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I FINANCIAL STATEMENTS

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BOROUGH OF CATASAUQUA

DECEMBER 31, 2016

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BOROUGH OF CATASAUQUA FINANCIAL STATEMENTS DECEMBER 31, 2016

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I

I

CONTENTS

Page(s)

I **Independent Auditors• Report** 1 - 3

I **Basic Financial Statements: Government-wide Financial Statements:**

I Statement of Net Position - Cash Basis 4

Statement of Activities - Cash Basis 5-6

I

**Fund Financial Statements:**

I

Statement of Assets, Liabilities and Fund

Balances - Cash Basis Governmental Funds 7

Reconciliation of the Governmental Funds Statement of Assets, Liabilities and Fund Balances to the

I

Statement of Net Position - Cash Basis 8

I

Statement of Revenues, Expenditures, and Changes

in Fund Balances - Cash Basis Governmental Funds 9

Reconciliation of the Governmental Funds Statement

I

of Revenues, Expenditures, and Changes in Fund Balances

to the Statement of Activities - Cash Basis 10

I Statement of Net Position - Cash Basis Proprietary Funds 11

Statement of Revenues, Expenses and Changes in

I

Fund Net Position - Cash Basis Proprietary Funds 12

Statement of Cash Flows - Cash Basis Proprietary Funds 13

I Statement of Net Position - Cash Basis Fiduciary Funds

Statement of Changes in Net Position - Cash Basis Fiduciary Funds

I

Notes to the Financial Statements

14

15

16-43

BOROUGH OF CATASAUQUA FINANCIAL STATEMENTS DECEMBER 31, 2016

#### I

CONTENTS (Continued)

I

**Required Supplementary Information**

I

Statement of Revenues, Expenditures, and Changes

in Fund Balances - Cash Basis - Budget and Actual -

Page(s)

I General Fund 44

Schedule of Changes in Net Pension Liability

I

Uniformed Pension Plan 45

Schedule of Changes in Net Pension Liability

I

Nonuniformed Pension Plan 46

Schedules of Employer Contributions - Defined

Benefit Pension Plans 47

I

Notes to the Required Supplementary Information

Defined Benefit Pension Plans 48

I

**Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and other matters based on an Audit of Financial Statements Performed**

I

**in Accordance with Government Auditing Standards** 49-50

Schedule of Findings and Questioned Costs 51

I

I I I I I I I

I 903 Chestnut Street

FRANCE, ANDERSON, BASILE and COMPANY, P.C. CERTIFIED PUBLIC ACCOUNTANTS

610-967-1200 Phone

Emmaus, Pennsylvania 18049

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INDEPENDENT AUDITORS' REPORT

610-966-6669 Fax

[www.fabandco.com](http://www.fabandco.com/)

To the Borough Council

I Borough of Catasauqua, Pennsylvania

We have audited the accompanying cash basis financial

I

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, 2016, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

I

I Management's Responsibility for the Firiancial Statements

Management is responsible for the preparation and fair

I

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

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I Auditors' Responsibility

Our responsibility is to express opinions on these

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financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

I

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial 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

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I Borough's internal control. Accordingly, we express no such

opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimate made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

I Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the re pective cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Catasauqua, Pennsylvania, as of December 31, 2016, and the respective changes in cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the cash basis of accounting described in Note 1.

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Basis of Accounting

I

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

I

I

Other Matters

Required Supplementary Information

I

Accounting principles generally accepted in the United States of America require that the budgetary comparison on page 44· and the historical pension information on pages 45 through 48 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 1imited procedures to the required supplementary information in accordance 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.

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Other Reporting Required by Government Auditing Standards

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In accordance with Government Auditing Standards, we have also issued our report dated August 14, 2017, on our consideration of the Borough of Catasauqua, Pennsylvania'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 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.

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I  I

Emmaus, Pennsylvania

I August 14, 2017

##### I I I I I I I I

BOROUGH OF CATASAUQUA STATEMENT OF NET POSITION - CASH BASIS

I

DECEMBER 31, 2016

I Business­

I ASSETS

Current Assets:

I

Cash and cash equivalents

Internal balances Total Current Assets

I

Noncurrent Assets: Investments Capital assets:

I

Buildings, land &

improvements

I Machinery & equipment

I Total Assets

LIABILITIES

I Current Liabilities:

|  |  |  |  |
| --- | --- | --- | --- |
| Payroll taxes withholdings | 4,766 | 0 | 4,766 |
| Internal balances | 0 | 0 | 0 |

Governmental Activities

$ **2,123,249**

 0

**2,123,249**

8,941,871

4,008,341

2,781,855

|  |  |  |  |
| --- | --- | --- | --- |
| Water/sewer system, net |  0 | 5,675,549 | 5,675,549 |
| Total Capital Assets | 6,790,196 | 5,675,549 | 12,465,745 |

17,855,316

Type Activities

$1,949,912

 0

1,9491 912

0

0

0

7,625,461

Total

$ 4,073,161

 0

4,073,161

8,941,871

4,008,341

2,781,855

25,480,777

Current portion of

I

long-term debt 350,674

Total Current Liabiliti=e=s 3 5 5 , 4 4 0

I Noncurrent Liabilities:

|  |  |  |  |
| --- | --- | --- | --- |
| Escrow deposits | 64,494 | 0 | 64,494 |
| Other liabilities | 3,528 | 0 | 3,528 |

152,884

 152,884

503,558

 508,324

Long-term debt, net of current portion

I

Total Noncurrent Liabilities

I

Total Liabilities

I NET POSITION

11,526,426

11,594,448

11,949,888

4,959,395

4,959,395

5,112,279

16,485,821

16,553,843

17,062,167

Invested in capital assets,

net of related debt (5,086,904)

|  |  |  |  |
| --- | --- | --- | --- |
| Restricted | 9,027,582 | 0 | 9,027,582 |
| Unrestricted | 1,964,750 | 1,9491 912 | 3,914,662 |

##### I

Total Net Position $ 5,905,428

##### I

563,270

$ 2,513,182

(4,523,634)

$ 8,418,610

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

I

-4-

I

BOROUGH OF CATASAUQUA STATEMENT OF ACTIVITIES - CASH BASIS FOR THE YEAR ENDED DECEMBER 31, 2016

Program Revenues Operating

|  |  |
| --- | --- |
| Governmental Activities |  |
| General government $ 544,055 | $ 3,500 | $ 43,969 | $ 0 |
| Public safety 1,120,223 | 46,454 | 37,532 | 0 |
| Public works 1,191,466 | 743,136 | 186,432 | 68,085 |
| Culture and recreation 396,503 | 130,720 | 0 | 17,000 |
| Community development 60,011 | 0 | 0 | 0 |
| Insurance, employee benefits |  |  |  |
| and miscellaneous 654,082 | 0 | 153,113 | 0 |
| Interest & debt related expenses 220,949 |  0 |  0 |  0 |
| Total Governmental Activities$ 4,187,289 | $ 923,810 | $ 421,046 | $ 85,085 |
| Business-type Activities |  |  |  |
| Sewer $1,499,309 | $1,134,476 | $ 0 | $ 0 |
| Wastewater collection 806,388 | 883,168 | 0 | 0 |
| Water 711,069 | 639,797 |  0 |  0 |
| Total Business-type |  |  |  |
| Activities $ 3,016,766 | $2,657,441 | $ 0 | $ 0 |
| Total $ 7,204,055 | $3,581,251 | $ 421,046 | $ 85,085 |
| =========== | ========== | ========== |  |

Capital

Expenses

Charges for Services

Grants and Contributions

Grants and Contributions

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 integral part of the financial statements.

