319,682             | 309,219             | 293,634             | 283,484             | 267,668             |
| Differences between expected and actual experience                                | -                   | (50,919)            | -                   | 314,981             | -                   | 44,750              | -                   | 7,217               | -                   |
| Changes of benefit terms  | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   |
| Changes of assumptions  | -                   | 55,256              | -                   | -                   | -                   | 12,650              | -                   | 88,718              | -                   |
| Contributions - buy back  | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   |
| Benefit payments  | (344,565)           | (331,655)           | (276,244)           | (273,892)           | (300,117)           | (239,619)           | (237,608)           | (237,608)           | (238,199)           |
| <b>NET CHANGE IN TOTAL PENSION LIABILITY</b>                                      | 187,563             | 184,646             | 177,633             | 478,240             | 119,722             | 222,388             | 145,474             | 227,000             | 97,244              |
| Total pension liability, beginning  | 5,272,575           | 5,087,929           | 4,910,296           | 4,432,056           | 4,312,334           | 4,089,946           | 3,944,472           | 3,717,472           | 3,620,228           |
| <b>TOTAL PENSION LIABILITY, ENDING (a)</b>  | <b>\$ 5,460,138</b> | <b>\$ 5,272,575</b> | <b>\$ 5,087,929</b> | <b>\$ 4,910,296</b> | <b>\$ 4,432,056</b> | <b>\$ 4,312,334</b> | <b>\$ 4,089,946</b> | <b>\$ 3,944,472</b> | <b>\$ 3,717,472</b> |
| <b>PLAN FIDUCIARY NET POSITION</b>  |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Contributions   |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Employer and State Aid  | \$ 289,464          | \$ 346,287          | \$ 270,962          | \$ 187,808          | \$ 189,708          | \$ 157,992          | \$ 155,749          | \$ 126,319          | \$ 121,411          |
| Member  | 76,430              | 67,406              | 64,741              | 60,452              | 47,031              | 49,006              | 47,364              | 46,651              | 41,324              |
| Net investment income (loss)  | (438,063)           | 473,523             | 325,350             | 441,932             | (137,150)           | 347,312             | 119,869             | (17,081)            | 158,518             |
| Benefit payments, including refunds of member contributions                       | (344,565)           | (331,655)           | (276,244)           | (273,892)           | (300,117)           | (239,619)           | (237,608)           | (237,608)           | (238,199)           |
| Administrative expense  | (21,662)            | (24,163)            | (19,527)            | (22,606)            | (17,958)            | (21,295)            | (17,861)            | (20,360)            | (16,405)            |
| <b>NET CHANGE IN PLAN FIDUCIARY NET POSITION</b>                                  | (438,396)           | 531,398             | 365,282             | 393,694             | (218,486)           | 293,396             | 67,513              | (102,079)           | 66,649              |
| Plan fiduciary net position, beginning  | 4,079,946           | 3,548,548           | 3,183,266           | 2,789,572           | 3,008,058           | 2,714,662           | 2,647,149           | 2,749,228           | 2,682,579           |
| <b>PLAN FIDUCIARY NET POSITION, ENDING (b)</b>                                    | <b>\$ 3,641,550</b> | <b>\$ 4,079,946</b> | <b>\$ 3,548,548</b> | <b>\$ 3,183,266</b> | <b>\$ 2,789,572</b> | <b>\$ 3,008,058</b> | <b>\$ 2,714,662</b> | <b>\$ 2,647,149</b> | <b>\$ 2,749,228</b> |
| <b>NET PENSION LIABILITY, ENDING (a)-(b)</b>                                      | <b>\$ 1,818,588</b> | <b>\$ 1,192,629</b> | <b>\$ 1,539,381</b> | <b>\$ 1,727,030</b> | <b>\$ 1,642,484</b> | <b>\$ 1,304,276</b> | <b>\$ 1,375,284</b> | <b>\$ 1,297,323</b> | <b>\$ 968,244</b>   |
| <b>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY</b> | <b>66.7%</b>        | <b>77.4%</b>        | <b>69.7%</b>        | <b>64.8%</b>        | <b>62.9%</b>        | <b>69.8%</b>        | <b>66.4%</b>        | <b>67.1%</b>        | <b>74.0%</b>        |
| <b>COVERED PAYROLL</b>  | <b>\$ 818,708</b>   | <b>\$ 786,204</b>   | <b>\$ 724,430</b>   | <b>\$ 609,002</b>   | <b>\$ 632,440</b>   | <b>\$ 593,222</b>   | <b>\$ 566,098</b>   | <b>\$ 504,874</b>   | <b>\$ 438,276</b>   |
| <b>NET PENSION LIABILITY AS A PERCENTAGE OF COVERED-PAYROLL</b>                   | <b>222.1%</b>       | <b>151.7%</b>       | <b>212.5%</b>       | <b>283.6%</b>       | <b>259.7%</b>       | <b>219.9%</b>       | <b>242.9%</b>       | <b>257.0%</b>       | <b>220.9%</b>       |

