FINANCIAL STATEMENTS

BOROUGH OF CATASAUQUA DECEMBER 31, 2015



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INDEPENDENTAUDITORS' REPORT

To the Borough Council

Borough of Catasauqua, Pennsylvania

We have audited the accompanying cash-basis financial statements of the governmental activities, the business-type activities , each major fund , and the aggregate remaining fund information of the Borough of Catasauqua, Pennsylvania , as of and for the year ended December 31, 2015, and the related notes to the financial statements , which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements Management is responsible for the preparation and fair

presentation of these financial statements in accordance with the

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordarice with auditing standards generally accepted in the United States of America. Those standards require that we plan and pe.rform th . a1,1dit *tq* obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves perfarming procedures to obtain audit evidence about the amounts and disclosures in the financi al statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Borough's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Borough' s internal control. Accordingly, we express no such

-1-

opinion. An audit also includes evaluating the appro ri t ness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements .

We believe sufficient and opinions.

that the audit evidence appropriate to provide a

we have obtained is basis for our audit

Basis for Adverse Opinion on Governmental Activities

As discussed in Note 1 to the financial statements, management has not recorded certain general infrastructure assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those general infrastructure assets be capitalized and depreciated, which would increase the assets, net position, and expenses of the governmental activities. The Borough has adopted a policy for other post-employment benefits to be on the cash basis method verse accruing the unfunded liabilities of these costs. The amounts by which these departures would affect the cash basis assets, net position, and expenses of the governmental activities has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Governmental Activities" paragraph, the financial statements referred to above do not present fairly, in conformity with the basis of accounting described in Note 1, the cash basis financial position of the governmental activities of the Borough of Catasauqua, Pennsylvania, as of December 31, 2015, or the changes in cash basis financial position thereof for the year then ended.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly , in all material respects, the respective financial position - cash basis of the business-type activities, each major fund , and the aggregate remaining fund information of the Borough of Catasauqua as of December 31, 2015, and the respective changes in financial position - cash basis, thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the historical pension information on pages 46 through 49 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 basis financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowlege obtained during our audit of the basic financial statements. We do not express and 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.

The Borough has omitted the management 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 required 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. Our opinion on the basic financial statements is not affected by this missing information .

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 23, 2016, on our consideration of the Borough of Catasauqua, Pennsylvania I s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on



the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough of Catasauqua, Pennsylvania's internal control over financial reporting and compliance.



Emmaus, Pennsylvania August 23, 2016



BOROUGH OF CATASAUQUA STATEMENT OF NET POSITION - CASH BASIS

DECEMBER 31, 2015

ASSETS

Cash and cash equivalents

Internal balances Total Current Assets

Capital assets :

Buildings, land &

improvements Machinery & equipment

Governmental Activities

$1,702,266

0

1,702,266

1,922,631

2,075,682

|  |  |  |  |
| --- | --- | --- | --- |
| Water/sewer system, net | 0 | 5,89 0 ,308 | 5,890,308 |
| Total Capital Assets | 3,998,313 | 5,890,308 | 9,888,621 |

Business­ Type

Activities

$1,778,701

0

1,778,701

0

0

Total

$ 3,480,967

0

3,480,967

1,922,631

2,075,682

Total Assets DEFERRED OUTFLOWS OF

|  |  |  |  |
| --- | --- | --- | --- |
| RESOURCES 0 | | 0 | 0 |
| LIABILITIES |  |  |  |
| Internal balances | 0 | 0 | 0 |
| Escrow deposits | 16,855 | 0 | 16,855 |
| Other liabilities | 2,568 | 0 | 2,568 |
| Notes & bonds payable | 108,027 | 4,904,384 | 5,012,411 |

5,700,579

7,669,009

13,369,588

Total Liabilities

DEFERRED INFLOWS OF

127,450

4,904,384

5,031,834

RESOURCES

NET POSITION

0 0 0

Invested in capital assets,



|  |  |  |  |
| --- | --- | --- | --- |
| net of related debt | 3,890,286 | 985,924 | 4,876,210 |
| Restricted | 44,100 | 0 | 44,100 |
| Unrestricted | 1,638,743 | 1,778,701 | 3,417,444 |
| Total Net Position | $ 5,573,129 | $ 2,764,625 | $ 8,337,754 |

The accompanying notes are an integral part of the financial statements.

BOROUGH OF CATASAUQUA STATEMENT OF ACTIVITIES - CASH BASIS FOR THE YEAR ENDED DECEMBER 31, 2015

Program Revenues Operating

Capital

Charges for

Grants and

Grants and

Expenses

Services

Contributions Contributions

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Governmental Activities |  | | | |
| General government | $ 279,294 | $ 2,283 | $ 4,299 | $ 0 |
| Public safety | 1,278,065 | 68,879 | 34,587 | 0 |
| Public works | 1,332,158 | 764,777 | 151,840 | 50,000 |
| Culture and recreation | 341,051 | 93,515 | 0 | 15,000 |
| Community development | 57,496 | 0 | 0 | 0 |
| Insurance, employee benefits |  |  |  |  |
| and miscellaneous | 326,089 | 0 | 129,388 | 0 |
| Interest on debt | 3 143 | 0 | 0 | 0 |

Total Governmental Activities$ 3,617,296

$ 929,454 $ 320,114

$ 65,000

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Business-type Activities |  | | | |
| Sewer | $ 1,380,362 | $1,106,601 | $ 0 | $ 0 |
| Wastewater collection | 807,881 | 887,939 | 0 | 0 |
| Water | 565,042 | 662,431 | 0 | 0 |
| Total Business-type Activities | $ 2,7 53,2 85 | $2,656,971 | $ 0 | $ 0 |
| Total | $ 6,370,581 | $3,586,4 25 | $ 320,114 | $ 65,000 |

Property taxes, levied for general purposes, net Taxes levied for specific purposes

Licenses and permits Fines and forfeits Investment earnings Miscellaneous income

Gain (loss) on disposal of assets Transfers between activities

Total general revenues Change in net position Net position, January 1 Net position, December 31

The accompanying notes are an i tegral part of the financial statements.

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BOROUGH OF CATASAUQUA

STATEMENT OF ACTIVITIES - CASH BASIS (Continued) FOR THE YEAR ENDED DECEMBER 31, 2015

Net (Ex2ense) Revenue and Changes in Net Position Governmental Business-type

Activities Activities Total

|  |  |  |
| --- | --- | --- |
| $ (272,712) | $ 0 | $ (272 *I* 712) |
| (1,174,599) | 0 | (1,1 74 , 599) |
| (365,541) | 0 | (365,541) |
| (232 *I* 536) | 0 | (232 *I* 536) |
| (57,496) | 0 | (57,496) |
| (196,701) | 0 | (196,701) |
| (3 ,14 3) | 0 | (3,143) |

$ (2,302 ,728) $ 0 $ (2 , 302,728)

|  |  |  |
| --- | --- | --- |
| $ 0 | $ (273,761) | $ (273 *I* 761) |
| 0 | 80,058 | 80,058 |
| 0 | 97 389 | 97 389 |

$ 0 $ (96,314) $ (96,314)

$ (2,302,728) $ (96 ,314) $ (2,399 ,042)

|  |  |  |  |
| --- | --- | --- | --- |
| 1,759,594 | 0 | 1,759 ,594 |  |
| 751,972 | 0 | 751,972 |  |
| 147,977 | 0 | 147,977 |  |
| 36,062 | 0 | 36,062 |  |
| 9,884 | 2,239 | 12,123 |  |
| 282,691 | 0 | 282,691 |  |
| (145,765) | 0 | (145,765) |  |
| 16 893 | (16,89 3) | 0 |  |
| $ 2 ,859 ,308 | $ (14 ,654) | $ 2 , 844 ,654 |  |
| 556,580 | (110,968) | 445,612 |  |
| $ 5, 016 ,549 | $ 2,875,593 | $ 7 ,892 ,1 42 |  |
| $ 5,573,129 | $ 2,764,625 | $ 8,337,754 |  |
| ------------  The accompanying notes | -----------  are an integral | ------------  part of the financial | statements. |

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BOROUG H OF CATASAUQUA

STATEMENT OF ASSETS, LIAB IL I TI ES AND FUND EQUITY - CASH BASIS GOVERNMENTAL FUNDS

DECEMBER 31, 2015

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Total Liquid Community Debt Governmental

