

**BOROUGH OF CATASAUQUA
LEHIGH COUNTY, PENNSYLVANIA
FINANCIAL STATEMENTS
DECEMBER 31, 2020**

BOROUGH OF CATASAUQUA

TABLE OF CONTENTS

DECEMBER 31, 2020

	Page (s)
Independent Auditors' Report	3 – 4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net position – Cash Basis	5
Statement of Activities – Cash Basis	6 – 7
Fund Financial Statements:	
<i>Governmental Funds:</i>	
Combined Statement of Assets, Liabilities and Fund Balances – Cash Basis Governmental Funds	8
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Cash Basis Governmental Funds	9
<i>Proprietary Funds:</i>	
Statement of Net Position- Cash Basis	10
Statement of Revenues, Expenses and Changes in Net Position – Cash Basis	11
Statement of Cash Flows – Cash Basis	12
<i>Fiduciary Funds:</i>	
Statement of Net Position- Cash Basis – Fiduciary Funds	13
Statement of Changes in Net Position – Cash Basis – Fiduciary Funds	14
Notes to Basic Financial Statements	15 – 33
Other Information:	
Budgetary Comparison Schedule for the General fund – Cash Basis	35
Police and Nonuniformed Pension Plans – Schedule of Funding Progress and Employer Contributions (PA Act 205)	36
Police and Nonuniformed Pension Plans – Schedule of Net Pension Liability and Related Ratios (GASB 68)	37

KIRK, SUMMA & Co., LLP

CERTIFIED PUBLIC ACCOUNTANTS

Kevin D Summa, CPA
Corey A Kosek, CPA

1 Dansbury Square
East Stroudsburg, PA 18301
Ph: 570-421-0753 | Fax: 570-421-3615

1545 Route 209
Brodheadsville, PA 18322
Ph: 570-992-5876 | Fax: 570-992-3802

INDEPENDENT AUDITORS' REPORT

To the Borough Council
Borough of Catasauqua
Catasaqua, Pennsylvania

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the Borough of Catasauqua, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, 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 entity'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 entity'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 estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective 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, as of December 31, 2020, 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.

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 opinions are not with respect to this matter.

Emphasis of Matters

As discussed in Note 12 to the financial statements, the United States is currently operating under a state of National Emergency due to the Coronavirus Pandemic. Our opinion is not with respect to this matter.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the Borough of Catasauqua's basic financial statements. The budgetary comparison information and pension information on pages 36 and 37 - 38, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Kirk, Summa + Co. LLP

January 4, 2022
East Stroudsburg, Pennsylvania

BOROUGH OF CATASAUQUA
 LEHIGH COUNTY, PENNSYLVANIA
 STATEMENT OF NET POSITION - CASH BASIS
 DECEMBER 31, 2020

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 157,074	\$ 93,450	\$ 250,524
Interfund balances	4,746	147,446	152,192
Capital assets, net of depreciation	-	5,191,199	5,191,199
TOTAL ASSETS	161,820	5,432,095	5,593,915
LIABILITIES			
Interfund balances	63,975	88,217	152,192
Other liabilities	76,988	-	76,988
Current portion of long-term debt	-	266,205	266,205
Long-term debt	-	3,921,741	3,921,741
TOTAL LIABILITIES	140,963	4,276,163	4,417,126
NET POSITION			
Net investment in capital assets	-	1,003,253	1,003,253
Restricted for:			
Liquid fuels	195,268	-	195,268
Escrows	76,988	-	76,988
Unrestricted	(251,399)	152,679	(98,720)
TOTAL NET POSITION	\$ 20,857	\$ 1,155,932	\$ 1,176,789

See accompanying notes to basic financial statements.

BOROUGH OF CATASAUQUA
 LEHIGH COUNTY, PENNSYLVANIA
 STATEMENT OF ACTIVITIES - CASH BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2020

Program Activities	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities
Governmental activities:					
General government administration	\$ 752,784	\$ -	\$ 201,649	\$ (551,135)	\$ -
Public safety and protective inspection	1,367,657	841,013	30,694	(495,950)	-
Public works	1,345,713	4,355	421,418	(919,940)	-
Culture and recreation	243,160	-	-	(243,160)	-
Community development	571,725	-	-	(571,725)	-
Insurance	101,431	-	-	(101,431)	-
Employee benefits	673,858	-	-	(673,858)	-
Interest and debt related	770,896	-	-	(770,896)	-
Miscellaneous and other	80	-	-	(80)	-
Depreciation - unallocated	-	-	-	-	-
Total governmental activities	5,827,304	845,368	653,761	(4,328,175)	-
Business-type activities:					
Sewer	1,452,062	1,624,005	-	-	171,943
Wastewater collection	262,253	183,035	-	-	(79,218)
Water	906,459	682,196	-	-	(224,263)
Total business-type activities	2,620,774	2,489,236	-	-	(131,538)
Total primary government	\$ 8,448,078	\$ 3,334,604	\$ 653,761	\$ (4,328,175)	\$ (131,538)
					\$ (4,459,713)