- 5 -

BOROUGH OF CATASAUQUA

I

 STATEMENT OF ACTIVITIES - CASH BASIS {Continued) FOR THE YEAR ENDED DECEMBER 31, 2016

I

I Net {Ex2ense) Revenue and Changes in Net Position

|  |  |  |
| --- | --- | --- |
| Governmental Activities | Business-type Activities | Total |
| $ (496,586) | $ 0 | $ (496,586) |
| (1,036,237) | 0 | (1,036,237) |
| (193,813) | 0 | (193,813) |
| (248,783) | 0 | (248,783) |
| (60,011) | 0 | (60,011) |

I I

I

(500*I* 969) 0 (500,969)

I

 {220I 949) 0 {220I 949)

I I I

|  |  |  |  |
| --- | --- | --- | --- |
| $ {2,7571 348) |  | $ 0 | $ {21 757 1 348) |
| $ 0 |  | $ (364,833) | $ (364,833) |
| 0 |  | 76,780 | 76,780 |
| 0 |  | {71,272) | {71,272) |
| $ 0 |  | $ {359,325) | $ {359.325) |

I $ .{2,757 I 348) $ {359,325) $ {3,116,673)

I I I I I I

|  |  |  |
| --- | --- | --- |
| 1,891,090 | 0 | 1,891,090 |
| 796,647 | 0 | 796,647 |
| 158,223 | 0 | 158,223 |
| 39,026 | 0 | 39,026 |
| 11,514 | 3,785 | 15,299 |
| 156,254 | 0 | 156,254 |
| 0 | 140,990 | 140,990 |
|  36,893 |  {36,893) |  0 |
| $ 3,089,647 | $ 107,882 | $ 3,197,529 |
| 332,299 | (251,443) | 80,856 |
|  |  |  |

|  |  |  |
| --- | --- | --- |
| $ 5,573,129 | $ 2,764,625 | $ 8,337,754 |
| $ 5,905,428 | $ 2,513,182 | $ 8,418,610 |
| ------------ | ----------- | ------------ |

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

I -6-

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BOROUGH OF CATASAUQUA

STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES - CASH BASIS GOVERNMENTAL FUNDS

DECEMBER 31 1 2016

Total Governmental

|  |  |  |  |
| --- | --- | --- | --- |
|  General  | Liquid Fuels  | Community DeveloQment | DebtService Funds |
| ASSETS |  |  |  |  |
| Cash and cash equivalents | $ 2,037,142 | $ 85,711 | $ 396 | $ $ 2,123,249 |
| Investments | 8,941,871 |  |  | 8,941,871 |
| Due from other funds | 46,040 |   |   |  46 040 |

Total Assets $11,025,053 $ 85,711 $ 396 $ 0 $11,111,160

----------- --------- --------- ========== ===========

LIABILITIES AND FUND BALANCES LIABILITIES:

Payroll taxes withholdings $ 4,766 $ $ $ $ 4,766

Due to other funds 46,040 46,040

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Escrow deposits | 64,494 |  |  |  | 64,494 |
| Other liabilities | 3,528 |   |   |   |  3 528 |
| Total Liabilities | 72,788 |  0 | 46,040 |  0 | 118,828 |
| FUND BALANCES: |  |  |  |  |  |
| Restricted for:Municipal complex construction | 8,941,871 |  |  |  | 8,941,871 |
| Public works |  | 85,711 |  |  | 85,711 |
| Community development |  |  |  |  | 0 |
| Unassigned |  2,010,394  |   | {45,644) |  | 1,964,750 |
| Total Fund Balances | \_10I 952 I 265 | 85,711 | {45,644) |  0 | 10,992,332 |

Total Liabilities and

Fund Balances $11,025,053 $ 85,711 $ 396 $ 0 $11,111,160

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

-7-

#### I

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

I

BALANCES TO THE STATEMENT OF NET POSITION - CASH BASIS

I AS OF DECEMBER 31, 2016

##### I

I Total Fund Balances - Governmental Funds $ 10,992,332 Amounts reported for governmental activities

I

in the statement of net position are different because:

I

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

I

The cost of the assets is $6,790,196. 6,790,196

#### I

Long-term liabilities are not due and payable

I

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

and installment loans payable of $11,877,100. (11,877,100)

I

Total Net Position - Governmental Activities $ 5,905,428

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

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-8-

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BOROUGH OF CATASAUQUA STATEMENT OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCE - CASH BASIS GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2016

REVENUES

General

Total Governmental

Funds

|  |  |  |
| --- | --- | --- |
| Liquid | Community | Debt |
| Fuels | Develo2ment | Service |

Taxes

Licenses and permits Fines and forfeits Interest and rents

Intergovernmental revenues Charges for service Miscellaneous revenues

Total Revenue

EXPENDITURES

current

$ 2,687,737 $ $ $ $ 2,687,737 158,223 158,223

39,026 39,026

10,982 522 10 11,514

268,350 169,696 68,085 506,131

923,810 923,810

 156,254 156,254

 4,244,382 170,218 68,095 0 4,482,695

General government Public safety Public works

culture and recreation Community development Insurance, employee benefits

and miscellaneous

Debt service - rincipal retirement

Debt service - interest & fiscal charges

|  |  |
| --- | --- |
| Capital outlay 2I 791,883  | 2I 791,883 |
| Total Expenditures 6,842,123 0 115,906 133,142 | 7,091,171 |
| Excess {deficiency) of revenues over {under) expenditures | (2,597,741) | 170,218 | (47,811) | (133,142) | (2,608,476) |
| OTHER FINANCING SOURCES {USES)Proceeds of general long-term debt 11,210,000Operating transfers in 797,512Operating transfers out (96,249)Total Other Financing Sources {Uses) 11,911,263 | (126,440)(126,440) | 0 | 671,072133,142 (671,072) 133,142 | 11,881,072(893,761) |
| Net change in fund balances | 9,313,522 | 43,778 | {47,811) | 0 | 9,309,489 |
| FUND BALANCES, JANUARY 1 | 1,638,743 | 41,933 | 2,167 | 0 | 1,682,843 |
| FUND BALANCES, DECEMBER 31 | $10,952,265 | $ 85,711 | $ (45,644) | $ 0 | $10,992,332 |
| The accompanying | notes are an integral part of the finan | cial statements. |

544,050

1,120,223

1,075,565

396,503

60,011

654,082

199,806

5

115,901

111,999

21,143

544,055

1,120,223

1,191,466

396,503

60,011

654,082

111,999

220,949

930,654

11,917I 965

- 9 -

#### I

BOROUGH OF CATASAUQUA RECONCILIATION OF THE GOVERNMENTAL FUNDS

I

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

I FOR THE 'Y EAR ENDED DECEMBER 31, 2016

#### I

I Net Change in Fund Balances - Governmental Funds Amounts reported for governmental activities

I

in the statement of activities are different because:

I

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 $2,791,883.