General Fuels Develo12ment Service Funds

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Cash and cash | equivalents | $1,658 ,166 | $ 41,933 |  | $ 2,167 |  | $ | $1,702,266 |
| Other assets |  |  |  |  |  |  |  | 0 |
| Total Assets |  | $1,658 ,166 | $ 41 ,9 33 |  | $ 2,167 |  | $ 0 | $1,702,266 |

Deferred Outflows of Resources 0 0 0 0 0

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Total Assets | and Deferred |  | | | | |
| Outflows of | Resources | $1,658,166 | $ 41,933 | $ 2,167 | $ 0 | $1,702,266 |
| LIABILITIES, DEFERRED INFLOWS OF | | ---------- | --------- | --------- | ---------- | ---------- |
| RESOURCES AND FUND BALANCES  Liabilities: | |  |  | | | |
| Escrow deposits | | $ 16 ,855 | $ $ $ $ 16 ,855 | | | |
| Other liabilities | | 2,568 | 2 568 | | | |
| Total Liabilities 19 ,42 3 | | | 0 | 0 | 0 | 19 423 |
| Deferred Inflows of Resources 0 | | | 0 | 0 | 0 | 0 |
| Fund Balances: | | |  |  |  |  |
| Restricted for: | | |  |  |  |  |
| Public works | | | 41 ,933 |  |  | 41,9 33 |
| Community Development | | |  | 2,167 |  | 2,167 |
| Unassigned: 1,6 38,74 3 | | |  |  |  | 1 ,6 38,74 3 |
| Total Fund Balances 1 ,638 ,74 3 | | | 41,933 | 2 167 | 0 | 1,682 ,84 3 |
| Total Liabilities, Deferred Inflows | | |  |  |  |  |
| of Resources and Fund Balances $1,658,166 | | | $ 41 ,9 33 | $ 2,167 | $ 0 | $1 ,702,266 |
| ---------- | | | --------- | --------- | ---------- | ---------- |
| The accompanying notes are an integral part of | | | the financial | statements. |  |  |

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BOROUGH OF CATASAUQUA RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF ASSETS, L IABILITIES AND FUND

EQUITY TO THE STATEMENT OF NET POSITION - CASH BASIS AS OF DECEMBER 31, 2015

Total Fund Balances - Governmental Funds $ 1,682,843 Amounts reported for governmental activities

in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

The cost of the assets is $3,998,313. 3,998,313

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long­ term liabilities at year end consist of

loans payable of $108,027. (108,027) Total Net Position - Governmental Activities $ 5,573,129



 The accompanying notes are an integral part of the financial statements .

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BOROU GH O F CATASA UQUA

STAT EMEN T OF REVENUES, EXPEND ITU RES AND CHANGES IN FUND BALANCE - CAS H BASIS GOVERNMEN TAL FUNDS

FOR THE YEAR ENDED DECEMBER 31 , 2015

REVENUES

|  |  |  |  |
| --- | --- | --- | --- |
| Liquid | Community | Debt | Governmental |
| Fuels | Develo12ment | Service | Funds |

General

Total

Taxes

Licenses and permits Fines and forfeits

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Interest and rents | 9,837 | 39 | 8 | 9,884 | |
| Intergovernmental revenues Charges for service | 240,219  929,454 | 144 ,89 5 |  | 385,114 | |
| Miscellaneous revenues 291,497 | |  |  |  | 291 497 |
| Total Revenue 4,166 ,612 | | 144,934 | 8 | 0 | 4 ,311, 554 |

$2,511 ,566 $ $ $ $ 2,511,566 147,977 147,977

36,062 36,062

929,454

EXPENDITURES

Current

|  |  |  |  |
| --- | --- | --- | --- |
| General government | 279,294 | 279,294 | |
| Public safety | 1,278,065 | 1,278,065 | |
| Public works | 1,332,158 | 1,332,158 | |
| Culture and recreation | 337,670 | 3,381 | 341,051 |
| Community development | 57,496 |  | 57,4 96 |

Insurance, e m p l oyee benefits and miscellaneous

Debt service - principa l retirement

Debt service - interest and fiscal charges Capital outlay

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 467 478 |  |  |  | 467 ,478 |
| 4 ,078 ,2 50 | 0 | 3, 381 | 49,557 | 4 ,1 31, 188 |

Total Expenditures

Excess (deficiency) of revenues

326, 089

46,414

3,14 3

326,089

46,414

3,143

over (under) expenditures

OTHER FINANCING SOURCES (USES)

Proceeds of general long-term debt Operating transfers in

Operating transfers out

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Total Other Financing | Sources | (Uses) | 145,915 | (117 ,000) 0 | |
| Net change in fund balances |  |  | 234,277 | 2 7, 934 (3 ,373) | |
| FUND BALANCES, JANUARY 1 | 1,404,466 | | | 13,999 | 5,540 |
| FUND BALANCES, DECEMBER 31 | $1,638,743 | | | $ 41 ,933 | $ 2,167 |

88,362

178,579

(32,664)

144,9 34 (3,373) (49,557)

( 117, 000)

|  |  |
| --- | --- |
| 61,579 | 61, 579 |
| 49,557 | 228 ,1 36 |
| (61,579) | (211 ,24 3) |

180 , 366

49 ,557

0

0

$ 0

78,472

2 58, 838

1,424 , 005

$ 1,682 ,843

The accompanying notes are an integral part of the financial statements.

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BOROUGH OF CATASAUQUA RECONCILIATION OF THE GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES - CASH BASIS

FOR THE YEAR ENDED DECEMBER 31, 2015

Net Change in Fund Balances - Governmental Funds

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those expenditures is not reported but treated as a capital asset

on the statement of net position. The capital outlay for the current year is $467,478.

In the statement of activities, the gain/loss on the disposal of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. The change in net position differs from the change in fund balance by the cost of the disposed assets of $(154,571), net of related accumulated depreciation of $0.

Issuance of long-term debt (e.g.notes) provides current financial resources to governmental funds , while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.

However, neither transaction has an effect on net position. Repayment of note and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The effect of this transaction in the statement is shown below:

$ 258,838

467,478

(154,571)

Issuance of loan proceeds Repayment of loan principal

Change in Net Position of Governmental Activities

$ (61,579)

46,414

(15,1 65)

$ 556,580

The accompanying notes are an integral part of the financial statements.

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BOROUGH OF CATASAUQUA

STATEMENT OF REVENUES, E X PE N D I TU RES AND CHANGES IN FUND BALANCES - CASH BASIS

BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED DECEMBER 31, 2015

Variance with Final Budget

|  |  |  |  |
| --- | --- | --- | --- |
| REV ENUES | Budgeted Amounts Original Final | Actual Amounts | Positive (Negative) |
| Taxes | $ 2,423 ,500 $ 2 ,423 ,500 | $ 2 ,511,566 | $ 88,066 |
| Licenses and permits | 117,600 117,600 | 147,977 | 30,377 |
| Fines and forfeits | 37,000 37,000 | 36,062 | (938) |
| Interest and rents | 8,560 8,560 | 9,837 | 1,277 |
| Intergovernmental revenues | 146,200 146 ,200 | 240,219 | 94,019 |
| Charges for service | 845,825 845,825 | 929,454 | 83,629 |
| Miscellaneous revenues | 57,600 57 600 291 497 | | 233,897 |
| Total revenues | 3,6 36,285 3,636,285 4,166,612 | | 530 327 |

EXPENDITURES

Current

|  |  |  |  |
| --- | --- | --- | --- |
| General government |  | 261,605 261,605 279,294 | (17,689) |
| Public safety |  | 1,302 ,280 1 ,302,280 1,278,065 | 24,215 |
| Public works |  | 1,312,850 1,312,850 1,332,158 | (19,308) |
| Culture and recreation |  | 455,970 455,970 337,670 | 118,300 |
| Community development |  | 67,350 67,350 57,496 | 9,854 |
| Insurance , benefits & | miscellaneous | 211 ,660 211,660 326,089 | (114,429) |
| Capital outlay |  | 4 , 580,650 4 ,580 ,650 467 478 | 4 ,11 3,172 |
| Total expenditures |  | 8,192 ,365 8 ,192 ,365 4 078 250 | 4 ,114 ,115 |

Excess (deficiency) of revenues over (under) expenditures

OTHER FINANCING SOURCES (USES)

(4,556 ,080) (4 , 556 ,080) 88 ,362

4 ,644 ,442

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Proceeds of general | long | term | debt | 4,000,000 | 4,000,000 | 0 | (4,000,000) |
| Operating transfers | in |  |  | 135,000 | 135,000 | 178,579 | 43,579 |
| Operating transfers | out |  |  | 0 | 0 | (32,664) | (32,664) |

Net change in fund balances Fund Balances, January 1 Fund Balances, December 31

(421,080) (421,080) 234,277

1,118 ,95 3 1,118,953 l, 404,466

$ 697 , 87 3 $ 697,873 $ 1,638,743

655,357

285L513

$ 940 , 870

The ac.companying notes are an integral part of the financial statements.

