

**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**

F. Capital Assets

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

The government-wide and business-type funds (proprietary funds) use the cash basis of accounting for capital assets for both the government-wide statements of net position and the fund statements. Capital assets resulting from cash transactions are set up as assets and depreciation is reported as necessary. All business-type capital assets are valued at historical cost. Major improvements are capitalized, while maintenance and repairs of property and equipment and infrastructure costs are charged to operations. Upon retirement, sale, or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the amounts and a gain or loss is included in operations. Depreciation expense is recorded as an allocated expense to the appropriate function using the straight-line method of depreciation. A capitalization threshold of \$2,500 is used to report business-type capital assets.

Estimated useful lives are as follows:

Buildings, plant and improvements	10-40 years
Vehicles and transportation equipment	5-10 years
Machinery and equipment	5-10 years
Infrastructure	25-50 years

G. Long-Term Debt

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

H. Net Position and Fund Balance Classifications

Equity is classified as net position and displayed in three components for government-wide and proprietary funds presentation:

Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position – All other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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

H. Net Position and Fund Balances – continued

In the governmental fund financial statements, the Borough reports fund balance classifications in accordance with the provisions of GASB No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." The following are a listing of fund balance categories:

Non-Spendable – Amounts that are not in spendable form or legally or contractually required to remain intact.

Restricted – Amounts that are externally imposed by creditors or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts that can only be used for specific purposes pursuant to constraints by formal action of the highest level of decision-making authority. The Borough's Committed Fund Balance is fund balance reporting required by the Borough Council, either because of a Borough Policy or in the Borough Policy Manual, or because of motions that passed at Council meetings.

Assigned – Amounts that are constrained by intent to be or used for specific purpose. The Borough's Assigned Fund Balance is fund balance reporting occurring by Borough authority under the direction of the Borough Business Manager.

Unassigned – Amounts that are residual in classification for government's general fund and includes all spendable amounts not contained in the other classifications.

Restricted or unrestricted amounts are considered spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

The Borough's Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the business manager through adoption or amendment of the budget as intended for specific purposes (such as the purchase of fixed assets, construction, debt service, or other purposes).

Spending Policy

The Borough does not have a formal fund balance policy regarding the use of restricted resources; therefore, the default policy from the government accounting standards will be used. Any disbursement incurred for a purpose in which restricted and unrestricted fund balance amounts are available are satisfied through restricted fund balance amounts before unrestricted fund balance amounts. When an expenditure is incurred for a purpose in which unrestricted fund balance amounts are available under committed, assigned, or unassigned fund balances, the fund balance is consumed as follows: committed, assigned, and unassigned.

Minimum Fund Balance Policy

The Borough has no formal minimum fund balance policies or any formal stabilization arrangements in place.

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

I. Program Revenues

In the statement of activities, revenues that are derived directly from each activity or from parties outside the Borough's taxpayers are reported as program receipts. The Borough has the following program receipts in each activity:

General Government: Charges for services include receipts for licenses, franchise fees, fines, and permits. Operating grants include revenues for general government expenditures.

Public Safety: Charges for services include receipts for fines, permits, and sewage management charges. Operating grants include foreign fire insurance tax distribution from the Commonwealth of Pennsylvania and police grants.

Public Works: Sanitation: Charges for services include fees charged for refuse collection. Operating grants include recycling grants from the Commonwealth of Pennsylvania.

Public Works: Highways and Streets: Charges for services include traffic impact fees and storm water fees from developers. Operating grants include proceeds from the State Motor License Fund through the Commonwealth of Pennsylvania.

Culture and Recreation: Includes receipts from the Borough's recreation board activities. Employer Paid Benefits and Insurance - Includes general municipal pension system state aid from the Commonwealth of Pennsylvania.

All other governmental revenues are reported as general revenue. All taxes are classified as general revenues even if restricted for a specific purpose.