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, 2020

	Net (Expenses) Revenues and Changes in Net Position		
	Governmental Activities	Business-type Activities	Totals
General revenues:			
Property taxes, levied for general purposes	2,193,867	-	2,193,867
Other taxes levied for general purposes	907,583	-	907,583
Licenses and permits	157,426	-	157,426
Fines and forfeits	23,236	-	23,236
Investment earnings	3,360	1,171	4,531
Miscellaneous income	274,593	-	274,593
Gain (loss) on disposal of assets	16,356	-	16,356
Transfers between funds	20,000	(20,000)	-
Total general revenues and transfers	3,596,421	(18,829)	3,577,592
Change in Net Position	(731,754)	(150,367)	(882,121)
Net position at beginning of year	752,611	1,306,299	2,058,910
Net Position at End of Year	\$ 20,857	\$ 1,155,932	\$ 1,176,789

See accompanying notes to basic financial statements.

BOROUGH OF CATASAUQUA
LEHIGH COUNTY, PENNSYLVANIA
BALANCE SHEETS - CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	Major Funds		Non-major Funds			Total
	General Fund	Liquid Fuels Fund	Debt Service Fund	Community Development Fund	Governmental Funds	
ASSETS						
Cash and cash equivalents	\$ -	\$ 195,268	\$ -	\$ 2,513	\$ 197,781	
Interfund receivables:						
Business-type-funds	4,746	-	-	-	4,746	
TOTAL ASSETS	\$ 4,746	\$ 195,268	\$ -	\$ 2,513	\$ 202,527	
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Overdraft	\$ 40,707	\$ -	\$ -	\$ -	\$ 40,707	
Interfund payables:						
Business-type-funds	59,229	-	-	4,746	63,975	
Escrow payable	76,988	-	-	-	76,988	
TOTAL LIABILITIES	176,924	-	-	4,746	181,670	
FUND BALANCES						
Restricted	76,988	195,268	-	-	272,256	
Unassigned-as restated	(249,166)	-	-	(2,233)	(251,399)	
TOTAL FUND BALANCES	(172,178)	195,268	-	(2,233)	20,857	
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,746	\$ 195,268	\$ -	\$ 2,513	\$ 202,527	

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, 2020**

	Major Funds		Nonmajor Funds		Total
	General Fund	Liquid Fuels Fund	Community Development Fund	Debt Service Fund	Governmental Funds
Revenues:					
Taxes	\$ 3,101,449	\$ -	\$ -	\$ -	\$ 3,101,449
Licenses and permits	157,426	-	-	-	157,426
Fines	23,236	-	-	-	23,236
Interest and rents	2,816	541	7	-	3,364
Intergovernmental	637,280	185,289	-	-	822,569
Charges for services	844,868	-	-	-	844,868
Miscellaneous	106,280	-	-	-	106,280
Total Revenues	4,873,355	185,830	7	-	5,059,192
Expenditures:					
General government	752,784	-	-	-	752,784
Public safety and protective inspection	1,367,657	-	-	-	1,367,657
Sanitation	731,720	-	-	-	731,720
Highways and streets	616,093	110,626	-	-	726,719
Storm water & flood control	330	-	-	-	330
Culture and recreation	243,160	-	-	-	243,160
Economic development	571,725	-	-	-	571,725
Debt service - principal	0	-	-	464,285	464,285
Debt service - interest	0	-	-	306,611	306,611
Insurance	101,431	-	-	-	101,431
Employee benefits	659,509	-	-	-	659,509
Pension	-	-	-	-	-
Unemployment	14,347	-	-	-	14,347
Total Expenditures	5,058,756	110,626	-	770,896	5,940,278
Excess (deficiency) in Revenues over expenses	(185,401)	75,204	7	(770,896)	(881,086)
Other Financing Sources (Uses);					
Proceeds from sale of Authority rights	16,356	-	-	-	16,356
Operation transfers in (out)	(637,920)	-	-	770,896	132,976
Total Other Financing Sources (Uses);	(621,564)	-	-	770,896	149,332
Net changes in fund balances	(806,965)	75,204	7	-	(731,754)
Fund balances at beginning of year	634,787	120,064	(2,240)	-	752,611
Fund balances at end of year	\$ (172,178)	\$ 195,268	\$ (2,233)	\$ -	\$ 20,857

See accompanying notes to basic financial statements.