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BOROUGH OF CATASAUQUA STATEMENT OF NET POSITION - CASH BASIS

PROPRIETARY FUNDS

**DECEMBER** 31 , **2015**

Current Assets:

ASSETS

Sewer Fund

Enterprise Funds Wastewater Collection

Fund

Water Fund

Total Proprietary Funds

Cash and cash equivalents Other assets

Total Current Assets

$ 758,385

758,385

$ 394,442

394,442

$ 625,874

625,874

$ 1,778,701

1,778,701

DEFERRED OUTFLOWS OF RESOURCES

Noncurrent Assets: Sewer system; net of

accumulated depreciation Water system, net of

5,633,699

30,000

5,663,699

accumulated depreciation

226,609

226,609

Total Assets LIABILITIES

|  |  |  |  |
| --- | --- | --- | --- |
| Water | revenue notes payable | $ $ $ 174,384 | $ 174,384 |
| Bonds | payable | 4,730,000 | 4,730,000 |
| Other | liabilities |  |  |
|  | Total Liabilities | 4,730,000 174,384 | 4,904,384 |

$ 6,392,084

$ 424,442

$ 852,483

$ 7,669,009

DEFERRED INFLOWS OF RESOURCES

NET POSITION

Invested ih capital assets, net of related debt

Unrestricted

Total Net Position

903,699

758,385

$ 1,662,084

30,000

394,442

$ 424,442

52,225

625,874

$ 678,099

985,924

1,778,701

$ 2,764,625

The accompanying notes are an integral part of the financial statements.

 

OPERATING REVENUES

BOROUGH OF CATASAUQUA



STATEMENT OF REVENUES. EXPENSES, AND CHANGES IN FUND NET POSITION - CASH BASIS PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2015

Entergrise Funds

Wastewa,ter Total

Sewer Collection Water Proprietary Fund Fund Fund Funds

Charges for services Total Operating Revenues

OPERATING EXPENSES

$ 1,106,601 $ 887,939 $ 662,431 $ 2,656,971

·. 1,106 , 601 887,939 662,431 2,656,971

Salaries, wages & employee benefits Contractual services

Supplies Materials Utilities

479,542

286,354

63,822

120,894

136,937 250,832 867,311

658,626 106,477 1,051,457

8,251 75,407 147,480

3,167 31,508 34,675

900 63,090 184,884

Depreciation

272,339

31,283 303 ,622

Total Operating Expenses OPERATING INCOME (LOSS)

NONOPERATING REVENUES (EXPENSES)

1,222,951

(116,350)

807,881 558,597 2,589 ,429

80,058 103,834 67,542

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Interest income | | | | 959 | 502 | 778 | 2,239 |
| Interest expense | | | | (157,411) |  | (6,445) | (163,856) |
| Total Nonoperating Revenues (Expenses) | | | | (156,452) | 502 | (5,667) | (161,617') |
| NET INCOME OR | (LOSS) BEFORE | OPERATING | TRANSFERS | (272,802) | 80 , 560 | 98,167 | (94,075) |
| Operating t | ansfers |  |  |  | (5,631) | (11,262) | (16,893) |
| CHANGE IN NET | POSITION |  |  | (272,802) | 74,929 | 86,905 | (110,968) |

NET POSITION - BEGINNING OF YEAR 1,934,886

349,513 - 591,194 2,875,593

NET POSITION - END OF YEAR $ 1,662,084 $ 424,442 $ 678,099 $ 2,764,625

The accompanying notes are an integral part of the financial statements.

BOROUGH OF CATASAUQUA STATEMENT OF CASH FLOWS - CASH BASIS

PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2015

Sewer Fund

Enterprise Funds Wastewater Collection

Fund

Water

Fund 

|  |  |  |  |
| --- | --- | --- | --- |
| CASH FLOWS FROM OPERATING ACTIVITIES |  | | |
| Operating income (loss) $ (116,350) | $ 80,058 | $ 103,834 | $ 67,542 |
| Item not requiring cash |  |  |  |
| Depreciation 272,339 | -=-0 | 31,283 | 303,6 22 |
| Sub-total 155,989 | 80,058 | 135,117 | 371,164 |
| Increase (decrease) in due - |  |  |  |
| to other funds (14) |  |  | (14) |

Net Cash Flows From

Operating Activities 155,975

CASH FLOWS FROM NONCAPITAL ACTIVITIES

Operating transfers Net Cash Flows From

80,058

{5,631)

135,117

(11,262)

371,150

(16,893)

Noncapital Activities

0 (5,631)

(11,262)

(16 ,8 9 3)

CASH FLOWS FROM FINANCING ACTIVITIES

|  |  |  |  |
| --- | --- | --- | --- |
| Additions to sewer system (31,819) Interest expense (157,411) |  | (6,445) | (31,819)  (163I 8 56) |
| Repayment of sewer bonds (175,000) |  |  | (175,000) |
| Repayment of water revenue |  |  |  |
| notes payable |  | (21,353) | (21,353) |
| Repayment of installment loan (5,068) |  |  | (5,068) |
| Net Cash Flows From |  |  |  |
| Financing Activities (369,298) | 0 | (27,798) | (397,096) |

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income

Net Cash Flows From

959

502

778

2 239

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Investing Activities | 959 | 502 | 778 | 2 239 |
| Net Increase (Decrease) in and Cash Equivalents | Cash  (212,364) | 74,929 | 96,835 | (40,6 00) |
| Cash and Cash Equivalents, January 1 | 970 749 | 319,513 | 529, 0 39 | 1,819,301 |
| Cash and Cash Equivalents, December 31 | $ 758,385 | $ 394,442 | $ 625,874 | $1,778,701 |

The accompanying notes are an integral part of the financial statements.

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BOROUGH OF CATASAUQUA STATEMENT OF NET POSITION - CASH BASIS

FIDUCIARY FUNDS DECEMBER 31, 2015

|  |  |  |
| --- | --- | --- |
| Police | Employee | Total |
| Pension | Pension | Fiduciary |
| Plan | Plan | Funds |

ASSETS

Cash and cash equivalents

Investments, at fair value: Mutual funds

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Total investments |  | 2, 6 22,198 | 2, 311,327 | 4, 933 ,525 |
| Total Assets |  | 2,6 22,198 | 2,311,327 | 4, 933,525 |
| DEFERRED OUTFLOWS OF | RESOURCES | 0 | 0 | 0 |
| LIABILITIES |  |  |  |  |
| None | |  |  |  |
| Total Liabilities | | 0 | 0 | 0 |
| DEFERRED INFLOWS OF RESOURCES | | 0 | 0 | 0 |
| NET POSITION | |  |  |  |
| Restricted for |  |  |  |  |

$ 0 $ 0 $ 0

2,622,198 2,311 , 327 4,933, 525

pension benefits $2,622,198 $2,311,327 $4,933,525

The accompanying notes are an integral part of the financial statements.

