

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**BOROUGH OF CATASAUQUA**

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### INDEPENDENT AUDITORS' REPORT

To the Borough Council  
Borough of Catasauqua  
Catasauqua, Pennsylvania

#### **Opinions**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Catasauqua, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Borough of Catasauqua's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Catasauqua, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the cash basis of accounting.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Borough of Catasauqua, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Basis of Accounting**

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

#### **Emphasis of Matter**

As discussed in Note 12 to the financial statements, the Borough has increased their real estate tax millage rate from 7.35 mills to 15.05 mills effective for the 2023 year. The Borough received a Grant Anticipation note in the current year, however, payments on the note have ceased in the 2022 which may have violated certain provisions of the debt agreement.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough of Catasauqua's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Catasauqua's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough of Catasauqua's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the budgetary comparison information – cash basis and pension information but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

*Kirk, Summa + Co. LLP*

March 6, 2023  
East Stroudsburg, Pennsylvania

BOROUGH OF CATASAUQUA  
 LEHIGH COUNTY, PENNSYLVANIA  
 STATEMENT OF NET POSITION - CASH BASIS  
 DECEMBER 31, 2021

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
Cash and cash equivalents	\$ 25,703	\$ 3,794,010	\$ 3,819,713
Interfund balances	28,377	644,940	673,317
Capital assets, net of depreciation	-	5,352,060	5,352,060
<b>TOTAL ASSETS</b>	<b>54,080</b>	<b>9,791,010</b>	<b>9,845,090</b>
<u>LIABILITIES</u>			
Interfund balances	447,179	226,138	673,317
Other liabilities	53,156	-	53,156
Current portion of long-term debt	-	326,538	326,538
Long-term debt	-	8,334,108	8,334,108
<b>TOTAL LIABILITIES</b>	<b>500,335</b>	<b>8,886,784</b>	<b>9,387,119</b>
<u>NET POSITION</u>			
Net investment in capital assets	-	(3,308,586)	(3,308,586)
Restricted for:			
Liquid fuels	136,048	-	136,048
Escrows	53,156	-	53,156
Unrestricted	(635,459)	4,212,812	3,577,353
<b>TOTAL NET POSITION</b>	<b>\$ (446,255)</b>	<b>\$ 904,226</b>	<b>\$ 457,971</b>

See accompanying notes to basic financial statements.

BOROUGH OF CATASAUQUA  
 LEHIGH COUNTY, PENNSYLVANIA  
 STATEMENT OF ACTIVITIES - CASH BASIS  
 FOR THE YEAR ENDED DECEMBER 31, 2021

Program Activities	Program Revenues		Net (Expenses) Revenues and Changes in Net Position	
	Fees, Fines and Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities
<b>Governmental activities:</b>				
General government administration	\$ 904,050	\$ 1,172,865	\$ 268,815	\$ 268,815
Public safety and protective inspection	1,590,477	27,484	(672,275)	(672,275)
Public works	1,499,546	171,445	(1,322,481)	(1,322,481)
Culture and recreation	203,114	-	(194,101)	(194,101)
Community development	2,336,203	-	(2,336,203)	(2,336,203)
Insurance	54,541	-	(54,541)	(54,541)
Employee benefits	751,257	-	(751,257)	(751,257)
Interest and debt related	1,766,683	-	(1,766,683)	(1,766,683)
Miscellaneous and other	27,508	-	(27,508)	(27,508)
Depreciation - unallocated	-	-	-	-
<b>Total governmental activities</b>	<b>9,133,379</b>	<b>1,371,794</b>	<b>(6,856,234)</b>	<b>(6,856,234)</b>
<b>Business-type activities:</b>				
Sewer	1,746,207	-	-	(110,602)
Wastewater collection	323,845	-	-	7,889
Water	871,620	-	-	(149,259)
<b>Total business-type activities</b>	<b>2,941,672</b>	<b>-</b>	<b>-</b>	<b>(251,972)</b>
<b>Total primary government</b>	<b>\$ 12,075,051</b>	<b>\$ 1,371,794</b>	<b>\$ (6,856,234)</b>	<b>\$ (7,108,206)</b>

See accompanying notes to basic financial statements.