I

I

Issuance of long-term debt (e.g. bonds) 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 bond and capital

I

I

I

lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of

I

net position. The effect of these transactions in the statement are shown below:

Proceeds from bond issues $(11,210,000) Proceeds extended term financing (671,072) Repayment of debt service principal -=l l l::..L...,9=-=-9 9

I

I

Change in Net Position of Governmental Activities

#### I

$ 9,309,489

2,791,883

(11,769,073)

$ 332,299

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

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-10-

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BOROUGH OF CATASAUQUA STATEMENT OF NET POSITION - CASH BASIS

PROPRIETARY FUNDS DECEMBER 31, 2016

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ASSETS

Sewer Fund

Enterprise Funds Wastewater Collection

Fund

Water Fund

Total Proprietary Funds

|  |  |
| --- | --- |
| Current Assets: |  |
| Cash and cash equivalents Other assets | $ 835,686 |  | $ 461,233 |  | $ 652,993 |  | $ 1,949,912 |
| Total Current Assets |  835,686 |  |  461,233 |  |  652,993 |  | 1,949,912 |
| Noncurrent Assets: |  |  |  |  |  |  |  |
| Sewer system, net of |  |  |  |  |  |  |  |
| accumulated depreciation | 5,423,640 |  | 30,000 |  |  |  | 5,453,640 |
| Water system, net of |  |  |  |  |  |  |  |
| accumulated depreciation  |   |  221,909 |  221,909 |
| Total Assets $ 6,259,326 | $ 491,233  | $ 874,902 | $ 7,625,461 |
|  | LIABILITIES |  |  |
| Water | revenue notes payable | $ $ $ 152,279 | $ 152,279 |
| Bonds | payable | 4,960,000 | 4,960,000 |
| Other | liabilities |   |

Total Liabilities

NET POSITION

Invested in capital assets,

4,960,000

 152,279

5,112,279

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| net of related debt | 463,640 | 30,000 | 69,630 | 563,270 |
| Unrestricted |  835,686 |  461,233 |  652,993 | 1,949,912 |

Total Net Position

$ 1,299,326

$ 491,233

$ 722,623

$ 2,513,182

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

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BOROUGH OF CATASAUQUA

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

FOR THE YEAR ENDED DECEMBER 31, 2016

Enterprise Funds Wastewater

Total

OPERATING REVENUES

Charges for services

Total Operating Revenues

OPERATING EXPENSES

Salaries, wages & employee benefits Contractual services

Supplies Materials Utilities

Sewer Fund

$ 1,134,476

1,134,476

476,036

299,602

63,080

75,770

Collection Fund

$ 883,168

 883,168

147,354

650,742

7,103

289

900

Water Fund

$ 639,797

 639,797

314,289

173,770

111,452

25,818

57,468

Proprietary

$ 2,657,441

 2,657,441

937,679

1,124,114

181,635

26,107

134,138

Depreciation

 277,956

 22,578

 300,534

Total Operating Expenses OPERATING INCOME (LOSS)

NONOPERATING REVENUES (EXPENSES)

Interest income Sale of fixed asset

Bonds costs of issuance

1,192,444

 (57,968)

2,075

(153,134)

 806,388

 76,780

642

 705,375

 (65,578)

1,068

140,990

 2,704,207

 (46,766)

3,785

140,990

(153,134)

Interest expense

 (153,731)

 (5,694)

 (159,425)

Total Nonoperating Revenues (Expenses)

NET INCOME OR (LOSS) BEFORE OPERATING TRANSFERS

 (304,790)

(362,758)

 642

77,422

 136,364

70,786

 (167,784)

(214,550)

Operating transfers

CHANGE IN NET POSITION (362,758)

NET POSITION - BEGINNING OF YEAR 1,662,084 NET POSITION - END OF YEAR $ 1,299,326

 (10,631)

66,791

 424,442

 $ 491,233

 (26,262)

44,524

 678,099

 $ 722,623

 (36,893)

(251,443)

 2,764,625

 $ 2,513,182

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

BOROUGH OF CATASAUQUA STATEMENT OF CASH FLOWS - CASH BASIS

I

PROPRIETARY FUNDS

I FOR THE YEAR ENDED DECEMBER 31, 2016

Enterprise Funds

I Sewer

Fund

I

CASH FLOWS FROM OPERATING ACTIVITIES

I

Wastewater Collection Fund

Water

Fund 

Operating income (loss) $ (57,968) $

Item not requiring cash

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Depreciation | 277,956 |  ;c.O | 22,578 |  300,534 |
| Sub-total | 219,988 | 76,780 | (43,000) | 253,768 |

76,780 $ (65,578) $ (46,766)

Increase (decrease) in due -

I

to other funds 0

Net Cash Flows From

I

Operating Activities 219,988

CASH FLOWS FROM NONCAPITAL ACTIVITIES

Operating transfers Net Cash Flows From

I

Noncapital Activities 0

##### I

 76,780

(10,631)

(10,631)

(43,000)

(26,262)

(26,262)

253,768

(36,893)

(36,893)

CASH FLOWS FROM FINANCING ACTIVITIES

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Proceeds from bonds Proceeds from sale of | fixed | 4,960,000 |  | 4,960,000 |
| assets |  |  | 140,990 | 140,990 |
| Additions-sewer/water | systems | (67,897) | (17,878) | (85,775) |
| Interest expense |  | (153,731) | (S, 694) | (159,425) |
| Bond issuance costs |  | (153,134) |  | (153,134) |

##### I

I Repayment of water revenue

Refunded sewer bonds

(4,730,000)

(4,730,000)

notes payable

I

(22,105)

(22,105)

Net Cash Flows From

Financing Activities (144,762)

CASH FLOWS FROM INVESTING ACTIVITIES

I

Interest income

2,075

Net Cash Flows From

 0 95,313

642

(49,449)

1,068

3 785

Investing Activities

##### I

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Net Increase (Decrease) in and Cash Equivalents | Cash | 77,301 | 66,791 | 27,119 | 171,211 |
| Cash and Cash Equivalents, January 1 |  | 758 1 385 | 394,442 | 625,874 | l, 778,701 |
| Cash and Cash Equivalents, December 31 | $ | 835,686 | $ 461,233 | $ 652,993 | $1,949,912 |

I I

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 2,075

 642

 1,068

 3,785

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

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-13-

#### I I I I

I A SSETS

Cash and cash

I

STATEMENT OF NET POSITION - CASH BASIS FIDUCIARY FUNDS

DECEMBER 31, 2016

Police Employee Total Pension Pension Fiduciary Plan Plan Funds

equivalents

Investments, at fair value: Assets with MRT

I

Total investments Total Assets

I

LIABILITIES

I

$ 0 $ 0 $ 0

 2,694,437 2,433,313 5,127,750 2,694,437 2,433,313 5,127,750

 2,694,437 2,433,313 5,127,750

Norie

Total Liabilities O:::c. 0 0

I NET POSITION

Restricted for

I pension benefits $2,694,437 $2,433,313 $5,127,750

#### I I I I

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

I

STATEMENT OF CHANGES IN NET POSITION - CASH BASIS FIDUCIARY FUNDS

I

YEAR ENDED DECEMBER 31, 2016

##### I

I

ADDITIONS:

I

Contributions, Employer Employee

I Total Contributions

Investment income,

I

Net appreciation in fair value of investments

|  |  |  |
| --- | --- | --- |
|  | 70,195 | 148,255 |
| Interest and dividends 41,809 |  37,566 |  79,375 |
|  | 107,761 | 227,630 |
| Less: investment expenses O |  0 |  0 |
| I | Net Investment IncomeTotal Additions | **119,869****327,708** | 107,761173,492 | 227,630 |
|  | DEDUCTIONS: |  |  |  |
|  | **237,608** | 34,042 | 271,650 |
| Administrative expenses | 17,861 | 17,464 | 35,325 |
| Other |  0 |  0 |  0 |
|  | **255,469** |  51,506 | 306,975 |
| I Change in net position | **72,239** | 121,986 | 194,225 |
| Net position restricted |  |  |  |
| I Beginning of year | **2,622,198** | 2,311,327 | 4,933,525 |
| End of year | **$2,694,437** | $2,433,313 | $5,127,750 |