NOTES TO SCHEDULE

Valuation date:

January 1, 2021

Actuarially determined contribution rates are calculated based on the plan's most recent available Act 205 actuarial valuation report.

Methods and assumptions used to determine contribution rates:

|                            |  |
|----------------------------|--|
| Actuarial cost method      | Entry age normal                           |
| Asset valuation method     | Far Market Value                           |
| Salary increases           | 5.0% annual increase                       |
| Investment rate of return  | 7.50%                                      |
| Retirement age             | Retirement age, 50 and 25 years of service |
| Mortality                  | PubS-2010                                  |
| Cost of living adjustments | 3.00%                                      |

This schedule will be reported on a prospective basis and once available, ten year of data will be presented

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
UNIFORMED PENSION PLAN  
SCHEDULE OF CONTRIBUTIONS  
DECEMBER 31, 2022**

|  | 2022       | 2021       | 2020       | 2019       | 2018       | 2017       | 2016       | 2015       | 2014       |
|--|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| ACTUARIALLY DETERMINED CONTRIBUTION                                  | \$ 289,464 | \$ 346,287 | \$ 270,962 | \$ 187,808 | \$ 189,708 | \$ 157,992 | \$ 155,749 | \$ 126,319 | \$ 121,411 |
| CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION | 289,464    | 346,287    | 270,962    | 187,808    | 189,708    | 157,992    | 155,749    | 126,319    | 121,411    |
| CONTRIBUTION (EXCESS) DEFICIENCY                                     | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       |
| COVERED PAYROLL  | \$ 818,708 | \$ 786,204 | \$ 724,430 | \$ 609,002 | \$ 632,440 | \$ 593,222 | \$ 566,098 | \$ 504,874 | \$ 438,276 |
| CONTRIBUTION AS A PERCENTAGE OF COVERED-PAYROLL                      | 35.4%      | 44.0%      | 37.4%      | 30.8%      | 30.0%      | 26.6%      | 27.5%      | 25.0%      | 27.7%      |

NOTES TO SCHEDULE

Valuation date:

January 1, 2021

Actuarially determined contribution rates are calculated based on the plan's most recent available Act 205 actuarial valuation report.

Methods and assumptions used to determine contribution rates:

|                            |   |
|----------------------------|---|
| Actuarial cost method      | Entry age normal                                  |
| Asset valuation method     | Far Market Value                                  |
| Salary increases           | 5.0% annual increase                              |
| Investment rate of return  | 7.50%   |
| Retirement age             | Normal retirement age, 50 and 25 years of service |
| Mortality                  | PubS-2010   |
| Cost of living adjustments | 3.00%   |

This schedule will be reported on a prospective basis and once available, ten year of data will be presented

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
UNIFORMED PENSION PLAN  
SCHEDULE OF INVESTMENT RETURNS  
DECEMBER 31, 2022**

|   | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE | -12.27%     | 13.21%      | 9.53%       | 15.84%      | -4.56%      | 12.79%      | 4.53%       | -0.64%      | 6.21%       |

This schedule will be reported on a prospective basis and once available, ten year of data will be presented