BOROUGH OF CATASAUQUA  
 LEHIGH COUNTY, PENNSYLVANIA  
 STATEMENT OF ACTIVITIES - CASH BASIS - CONTINUED  
 FOR THE YEAR ENDED DECEMBER 31, 2021

	Net (Expenses) Revenues and Changes in Net Position		
	Governmental Activities	Business-type Activities	Totals
<b>General revenues:</b>			
Property taxes, levied for general purposes	2,378,610	-	2,378,610
Other taxes levied for general purposes	938,210	-	938,210
Licenses and permits	137,539	-	137,539
Fines and forfeits	45,992	-	45,992
Investment earnings & rent	105,384	265	105,649
Miscellaneous income	327,265	-	327,265
Gain (loss) n disposal of assets	15,623	-	15,623
Proceeds from debt	2,440,499	-	2,440,499
Transfers between funds	-	-	-
<b>Total general revenues and transfers</b>	<b>6,389,122</b>	<b>265</b>	<b>6,389,387</b>
<b>Change in Net Position</b>	<b>(467,112)</b>	<b>(251,707)</b>	<b>(718,819)</b>
<b>Net position at beginning of year</b>	<b>20,857</b>	<b>1,155,933</b>	<b>1,176,790</b>
<b>Net Position at End of Year</b>	<b>\$ (446,255)</b>	<b>\$ 904,226</b>	<b>\$ 457,971</b>

See accompanying notes to basic financial statements.

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
BALANCE SHEETS - CASH BASIS  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2021**

	Major Funds		Non-major Funds			Total Governmental Funds
	General Fund	Liquid Fuels Fund	Debt Service Fund	Community Development Fund		
<b>ASSETS</b>						
Cash and cash equivalents	\$ -	\$ 136,048	\$ -	\$ 2,514	\$ 138,562	
<i>Interfund receivables:</i>						
Business-type-funds	28,377	-	-	-	28,377	
<b>TOTAL ASSETS</b>	<b>\$ 28,377</b>	<b>\$ 136,048</b>	<b>\$ -</b>	<b>\$ 2,514</b>	<b>\$ 166,939</b>	
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Overdraft	\$ 112,859	\$ -	\$ -	\$ -	\$ 112,859	
<i>Interfund payables:</i>						
Business-type-funds	442,432	-	-	4,746	447,178	
Escrow payable	53,156	-	-	-	53,156	
<b>TOTAL LIABILITIES</b>	<b>608,447</b>	<b>-</b>	<b>-</b>	<b>4,746</b>	<b>613,193</b>	
<b>FUND BALANCES</b>						
Restricted	53,156	136,048	-	-	189,204	
Unassigned-as restated	(633,226)	-	-	(2,233)	(635,459)	
<b>TOTAL FUND BALANCES</b>	<b>(580,070)</b>	<b>136,048</b>	<b>-</b>	<b>(2,233)</b>	<b>(446,255)</b>	
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 28,377</b>	<b>\$ 136,048</b>	<b>\$ -</b>	<b>\$ 2,513</b>	<b>\$ 166,938</b>	

See accompanying notes to basic financial statements.



BOROUGH OF CATASAUQUA  
 LEHIGH COUNTY, PENNSYLVANIA  
 STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCES -CASH BASIS - GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2021