J. Budgets and Budgetary Accounting

The Borough adopts an annual operating budget, which can be amended by the council throughout the year. Formal budgetary accounting is employed as a management control for all funds of the Borough. However, legal budgets are adopted only for the general fund. For each of the funds for which a formal budget is adopted, the same basis of accounting is used to reflect actual revenues and expenditures recognized on the cash basis. For this reason, no reconciliation will be needed between budgeted and actual amounts.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. At least 30 days prior to budget adoption, the Borough prepares a proposed budget for the ensuing year.
2. Notification of the proposed budget and hearings on it are held by the Borough prior to adoption.
3. Prior to December 31<sup>st</sup>, the budget is legally enacted by the Borough and the tax levy ordinance is adopted.
4. The Borough, during the budget year, is authorized to modify the budget through either budget transfers or supplemental appropriations.
5. The budget lapses at the end of the year.

Prior to December 31<sup>st</sup>, the budget is legally enacted by the Borough and the tax levy ordinance is adopted.

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

**K. Property Taxes**

Based upon assessed valuation provided by the County (approximately \$336,644,000 in 2021), the Borough bills and collects its own property taxes through an elected tax collector. The schedule for property taxes levied for 2021 is as follows:

March 1	Levy Date
March 1 through April 30	2% Discount Period
May 1 through June 30	Face Payment Period
July 1 through December 31	10% Penalty Period
January 1 (following year)	Lien Date

The Borough's tax rate for all purposes for 2021 was 7.35 mills (\$7.35 per \$1,000 of assessed taxable valuations).

<u>Fund</u>	<u>Mills</u>
General Fund	<u>7.35</u>
Total Mills	<u>7.35</u>

**L. Compensated Absences**

Accumulated unpaid vacation and sick pay benefits accrue based on length of service and employment. There was no material unused vacation or sick pay benefits as of December 31, 2021.

**M. Other Postemployment Benefits**

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

**N. Use of Estimates**

The preparation of the financial statements in accordance with the cash basis of accounting used by the Borough requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**O. Statement of Cash Flows**

The Borough adopted GASB Statement 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". For purposes of reporting cash flows all highly liquid investments (including restricted assets) with original maturity of three months or less are considered to be cash equivalents.

**P. Pensions**

For purposes of measuring the net pension liability, deferred outflows or resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of both the Borough's Police Pension Plan and the Non-Uniform Pension Plan and additions to/deductions from Police Pension Plan and Non-Uniform Pension Plan's fiduciary net position have been determined on the same basis as they are reported by their respective plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Q. Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Pronouncements

The GASB has issued the following Statements which became effective in the current year as shown below:

GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements – The objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs), as well as, provide guidance for accounting and financial reporting for availability payment arrangements (APAs). The provisions of this statement were effective for periods beginning after June 15, 2020 and were implemented by the Borough as of January 1, 2021 with no effect on financial statement presentation or disclosure.

GASB Statement No. 96, Subscription-Based Information Technology Arrangements – The objective of this statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments by (1) defining SBITA, (2) establishing that a SBITA results in a right-to-use subscription asset and a corresponding subscription liability, (3) providing the capitalization criteria for outlays other than subscription payments and (4) requires note disclosures regarding a SBITA. The provisions of this statement are predominantly effective for periods beginning after June 15, 2022 and was early implemented by the Borough as of January 1, 2021 with no effect on financial statement presentation or disclosure.

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – The objectives of this statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans and employee benefit plans other than pension plans or OPEB plans as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The provisions of this statement are predominantly effective for periods beginning after June 15, 2021. The Borough is evaluating the impact this statement may have on the financial statements.

GASB Statement No. 98, The Annual Comprehensive Financial Report – The objective of this statement is to establish the term *annual comprehensive financial report* and its acronym ACFR. The new term and acronym will replace instances of *comprehensive annual financial report* and its acronym in GAAP for state and local governments. The provisions of this statement are predominantly effective for periods ending after December 15, 2021 and was early implemented by the Borough as of January 1, 2021 with minimal effect on financial statements presentation or disclosure.

**BOROUGH OF CATASAUQUA  
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**NOTE 2 – DEPOSITS AND INVESTMENTS**

Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Borough's deposits may not be recovered. The Borough's policy for minimizing credit risk for bank balances exceeding the Federal Deposit Insurance Corporation's insured limits relies upon the Pennsylvania Pledge Act 72 (72 P.S. section 3836-1et seq.). The act requires the financial institution to pool collateral for all of its government deposits in addition to having the collateral held by an approved custodian in the institution's name. At December 31, 2021 the carrying amount and bank deposit balance of the Borough's deposits were \$3,819,713 and \$4,368,496, respectively. Of the bank balance \$500,000 was covered by federal depository insurance.