BOROUGH OF CATASAUQUA
 LEHIGH COUNTY, PENNSYLVANIA
 STATEMENT OF NET POSITION - CASH BASIS
 PROPRIETARY FUNDS
 DECEMBER 31, 2020

	Sewer Fund	Wastewater Collection Fund	Water Fund	Total Proprietary Funds
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 18,168	\$ 63,315	\$ 11,968	\$ 93,451
Due from other funds	101,195	25,658	20,593	147,446
Total Current Assets	119,363	88,973	32,561	240,897
Capital Assets:				
Sewer system, net of accumulated depreciation	4,820,848	99,940	-	4,920,788
Water system, net of accumulated depreciation	-	-	270,411	270,411
TOTAL ASSETS	\$ 4,940,211	\$ 188,913	\$ 302,972	\$ 5,432,096
LIABILITIES				
Current Liabilities				
Due to other funds	\$ -	\$ 1,475	\$ 86,742	\$ 88,217
Current portion of long-term debt	235,000	-	25,313	260,313
Total Current Liabilities	235,000	1,475	112,055	348,530
Noncurrent Liabilities				
Water revenue notes payable, net of current portion	-	-	32,633	32,633
Bonds payable, net of current portion	3,895,000	-	-	3,895,000
Total Noncurrent Liabilities	3,895,000	-	32,633	3,927,633
TOTAL LIABILITIES	4,130,000	1,475	144,688	4,276,163
NET POSITION				
Net investment in capital assets	690,848	99,940	212,465	1,003,253
Unrestricted	119,363	87,498	(54,181)	152,680
TOTAL NET POSITION	\$ 810,211	\$ 187,438	\$ 158,284	\$ 1,155,933

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, 2020**

	Sewer Fund	Wastewater Collection Fund	Water Fund	Total Proprietary Funds
Operating Revenues:				
Licenses & permits	\$ 7,000	\$ -	\$ -	\$ 7,000
Charges for services	1,581,060	187,916	665,725	2,434,701
Miscellaneous	35,884			35,884
Total Operating Revenues	1,623,944	187,916	665,725	2,477,585
Operating Expenses:				
Personnel services	568,357	199,968	416,457	1,184,782
Maintenance, operations, and contract services	347,567	47,103	282,002	676,672
Supplies	51,383	6,135	14,889	72,407
Materials	-	1,013	84,093	85,106
Utilities	76,267	-	58,575	134,842
Depreciation	309,807	8,034	31,847	349,688
Total Operating Expenses	1,353,381	262,253	887,863	2,503,497
NET OPERATING INCOME (LOSS)	270,563	(74,337)	(222,138)	(25,912)
Nonoperating Revenues (Expenses)				
Interest income	374	427	552	1,353
Interest expense	(98,680)	-	(7,126)	(105,806)
Total Nonoperating Revenues (Expenses)	(98,306)	427	(6,574)	(104,453)
Net Income(loss) Before Operating Transfers				
Operating transfers	-	(5,000)	(15,000)	(20,000)
CHANGE IN NET POSITION	172,257	(78,910)	(243,712)	(150,365)
NET POSITION - BEGINNING OF YEAR	637,954	266,348	401,996	1,306,298
NET POSITION - END OF YEAR	\$ 810,211	\$ 187,438	\$ 158,284	\$ 1,155,933

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, 2020

	Sewer Fund	Wastewater Collection Fund	Water Fund	Total Proprietary Funds
Cash flows from operating activities:				
Receipts from customers	\$ 1,623,944	\$ 187,916	\$ 698,125	\$ 2,509,985
Payments to employees	(568,357)	(199,968)	(416,457)	(1,184,782)
Payments to suppliers	(475,217)	(54,251)	(439,559)	(969,027)
Net Cash provided by operating activities	580,370	(66,303)	(157,891)	356,176
Cash flows from non-capital financing activities:				
Operating transfers	-	(5,000)	(15,000)	(20,000)
Net cash (used) by non-capital financing activities	-	(5,000)	(15,000)	(20,000)
Cash flows from capital and related financing activities:				
Interest paid on capital debt	(98,680)	-	(7,126)	(105,806)
Principal paid on capital debt	(235,000)	-	(25,313)	(260,313)
Net cash (used) by capital and related financing activities	(333,680)	-	(32,439)	(366,119)
Cash flows from investing activities:				
Purchases of capital assets	(236,985)	-	(20,521)	(257,506)
Interfund borrowings, net	(85,000)	(10,000)	85,000	(10,000)
Interest earned on cash and investments	374	427	552	1,353
Net cash (used) by investing activities	(321,611)	(9,573)	65,031	(266,153)
Net increase in cash and cash equivalents	(74,921)	(80,876)	(140,299)	(296,096)
Cash at beginning of year	93,089	144,191	152,267	389,547
Cash at end of year	\$ 18,168	\$ 63,315	\$ 11,968	\$ 93,451
Reconciliation of Operating Profit (Loss) to net cash provided by (used for) Operating Activities				
Operating Income (Loss)	\$ 270,563	\$ (74,337)	\$ (222,138)	\$ (25,912)
Adjustments to reconcile operating loss to net cash used for operating activities:				
Depreciation expense	309,807	8,034	31,847	349,688
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ 580,370	\$ (66,303)	\$ (190,291)	\$ 323,776