	Major Funds		Nonmajor Funds		Total Governmental Funds
	General Fund	Liquid Fuels Fund	Community Development Fund	Debt Service Fund	
<b>Revenues:</b>					
Taxes	\$ 3,316,819	\$ -	\$ -	\$ -	\$ 3,316,819
Licenses and permits	137,539	-	-	-	137,539
Fines	45,992	-	-	-	45,992
Interest and rents	105,365	19	1	-	105,385
Intergovernmental	1,200,349	171,445	-	-	1,371,794
Charges for services	905,351	-	-	-	905,351
Miscellaneous	327,265	-	-	-	327,265
<b>Total Revenues</b>	<b>6,038,680</b>	<b>171,464</b>	<b>1</b>	<b>-</b>	<b>6,210,145</b>
<b>Expenditures:</b>					
General government	904,050	-	-	-	904,050
Public safety and protective inspection	1,590,477	-	-	-	1,590,477
Sanitation	745,413	-	-	-	745,413
Highways and streets	410,681	339,433	-	-	750,114
Storm water & flood control	4,019	-	-	-	4,019
Culture and recreation	203,114	-	-	-	203,114
Economic development	2,336,203	-	-	-	2,336,203
Debt service - principal	-	-	-	1,415,570	1,415,570
Debt service - interest	-	-	-	351,113	351,113
Insurance	54,541	-	-	-	54,541
Employee benefits	751,257	-	-	-	751,257
Pension	8,629	-	-	-	8,629
Unemployment	18,879	-	-	-	18,879
<b>Total Expenditures</b>	<b>7,027,263</b>	<b>339,433</b>	<b>-</b>	<b>1,766,683</b>	<b>9,133,379</b>
<b>Excess (deficiency) in Revenues over expenses</b>	<b>(988,583)</b>	<b>(167,969)</b>	<b>1</b>	<b>(1,766,683)</b>	<b>(2,923,234)</b>
<b>Other Financing Sources (Uses);</b>					
Proceeds from sale of Authority rights	15,623	-	-	-	15,623
Proceeds from debt	2,440,499	-	-	-	2,440,499
Operation transfers in (out)	(1,875,432)	108,749	-	1,766,683	-
<b>Total Other Financing Sources (Uses);</b>	<b>580,690</b>	<b>108,749</b>	<b>-</b>	<b>1,766,683</b>	<b>2,456,122</b>
<b>Net changes in fund balances</b>	<b>(407,893)</b>	<b>(59,220)</b>	<b>1</b>	<b>-</b>	<b>(467,112)</b>
<b>Fund balances at beginning of year</b>	<b>(172,177)</b>	<b>195,268</b>	<b>(2,234)</b>	<b>-</b>	<b>20,857</b>
<b>Fund balances at end of year</b>	<b>\$ (580,070)</b>	<b>\$ 136,048</b>	<b>\$ (2,233)</b>	<b>\$ -</b>	<b>\$ (446,255)</b>

See accompanying notes to basic financial statements.

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
STATEMENT OF NET POSITION - CASH BASIS  
PROPRIETARY FUNDS  
DECEMBER 31, 2021**

	<u>Sewer Fund</u>	<u>Wastewater Collection Fund</u>	<u>Water Fund</u>	<u>Total Proprietary Funds</u>
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 3,724,706	\$ 74,015	\$ -	\$ 3,798,721
Due from other funds	619,134	24,282	1,524	644,940
<b>Total Current Assets</b>	<u>4,343,840</u>	<u>98,297</u>	<u>1,524</u>	<u>4,443,661</u>
<b>Capital Assets:</b>				
Sewer system, net of accumulated depreciation	4,545,984	98,530	-	4,644,514
Water system, net of accumulated depreciation	-	-	707,546	707,546
<b>TOTAL ASSETS</b>	<u>\$ 8,889,824</u>	<u>\$ 196,827</u>	<u>\$ 709,070</u>	<u>\$ 9,795,721</u>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Due to other funds	\$ -	\$ 1,475	\$ 224,664	\$ 226,139
Overdraft	-	-	4,710	4,710
Current portion of long-term debt	280,000	-	46,538	326,538
<b>Total Current Liabilities</b>	<u>280,000</u>	<u>1,475</u>	<u>275,912</u>	<u>557,387</u>
<b>Noncurrent Liabilities</b>				
Water revenue notes payable, net of current portion	-	-	424,108	424,108
Bonds payable, net of current portion	7,910,000	-	-	7,910,000
<b>Total Noncurrent Liabilities</b>	<u>7,910,000</u>	<u>-</u>	<u>424,108</u>	<u>8,334,108</u>
<b>TOTAL LIABILITIES</b>	<u>8,190,000</u>	<u>1,475</u>	<u>700,020</u>	<u>8,891,495</u>
<b>NET POSITION</b>				
Net investment in capital assets	(3,644,016)	98,530	236,900	(3,308,586)
Unrestricted	4,343,840	96,822	(227,850)	4,212,812
<b>TOTAL NET POSITION</b>	<u>\$ 699,824</u>	<u>\$ 195,352</u>	<u>\$ 9,050</u>	<u>\$ 904,226</u>

See accompanying notes to basic financial statements.