Balances held in each category as of December 31, 2021 are as follows:

	<b>Carrying Balance</b>	<b>Bank Balance</b>
Total governmental funds	\$ 25,703	\$ 493,290
Business-type funds	3,794,010	3,875,206
Totals	<u>\$ 3,819,713</u>	<u>\$ 4,368,496</u>

Investments

The pension trust funds' investments are held separately from those of other Borough funds. Assets in the pension trust funds are stated at fair value. Any premiums or discounts are recognized as a gain or loss upon disposition. The Borough maintains investment policies that summarize the investment philosophy of the Borough and establishes investment guidelines and performance objectives for both the Police and Nonuniformed Pension Plans.

As of December 31, 2021, the Borough had the following cash and investments in its pension trust funds:

<u>Cash or Investment Type</u>	<u>Fair Market Value</u>	<u>Level</u>
Mutual funds	\$ 7,159,420	1
Totals	<u>\$ 7,159,420</u>	

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.

Credit Risk

The risk that an issuer or other counterparty to an investment will not fulfill its obligation is called credit risk. The pension trust funds have no formal investment policy that would limit its investment choices based on credit ratings by nationally recognized statistical rating organizations. As of December 31, 2021, the pension trust funds' investment in corporate bonds range in ratings from AA+ to BBB by Standard and Poor's.

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**NOTE 2 – DEPOSITS AND INVESTMENTS – continued**

Concentration of Credit Risk

The Borough places no limit on the amount the Borough may invest in any one issuer. There were no investments in the Police Pension Plan or the Nonuniformed Plan that constituted more than 5% of any of the plan net assets available for benefits at December 31, 2021. In addition, the plans did not have any investment transactions with related parties during the year.

Custodial Credit Risks

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Borough's custodial relates to investments in its Non-Uniform Pension Fund.

**NOTE 3 – INTERFUND BALANCES**

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
<b>General Fund:</b>		
Community Development	\$ 4,746	\$ -
Water Fund	23,631	-
Wastewater Treatment	-	415,933
Wastewater Collection	-	24,282
<b>Community Development Fund:</b>		
General Fund	-	4,746
<b>Water Fund:</b>		
General Fund	-	23,631
Wastewater Collection	1,524	-
Wastewater Treatment	-	199,292
<b>Wastewater Collection</b>		
General Fund	24,282	-
Water Fund	-	1,524
<b>Wastewater Treatment</b>		
General Fund	415,933	-
Water Fund	199,292	-
Total	<u>\$ 669,408</u>	<u>\$ 669,408</u>

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2021, was as follows:

	<u>Balance 01/01/21</u>	<u>Additions</u>	<u>Retirements/ Adjustments</u>	<u>Balance 12/31/21</u>
<b>Business-type activities:</b>				
<b>Capital assets, being depreciated:</b>				
Sewer and water systems	\$ 14,844,353	\$ 519,798	-	\$ 15,364,151
<b>Total being depreciated</b>	<u>14,844,353</u>	<u>519,798</u>	<u>-</u>	<u>15,364,151</u>
Less: accumulated depreciation/amortization	9,653,154	358,937	-	10,012,091
<b>Business activities capital assets, net</b>	<u>\$ 5,191,199</u>	<u>\$ 160,861</u>	<u>-</u>	<u>\$ 5,352,060</u>

Depreciation expense recorded in the proprietary funds is \$358,937 for the year ended December 31, 2021.

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

**Governmental Activities**

**General Obligation Bonds, Series of 2016**

On July 28, 2016 the Borough issued \$11,210,000 to fund the construction of the new municipal complex. Interest rates varies from 1.05% to 3.0% and the maturity date is August 15, 2046. The bonds are subject to redemption prior to maturity.