See accompanying notes to basic financial statements.

BOROUGH OF CATASAUQUA
 LEHIGH COUNTY, PENNSYLVANIA
 STATEMENT OF NET POSITION - CASH BASIS
 FIDUCIARY FUNDS
 DECEMBER 31, 2020

	Police Pension Plan	Nonuniform Pension Plan	Total Pension Trust Funds
<u>ASSETS</u>			
Investments	\$ 3,321,464	\$ 3,232,814	\$ 6,554,278
TOTAL ASSETS	<u>\$ 3,321,464</u>	<u>\$ 3,232,814</u>	<u>\$ 6,554,278</u>
<u>LIABILITIES</u>			
Accrued pension payments	\$ -	\$ -	\$ -
<u>NET POSITION</u>			
Net position held in trust for pension benefits	3,321,464	\$ 3,232,814	6,554,278
TOTAL LIABILITIES AND NET POSITION	<u>\$ 3,321,464</u>	<u>\$ 3,232,814</u>	<u>\$ 6,554,278</u>

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, 2020**

	Police Pension Plan	Nonuniform Pension Plan	Total Pension Trust Funds
ADDITIONS:			
Contributions:			
Employer	\$ -	\$ -	\$ -
Employee	56,923	-	56,923
Commonwealth	96,754	90,352	
Interest and dividends	46,625	44,742	91,367
Investment gain	256,687	252,234	508,921
TOTAL ADDITIONS	456,989	387,328	657,211
Deductions:			
Benefit payments, including tax withheld	299,264	114,330	413,594
Administrative expenses	19,527	18,897	38,424
TOTAL DEDUCTIONS	318,791	133,227	452,018
CHANGE IN NET POSITION	138,198	254,101	205,193
Held in Trust for Pension Benefits:			
Beginning of year	3,183,266	2,978,713	6,161,979
End of year	\$ 3,321,464	\$ 3,232,814	\$ 6,554,278

See accompanying notes to basic financial statements.

**BOROUGH OF CATASAUQUA
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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

In evaluating the Borough as a primary government, 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 and the nature and significance of the relationship. No component units meet the criteria for inclusion.

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position (cash basis) and the statement of activities (cash basis)) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund 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 services.

The statement of activities (cash basis) 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 services or privileges provided by a given function or segment and 2) grants that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues.

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

C. Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate financial statements are provided for the governmental funds, proprietary funds, and fiduciary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as one column (non-major funds) on the fund financial statements.

BOROUGH OF CATASAUQUA
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

C. Fund Financial Statements- continued

The Borough Reports the following Major Governmental Funds:

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.

Special Revenue Funds – These funds are established to account for the cash receipts of specific resources other than expendable trusts or major capital projects that are legally restricted to disbursements for specified purposes.

The Borough's major special revenue fund is:

Liquid Fuels Highway Aid Fund – This fund is used to account for the proceeds from the Commonwealth of Pennsylvania and is restricted in uses for the maintenance, repair, and construction of roads, streets, and bridges for which the Borough is responsible.

The Borough Reports the following Nonmajor Governmental Funds:

Community Development Fund – This fund is used to account for the proceeds from the Commonwealth of Pennsylvania and is restricted in uses for the maintenance, repair, and construction of roads, streets, and bridges for which the Borough is responsible.

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

The Borough Reports the following Major Enterprise Funds:

Enterprise Funds – These funds are used to account for business-like activities provided to the general public. Activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The Borough's major enterprise funds are the following:

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Additionally, the Borough Reports the Following Fund Types:

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

During the course of operations, the government activity between funds for various purposes. Any residual balances outstanding at the year-end are reported as interfund receivables and payables. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in the governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported as gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

D. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

D. Measurement focus, basis of accounting, and financial statement presentation - continued

- 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.

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

If the Borough utilized accounting principles generally accepted in the United States of America, the fund financial statements for governmental funds would use the 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.