**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
NONUNIFORMED PENSION PLAN  
SCHEDULE OF NET PENSION LIABILITY AND RELATED RATIOS  
DECEMBER 31, 2022**

|   | 2022                | 2021                | 2020                | 2019                | 2018                | 2017                | 2016                | 2015                | 2014                |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Police Pension Plan</b>  |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| <b>TOTAL PENSION LIABILITY</b>  |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Service cost  | \$ 129,171          | \$ 114,437          | \$ 84,677           | \$ 80,645           | \$ 67,958           | \$ 64,722           | \$ 62,329           | \$ 59,361           | \$ 71,349           |
| Interest  | 296,033             | 299,239             | 243,347             | 228,963             | 223,514             | 206,444             | 202,664             | 185,904             | 174,074             |
| Differences between expected and actual experience                                | -                   | 29,660              | -                   | (145,365)           | -                   | (196,145)           | -                   | (153,033)           | -                   |
| Changes of benefit terms  | -                   | 373,563             | -                   | -                   | -                   | -                   | -                   | -                   | -                   |
| Changes of assumptions  | -                   | 115,214             | -                   | -                   | -                   | 13,196              | -                   | 95,440              | -                   |
| Contributions - buy back  | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   |
| Benefit payments  | (552,991)           | (130,983)           | (130,983)           | (112,733)           | (59,550)            | (34,042)            | (34,042)            | (15,496)            | (20,707)            |
| <b>NET CHANGE IN TOTAL PENSION LIABILITY</b>                                      | (127,787)           | 801,130             | 197,041             | 51,510              | 231,922             | 54,175              | 230,951             | 172,176             | 224,716             |
| Total pension liability, beginning  | 4,223,606           | 3,422,476           | 3,225,435           | 3,173,925           | 2,942,003           | 2,887,828           | 2,656,877           | 2,484,701           | 2,259,985           |
| <b>TOTAL PENSION LIABILITY, ENDING (a)</b>  | <b>\$ 4,095,819</b> | <b>\$ 4,223,606</b> | <b>\$ 3,422,476</b> | <b>\$ 3,225,435</b> | <b>\$ 3,173,925</b> | <b>\$ 2,942,003</b> | <b>\$ 2,887,828</b> | <b>\$ 2,656,877</b> | <b>\$ 2,484,701</b> |
| <b>PLAN FIDUCIARY NET POSITION</b>  |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Contributions   |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Employer and State Aid  | \$ 141,765          | \$ 153,489          | \$ 90,352           | \$ 75,889           | \$ 62,950           | \$ 64,168           | \$ 65,731           | \$ 63,790           | \$ 68,856           |
| Member  | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   |
| Net investment income (loss)  | (396,470)           | 438,453             | 304,926             | 422,512             | (132,015)           | 320,074             | 107,761             | (15,802)            | 130,748             |
| Benefit payments, including refunds of member contributions                       | (552,991)           | (130,983)           | (130,983)           | (112,733)           | (59,550)            | (34,042)            | (34,042)            | (15,496)            | (20,707)            |
| Administrative expense  | (18,891)            | (25,654)            | (18,897)            | (24,059)            | (17,285)            | (20,509)            | (17,464)            | (20,326)            | (14,043)            |
| <b>NET CHANGE IN PLAN FIDUCIARY NET POSITION</b>                                  | (826,587)           | 435,305             | 245,398             | 361,609             | (145,900)           | 329,691             | 121,986             | 12,166              | 164,854             |
| Plan fiduciary net position, beginning  | 3,659,416           | 3,224,111           | 2,978,713           | 2,617,104           | 2,763,004           | 2,433,313           | 2,311,327           | 2,299,161           | 2,134,307           |
| <b>PLAN FIDUCIARY NET POSITION, ENDING (b)</b>                                    | <b>\$ 2,832,829</b> | <b>\$ 3,659,416</b> | <b>\$ 3,224,111</b> | <b>\$ 2,978,713</b> | <b>\$ 2,617,104</b> | <b>\$ 2,763,004</b> | <b>\$ 2,433,313</b> | <b>\$ 2,311,327</b> | <b>\$ 2,299,161</b> |
| <b>NET PENSION LIABILITY, ENDING (a)-(b)</b>                                      | <b>\$ 1,262,990</b> | <b>\$ 564,190</b>   | <b>\$ 198,365</b>   | <b>\$ 246,722</b>   | <b>\$ 556,821</b>   | <b>\$ 178,999</b>   | <b>\$ 454,515</b>   | <b>\$ 345,550</b>   | <b>\$ 185,540</b>   |
| <b>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY</b> | <b>69.2%</b>        | <b>86.6%</b>        | <b>94.2%</b>        | <b>92.4%</b>        | <b>82.5%</b>        | <b>93.9%</b>        | <b>84.3%</b>        | <b>87.0%</b>        | <b>92.5%</b>        |
| <b>COVERED PAYROLL</b>  | <b>\$ 1,183,196</b> | <b>\$ 1,158,660</b> | <b>\$ 1,069,662</b> | <b>\$ 1,102,496</b> | <b>\$ 920,000</b>   | <b>\$ 884,408</b>   | <b>\$ 907,350</b>   | <b>\$ 833,294</b>   | <b>\$ 899,946</b>   |
| <b>NET PENSION LIABILITY AS A PERCENTAGE OF COVERED-PAYROLL</b>                   | <b>106.7%</b>       | <b>48.7%</b>        | <b>18.5%</b>        | <b>22.4%</b>        | <b>60.5%</b>        | <b>20.2%</b>        | <b>50.1%</b>        | <b>41.5%</b>        | <b>20.6%</b>        |

