

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2023**

BOROUGH OF CATASAUQUA

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# *Zelenkofske Axelrod 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, 2023, 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, 2023, 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.

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.



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## **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 2023, the Borough adopted the provisions of Governmental Accounting Standards Board's Statement No. 94 *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, Statement No. 96, *Subscription-Based Information Technology Arrangements*, and Statement No. 99, *Omnibus 2022*. Our opinion is not modified with respect to these matters.



# *Zelenkofske Axelrod LLC*

**CERTIFIED PUBLIC ACCOUNTANTS**

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## **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 Borough'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  
September 27, 2024

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
STATEMENT OF NET POSITION – CASH BASIS AND MODIFIED CASH BASIS  
DECEMBER 31, 2023**

	Governmental Activities Cash - Basis	Business-Type Activities Modified Cash - Basis	Total Reporting Entity
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,751,205	\$ 2,979,124	\$ 4,730,329
Interfund Balances	(612,057)	612,057	-
Capital Assets, net of depreciation	-	5,262,370	5,262,370
<b>TOTAL ASSETS</b>	<b>\$ 1,139,148</b>	<b>\$ 8,853,551</b>	<b>\$ 9,992,699</b>
<b>LIABILITIES AND NET POSITION</b>			
<b>LIABILITIES</b>			
Other Liabilities	53,930	-	53,930
Current Portion of Long-Term Debt	-	317,842	317,842
Long-Term Debt	-	7,759,920	7,759,920
<b>TOTAL LIABILITIES</b>	<b>53,930</b>	<b>8,077,762</b>	<b>8,131,692</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	-	(2,815,392)	(2,815,392)
Restricted:			
Liquid Fuels	97,328	-	97,328
Unrestricted	987,890	3,591,181	4,579,071
<b>TOTAL NET POSITION</b>	<b>1,085,218</b>	<b>775,789</b>	<b>1,861,007</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 1,139,148</b>	<b>\$ 8,853,551</b>	<b>\$ 9,992,699</b>

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, 2023**

Governmental Activities - Cash Basis and Business-Type Activities - Modified Cash-Basis

Net Revenue (Expense) and Changes in Net Position							
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
GOVERNMENTAL ACTIVITIES							
General government	\$ 985,258	\$ 172,873	\$ 262,730	\$ -	\$ (549,655)		\$ (549,655)
Public safety and Protective Inspection	2,187,347	4,027	793,562	-	(1,389,758)		(1,389,758)
Sanitation	877,174	810,663	4,671	-	(61,840)		(61,840)
Highways and Streets	488,750	11,745	78,959	-	(398,046)		(398,046)
Storm Water and Flood Control	37,072	-	-	-	(37,072)		(37,072)
Culture and Recreation	248,376	6,100	-	-	(242,276)		(242,276)
Economic Development	1,285,971	-	-	-	(1,285,971)		(1,285,971)
Insurance	152,256	-	-	-	(152,256)		(152,256)
Employee Benefits	1,007,658	-	-	-	(1,007,658)		(1,007,658)
Interest and debt related	736,055	-	-	-	(736,055)		(736,055)
Miscellaneous and Other	-	-	-	-	-		-
Depreciation - Unallocated	-	-	-	-	-		-
TOTAL GOVERNMENTAL ACTIVITIES	8,005,917	1,005,408	1,139,922	-	(5,860,587)	-	(5,860,587)
BUSINESS-TYPE ACTIVITIES							
Sewer	1,695,657	2,310,279	-	-		614,622	614,622
Wastewater Collection	1,388,933	1,347,720	-	-		(41,213)	(41,213)
Water	951,113	1,147,526	-	-		196,413	196,413
TOTAL REPORTING ENTITY							
	\$ 8,957,030	\$ 5,810,933	\$ 1,139,922	\$ -	(5,860,587)	769,822	(5,090,765)
GENERAL REVENUES							
Taxes							
Property taxes, Levied for General Purposes					4,891,665	-	4,891,665
Other Taxes, Levied for General Purposes					1,044,884	-	1,044,884
Fines and Forfeits					32,068	-	32,068
Investment Earnings and Rent					196,684	128,599	325,283
Miscellaneous Income					346,520	-	346,520
Proceeds from Debt Issuances					-	-	-
TOTAL GENERAL REVENUES					6,511,821	128,599	6,640,420
CHANGE IN NET POSITION					651,234	898,421	1,549,655
NET POSITION AT BEGINNING OF YEAR					433,984	(122,632)	311,352
NET POSITION AT END OF YEAR	\$ 1,085,218	\$ 775,789	\$ 1,861,007				

See accompanying notes to basic financial statements.