##### I

I Benefits

I Total Deductions

Police Pension

Plan

$ 155,749

 52,090

207,839

78,060

119,869

Employee Pension Plan

$ 65,731

 0

 65,731

Total Fiduciary Funds

$ 221,480

 52,090

273,570

501,200

for pension. benefits,

I I I

I

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

I -15-

NOTES TO THE FINANCIAL STATEMENTS

I

.DECEMBER 31, 2016

NOTE 1 Summary of Significant Accounting Policies

I

The accounting policies and accompanying financial statements of the Borough of Catasauqua (the Borough) conform to the cash basis accounting as applicable to governmental units. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Accounting principles generally accepted in the United States of America include all 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.

I

I

I

I

Principles Determining Scope of Reporting Entity

I

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

I

I

I

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.

I

I

I

Government-wide and Fund Financial Statements

I

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 statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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I

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-16-

NOTES TO THE FINANCIAL STATEMENTS (Continued) DECEMBER 31, 2016

I

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

I

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 items not properly included among program revenues are reported instead as general revenues.

I

I

I

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.

I

I

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

I

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.

I

Measurement Focus

I

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. bel6w.

I

I

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:

I

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.

I

I

I BOROUGH OF CATASAUQUA

NOTES TO THE FINANCIAL STATEMENTS (Continued) DECEMBER 31, 2016

I

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

I

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 liabilities associated with their activities are reported. Proprietary fund equity is classified as net position.

I

I

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.

I

I

I

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.

I

I

Financial Statement Presentation

I

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

I

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.

I

I

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

I

I expenditures for specific purposes.

BOROUGH OF CATASAUQUA

DECEMBER 31, 2016

I

I NOTE 1 Summary of Significant Accounting Policies (Continued)

I Financial Statement Presentation (Continued)

The Debt Service Fund accounts for the accumulation of

I

resources for, and payment of, interest and principal on long-term obligations.

The Borough reports the following enterpise fund types:

I

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.

I

I

The Borough also reports the following fiduciary fund types:

I

The Police Pension Plan and Employee Pension Plan are used to account for fiduciary resources legally held in trust for the

I receipt, investment, and distribution of retirement benefits.

Net Position

I

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Borough or through external restrictions imposed by creditors, granters, or laws or other

I

I regulations of other governments.

Fund Balance Reporting

I

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:

I

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.

I

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I - 1 9 -

BOROUGH OF CATASAUQUA

DECEMBER 31, 2016

I

I NOTE 1 Summary of Significant Accounting Policies (Continued) Fund Balance Reporting (Continued)

I

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.

I

I

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.

I

I

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.

I

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.

I

I

I

I

I

I

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.

I

I

I **-20-**

BOROUGH OF CATASAUQUA

I

NOTES TO THE FINANCIAL STATEMENTS (Continued) DECEMBER 31, 2016

I

I NOTE 1 Summary of Significant Accounting Policies (Continued) Fund Balance (Continued)

I

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.

I

I

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

I

**I.**

I unrestricted fund balance classifications could be used.

**OTHER SIGNIFICANT ACCOUNTING POLICIES**

I

Budgets and Budgetary Accounting

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

I

1. In accordance with the Borough Code and Borough procedures, at least thirty days prior to adoption, the Borough Manage 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.

I

I

I

1. Public hearings are conducted to obtain taxpayer comment.

I

1. 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

I

I control.

BOROUGH OF CATASAUQUA

DECEMBER 31, 2016

I

I NOTE 1 Summary of Significant Accounting Policies (Continued)

I 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.

I

I

1. All modifications, transfers and amendments must be approved by Borough Council.

I

1. 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.

I

1. 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.

I

1. 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)

I

I

1. Borough Council may authorize supplemental appropriations during the year. No supplemental appropriations were made during fiscal 2016. Borough Council must approve all over expenditures of appropriations or transfers of appropriated amounts.

I

I

Cash and Investments

I

Statutes allow the Borough to invest in obligations of the

U.S. 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. ·

I

I

Investments are stated at market. See Note 2 for additional

I disclosures about investments.

BOROUGH OF CATASAUQUA

DECEMBER 31, 2016

#### I

I NOTE 1 Summary of Significant Accounting Policies (Continued)

I Property Taxes Receivable

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

I

$91,312 of property taxes receivable as of December 31, 2016, have not been included as revenues.

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

I January 1

April 1

I

April 1 - May 31

June 1 - July 31

August 1 - December 31

I January 1

I Sewer and Water Systems in Service

Levy Date Billing Date

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

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.

I

I Public Employee Retirement Systems

I

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.

I

I 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.

I

I "due

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

**BOROUGH OF CATASAUQUA**

**NOTES** TO **THE FINANCIAL STATEMENTS** (Continued) **DECEMBER** 31, 2016

#### I

I NOTE 1 Summary of Significant Accounting Policies (Continued) Statement of Cash Flows

I

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.

I

I Encumbrances

Encumbrance accounting, under which purchase orders,

I

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, 2016.

I

I

Total Columns on Combined Statements

I

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

I

I

Reclassifications

I

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

I

Recent Accounting Pronouncements

I and

In June 2012, the GASB issued Statement No. 68, Accounting 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.

I

I

I **-24-**

BOROUGH OF CATASAUQUA

I

NOTES TO THE FINANCIAL STATEMENTS (Continued) DECEMBER 31, 2016

I

I NOTE 2 Deposits and Investments

The Borough's current investment policy is to take as much of the available funds into interest bearing accounts as is feasible. Current cash requirements are kept in bank demand deposits.

I

I **DEPOSITS:**

As of December 31, 2016, the carrying amount of the Borough's deposits is $4,073,161 and the bank balance is

I

$4,251,650. Of the bank balance, $250,000 is covered by federal depository insurance.

I

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, $4,001,650 at December 31, 2016, 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.

I

I

I

**INVESTMENTS:**

I

Authorized types of investments for Borough funds are as follows:

I

1. United States Treasury Bills and Notes.
2. Short-term obligations of the United States, its agencies or instrumentalities.

I

1. 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.

I

1. 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.

I

I

1. Shares of an investment company provided that the only investments of the company are in the investments listed in a) through d) above.

I

I -25-

BOROUGH OF CATASAUQUA

I

NOTES TO THE FINANCIAL STATEMENTS (Continued) DECEMBER 31, 2016

#### I

I NOTE 2 Deposits and Investments (Continued)

**INVESTMENTS: (Continued)**

I

Investments made by the Borough as of December 31, 2016, 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:

I

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

I

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

I

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.

I

I Fair Value/

I U.S. Gov't

Category

1.