**NOTES TO SCHEDULE**

Valuation date:

January 1, 2021

Actuarially determined contribution rates are calculated based on the plan's most recent available Act 205 actuarial valuation report.

Methods and assumptions used to determine contribution rates:

|                               |  |
|-------------------------------|--|
| Actuarial cost method         | Entry age normal                       |
| Amortization Method           | Level Dollar                           |
| Remaining Amortization Period | 13 Years                               |
| Asset valuation method        | Smoothing per Section 210(a) of Act 44 |
| Salary increases              | 5.0% annual increase                   |
| Investment rate of return     | 7.50%                                  |
| Retirement age                | Normal retirement age, 62              |
| Mortality                     | PubS-2010                              |
| Cost of living adjustments    | 3.00%                                  |

This schedule will be reported on a prospective basis and once available, ten year of data will be presented

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
NONUNIFORMED PENSION PLAN  
SCHEDULE OF CONTRIBUTIONS  
DECEMBER 31, 2022**

|  | 2022         | 2021         | 2020         | 2019         | 2018       | 2017       | 2016       | 2015       | 2014       |
|--|--------------|--------------|--------------|--------------|------------|------------|------------|------------|------------|
| ACTUARIALLY DETERMINED CONTRIBUTION                                  | \$ 141,765   | \$ 153,489   | \$ 90,352    | \$ 75,889    | \$ 62,950  | \$ 64,168  | \$ 65,731  | \$ 63,790  | \$ 68,856  |
| CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION | 141,765      | 153,489      | 90,352       | 75,889       | 62,950     | 64,168     | 65,731     | 63,790     | 68,856     |
| CONTRIBUTION (EXCESS) DEFICIENCY                                     | \$ -         | \$ -         | \$ -         | \$ -         | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       |
| COVERED PAYROLL  | \$ 1,183,196 | \$ 1,158,660 | \$ 1,069,662 | \$ 1,102,496 | \$ 920,000 | \$ 884,408 | \$ 907,350 | \$ 833,294 | \$ 899,946 |
| CONTRIBUTION AS A PERCENTAGE OF COVERED-PAYROLL                      | 12.0%        | 13.2%        | 8.4%         | 6.9%         | 6.8%       | 7.3%       | 7.2%       | 7.7%       | 7.7%       |

NOTES TO SCHEDULE

Valuation date:

January 1, 2021

Actuarially determined contribution rates are calculated based on the plan's most recent available Act 205 actuarial valuation report.