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES – CASH BASIS –  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2023**

	General Fund	Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,727,721	\$ 23,484	\$ 1,751,205
Due From Other Funds	141,901	76,359	218,260
<b>TOTAL ASSETS</b>	<u>\$ 1,869,622</u>	<u>\$ 99,843</u>	<u>\$ 1,969,465</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Due to other funds	825,571	4,746	830,317
Escrow Payable	53,930	-	53,930
<b>TOTAL LIABILITIES</b>	<u>879,501</u>	<u>4,746</u>	<u>884,247</u>
<b>FUND BALANCES</b>			
Restricted	-	97,328	97,328
Unassigned	990,121	(2,231)	987,890
<b>TOTAL FUND BALANCES</b>	<u>990,121</u>	<u>95,097</u>	<u>1,085,218</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1,869,622</u>	<u>\$ 99,843</u>	<u>\$ 1,969,465</u>

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, 2023**

	General Fund	Nonmajor Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 5,936,549	\$ -	\$ 5,936,549
Licenses, permits and fees	174,500	-	174,500
Fines and forfeits	32,068	-	32,068
Interest and Rents	193,999	2,685	196,684
Intergovernmental	1,060,963	78,959	1,139,922
Charges for services	830,908	-	830,908
Miscellaneous	346,520	-	346,520
TOTAL REVENUES	<u>8,575,507</u>	<u>81,644</u>	<u>8,657,151</u>
EXPENDITURES			
General government	985,243	15	985,258
Public safety and protective inspection	2,187,347	-	2,187,347
Sanitation	877,174	-	877,174
Highways and Streets	385,487	103,263	488,750
Storm Water and Flood Control	37,072	-	37,072
Culture and Recreation	248,376	-	248,376
Economic Development	1,285,971	-	1,285,971
Debt Service - Principal	347,000	-	347,000
Debt Service - Interest	389,055	-	389,055
Insurance	152,256	-	152,256
Employee Benefits	1,007,658	-	1,007,658
TOTAL EXPENDITURES	<u>7,902,639</u>	<u>103,278</u>	<u>8,005,917</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>672,868</u>	<u>(21,634)</u>	<u>651,234</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	5,789	5,789
Transfers out	(5,789)	-	(5,789)
Proceeds from Debt	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(5,789)</u>	<u>5,789</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	667,079	(15,845)	651,234
FUND BALANCE - BEGINNING	<u>323,042</u>	<u>110,942</u>	<u>433,984</u>
FUND BALANCE - ENDING	<u>\$ 990,121</u>	<u>\$ 95,097</u>	<u>\$ 1,085,218</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, 2023**

	Sewer Fund	Wastewater Collection Fund	Water Fund	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,573,843	\$ 93,078	\$ 312,203	\$ 2,979,124
Due From Other Funds	1,209,264	37,986	-	1,247,250
Capital Assets, Net of Depreciation	<u>4,621,615</u>	<u>81,516</u>	<u>559,239</u>	<u>5,262,370</u>
<b>TOTAL ASSETS</b>	<u>\$ 8,404,722</u>	<u>\$ 212,580</u>	<u>\$ 871,442</u>	<u>\$ 9,488,744</u>
<b>LIABILITIES AND NET POSITION</b>				
<b>LIABILITIES</b>				
Due to Other Funds	\$ -	\$ -	\$ 635,193	\$ 635,193
Current Portion of Long-Term Debt	295,000	-	22,842	317,842
Long-Term Debt	<u>7,330,000</u>	<u>-</u>	<u>429,920</u>	<u>7,759,920</u>
<b>TOTAL LIABILITIES</b>	7,625,000	-	1,087,955	8,712,955
<b>NET POSITION</b>				
Net Investment in Capital Assets	(3,003,385)	81,516	106,477	(2,815,392)
Unrestricted	<u>3,783,107</u>	<u>131,064</u>	<u>(322,990)</u>	<u>3,591,181</u>
<b>TOTAL NET POSITION</b>	<u>779,722</u>	<u>212,580</u>	<u>(216,513)</u>	<u>775,789</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 8,404,722</u>	<u>\$ 212,580</u>	<u>\$ 871,442</u>	<u>\$ 9,488,744</u>

See accompanying notes to basic financial statements.