BOROUGH OF CATASAUQUA

STATEMENT OF CHANGES IN **NET** POSITION - CASH BASIS FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2015

Fiduciary

|  |  |  |  |
| --- | --- | --- | --- |
|  | Police Pension | Employee Pension | Total |
| ADDITIONS: | Plan | Plan | Funds |
| Contributions, |  |  |  |

Employer $ 126,319 $ 63,790 $ 190,109

Employee 41,501 0 41,501

Total Contributions 167,820 63 790 231,610 Investment income,

Net (depreciation) in fair

|  |  |  |  |
| --- | --- | --- | --- |
| value of investments | (55,336) | (48,910) | (104,246) |
| Interest and dividends | 38,255 | 33,108 | 71 363 |

(17,081)

Less: investment expenses O

(15,802) (32,883)

0 0

Net Investment Income Total Additions DEDUCTIONS:

|  |  |  |  |
| --- | --- | --- | --- |
| Benefits | 237,6 72 | 15,4 96 | 253,168 |
| Administrative expenses | 20,360 | 20,326 | 40,686 |
| Other | 0 | 0 | 0 |
| Total Deductions | 258,032 | 35,822 | 293, 854 |
| Change in net position | (107,293) | 12,166 | (95,127) |
| Net position restricted |  |  |  |
| Beginning of year | 2,729,491 | 2,299,161 | 5,028,652 |
| End of year | $2,622,198 | $2,311,327 | $4,933,525 |

(17,081)

150,739

(15,802) (32,883)

47 988 198,727

for pension benefits,

The accompanying notes are an integral part of the financial statements.

BOROUGH OF CATASAUQUA

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2015

NOTE 1 Summary of Significant Accounting Policies

The accounting policies and accompanying financial statements of the Borough of Catasauqua (the Borough) do not conform to generally accepted accounting principles as applicable to governmental units since the Borough utilizes the cash basis of accounting, and has omitted the general infrastructure assets and the required management discussion and analysis. The Borough applies relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Principles Determining Scope of Reporting Entity

The Borough Council, a seven member group, and a Mayor, is the level of government responsible for providing a full range of municipal services includ ing those mandated by statute or ordinance. These include public safety, highways and streets, culture and recreation, public improvements, planning and zoning, and general administrative services. The Borough receives funding from local and state government sources and must comply with the concomitant requirements of these funding source entities.

In evaluating how to define the Borough, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the financial reporting entity was made by applying the criteria set forth by GASB Statement 14, as amended. The criteria for including a potential component unit within the financial reporting entity is the significance of the potential component unit's operational or financial relationship with the Borough. Based upon the application of these criteria, there are no component units to be included in the financial reporting entity of the Borough.

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the Borough as a whole excluding fiduciary activities such as employee pension plans and developer escrow funds. For the most part, the effect of interfund activity has been removed from these statement s. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

BOROUGH OF CATASAUQUA

NOTES TO THE FINANCIAL STATEMENTS (Continued) DECEMBER 31, 2015

NOTE 1 Summary of Significant Accounting Policies (Continued) Government-wide and Fund Financial Statements (Continued)

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the cash basis of accounting, as defined in item b. below.

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

1. All governmental funds utilize a current financial resources measurement focus. 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.

BOROUGH OF CATASAUQUA

NOTES TO THE FINANCIAL STATEMENTS (Continued) DECEMBER 31, 2015

NOTE 1 Summary of Significant Accounting Policies (Continued) Measurement Focus (Continued)

1. The proprietary fund utilizes an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabi lities associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the government-wide and fund financial statements, governmental and business-like activities are presented using the cash basis of accounting. This basis of accounting recognizes assets, liabilities , net position/fund equity, revenues and expenditures when they result from cash transactions. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Financial Statement Presentation

The Borough reports the following governmental fund types: The General Fund is the general operating fund of the

Borough. Substantially all tax revenues, federal and state aid (except revenues and aid restricted for use in the Special Revenue Fund) and other operating revenues are accounted for in the General Fund. This fund also accounts for expenditures and transfers as appropriated in the budget which provides for the Borough's day-to-day operations.

The State Liquid Fuels Highway Aid Fund (Liquid Fuels Fund) and Community Development Fund are the Borough's special revenue funds. Special Revenue Funds are used to account for the proceeds of specific revenue sources other than expendable trusts, or major capital projects that are legally restricted to expenditures for specific purposes.

NOTE 1 Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation (Continued)

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

The Borough reports the following enterpise fund types:

The Sewer Fund, Wastewater Collection Fund and Water Fund are the Enterprise Funds. Enterprise Funds account for the provisions of water and sewer services to some residents of the Borough. All activities necessary to provide such services are accounted for in these funds including, but not limited to, administration, operations, maintenance, financing and related debt service, and billings and collections.

The Borough also reports the following fiduciary fund types:

The Police Pension Plan and Employee Pension Plan are used to account for fiduciary resources legally held in trust for the receipt, investment, and distribution of retirement benefits.

Net Position

Net position represents the difference between assets , deferred outflows, liabilities and deferred inflows. Net position is reported as restricted when there are limitat ions imposed on its use either through the enabling legislati on adopted by the Borough or through external restrictions imposed by creditors, grantors, or laws or other regulations of other governments.

Fund Balance Reporting

Fund balance is divided into five classifications based primarily on the extent to which the Borough is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criteria includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

NOTE 1 Summary of Significant Accounting Policies (Continued)

Fund Balance Reporting (Continued)

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as debt covenants) , grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

Enabling legislation authorizes the Borough to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation .

Legal enforceability means that the Borough can be compelled by an external party - such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action of the Borough Council. Those committed amounts cannot be used for any other purpose unless the Borough Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classifications may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Borough Council separate from the authorization to raise the underlying revenue ; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements .

Assigned Amounts in the assigned fund balance classification are intended to be used by the Borough for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amounts that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Borough Council.

NOTE 1 Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

Unassigned Unassigned fund balance is the residual classificaton for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Borough applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**OTHER SIGNIFICANT ACCOUNTING POLICIES**

Budgets and Budgetary Accounting

The Borough follows these procedures in establishing the budgetary data reflected in the financial statements :

* 1. In accordance with the Borough Code and Borough procedures, at least thirty days prior to adoption, the Borough Manager submits to the Borough Council, with whom the legal level of budgetary control resides, a proposed budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year. Departments for budgetary purposes are general government, public safety , public works and culture and recreation.
  2. Public hearings are conducted to obtain taxpayer comment.
  3. By December 31, the budget is legally enacted for all governmental funds through passage of an ordinance. Expenditures for the budget may not legally exceed appropriations and prior year fund balance reserves. This is done as a level of budgetary control.

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NOTE 1 Summary of Significant Accounting Policies (Continued)

Budgets and Budgetary Accounting (Continued)

* 1. Each month the administration prepares a detailed budget report . The report cites the past month and year-to-date activity, as well as encumbrances and unencumbered balances by account.
  2. All modifications, transfers and amendments must be approved by Borough Council.
  3. Formal budgetary integration is employed as a management control device during the year for the General Fund, Community Development Fund, Sewer Fund, Wastewater Collection Fund and Water Fund.
  4. The legally required and adopted budgets of the Borough are for the General Fund, Community Development Fund, Sewer Fund, Wastewater Collection Fund and Water Fund.
  5. Budgets for the General Fund, Community Development, Sewer Fund, Wastewater Collection Fund and Water Fund are adopted on a cash basis of accounting discussed above. (The basis of accounting for budget purposes is the same as for financial statement reporting purposes)
  6. Borough Council may authorize supplemental appropriations during the year. No supplemental appropriations were made during fiscal 2015. Borough Council must approve all over expenditures of appropriations or transfers of appropriated amounts.

Cash and Investments

Statutes allow the Borough to invest in obligations of the

* 1. Treasury , U.S. Agencies, obligations of the Commonwealth of Pennsylvania , savings accounts or time deposits of institutions insured by the Federal Deposit Insurance Corporation (FDIC) and deposits in excess of FDIC amounts if collateralized by the depository.

Investments are stated at market. disclosures about investments.

See Note 2 for additional

NOTE 1 Summary of Significant Accounting Policies (Continued)

Property Taxes Receivable

As a result of using the cash basis method of accounting,

$125,631 of property taxes receivable as of December 31, 2015, have not been included as revenues.

The property tax calendar for the fiscal year is as follows:

January 1

April 1

April 1 - May 31

June 1 - July 31

August 1 - December 31

January 1

Levy Date Billing Date

2% Discount Period Face Payment Period 10% Penalty Period Lien Date

Sewer and Water Systems in Service

The sewer and water systems are stated substantially at cost, net of accumulated depreciation. Depreciation is provided using the straight line method over the estimated useful life of system components ranging from 7 to 40 years.