As of December 31, 2021, general obligation bonds currently outstanding are as follows:

<u>DESCRIPTION</u> <u>Governmental-type Entities:</u>	<u>Interest</u> <u>Rate %</u>	<u>Issue Date</u>	<u>Maturity</u> <u>Date</u>	<u>Outstanding</u>
GOB Series of 2016 30 year semi-annual payments	2.44%	7/28/2016	8/15/2046	\$ 9,900,000
<b>Total General Obligation Bonds</b>				<b>\$ 9,900,000</b>

The annual debt service requirements to maturity for governmental-type general obligation bonds are as follows as of December 31, 2021:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 285,000	\$ 272,995	\$ 557,995
2023	295,000	264,445	559,445
2024	305,000	255,595	560,595
2025	315,000	246,445	561,445
2026	320,000	240,145	560,145
2027 – 2031	1,695,000	1,097,630	2,792,630
2032 – 2036	1,920,000	877,875	2,797,875
2037 – 2041	2,210,000	586,200	2,796,200
2042 – 2046	2,555,000	234,750	2,789,750
<b>Totals</b>	<b>\$ 9,900,000</b>	<b>\$ 4,076,080</b>	<b>\$ 13,976,080</b>

**Business-Type Activities**

**General Obligation Bonds, Series A of 2016**

On November 15, 2021 the Borough issued \$8,395,000 to advance refund the Borough's General Obligation Bond, Series of 2016. Interest rates varies from 1.0% to 4.0% and the maturity date is November 15, 2044. The bonds are subject to redemption prior to maturity.

As of December 31, 2021, general obligation bonds currently outstanding are as follows:

<u>DESCRIPTION</u> <u>Business-type Entities:</u>	<u>Interest</u> <u>Rate %</u>	<u>Issue Date</u>	<u>Maturity</u> <u>Date</u>	<u>Outstanding</u>
GOB Series A of 2021 20 year semi-annual payments	1.0% to 4.0%	10/04/2016	11/15/2035	\$ 8,190,000
<b>Total General Obligation Bonds</b>				<b>\$ 8,190,000</b>



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

The annual debt service requirements to maturity for business-type general obligation bonds are as follows as of December 31, 2021:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 280,000	\$ 179,525	\$ 459,525
2023	285,000	176,725	461,725
2024	295,000	165,325	460,325
2025	295,000	162,375	457,375
2026	310,000	150,575	460,575
2027 – 2031	1,630,000	671,925	2,301,925
2032 – 2036	1,795,000	503,744	2,298,744
2037 - 2041	1,990,000	304,131	2,294,131
2042 - 2046	1,310,000	66,125	1,376,125
Totals	<u>\$ 8,190,000</u>	<u>\$ 2,380,450</u>	<u>\$ 10,570,450</u>

**Direct Borrowings and Direct Placements**

**Governmental-Type**

Installment loan payable – Used for public works equipment and secured by public works equipment. The loan requires ten annual payments of \$62,001, including principal and interest at 3.14% over ten years. The loan matures 2025. There is no prepayment penalty.

Installment loan payable – Used for public safety equipment and secured by public safety equipment. The loan requires three annual payments of \$14,214, including principal and interest at 6.28% over four years. The loan matures 2021. There is no prepayment penalty.

Installment loan payable – Used for public safety equipment and secured by public safety equipment. The loan requires five annual payments of \$7,531, including principal and interest at 6.95% over five years. The loan matures 2022. There is no prepayment penalty.

Installment loan payable – Used for public safety equipment and secured by public safety equipment. The loan requires five annual payments of \$32,758, including principal and interest at 0% over five years. The loan matures 2024. There is no prepayment penalty.

Installment loan payable – Used for public works equipment and secured by public works equipment. The loan requires ten annual payments of \$17,992, including principal and interest at 3.75% over five years. The loan matures 2023. There is no prepayment penalty.

Installment loan payable – Used for public safety equipment and secured by public safety equipment. The loan requires five annual payments of \$14,723, including principal and interest at 3.75% over three years. The loan matures 2024. There is no prepayment penalty.

Installment loan payable – Used for public safety equipment and secured by public safety equipment. The loan requires fifteen annual payments of \$84,932, including principal and interest at 2.99% over fifteen years. The loan matures 2035. There is no prepayment penalty.

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

Installment loan payable – Used for operations. The loan is due upon receipt of grants. The loan matures 2024. There is no prepayment penalty. As of 12/31/21 this loan was in default due to receipt of grant proceeds that weren't remitted to the financial institution.