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION –  
MODIFIED CASH BASIS – PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Sewer Fund	Wastewater Collection Fund	Water Fund	Total
<b>OPERATING REVENUES</b>				
License and Permits	\$ 7,750	\$ -	\$ -	\$ 7,750
Charges for Services	2,302,529	1,347,720	1,147,526	4,797,775
Miscellaneous	-	-	-	0
<b>TOTAL OPERATING REVENUES</b>	<b>2,310,279</b>	<b>1,347,720</b>	<b>1,147,526</b>	<b>4,805,525</b>
<b>OPERATING EXPENSES</b>				
Administration	364,853	1,212,485	223,227	1,800,565
Maintenance, Operations and Contract Services	574,223	102,152	521,280	1,197,655
Employee Benefits	228,396	65,789	126,041	420,226
Depreciation	351,460	8,507	76,196	436,163
<b>TOTAL OPERATING EXPENSES</b>	<b>1,518,932</b>	<b>1,388,933</b>	<b>946,744</b>	<b>3,854,609</b>
<b>NET OPERATING INCOME (LOSS)</b>	<b>791,347</b>	<b>(41,213)</b>	<b>200,782</b>	<b>950,916</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest Income	124,790	1,356	2,453	128,599
Interest Expense	(176,725)	-	(4,369)	(181,094)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>(51,935)</b>	<b>1,356</b>	<b>(1,916)</b>	<b>(52,495)</b>
<b>CHANGE IN NET POSITION</b>	<b>739,412</b>	<b>(39,857)</b>	<b>198,866</b>	<b>898,421</b>
<b>NET POSITION AT BEGINNING OF YEAR</b>	<b>40,310</b>	<b>252,437</b>	<b>(415,379)</b>	<b>(122,632)</b>
<b>NET POSITION AT END OF YEAR</b>	<b>\$ 779,722</b>	<b>\$ 212,580</b>	<b>\$ (216,513)</b>	<b>\$ 775,789</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, 2023**

	<u>Component Unit</u> Pension Funds	<u>Custodial Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 89,251
Investments at fair value	7,092,439	-
Receivables	29,288	-
<b>TOTAL ASSETS</b>	<u><u>\$ 7,121,727</u></u>	<u><u>\$ 89,251</u></u>
<b>NET POSITION</b>		
Held in trust for Other	-	89,251
Held in trust for pension benefits	7,121,727	-
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 7,121,727</u></u>	<u><u>\$ 89,251</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, 2023**

	<u>Component Unit</u> Pension Funds	Custodial Funds
ADDITIONS		
Contributions		
General municipal pension state aid	\$ 233,116	\$ -
Escrow Receipts	-	26,231
Employers	213,664	-
Employees	65,843	-
TOTAL CONTRIBUTIONS	<u>512,623</u>	<u>26,231</u>
Investment income		
Net appreciation in fair value of assets	755,751	-
Interest and dividends	110,728	-
TOTAL INVESTMENT INCOME	<u>866,479</u>	<u>-</u>
Investment expenses	-	-
INVESTMENT INCOME, NET	<u>866,479</u>	<u>-</u>
 TOTAL ADDITIONS	 1,379,102	 26,231
DEDUCTIONS		
Benefits Payments	678,484	-
Administrative Expenses	53,270	70,543
TOTAL DEDUCTIONS	<u>731,754</u>	<u>70,543</u>
 CHANGE IN NET POSITION	 647,348	 (44,312)
NET POSITION AT BEGINNING OF YEAR	<u>6,474,379</u>	<u>133,563</u>
 NET POSITION AT END OF YEAR	 <u>\$ 7,121,727</u>	 <u>\$ 89,251</u>

See accompanying notes to basic financial statements.

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

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 adopts 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, 2023**

**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.

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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.

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- 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.

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**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:

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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.

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**J. Property Taxes**

Based upon assessed valuation provided by the County (approximately \$334,917,000 in 2023), the Borough bills and collects its own property taxes through an elected tax collector. The schedule for property taxes levied for 2023 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 2023 was 15.05 mills (\$15.05 per \$1,000 of assessed taxable valuations).

<b><u>Fund</u></b>	<b><u>Mills</u></b>
General Fund	15.05
Total Mills	<u>15.05</u>

**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, 2023.

**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 2023, the Borough adopted the provisions of Governmental Accounting Standards Board's Statement No. 94 *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, Statement No. 96, *Subscription-Based Information Technology Arrangements*, and Statement No. 99, *Omnibus 2022*. The adoption of these standards had no effect on previously reported amounts.

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.

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

The GASB issued Statement No. 102, *"Certain Risk Disclosures."* The Borough is required to adopt this statement for its calendar year 2025 financial Statements.

The GASB issued Statement No. 103, *"Financial Reporting Model Improvements."* The Borough is required to adopt this statement for its calendar year 2026 financial Statements.

The Borough 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, 2023, the carrying amount and bank deposit balance of the Borough's deposits were \$4,819,580 and \$5,174,502, 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, 2023 in the amount of \$7,092,439. 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.

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, 2023. In addition, the plans did not have any investment transactions with related parties during the year.