Public Employee Retirement Systems

The Borough participates in two public employee retirement systems. Both systems, single employer public retirement systems, are defined benefit pension plans which cover all uniform and non-uniform personnel employed on a full-time basis.

Transfers and Interfund Balances

Legally authorized payments or authorizations to make payments from a fund receiving revenue to a fund through which the resources are to be expended are reported as operating transfers.

Other outstanding balances between funds are reported as "due to/from other funds".



NOTE 1 Summary of Significant Accounting Policies (Continued)

Statement of Cash Flows

For purposes of the statement of cash flows, the Borough considers time deposits and highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

Encumbrances

Encumbrance accounting , under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Community Development Fund, Sewer Fund, Wastewater Collection Fund and the Water Fund. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. There are no encumbrances as of December 31, 2015.

Total Columns on Combined Statements

Total columns on the combined statements are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Nor is such data comparable to a consolidation.

Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Recent Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No. 27. The Borough adopted GASB Statement No. 68 for its December 31, 2015 financial statements. The adoption of this Statement affected disclosures and supplementary information only, as the Borough reports on the cash basis of accounting.

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BOROUGH OF CATASAUQUA NOTES TO THE FINANCIAL STATEMENTS (Continued)



DECEMBER 31 , 2015

NOTE 2 Deposits and Investments

The Borough's current investment policy is of the available funds into interest bearing feasible . Current cash requirements are kept deposits.

**DEPOSITS:**

to take as much accounts as is in bank demand

As of December 31, 2015, the carrying amount of the Borough's deposits is $3,480,967 and the bank balance is

$3,632,081. Of the bank balance, $ 250, 000 is covered by federal depository insurance.

The Borough requires all deposits and investments to be covered by federal depository insurance or to be fully collateralized by the financial institution issuing the investment or acquiring the deposit. Deposits that are not fully insured by the Federal Deposit Insurance Corporation, $3,382,081 at December 31, 2015, are collateralized using the pooled asset method to 100% of value as required by Pennsylvania Law. The securities pledged as collateral are held by the trust department of a financial institution or by its agents in the financial institution's name, not in the Borough's name, and are considered uncollateralized for credit risk purposes.

**INVESTMENTS:**

Authorized types of investments for Borough funds are as follows:

* + 1. United States Treasury Bills and Notes.
    2. Short-term obligations of the United States, its agencies or instrumentalities.
    3. Deposits in savings accounts or time deposits insured by the Federal Deposit Insurance Corporation or similar insurance and provided that approved collateral for public deposits is pledged by the depository for excess amounts over the insured maximum.
    4. Obligations of the United States and the Commonwealth of Pennsylvania or any of their agencies or instrumentalities backed by the full faith and credit of the United States, Commonwealth of Pennsylvania or political subdivisions .
    5. Shares of an investment company provided that the only investments of the company are in the investments listed in a) through d) above.

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BOROUGH OF CATASAUQUA

NOTES TO THE FINANCIAL STATEMENTS (Continued) DECEMBER 31 , 2015

NOTE 2 Deposits and Investments (Continued)

**INVESTMENTS: (Continu ed)**

Investments made by the Borough as of December 31, 2015, are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

Category 1 - Insured or registered, or securities held by the Borough or its agent in the Borough' s n ame.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Borough's name.

Category 3 - Uninsured and unregistered , with securities held by the counterparty, or by its trust department or agent, but not in the Borough's name.

Category

1.

Fair Value/ Carrying

Amount Market

Mutual funds $ -0- $ -0- $4,933,525 $4 ,933,525 $4,933,525

NOTE 3 Capital Assets

The following is a summary of the changes in the capital asset activity for the year ended December 31, 2015:

Balance December 31 ,

2014

Increases (Decreases)

Balance December 31,

2015

Governmental activities: Borough buildings, land

and improvements Machinery and equipment

Governmental activities

$1,610,374 $312,257 $ 2,075,032 155, 221 (154,571)

$1,922,631 2,075,682

capital assets $3,685,4 06 $467,478 $(154,571) $3,998,313

========

No depreciation has been provided for the governmental activities capital assets.

NOTE 3 Capital Assets (Continu d)

The following is a summary of proprietary fund type property, plant, and equipment at December 31, 2015:

Sewer &

Wastewater

Water Collection

|  |  |
| --- | --- |
| Fund  Enterprise Funds: | Funds Total |
| Sewer and Water Systems $1,822,905 | $12,131,781 $13,954,686 |
| Less accumulated depreciation 1,596,296 | 6 ,468 ,08 2 8,064 , 378 |
| Sewer and Water Systems, Net |  |
| of Accumulated Depreciation $ 226,609 | $ 5,66 3,699 $ 5,890,308 |

Depreciation charged to operations for the Water Fund, the Sewer Fund and Wastewater Collection Fund was $31,283, $272,339, and $0 respectively, for the year ended December 31, 2015.

NOTE 4 Long-Term Debt

The following is a summary of general obligation notes, general obligation bonds, and installment loans payable for the year ended December 31, 2015:

General Obligation Payable Payable Notes & Bonds January 1, Issued Retired December 31,

Series of 2011 $4,905,000 $ -0- $175,000 $4,730,000

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Installment Loan | 5,068 | -0- | 5,068 | -0- |
| Installment Loan | 9,221 | -0- | 9,221 | -0- |
| Installment Loan | 83,641 | -0- | 19 ,980 | 63,661 |
| Installment Loan | -0- | 26,409 | 9,395 | 17,014 |
| Installment Loan | -0- | 35 , 170 | 7 ,818 | 27,352 |
| Total | $5,002,930 | $ 61,579 | $226,482 | $4,838,027 |
| ---------- | | --------- | ======== | ---------- |

NOTE 4 Long-Term Debt (Continued)

The following is a summmary of the future requirements for the General Obligation debt:

Year Ending

debt service

December 31 ,

|  |  |  |  |
| --- | --- | --- | --- |
| 2016 | $ 215, 102 | $ 158,366 | $ 373,468 |
| 2017 | 22 1 ,647 | 153,221 | 374,868 |
| 2018 | 218,873 | 147,900 | 366,773 |
| 2019 | 197,405 | 143,044 | 340,449 |
| 2020 | 195,000 | 138,356 | 333,356 |
| 2021 | 200,000 | 133,481 | 333,481 |
| 2022 | 205,000 | 128,481 | 333,481 |
| 2023 | 210,000 | 122,331 | 332,331 |
| 2024 | 220,000 | 116, 0 32 | 336,032 |
| 2025 | 225,000 | 109,432 | 334,432 |
| 2026 | 230,000 | 102,400 | 332,400 |
| 2027 | 240,000 | 94,925 | 334,925 |
| 2028 | 250,000 | 86,525 | 336,525 |
| 2029 | 255,000 | 77,775 | 332,775 |
| 2030 | 265,000 | 68,850 | 333,850 |
| 2031 | 275,000 | 58,913 | 333,913 |
| 2032 | 285,000 | 48,600 | 333,600 |
| 2033 | 300,000 | 37,200 | 337,200 |
| 2034 | 310,000 | 25,200 | 335,200 |
| 2035 | 320,000 | 12 , 800 | 332,800 |

Principal

Interest

Total

$4,838,027

$1 ,963 ,832

$6,801,859

General Obligation Bonds - Series of 2011

The General Obligation Bonds, Series of 2011: serial bonds: date of issuance October 18, 2011; original par amount

$5,4 05 ,000 ; interest rate varies from 2.0% to 4.0%. The Bonds are subject to redemption prior to maturity. The principal outstanding as of December 31, 2015 is $4,730 ,000 .