Methods and assumptions used to determine contribution rates:

|                               |  |
|-------------------------------|--|
| Actuarial cost method         | Entry age normal                       |
| Amortization Method           | Level Dollar                           |
| Remaining Amortization Period | 13 Years                               |
| Asset valuation method        | Smoothing per Section 210(a) of Act 44 |
| Salary increases              | 5.0% annual increase                   |
| Investment rate of return     | 7.50%                                  |
| Retirement age                | Normal retirement age, 62              |
| Mortality                     | PubS-2010                              |
| Cost of living adjustments    | 3.00%                                  |

This schedule will be reported on a prospective basis and once available, ten year of data will be presented

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
NONUNIFORMED PENSION PLAN  
SCHEDULE OF INVESTMENT RETURNS  
DECEMBER 31, 2022**

|   | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE | -11.50%     | 13.17%      | 10.24%      | 16.14%      | -4.78%      | 13.15%      | 4.66%       | -0.69%      | 6.16%       |

This schedule will be reported on a prospective basis and once available, ten year of data will be presented

OTHER  
SUPPLEMENTARY  
INFORMATION

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
NONMAJOR FUNDS - COMBINING  
BALANCE SHEET – CASH BASIS  
DECEMBER 31, 2022**

|  | Community<br>Development<br>Fund | Liquid<br>Fuels<br>Fund     | Total<br>Nonmajor<br>Funds  |
|--|----------------------------------|-----------------------------|-----------------------------|
|  | <u>                    </u>      | <u>                    </u> | <u>                    </u> |
| <b>ASSETS</b>                                      |                                  |                             |                             |
| Cash and cash equivalents                          | \$ 2,514                         | \$ 113,174                  | \$ 115,688                  |
| Due From Other Funds                               | -                                | -                           | -                           |
| <b>TOTAL ASSETS</b>                                | <u>\$ 2,514</u>                  | <u>\$ 113,174</u>           | <u>\$ 115,688</u>           |
| <br><b>LIABILITIES AND FUND BALANCES</b>           |                                  |                             |                             |
| <b>LIABILITIES</b>                                 |                                  |                             |                             |
| Due to other funds                                 | <u>4,746</u>                     | -                           | <u>4,746</u>                |
| <b>TOTAL LIABILITIES</b>                           | <u>4,746</u>                     | -                           | <u>4,746</u>                |
| <br><b>FUND BALANCES</b>                           |                                  |                             |                             |
| Restricted   | -                                | 113,174                     | 113,174                     |
| Unassigned   | <u>(2,232)</u>                   | <u>-</u>                    | <u>(2,232)</u>              |
| <b>TOTAL FUND BALANCES</b>                         | <u>(2,232)</u>                   | <u>113,174</u>              | <u>110,942</u>              |
| <br><b>TOTAL LIABILITIES AND<br/>FUND BALANCES</b> | <br><u>\$ 2,514</u>              | <br><u>\$ 113,174</u>       | <br><u>\$ 115,688</u>       |

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
NONMAJOR FUNDS - COMBINING  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

|  | Community<br>Development<br>Fund | Liquid<br>Fuels<br>Fund | Total<br>Nonmajor<br>Funds |
|--|----------------------------------|-------------------------|----------------------------|
| <b>REVENUES</b>                        |                                  |                         |                            |
| Interest and Rents                     | 1                                | 3,544                   | 3,545                      |
| Intergovernmental                      | -                                | 341,227                 | 341,227                    |
| <b>TOTAL REVENUES</b>                  | <b>1</b>                         | <b>344,771</b>          | <b>344,772</b>             |
| <b>EXPENDITURES</b>                    |                                  |                         |                            |
| General government                     | -                                | 54                      | 54                         |
| Highways and Streets                   | -                                | 367,591                 | 367,591                    |
| <b>TOTAL EXPENDITURES</b>              | <b>-</b>                         | <b>367,645</b>          | <b>367,645</b>             |
| <b>NET CHANGE IN<br/>FUND BALANCES</b> | <b>1</b>                         | <b>(22,874)</b>         | <b>(22,873)</b>            |
| <b>FUND BALANCE - BEGINNING</b>        | <b>(2,233)</b>                   | <b>136,048</b>          | <b>133,815</b>             |
| <b>FUND BALANCE - ENDING</b>           | <b>\$ (2,232)</b>                | <b>\$ 113,174</b>       | <b>\$ 110,942</b>          |