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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, 2023 are as follows:

	<u>Due From</u>	<u>Due to</u>
General Fund	\$ 141,901	\$ 825,571
Community Development Fund	-	4,746
State Fund	76,359	-
Sewer Fund	1,209,264	-
Wastewater Collection Fund	37,986	-
Water Fund	-	635,193
	<u>\$1,465,510</u>	<u>\$1,465,510</u>

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2023, was as follows:

	<u>Balance</u> <u>January 1, 2023</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>December 31, 2023</u>
Business-Type Activities:				
Capital Assets, Being Depreciated:				
Sewer Fund - System	\$ 12,491,062	\$ 669,151	\$ -	\$ 13,160,213
Sewer Fund - Equipment	365,868	3,071	-	368,939
Total Being Depreciated	12,856,930	672,222	-	13,529,152
Less: Accumulated Depreciation	8,556,077	351,460	-	8,907,537
Sewer Fund Capital Assets, Net	<u>\$ 4,300,853</u>	<u>\$ 320,762</u>	<u>\$ -</u>	<u>\$ 4,621,615</u>
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	36,986	8,507	-	45,493
Wastewater Collection Fund Capital Assets, Net	<u>\$ 90,023</u>	<u>\$ (8,507)</u>	<u>\$ -</u>	<u>\$ 81,516</u>
Water Fund - System	\$ 1,983,890	\$ -	\$ -	\$ 1,983,890
Water Fund - Equipment	491,063	-	-	491,063
Total Being Depreciated	2,474,953	-	-	2,474,953
Less: Accumulated Depreciation	1,839,518	76,196	-	1,915,714
Water Fund Capital Assets, Net	<u>\$ 635,435</u>	<u>\$ (76,196)</u>	<u>\$ -</u>	<u>\$ 559,239</u>
Total Business-Type Activities Capital Assets, Net	<u>\$ 5,026,311</u>	<u>\$ 236,059</u>	<u>\$ -</u>	<u>\$ 5,262,370</u>

Depreciation expense recorded in the proprietary funds is \$436,163 for the year ended December 31, 2023.

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

Long-Term debt activity for the year ended December 31, 2023 is as follows:

	Beginning Balance January 1, 2023	Additions	Payment	Ending Balance December 31, 2023	Due Within One Year
<b>Governmental Activities</b>					
General Obligation Bonds, 2016	\$ 9,615,000	\$ -	\$ 295,000	\$ 9,320,000	\$ 305,000
Direct Borrowings - Lease	174,889	-	62,001	112,888	62,001
Direct Borrowings - Lease	65,515	-	32,758	32,757	32,757
Direct Borrowings - Lease	13,879	-	13,879	-	-
Direct Borrowings - Lease	17,368	-	17,368	-	-
Direct Borrowings - Lease	903,570	-	57,875	845,695	59,608
Direct Borrowings - Intsallment Loan	1,491,149	508,851	52,000	1,948,000	102,000
<b>Total</b>	<b>\$ 12,281,370</b>	<b>\$ 508,851</b>	<b>\$ 530,881</b>	<b>\$ 12,259,340</b>	<b>\$ 561,366</b>
<b>Business-Type Activities</b>					
General Obligation Bonds, Series A of 2021	\$ 7,910,000	\$ -	\$ 285,000	\$ 7,625,000	\$ 295,000
Direct Borrowing - Water Revenue Note 2002	4,614	-	4,614	-	-
Direct Borrowing - Water Revenue Note 2021	419,494	56,774	23,506	452,762	22,842
<b>Total Business-Type Activities</b>	<b>\$ 8,334,108</b>	<b>\$ 56,774</b>	<b>\$ 313,120</b>	<b>\$ 8,077,762</b>	<b>\$ 317,842</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, 2023:

Year	Principal	Interest	Total
2024	\$ 305,000	\$ 255,595	\$ 560,595
2025	315,000	246,445	561,445
2026	320,000	240,145	560,145
2027	325,000	233,745	558,745
2028	330,000	227,083	557,083
2029-2033	1,775,000	1,018,908	2,793,908
2034-2038	2,030,000	769,220	2,799,220
2039-2043	2,340,000	450,650	2,790,650
2044-2046	1,580,000	95,850	1,675,850
<b>Total</b>	<b>\$ 9,320,000</b>	<b>\$ 3,537,641</b>	<b>\$12,857,641</b>

**Business-Type Activities**

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

On November 15, 2021, the Borough issued \$8,395,000 to advance refund the Borough's General Obligation Bond, Series of 2021. 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, 2023:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	320,000	141,200	461,200
2029-2033	1,690,000	607,700	2,297,700
2034-2038	1,870,000	428,919	2,298,919
2039-2043	2,080,000	210,931	2,290,931
2044	450,000	11,250	461,250
Total	<u>\$ 7,625,000</u>	<u>\$ 2,024,200</u>	<u>\$ 9,649,200</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 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.

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.