NOTE 4 Long-Term Debt (Continued)

General Obligation Bonds - Series of 2011 (Continued)

The following is a summmary of the future debt service requirements for the General Obligation Bond - Series of 2011:

Year Ending

December 31,

|  |  |  |  |
| --- | --- | --- | --- |
| 2016 | $ 180,000 | $ 153,731 | $ 333,731 |
| 2017 | 185,000 | 150,131 | 335 ,131 |
| 2018 | 190,000 | 146,431 | 336,431 |
| 2019 | 190,000 | 142,631 | 332,631 |
| 2020 | 195,000 | 138,356 | 333,356 |
| 2021 | 200,000 | 133,481 | 333,481 |
| 2022 | 205,000 | 128,481 | 333,481 |
| 2023 | 210,000 | 122,331 | 332 ,331 |
| 2024 | 220,000 | 116,032 | 336,032 |
| 2025 | 225,000 | 109,432 | 334,432 |
| 2026 | 230,000 | 102,400 | 332,400 |
| 2027 | 240,000 | 94,925 | 334,925 |
| 2028 | 250,000 | 86,525 | 336,525 |
| 2029 | 255,000 | 77,775 | 332,775 |
| 2030 | 265,000 | 68,850 | 333,850 |
| 2031 | 275,000 | 58,913 | 333,913 |
| 2032 | 285,000 | 48,600 | 333,600 |
| 2033 | 300,000 | 37,200 | 337,200 |
| 2034 | 310,000 | 25,200 | 335,200 |
| 2035 | 320,000  $4,730,000 | 12,800  $1,954,225 | 332,800  $6,684,225 |

Principal

Interest

Total

Installment Loans Payable

The Borough has an installment loan payable , secured by public works equipment. The loan · r equires five annual payments of $5,247, including principal and interest at 3.54% over 5 years. The installment loan was paid off during 2015.

The Borough has an installment loan payable, secured by public safety equipment. The loan requires three annual payments of $9,820, including principal and interest at 6.5% over 3 years. The installment loan was paid off during 2015.

NOTE 4 Long-Term Debt (Continued) Installment Loans Payable (Continued)

The Borough has an installment loan payable, secured by public works equipment. The loan requires five annual payments of $22,524, including principal and interest at 3.0% over 5 years. The principal outstanding at December 31, 2015, is

$63,661.

The following is a summary of the future debt service requirements for the Installment Loan Payable:

Year Ending

December 31, Princi12al Interest Total

|  |  |  |  |
| --- | --- | --- | --- |
| 2016 | $ 20,587 | $ 1,937 | $ 22,524 |
| 2017 | 21,214 | 1,310 | 22,524 |

2018 21,860 664 22,524

$ 63,661 $ 3,911 $ 67,572

======== ======== ========

The Borough has an installment loan payable, secured by public safety equipment. The loan requires three annual payments of $9 ,3 95, including principal and interest at 6.88% over 3 years . The principal outstanding at December 31, 2015, is

$17,014.

The fallowing is a summary of the future debt service requirements for the Installment Loan Payable:

Year Ending

December 31, 2016

2017

Princi12al

$ 8,224

8,790

$17,014

Interest

$ 1,171

605

$ 1,776

Total

$ 9,395

9,395

$ 18,790



The Borough has an installment loan payable, secured by public safety equipment. The loan requires five annual payments of $7,818, including principal and interest at 5.58% over 5 years . The principal outstanding at December 31, 2015, is

$27,352.

NOTE 4 Long-Term Debt (Continued)

Installment Loans Payable (Continued)

The following is a summary of the future debt service requirements for the Installment Loan Payable:

Year Ending

December 31, 2016

2017

|  |  |  |
| --- | --- | --- |
| 2018 | 7,013 | 805 |
| 2019 | 7 405 | 413 |
|  | $ 27,352 | $ 3,920 |
|  | ======== |  |

Principal

$ 6,291

6,643

Interest

$ 1,527

1,175

Total

$ 7,818

7,818

7,818

7 818

$ 31,272

NOTE 5 Guaranteed Water Revenue Note

The $420,000 2002 guaranteed water revenue note is due in monthly installments through 2023 with interest ranging from 2.768% to 3.465%. The principal drawn down as of December 31, 2015, is $408,267.

The following is a summary of the future debt service requirements for the Guaranteed Water Revenue Note of 2002:

Year Ending

December 31,

|  |  |  |  |
| --- | --- | --- | --- |
| 2016 | $ 22,105 | $ 5,694 | $ 27,799 |
| 2017 | 22,884 | 4,915 | 27,799 |
| 2018 | 23,689 | 4,110 | 27,799 |
| 2019 | 24,523 | 3,276 | 27,799 |
| 2020 | 25,387 | 2,412 | 27,799 |
| 2021 | 26,280 | 1,519 | 27,799 |
| 2022 | 27,206 | 593 | 27,799 |
| 2023 | 2,310 | 7 | 2,317 |
|  | $174,384 | $ 22,526 | $196,910 |
|  | ======== | ======== |  |

Principal

Interest

Total

NOTE 6 Defined Benefit Pension Plans

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

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 may be amended, remains with the Council of the Borough of Catasauqua. The Plan does not issue a stand-alone financial report.

Funding Policy for the 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 January 1, 2015. The Plan may also be eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program which must be used for pension funding. Any funding requirements established by the MMO in excess of state aid must be paid by the municipality in accordance with Act 205. As a condition of participation, full-time employees are required to contribute 8% of compensation to the Plan. This contribution is governed by the Plan's ordinances and collective bargaining agreement.

Plan Description for the Nonuniformed Employees

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

NOTE 6 Defined Benefit Pension Plans (Continued) 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 January 1, 2015. 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 not required to contribute to the Plan.

**Annual Pension Cost and Net Pension Obligation**

The Borough's annual pension cost and net pension obligation for the current year are as follows:

Annual required contribution Interest on net

pension obligation Adjustment to annual

required contribution Annual pension costs Contributions made Increase (decrease) in

net pension obligation Net pension obligation

beginning of year

Net pension obligation end of year

Uniformed

$126,319

-0-

-0-

126,319

126,319

-0-

-0-

$ -0-

Nonuniformed

$ 63,790

-0-

-0-

63,790

63,790

-0-

-0-

$ -0-

**Annual Pension Cost and Net Pension Obligation**

The annual required contribution for the current year was determined as part of the January 1, 2013, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.50% and 7.50% investment rate of return for the uniform and nonuniformed plans respectively, and

(b) projected salary increases of 5.00% and 5.00% per year for the uniform and nonuniformed plans, respectively. Both (a) and

(b) for both plans include an inflation component for moderate cost-of-living increases. The assumptions did not include postretirement benefit increases for either plan. The actuarial value of assets for both plans was determined using the fresh start smoothing method.

NOTE 6 Defined Benefit Pension Plans (Continued)

**Three Year Trend Info rmation**

Annual Percentage Net Year Pension of APC Pension Ending Cost (APC) Contributed Obligation

Uniformed 12/31/13 $ 104,957 100% $ 0

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Plan | 12/31/14 | 121,411 | 100% | 0 |
|  | 12/31/15 | 126,319 | 100% | 0 |
| Nonuniformed 12/31/13 $ 65,631 100% $ 0 | | | | |
| Plan | 12/31/14 | 68,856 | 100% | 0 |
|  | 12/31/15 | 63,79 0 | 100% | 0 |

**Plan Membership Information**

Membership in the pension plans as of January 1, 2015, (the most recent date available) is as follows:

Uniformed Nonuniformed

Active employees

Retirees and beneficiaries currently receiving benefits

Terminated employees entitled to benefits but not yet

8 17

8 2

receiving them Total

o 3

16 **22**

Summary of Significant Accounting Policies

**Basis of Accounti ng**

Both Plan's financial statements are prepared using the accrual basis of accounting. Plan pension payments and member/employer contributions are recognized in the period in which they are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Note 6 Defined Benefit Pension Plans (Continued)

**Investm en ts**

Plan investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

At December 31, 2015, the Plans had the following investments in any one organization representing five percent or more of the Plans assets (other than investments issued or guaranteed by the U.S. Government) as follows:

Uniformed Nonuniformed

PSAB Balanced Fund $2,622,198 $2,311,327

**Expenses**

Investment expenses consist of investment management, custodial fees, and other significant investment related costs. Administrative expenses consist of consulting, actuarial, legal, and accounting services, along with any other significant Plan related costs. The above expenses are allowable pension plan expenditures in accordance with Act 205 and may be funded with Plan assets.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Uniformed Employees Pension Plan

At December 31, 2015, the Borough's net pension liability is

$1,297,323. The total pension liability of $3,944,472 was determined as part of an actuarial valuation at January 1, 2015. Update procedures were used to roll forward to the plan's fiscal year ending December 31, 2015.