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION -  
CASH BASIS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Sewer Fund	Wastewater Collection Fund	Water Fund	Total Proprietary Funds
<b>Operating Revenues:</b>				
Licenses & permits	\$ 3,750	\$ -	\$ -	\$ 3,750
Charges for services	1,522,536	331,731	722,361	2,576,628
Miscellaneous	109,308			109,308
<b>Total Operating Revenues</b>	<u>1,635,594</u>	<u>331,731</u>	<u>722,361</u>	<u>2,689,686</u>
<b>Operating Expenses:</b>				
Personnel services	597,614	203,222	416,135	1,216,971
Maintenance, operations, and contract services	623,506	97,303	303,439	1,024,248
Supplies	27,402	12,314	17,166	56,882
Materials	-	2,498	40,769	43,267
Utilities	81,095	-	60,020	141,115
Depreciation	317,933	8,508	32,496	358,937
<b>Total Operating Expenses</b>	<u>1,647,550</u>	<u>323,845</u>	<u>870,025</u>	<u>2,841,420</u>
<b>NET OPERATING INCOME (LOSS)</b>	(11,956)	7,886	(147,664)	(151,734)
<b>Nonoperating Revenues (Expenses)</b>				
Interest income	228	28	23	279
Interest expense	(98,658)	-	(1,594)	(100,252)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(98,430)</u>	<u>28</u>	<u>(1,571)</u>	<u>(99,973)</u>
<b>Net Income (loss) Before Operating Transfers</b>				
Operating transfers	-	-	-	-
<b>CHANGE IN NET POSITION</b>	(110,386)	7,914	(149,235)	(251,707)
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>810,210</u>	<u>187,438</u>	<u>158,285</u>	<u>1,155,933</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 699,824</u>	<u>\$ 195,352</u>	<u>\$ 9,050</u>	<u>\$ 904,226</u>

See accompanying notes to basic financial statements.

BOROUGH OF CATASAUQUA  
 LEHIGH COUNTY, PENNSYLVANIA  
 STATEMENT OF CASH FLOWS - CASH BASIS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2021

	Sewer Fund	Wastewater Collection Fund	Water Fund	Total Proprietary Funds
<b>Cash flows from operating activities:</b>				
Receipts from customers	\$ 1,635,594	\$ 331,731	\$ 722,361	\$ 2,689,686
Payments to employees	(597,615)	(203,222)	(416,135)	(1,216,972)
Payments to suppliers	(732,002)	(112,115)	(421,394)	(1,265,511)
<b>Net Cash provided by operating activities</b>	<u>305,977</u>	<u>16,394</u>	<u>(115,168)</u>	<u>207,203</u>
<b>Cash flows from non-capital financing activities:</b>				
Operating transfers	-	-	-	-
<b>Net cash (used) by non-capital financing activities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash flows from capital and related financing activities:</b>				
Interest paid on capital debt	(98,658)	-	(1,594)	(100,252)
Proceeds from capital debt	8,395,000	-	438,905	8,833,905
Principal paid on capital debt	(4,335,000)	-	(26,205)	(4,361,205)
<b>Net cash (used) by capital and related financing activities</b>	<u>3,961,342</u>	<u>-</u>	<u>411,106</u>	<u>4,372,448</u>
<b>Cash flows from investing activities:</b>				
Purchases of capital assets	(43,070)	(7,097)	(469,631)	(519,798)
Interfund borrowings, net	(517,939)	1,375	156,992	(359,572)
Interest earned on cash and investments	228	28	23	279
<b>Net cash (used) by investing activities</b>	<u>(560,781)</u>	<u>(5,694)</u>	<u>(312,616)</u>	<u>(879,091)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	3,706,538	10,700	(16,678)	3,700,560
<b>Cash at beginning of year</b>	<u>18,168</u>	<u>63,315</u>	<u>11,968</u>	<u>93,451</u>
<b>Cash (Overdraft) at end of year</b>	<u>\$ 3,724,706</u>	<u>\$ 74,015</u>	<u>\$ (4,710)</u>	<u>\$ 3,794,011</u>
<b>Reconciliation of Operating Profit (Loss) to net cash provided by (used for) Operating Activities</b>				
Operating Income (Loss)	\$ (11,956)	\$ 7,886	\$ (147,664)	\$ (151,734)
Adjustments to reconcile operating loss to net cash used for operating activities:				
Depreciation expense	317,933	8,508	32,496	358,937
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<u>\$ 305,977</u>	<u>\$ 16,394</u>	<u>\$ (115,168)</u>	<u>\$ 207,203</u>

See accompanying notes to basic financial statements.