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>
2024	\$ 256,366	\$ 144,324	\$ 400,690
2025	220,280	133,396	353,676
2026	178,232	123,460	301,692
2027	187,125	114,487	301,612
2028	151,075	150,112	301,187
2029-2033	918,733	588,390	1,507,123
2034-2038	1,027,529	226,106	1,253,635
Total	<u>\$ 2,939,340</u>	<u>\$1,480,275</u>	<u>\$4,419,615</u>

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**Business-Type**

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:

Year	Principal	Interest	Total
2024	\$ 22,842	\$ 4,423	\$ 27,265
2025	23,072	4,194	27,266
2026	23,303	3,962	27,265
2027	22,497	6,031	28,528
2028	22,668	6,113	28,781
2029-2033	119,453	24,447	143,900
2034-2038	130,323	13,577	143,900
2039-2042	88,604	2,532	91,136
Total	<u>\$ 452,762</u>	<u>\$ 65,279</u>	<u>\$ 518,041</u>

**NOTE 6 – FUND BALANCES**

Governmental-type funds report restricted fund balances of \$97,328 at December 31, 2023. The State Liquid Fuels Fund reports restricted fund balance of \$97,328, which is restricted by the Commonwealth of Pennsylvania for construction, reconstruction, maintenance and repair of public roads or streets.

**NOTE 7 – PENSION PLANS**

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

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

**Plan Description for the Uniformed Employees**

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

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

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, 2023. 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, 2023, police pension plan membership consisted of the following:

Inactive Plan Members, Currently Receiving Benefits	10
Active Plan Members	<u>9</u>
	<u>19</u>

*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.

*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 Borough'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 Borough 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 \$65,843 in 2023. 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.

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

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>

*Rate of return.* For the year ended December 31, 2023, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 13.43%. 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 Borough's net pension liability for the year ended December 31, 2023 were as follows:

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at 12/31/2023	\$ 5,460,138	\$ 3,641,550	\$ 1,818,588
Changes for the year			
Service cost	199,595	-	199,595
Interest	398,097	-	398,097
Changes in benefit terms	-	-	-
Differences Between Expected and Actual Experience	57,702	-	57,702
Changes of Assumptions	-	-	-
Contributions			
Employer and State Aid	-	298,156	(298,156)
Member	-	65,843	(65,843)
Net investment income	-	484,565	(484,565)
Benefit payments	(419,752)	(419,752)	-
Administrative expense	-	(28,733)	28,733
Net Changes	<u>235,642</u>	<u>400,079</u>	<u>(164,437)</u>
Balances at 12/31/2023	<u>\$ 5,695,780</u>	<u>\$ 4,041,629</u>	<u>\$ 1,654,151</u>

*Actuarial assumptions.* The total pension liability was measured as of December 31, 2023 and determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2023, 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 2023 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.

*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 Borough, 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:

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

	1% Decrease (6.5%)	Current Discount Rate (7.50%)	1% Increase (8.5%)
Net Pension Liability	\$ 2,306,919	\$ 1,654,151	\$ 1,103,935

*Pension expense and deferred outflows of resources related to pensions:* For the year ended December 31, 2023, the Borough recognized pension expense of \$336,239. At December 31, 2023, the Borough had deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 51,084	\$ (28,941)
Change in Assumptions	31,509	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	164,436	-
	<u>\$ 247,029</u>	<u>\$ (28,941)</u>

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

Year Ended December 31:	
2024	\$ 51,451
2025	69,005
2026	111,343
2027	(36,438)
2028	6,995
Thereafter	15,732

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.

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

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, 2023. 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, 2023, 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	<u>21</u>
	<u>30</u>

*Benefits provided.* The Nonuniformed 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 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 Borough'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 Borough 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.

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

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>

*Rate of return.* For the year ended December 31, 2023, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 13.48%. 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 Borough's net pension liability for the year ended December 31, 2023 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at 12/31/2023	\$ 4,095,819	\$ 2,832,829	\$ 1,262,990
Changes for the year			
Service cost	138,358	-	138,358
Interest	281,785	-	281,785
Changes in benefit terms	347,462	-	347,462
Differences Between Expected and Actual Experience	-	-	-
Changes of Assumptions	(556,787)	-	(556,787)
Contributions			
Employer and State Aid	-	148,624	(148,624)
Member	-	-	-
Net investment income	-	381,914	(381,914)
Benefit payments	(258,732)	(258,732)	-
Administrative expense	-	(24,537)	24,537
Net Changes	<u>(47,914)</u>	<u>247,269</u>	<u>(295,183)</u>
Balances at 12/31/2023	<u>\$ 4,047,905</u>	<u>\$ 3,080,098</u>	<u>\$ 967,807</u>

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

*Actuarial assumptions.* The total pension liability was measured as of December 31, 2023 and determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2023, 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.

*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 Borough, 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% Decrease (6.5%)	Current Discount Rate (7.50%)	1% Increase (8.5%)
Net Pension Liability	\$ 1,379,944	\$ 967,807	\$ 611,382

*Pension expense and deferred outflows of resources related to pensions:* For the year ended December 31, 2023, the Borough recognized pension expense of \$454,291. At December 31, 2023, the Borough had deferred outflows and inflows of resources related to pensions from the following sources:

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 19,313	\$ (571,780)
Change in Assumptions	78,475	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	<u>152,581</u>	<u>-</u>
	<u>\$ 250,369</u>	<u>\$ (571,780)</u>

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

Year Ended December 31:

2024	\$ (84,701)
2025	(67,613)
2026	(17,653)
2027	(138,823)
2028	(22,727)
Thereafter	10,106

**NOTE 8 – DEFERRED COMPENSATION PLAN**

The Borough maintains deferred compensation plans for the administrative employees. The plans are administered by the VOYA. The plan meets the requirement of IRC Section 457.