Carrying

Amount Market

Obligations $8,941,871 $ $ $ 8,941,871

Mutual Funds - 5,127,750 5,127,750

I

$8,941,871 $ -0- $5,127,750 $14,069,621

;::====

I NOTE 3 Capital Assets

$ 8,941,871

5,127,750

$14,069,621

The following is a summary of the changes in the capital asset activity for the year ended December 31, 2016:

I

Balance December 31,

I

2015

Governmental activities:

I

Increases (Decreases)

Balance December 31,

2016

Borough buildings, land and improvements

Machinery and equipment

$1,922,631 $2,085,710 $ 2,075,682 706,173

-0- $4,008,341

--=-0-- 2,781,855

Governmental activities capital assets

I

$3,998,313 $2,791,883 $ -0- $6,790,196

---------- --------== ======== ==========

I

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

I -26-

BOROUGH OF CATASAUQUA

DECEMBER 31, 2016

##### I

NOTE 3 Capital Assets (Continued)

I

The following is a summary of proprietary property, plant, and equipment at December 31, 2016:

I

Sewer &

Wastewater

I

fund type

Enterprise Funds:

Water Fund

Collection

Funds Total

Sewer and Water Systems $1,840,783 Less accumulated depreciation 1,618,874 Sewer and Water Systems, Net

I

$12,199,678 $14,040,461 6,746,038 8,364,912

of Accumulated Depreciation $

##### I

221,909 $ 5,453,640 $ 5,675,549

Depreciation charged to operations for the Water Fund, the Sewer Fund and Wastewater Collection Fund was $22,578, $277,956, and $0 respectively, for the year ended December 31, 2016 .

I

I NOTE 4 Long-Term Debt

The following is a summary of the details of general

I

obligation bonds, and installment loans payable for the year ended December 31, 2016.

General Obligation Bonds, Series of 2011: serial bonds: date of issuance October 18, 2011; original par amount $5,405,000; interest rate varies from 2.0% to 4.0%. The Bonds are subject to redemption prior to maturity.

I

I

General Obligation Bonds, Series of 2016: serial bonds: date of issuance July 28, 2016; original par amount $11,210,000; interest rate varies from 1.05% to 3.0%. Proceeds of the Bonds will be used for the construction of the new municipal complex. Maturity date is August 15, 2046. The Bonds are subject to redemption prior to maturity.

I

I

General Obligation Bonds, Series A of 2016: serial bonds: date of issuance October 4, 2016; original par amount $4,960,000; interest rate varies from 0.72% to 3.0%. Proceeds of the Bonds will be used to currently refund the Borough's General Obligations Bonds, Series of 2011, and to pay the costs and expenses of issuing the Bonds. Maturity date is November 15, 2035. The Bonds are subject to redemption prior to maturity.

I

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, 2016, is

I

$43,074.

BOROUGH OF CATASAUQUA

DECEMBER 31, 2016

### I

I NOTE 4 Long-Term Debt (Continued)

The Borough has an installment loan payable, secured by public safety equipment. The loan requires three annual payments of $9,395, including principal and interest at 6.88% over 3 years. The principal outstanding at December 31, 2016, is

I

I

$8,790.

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, 2016, is

I

$21,060.

I

The Borough has an installment loan payable, secured by public works equipment. The loan requires five annual payments of $31,404, including principal and interest at 3.75% over 5 years. The principal outstanding at December 31, 2016, is

I

$114,668.

I

The Borough has an installment loan payable, secured by public safety equipment. The loan requires ten annual payments of $62,001, including principal and interest at 3.14% over 10 years. The principal outstanding at December 31, 2016, is

I

$479,508.

The following is a summary of general obligation bonds, and installment loans payable for the year ending December 31, 2016:

I

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

I

I Governmental-type:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Series of 2016 | $ -0- | $11,210,000 | $ -0- | $11,210,000 |
| Installment Loan | 63,661 | -0- | 20,587 | 43,074 |
| Installment Loan | 17,014 | -0- | 8,224 | 8,790 |
| Installment Loan | 27,352 | -0- | 6,292 | 21,060 |

I Installment Loan -0- 146,072 31,404 114,668 Installment Loan -0- 525,000 45,492 479,508 Total 108,027 11,881,072 111,999 11,877,100

I

Business-type:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Series of 2011 Series of 2016(A) | 4,730,000-0- |  | -0-4,960,000 |  | 4,730,000-0- |  | -0- |
| Total | 4,730,000 |  | 4,960,000 |  | 4,730,000 |  | 4,960,000 |
| Total | $4,838,027---------- |  | $16,841,072----------- |  | $4,841,999---------- |  | $16,837,100----------- |

##### I

4,960,000

##### I

BOROUGH OF CATASAUQUA DECEMBER 31, 2016

I

I NOTE 4 Long-Term Debt (Continued)

The annual debt service requirements to maturity for governmental-type general obligation bonds including interest are as follow, as of December 31, 2016:

I

Year Ending December 31,

I

2017

2018

I

2019

2020

2021

I

2022

2023

2024

I

2025

2026

2027

2028

I

2029

2030

2031

I

2032

2033

2034

2035

I

2036

2037

2038

I

2039

2040

2041

I

2042

2043

2044

2045

Principal

$ 240,000

260,000

260,000

270,000

280,000

285,000

295,000

305,000

315,000

320,000

325,000

330,000

340,000

345,000

355,000

365,000

370,000

385,000

395,000

405,000

415,000

430,000

440,000

455,000

470,000

480,000

495,000

510,000

525,000

Interest

$ 319,220

300,025

297,295

289,495

281,395

272,995

264,445

255,595

246,445

240,145

233,745

227,082

220,070

212,420

204,312

195,615

186,490

176,130

165,350

154,290

142,950

130,500

117,600

104,400

90,750

76,650

62,250

47,400

32,100

Total

$ 559,220

560,025

557,295

559,495

561,395

557,995

559,445

560,595

561,445

560,145

558,745

557,082

560,070

557,420

559,312

560,615

556,490

561,130

560,350

559,290

557,950

560,500

557,600

559,400

560,750

556,650

557,250

557,400

557,100

I $11,210,000 $5,563,509

$16,773,509

2046

I I I I I

545,000

-29-

16,350

561,350

BOROUGH OF CATASAUQUA DECEMBER 31, 2016

I

I NOTE 4 Long-Term Debt (Continued)

The annual debt service requirements to maturity for governmental-type installment loans including interest are as follows, as of December 31, 2016:

I

I Year Ending

|  |  |  |  |
| --- | --- | --- | --- |
| December 31, | Principal | Interest | Total |
| **2017** | $110,674 | $ **22,468** | $133,142 |
| 2018 | 105,391 | 18,356 | 123,747 |
| 2019 | **86,499** | 14,724 | 101,223 |
| **2020** | 81,759 | 11,646 | 93,405 |
| **2021** | 53,109 | 8,892 | 62,001 |
| **2022** | 54,779 | **7,222** | 62,001 |
| **2023** | 56,501 | 5,500 | 62,001 |
| **2024** | 58,278 | 3,723 | 62,001 |
| **2025** | 60,110 | 1,891 | 62,001 |
|  | $667,100 | $ **94,422** | $761,522 |

I I

I

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

I The annual debt service requirements to maturity for business-type general obligation bonds including interest are as follows, as of December 31, 2016:

I

Year Ending

December 31,

I

|  |  |  |  |
| --- | --- | --- | --- |
| 2017 | $ 130,000 | $ 116,141 | $ 246,141 |
| 2018 | 235,000 | 103,330 | 338,330 |
| 2019 | 230,000 | 100,980 | 330,980 |
| 2020 | 235,000 | 98,680 | 333,680 |
| 2021 | 240,000 | 95,155 | 335,155 |
| 2022 | 245,000 | 90,355 | 335,355 |
| 2023 | 245,000 | 87,048 | 332,048 |
| 2024 | 255,000 | 82,148 | 337,148 |
| 2025 | 255,000 | 77,940 | 332,940 |
| 2026 | 260,000 | 73,350 | 333,350 |
| 2027 | 265,000 | 68,150 | 333,150 |
| 2028 | 275,000 | 62,850 | 337,850 |
| 2029 | 275,000 | 57,006 | 332,006 |
| 2030 | 285,000 | 50,475 | 335,475 |
| 2031 | 290,000 | 43,706 | 333,706 |
| 2032 | 295,000 | 36,094 | 331,094 |
| 2033 | 310,000 | 28,350 | 338,350 |
| 2034 | 315,000 | 19,050 | 334,050 |
| 2035 | 320,000 |  9,600 | 329,600 |

I I I I I I I **1.**

Principal

$4,960,000

-30-

Interest

$1,300,408

Total

$6,260,408

#### I

NOTE 5 Guaranteed Water Revenue Note

I

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, 2016, is $408,267.