**Business-Type**

Guaranteed Water Revenue Note – The Borough issued 2002 Guaranteed Water Revenue Note in the amount of \$420,000. Interest rates range from 2.768% to 3.465%.

Guaranteed Water Revenue Note – The Borough issued 2021 Guaranteed Water Revenue Note in the amount of \$500,000. Interest rate 1.0%.

The following are the loans currently outstanding:

DESCRIPTION	Interest		Maturity	
<u>Governmental-type Entities:</u>	<u>Rate %</u>	<u>Issue Date</u>	<u>Date</u>	<u>Outstanding</u>
Installment loan payable	3.14%	08/05/15	08/05/25	\$ 229,668
Installment loan payable	6.95%	06/19/18	06/18/23	7,042
Installment loan payable	0.00%	03/01/18	03/01/18	98,273
Installment loan payable	3.75%	03/01/19	03/01/24	34,058
Installment loan payable	3.75%	10/07/20	10/07/23	26,963
Installment loan payable	1.05%	02/16/21	02/27/24	1,491,149
Installment loan payable	2.99%	05/01/20	06/01/35	959,763
			<b>Total governmental</b>	<u>2,846,916</u>
<b><u>Business-Type Entities:</u></b>				
Guaranteed Water Revenue Note	2.768% – 3.465%	02/01/03	02/01/23	31,741
Guaranteed Water Revenue Note	1.00%	03/17/21	02/01/42	438,905
			<b>Total business-type</b>	<u>470,646</u>
			<b>Total All Direct Borrowings and Direct Placements</b>	<u>\$ 3,317,562</u>

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 1,671,694	\$ 139,392	\$ 1,811,086
2023	178,381	34,025	212,406
2024	150,644	29,046	179,691
2025	121,504	25,429	146,933
2026	63,232	21,701	84,932
2027 - 2031	345,719	78,941	424,661
2032 – 2036	315,742	23,985	339,726
Totals	<u>\$ 2,846,916</u>	<u>\$ 352,519</u>	<u>\$ 3,199,435</u>

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

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 46,538	\$ 8,855	\$ 55,393
2023	28,120	4,108	32,228
2024	23,742	3,852	27,594
2025	23,981	3,613	27,594
2026	24,222	3,372	27,594
2027 - 2031	122,723	22,656	145,379
2032 - 2036	133,733	11,902	145,635
2037 - 2041	67,587	1,456	69,043
Totals	\$ 470,646	\$ 59,814	\$ 530,460

Transactions for the year ended December 31, 2021 are summarized as follows:

	<u>Balance 01/01/21</u>	<u>Issues/ Additions</u>	<u>Reductions</u>	<u>Balance 12/31/21</u>	<u>Due within one year</u>
<b><u>Governmental Activities</u></b>					
<i>Bonds Payable</i>					
GOB Series 2016	\$ 10,180,000	\$ -	\$ 280,000	\$ 9,900,000	\$ 285,000
<b>Total Bonds Payable</b>	<b>10,180,000</b>		<b>280,000</b>	<b>9,900,000</b>	<b>285,000</b>
<i>Notes from Direct Borrowings</i>					
Installment Loan	282,777	-	53,109	229,668	54,779
Installment Loan	13,373	-	13,373	-	-
Installment Loan	13,626	-	6,584	7,042	7,042
Installment Loan	131,033	-	32,760	98,273	32,758
Installment Loan	39,297	-	12,334	26,963	13,084
Installment Loan	50,169	-	16,111	34,058	16,690
Installment Loan	-	1,011,713	51,950	959,763	56,193
Installment Loan	-	2,043,414	552,265	1,491,149	1,491,149
<b>Total Direct Borrowings</b>	<b>530,275</b>	<b>3,055,127</b>	<b>738,486</b>	<b>2,846,916</b>	<b>1,671,695</b>
<b>Total Government Activities</b>	<b>10,710,275</b>	<b>3,055,127</b>	<b>1,018,486</b>	<b>12,746,916</b>	<b>1,956,695</b>
<b><u>Business-Type Activities</u></b>					
<i>Bonds Payable</i>					
GOB Series A of 2016	4,130,000	-	4,130,000	-	-
GOB Series A of 2021	-	8,395,000	205,000	8,190,000	280,000
<b>Total Bonds Payable</b>	<b>4,130,000</b>	<b>8,395,000</b>	<b>4,335,000</b>	<b>8,190,000</b>	<b>280,000</b>
<i>Notes from Direct Borrowings</i>					
Guaranteed Sewer Revenue Note	57,946	-	26,205	31,741	27,127
Guaranteed Sewer Revenue Note	-	438,905	-	438,905	19,411
<b>Total Direct Borrowings</b>	<b>57,946</b>	<b>438,905</b>	<b>26,205</b>	<b>470,646</b>	<b>46,538</b>
<b>Total Business-Type Activities</b>	<b>4,187,946</b>	<b>8,833,905</b>	<b>4,361,205</b>	<b>8,660,646</b>	<b>326,538</b>
<b>Total all Debt</b>	<b>\$ 14,898,221</b>	<b>\$ 11,889,032</b>	<b>\$ 5,379,691</b>	<b>\$ 21,407,562</b>	<b>\$ 2,283,233</b>