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

It is the opinion of the Borough's legal counsel 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.

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 10 – DEFICIT FUND BALANCES**

The Community Development Fund of the Borough had a deficit fund balance of \$2,231 at December 31, 2023.

**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, 2023 through September 27 2024, 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:

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, 2023**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 5,820,493	\$ 5,820,493	\$ 5,936,549	\$ 116,056
Licenses, permits and fees	162,050	162,050	174,500	12,450
Fines	35,500	35,500	32,068	(3,432)
Interest and Rents	103,200	103,200	193,999	90,799
Intergovernmental	264,900	264,900	1,060,963	796,063
Charges for services	804,000	804,000	830,908	26,908
Miscellaneous	173,000	173,000	346,520	173,520
<b>TOTAL REVENUES</b>	<b>7,363,143</b>	<b>7,363,143</b>	<b>8,575,507</b>	<b>1,212,364</b>
<b>EXPENDITURES</b>				
General government	945,963	945,963	985,243	(39,280)
Public safety and protective inspection	1,674,003	1,674,003	2,187,347	(513,344)
Sanitation	797,749	797,749	877,174	(79,425)
Highways and Streets	600,978	600,978	385,487	215,491
Storm Water and Flood Control	-	-	37,072	(37,072)
Culture and Recreation	238,285	238,285	248,376	(10,091)
Economic Development	1,154,250	1,154,250	1,285,971	(131,721)
Debt Service - Principal	347,000	347,000	347,000	-
Debt Service - Interest	389,055	389,055	389,055	-
Insurance	133,780	133,780	152,256	(18,476)
Employee Benefits	1,092,742	1,092,742	1,007,658	85,084
<b>TOTAL EXPENDITURES</b>	<b>7,373,805</b>	<b>7,373,805</b>	<b>7,902,639</b>	<b>(528,834)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	-	-	(5,789)	5,789
Transfers in	10,100	10,100	-	(10,100)
Proceeds from Sale of Surplus Assets	2,000	2,000	-	(2,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>12,100</b>	<b>12,100</b>	<b>(5,789)</b>	<b>(6,311)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 1,438</b>	<b>\$ 1,438</b>	<b>667,079</b>	<b>\$ 677,219</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b>-</b>	<b>-</b>	<b>323,042</b>	<b>323,042</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 1,438</b>	<b>\$ 1,438</b>	<b>\$ 990,121</b>	<b>\$ 988,683</b>

Expenditures exceeded Appropriations by \$528,834. The excess expenditures were covered by additional revenues received during the year.

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
UNIFORMED PENSION PLAN  
SCHEDULE OF NET PENSION LIABILITY AND RELATED RATIOS  
DECEMBER 31, 2023**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>TOTAL PENSION LIABILITY</b>										
Service cost	\$ 199,595	\$ 149,606	\$ 132,541	\$ 89,269	\$ 85,018	\$ 100,157	\$ 95,388	\$ 89,448	\$ 85,189	\$ 67,775
Interest	398,097	382,522	379,423	364,608	352,133	319,682	309,219	293,634	283,484	267,668
Differences between expected and actual experience	57,702	-	(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	(419,752)	(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>	<b>235,642</b>	<b>187,563</b>	<b>184,646</b>	<b>177,633</b>	<b>478,240</b>	<b>119,722</b>	<b>222,388</b>	<b>145,474</b>	<b>227,000</b>	<b>97,244</b>
Total pension liability, beginning	5,460,138	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>\$ 5,695,780</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	\$ 298,156	\$ 289,464	\$ 346,287	\$ 270,962	\$ 187,808	\$ 189,708	\$ 157,992	\$ 155,749	\$ 126,319	\$ 121,411
Member	65,843	76,430	67,406	64,741	60,452	47,031	49,006	47,364	46,651	41,324
Net investment income (loss)	484,565	(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	(419,752)	(344,565)	(331,655)	(276,244)	(273,892)	(300,117)	(239,619)	(237,608)	(237,608)	(238,199)
Administrative expense	(28,733)	(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>	<b>400,079</b>	<b>(438,396)</b>	<b>531,398</b>	<b>365,282</b>	<b>393,694</b>	<b>(218,486)</b>	<b>293,396</b>	<b>67,513</b>	<b>(102,079)</b>	<b>66,649</b>
Plan fiduciary net position, beginning	3,641,550	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>\$ 4,041,629</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>\$ 1,654,151</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>71.0%</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>\$ 922,440</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>179.3%</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, 2023