I

I

The following . is a summary of the 2002 Guaranteed Water Revenue Note payable for the year ended December 31, 2016:

Balance, January 1

I

Additions during 2016

Retirements during 2016

I Balance, December 31

$174,384

-0-

22,105

$152,279

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

I

Year Ending December 31,

I

|  |  |  |  |
| --- | --- | --- | --- |
| 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 |
|  | $152,279 | $16,832 | $169,111 |
| ======== | ======== | ======== |
|  |  |  |  |

I I I I I I I

Principal

Interest

Total

NOTE 6 Defined Benefit Pension Plans

I

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.

I

I 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.

I

I

I

I

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. Thi contribution is governed by the Plan's ordinances and collective bargaining agreement.

I

I

I

I

Plan Description for the Nonuniformed Employees

I

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.

I

I

I

NOTE 6 Defined Benefit Pension Plans (Continued)

I 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.

I

I

I

I

**Annual Pension Cost and Net Pension Obligation**

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

I

Annual required contribution Interest on net

I

pension obligation Adjustment to annual

I

required contribution

I

|  |  |  |
| --- | --- | --- |
| Annual pension costs | 155,749 | 65,731 |
| Contributions made |  155,749 | 65,731 |

Increase (decrease) in net pension obligation

Net pension obligation beginning of year

I

Net pension obligation end of year

#### I

Uniformed Nonuniformed

$ 155,749 $ 65,731

-0- -0-

 -0- -0-

-0- -0-

-0- -0-

$ -0- $ -0-

**Annual Pension Cost and Net Pension Obligation**

I

The annual required contribution for the current year was determined as part of the January 1, 2015, 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

I

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

I

(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.

I

I

-33-

BOROUGH OF CATASAUQUA

I

NOTES TO THE FINANCIAL STATEMENTS (Continued) DECEMBER 31, 2016

#### I

I NOTE 6 Defined Benefit Pension Plans (Continued)

I **Three Year Trend Information**

I

|  |  |  |  |
| --- | --- | --- | --- |
| Year Ending | Annual PensionCost (APC) | Percentage of APCContributed | Net PensionObligation |
| ·un iformed Plan | 12/31/1412/31/15 | $ 121,411126,319 | 100%100% | 0 |
|  | 12/31/16 | 155,749 | 100% | 0 |
| Nonuniformed | 12/31/14 | $ 68,856 | 100% | $ 0 |
| Plan | 12/31/15 | 63,790 | 100% | 0 |
|  | 12/31/16 | 65,731 | 100% | 0 |

I $ 0

I

I

**Plan Membership Information**

I Membership in the pension plans as of December 31, 2016, (the most recent date available) are as follows:

I Uniformed Nonuniformed

Active employees

I

Retirees and beneficiaries currently receiving benefits

Terminated employees entitled

I

8 17

8 3

to benefits but not yet

receiving them o 3

Total

#### I

16 **23**

Summary of Significant Accounting Policies

I

**Basis of Accounting**

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.

I

I

NOTES TO THE FINANCIAL STATEMENTS (Continued) DECEMBER 31, 2016

I

I

**1** Note 6 Defined Benefit Pension Plans (Continued)

**Investments**

I

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. ·

I

At December 31, 2016, the Plans had the investments in any one organization representing five more of the Plans assets (other than investments guaranteed by the U.S. Government) as follows:

I

following percent or issued or

I Uniformed Nonuniformed

I PSAB Balanced Fund $2,694,437 $2,433,313

**Expenses**

I

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.

I

I

I

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

I

At December 31, 2016, the Borough's net pension liability is

$1,375,284. The total pension liability of $4,089,946 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, 2016.

I

I

NOTES TO THE FINANCIAL STATEMENTS (Continued) DECEMBER 31, 2016

I

##### I

I NOTE 6 Defined Benefit Pension Plans (Continued)

**Changes in Net Pension Liability**

I

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

I

Increase/(Decrease)

I

Total Pension Plan Fiduciary Net Pension Liability Net Position Liability

J.s.l. JJ2l (a)-(b)

I Balance at 12/31/2015 $3,944,472 $2,647,149

Changes for the year:

I

|  |  |  |
| --- | --- | --- |
| Service cost | **89,448** | 89,448 |
| Interest | **293,634** | 293,634 |
| Differences between |  |  |
| expected and actual |  |  |
| experience |  | 0 |
| Changes of assumptions 0 |
| Contributions-state aid | 87,382 | (87,382) |
| Contributions-member | 47,364 | (47,364) |

##### I

$1,297,323

Contributions-employer

I

Net investment income

I Administrative expense -

Benefit payments

(237,608)

I Balance at 12/31/2016 $4,089,946

**Pension Expense**

I

68,367

119,869

(237,608)

(17,861)

$2,714,662

(68,367)

(119,869)

O·

 17,861

$1,375,284

For the year ended December 31, 2016 the actuarial determined uniformed employees plan pension expense is $230,309. However, the Borough recognizes pension expense on the cash basis which totaled $155,749.

I

##### I I

I -36-

##### I

NOTES TO THE FINANCIAL STATEMENTS (Continued) DECEMBER 31, 2016

I

##### I

NOTE 6 Defined Benefit Pension Plans (Continued)

I

**Deferred Outflows and Deferred Inflows of Resources**

I

At December 31, 2016, the Borough has deferred outflows of resources related to the uniformed employees pensions from the following sources at December 31, 2016:

I

Deferred Outflows of

I Resources

Differences between expected and actual experience Changes in assumption

I

Net difference between projected and actual earnings on pension plan investments

I Total

$ 5,399

66,370

189,658

$ 261,427

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

I

I

|  |  |
| --- | --- |
| Year Ended December 31, 2017 | $ 70,383 |
| 2018 | 70,383 |
| 2019 | 70,385 |
| 2020 | 26,839 |
| 2021 | 12,083 |
| Thereafter | 11,354 |

I

I

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

I

At December 31, 2016, the Borough's net pension liability is

I

$454,515. The total pension liability of $2,887,828 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, 2016.