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
FIDUCIARY RETIREMENT FUNDS - COMBINING  
BALANCE SHEET – CASH BASIS  
DECEMBER 31, 2022**

|   | <u>Component Units</u>     |                            | Total Pension<br>Trust Funds |
|---|----------------------------|----------------------------|------------------------------|
|   | Police Pension<br>Fund     | Nonuniform Pension<br>Fund |                              |
| <b>ASSETS</b>                             |                            |                            |                              |
| Cash and cash equivalents                 | \$ -                       | \$ -                       | \$ -                         |
| Investments at fair value                 | 3,609,253                  | 2,832,829                  | 6,442,082                    |
| Receivables                               | 37,686                     | -                          | 37,686                       |
| <b>TOTAL ASSETS</b>                       | <b><u>\$ 3,646,939</u></b> | <b><u>\$ 2,832,829</u></b> | <b><u>\$ 6,479,768</u></b>   |
| <b>LIABILITIES AND NET POSITION</b>       |                            |                            |                              |
| <b>LIABILITIES</b>                        |                            |                            |                              |
| Accounts Payable                          | \$ 5,388                   | \$ -                       | \$ 5,388                     |
| Escrow funds                              | -                          | -                          | -                            |
| <b>NET POSITION</b>                       |                            |                            |                              |
| Held in trust for pension benefits        | <u>3,641,550</u>           | <u>2,832,829</u>           | <u>6,474,379</u>             |
| <b>TOTAL LIABILITIES AND NET POSITION</b> | <b><u>\$ 3,646,938</u></b> | <b><u>\$ 2,832,829</u></b> | <b><u>\$ 6,479,767</u></b>   |

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
FIDUCIARY RETIREMENT PLANS - COMBINING  
STATEMENT OF CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2022**

|  | Component Units         |                            | Total Pension<br>Trust Funds |
|--|-------------------------|----------------------------|------------------------------|
|  | Police Pension<br>Fund  | Nonuniform Pension<br>Fund |                              |
| <b>ADDITIONS</b>                         |                         |                            |                              |
| Contributions                            |                         |                            |                              |
| General municipal pension state aid      | \$ 103,609              | \$ 103,609                 | \$ 207,218                   |
| Employers                                | 185,855                 | 38,156                     | 224,011                      |
| Employees                                | 76,430                  | -                          | 76,430                       |
| TOTAL CONTRIBUTIONS                      | <u>365,894</u>          | <u>141,765</u>             | <u>507,659</u>               |
| Investment income                        |                         |                            |                              |
| Net depreciation in fair value of assets | (496,414)               | (440,332)                  | (936,746)                    |
| Interest and dividends                   | 58,351                  | 43,861                     | 102,212                      |
| TOTAL INVESTMENT INCOME                  | <u>(438,063)</u>        | <u>(396,471)</u>           | <u>(834,534)</u>             |
| Investment expenses                      | -                       | -                          | -                            |
| INVESTMENT INCOME, NET                   | <u>(438,063)</u>        | <u>(396,471)</u>           | <u>(834,534)</u>             |
| <br>TOTAL ADDITIONS                      | <br>(72,169)            | <br>(254,706)              | <br>(326,875)                |
| <b>DEDUCTIONS</b>                        |                         |                            |                              |
| Benefits Payments                        | 344,565                 | 552,990                    | 897,555                      |
| Administrative Expenses                  | 21,662                  | 18,891                     | 40,553                       |
| TOTAL DEDUCTIONS                         | <u>366,227</u>          | <u>571,881</u>             | <u>938,108</u>               |
| <br>CHANGE IN NET POSITION               | <br>(438,396)           | <br>(826,587)              | <br>(1,264,983)              |
| <br>NET POSITION AT BEGINNING OF YEAR    | <br><u>4,079,946</u>    | <br><u>3,659,416</u>       | <br><u>7,739,362</u>         |
| <br>NET POSITION AT END OF YEAR          | <br><u>\$ 3,641,550</u> | <br><u>\$2,832,829</u>     | <br><u>\$6,474,379</u>       |