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%

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
UNIFORMED PENSION PLAN  
SCHEDULE OF CONTRIBUTIONS  
DECEMBER 31, 2023**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 298,156	\$ 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	298,156	289,464	346,287	270,962	187,808	189,708	157,992	155,749	126,319	121,411
CONTRIBUTION (EXCESS) DEFICIENCY	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
COVERED PAYROLL	\$ 922,440	\$ 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	32.3%	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, 2023

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Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Asset valuation method	Fair 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%

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
UNIFORMED PENSION PLAN  
SCHEDULE OF INVESTMENT RETURNS  
DECEMBER 31, 2023**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	13.43%	-12.27%	13.21%	9.53%	15.84%	-4.56%	12.79%	4.53%	-0.64%	6.21%

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
NONUNIFORMED PENSION PLAN  
SCHEDULE OF NET PENSION LIABILITY AND RELATED RATIOS  
DECEMBER 31, 2023**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Police Pension Plan</b>										
TOTAL PENSION LIABILITY										
Service cost	\$ 138,358	\$ 129,171	\$ 114,437	\$ 84,677	\$ 80,645	\$ 67,958	\$ 64,722	\$ 62,329	\$ 59,361	\$ 71,349
Interest	281,785	296,033	299,239	243,347	228,963	223,514	206,444	202,664	186,904	174,074
Differences between expected and actual experience	(556,787)	-	29,660	-	(145,365)	-	(196,145)	-	(153,033)	-
Changes of benefit terms	347,462	-	373,563	-	-	-	-	-	-	-
Changes of assumptions	-	-	115,214	-	-	-	13,196	-	95,440	-
Contributions - buy back	-	-	-	-	-	-	-	-	-	-
Benefit payments	(258,732)	(552,991)	(130,983)	(130,983)	(112,733)	(59,550)	(34,042)	(34,042)	(15,496)	(20,707)
NET CHANGE IN TOTAL PENSION LIABILITY	(47,914)	(127,787)	801,130	197,041	51,510	231,922	54,175	230,951	172,176	224,716
Total pension liability, beginning	4,095,819	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
TOTAL PENSION LIABILITY, ENDING (a)	\$ 4,047,905	\$ 4,095,819	\$ 4,223,606	\$ 3,422,476	\$ 3,225,435	\$ 3,173,925	\$ 2,942,003	\$ 2,887,828	\$ 2,656,877	\$ 2,484,701
PLAN FIDUCIARY NET POSITION										
Contributions										
Employer and State Aid	\$ 148,624	\$ 141,765	\$ 153,489	\$ 90,352	\$ 75,889	\$ 62,950	\$ 64,168	\$ 65,731	\$ 63,790	\$ 68,856
Member	-	-	-	-	-	-	-	-	-	-
Net investment income (loss)	381,914	(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	(258,732)	(552,991)	(130,983)	(130,983)	(112,733)	(59,550)	(34,042)	(34,042)	(15,496)	(20,707)
Administrative expense	(24,537)	(18,891)	(25,654)	(18,897)	(24,059)	(17,285)	(20,509)	(17,464)	(20,326)	(14,043)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	247,269	(826,587)	435,305	245,398	361,609	(145,900)	329,691	121,986	12,166	164,854
Plan fiduciary net position, beginning	2,832,829	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
PLAN FIDUCIARY NET POSITION, ENDING (b)	\$ 3,080,098	\$ 2,832,829	\$ 3,659,416	\$ 3,224,111	\$ 2,978,713	\$ 2,617,104	\$ 2,763,004	\$ 2,433,313	\$ 2,311,327	\$ 2,299,161
NET PENSION LIABILITY, ENDING (a)-(b)	\$ 967,807	\$ 1,262,990	\$ 564,190	\$ 198,365	\$ 246,722	\$ 556,821	\$ 178,999	\$ 454,515	\$ 345,550	\$ 185,540
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY										
	76.1%	69.2%	86.6%	94.2%	92.4%	82.5%	93.9%	84.3%	87.0%	92.5%
COVERED PAYROLL	\$ 1,260,000	\$ 1,183,196	\$ 1,158,660	\$ 1,069,662	\$ 1,102,496	\$ 920,000	\$ 884,408	\$ 907,350	\$ 833,294	\$ 899,946
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED-PAYROLL	76.8%	106.7%	48.7%	18.5%	22.4%	60.5%	20.2%	50.1%	41.5%	20.6%

NOTES TO SCHEDULE

Valuation date:

January 1, 2023

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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%

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
NONUNIFORMED PENSION PLAN  
SCHEDULE OF CONTRIBUTIONS  
DECEMBER 31, 2023**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 148,624	\$ 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	148,624	141,765	153,489	90,352	75,889	62,950	64,168	65,731	63,790	68,856
CONTRIBUTION (EXCESS) DEFICIENCY	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
COVERED PAYROLL	\$ 1,260,000	\$ 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	11.8%	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, 2023