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

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**NOTE 6 – FUND BALANCES**

Governmental-type funds reports restricted fund balances of \$136,048 at December 31, 2021. The State Liquid Fuels Fund reports restricted fund balance of \$136,048, which is restricted by the Commonwealth of Pennsylvania for construction, reconstruction, maintenance and repair of public roads or streets.

**NOTE 7 – PENSION PLANS**

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

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

Plan Description for the Uniformed Employees

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

Funding Policy for the Uniformed Employees

Act 205 requires that annual contributions to the Plan be based upon the Plan's Minimum Municipal Obligation (MMO), which is based on the Plan's biennial actuarial valuation. The most recent actuarial valuation was performed on January 1, 2021. The Plan may also be eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program which must be used for pension funding. Any funding requirements established by the MMO in excess of state aid must be paid by the municipality in accordance with Act 205. As a condition of participation full-time employees are required to contribute 8% of compensation to the Plan. This contribution is governed by the Plan's ordinances and collective bargaining agreement.

Plan Description for the Nonuniformed Employees

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

Funding Policy for the Nonuniformed Employees

Act 205 requires that annual contributions to the Plan be based upon the Plan's Minimum Municipal Obligation (MMO), which is based on the Plan's biennial actuarial valuation. The most recent actuarial valuation was performed on January 1, 2019. The Plan may also be eligible to receive an allocation of state aid from the

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

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**NOTE 7 – PENSION PLANS – continued**

General Municipal Pension System State Aid Program which must be used for pension funding. Any funding requirements established by the MMO in excess of state aid must be paid by the municipality in accordance with Act 2015. As a condition of participation, full-time employees are not required to contribute to the Plan.

Funding

For the fiscal year ended December 31, 2021, the rate of Borough contributions for the Police Pension Plan and the Nonuniformed Pension Plan was 10.3% and 6.8% of covered payroll, respectively. The total Borough and employee contributions to the Police Pension Plan for the years ended December 31, 2021, 2020, and 2019 were \$327,342, \$238,949, and \$248,260, respectively, which are equal to or exceed the required contribution for each year. As of December 31, 2021, \$414,537 of the contributions were not made. This amount was remitted in 2022. The total Borough contributions to the Nonuniformed Defined Benefit Pension Plan for the years ended December 31, 2021, 2020, and 2019 were \$153,489, \$90,352, and \$75,889, and, respectively, which are equal to or exceed the required contribution for the year. As of December 31, 2021, \$165,405 of the contributions were not made. This amount was remitted in 2022.

**NOTE 8 – DEFERRED COMPENSATION PLAN**

The Borough maintains deferred compensation plans for the administrative employees. The plans are administered by the International City Management Association Retirement Corporation (ICMA) and the Copeland Companies. The plan meets the requirement of IRC Section 457.