I

I

I -37-

I

NOTES TO THE FINANCIAL STATEMENTS (Continued) DECEMBER 31, 2016

I

##### I

I Note 6 Defined Benefit Pension Plan (Continued)

**Changes in Net Pension Liability**

I

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

I

Increase/(Decrease)

I

Total Pension Plan Fiduciary Net Pension Liability Net Position Liability

J.§1\_ lhl (a)-(b)

I Balance at 12/31/2015 $2,656,877 $2,311,327 $ 345,550

Changes for the year:

I

Service cost **62,329** 62,329

Interest **202,664** 202,664 Differences between

I

expected and actual

experience 0

Changes of assumptions 0

Contributions-state aid 65,731 (65,731)

I

Net investment income 107,761 (107,761)

Benefit payments **(34,042)** (34,042) 0

Administrative expense (17,464) 17,464

I Balance at 12/31/2016 **$2,887,828** $2,433,313 $ 454,515

I **Pension Expense**

For the year ended December 31, 2016, the actuarial determined nonuniformed employees plan pension expense is

I

$153,513. However, the Borough recognizes pension expense on the cash basis which totaled $65,731.

I

**Deferred Outflows and Deferred Inflows of Resources**

I

At December 31, 2016, the Borough has deferred outflows of resources and deferred inflows of resources related to the nonuniformed employees pensions from the following sources at

I December 31, 2016:

I -38-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### I

NOTE 6 Defined Benefit Pension Plans (Continued)

I

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

I

Deferred Outflows of

Resources

Deferred Inflows of

Resources

I Differences between expected and actual experience

I

Changes in assumption

Net difference between projected and actual earnings on pension

$ $

0

72,608

(116,423)

0

I plan investments

#### I

Total

164,768

$ 237,376

 0

$(116,423)

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

I

Year Ended December 31, 2017

I

2018

2019

2020·

I

2021

Thereafter

$ 43,707

43,707

43,709

6,089

(6,889)

(9,370)

I Actuarial Assumptions

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

I

I

Actuarial cost method - Entry Age Normal Investment return - 7.50% per annum Salary increases - 5% compounded annually

I

Mortality rates were based on the RP-2000 Mortality Table

I

I

-39-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

I NOTE 6 Defined Benefit Pension Plans (Continued)

I Long-Term Expected Rate of Return

The long-term expected rate of return on the Uniformed

I

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 2016 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, 2016, are summarized in the following table:

I

I

I

I Asset Class

Domestic Equity: Large Cap Core Large Cap Value Large Cap Growth Mid Cap Value Mid Cap Growth Small Cap Value Small Cap Growth

I

I

I

International Equity Fixed Income

Real Estate Cash

I

Total

Target Allocation

13.80%

12.60%

12.60%

2.25%

2.25%

2.25%

2.25%

12.00%

35.00%

5.00%

0.00%

100.0%

Long-Term Expected Real Rate of Return

7.75%

7.65%

8.05%

8.35%

9.05%

9.15%

10.05%

7.65%

2.75%

4.85%

.45%

5.55%\*

I \*Excludes an inflation expectation of 2.25%

Long Term Expected Rate of Return (Including Inflation) 7.80%

I

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

I

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.

I

I **-40-**

I

NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### I

Note 6 Defined Benefit Pension Plan (Continued)

I

**Discount Rate**

I

The discount rate used to measure the total pension liabilities was 7.50%. The projection of cash flows 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.

I

I

I

I **Net Pension Liability Sensitivity**

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:

I

I

#### I

Net Pension Liability

I Current

|  |  |  |
| --- | --- | --- |
| 1% Decrease | Discount Rate | 1% Increase |
| 6.50% | 7.50% | 8.50% |
| Uniformed Employee | $ 1,820,123 | $ 1,375,284 | $ 1,000,151 |
| Nonuniformed Employee | $ 787,531 | $ 454,515 | $ 164,932 |

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I -41-

BOROUGH OF CATASAUQUA

DECEMBER 31, 2016

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I NOTE 7 Deferred Compensation Plan

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

I

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.

I

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NOTE 8 Compensated Absences

I

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, 2016. 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.

I

I

I 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, re not anticipated to have a significant effect on the Borough's financial position.

I

I

NOTE 10 Contingencies

I

The Borough participates in a number of state and federally assisted grant programs. These programs are subject to program compliance audits by the granters or their representatives. The audits of these programs including the year ended December 31, 2016, 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.

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BOROUGH OF CATASAUQUA

DECEMBER 31, 2016

#### I

I NOTE 11 Deficit Fund Balances

I

The Community Development Fund of the Borough had a deficit fund balance at December 31, 2016.

The General Fund's; General Government, and Insurance, Benefits, & Miscellaneous budget categories had expenditures in excess of appropriations for the year ended December 31, 2016.

I

I 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.

I

I

Note 13 Subsequent Events

I

Subsequent events have been evaluated through August 14, 2017, which was the date financial statements were available to be issued.

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BOROUGH OF **CATASAUQUA**

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

BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED DECEMBER 311 2016

Variance with

Final Budget

REVENUES

Taxes

Licenses and permits

Budgeted Amounts Actual Original Final Amounts

$ 2,541,000 $ 2,541,000 $ 2,687,737

129,650 129,650 158,223

Positive (Negative)

$ 146,737

28,573

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Fines and forfeits | 32,000 | 32,000 | 39,026 | 7,026 |
| Interest and rents | 9,360 | 9,360 | 10,982 | 1,622 |
| Intergovernmental revenues | 148,320 | 148,320 | 268,350 | 120,030 |
| Charges for service | 852,925 | 852,925 | 923,810 | 70,885 |
| Miscellaneous revenues |  85,350 85,350 156,254 |  70£904 |
| Total revenues |  3,798,605 3,798,605 4,244,382 |  445,777 |

EXPENDITURES

Current

|  |  |
| --- | --- |
| General government 495,850 495,850 544,050 | (48,200) |
| Public safety 1,366,445 1,366,445 1,120,223 | 246,222 |
| Public works 1,314,685 1,314,685 1,075,565 | 239,120 |
| culture and recreation 495,335 495,335 396,503 | 98,832· |
| Community development 64,750 64,750 60,011 | 4,739 |
| Insurance, benefits & miscellaneous 245,030 245,030 654,082 | (409,052) |
| Debt service - interest & fiscal charges 220,560 220,560 199,806 | 20,754 |
| Capital outlay 5,593,820 5,593,820 2,791,883  | 2,801,937 |
| Total expenditures 9,796,475 9,796,475 6,842,123 |  2,954,352 |

Excess (deficiency) of revenues

over (under) expenditures (5,997,870) (5,997,870) (2,597,741) 3,400,129

OTHER FINANCING SOURCES (USES)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Proceeds of general | long term | debt | 10,000,000 | 10,000,000 | 11,210,000 | 1,210,000 |
| Operating transfers | in |  | 175,000 | 175,000 | 797,512 | 622,512 |
| Operating transfers | out |  | 0 | 0 | (96,249) | (96,249) |