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Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization Method	Level Dollar
Remaining Amortization Period	13 Years
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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%

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
NONUNIFORMED PENSION PLAN  
SCHEDULE OF INVESTMENT RETURNS  
DECEMBER 31, 2023**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	13.48%	-11.50%	13.17%	10.24%	16.14%	-4.78%	13.15%	4.66%	-0.69%	6.16%

OTHER  
SUPPLEMENTARY  
INFORMATION

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
NONMAJOR FUNDS - COMBINING  
BALANCE SHEET – CASH BASIS  
DECEMBER 31, 2023**

	Community Development Fund	Liquid Fuels Fund	Total Nonmajor Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,515	\$ 97,238	\$ 99,753
Due From Other Funds	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 2,515</u>	<u>\$ 97,238</u>	<u>\$ 99,753</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Due to other funds	4,746	-	4,746
<b>TOTAL LIABILITIES</b>	<u>4,746</u>	<u>-</u>	<u>4,746</u>
 <b>FUND BALANCES</b>			
Restricted	-	97,238	97,238
Unassigned	(2,231)	-	(2,231)
<b>TOTAL FUND BALANCES</b>	<u>(2,231)</u>	<u>97,238</u>	<u>95,007</u>
 <b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 2,515</u>	<u>\$ 97,238</u>	<u>\$ 99,753</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, 2023**

	Community Development Fund	Liquid Fuels Fund	Total Nonmajor Funds
REVENUES			
Interest and Rents	1	2,684	2,685
Intergovernmental	-	78,959	78,959
TOTAL REVENUES	1	81,643	81,644
EXPENDITURES			
General government	-	15	15
Highways and Streets	-	103,353	103,353
TOTAL EXPENDITURES	-	103,368	103,368
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1	(21,725)	(21,724)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	5,789	5,789
Transfers out	-	-	-
Proceeds from Debt	-	-	-
Proceeds from sale of surplus assets	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	5,789	5,789
NET CHANGE IN FUND BALANCES	1	(15,936)	(15,935)
FUND BALANCE - BEGINNING	(2,232)	113,174	110,942
FUND BALANCE - ENDING	\$ (2,231)	\$ 97,238	\$ 95,007

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
FIDUCIARY RETIREMENT FUNDS - COMBINING  
BALANCE SHEET – CASH BASIS  
DECEMBER 31, 2023**

	<u>Component Units</u>		
	<u>Police Pension Fund</u>	<u>Nonuniform Pension Fund</u>	<u>Total Pension Trust Funds</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ -
Investments at fair value	4,012,341	3,080,098	7,092,439
Receivables	29,288	-	29,288
TOTAL ASSETS	<u>\$ 4,041,629</u>	<u>\$ 3,080,098</u>	<u>\$ 7,121,727</u>
LIABILITIES AND NET POSITION			
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ -
Escrow funds	-	-	-
NET POSITION			
Held in trust for pension benefits	<u>4,041,629</u>	<u>3,080,098</u>	<u>7,121,727</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 4,041,629</u>	<u>\$ 3,080,098</u>	<u>\$ 7,121,727</u>

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
FIDUCIARY RETIREMENT PLANS - COMBINING  
STATEMENT OF CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Component Units</u>		
	<u>Police Pension Fund</u>	<u>Nonuniform Pension Fund</u>	<u>Total Pension Trust Funds</u>
ADDITIONS			
Contributions			
General municipal pension state aid	\$ 116,558	\$ 116,558	\$ 233,116
Employers	181,598	32,066	213,664
Employees	65,843	-	65,843
TOTAL CONTRIBUTIONS	<u>363,999</u>	<u>148,624</u>	<u>512,623</u>
Investment income			
Net depreciation in fair value of assets	422,390	333,361	755,751
Interest and dividends	62,175	48,553	110,728
TOTAL INVESTMENT INCOME	<u>484,565</u>	<u>381,914</u>	<u>866,479</u>
Investment expenses	-	-	-
INVESTMENT INCOME, NET	<u>484,565</u>	<u>381,914</u>	<u>866,479</u>
 TOTAL ADDITIONS	 848,564	 530,538	 1,379,102
DEDUCTIONS			
Benefits Payments	419,752	258,732	678,484
Administrative Expenses	28,733	24,537	53,270
TOTAL DEDUCTIONS	<u>448,485</u>	<u>283,269</u>	<u>731,754</u>
 CHANGE IN NET POSITION	 400,079	 247,269	 647,348
NET POSITION AT BEGINNING OF YEAR	<u>3,641,550</u>	<u>2,832,829</u>	<u>6,474,379</u>
 NET POSITION AT END OF YEAR	 <u>\$ 4,041,629</u>	 <u>\$3,080,098</u>	 <u>\$7,121,727</u>