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

It is the opinion of the Borough's legal counsel that the Borough has no liability for losses under the plan agreements but does have the duty of due care that would be required of any ordinary prudent investor. The Borough believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

**NOTE 9 – COMMITMENTS AND CONTINGENCIES**

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

**NOTE 10 – DEFICIT FUND BALANCES**

The Community Development Fund of the Borough had a deficit fund balance of \$2,240 at December 31, 2021

**NOTE 11 – RISK MANAGEMENT**

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

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

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**NOTE 12 – SUBSEQUENT EVENTS**

In preparing these financial statements, management of the Borough of Catasauqua has evaluated events and transactions subsequent to December 31, 2021 through March 6, 2023, the date these financial statements were available to be issued. Based on the definitions and requirements of the Subsequent Topics of the FASB Accounting Standards Codification, management of the Borough has noted the following subsequent events that would require recognition or disclosure in the financial statements:

As of January 1, 2023 the tax mills increased from 7.35 to 15.05 Mills.

During the year, the Borough received grant proceeds in the amount of \$552,265. These grant proceeds were required to be paid against a grant anticipation loan. This money was never transferred and the bank is not in compliance with the loan agreement.

**OTHER INFORMATION**

BOROUGH OF CATASAUQUA  
 LEHIGH COUNTY, PENNSYLVANIA  
 BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND - CASH BASIS  
 FOR THE YEAR ENDED DECEMBER 31, 2021

	Budgeted Amounts		Actual Budget Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 3,349,000	\$ 3,349,000	\$ 3,316,819	\$ (32,181)
Licenses and permits	155,100	155,100	137,539	(17,561)
Fines	19,500	19,500	45,992	26,492
Interest and rents	109,225	109,225	105,365	(3,860)
Intergovernmental	273,800	273,800	1,200,349	926,549
Charges for services	834,600	834,600	905,351	70,751
Miscellaneous	114,000	114,000	327,265	213,265
<b>Total Revenues</b>	<b>4,855,225</b>	<b>4,855,225</b>	<b>6,038,680</b>	<b>1,183,455</b>
<b>Other Financing Sources:</b>				
Proceeds from debt	-	-	2,440,499	2,440,499
Proceeds for sale of assets	25,750	25,750	15,623	(10,127)
<b>Total Revenues and Other Financing Sources</b>	<b>4,880,975</b>	<b>4,880,975</b>	<b>8,494,802</b>	<b>3,613,827</b>
<b>Expenditures:</b>				
General government	775,927	775,927	904,050	(128,123)
Public safety and protective inspection	1,355,182	1,355,182	1,590,477	(235,295)
Sanitation, storm water & flood control	768,760	768,760	745,413	23,347
Highways and streets	392,596	392,596	410,681	(18,085)
Parking facilities	500	500	4,019	(3,519)
Culture and recreation	175,650	175,650	203,114	(27,464)
Community development	29,050	29,050	2,336,203	(2,307,153)
Insurance	109,500	109,500	54,541	54,959
Employee benefits	849,500	849,500	751,257	98,243
Pension	90,000	90,000	8,629	81,371
Unemployment	15,000	15,000	18,879	(3,879)
<b>Total Expenditures</b>	<b>4,561,665</b>	<b>4,561,665</b>	<b>7,027,263</b>	<b>(2,465,598)</b>
<b>Other Financing Uses:</b>				
Operation transfers	561,395	561,395	1,875,432	(1,314,037)
<b>Total Expenditures and Other Financing Uses</b>	<b>5,123,060</b>	<b>5,123,060</b>	<b>8,902,695</b>	<b>(3,779,635)</b>
<b>Net changes in fund balances</b>	<b>(242,085)</b>	<b>(242,085)</b>	<b>(407,893)</b>	<b>\$ (165,808)</b>
<b>Fund Balance Forwarded</b>	<b>-</b>	<b>-</b>	<b>(172,177)</b>	
<b>Fund balance at end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (580,070)</b>	



**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
UNIFORMED AND NONUNIFORMED PENSION PLANS  
SCHEDULE OF PENSION LIABILITY AND RELATED RATIOS  
(In accordance with GASB 68)  
DECEMBER 31, 2021  
(UNAUDITED)**