BOROUGH OF CATASAUQUA  
 LEHIGH COUNTY, PENNSYLVANIA  
 STATEMENT OF NET POSITION - CASH BASIS  
 FIDUCIARY FUNDS  
 DECEMBER 31, 2021

	<u>Police Pension Plan</u>	<u>Nonuniform Pension Plan</u>	<u>Total Pension Trust Funds</u>
<b><u>ASSETS</u></b>			
Investments	\$ 3,665,409	\$ 3,494,011	\$ 7,159,420
Receivables	414,537	165,405	579,942
<b>TOTAL ASSETS</b>	<b><u>\$ 4,079,946</u></b>	<b><u>\$ 3,659,416</u></b>	<b><u>\$ 7,739,362</u></b>
<b><u>LIABILITIES</u></b>			
Accrued pension payments	\$ -	\$ -	\$ -
<b><u>NET POSITION</u></b>			
Net position held in trust for pension benefits	4,079,946	\$ 3,659,416	7,739,362
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b><u>\$ 4,079,946</u></b>	<b><u>\$ 3,659,416</u></b>	<b><u>\$ 7,739,362</u></b>

See accompanying notes to basic financial statements.

**BOROUGH OF CATASAUQUA  
 LEHIGH COUNTY, PENNSYLVANIA  
 STATEMENT OF CHANGES IN NET POSITION - CASH BASIS  
 FIDUCIARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Police Pension Plan</u>	<u>Nonuniform Pension Plan</u>	<u>Total Pension Trust Funds</u>
<b>ADDITIONS:</b>			
<b>Contributions:</b>			
Employer	\$ 259,936	\$ 57,544	\$ 317,480
Employee	67,406	-	67,406
Commonwealth	86,351	95,946	
Interest and dividends	75,348	51,696	127,044
Investment gain	398,175	386,756	784,931
<b>TOTAL ADDITIONS</b>	<u>887,216</u>	<u>591,942</u>	<u>1,296,861</u>
<b>Deductions:</b>			
Benefit payments, including tax withheld	331,655	130,983	462,638
Administrative expenses	24,163	25,654	49,817
<b>TOTAL DEDUCTIONS</b>	<u>355,818</u>	<u>156,637</u>	<u>512,455</u>
<b>CHANGE IN NET POSITION</b>	531,398	435,305	784,406
<b>Held in Trust for Pension Benefits:</b>			
Beginning of year	<u>3,548,548</u>	<u>3,224,111</u>	<u>6,772,659</u>
End of year	<u>\$ 4,079,946</u>	<u>\$ 3,659,416</u>	<u>\$ 7,739,362</u>

See accompanying notes to basic financial statements.

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

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The Borough of Catasauqua (the Municipality) was organized in 1853 and operates as a borough in Lehigh County, Pennsylvania. The Borough Council, a seven-member group, and a Mayor, is the level of government responsible for providing a full range of municipal services including those mandated by statute or ordinance. These include public safety, highways and streets, culture and recreation, public improvements, planning and zoning, and general administrative services. The borough receives funding from local and state government sources and must comply with the concomitant requirements of these funding source entities.

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

As described further in Note 1, these financial statements are presented on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB). These cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the cash basis of accounting.

A. Financial Reporting Entity

The report includes all of the services provided by the Borough to residents and businesses within its boundaries. In evaluating the Borough as a primary government in accordance with GASB Statement No. 14, *Financial Reporting Entity*, management has addressed all potential component units. Consistent with applicable guidance, the criteria used by the Borough to evaluate the possible inclusion of related entities within its reporting entity are financial accountability in a given situation, the Borough reviews the applicability of the following criteria:

The Borough is financially accountable for:

1. Organizations that make up the legal municipal entity.
2. Legally separate organizations if the Borough appoints a voting majority of the Organizations' governing body and the Borough is able to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Borough.
  - a. Impose its Will – If the Borough can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.
  - b. Financial Benefit Burden – Exists if the Borough (1) is entitled to the Organization's resources or (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the Organization or (3) is obligated in some manner for the debt of the Organization.
  - c. Organizations that are fiscally dependent on the Borough. Fiscal dependency is established if the Organization is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the Borough.

There are no entities that would meet the above conditions that would qualify them to be component units of the Borough of Catasauqua.

BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021

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

B. Basis of Presentation – continued

The Borough's basic financial statements include both government-wide and fund financial statements. Both types of statements categorize primary activities as either governmental or business type.

In the government-wide Statement of Net Position – cash basis, the governmental column is presented on a consolidated basis by which all funds reported on the cash basis of accounting, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Borough's net position is reported in three parts-invested in capital assets, net of related debt, restricted net position, and unrestricted net position. The first utilizes restricted resources to finance qualifying activities.