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

4,177,130 4,177,130 9,313,522 5,136,392

1,396,433 1,396,433 1,638,743 242,310

$ 5,573,563 $ 5,573,563 $ 10,952,265 $ 5,378,702

=======· · ==== ------------ ------------ -----------

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

**-44-**

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|  |  |
| --- | --- |
| POLICE PENSION PLAN {UNIFORMED PLAN)Last 10 Fiscal Years\* |  |
|  12/31/2014  |  12/31/2015  |  12/31/2016  |
| **Total Pension Liability** |  |  |
| Service cost | $ 67,775 | $ 85,189 | $ 89,448 |
| Interest | 267,668 | 283,484 | 293,634 |
| Differences between expected and actual experience |  | 7,217 |  |
| Changes of asswnptions |  | 88,718 | - |
| Benefit payments, including r funds of member contributions | {238,199) | {2371608) | {237,608) |
| **Net change in total pension liability** | 97,244 | 227,000 | 145,474 |
| **Total pension liability** - **beginning** | 3,620,228 | 32717 1 472 | 3!944,472 |
| **Total pension liability** - **ending** | $ 3,717,472 | $ 3,944,472 | $ 4,089,946 |
| **Plan Fiduciary Net Position** |  |  |  |
| Contributions - employer | $ 66,341 | $ 60,721 | $ 68,367 |
| Contributions - State Aid | 55,070 | 65,598 | 87,382 |
| Contributions - member | 41,324 | 46,651 | 47,364 |
| Net investment income | 158,518 | (17,081) | 119,869 |
| Benefit payments, including refunds of member contributions | (238,199) | (237,608) | (237,608) |
| Administrative expense | {16,405) | {20!360) | {17,861) |
| **Net change** in **plan fiduciary net position** | 66,649 | (102,079) | 67,513 |
| **Plan fiduciary net position** - **beginning** | 2,6822579 | 2,749,228 | 2,647,149 |
| **Plan fiduciary net position** - **ending** | $ 2,749,228 | $ 2,647,149 | $ 2,714,662 |
| **Municipality's net position liability** |  $ 968,244  | $ 1,297,323  | $ 1,375,284  |
| Covered-employee payroll | $ 438,276 | $ 504,874 | $ 566,098 |
| Net pension liability as a percentage of its covered-employee payroll | 220.9% | 257.0% | 242.9% |
| Plan fiduciary net position as a percentage of the total pension liability | 74.0% | 67.1% | 66.4% |

#### I I

I

I

I Notes to schedules:

UNIFORMED PENSION PLAN

(An Integral Part of the Financial Statements}

Assumption Changes - In 2015, the mortality asswnption was changed from the RP-2000 Table to the

I RP-2000 Table projected to 2015 using Scale AA.

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

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

NONUNIFORMED PENSION PLAN

I

(An Integral Part of the Financial Statements)

I EMPLOYEES PENSION PLAN (NONUNIFORMED PLAN)

Last 10 Fiscal Years\*

**Total Pension Liability**

I

I I I I I I I I I

|  |  |  |  |
| --- | --- | --- | --- |
| Service cost | $ 71,349 | $ 59,361 | $ 62,329 |
| Interest | 174,074 | 185,904 | 202,664 |
| Differences between expected and actual experience |  | (153,033) |  |
| Changes of assumptions |  | 95,440 |  |
| Benefit payments, including refunds of member contributions | {20,707) | {15,496) | {34,042) |
| **Net change in total pension lia' ility** | 224,716 | 172,176 | 230,951 |
| **Total pension liability** - **beginning** | 2,259,985 | 2,4842701 | 2,656,877 |
| **Total pension liability** - **ending** | $ 2,484,701 | $ 2,656,877  | $ 2,887,828 |
| **Plan Fiduciary Net Position** |  |  |  |
| Contributions - employer $ | $ | $ |
| Contributions - State Aid | 68,856 | 63,790 | 65,731 |
| Contributions - member |  |  |  |
| Net investment income | 130,748 | (15,802) | 107,761 |
| Benefit payments, including refunds of member contributions | (20,707) | (15,496) | (34,042) |
| Administrative expense |  042043) | {20,326) | {17,464) |
| **Net change in plan fiduciary net position** | 164,854 | 12,166 | 121,986 |
| **Plan fiduciary net position** - **beginning** | 2,134,307 | 2,299,161 | 2,311,327 |
| **Plan fiduciary net position** - **ending** | $ 2,299,161 | $ 2,311,327 | $ 2,433,313  |
| **Municipality's net position liability** | $ 185,540 | $ 345,550 | $ 454,515 |
|  |  |  |  |
| Covered-employee payroll | $ 899,946 | $ 833,294 | $ 907,350 |
| Net pension liability as a percentage of its covered-employee payroll | 20.6% | 41.5% | 50.1% |
| Plan fiduciary net position as a percentage of the |  |  |  |
| total pension liability | 92.5% | 87.0% | 84.3% |

Notes to schedules:

 12/31/2014 12/31/2015 12/31/2016

I Assumption Changes - In 2015, the mortality assumption was changed from the RP-2000 Table to the RP-2000 Table projected to 2015 using Scale AA.

I

\* 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.

I

SCHEDULE OF EMPLOYER CONTRIBUTIONS DEFINED BENEFIT PENSION PLANS

I

*(An* lntergral Part of the Financial Statements)

##### I

POLICE PENSION PLAN (UNIFORMED PLAN)

I Last 10 Fiscal Years\*

12/31/2014 12/31/2015 12/31/2016

I

|  |  |  |  |
| --- | --- | --- | --- |
| Actuarially determined contribution | 121,411 | 126,319 | 155,749 |
| Contributions made | (121,411) | (126,319) | (155,749) |
| Contribution deficiency (excess) |  |  |  |
| Covered-employee payroll | 438,276 | 504,874 | 566,098 |
| Contributions as a percentage of covered-employee payroll | 27.70% | 25.02% | 27.51% |

I I I

EMPLOYEES PENSION PLAN (NONUNIFORMED PLAN)

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Last 10 Fiscal Years\*

I 12/31/2014 12/31/2015 12/31/2016

|  |  |  |  |
| --- | --- | --- | --- |
| Actuarially determined contribution | 68,856 | 63,790 | 65,731 |
| Contributions made | (68,856) | (63,790) | (65,731) |
| Contribution deficiency (excess)Covered-employee payroll | 899,946 | 833,294 | 907,350 |
| Contributions as a percentage of |  |  |  |

##### I

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covered-employee payroll 7.65% 7.66% 7.24%

#### I

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

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

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I -47 -

BOROUGH OF CATASAUQUA REQUIRED SUPPLEMENTARY INFORMATION

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NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION DEFINED BENEFIT PENSION PLANS

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(An Integral Part of the Financial Statements)

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The information presented in the required supplementary

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schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

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Valuation date: Actuarial cost method:

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I Amortization method:

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Remaining amortization period:

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Asset valuation method:

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

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I I I I I

Uniformed Plan

1/1/15

Entry age

Level Dollar Open

12 Years

Asset Smooth ng per Section 210(a) of Act 44

7.50%

5.00%

Moderate cost of living

-48-

Nonuniformed Plan

1/1/15

Entry age

Level Dollar Closed

None

Asset . s moothing per Section 210(a) of Act 44

7.50%

5.00%

Moderate cost of living

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I 903 Chestnut Street

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER

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MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN

I ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Borough Council

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Borough of Catasauqua, Pennsylvania

We have audited, in accordance 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, 2016, 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 14, 2017.

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Internal Control Over Financial Reporting

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

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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.

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-49-

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 2016-1.

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I 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 effect 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 2016-1.

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

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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.

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Purpose of this Report

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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.

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Emmaus, Pennsylvania August 14, 2017

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-50-

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I FINDINGS

BOROUGH OF CATASAUQUA SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2016

I SIGNIFICANT DEFICIENCIES

Finding No. 2016-1: Segregation of Duties

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

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

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Effeet: 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.

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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 Council need to monitor the accounting of the Borough and remain involved in the functions of the office to provide additional safeguards.

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

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I QUESTIONED COSTS

I None

I -51-

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