Measurement Date	Plan Fiduciary Net Position (a)	Total Pension Liability (TPL)(b)	Net Pension (NPL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	NPL as a Percentage of Covered Payroll ((b-a)/c)
<b>POLICE PENSION PLAN</b>						
12/31/21	\$ 4,079,946	\$ 5,272,575	\$ 1,192,629	77.38%	\$ 786,204	151.69%
12/31/20	3,548,548	5,087,929	1,539,381	69.74%	724,430	212.50%
12/31/19	3,183,266	4,910,296	1,727,030	64.83%	609,002	283.58%
12/31/18	2,789,572	4,432,056	1,642,484	62.94%	632,440	259.71%
12/31/17	3,008,058	4,312,334	1,304,276	69.75%	593,222	219.86%
12/31/16	2,714,662	4,089,946	1,375,284	66.37%	566,098	242.94%
12/31/15	2,647,149	3,944,472	1,297,323	67.11%	504,874	256.96%
12/31/14	2,749,228	3,717,472	968,244	73.95%	438,276	220.92%
<b>NONUNIFORMED PENSION PLAN</b>						
12/31/21	\$ 3,659,416	\$ 4,223,606	\$ 564,190	86.64%	\$ 1,158,660	48.69%
12/31/20	3,224,111	3,422,476	198,365	94.20%	1,069,662	18.54%
12/31/19	2,978,713	3,225,435	246,722	92.35%	1,102,496	22.38%
12/31/18	2,617,104	3,173,925	556,821	82.46%	920,000	60.52%
12/31/17	2,763,004	2,942,003	178,999	93.92%	884,408	20.24%
12/31/16	2,433,313	2,887,828	454,515	84.26%	907,350	50.09%
12/31/15	2,311,327	2,656,877	345,550	86.99%	833,294	41.47%
12/31/14	2,299,161	2,484,701	185,540	92.53%	899,946	20.62%

**Notes to schedules:**

Assumption Changes - In 2015, the interest rate assumption was lower from 5.0% to 4.5%.

In 2017, the mortality assumption was changed from the RP-2000 Table to the RP-2000 Table projected to 2015 to the RP-2000 Table to the RP-2000 Table projected to 2017 using Scale AA.

In 2021, the mortality assumption was changed from RP-2000 Table projected to 2017 using Scale AA to the PubG-2010.

Schedules prepared in accordance with actuarial valuations performed in accordance with GASB 68, *Accounting and Reporting for Pensions*. GASB 68 requires the liability of employers contributing to employees defined benefit pensions to be measured on the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to the employees past period of service, less the cost of the plan's fiduciary net position.

**BOROUGH OF CATASAUQUA  
LEHIGH COUNTY, PENNSYLVANIA  
UNIFORMED AND NONUNIFORMED PENSION PLANS  
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS  
(In Accordance with Act 205)  
DECEMBER 31, 2021  
(UNAUDITED)**

**SCHEDULES OF FUNDING PROGRESS\***

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)(b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<b>POLICE PENSION PLAN</b>						
1/01/21	3,784,989	5,092,266	1,307,277	74.3%	\$ 809,266	161.5%
1/01/19	2,789,572	4,432,056	1,642,484	62.9%	632,440	259.7%
1/01/17	2,714,662	4,089,946	1,375,284	66.4%	566,098	242.9%
<b>NONUNIFORMED PENSION PLAN</b>						
1/01/21	3,567,350	3,433,630	(133,720)	103.9%	\$ 1,210,104	-11.1%
1/01/19	2,299,161	2,484,701	185,540	92.5%	\$ 920,000	20.2%
1/01/17	2,433,313	2,887,828	454,515	84.3%	907,350	50.1%

**SCHEDULES OF EMPLOYER CONTRIBUTIONS**

Fiscal Year	Annual Required Contribution	Percentage Contributed
<b>POLICE PENSION PLAN</b>		
2021	\$ 346,287	0%
2020	270,962	28%
2019	187,808	100%
2018	189,708	100%
2017	157,992	100%
2016	155,749	100%
2015	126,319	100%
<b>NONUNIFORMED PENSION PLAN</b>		
2021	\$ 75,889	0%
2020	90,352	91%
2019	75,889	100%
2018	62,950	100%
2017	64,168	100%
2016	65,731	100%
2015	63,790	100%

\* Schedules prepared in accordance with actuarial valuations performed under PA Act 205.