NOTE 6 Defined Benefit Pension Plans (Continued)

**Changes in Net Pension Liability**

The following table shows the changes in the Employees plan net pension liability recognized measurement period.

Uniformed over the

Increase/(Decrease)

Total Pension Plan Fiduciary Net Pension Liability Net Position Liability

*l§l\_ lhl\_* (a)-(b)

Balance at 12/31/2014

Changes for the year: Service cost Interest Differences between

expected and actual experience

Changes of assumptions

|  |  |  |
| --- | --- | --- |
| Contributions-employer | 60,721 | (60,721) |
| Contributions-state aid | 65,598 | (65, 598) |
| Contributions -member | 46 ,6 51 | (46,651) |

$3,717,472

85, 189

283,484

7,217

88,718

$2,749 ,228 $ 968,244

85,189

283,484

7,217

88,718

Net investment income Benefit Payments

(237 ,608)

(17,081)

(237,608)

17,081

0

Administrative expense -

(20,360)

20,360

Balance at 12/31/2015 $3 , 944 , 47 2 $2,647, 149 $1,297,323

**Pension Expense**

For the year ended December 31 , 2015, the actuarial determined uniformed employees plan pension expense is $197,372. H owever, the Borough recognizes pension expense on the cash basis which totaled $126,319.

NOTE 6 Defined Benefit Pension Plans (Continued)

**Deferred Outflow s and Defe rred Inflo ws of Resources**

At December 31, 2015, the Borough has deferred outflows of resources related to the uniformed employees pensions from the following sources at December 31, 2015:

Differences between expected and actual experience Changes in assumption

Net difference between projected and actual earnings on pension plan investments

Total

Deferred Outflows of Resources

$ 6,308

77,544

174,174

$ 258,026

Actuarially determined deferred outflows of resources related to the pension plan will be recognized in the pension expense as follows:

|  |  |
| --- | --- |
| Year Ended December 31, 2016 | $ 55,626 |
| 2017 | 55,626 |
| 2018 | 55,626 |
| 2019 | 55,628 |
| 2020 | 12,083 |
| Thereafter | 23,437 |

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Nonuniformed Employees Pension Plan

At December 31, 2015, the Borough' s net pension liability is

$345,550. The total pension liability of $2,6 56, 877 was determined as part of an actuarial valuation at January 1, 2015. Update procedures were used to roll forward to the plan's fiscal year ending December 31, 2015.

Note 6 Defined Benefit Pension Plan (Continued)

**Changes in Net Pension Liability**

The following table shows the changes in the Nonuniformed Employees plan net pension liability recognized over the measurement period.

Increase/(Decrease)

Total Pension Plan Fiduciary Net Pension Liability Net Position Liability

\_@l\_ J.12.l (a)-(b)

Balance at 12/31/2014

Changes for the year: Service cost Interest Differences between

expected and actual experience

Changes of assumptions

|  |  |  |  |
| --- | --- | --- | --- |
| Contributions-state aid |  | 63,79 0 | (63,790) |
| Net investment income |  | (15,802) | 15,802 |
| Benefit Payments | (15,4 96) | (15,49 6) | 0 |
| Administrative expense | - | (20,326) | 20,326 |
| Balance at 12/31/2015 $2,6 56, 877 | | $2,311,327 | $ 345,550 |
| **Pensio n Expense** | |  |  |
| For the year ended December | | 31, 2 015, | the actuarial |

$2,484,701 $2,299,161

59, 361

185, 904

(153,033)

95,440

$ 185,540

59,361

185,904

(153,033)

95,440



determined nonunifor med employees plan pension expense is

$124,030. Howe ver, the Borough recognizes pension expense on the cash basis which totaled $63,790.

**Deferred Outflows and Deferred Inflows of Resources**

At December 31, 2015, the Borough has deferred outflows of resources and deferred inflows of resources related to the nonuniformed employees pensions from the following sources at December 31 , 2015:

NOTE 6 Defined Benefit Pension Plans (Continued)

**Deferred Outflows and Deferred Inflows of Resources (Continued)**

Differences between expected and actual experience

Deferred Outflows of

Resources

$

0

|  |  |  |
| --- | --- | --- |
| Changes in assumption | 84,024 | 0 |
| Net difference between projected |  |  |
| and actual earnings on pension |  |  |
| pension plan investments | 150,4 74 | 0 |

Deferred Inflows of Resources

$

(134,728)

Total

234,49 8

$(134,728)

Actuarially determined deferred outflows of resource s related to the pension plan will be recognized in the pension expense as follows:

Year Ended December 31, 2016

|  |  |
| --- | --- |
| 2017 | 30,729 |
| 2018 | 30,729 |
| 2019 | 30,731 |
| 2020 | (6,889) |
| Thereafter | (16,259) |

$ 30,729

Actuarial Assumptions

The total pension liability in the January 1, 2015, actuarial valuations were determined using the followin g actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method - Entry Age Normal Investment return - 7 .50% per annum Salary increases - 5% compounded annually

RP-2000 Mortality Table Projected to 2015 using Scale AA

NOTE 6 Defined Benefit Pension Plans (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on the Uniformed Employee pension plan and Nonuniformed employee pension plan investment's were determined using an asset allocation study conducted by the Plans' investment management consultant in December 2015 in which best estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in both pension plan's target asset allocation as of December 31, 2015, are summarized in the following table:

Asset Class Domestic Equity:

Large Cap Mid Cap Small Cap

International Equity Fixed Income Alternative/Real Estate Cash

Target Allocation

39.0%

4.5%

4.5%

12.0%

33.0%

7.0%

0.0%

Long-Term Expected Real Rate of Return

7.35%

7.15%

9.15%

7.45%

2.05%

6.65%

.45%

Total

100.0% 5.64%\*

\*Excludes and inflation expectation of 2.25%

The pension plans' policy in regard to the allocation of invested assets is established and may be amended by the Pension Board.

Both plan's investment policy establishes that the portfolio may be invested in the above asset classes and with the target allocation for each class.

Note 6 Defined Benefit Pension Plan (Continued)

**Discount Rate**

The discount rate used to measure the total pension 1iabi1ities was 7.50% • The project ion of cash f1ows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that municipal contributions will be made at rates equal to the difference between actuarially determined contributions rates and the member rate. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members . 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 liabilities.

**Net Pension Liability Sensi tivity**

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability calculated using the discount rate of 7.50% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate:

Net Pension Liability

Current

1% Decrease Discount Rate 1% Increase

6.50% 7.50% 8.50%

Uniformed Employee $ 1,728,582 $ 1,297,323 $ 933, 598

Nonuniformed Employee $ 666,395 $ 345,550 $ 67,176

NOTE 7 Deferred Compensation Plan

The Borough offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section

457. The plan, with optional participation available to all Borough employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or financial hardship. The Plan's assets are presented at fair value and captioned as "cash and investments" with corresponding liabilities captioned "deferred compensation payable". Amendments to the laws governing Section 457 deferred compensation plans substantially became effective January 1, 1997. The Borough approved plan amendments such that plan assets are held in trust, with the Borough serving as trustee, for the exclusive benefit of the plan participants and their beneficiaries. The assets will not be diverted to any other purpose.

NOTE 8 Compensated Absences

Accumulated unpaid vacation and sick pay benefits accrue based on length of service and employment. There was no material unused accrued vacation or sick pay benefits as of December 31, 2015. Also, in accordance with the provisions of Governmental Accounting Standards Board, no liability is recorded for the non-vested accumulated rights to receive vacation and sick pay benefits.

NOTE 9 Litigation

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

NOTE 10 Contingencies

The Borough participates in a number of state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs including the year ended December 31 , 2015, have not yet been conducted. Accordingly, the Borough's, compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the Borough expects such amounts, if any, to be immaterial.

NOTE 11 Deficit Fund Balances

No funds of the Borough have a deficit fund balance or net position deficit at December 31, 2015.

The General Fund's; General Government, Public Works, and Insurance, Benefits, & Miscellaneous budget categories had expenditures in excess of appropriations for the year ended December 31 , 2015.

Note 12 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 13 Subsequent Events

Subsequent events have been evaluated through August 23, 2016, which was the date financial statements were available to be issued.

On August 5, 2015, the Borough signed a ten year lease purchase agreement to acquire a Spartan Custom Pumper Truck. The amount financed is $525,000. Initial payment was made during the month of July, 2016.