Fund Financial Statements

The accounts of the Borough are organized on the basis of funds or account groups, each which is considered as a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, reserves, fund balance, revenues, and expenditures or expenses as appropriate. The fund types and the account groups utilized by the Borough and a brief description of their accounting purposes are as follows:

**Governmental Funds**

The focus of the government and fund's measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Borough:

**General Fund:** is the general operating fund of the Borough. This fund is established to account for resources devoted to financing the general services that the Borough performs for its citizens. General tax receipts and other sources of receipts used to finance the fundamental operations of the Borough are included in this fund. The fund is charged with all costs of operating the government for which a separate fund has not been established.

**Highway Fund:** These funds are established to account for the cash receipts of specific resources other than expendable trusts or major capital projects that are legally restricted to disbursements for specified purposes.

**Proprietary Fund**

The focus of proprietary fund measurement is upon determination of operating income – cash basis, change in net position – cash basis, financial position – cash basis, and cash flows – cash basis. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer fund are charges to customers for waste disposal treatment. Operating expenses for the sewer fund include personnel, maintenance, operations, contracted services, professional fees, materials and supplies, and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The Borough's proprietary funds are all classified as enterprise funds.

**Enterprise Funds** are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that the cost of providing services, including capital costs, (b) be recovered with fees or charges or (c) establishes fees and charges based on a pricing policy to recover similar costs. The following is a description of the Borough's enterprise fund:



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

B. Basis of Presentation – continued

**Sewer Fund:** is used to account for the operation of the sewer collection system which is operated as a public utility and not included as a regular function in the general fund.

**Water Fund:** is used to account for the operation of the water collection system which is operated as a public utility and not included as a regular function in the general fund.

**Waste Water Collection Fund:** is used to account for the operation of the water collection system which is operated as a public utility and not included as a regular function in the general fund.

**Fiduciary Funds**

The Borough's fiduciary funds are trust funds. Trust funds are used to account for assets held by the Borough under a trust agreement for individuals, private organizations, or other governments and, therefore are not available to support the Borough's own programs.

C. Measurement focus, basis of accounting, and financial statement presentation

The accounting and financial treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus is a term used to describe what transactions or events are recorded within the various financial statements. Basis of accounting refers to when and how transactions or events are recorded, regardless of the measurement focus applied.

**1. Measurement Focus**

In the government-wide statement of net position and statement of activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the cash basis of accounting.

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

- All governmental funds utilize a current financial resources measurement focus within the limitations of the cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- The proprietary funds utilize an economic resources measurement focus within the limitations of the cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), net financial position, and cash flows. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent or financial or nonfinancial) associated with their activities are generally reported within the limitations of the cash basis of accounting.
- The fiduciary funds utilize an economic resources measurement focus within the limitations of the cash basis of accounting. All assets and liabilities (whether current or noncurrent or financial or nonfinancial) associated with their activities are generally reported within the limitations of the cash basis of accounting.

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

C. Measurement focus, basis of accounting, and financial statement presentation – continued

**2. Basis of Accounting**

The financial statements are presented in accordance with a cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. The basis of accounting involves modifications to the cash basis of accounting to report in the statements of net position or balance sheet transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transactions or event occurred. Such reported balance include investments, interfund receivables and payables, payroll taxes withheld, developer escrows, capital assets for governmental and enterprise funds, and all long-term debt obligations arising from cash transactions or events for both enterprise and governmental funds.

The cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not year collected and other accrued revenue and receivables) and certain liabilities and their related expenses or expenditures (such as accounts payable and expenses for goods or services received but not yet not yet paid and other accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not arise from cash transactions or events are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value, except investments which are reported at fair value.

If the Borough utilized accounting principles generally accepted in the United States of America, the fund financial statements for governmental funds would use the accrual basis of accounting, and the fund financial statements of proprietary and fiduciary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented in accordance with the accrual basis of accounting.

D. Cash and Cash Equivalents

For purposes of reporting cash flows, the proprietary fund type funds consider all cash accounts which are not subject to withdrawal restrictions or penalties, and all highly-liquid debt investments purchased with a maturity of three months or less to be cash and cash equivalents.

E. Investments

Investments are valued at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, except for investments in external investment pools, which are valued at amortized costs if required criteria are met as outlined in GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

The Borough categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near-term and that such changes could materially affect the amounts reported in the statement of financial position.