On October 13, 2015, the Borough signed a five year lease purchase agreement to acquire a 2016 International 7400 Dump Truck. The amount financed is $146,071.84. Initial payment was made during the month of April, 2016.

The Borough is in the process of refinancing the General Obligation Bonds, Series of 2011, and acquiring new general obligation financing for the construction of a new municipal complex. The terms of the borrowing are not available as of August 23, 2016.

BOROUGH OF CATASAUQUA REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN NET PENSION LIABILITY UNIFORMED PENSION PLAN

(An Integral Part of the Financial Statements)

POLICE PENSION PLAN (UNIFORMED PLAN)

Last 10 Fiscal Years\*

12/31/2014 12/31/2015

**Total Pension Liabilitv**

|  |  |  |
| --- | --- | --- |
| Service cost | $ 67,775 | $ 85,189 |
| Interest | 267,668 | 283,484 |
| Differences between expected and actual experience |  | 7,217 |
| Changes of assumptions |  | 88,718 |
| Benefit payments, including refunds of member contributions | (238,199) | (237,608) |
| **Net change in total pen sion liability** | 97,244 | 227,000 |
| **Total pension liability - beginning** | 3,620,228 | 3,717,472 |
| **Total pension liability - ending** | $ 3,717,472 | $ 3,944,472 |
| **Plan Fiduciary Net Position** |  |  |
| Contributions - employer | $ 66,341 | $ 60,721 |
| Contributions - State Aid | 55,070 | 65,598 |
| Contributions - member | 41,324 | 46,651 |
| Net investment income | 158,518 | (17,081) |
| Benefit payments, including refunds of member contributions | (238,199) | (237,608) |
| Administrative expense | (16,405) | (20,360) |
| **Net change in plan fiduciar y net position** | 66,649 | (102,079) |
| **Plan fiduciary net position - beginning** | 2,682,579 | 2,749,228 |
| **Plan fiduciary net position - ending** | $ 2,749,228 | $ 2,647,149 |
| **Municipality's net position liability** | $ 968,244 | $ 1,297,323 |
| Covered-employee payroll | $ 438,276 | $ 504,874 |
| Net pension liability as a percentage of its covered-employee payroll | 220.9% | 257.0% |

SCHEDULE OF CHANGES IN NET PENSION LIABILITY NONUN IFORMED PENSION PLAN

(An Integral Part of the Financial Statements)

Etv1PLOYEES PENSION PLAN (NONUNIFORMED PLAN)

Last 10 Fiscal Years\*

12/31/2014 12/31/2015

**Total Pension Liability**

|  |  |  |
| --- | --- | --- |
| Service cost | $ 71,349 | $ 59,361 |
| Interest | 174,074 | 185,904 |
| Differences between expected and actual experience |  | (153,033) |
| Changes of assumptions  Benefit payments, including refunds of member contributions | (20,707) | 95,440  {15,496) |
| **Net change in total pensio n liabili ty** | 224,716 | 172,176 |
| **Total pension liability - beginning** | 2,259,985 | 2,484,701 |

**Total pension liability - ending** $ 2,484,701 $ 2,656,877

**Plan Fiduciary Net Position**

Contributions - employer $ $

|  |  |  |
| --- | --- | --- |
| Contributions - State Aid Contributions - member | 68,856 | 63,790 |
| Net investment income | 130,748 | (15,802) |
| Benefit payments, including refunds of member contributions | (20,707) | (15,496) |
| Administrative expense | CJ4,043) | (20,326) |
| **Net change in plan fiduciary net position** | 164,854 | 12,166 |
| **Plan fiduciary net position - beginning** | 2,134,307 | 2,299,161 |
| **Plan fiduciary net position - ending** | $ 2,299,161 | $ 2,311,327 |
| **Municipality's net position liability** | $ 185, 540 | $ 345,550 |
| Covered-employee payroll | $ 899,946 | $ 833,294 |
| Net pension liability as a percentage of its covered-employeepayroll | 20.6% | 41.5% |

SCHEDULE OF EMPLOYER CONTRIBUTIONS DEFINED BENEFIT PENSION PLANS

(An lntergral Part of the Financial Statements)

POLICE PENSION PLAN (UNIFORMED PLAN)

Last 10 Fiscal Years\*

12/31/2014 12/31/2015

|  |  |  |
| --- | --- | --- |
| Actuarially determined contribution | 121,411 | 126,319 |
| Contributions made | (121,411) | (126,319) |
| Contribution deficiency (excess) |  |  |
| Covered-employee payroll | 438,276 | 504,874 |
| Contributions as a percentage of covered-employee payroll | 27.70% | 25.02% |

EMPLOYEES PENSION PLAN (NONUNIFORMED PLAN)

Last 10 Fiscal Years\*

12/31/2014 12/31/2015

Actuarially determined contribution Contributions made

68,856

(68,856)

63,790

(63,790)

Contribution deficiency (excess)

Covered-employee payroll 899,946 833,294 Contributions as a percentage of

covered -employee payroll 7.65% 7.66%

\* This schedule is presented to illustrate the requirement to show information for 10 years.

However, until a full 10-year trend is complete, available information is presented.

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BOROUGH OF CATASAUQUA REQUIRED SUPPLEMENTARY INFORMATION

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION DEFINED BENEFIT PENSION PLANS

(An Integral Part of the Financial Statements)

The information presented schedules was determined as part

in the required supplementary of the actuarial valuations at

the dates indicated. Additional actuarial valuation follows.

information as of the latest

Uniformed Plan

Nonuniformed Plan

Valuation date: Actuarial cost method: Amortization method:

Remaining amortization period:

Asset valuation method:

Actuarial assumptions: Investment rate of return Projected salary increases Includes inflation

1/1/15

Entry age

Level Dollar Open

12 Years

Asset Smoothing per Section 210(a) of Act 44

7.50%

5.00%

Moderate cost of living

-49-

1/1/15

Entry age

Level Dollar Closed

None

Asset Smoothing per Section 210(a) of Act 44

7.50%

5.00%

Moderate cost of living

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLI,ANCE AND OTHER

MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Borough Council

Borough of Catasauqua, Pennsylvania

We have audited, in acco dance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the cash-basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Catasauqua, Pennsylvania, as of and for the year ended December 31 , 2015, and the related notes to the financial statements, which collectively comprise the Borough of Catasauqua, Pennsylvania's , basic financial statements and have issued our report thereon dated August 23, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Borough of Catasauqua, Pennsylvania's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the ci-rcumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the

eff\_ ecti veness of the Borough of Catasauqua, Pennsylvania's

internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough of Catasauqua, Pennsylvania's intern l control,.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency , or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Borough's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness , yet important enough to merit attention by those charged with governance.

Our consideration of internal control reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiences may exist that were not identified . Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies, finding reference number 2015-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of Catasauqua, Pennsylvania's, financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effeet on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs as item 2015-1.

Borough of Catasauqua, Pennsylvania's Reponse to Findings Borough of Catasauqua, Pennsylvania's response to the

finding identified in our audit is described in the accompanying schedule of findings and questioned costs . Borough of Catasauqua, Pennsylvania's response ws not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Emmaus, Pennsylvania August 23, 2016

BOROUGH OF CATASAUQUA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 2015

FINDINGS

SIGNIFICANT DEFICIENCIES

Finding No. 2015-1: Segregation of Duties

Condition: Due to the size of the office staff of the Borough, there lacks enough personnel to provide for proper segregation of accounting functions.

Criteria: Internal controls should be in place that provide for proper segregation of accounting functions. See additional communication.

Effect: Because of the inadequate segregation of accounting duties the possibility arises that there is more than a remote likelihood that a mistatement of the Borough's financial statements that is more than inconsequential will not be prevented or detected by the Borough's internal control.

Recommendation: We understand it is impractical to have an accounting staff large enough to provide for proper segregation of all duties and the additional cost of adding staff does not justify the benefits that would be provided. However, the Borough Manager and Borough Counci1 need to monitor the accounting of the Borough and remain involved in the functions of the office to provide additional safeguards.

Views of Reponsible Officials and Planned Corrective Actions: The Borough Council agree with the findings and the auditors' recommendation has been adopted.

QUESTIONED COSTS

None